

Think bold today for a brighter tomorrow.



Investor Presentation for the July 2018 (22nd) Period

Securities Code: 3249

Industrial & Infrastructure Fund Investment Corporation

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Portfolio Data and Other Materials

1. Executive Summary



Steady Increase in Earnings by External Growth through CRE/PRE Proposals

New acquisition

Pipeline Expansion through CRE proposals and development projects

■ Asset size expanded to JPY **274.7bn** through the PO in February

- Newly acquired assets in size: JPY **21.3bn**

■ Active in development projects to further expand pipeline

- Gifu Kakamigahara LC (provisional name)
(Expected completion: Feb. , 2019)

- IIF Atsugi MC (Building)
(Expected completion: May., 2019)

New

- **Hiroshima Seifushinto LC (provisional name)**
(Expected completion: Apr. , 2020)

Existing Portfolio

Opportunities to improve profitability by decreased vacancy rate

■ Leasing for IIF Shinagawa ITSC is progressing as scheduled

- Stable rent demand from the candidate tenants will allow fast re-tenant for the vacant lots

■ Awarded **GRESB Real Estate highest rank of “Green Star” for six consecutive years as a result of engagement in eco-friendly measures**

- For the existing portfolio, three properties received CASBEE for Real Estate certification
 - IIF Fukuoka Hakozaki LC II : S rank (★★★★★)
 - IIF Kashiwa LC : A rank (★★★★)
 - IIF Iruma LC : A rank (★★★★)

Financial Strategy

Reinforced financial base, and decreased debt costs

■ New debt financing associated with PO in February

(Note)

<New borrowings in association with PO>

- New borrowings : JPY **20.8bn**
- Average borrowing period : **8.9** years
- Average interest rate : **0.63%**

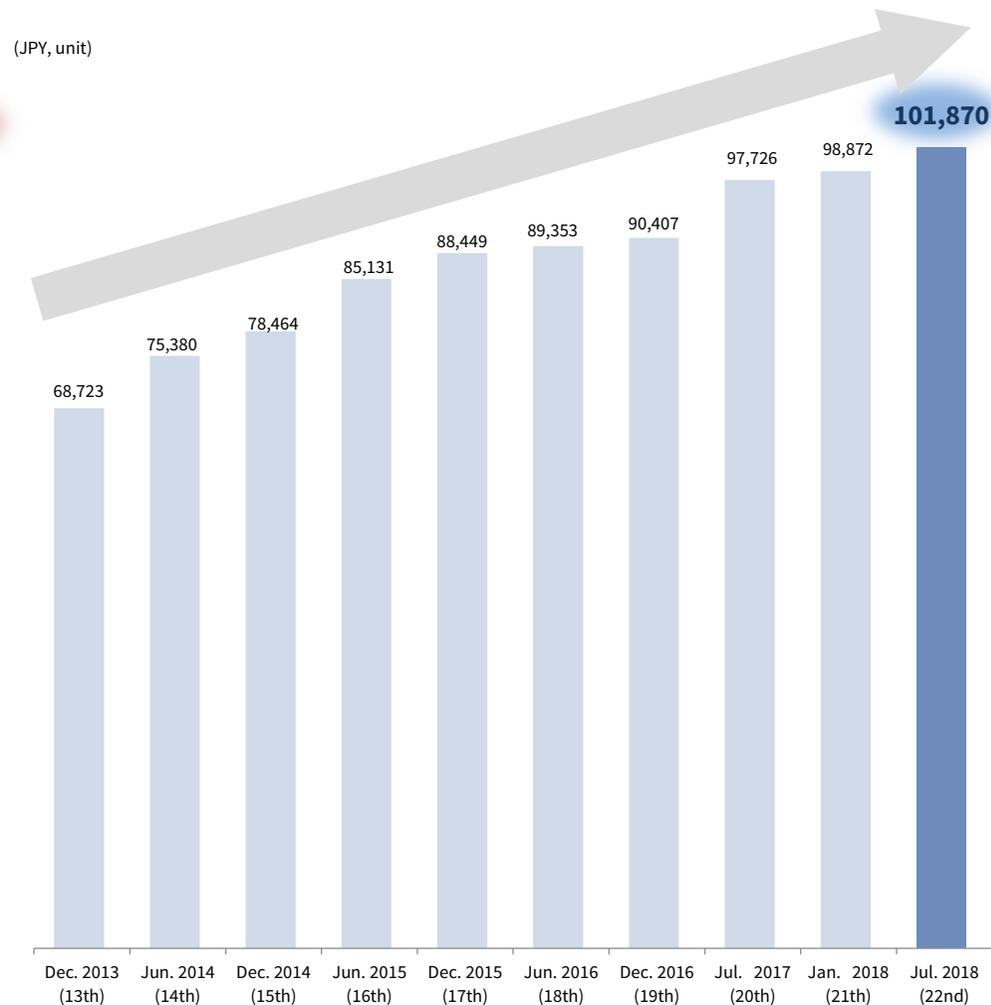
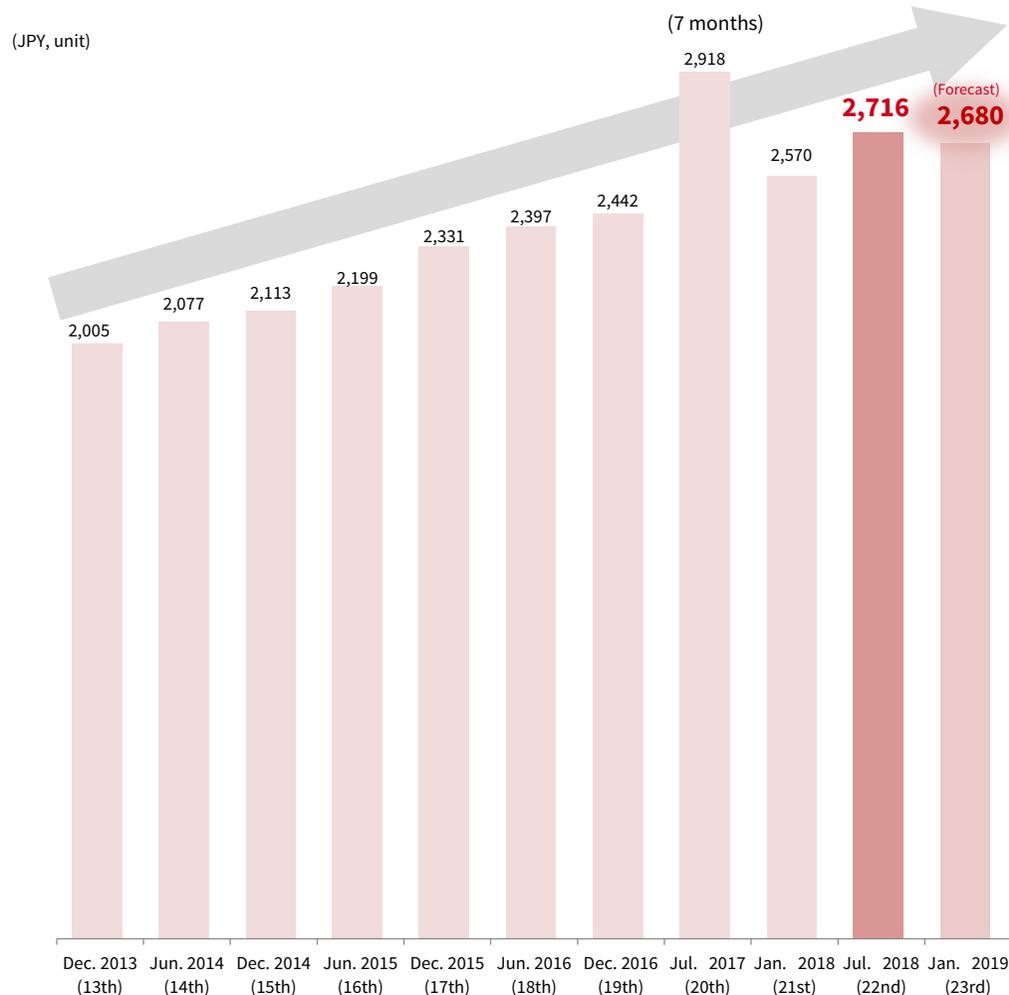
<Important indices after the new debt financing>

- LTV :
50.3% → **50.1%**
- Average borrowing period remaining to maturity :
5.9 years → **6.5** years
- Average applicable interest rate :
1.10% → **0.95%**

Continuous Strong Growth in DPU and NAV through Continued Acquisitions

DPU grew by approx. 1.3 times over the five-year period (Note 1)

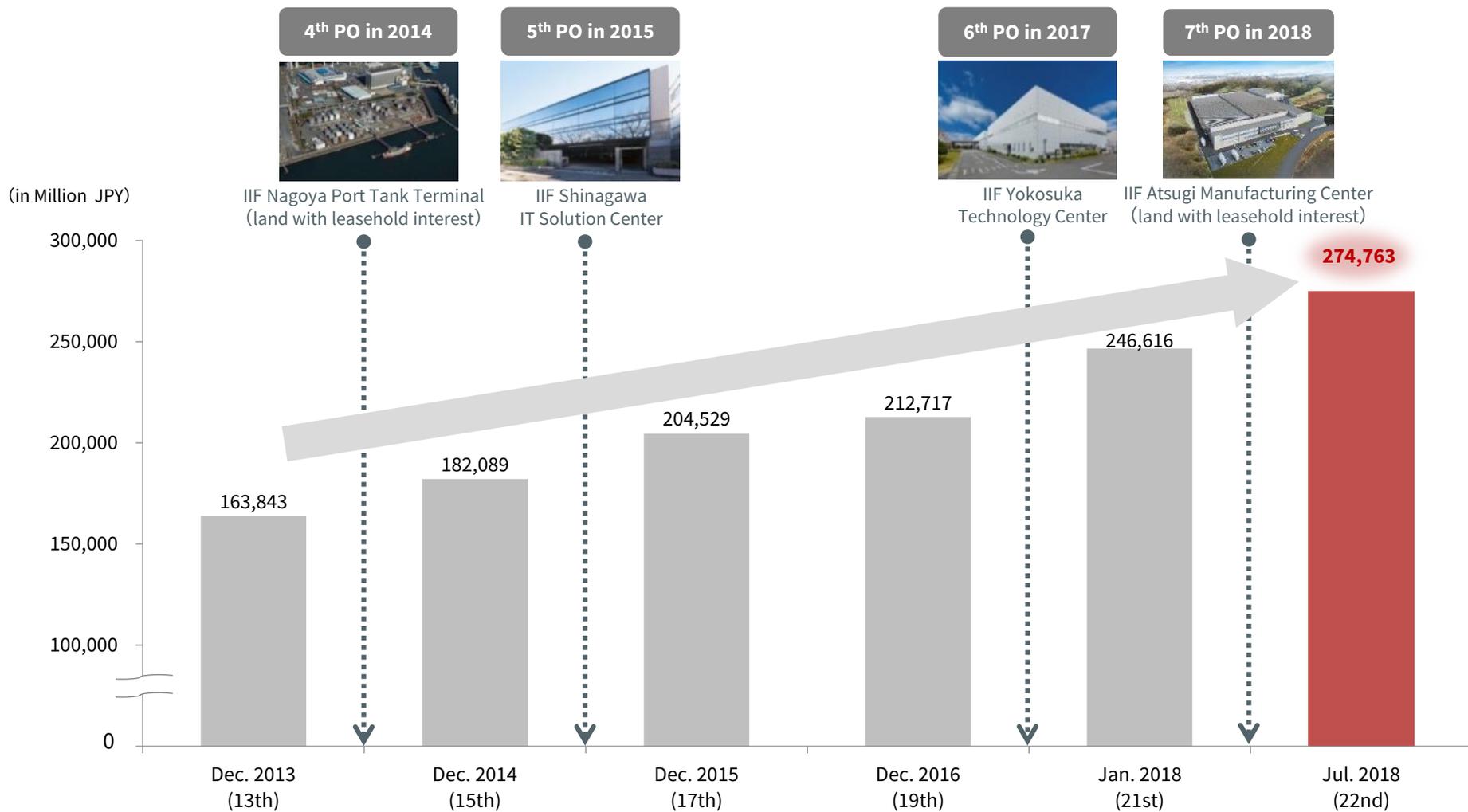
Appraisal NAV per Unit grew by approx. 1.5 times over the five-year period (Note 1)



※For the details of the footnotes, see Page 34.

Steady Growth of Asset Size by Property Acquisition via Continuous Public Offerings

Asset Size grew by approx. 1.7 times over the five-year period



DPU (assuming expensing of property-related taxes) grew by 5.0% and NAV grew by 3.0% through the PO

■ Important Indices

	Fiscal Period Ended Jan. 2018 (21 st Period)		Property acquisitions announced on Jan. 10, 2018 (Note 1)		New acquisition through the PO		After the PO in 2018
Number of Properties	59 Properties	+	3 Properties	+	10 Properties	→	66 properties (Note 2)
Total (Anticipated) Acquisition Price	JPY246,615m	+	JPY6,783m	+	JPY21,364m	→	JPY274,763m
Average NOI Yield	5.8%	+	5.0%	+	5.3%	→	5.7%
Average NOI Yield after depreciation	4.8%	+	3.9%	+	4.8%	→	4.8%
Unrealized gain on appraisal value (Unrealized gain ratio)	+JPY43,177m (+17.7%)	+	+JPY306m (+4.5%)	+	+JPY2,226m (+10.4%)	→	JPY47,682m (+17.5%)
LTV (Booked Value)(Note 3)	50.3%	→					50.1%
Weighted average interest rate	1.10%		+		0.57%	→	0.95%
Distributions per Unit (assuming expensing of property-related taxes) (Note 4)	JPY2,505/unit	→					JPY2,630/unit (+5.0%) (Based on earnings forecast for 23 rd Fiscal Period)
Appraisal NAV per Unit (Note 58)	JPY98,872/unit	→					JPY101,870/unit (+3.0%)

※For the details of the footnotes, see Page 34.

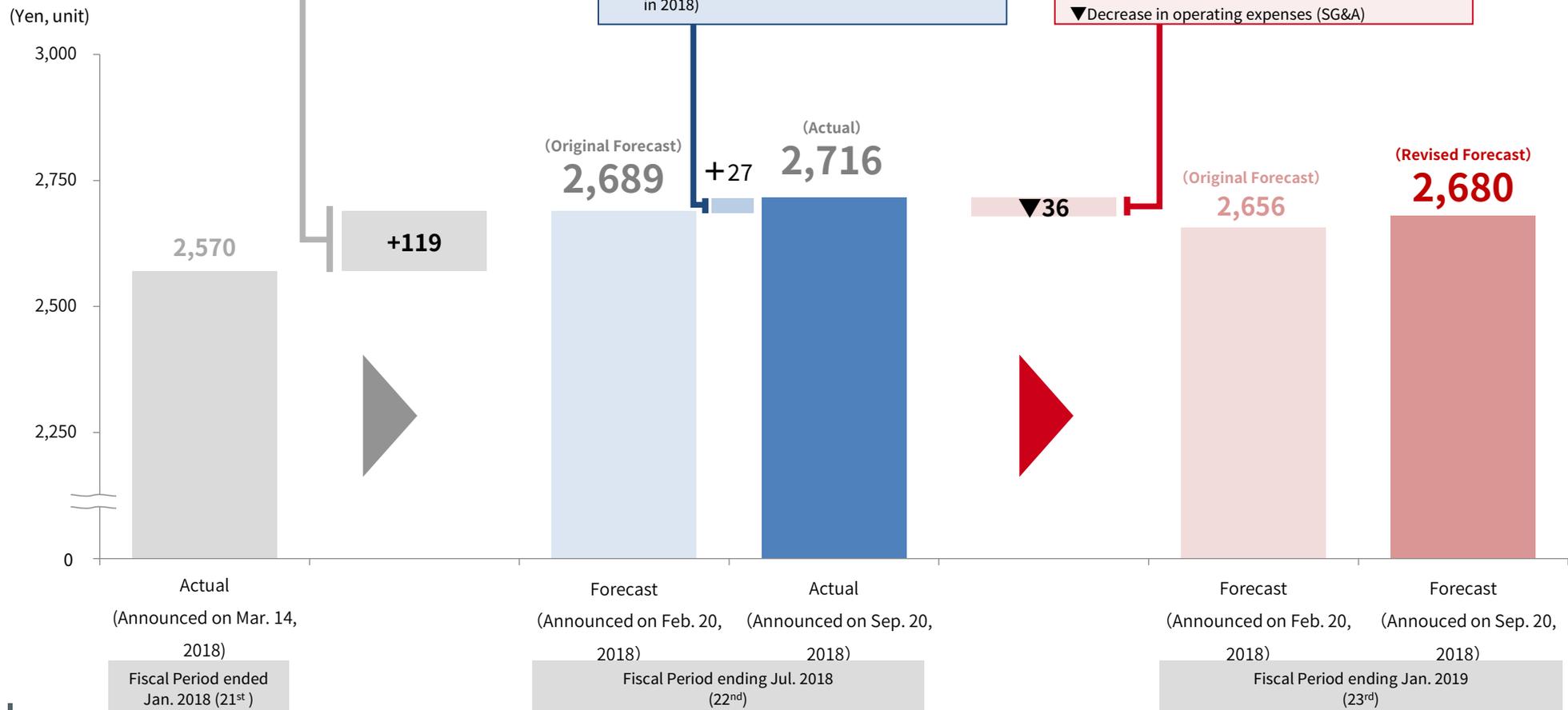
Steady growth of DPU Contributed by the Public Offering

Trend in DPU

- △ Partial contribution from the properties acquired through PO in 2018
- △ Increase in revenue due to the acquisitions of IIF Fukuoka Hakozaki LC I, II, and the extension
- △▼ Decrease in revenue due to tenant leave (Shinagawa ITSC) and penalty fee for the early termination
- △ Decrease in interest expense due to refinancing
- ▼ Expensed property-related taxes for the properties acquired in 2017 (Half of full-year contribution)

- △ Increase in revenue (Osaka Toyonaka DC etc.)
- ▼ Delayed acquisition of IIF Atsugi MC (land with leasehold interest)
- △ Decrease in operating expenses (SG&A)
- △ Decrease in non-operating expenses
(Interest expenses for new debt and refinancing in 2018)

- △ Full contribution from the properties acquired through PO in 2018
- ▼ Decrease in revenue due to tenant leave and penalty fee for the early termination (IIF Shinagawa ITSC)
- ▼ Expensed property-related taxes for the properties acquired in 2017 (full contribution)
- ▼ Decrease in operating expenses (SG&A)



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2. Investment Strategy Going Forward – “CRE Beyond”

“CRE Beyond” is the advanced investment strategy for CRE proposals based on (i) Our past track record and know-how for the acquisition of properties through original CRE proposals, (ii) Our established track-record as a CRE solution provider enhancing our potential for further growth, and (iii) Leveraging on our experience and reputation as a CRE solution provider to identify new investment opportunities.

Pipeline Expansion and Profitable Asset Acquisition Achieved by Active Engagement in Development Projects

2014

2015

2016

2017

2018

IIF Kawasaki Science Center
(Completed in May 2014)



NOI yield before depreciation (After completion)	7.5% (Note 1)
Tenant	Johnson & Johnson
Lease term	15.0 years

IIF Nishinomiya Logistics Center (Extension Building)
(Completed in May 2016)



NOI yield before depreciation (Extension Building)	7.1% (Note 1)
Tenant	Suzuyo & Co., Ltd
Lease term	20.0 years

IIF Sendai Taiwa Logistics Center (Extension Building)
(Completed in December 2017)



NOI yield before depreciation (Extension Building)	6.2% (Note 1)
Tenant	Miyago Logistics
Lease term	5.0 years

IIF Fukuoka Hakozaiki Logistics Center II (Extension Building)
(Expected to be completed in March 2018)



NOI yield before depreciation (Extension Building)	6.5% (Note 1)
Tenant	Onoun
Lease term	10.0 years

2019

2020

Gifu Kakamigahara Logistics Center (provisional name)
(Expected to be completed in February 2019)



Building	Preferential Negotiation Rights
Land	Preferential Negotiation Rights
Tenant	Major logistics company
Total floor space	17,837.51m ²

- BTS type logistics facility development project which satisfies major logistics companies' needs for new development
- Received preferential negotiation rights to acquire a trust beneficiary interest in both the underlying land and the building^(Note 3)

IIF Atsugi Manufacturing Center
(Expected to be completed in May 2019)



Building	Preferential Negotiation Rights
Land	Acquired in April 2018
Tenant	Ichikoh Industries, Ltd.
Total floor space	13,020.28m ²

- Development project which satisfies a major automotive-parts manufacturer (Ichikoh Industries, Ltd.) looking to establish a new plant
- Received preferential negotiation rights to acquire a trust beneficiary interest in the building^(Note 3)

Hiroshima Seifushinto Logistics Center (provisional name)
(Expected to be completed in April 2020)



Building	Preferential Negotiation Rights
Land	Preferential Negotiation Rights
Tenant	Major logistics company
Total floor space	41,649.92m ²

- Highly versatile logistics facility development project which satisfies 3PL companies' needs for leasing and seller's needs for land selling
- Received preferential negotiation rights to acquire a trust beneficiary interest in both the underlying land and the building^(Note 3)
- managed to enter into an agreement on conclusion of a fixed-term building lease for long term with a candidate tenant

Acquisition of Highly Profitable Assets though IIF’s Original CRE/PRE Proposals

Acquiring highly profitable and less-competitive assets through CRE/PRE proposals

External Growth : CRE Beyond

Pursue first-mover advantage by responding to various disposition needs and developing new asset type through CRE/PRE proposals

<Examples of recent CRE/PRE proposals>

- **【R&D Facilities】** R&D Facilities in favorable location expecting profitability enhancement through tenant replacement
- **【Manufacturing】** Highly versatile manufacturing land with leasehold right with relatively short lease term
- **【 Manufacturing /Logistics】** Manufacturing and logistics facility as a core business base for major manufacturing company
- **【PRE】** Industry promotion facility supported by local governments

Development Project Pipeline though CRE Proposals

IIF Atsugi Manufacturing Center (Building)



Gifu Kakamigahara LC (provisional name)



Hiroshima Seifushinto LC (provisional name)



Pipeline Status

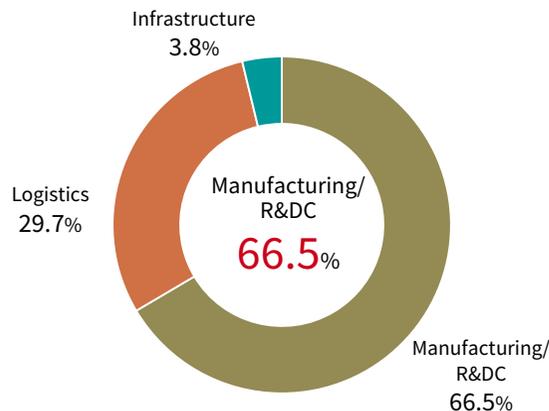
Total number of properties under consideration **42 properties**
 Total value of properties under consideration **JPY 262.5bn**

Number of properties currently under detailed consideration

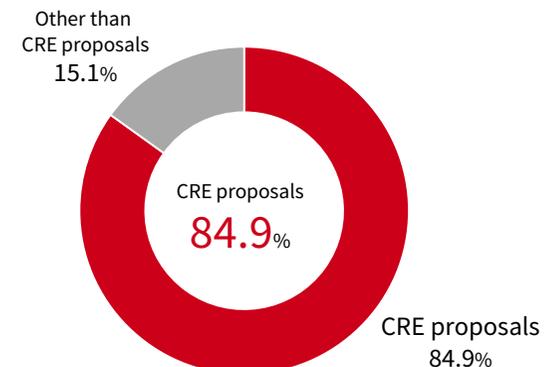
16 properties

Breakdown of deals under detailed consideration^(Note)

By asset class (Based on price)



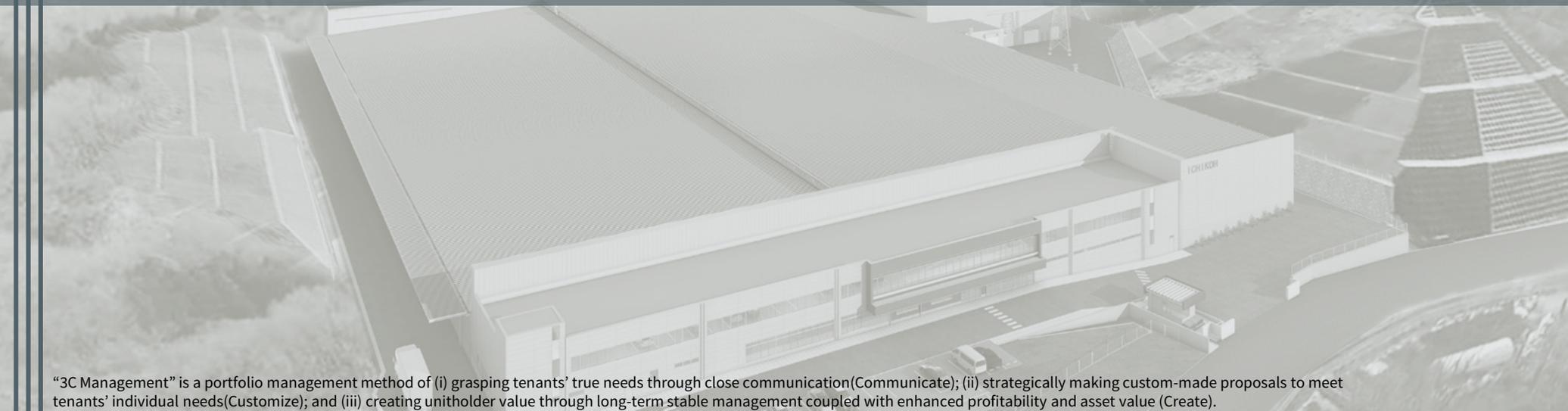
By source (Based on price)



※For the details of the footnotes, see Page 34.

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3. Current Status of Operations and Initiatives Going Forward (1) Management of Current Portfolio: “3C Management”



“3C Management” is a portfolio management method of (i) grasping tenants’ true needs through close communication(Communicate); (ii) strategically making custom-made proposals to meet tenants’ individual needs(Customize); and (iii) creating unitholder value through long-term stable management coupled with enhanced profitability and asset value (Create).

IIF Shinagawa ITSC Leasing Status (1)

■ Maintaining leasing of replacing tenant despite tenant cancellation due to hub integration



Property Characteristics

- Located in Nishi Gotanda, Shinagawa-ku with good access from central Tokyo having strong company demand
- Highly convenient with a 2 minute walk from Fudomae Station on the Tokyu Meguro Line and a 11 minute walk from Gotanda Station on the Yamanote Line
- High specification with two emergency power generation equipments, floor-loading capacity of 400 kg/m² to 1t/m², and electric capacity of 40VA/m²

< Located in central Tokyo with good access >



Occupancy rate is expected to temporarily fall to 32.2% (Contract base, as of Dec. 2018) as relocation continues due to tenant hub integration

Leasing Strategy

【Factors to consider】

1. Shorten down time period
2. Current robust demand for office properties
3. Additional installation costs due to re-tenant for data center specifications

Promptly improve vacancy rate through flexible leasing by capturing strong office demand

IIF Shinagawa ITSC Leasing Status (2)

■ Capture strong office demand and aim to increase revenue by vacancy rate improvement

Capture office demand

Many potential tenant candidates due to steady office demand, and have already received several lease applications from various industries

<Tenant candidates from various industries>

Candidate	Industry	Purpose	Area
Company A	Foreign-owned manufacturing company	Office and R&D facility	Approx. 400 tsubo
Company B	E-commerce - related company	Office	Approx. 500 tsubo
Company C	IT -related company	Movie shooting studio	Approx. 400 tsubo
Company D	Home electronic appliance manufacturing company	Office and R&D facility	Approx. 500 tsubo
Company E	IT -related company	Office	Approx. 200 tsubo

[Reference] Area of IIF Shinagawa ITSC

Total floor space	Total leasable area
Approx. 3,710 tsubo	Approx. 2,144 tsubo

Increase in revenue due to early lease up

Current occupancy rate of around **50%** (contract basis) due to flexible leasing

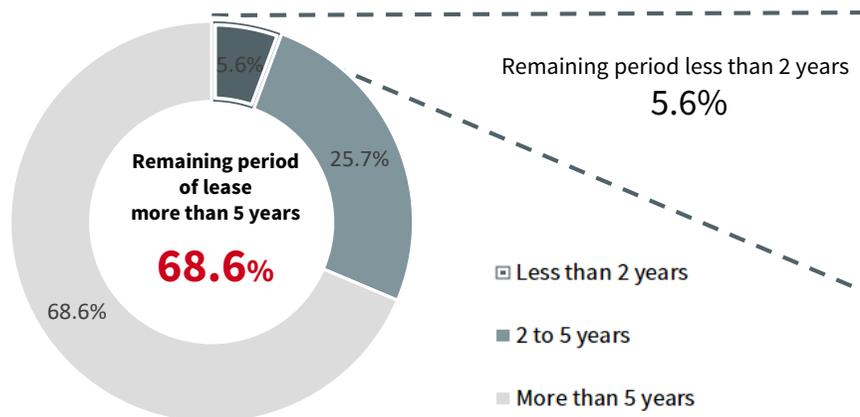
[Reference] Impact on DPU due to re-tenant (vs 23rd fiscal period)^(Note)

		Assumed total occupancy rate after leasing		
		60%	80%	100%
Assumed rent of vacant section (JPY/ Monthly basis per tsubo)	19,000	+JPY 14 /unit	+JPY 43 /unit	+JPY 71 /unit
	18,000	+JPY 12 /unit	+JPY 39 /unit	+JPY 66 /unit
	17,000	+JPY 10 /unit	+JPY 36 /unit	+JPY 61 /unit

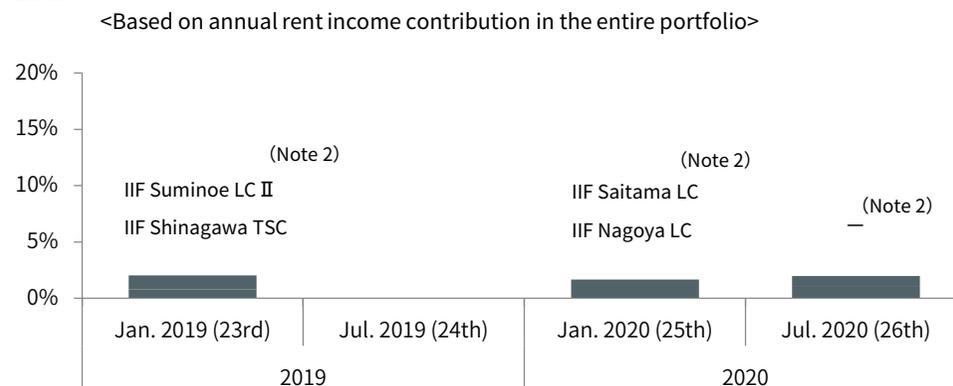
※Estimated figures based on stabilized basis after the free rent periods

Concluded Lease Agreement for IIF Fukuoka Hakozaki LCI and IIF Shinsuna LC without Downtime. Next Focus is on IIF Shinagawa ITSC Leasing

Distribution of Lease Expiration Periods (annual rent basis)



Distribution of leases expiring within the next two years^(Note 1) (annual rent basis)



Response to Key Tenants Facing Lease Expiration in Next Two Years

	Lease Expiry	Property Name	Tenant	Achievements/Action Plans	
Jul. 2018 period (22 nd)	May 31, 2018	IIF Shinagawa ITSC	Not Disclosed	Cancellation before maturity at end of May 2018 due to consolidation. Currently, IIF is leasing the vacant lot.	In progress
	July 14, 2018	IIF Shinsuna LC	Sagawa Express Co., Ltd.	Renewed contract with no rent change for 20 years (Non-cancellable for 15 years)	Concluded
	July 31, 2018	IIF Fukuoka Hakozaki LC I	New Fukuoka Soko Co., Ltd. old Sagawa Express Co., Ltd.	Concluded lease contract without downtime, responding to Fukuoka Soko's extension needs	Concluded
Jan. 2019 period (23 rd)	August 31, 2018	IIF Osaka Suminoe LC II	Toshiba Logistics Corporation	Confirmed intention of continued use and auto-renewed 1 year	Concluded
	December 31, 2018	IIF Shinagawa ITSC	Not Disclosed	Cancellation before maturity at end of December 2018 due to consolidation. Currently, IIF is leasing the vacant lot.	In progress
Jan. 2020 period (25 th)	November 30, 2019	IIF Saitama LC	MM Corporation	Confirmed intention of continued use. Scheduled to negotiate contract renewal assuming renewal	In progress
	January 31, 2020	IIF Nagoya LC	Japan Airlines Co., Ltd.	Confirmed intention of continued use. Scheduled to negotiate contract renewal assuming renewal	In progress

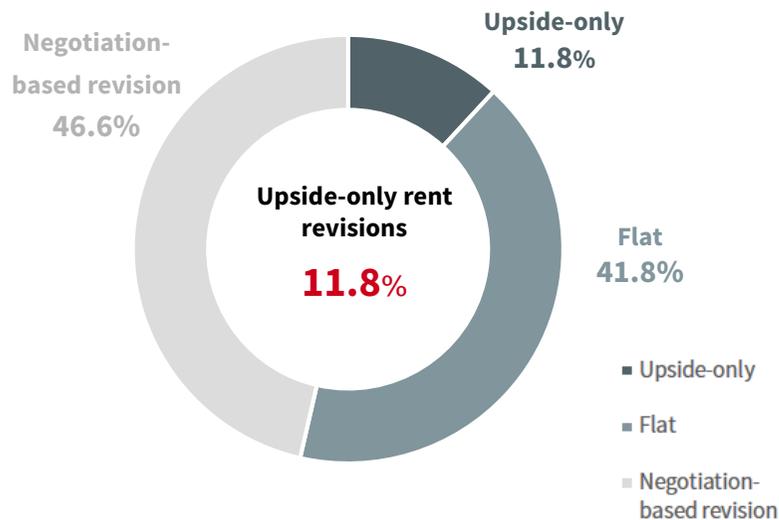
※For the details of the footnotes, see Page 34.

Realized Internal Growth While Continuing Environmental Friendly Measures

Key Internal Growth Initiatives

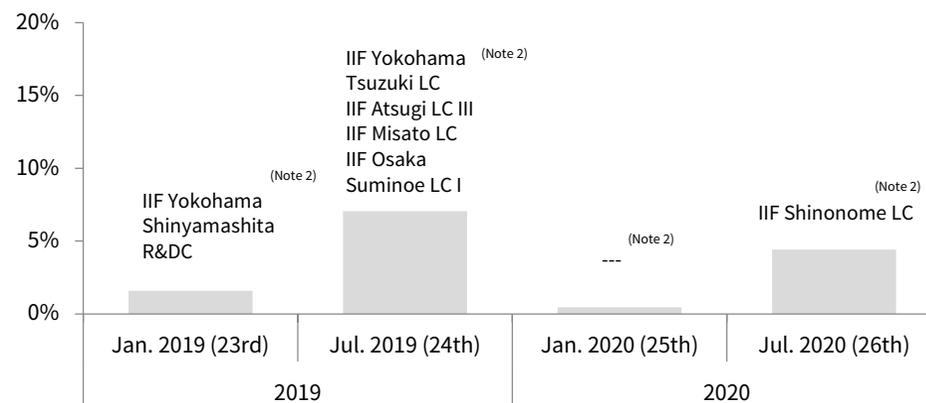
	Effective Date (Scheduled)	Property Name	Tenant	Internal Growth Measures	Annual Rent Increase	
Jul. 2018 (22 nd period)	March, 2018	IIF Kazo LC	PIP CO., LTD	Sharing the monetary benefit resulting from the installation of LED lighting	Rent Increased	+ JPY 2,004K
	March, 2018	IIF Koshigaya LC	Tsukasa Co., Ltd.	Sharing the monetary benefit resulting from the installation of LED lighting	Rent Increased	+ JPY 1,054K
	March, 2018	IIF Noda LC	Mitsubishi Electric Logistics Corporation Japan Logistic Systems Corp.	Sharing the monetary benefit resulting from the installation of LED lighting	Rent Increased	+ JPY 6,038K
Jan. 2019 (23 rd period)	October, 2018	IIF Yokohama Shinyamashita R&DC	TRW Automotive Japan Co., Ltd.	Rent increase due to the rent revision clause (CPI linked)	Rent Increased	Not Disclosed
	September, 2019	IIF Sagamihara R&DC	Micron Memory Japan	Scheduled to conclude a collective agreement with tenant for all parking lots within the site	Rent Increase Expected	Not Disclosed

Rent Revisions (annual rent basis) (Note 1)



Properties of which the rent may be revised within the next two years

<Rent income contribution in the entire portfolio>



※For the details of the footnotes, see Page 34.

3. Current Status of Operations and Initiatives Going Forward (2) Financial Strategy: “ALM”

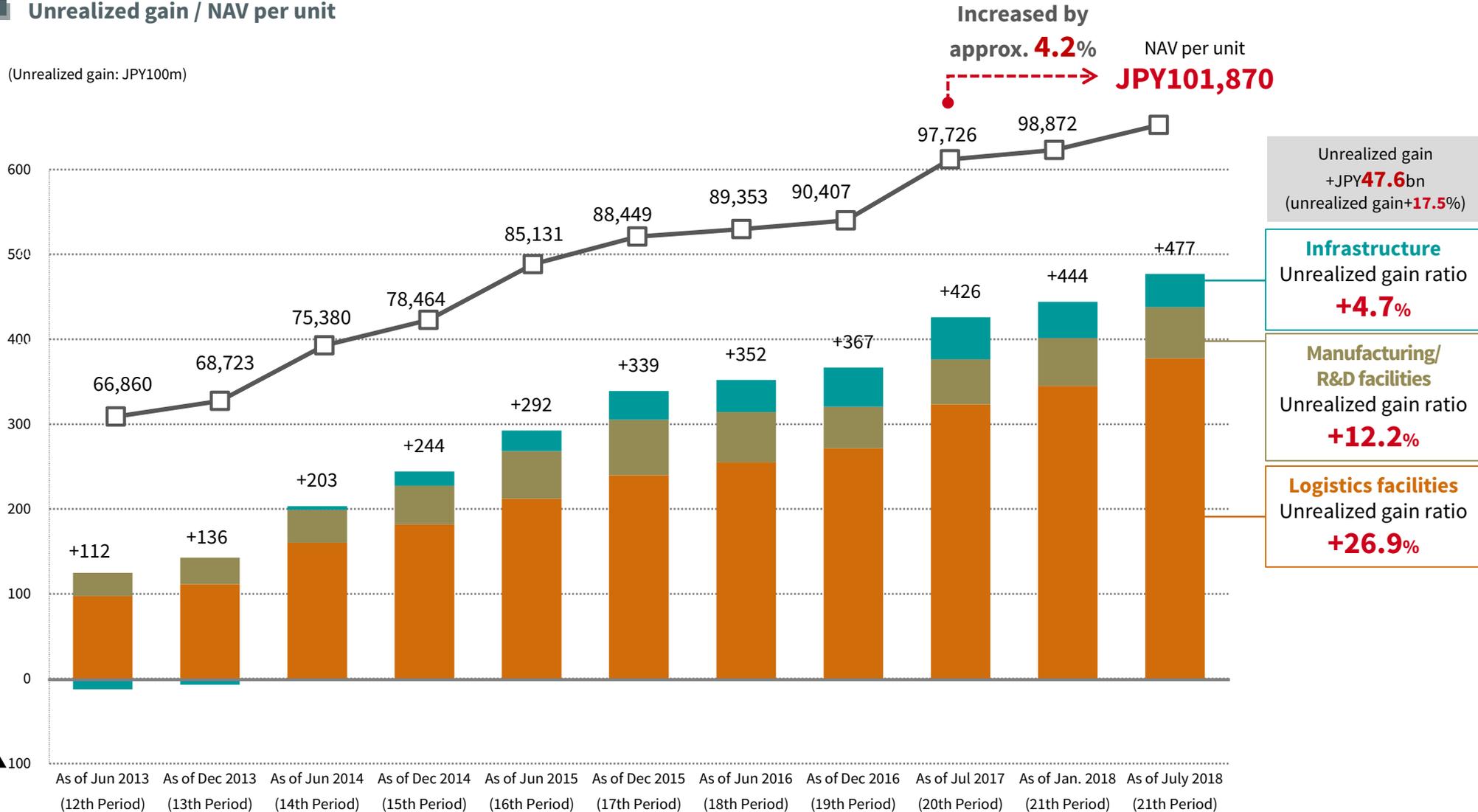


“ALM” refers to the financing strategy which intend to maintain a stable and efficient financial condition, in order to achieve stable revenues and continuous growth of our portfolio. Implementation of the ALM strategy whereby matching stable and long-term lease contract periods with long-term fixed-rate loan periods.

Unrealized Gain Reached JPY47.6bn (ratio+17.5%) and NAV Per Unit Increased by Approx. 4.2%

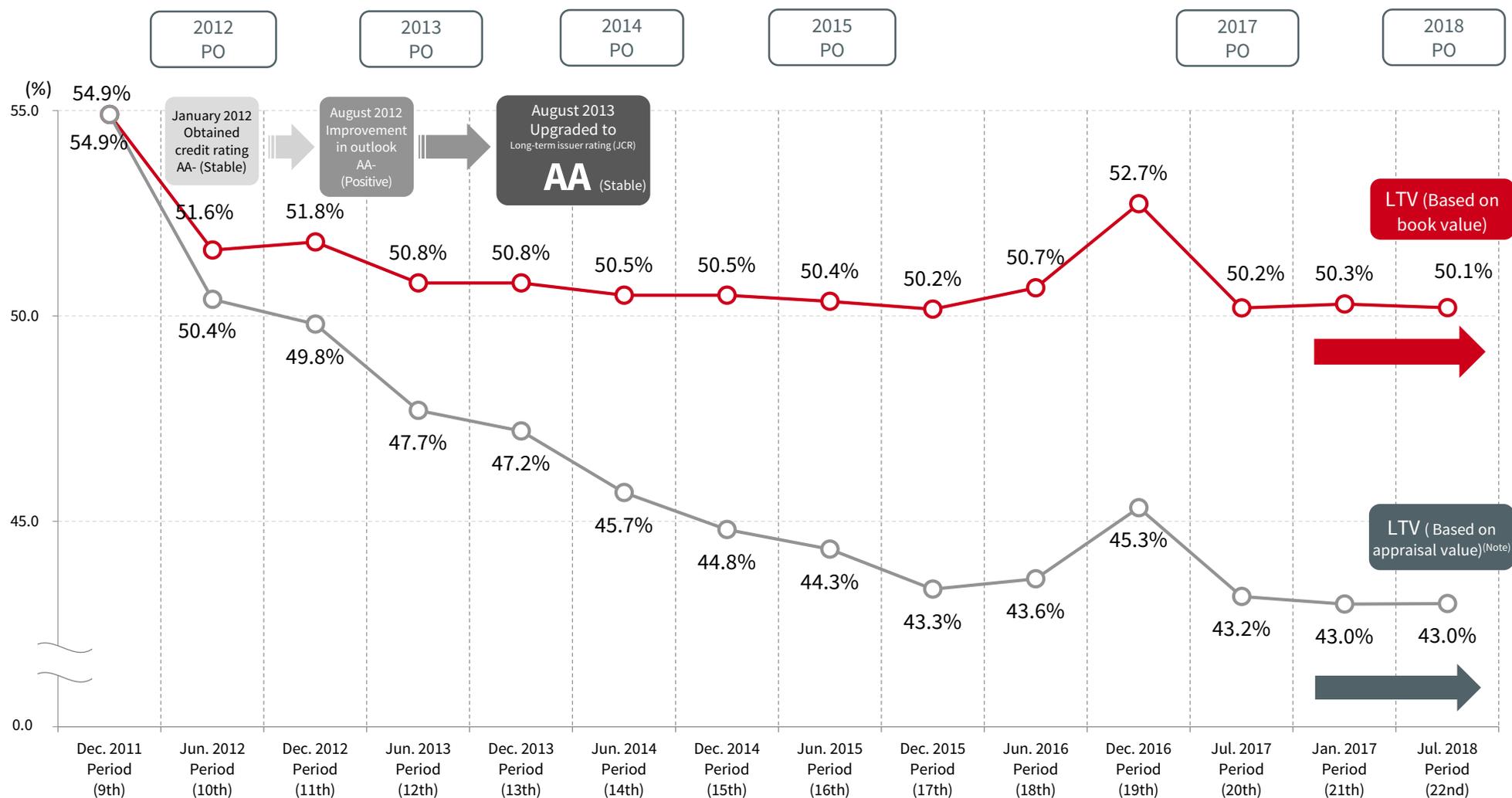
Unrealized gain / NAV per unit

(Unrealized gain: JPY100m)



LTV (Based on book value) Dropped from 50.3% to 50.1% as the Result of PO

Historical LTV



※For the details of the footnotes, see Page 34.

Reinforce Financial Basis and Reduce Interest Costs

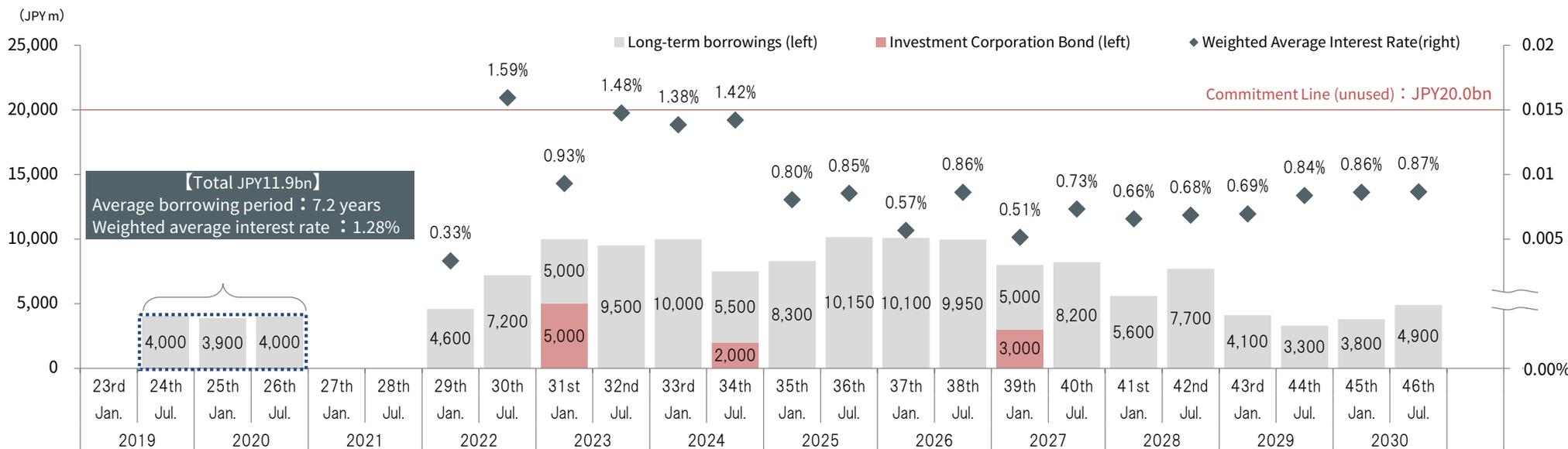
Implementation of new borrowing (JPY 7.3 bn) and refinance of existing loan (JPY13.5 bn)

	New Debt	Refinancing of existing debt	Total
Total borrowing amount	JPY7.3bn	JPY13.5bn	JPY 20.8bn
Weighted average interest rate	0.57%	0.67%	0.63%
Average borrowing period	8.1 years	9.3 years	8.9 years

Key metrics transition before and after borrowing/refinance

	Jan. 2018 (21st)	Jul. 2018 (22nd)
LTV (based on booked value)	50.3%	50.1%
Average borrowing period until maturity	5.9years	6.5years
Weighted average interest rate	1.10%	0.95%

Maturity Ladder and Weighted Average Interest Rate



※For the details of the footnotes, see Page 34.

4. Approach to ESG



Included in MSCI Japan ESG Select Leaders Index for Two Consecutive Years and Awarded GRESB Real Estate Highest Rank of “Green Star” for Six Consecutive Years

Inclusion in MSCI Japan ESG Select Leaders Index



2018 Constituent
MSCI Japan ESG
Select Leaders Index

IIF has been included in the MSCI Japan ESG Select Leaders Index which was launched by MSCI on July 3, 2017.
IIF has received “A” as the highest rank among the J-REITs as of Sep. 20, 2018.

Third- Party Evaluations

■ GRESB Real Estate Assessment

Awarded the “Green Star”, the highest rank, for 6 consecutive years.



■ CASBEE

In Jul. 2018, three IIF properties were awarded CASBEE certification. IIF Fukuoka Hakozaki LC II, IIF Kashiwa LC, and IIF Iruma LC were newly awarded. As of Sep. 20, 2018, 5 properties awarded CASBEE Certification.



IIF Fukuoka Hakozaki LC II



■ DBJ Green Building Certification

As of Sep. 20, 2018, 5 properties have received the DBJ Green Building certification.



DBJ Green Building

IIF Hiroshima LC



■ BELS

As of Sep. 20, 2018, 8 properties awarded BELS certification.



IIF Kashiwa LC



Continuous Efforts Regarding ESG

- | | |
|------|---|
| 2013 | <ul style="list-style-type: none"> Established the environmental charter Established the Responsible Property Investment (RPI) Policy Signed the Principles for Responsible Investment (PRI) proposed by the UN 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), which the Ministry of Environment of Japan supported as a secretariat |
| 2015 | <ul style="list-style-type: none"> Became the first J-REIT asset manager to sign the UN PRI Montreal Carbon Pledge, a new commitment to reduce CO2 |
| 2016 | <ul style="list-style-type: none"> Became the first J-REIT asset manager to sign the United Nation’s Environment Programme – Finance Initiative (UNEP FI) and participated 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 |



5. Supplement: Manufacturing and R&D Facilities & Land with Leasehold Interest”

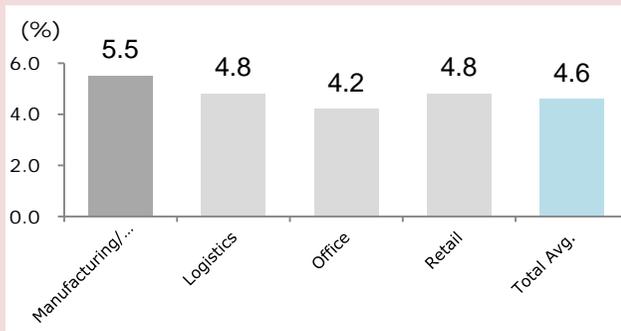


IIF's Investment Focuses on Manufacturing and R&D Facilities

- Realized “High Profitability” and “High Sustainability” through investment in “Manufacturing and R&D Facilities” by utilizing IIF’s competitive advantage

High Profitability

Acquisition NOI Yield by Asset Type (Note)



Point

Less Competitive Sector × Diverse Needs of Seller

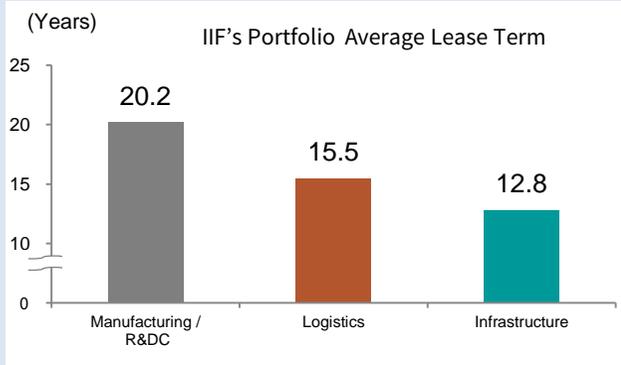
⇒ **“High Profitability” by First-mover Advantage**

IIF’s competitive advantage

- Extensive network in the industrial sector
- High experience and know-how in CRE strategy

High Sustainability

Average Lease Term by Asset Category



Point

Important Core Facilities for Tenants

⇒ **Long-term Lease Agreements**

IIF’s competitive advantage

- High creditworthiness including sponsor group
- The only J-REIT specializing in industrial facilities

※For the details of the footnotes, see Page 34.

IIF's Main Manufacturing and R&D Facilities

Acquisition of "Manufacturing and R&D Facilities" could greatly enhance "DPU Growth", "NAV Growth" and "Stable DPU"

	Portfolio				NOI Yield (NOI Yield after Depreciation) DPU Growth	1. Acquisition Price (million yen)	2. Appraisal Value NAV Growth	Contract Term (Remaining Term) Stable DPU
	Name of Property	Pictures	Date of Acquisition	Type of Ownership				
Manufacturing Facilities	Development Project IIF Atsugi Manufacturing Center (land with leasehold interest)		2018/4	Land Building Under Development	5.0% (5.0%)	4,940	5,270 (+6.7%)	31.2 years (30.9 years)
	IIF Totsuka Manufacturing Center (land with leasehold interest)		2018/3	Land	5.0% (5.0%)	2,300	2,580 (+12.2%)	50.0 years (49.6 years)
	IIF Hiroshima Manufacturing Center (land with leasehold interest)		2018/3	Land	6.2% (6.2%)	1,608	1,830 (+13.8%)	20.0 years (18.7 years)
	IIF Yokosuka Technology Center		2017/2	Land & Building	7.4% (6.7%)	4,000	4,470 (+11.8%)	10.0 years (8.1 years)
	IIF Shonan Technology Center		2017/2	Land & Building	7.4% (6.8%)	1,200	1,340 (+11.7%)	10.0 years (8.1 years)
	IIF Urayasu Machinery Maintenance Center (land with leasehold interest)		2016/3	Land	5.7% (5.7%)	1,300	1,660 (+27.7%)	49.0 years (46.7 years)
R&DC	IIF Sagamihara R&D Center		2015/3	Land & Building	9.3% (8.4%)	3,100	3,960 (+27.7%)	10.0 years (9.3 years)
	Development Project IIF Kawasaki Science Center		Land 2013/2 Build. 2014/5	Land & Building	7.6% (5.4%)	2,168	2,950 (+36.1%)	15.0 years (10.8 years)
	IIF Yokohama Tsuzuki Technology Center		2010/12	Land & Building	7.3% (6.3%)	1,100	1,340 (+21.8%)	22.0 years (12.2 years)
	IIF Totsuka Manufacturing Center (land with leasehold interest)		2010/3	Land	6.1% (6.1%)	4,500	5,400 (+20.0%)	30.0 years (21.7 years)
			(Reference) Portfolio Total	5.7% (4.8%)	274,763	319,620 (+17.5%)	15.8 years (9.0 years)	

IIF's Main Land with Leasehold Interest

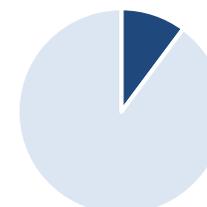
■ Acquisition of “Manufacturing and R&D Facilities” could greatly enhance “DPU Growth”, “NAV Growth” and “Stable DPU

Portfolio			NOI Yield (NOI Yield after Depreciation) DPU Growth	1. Acquisition Price (million yen)	2. Appraisal Value NAV Growth	3. Land Price	Contract Term (Remaining Term) Stable DPU
Name of Property	Date of Acquisition						
Logistics	IIF Narashino Logistics Center (land with leasehold interest)	 2010/2	6.4% (6.4%)	1,190	2,690 (+126.1%)	3,050 (+156.3%)	20.0 years (3.1 years)
Infra-structure	IIF Nagoya Port Tank Terminal (land with leasehold interest)	 2014/2	6.6% (6.6%)	1,900	2,240 (+17.9%)	2,320 (+22.1)	49.9 years (45.5 years)
R&DC	IIF Totsuka Technology Center (land with leasehold interest)	 2010/3	6.1% (6.1%)	4,500	5,400 (+20.0%)	5,240 (+16.4%)	30.0 years (21.7 years)
Manu- facturing	IIF Totsuka Manufacturing Center (land with leasehold interest)	 2018/3	5.0% (5.0%)	2,300	2,580 (+12.2%)	3,070 (+33.5%)	50.0 years (49.6 years)
	IIF Hiroshima Manufacturing Center (land with leasehold interest)	 2018/3	6.2% (6.2%)	1,608	1,830 (+13.2%)	1,990 (+23.7%)	20.0 years (18.7 years)
	IIF Urayasu Machinery Maintenance Center (land with leasehold interest)	 2016/3	5.7% (5.7%)	1,300	1,660 (+28.4%)	1,740 (+33.8%)	49.0 years (46.7 years)

Versatility of Manufacturing Facility: Key Consideration Points

- (1) Building specifications such as facility equipment and floor load
- (2) Potential usability with versatile specifications for other industrial tenants
- (3) Possibility of conversion to other asset type such as a logistics facility, etc.

Acquisition Price 274.7B in Portfolio Total



<Land with leasehold interest>
JPY 27.9B
Inv. Ratio 10.1%

IIF's Proactive Approach to Manufacturing and R&D Facilities Investment Risks(1)

■ Securing long-term yield spread by “long-term lease” and “long-term borrowing” for investments in assets with low liquidity

《Main Risk Factors》

- Liquidity risk due to few transaction precedents
- Leasing risk associated with tenant leaving
- Tapering risk towards future inflation

《IIF's Risk Measures》

■ Stabilizing cash flow with long term lease until risk premium is lowered by increase in number of transaction and liquidity enhancement

■ Promoting long-term fixed borrowings to mitigate the tapering risk towards future inflation

《Asset》

Sustainability
(Stability: Long-term Contract)

Versatility
(Location / Building)

《Debt》

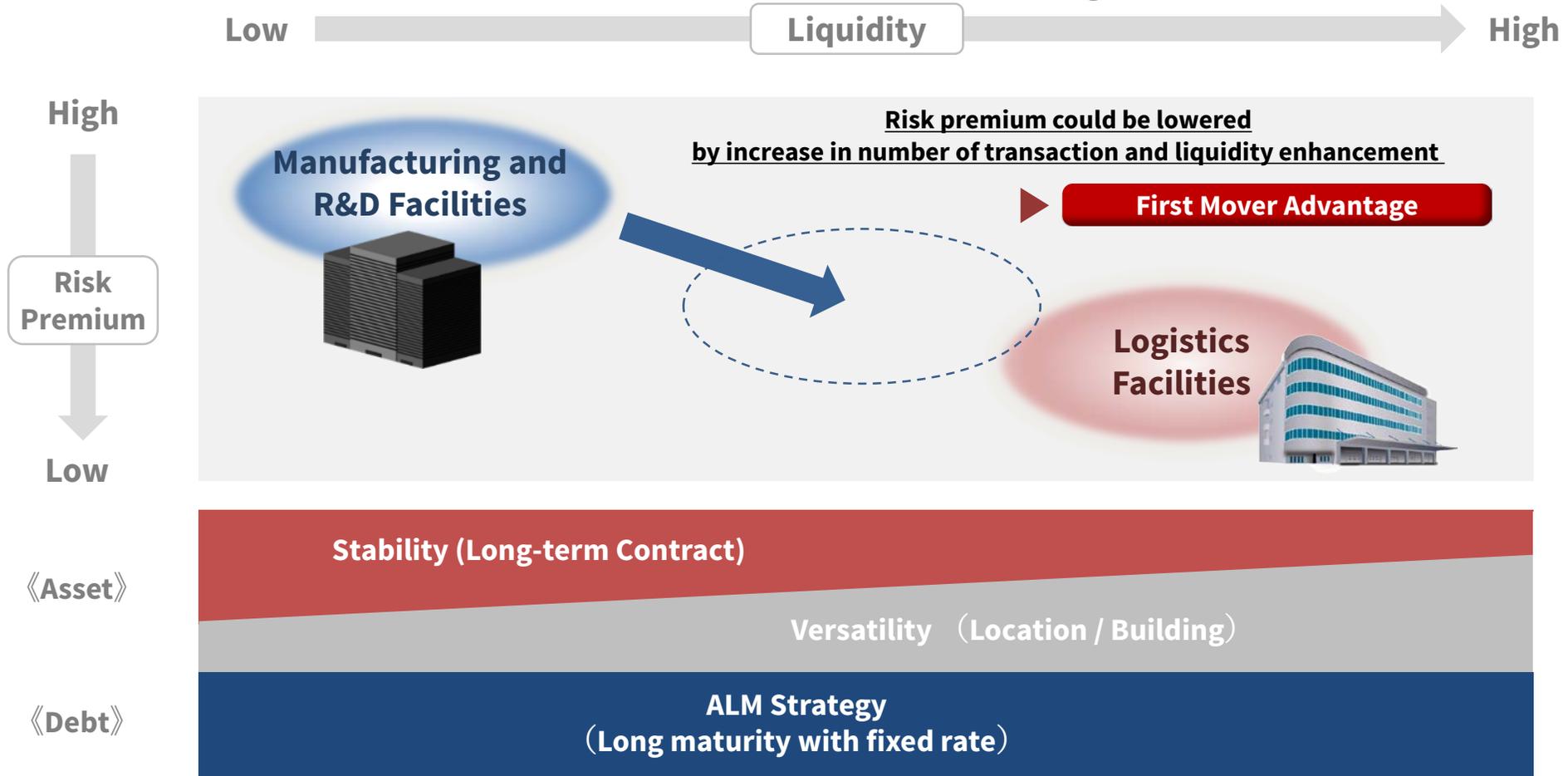
ALM Strategy
(Long maturity with fixed rate)

IIF’s Proactive Approach to Manufacturing and R&D Facilities Investment Risks(2)

- Gain first-mover advantage with expectation of increasing liquidity and lowering risk premium for the manufacturing and R&D facilities in the future

※Conceptual diagram of risk measures until risk premium is lowered

– Realization of First-Mover Advantages –



6. Operating Results for the July 2018 (22nd) Fiscal Period and Earnings Forecast for the January 2019 (23rd) Fiscal Period



Operating Results for the July 2018 (22nd) Fiscal Period

	Jan. 2018	Jul. 2018 (22nd period actual)			Jul. 2018 (Forecast)	Jul. 2018 (22nd period actual)		
	(21st period actual)		Period over period			Difference with estimate		
Key P/L Figures								
Operating Revenue	8,976	9,686	+708	7.9 %	9,681		0.0 %	
Operating expense	3,905	4,132	+227	5.8 %	4,157	4,132	▲24	(0.6)%
Operating Income	5,071	5,553	+482	9.5 %	5,524	5,553	+29	+0.5%
None-operating income	2	0	(2)	▲81.6%	-	0	0	-
Non-operating expense	991	939	(52)	(5.3)%	949	939	(10)	(1.1)%
Ordinary income	4,082	4,614	+532	+13.0%	4,574	4,614	+40	+0.9%
Net income	4,081	4,612	+531	+13.0%	4,572	4,612	+39	+0.9%
Distributions per unit (yen)	2,570	2,716	+146	+5.7%	2,689	2,716	+27	+1.0%
Other Figures								
Capital expenditure	688	721	+33	+4.8%	775	721	(54)	(0.7)%
Repair expense	79	97	+17	+22.4%	71	97	+26	+36.7%
Total	768	819	+51	+6.7%	847	819	(27)	(3.3)%
Depreciation	1,263	1,331	+68	+5.4%	1,260	1,331	+71	+5.7%
FFO	5,344	5,944	+600	+11.2%	5,833	5,944	+111	+1.9%
AFFO	4,655	5,223	+567	+12.2%	5,057	5,223	+165	+3.3%
Number of properties	59	66	-	-	59	66	-	-
Occupancy rate	99.9%	99.8%	▲0.1point	-	99.9%	99.8%	▲0.1point	-
Total book value	243,699	271,937	+28,238	+11.6%				
Total appraisal value	288,123	319,620	+31,497	+10.9%				
Unrealized gain	44,423	47,682	+3,258	+7.3%				
Total debt	131,500	144,800	+13,300	+10.1%				
LTV	50.3%	50.1%	▲0.2point	▲0.4%				

(Note 1) Major capital expenditures for the 22nd FP

IIF Mitaka CC : JPY102m for renewal of Constant Voltage Constant Frequency,
IIF Noda LC : JPY46m for installment of LED lighting,
IIF Shinagawa DC : JPY42m for renewal of automatic fire alarm,
IIF Sagamiyara R&DC : JPY37m for renewal of floor carpet

(Note 2) Major repair cost expended for the 22nd FP

IIF Osaka Toyonaka DC : JPY8m for maintenance of power generation equipment unit 1's F inspection,
IIF Atsugi LC III : JPY4m for replacement of smoke detectors,
IIF Mitaka CC : JPY3m for construction removal fee for renewal of Constant Voltage Constant Frequency,
IIF Kashiwa LC : JPY3m for leakage repair works

Major Changes (Period over period)

(JPY m)

Operating revenue

+709

- ✓ Contribution from properties acquired through 2018 PO (Partial contribution) +457
- ✓ Increase in revenue from the acquisition of Fukuoka Hakozaki LC I, II, and extension +201
- ✓ Increase in revenue from internal growth measures (Sagamihara R&DC, Osaka Toyonaka DC, etc.) +19
- ✓ Increase in revenue from the penalty fee for early termination of lease (Shinagawa ITSC) +18

Operating expense

+227

- ✓ Increase in expense from properties acquired through 2018 PO (full contribution) +44
- ✓ Increase in lease expenses (Fukuoka Hakozaki LC I, II, and extension) +40
- ✓ Increase in property-related taxes from properties acquired in 2017 (Half contribution) +52
- ✓ Increase in repair cost +17
- ✓ Increase in asset management fee due to 2018 PO +69

Non-operating expense

(52)

- ✓ Increase in interest expense due to new debt for 2018 PO (partial contribution) +41
- ✓ Decrease in interest expense and other related cost due to new debt in 2018 (66)
- ✓ Decrease in interest expense and other related cost due to refinancing in Sep. 2017 (12)
- ✓ Decrease in interest expense due to difference in business days (14)

Major factors (Difference with estimate)

(JPY m)

Operating revenue

+4

- ✓ Decrease in revenue due to delayed acquisition of Atsugi MC (land with leasehold interest) (19)
- ✓ Increase in revenue due to internal growth (Osaka Toyonaka DC, etc.) +15
- ✓ Increase in receipt of utility costs +4

Operating expense

(24)

- ✓ Decrease in receipt of utility costs (7)
- ✓ Decrease in depreciation (10)
- ✓ Decrease in SG&A (17)

Non-operating expense

(10)

- ✓ Decrease in interest expense due to new debt in 2018 (partial contribution) (2)
- ✓ Decrease in interest expense due to refinancing in 2018 (partial contribution) (3)
- ✓ Decrease in amortization (4)

Earnings Forecast for the July 2018 (23rd) Fiscal Period

	Jul. 2018	Jan. 2019	(23rd period Forecast)	
	(22nd period actual)		Period over period	
Operating Revenue	9,686	9,789	+103	+1.1%
Operating expense	4,132	4,296	+163	4.0 %
Operating Income	5,553	5,493	▲60	(1.1)%
None-operating income	0	-	0	▲100.0%
Non-operating expense	939	5,493	0	0.0 %
Ordinary income	4,614	4,553	▲60	+1.3%
Net income	4,612	4,552	▲60	▲1.3%
Distributions per unit (yen)	2,716	2,680	▲36	▲1.3%
Capital expenditure	721	808	+86	+12.0%
Repair expense	97	98	+1	+1.0%
Total	819	906	+87	+10.7%
Depreciation	1,331	1,365	+34	+2.6%
FFO	5,944	5,918	▲26	▲0.4%
AFFO	5,223	5,110	▲113	▲2.2%
Number of properties	66	66	-	-

	Jan. 2019	Jan. 2019	(23rd period forecast)	
	(Forecast)		Difference with estimate	
Operating Revenue	9,710	9,789	+79	+0.8%
Operating expense	4,239	4,296	+57	+1.3%
Operating Income	5,470	5,493	+22	+0.4%
None-operating income	-	-	-	-
Non-operating expense	951	939	(12)	(1.3)%
Ordinary income	4,518	4,553	+35	+0.8%
Net income	4,517	4,552	+34	+0.8%
Distributions per unit (yen)	2,656	2,680	+24	+0.9%

Major changes (Compared to 22nd period)

(Period ending Jan. 2019 vs. Period ended Jul. 2018)

(JPY m)

Operating revenue

+103

- ✓ Contribution from properties acquired through 2018 PO (full contribution) +184
- ✓ Increase in revenue from internal growth measures (Osaka Toyonaka DC, etc.) +12
- ✓ Decrease in revenue due to tenant leave and the penalty fee for early termination (Shinagawa ITSC) (73)

Operating expense

+163

- ✓ Increase in operating expense (brokerage fee) +27
- ✓ Increase in property-related taxes from properties acquired in 2017(partial contribution) +50
- ✓ Increase in depreciation +34
- ✓ Increase in asset management fee for the properties acquired through 2018 PO +12
- ✓ Increase in other operating expense (SG & A, etc.) +37

Non-operating expense

± 0

- ✓ Increase in interest expense due to new debt for 2018 PO (full contribution) +6
- ✓ Decrease in interest expense from refinancing in 2018 (full contribution) (14)
- ✓ Increase in interest expense due to the difference in business days +12
- ✓ Decrease in stamp duty cost (3)

Major factors (Compared to original forecast)

(JPY m)

Operating revenue

+79

- ✓ Increase in revenue due to internal growth measures (Fukuoka Hakozaki LC I, Osaka Toyonaka DC, etc.) +68
- ✓ Increase in revenue due to increase of land usage fee for Haneda Airport MC +14

Operating expense

+57

- ✓ Increase in operating cost (brokerage fee) +28
- ✓ Increase in repair cost (leasing and seismic reinforcement) +30
- ✓ Increase in expense due to increase of land usage fee for Haneda Airport MC +14
- ✓ Decrease in depreciation (13)

Non-operating expense

(12)

- ✓ Decrease in interest expense due to new debt for 2018 PO and refinancing in 2018 (7)
- ✓ Decrease in amortization (5)

(Note 1) Major capital expenditures planned in the 23rd FP
 IIF Mitaka CC : JPY75m for renewal of Constant Voltage Constant Frequency,
 IIF Haneda Airport MC : JPY69m for renewal of M2 building disaster prevention equipment,
 IIF Shinagawa ITSC : JPY46m for renovation of rest room/hot water supply room and renewal of common area

(Note 2) Major repair cost planned in the 23rd FP
 IIF Mitaka CC : JPY9m for cleaning of heat storage tank,
 IIF Mitaka CC : JPY3m for replacement of seals for square pyramid on the roof,
 IIF Shinagawa DC : JPY3m for replacement of air conditioning room ventilation fan parts on each floor

Notes

Overall figures in this material are rounded down to the shown digits otherwise noted, and ratios and years are rounded off to one decimal place. Thus an aggregate of such figures may not coincide with the total of each item.

- P.4 (Note) IIF has decided to borrow total JPY20.8bn by borrowing new debt to acquire new properties (JPY7.3bn) and to refinance current long-term debt(JPY 13.5bn) with respect to the public offering announced on February 20, 2018.
The indicators for the new debt with respect to the public offering are stated below;
• Average borrowing period is calculated by the weighted average of the borrowing amounts of each loan agreements executed on February 20, 2018. The same shall apply hereafter.
• Weighted average interest rate is calculated by the weighted average of the spread set forth in each loan agreements executed on February 20, 2018. The same shall apply hereafter.
- P.5 (Note 1) Due to the 2-for-1 investment unit split implemented in January 1, 2015 and the 4-for-1 investment unit split implemented in February 1, 2018, the figures for DPU and NAV per unit from the period ended June 2015 (16th period) up to the period ended July 2017(20th period) are divided by 4 and rounded down to the nearest unit for each period. The figures for DPU and NAV per unit before the period ended December 2014 (15th period) are divided by 8 and rounded down to the nearest unit for each period.
The same shall apply hereinafter.
(Note 2) The fiscal period-ends have been changed from June and December to January and July beginning January 2017. Please see the Appendix for details.
- P.7 (Note 1) “Property acquisitions announced of January 10, 2018” refers to the three properties including IIF Fukuoka Hakozaki LC I (40% co-ownership interest), IIF Fukuoka Hakozaki LC II (40% co-ownership interest), and IIF Fukuoka Hakozaki LC II (extension building).
(Note 2) “Property acquisitions announced on January 10, 2018” includes additional acquisitions of co-ownership interests and the acquisition of the extension building on the premises of the properties owned at the end of the 21st period .
Three out of ten properties to be acquired for the public offering are the additional acquisitions of the co-ownership interests in properties owned at the end of the 21st period. Since the additional acquisition of the co-ownership interests in the current properties are not counted as one property, the number of properties after acquisitions of new acquisition will increase to 66 properties or the seven additional properties compared to the 21st period.
(Note 3) “LTV(based on booked value)” is derived by total of interest-bearing debts ÷ total amount of net assets
(Note 4) “Distributions per unit (assuming expensing of property-related taxes)” means the distributions per unit in pro forma base assuming the property taxes, city planning taxes, and depreciable assets tax during each calculation period to be expensed.
For the period ended January 2018 (21st period), the figure is calculated based on the actual result. The figures for “Forecast/ Pro forma (After acquisitions of new acquisition)” is calculated based on the estimate for period ending January 2019(23rd period).
(Note 5) NAV per Unit = NAV ÷ number of issued investment units at the end of the latest fiscal period
• The “NAV” is calculated based on the following formula to evaluate the difference of the asset, real estate-related asset value based on appraisal value (or researched value), and the liabilities of the IIF’s balance sheet as of the end of the relevant fiscal period.
NAV=Unitholders’ Equity* + (Real estate-related appraisal value(or researched value) — booked value of real estate-related assets*)
* Booked value of the unitholders’ equity and real estate –related assets as of the end of the relevant fiscal period comes from the figures on the balance sheet as of the end of the relevant fiscal period.
- P.11 (Note 1) NOI yield of IIF Kawasaki Science Center after completion is calculated based on appraisal report as of July 31 2018. NOI yield of IIF Nishinomiya Logistics Center and IIF Sendai Taiwa Logistics Center (Extension Building) is calculated based on appraisal report acquired upon extension. NOI yield of IIF Fukuoka Hakozaki Logistics Center II (Extension Building) is calculated based on appraisal report as of January 1 2018. Land rent is no more receivable for the extension portion of IIF Fukuoka Hakozaki Logistics Center II (Extension Building) upon acquisition of the Extension building. To reflect this, NOI yield is not calculated based on the operating net income of only the Extension building calculated by the DCF method indicated on the appraisal report for the Extension building, but calculated by deducting the operating net income of IIF Fukuoka Hakozaki Logistics Center II excluding the Extension Building calculated by the DCF method indicated on the appraisal report from the operating net income of IIF Fukuoka Hakozaki Logistics Center II including the Extension Building calculated by the DCF method.
(Note 2) This is a rendering reflecting the image of the building as expected to be completed, which may differ from the actual building upon completion. The same shall apply hereinafter.
(Note 3) Please note that although IIF has obtained preferential negotiation rights with respect to the acquisition of the properties, no decision has been made with respect to acquisition and with land, and IIF has no fixed plan to acquire the properties as of the date of this material. In addition, IIF cannot assure that IIF will be able to acquire the properties in the future. Furthermore, the construction of the building is not complete as of the date of this material, and may not complete and may not be available for lease in accordance with the schedule after completion.
- P.12 (Note) The figures as of September 20, 2018.
- P.16 (Note) Impacted amount of distributions due to re-tenant is an estimate amount regarding impact of leasing of IIF Shinagawa ITSC against announced forecast distributions for 23rd fiscal period and is not guaranteed. Actual distribution amount may fluctuate due to factors other than leasing of IIF Shinagawa ITSC.
- P.17 (Note 1) Property name is omitted as it is not disclosed since consent from lessee has not been obtained concerning contract expiration date between Shinagawa ITSC and the lessee, Hitachi Systems, Ltd.
(Note 2) The assets does not account for 0.5% or less of the entire portfolio and the names are omitted intentionally.
- P.18 (Note 1) “Upside-only” is the lease contracts which conditioned with the automatic rent escalation for every few ten years, or the lease contracts which only allows rent increase negotiation.
“Flat” is the lease contracts which does not allow rent revision during the contract term or for the first ten years after the acquisition of the property, or the contract basically does not allow rent revision with exceptions to the rent increase when certain conditions are met. IIF categorizes the lease contract for IIF Iruma Logistics Center as “flat” contract.
“Negotiation-based revision” is any lease contract other than the above two categories and it allows negotiations to revise rent.
(Note 2) The assets does not account for 0.5% or less of the entire portfolio and the names are omitted intentionally.
- P.21 (Note) “LTV(based on appraisal value)” is derived by total of interest-bearing debts ÷ (total amount of net assets+ total amount of unrealized gains)
- P.26 (Note) “Acquisition NOI Yield” covers properties acquired by TSE listed J-REITs from August 1, 2018 to September 7, 2018 and is derived from the data collected from the publicly disclosed information at the time of property acquisition using capitalization rate of DC method (for the land with leasehold interest, discount rate for DCF method is used as applicable)

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Industrial & Infrastructure Fund Investment Corporation

- This material may contain information such as data on future performance, plans, management targets, and strategies. Such descriptions with regard to the future are based on current hypotheses and assumptions about future events and trends in the business environment, but these hypotheses and assumptions are not necessarily correct. As such, actual results may vary significantly due to various factors
- This material is prepared based on Japanese accounting principles unless otherwise noted
- This material is to be used for analyzing the financial results of IIF, and is not prepared for the purpose of soliciting the acquisition of IIF's investment securities or the signing of financial instruments contracts. When investing, we ask investors to invest on their own responsibility and their own judgment
- IIF is a publicly-offered real estate investment corporation (J-REIT) investing in real estate and related assets the prices of which may fluctuate. Unitholders of the Investment Corporation may suffer loss when unit prices decline in the market or an amount of distributions declines, according to economic and interest rate circumstances, a balance of supply and demand for units, real estate market environment, fluctuations of prices of, and rent revenues from real estate properties under management, disasters, aggravation of financial status of IIF and other reasons. For details, please see "Investment Risk" in the Securities Registration Statement (offering circular) and the Securities Report of IIF

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