

Think bold today for a brighter tomorrow.



Investor Presentation for the July 2019 (24th) Period

Securities Code : **3249**

Industrial & Infrastructure Fund Investment Corporation

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Portfolio Data and Other Materials

1. Executive Summary



“Acquiring highly profitable assets”, “Strong internal growth”, “Reinforcing financial stability” in progress

New acquisitions & Asset disposition

Acquiring highly profitable asset

- Acquiring highly profitable manufacturing and R&DC assets through CRE proposal

- New acquisition **6** properties JPY **25.5** billions
- NOI yield **5.5%**, NOI yield after depreciation **4.9%**

- Realizing gain on sale by disposing IIF Atsugi LC at a price well above the appraisal value **(+18.5%)** and the book value **(+67.2%)**

- Development projects are completed on schedule

Existing Portfolio

Strong internal growth

- Steadily improving profitability of existing properties by capturing an opportunity such as lease term termination

<Expected revenue improvement>

【Logistics】

- IIF Yokohama Tsuzuki LC
- IIF Nagoya LC
- IIF Fukuoka Hakozaki LC II

【Manufacturing and R&DC】

- IIF Shinkawasaki R&DC

【Infrastructure】

- IIF Haneda Airport MC

Further ESG initiatives

- Awarded the “Green Star”, the highest rank, for **7 consecutive years**.
- IIF Nishinomiya LC (extension building) and IIF Kazo LC newly received CASBEE for Real Estate certification

Financial Strategy

Reinforcing financial stability

- Additional commitment line of JPY 5 billion raised maximum amount to **25 billion** in total

- Borrowing with preferable terms due to lower interest rate environment

<Overview of new borrowings in 24th FP>

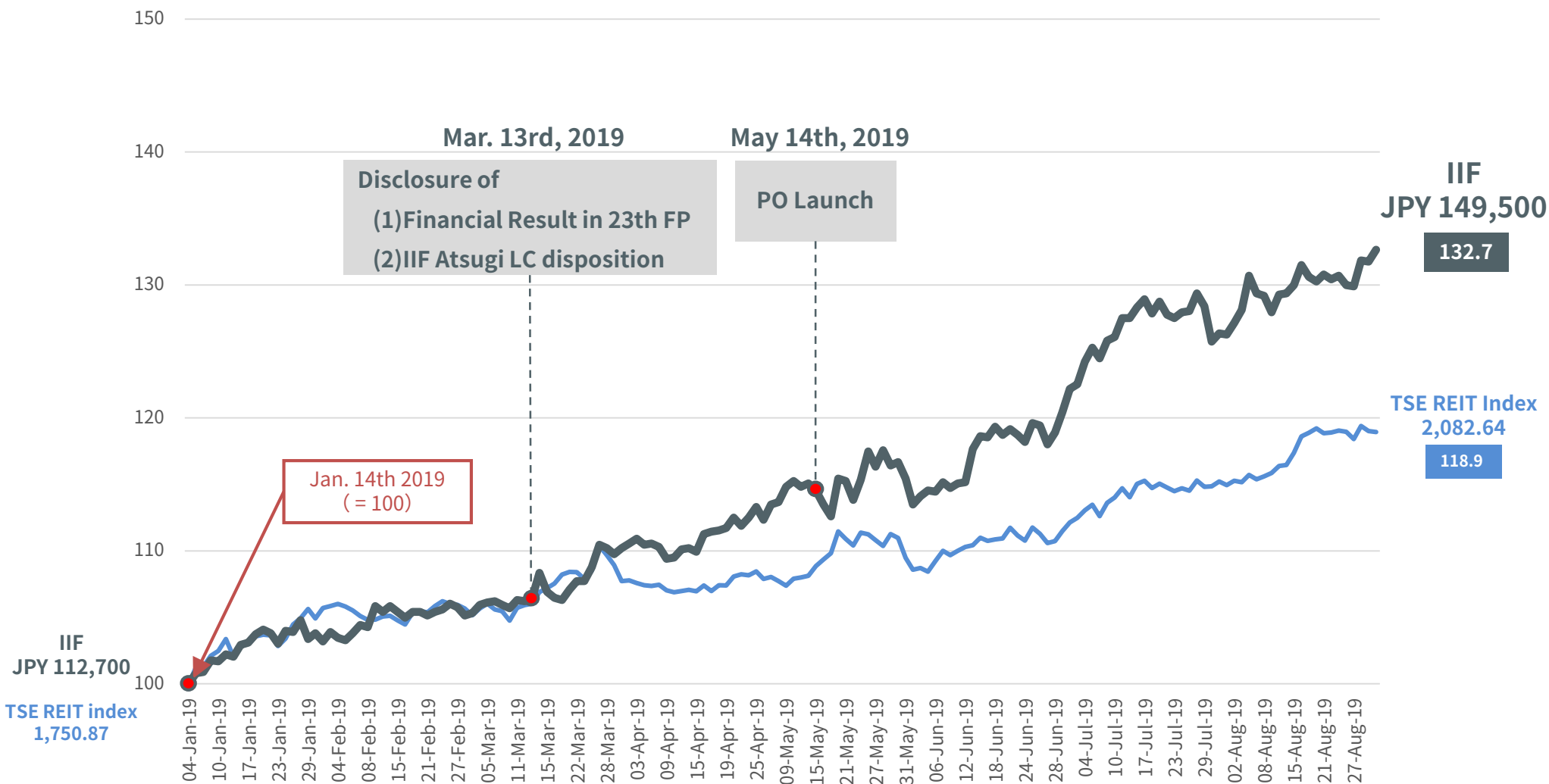
- Borrowing **20 billion** in total
- Average borrowing period **8.6** years
- Average interest rate **0.42%**

<Key indices>

		As of Jan. 2019	As of Sep. 2019
• LTV	:	50.1%	⇒ 49.9%
• Average Interest Rate	:	0.95%	⇒ 0.85% (Note)

IIF unit price is going up steadily

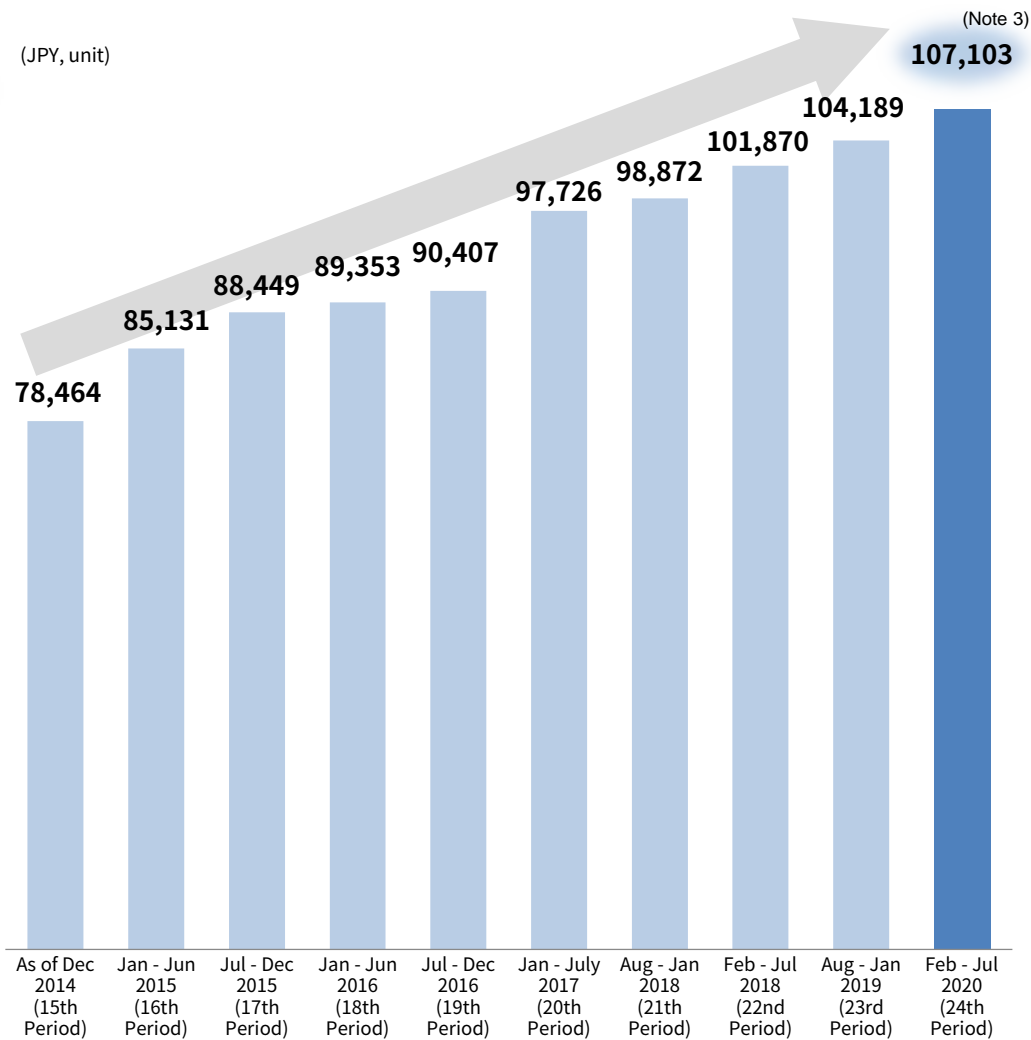
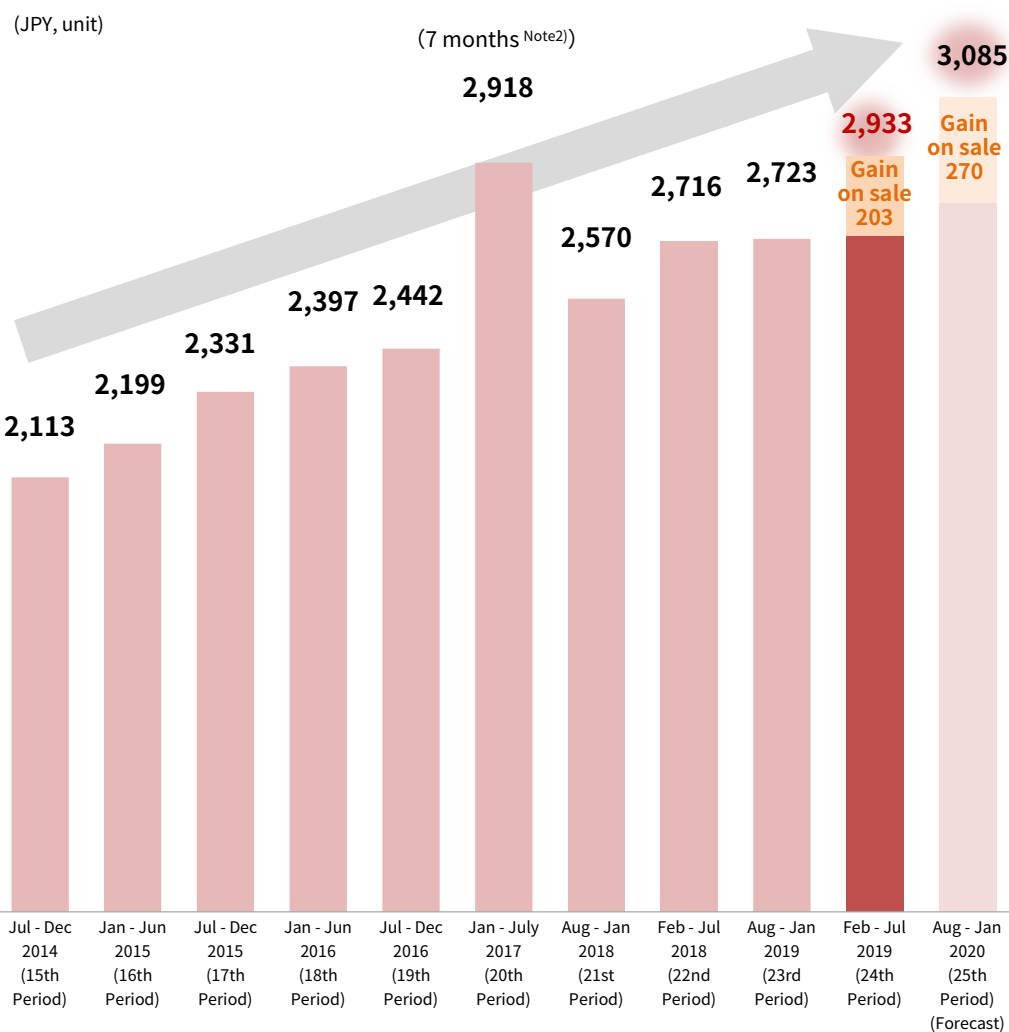
Unit price performance of IIF & TSE REIT Index (from Jan. 4th 2019 to August 30th 2019)



Continuous growth in DPU and NAV

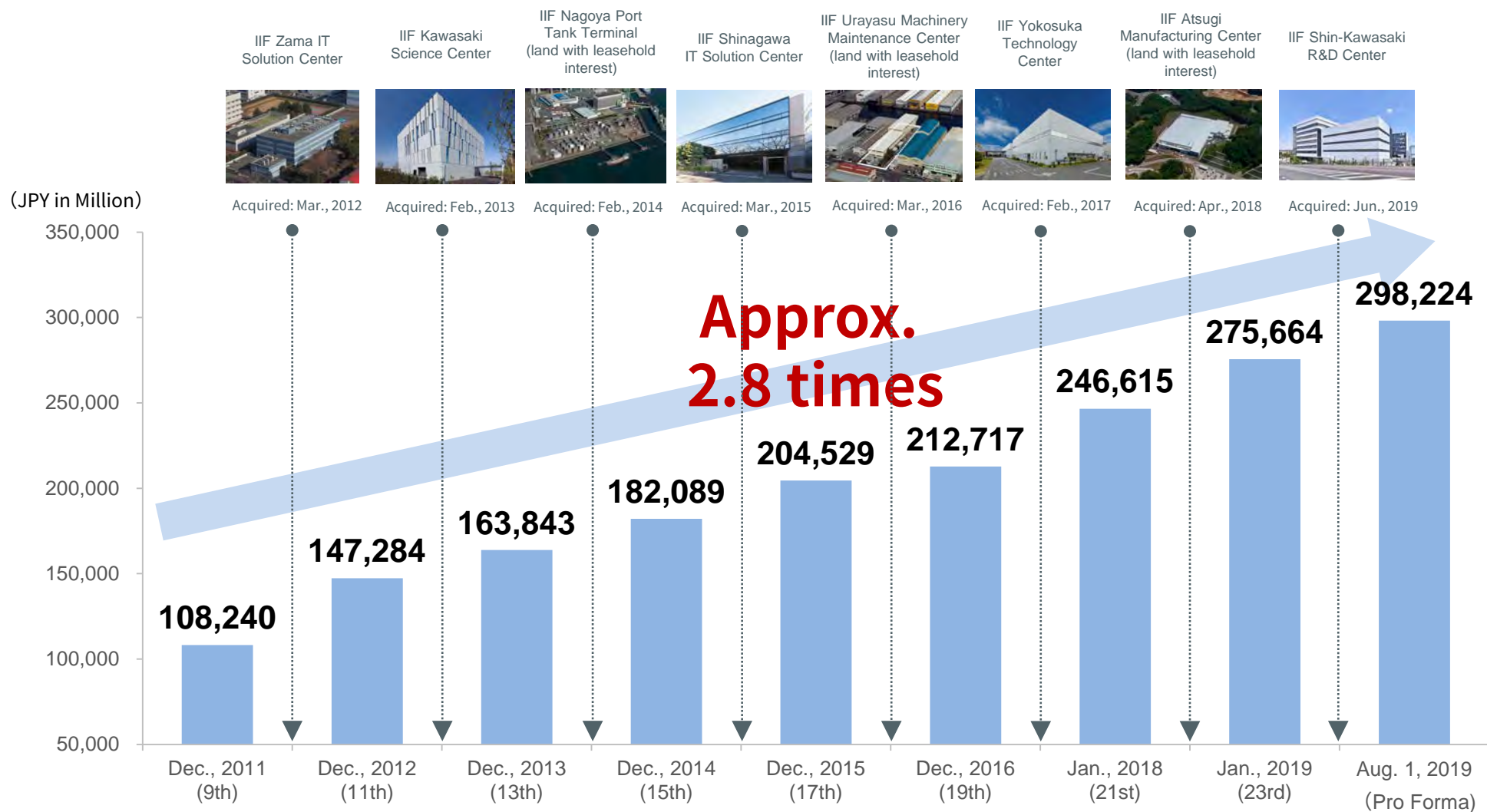
DPU grew by approx. 1.3 times
over five-year period ^(Note 1)

Appraisal NAV per Unit grew by approx. 1.4 times
over five-year period ^(Note 1,3)



Steady growth of AUM through acquisition of assets by successive public offering

AUM expansion and major assets acquired

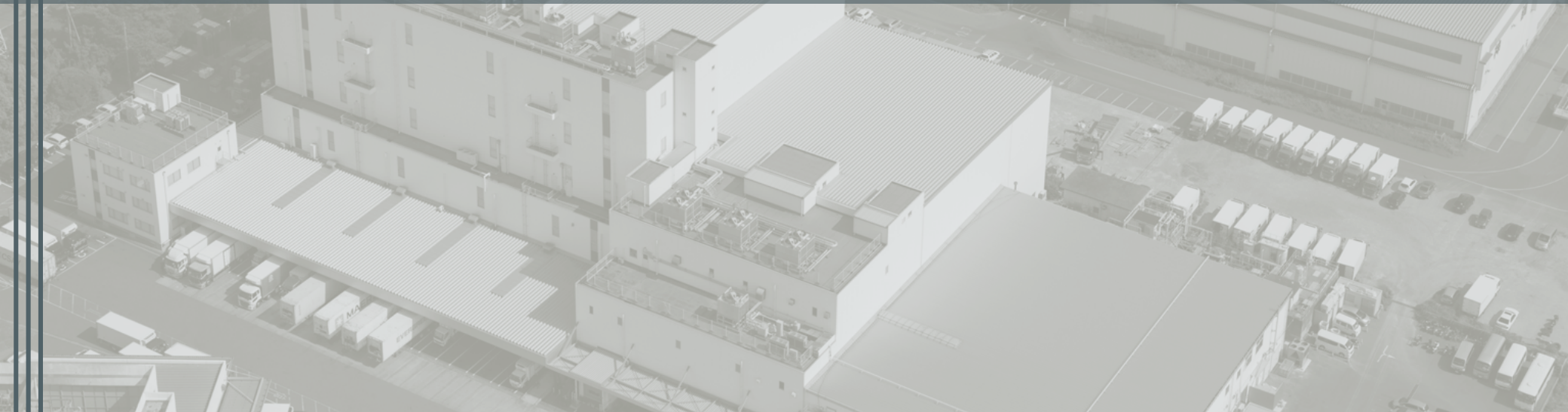


DPU (assuming expensing of property-related taxes) grew by 4.0% and NAV per unit grew by 2.8% through recent asset acquisitions and disposition

■ Key indices

	Fiscal Period Ended January 31, 2019 (23rd Period)		As of August 1st, 2019
Number of Properties	67properties		71 properties
Total Acquisition Price	JPY275,664mn		JPY 298,224 mn
Average NOI Yield / NOI Yield after depreciation	5.8% / 4.8%		5.8% / 4.8%
Unrealized gain on appraisal value (Unrealized gain ratio)	+51,621mn (+19.0%)		JPY +55,251 mn (+18.7%)
LTV (Booked Value ^(Note 1))	50.1%		49.9%
Average interest rate ^(Note 2)	0.95%		0.85%
Distributions per Unit ^(Note 3) (assuming expensing of property-related taxes)	2,673 per unit		JPY 2,780 per unit (+4.0%)
Appraisal NAV per Unit ^(Note 4)	104,189 per unit		JPY 107,103 per unit (+2.8%)

2. Continuous Growth of the Unitholders' Value : DPU Forecast

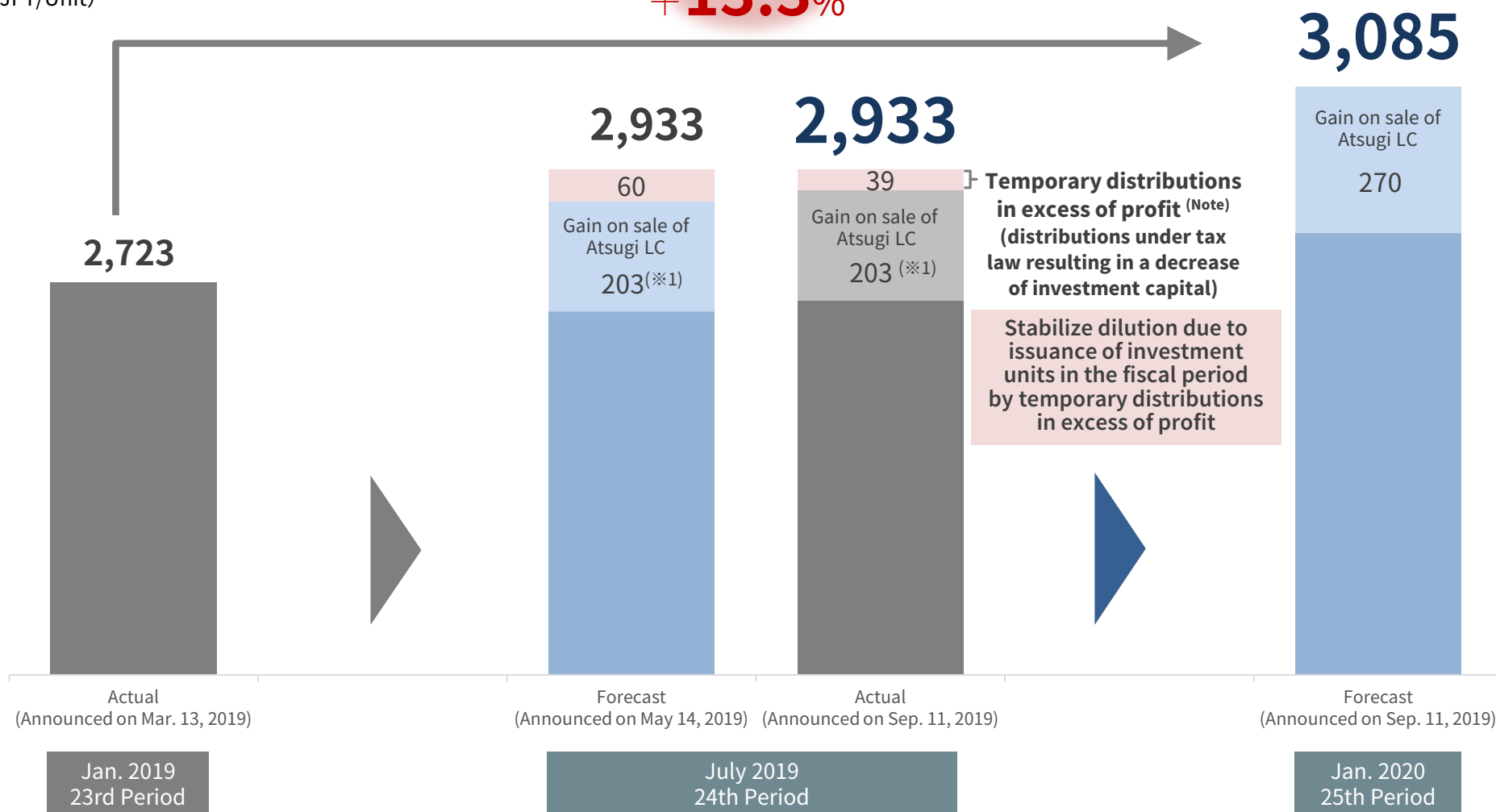


DPU increases by 13.3% as a result of gain on sales and acquisition of new assets

DPU Forecast

(JPY/Unit)

+13.3%

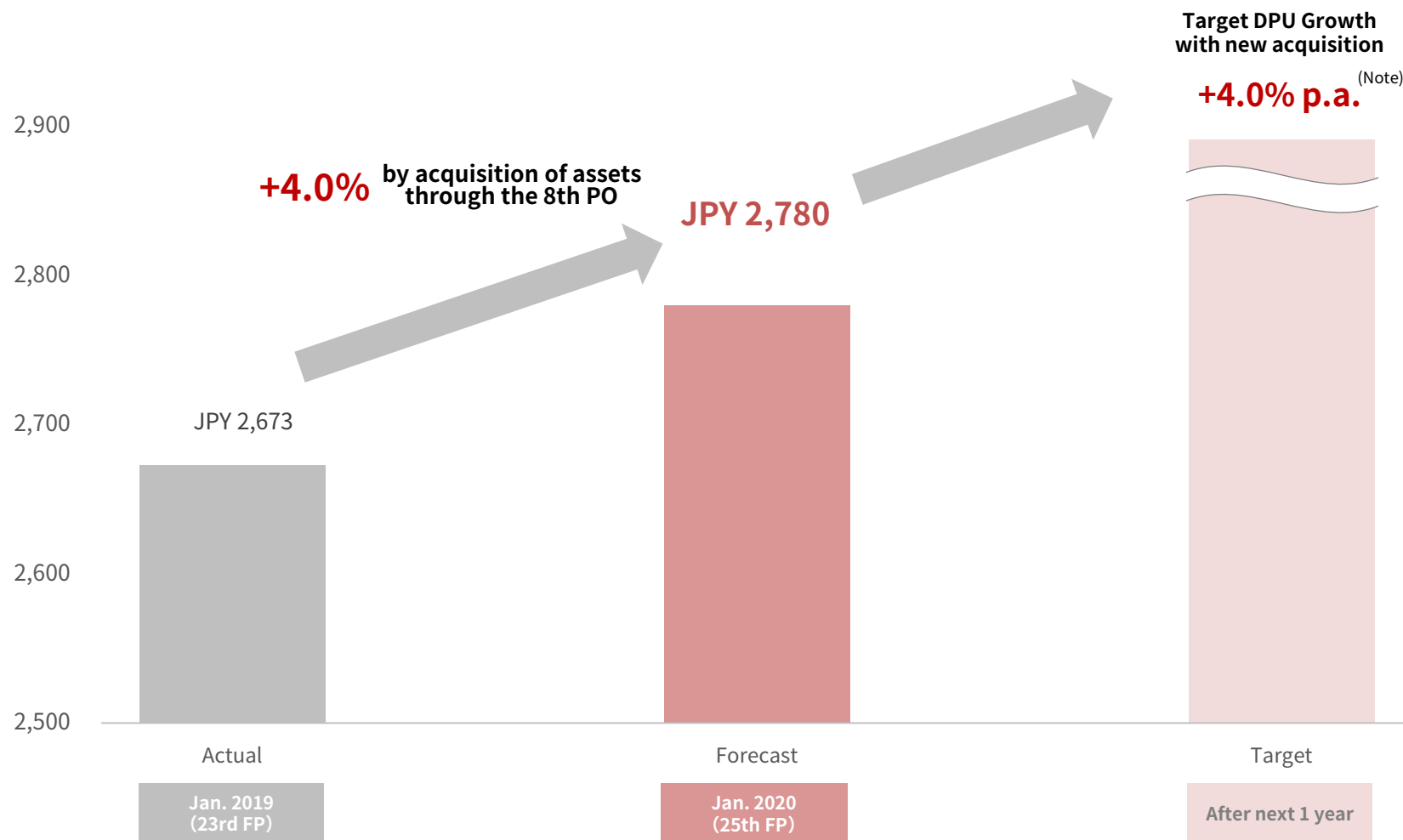


※1 This figure is calculated by the difference between gain on sale of IIF Atsugi LC booked in 24th FP and costs related the cancellation of swap interest rate agreement in 24th FP by the total outstanding investment units as of July 31st, 2019.

※2 For the details of the other footnotes, see Page 36 & 37.

Stabilized DPU increases by 4.0%

- DPU forecast
(After adjustment of property-related taxes and excluding the impact from gain on sales)



3. Recent Acquisition and 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.

Acquiring highly profitable assets through public offering

Overview of the public offering in May 2019

Asset

New Acquisitions

6 properties JPY **25.5** bn

Profitability^(Note1)

Average NOI Yield

5.5%

Average NOI Yield
after Depreciation

4.9%

Difference between Appraisal Value and (Anticipated) Acquisition Price^(Note2)

JPY **3.7** bn (+**14.6%**)

New Acquisitions

IIF Shinkawasaki R&DC



IIF Ichikawa FPC



IIF Tsukuba MC
(land with leasehold interest)



IIF Gifu Kakamigahara MC
(land with leasehold interest)



IIF Hyogo Tatsuno LC



IIF Akishima LC



Debt

New Debt Financing
in association with the Offering Total JPY **12.2** bn

✓ Average interest rate^(Note3) : **0.42%**

✓ Average borrowing period : **8.6** years

✓ New borrowings fixed debt ratio^(Note4) : **100.0%**

Equity

Net Proceeds from the Offering Total JPY **11.5** bn

✓ Units offered : **95,200** units

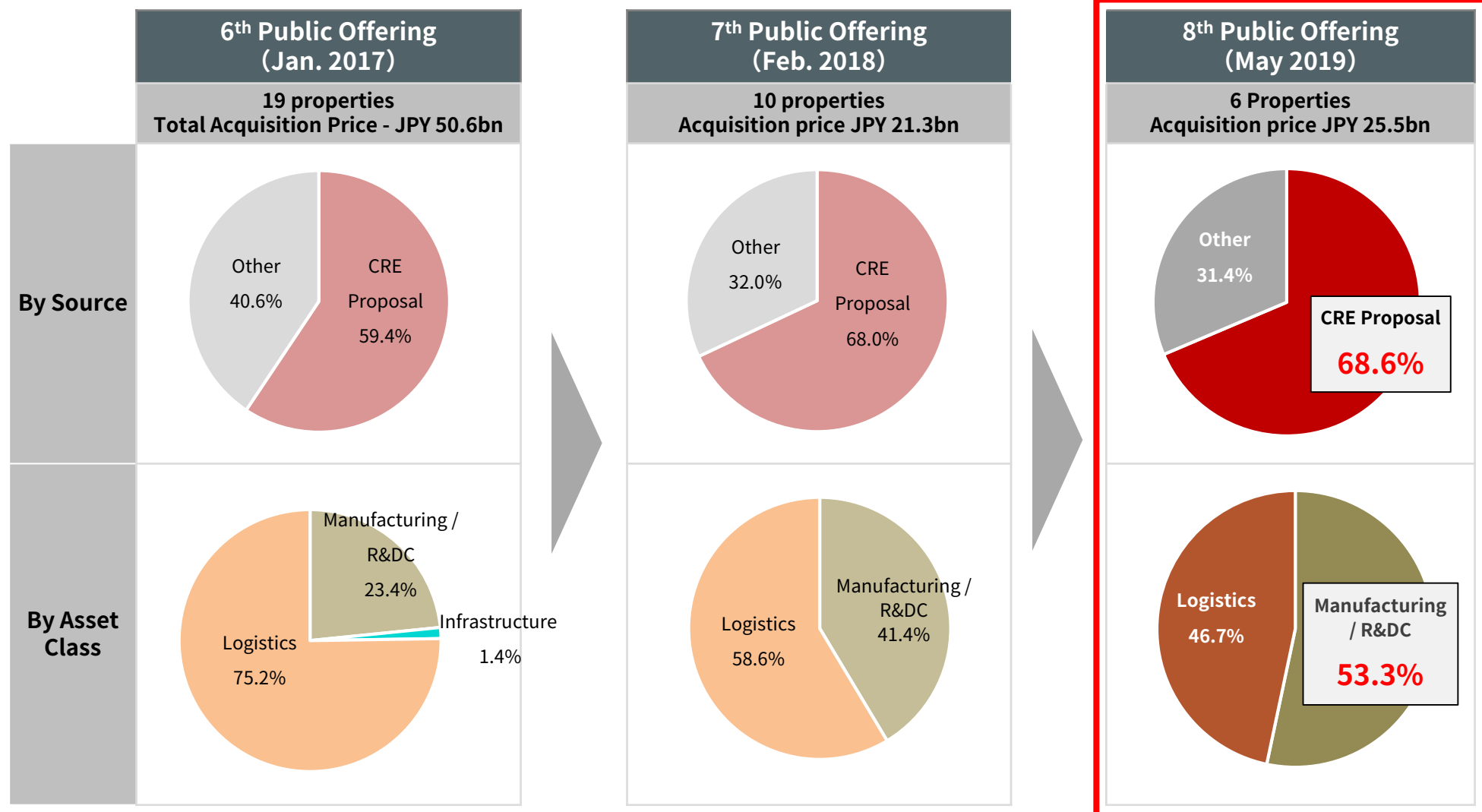
✓ Ratio of units offered to outstanding : **5.6%**

✓ Offering structure : Domestic Offering
(Rinpo-Hoshiki)

※Undocumented Offering
for Overseas Investors

Increase in Manufacturing/R&DC acquisition by pursuit of CRE proposal

Acquired properties through recent 3 public offerings - by Source and by Asset Class

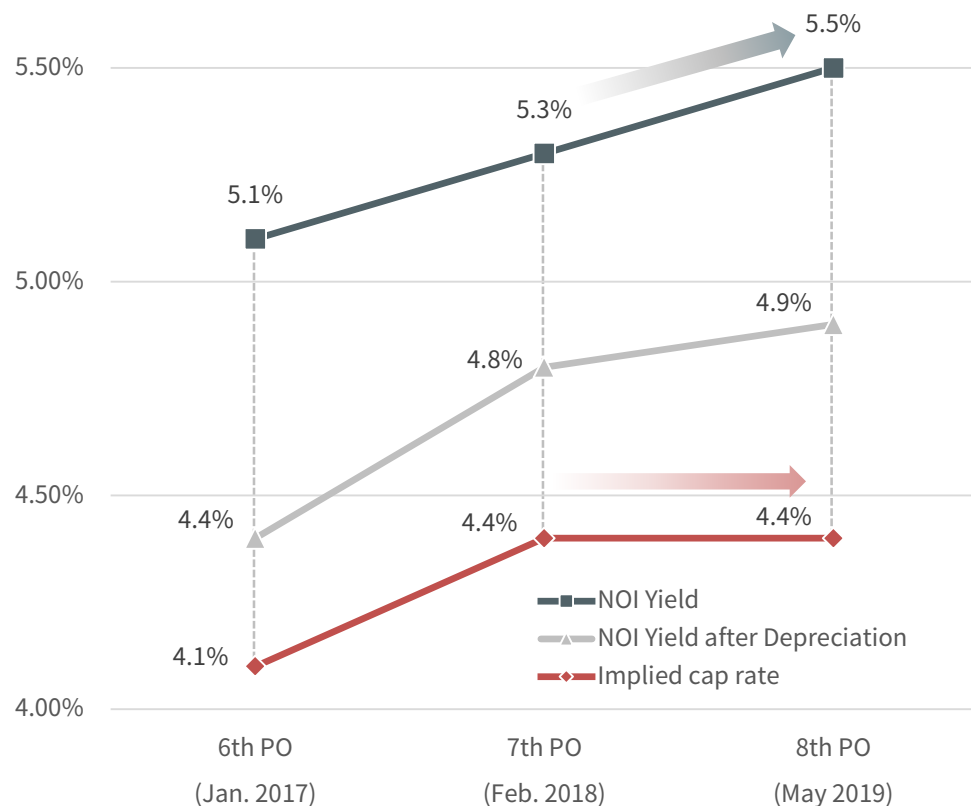


(Reference) NOI yield of acquired assets exceeds the implied cap rate of IIF

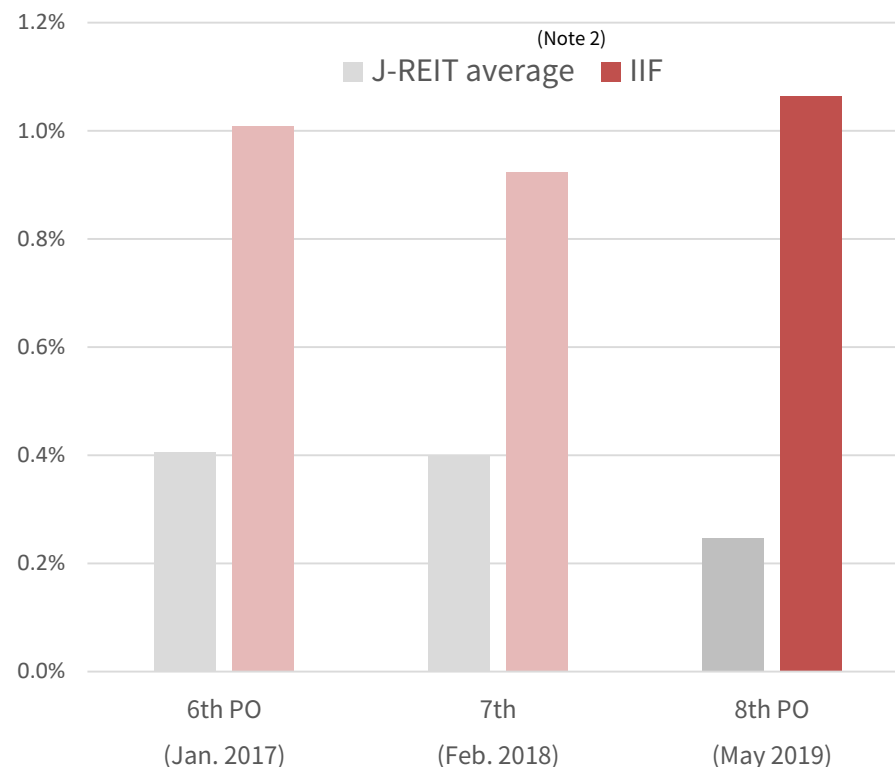
IIF's NOI yield of acquired assets and implied cap rate (Note1)

NOI yield of acquired assets and implied cap rate※

※ As of the end of month just before PO launch



Spread between NOI yield and implied cap rate (J-REIT Average (※) vs. IIF)



※ J-REIT Average is calculated by arithmetic method using NOI yield and implied cap rate of all J-REIT PO in each year when IIF executed PO.

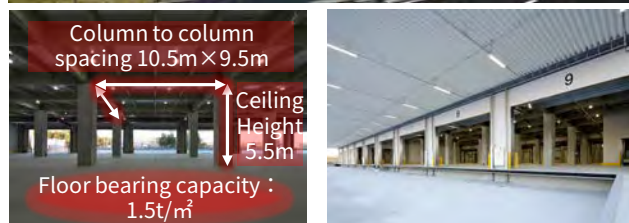
Development projects with preferential negotiation rights have been completed on schedule

July 2019 (24th FP)Jan. 2020 (25th FP)July 2020 (26th FP)

Feb. Mar. Apr. May June July Aug. Sep. Oct. Nov. Dec. Jan. Feb. Mar. Apr. May June July

Completed

Gifu Kakamigahara Logistics Center (provisional name) (Completed in February 2019)



Tenant	Major Logistics Company	Building	Preferential Negotiation Rights
Floor Space	17,387.51m ²	Land	

- BTS type logistics facility(Note1) 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 after completion(Note2)

IIF Atsugi Manufacturing Center (Completed in May 2019)



Tenant	Ichikoh Industries, Ltd.	Building	Preferential Negotiation Rights
Floor Space	13,020.28m ²	Land	Acquired in April 2018

- Development project which satisfies a major automotive-parts manufacturer (Ichikoh Industries, Ltd.) looking to establish a new plant based on off balance arrangement
- Received preferential negotiation rights to acquire a trust beneficiary interest in the building after completion

Developing

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



Tenant	Major logistics company
Floor Space (Planned)	41,649.92m ²

Building	Preferential Negotiation Rights
Land	

- 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 after completion

Expanding pipeline through the unique CRE/PRE proposal

■ 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&DC】 **Core R&D facility** in greater Tokyo area for **a major system developer**
- 【Manufacturing】 **Land with leasehold interest of manufacturing facility** for **a major auto parts manufacturer** based in greater Nagoya area
- 【Manufacturing】 **Core manufacturing facility** in a large industrial park of Kanto area for **a major manufacturing company**

Development Projects with preferential negotiation rights

Gifu Kakamigahara Logistics Center (provisional name)
(Completed in Feb. 2019)



IIF Atsugi Manufacturing Center
(Completed in May 2019)



Hiroshima Seifushinto Logistics Center (provisional name)
(To be completed in Apr. 2020)



■ Pipeline Status

Total number of properties under consideration **25 Properties**

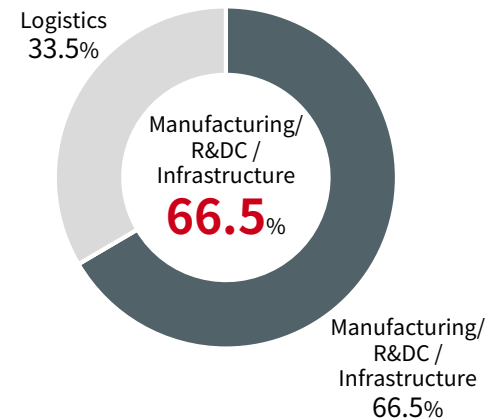
Total value of properties under consideration **JPU 254.6bn**

Number of properties currently under detailed consideration

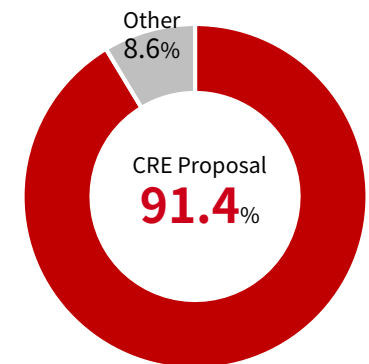
16 properties

Breakdown of deals under detailed consideration^(Note)

By asset class (Based on price)



By source (Based on price)



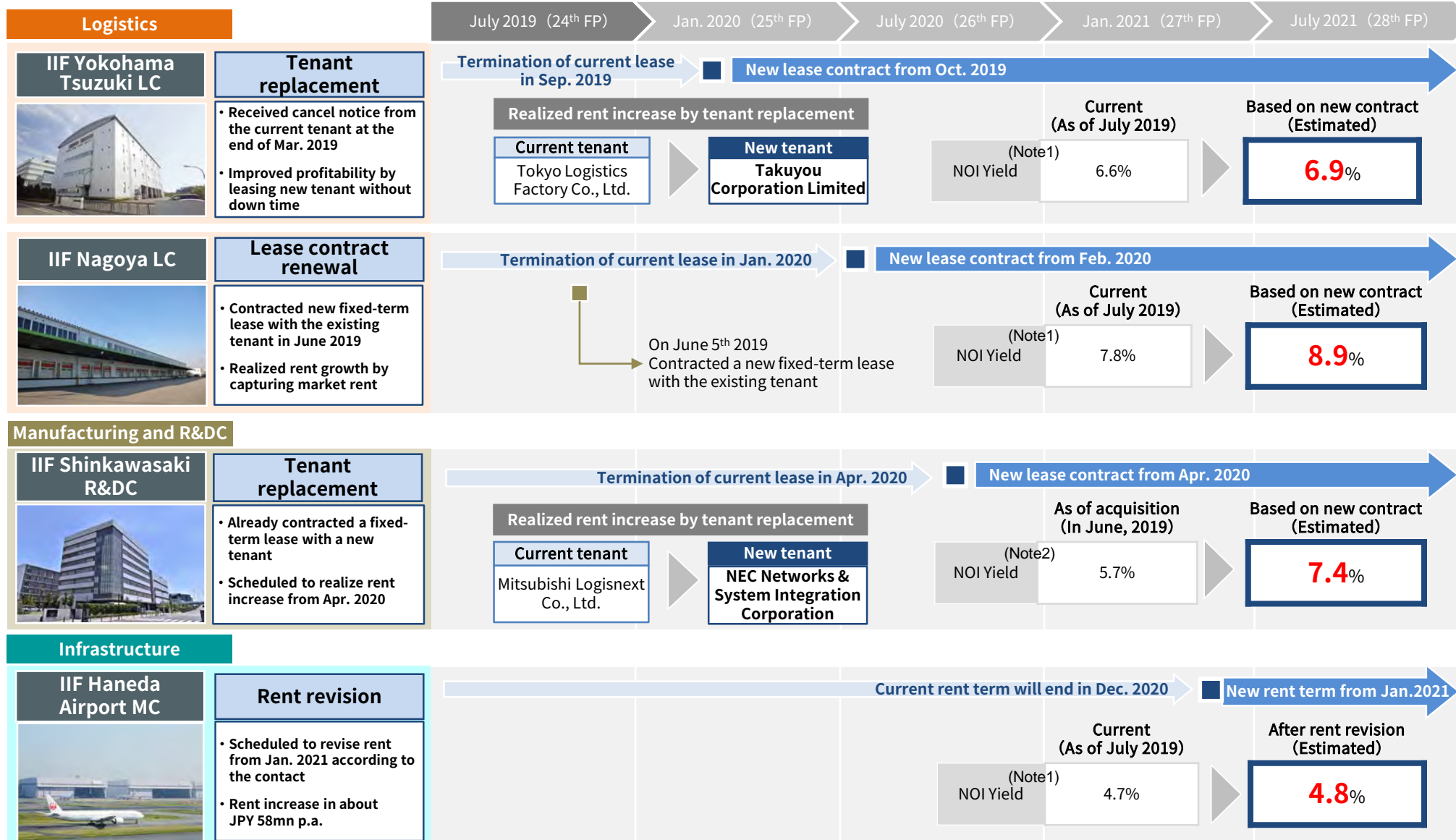
4. Current Status of Operations and Initiatives Going Forward

(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).

Consistently improving profitability of existing properties by capturing lease contract renewal opportunities upon lease termination



IIF Fukuoka Hakozaki Logistics Center II : Continuous initiatives to improve its profitability are in progress

- Significant improvement in profitability after the acquisition of extension building developed by IIF and rent increase capturing market rent



Property Characteristics

- Large and highly-versatile logistics facilities that enable tenants to handle a variety of goods, with other advantages such as good access to the port, airport and expressways and proximity to the Hakata area
- Fukuoka/Hakozaki waterfront area, which is operational 24/7 and is convenient for transport due to its proximity to the interchange, train station, port of Hakata, Fukuoka airport and railway cargo terminal station, where manufacturing plants and logistics facilities are concentrated.

Two upside potential

- ① Potential to construct an extension within the premise
- ② Rent gap between current rent and market rent

Initiative 1

Acquisition with a view to construct an extension and development of extension building

<As of acquisition in Feb. 2017>



Potential to construct extension

<As of extension completion Mar. 2018>



Extension building
(As of acquisition)

- Potential to construct an extension within the premise
- Started development just after acquisition
- Completed and acquired in Mar. 2018

NOI yield	7.1%
Acquisition Price	JPY1,135mn
Appraisal Value (Unrealized Value)	JPY1,290mn (+13.6%)

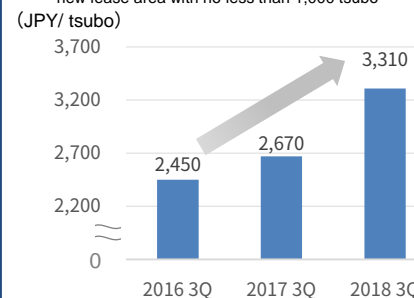
Initiative 2

Rent increase capturing market rent

- **Contracted a new fixed-term lease**, regarding lease area to be ended in Spring 2020
- **Realized rent increase** capturing a gap between current rent and market rent

Average Rent (Fukuoka prefecture)^(Note)

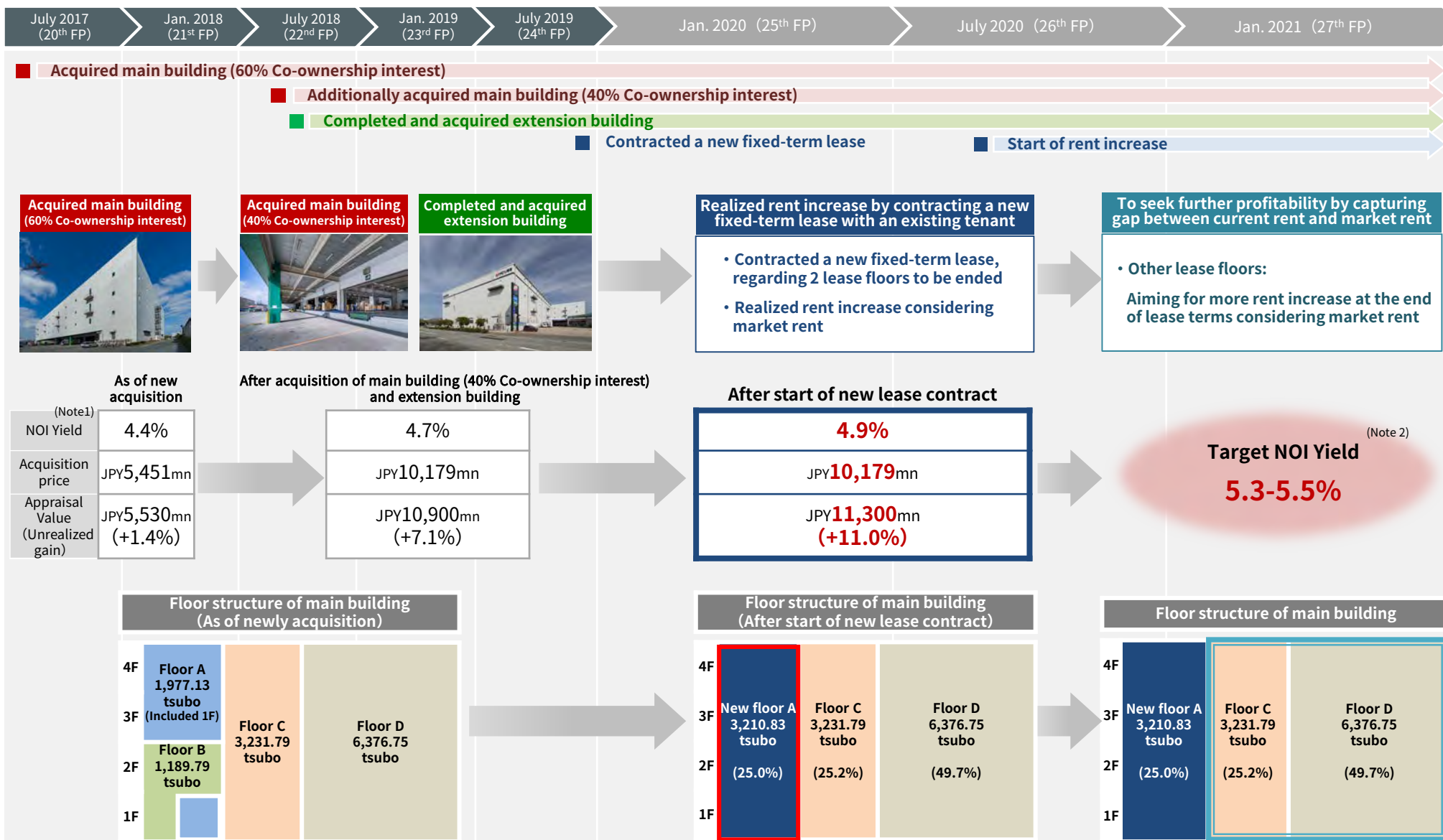
※ Included only middle-large logistics facilities offering new lease area with no less than 1,000 tsubo



Distribution of leases expiring

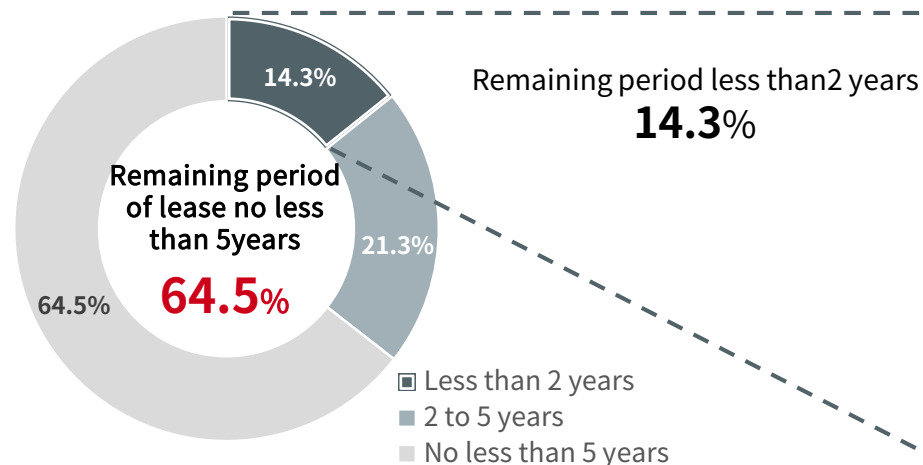


IIF Fukuoka Hakozaki Logistics Center II : Continuous initiatives to improve its profitability are in progress - Continued -



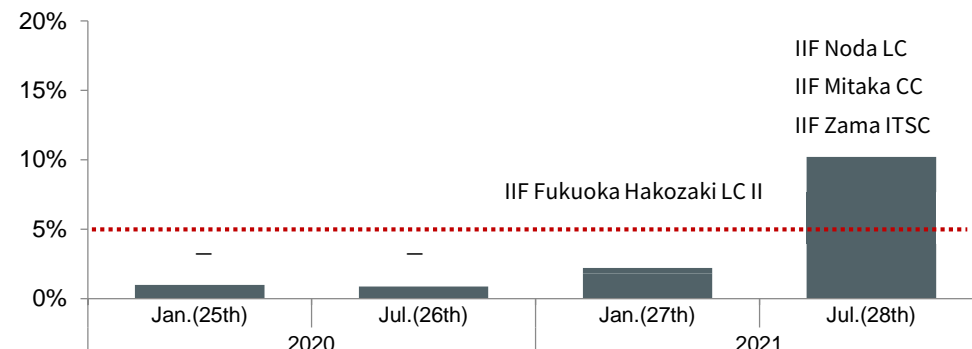
Continuous actions to key tenants facing lease expiration

Distribution of Lease Expiration Periods (annual rent basis)



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

<Rent income contribution in the entire portfolio>



※ Only asset names accounting for 1.0% or more of the entire portfolio are listed above.

Response to Key Tenants Facing Lease Expiration in Next Two Years (Only tenants accounting for 1.0% or more of the entire portfolio)

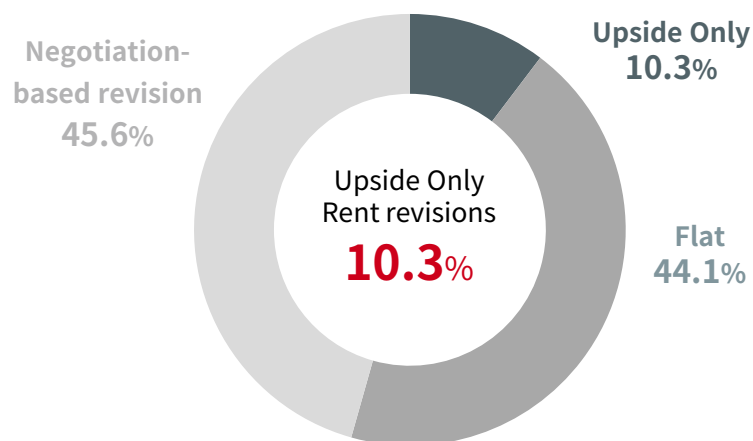
	Lease Expiry	Property Name	Tenant	Achievements/ActionPlans	
July 2020 (26 th FP)	4/30/2020	IIF Shinkawasaki R&DC	<div>Old</div> Mitsubishi Logisnext Co., Ltd. <div>New</div> NEC Networks & System Integration Corporation	Concluded a new fixed-term building lease contract with a new tenant, achieving rent increase.	Concluded
Jan. 2021 (27 th FP)	12/31/2020	IIF Fukuoka Hakozaki LC II	NTT LOGISCO Inc.	After confirming intention of continued use, start negotiation for contract terms and assuming renewal.	In progress
July 2021 (28 th FP)	2/28/2021	IIF Mitaka CC	JCB Co., Ltd.	After confirming intention of continued use, start negotiation for contract terms and assuming renewal.	In progress
	4/30/2021	IIF Noda LC	Japan Logistic Systems Corp. Mitsubishi Electric Logistics Corporation, etc.	After confirming intention of continued use, start negotiation for contract terms and assuming renewal.	In progress
	7/25/2021	IIF Zama ITSC	IBM Japan, Ltd.	After confirming intention of continued use, start negotiation for contract terms and assuming renewal.	In progress

Achieve internal growth while continuously executing measures for environmental conservation

Key internal growth and stabilization measures

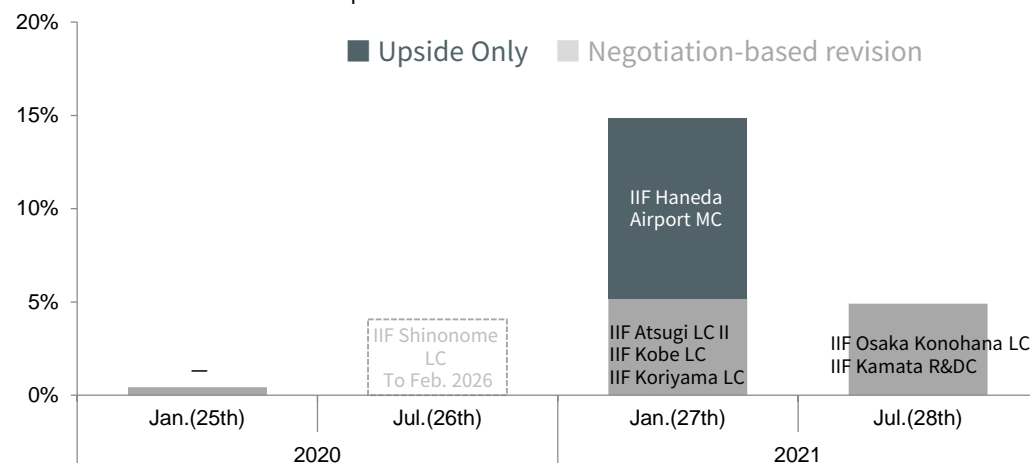
	Effective Date	Property Name	Tenant	Measures	Status	Rent Increase
July 2019 (24 th FP)	2019/2	IIF Morioka LC	Nippon Access, Inc.	Partial benefit from the reduced electricity charge due to the installation of LED lighting.	Increased	Not disclosed
	2019/3	IIF Sagamihara R&DC	Micron Memory Japan Inc.	Contracted a new lease for the annex building used by the tenant as their office.	Increased	Not disclosed
	2019/7	IIF Shinonome LC	Sagawa Express Co., Ltd.	Contracted new non-cancelable period until Feb. 20 th 2026 with no rent revision in accordance with the renewal of air-conditioning system	Concluded	—
Jan. 2020 (25 th FP)	2019/8	IIF Morioka LC II	Miyago Logistics Co., Ltd.	Contracted partial benefit from the reduced electricity charge due to the installation of LED lighting.	To be increased	Not disclosed
	2019/12	IIF Osaka Suminoe LC I	Toshiba Logistics Corporation	Contracted partial benefit from the reduced electricity charge due to the installation of LED lighting.	To be increased	Not disclosed
Jan. 2021 (27 th FP)	2021/1	IIF Haneda Airport MC	Japan Airlines Co., Ltd.	3% rent increase from the current rent starting from January 1, 2021 based on the current contract	To be increased	+ JPY 58,402K p.a.

Rent Revisions (annual rent basis) (Note 1)



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

<Rent income contribution in the entire portfolio>



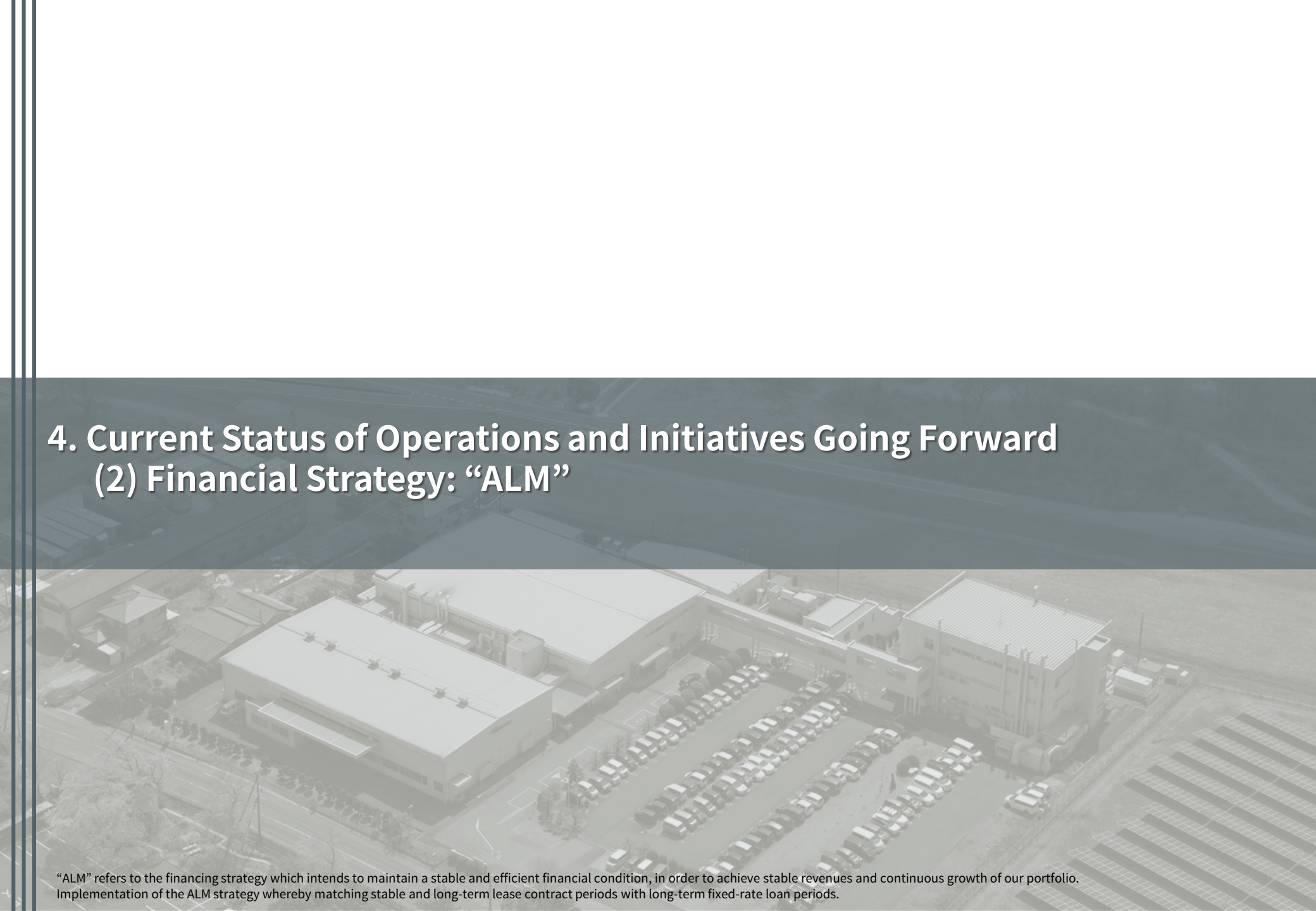
※ Only asset names accounting for 1.0% or more of the entire portfolio are listed above.



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4. Current Status of Operations and Initiatives Going Forward

(2) Financial Strategy: “ALM”

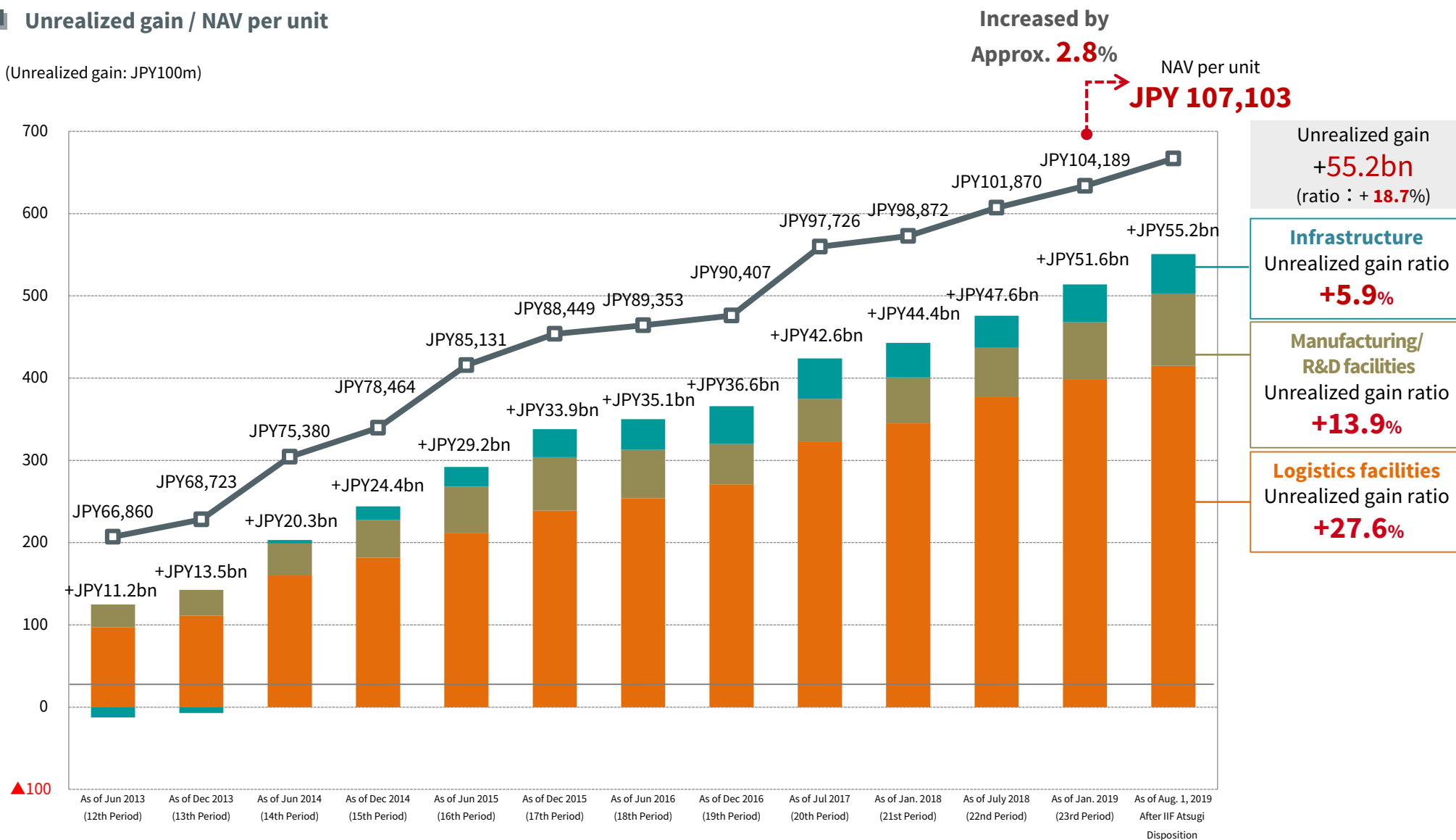


“ALM” refers to the financing strategy which intends to maintain a stable and efficient financial condition, in order to achieve stable revenues and continuous growth of our portfolio. Implementation of the ALM strategy whereby matching stable and long-term lease contract periods with long-term fixed-rate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

Unrealized gain reached JPY55.2bn (ratio+18.7%)

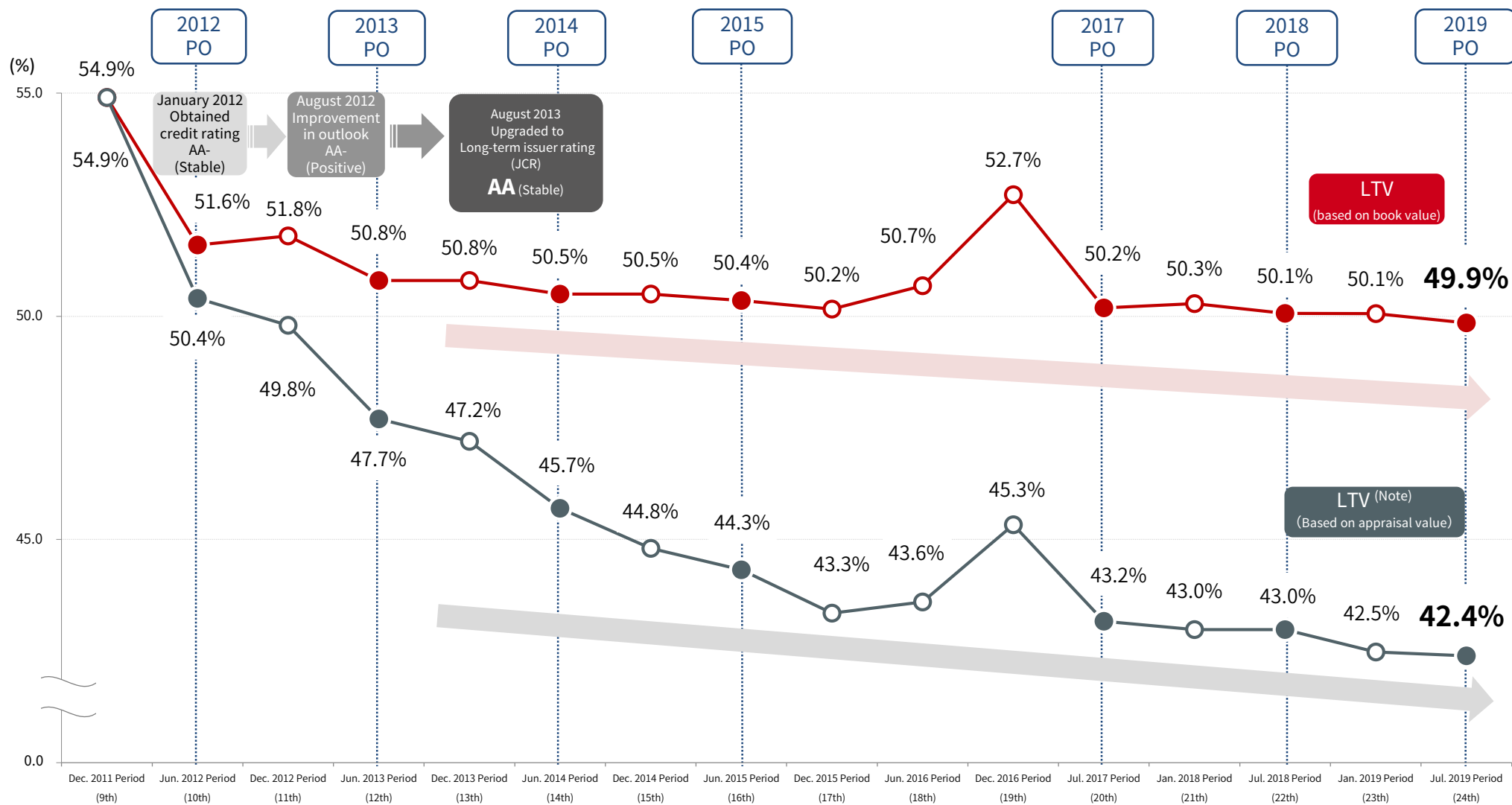
■ Unrealized gain / NAV per unit

(Unrealized gain: JPY100m)



LTV has dropped through constant public offering

Historical LTV



Further reinforced financial stability by steady decrease of debt cost and longer maturity period

Steady decrease of debt cost

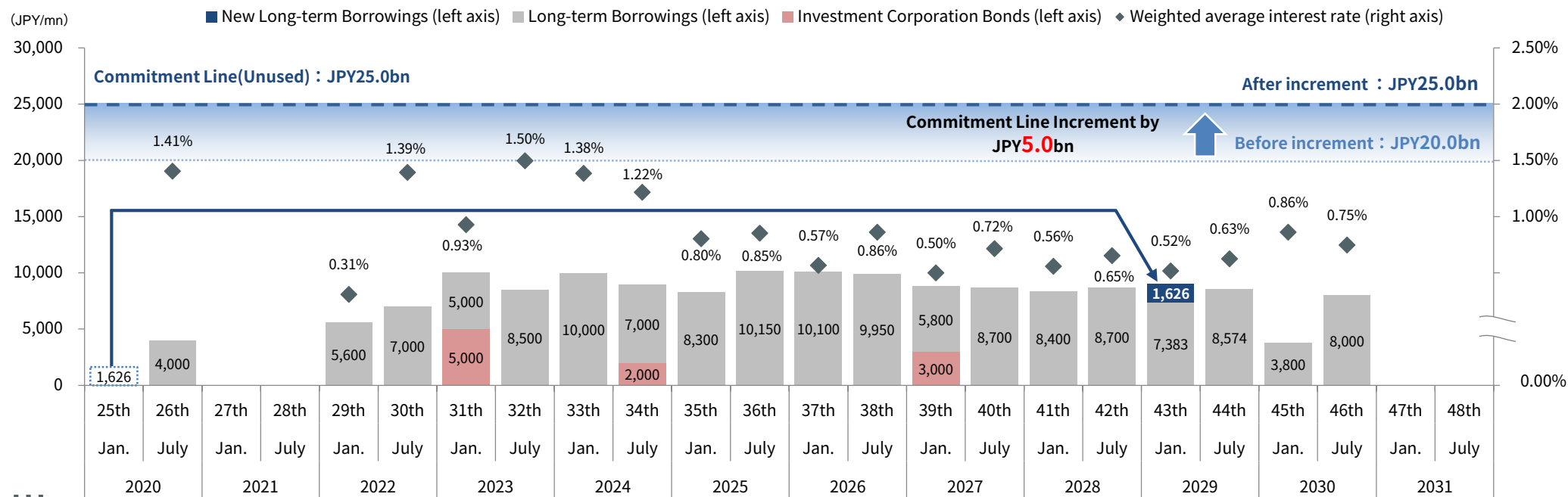
- Overview of repayments and new borrowings in 24th FP

Repayments		New borrowing	
Amount	JPY9.9bn	Amount	JPY20bn
Average Borrowing Period	7.7 years	Average Borrowing Period	8.6 years
Average Interest Rate	1.33%	Average Interest Rate	0.42% (▲0.90pt.)

Key indices

	Jan. 2019 (23rd FP)	End of Sep. 2019 (After refinance)
Issuer's Long-term Credit Rating (JCR)	AA _(stable)	AA _(stable)
LTV	50.1%	49.9%
Average Borrowing Period	9.3 years	9.4 years
Average Interest Rate	0.95%	0.85% (▲0.10 pt.)

Maturity ladder and weighted average interest rate





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5. Approach to ESG



Continuous MC-UBS group initiatives for ESG

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
2019	<ul style="list-style-type: none"> Became the first J-REIT asset manager to express support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)



Signatory of:



Signatory of:



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

Inclusion in MSCI Japan ESG Select Leaders Index^(Note)



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” rank as of Sep. 11, 2019.

Third- Party Evaluations

■ GRESB Real Estate Assessment



Awarded the “Green Star”, the highest rank, for 7 consecutive years and “GRESB Public Disclosure : “A”, the highest rating, for 2 consecutive years

■ BELS

8 properties have received the BELS rating as of Sep. 11, 2019.



BELS Properties

IIF Kashiwa LC	IIF Yokohama Tsuzuki LC
IIF Nishinomiya LC	IIF Hiroshima LC
IIF Atsugi LCIII	IIF Shinagawa ITSC
IIF Kawasaki SC	IIF Haneda Airport MC

■ CASBEE

IIF Nishinomiya Logistics Center (Extension Building) and IIF Kazo Logistics Center newly received "CASBEE for Real Estate Certification" in March 2019.



■ DBJ Green Building Certification

5 properties have received the DBJ Green Building Certification as of Sep. 11, 2019.



DBJ Green Building Certification

IIF Hiroshima LC	IIF Kobe LC
IIF Tosu LC	IIF Koshigaya LC
IIF Noda LC	

Recent ESG initiatives

Expressed Support for the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Mitsubishi Corp. - UBS Realty Inc. (hereinafter referred to as “the asset management company”), an asset management company which Industrial & Infrastructure Fund Investment Corporation (hereinafter referred to as “IIF”) entrusts with asset management, expresses support to the Recommendations published in June 2017 by the Task Force on Climate-related Financial Disclosures (hereinafter referred to as “TCFD”) established by the Financial Stability Board and signed the statement of support.

We will continuously aim to realize a sustainable society keeping the Recommendations of TCFD in mind while trying to reduce our environmental load and contribute to local communities in accordance with the nature of the asset management company’s business.



■ Task Force on Climate-related Financial Disclosures (TCFD)

- TCFD stands for the Task Force on Climate-related Financial Disclosure. It was established in 2015 by the Financial Stability Board which is composed of the central banks and financial regulatory authorities of major countries.
- In June 2017, in order to reduce risks associated with destabilizing financial markets, TCFD recommended that companies disclose medium- to long-term business risks and opportunities presented by climate change and the effects of climate change on these financial conditions, as well as specific measures and strategies.

Support for “Zero Emission Tokyo” Initiative

Based on the Act on Rationalizing Energy Use (Energy Saving Act), IIF targets to reduce the units of consumption related to energy use by one percent or more on the annual average.

In relation to the above-mentioned target, IIF donated 1,341 tons of CO2 credits reduced in excess to Tokyo Metropolitan Government.

For more details, please refer to the Tokyo Metropolitan Government Bureau of Environment Web site.

<http://www.kankyo.metro.tokyo.jp/en/climate/index.html>

Properties donated CO2 Credits



IIF Shinagawa DC



IIF Shinagawa ITSC



IIF Shinonome LC

■ “Zero Emission Tokyo”

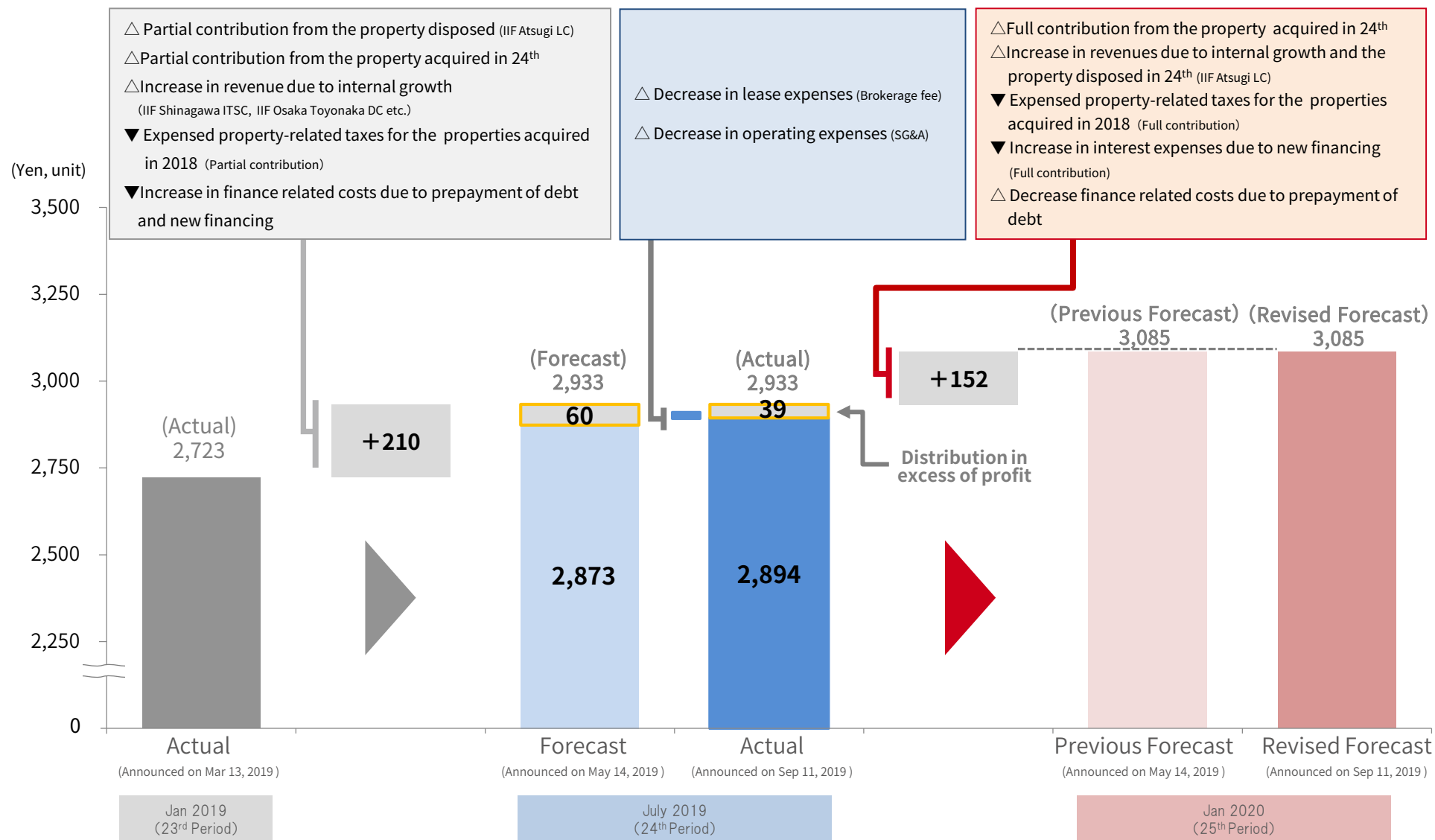
- Tokyo Metropolitan Government announced the “Zero Emission Tokyo” initiative aiming to make Tokyo as the zero CO2 emission city by 2050. It stipulates reduction of CO2 emission by promoting the use of renewable energy and reduction of energy consumption to realize the sustainable city that is resilient to climate change.
- In relation to the initiative, Tokyo became first city in the world to implement a cap-and-trade program targeting large-scale facilities including manufacturing centers and offices, and setting mandatory carbon dioxide emission reduction goals in 2010.

6. Operating Results for the July 2019 (24th) Fiscal Period and Earnings Forecast for the January 2020 (25th) Fiscal Period



DPU in 25th is expected to increase due to revenue increase from new properties and distribution of gain on sales

Trend in DPU



Operating Results for the July 2019 (24th) Fiscal Period

		(JPY mn)				(JPY mn)			
		Jan. 2019	Jul. 2019	(24th Period Actual)		Jul. 2019	Jul. 2019	(24th Period Actual)	
		(23rd Period Actual)		Period over period		(24th Period Estimated)		Difference with estimate	
Key P/L Figures	Operating revenue	9,806	10,602	+796	+8.1%	10,581	10,602	+21	+0.2%
	Operating expense	4,243	4,383	+140	+3.3%	4,398	4,383	(14)	(0.3)%
	Operating Income	5,562	6,218	+655	+11.8%	6,183	6,218	+35	+0.6%
	None-operating income	1	0	(1)	(71.8)%	0	0	+0	+0.0%
	Non-operating expense	939	1,027	+87	+9.3%	1,028	1,027	(1)	(0.2)%
	Ordinary income	4,625	5,192	+566	+12.3%	5,154	5,192	+37	+0.7%
	Net income	4,624	5,190	+566	+12.2%	5,153	5,190	+37	+0.7%
	Distributions per unit (yen)	2,723	2,933	+210	+7.7%	2,933	2,933	0	0.0%
Other Figures	Capital expenditure	742	877 <small>(Note1)</small>	+135	+18.3%	880	877	(3)	(0.4)%
	Repair expense	92	97 <small>(Note2)</small>	+4	+4.9%	100	97	(3)	(3.7)%
	Total	834	974	+140	+16.8%	981	974	(6)	(0.7)%
	Depreciation	1,365	1,404	+38	+2.8%	1,403	1,404	0	+0.0%
	FFO	5,990	6,124	+134	+2.2%	6,087	6,124	+36	+0.6%
	AFFO	5,247	5,246	(1)	(0.0)%	5,207	5,246	+39	+0.8%
	Number of properties	67	72	+5	-	72	72	-	-
	Occupancy rate	99.6%	100.0%	+0.4point	-	100.0%	100.0%	-	-
	Total book value	271,015	296,837	+25,821	+9.5%				
	Total appraisal value	323,919	352,419	+28,500	+8.8%				
	Unrealized gain	52,903	55,581	+2,678	+5.1%				
	Total debt	144,800	156,583	+11,783	+8.1%				
	LTV	50.1%	49.9%	(0.2)point	(0.4)%				
	Total net assets	129,780	141,873	+12,092	+9.3%				
	Net assets per unit	72,340	79,081	+6,741	+9.3%				

(Note 1) Major capital expenditures for the 24th FP

IIF Haneda Airport MC : JPY 95mn for renewal of disaster prevention equipment at M1 building
 IIF Kobe LC : JPY 63mn for repair of outer wall of main building and new building
 IIF Mitaka C : JPY 58mn for renewal of Chiller unit

(Note 2) Major repair cost expensed for the 24th FP

IIF Sapporo LC : JPY 9mn for repair of interior
 IIF Osaka Konohana LC : JPY 4mn for repair of earthquake damage
 IIF Osaka Toyonaka DC : JPY 3mn for repair of 4F Southeast area in OA floor

Major Factors of change for 24th Period (Compared to 23rd Actual) (JPY mn.)

Operating Revenue +796

- ✓ Partial contribution from the new properties acquired +252
- ✓ Gain on sales of the property disposed in 24th (IIF Atsugi LC) +470
- ✓ Decrease in rental revenue due to partial disposition of Property (IIF Atsugi LC) (21)
- ✓ Increase in revenue due to the internal growth (IIF Shinagawa ITSC, IIF Osaka Toyonaka DC, etc.) +29
- ✓ Increase in other revenue (insurance claim etc.) +72

Operating Expense +140

- ✓ Increase in lease expenses due to the properties acquired in 24th +5
- ✓ Decrease in lease expenses due to the property disposed partially (IIF Atsugi LC) (10)
- ✓ Increase in lease expenses (Brokerage fee) +23
- ✓ Increase in expensed property-related taxes for the properties acquired in 2018 (Partial contribution) +42
- ✓ Increase in depreciation for the new properties acquired +48
- ✓ Increase in other operating expenses for the new properties acquired +24

Non-Operating Expense +87

- ✓ Increase in interest expense for new debt in 2019 +9
- ✓ Increase in finance related costs due to prepayment +101
- ✓ Decrease in interest expenses due to debt financing (25)
- ✓ Decrease in interest expenses due to difference in business days (10)
- ✓ Decrease in amortization due to issuance of new units in 2019 etc. +11

Major Factors of Change for 24th Period (Compared to 24th Forecast) (JPY mn.)

Operating Revenue +21

- ✓ Increase in revenue from internal growth (Osaka Toyonaka DC) +5
- ✓ Increase in utilities expense received +5
- ✓ Increase in rental revenue (Haneda Air Port MC: Usage fee for national land) +8

Operating Expense (14)

- ✓ Decrease in lease expenses (brokerage fee) (8)
- ✓ Increase in lease expenses (Haneda Air Port MC: Usage fee for national land) +8
- ✓ Decrease in other operating expenses (SG&A) (16)

Non-Operating Expense (1)

- ✓ Decrease in interest expense for new debt in 2019 (2)

Earnings Forecast for the July 2020 (25th) Fiscal Period

(JPY mn)						(JPY mn)			
						Jan. 2020	Jan. 2020 (25th Period Forecast)		
						(25th Period Previous Estimated)	Difference with estimate		
Key P/L Figures	Operating revenue	10,602	11,003	+400	+3.8%	10,984	11,003	+19	+0.2%
	Operating expense	4,383	4,531	+147	+3.4%	4,507	4,531	+23	+0.5%
	Operating Income	6,218	6,472	+253	+4.1%	6,476	6,472	(4)	(0.1)%
	None-operating income	0	-	(0)	(100.0)%	-	-	-	-
	Non-operating expense	1,027	939	(87)	(8.5)%	943	939	(4)	(0.4)%
	Ordinary income	5,192	5,532	+340	+6.6%	5,532	5,532	(0)	(0.0)%
	Net income	5,190	5,530	+340	+6.6%	5,531	5,530	(0)	(0.0)%
	Distributions per unit (yen)	2,933	3,085	+152	+5.2%	3,085	3,085	0	0.0%
Other Figures	Capital expenditure	877	849 ^(Note1)	(27)	(3.2)%				
	Repair expense	97	69 ^(Note2)	(27)	(28.3)%				
	Total	974	919	(55)	(5.7)%				
	Depreciation	1,404	1,471	+67	+4.8%				
	FFO	6,124	6,517	+392	+6.4%				
	AFFO	5,246	5,667	+420	+8.0%				
	Number of properties	72	71	(1)	-				
	Occupancy rate	100.0%	100.0%	-	-				

(Note 1) Major capital expenditures planned in the 25th FP

IIF Osaka Suminoe LC I : JPY 62mn for LED lighting equipment
 IIF Haneda Airport MC : JPY 59mn for renewal of 4 elevators at M1 buildings
 IIF Fukuoka Hakozaki LC II : JPY 55mn for LED lighting equipment

(Note 2) Major repair cost planned in the 24th FP

IIF Osaka Suminoe LC I : JPY 6mn for repair of east gate rail
 IIF Osaka Toyonaka DC : JPY 4mn for maintenance of power generation equipment unit 3's E inspection
 IIF Higashi-Osaka LC : JPY 2mn for repair of fireproof boards in warehouse building

■Major Factors of Change for 25th Period (Compared to 24th Actual) (JPY mn.)

Operating Revenue +400

- ✓ Full contribution from the new properties acquired +463
- ✓ Gain on sales from the partial disposition of the property (IIF Atsugi LC) +15
- ✓ Decrease in rental revenue due to disposition (IIF Atsugi LC) (42)
- ✓ Increase in rental revenue due to internal growth (IIF Sagamiyama R&DC, IIF Shinagawa ITSC etc.) +32
- ✓ Decrease in other revenue (insurance claim) (69)

Operating Expense +147

- ✓ Increase in lease expenses due to the new properties acquired +16
- ✓ Decrease in lease expenses due to the property disposition (IIF Atsugi LC) (27)
- ✓ Decrease in lease expenses (Brokerage fee, etc.) (52)
- ✓ Increase in expensed property-related taxes due to the properties acquired in 24th +41
- ✓ Increase in depreciation for the new properties acquired +86
- ✓ Increase in asset management fee due to the new properties acquired +53
- ✓ Increase in other operating expenses (SG&A) +21

Non-Operating Expense (87)

- ✓ Increase in interest expense for new debt in 2019 +20
- ✓ Decrease in interest expense due to prepayment and refinancing in 24th (121)
- ✓ Decrease in interest expense for refinancing in Sep. 2019 (4)
- ✓ Increase in interest expense due to the difference in business days +12
- ✓ Increase in finance related costs due to additional commitment line Agreement +5

■Major Factors of Change for 25th Period (Compared to 25th Previous Forecast) (JPY mn.)

Operating Revenue +19

- ✓ Increase in rental revenue due to internal growth (IIF Osaka Toyonaka DC) +25
- ✓ Decrease in utilities expense received (13)
- ✓ Increase in rental revenue (Haneda Air Port MC: Usage fee for national land) +13

Operating Expense +23

- ✓ Increase in lease expenses (Brokerage fee) +10
- ✓ Decrease in utilities expense paid (5)
- ✓ Decrease in repair cost (16)
- ✓ Increase in other lease expenses (Haneda Air Port MC: Usage fee for national land) +13
- ✓ Increase in depreciation +7
- ✓ Increase in other operating expenses (SG&A) +9

Non-Operating Expense (4)

- ✓ Decrease in interest expense for new debt in 24th (Full contribution) (6)
- ✓ Decrease in interest expense due to prepayment (2)
- ✓ Increase in finance related costs due to additional commitment line Agreement +5

Note(1)

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.3 (Note) Average interest rate as Sep. 2019 is the estimation based on the average interest rate as of July 31, 2019 and the estimated interest rate of new borrowing to be executed on Sep. 30, 2019, which may differ from the actual interest rate. Since the applicable interest rate is not yet determined as of Sep. 11, 2019, the interest rate is calculated by adding the spread set forth in each loan agreement to the rate calculated based on the offered rate, etc., of the fixed interest rate (Reuters Page 9154) published at 10:00 a.m. on Aug 30, 2019 (Tokyo Time), by taking into account the loan agreements associated with this new borrowings executed on Sep. 11, 2019. Since the applicable interest rate is determined before each borrowing is completed based on the loan agreements executed on Sep. 11, 2019, the average interest rates (estimate) above may differ from the actual applicable interest rates. The actual applicable interest rates may deviate significantly from the average interest rates (estimate) above when the trend of interest rates changes drastically due to factors such as rapid changes in the economic environment, among other factors. The same shall apply hereinafter.
- 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 in June 2015 (16th period) up to the period ended in 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.
 (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.
 (Note 3) NAV per unit of 24th fiscal period is calculated by deducting unrealized gain of IIF Atsugi LC (remaining 50% Co-ownership interest) disposed on Aug. 1, 2019.
- P.7 (Note 1) LTV (Book value LTV) = Total of interest-bearing debts ÷ Total amount of assets. The figure as of Aug. 1, 2019 is based on the actual LTV at the end of 24th fiscal period .
 (Note 2) Average Interest Rate as of Aug. 1, 2019 is represented by the weighted average of interest rates applied to the respective interest-bearing debts as of July 31, 2019 (the end of the 23rd period) and new borrowing to be executed on Sep. 30, 2019.
 (Note 3) "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. The figure as of Aug. 1, 2019 is calculated based on the forecast for the period ending in Jan. 2020 (25th period).
 (Note 4) NAV per Unit = NAV divided by the 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 real estate related asset value based on appraisal value (or researched value) and the liabilities of the IIF's balance sheet.

$$\text{NAV} = \text{Unitholders' Equity} + (\text{Appraisal value(or researched value) of real estate related assets as of the end of the relevant fiscal period} - \text{booked value of real estate related assets}^* \text{ as of the end of the relevant fiscal period})$$

 * Book 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.9 (Note) "Temporary distributions in excess of profit" follows Articles of Incorporation of IIF and Internal Rules (Asset Management Plan) of IIF's Asset Manager. When dilution or incurrence of considerable expense in connection with the acquisition of assets or issuance of new investment units is expected and the amount of distributions per unit is likely to temporarily decrease in a certain amount, IIF may distribute the amount of cash determined by IIF as temporary distributions in excess of profit solely for the purpose of keeping the level of distributions per unit. In principle, IIF will not make distributions in excess of profit continuously in each fiscal period. Distributions in excess of profit (temporary distributions in excess of profit) of 39 yen per unit is for July 2019 (24th period), however, "Temporary distributions in excess of profit" does not include the amount equivalent to the increase in distributions in excess of profit from allowance for temporary difference adjustment.
- P.10 (Note) The figure is target rate as of Sep. 11, 2019 and there is no assurance that such figure may be realized.
- P.12 (Note 1) $\text{NOI Yield} = \text{NOI} \div \text{Acquisition price}^{**}$
 *The figure used for the calculation of NOI is the first year net revenue with the DCF method as described in the real estate appraisal report upon acquisition for each of the (anticipated) acquisitions. If special circumstances are expected in the first year, the second or later year net revenue is used. This is the same in "NOI yield (after depreciation)" as shown below.
 **Acquisition price is set forth in the sales value of the trust beneficiary rights in the purchase agreement (excluding acquisition-related costs, fixed asset tax, urban planning tax and consumption tax.) This assumption is the same for other calculations below.

$$\text{NOI yield (after depreciation)} = (\text{NOI} - \text{depreciation}^*) \div \text{Acquisition price}$$

 *Depreciation is calculated based on the straight-line method according to durable years in the same way as IIF's acquired properties in the portfolio.
 (Note 2) "Difference between Appraisal Value and Acquisition Price" means the difference between appraisal value and the acquisition price (excluding tax, etc.), as set forth in the relevant purchase agreement. There is no assurance that such figure may be realized. The ration is the difference between appraisal value and acquisition price divided by acquisition price.
 (Note 3) Average interest rate is represented by the weighted average of interest rates applied to the respective interest-bearing debts based on the amount of interest-bearing debts. The same shall apply hereinafter.
 (Note 4) "New borrowings fixed debt ratio" refers to the portion of the borrowings with fixed-term interest rate in the new borrowings. The same shall apply hereinafter.

Note(2)

P.14 (Note 1) 【Implied Cap Rate】

Implied cap rate is calculated by the following formula. The same shall apply hereinafter.

- $\text{Annualized NOI} \div (\text{Market capitalization} + \text{Total interest-bearing debt} + \text{Leasehold and security deposit} - \text{Cash and bank deposit}) \times 100$
 - ※ $\text{Annualized NOI} = \text{NOI} \times (365 \text{ days} \div \text{Total actual management days})$
 - ※ Market capitalization and NOI is based on the figure at the end of month just before a launch date of public offering

【NOI Yield of acquired assets】

NOI Yield of acquired assets is based on a figure described in a public offering memorandum which may includes assets already acquired before a public offering. The same shall apply hereinafter.

(Note 2) The spread of J-REIT Average is calculated by arithmetic average method using all J-REIT's differences between NOI yield of acquired assets and implied cap rate of each public offering in each launch year. A public offering such that NOI yield of acquired assets is not disclosed in its public offering memorandum or press release is excluded from the calculation above.

P.15 (Note 1) BTS type logistics facility is logistics facility which was developed to fully meet tenants' needs on location or facility. The same shall apply hereinafter.

(Note 2) Please note that although IIF has obtained preferential negotiation rights with respect to the acquisition of the building and the land, IIF has not made a decision with respect to acquisition, and IIF cannot assure that IIF will be able to acquire the building and the land in the future. In addition, the construction of the building has not completed as of Sep.11, 2019 for IIF Hiroshima Seifushinto Logistics Center, and may not complete in accordance with the schedule and may not be available for lease in accordance with the schedule after completion.

(Note 3) 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.

P.16 (Note) As of Sep. 11, 2019.

P.18 (Note 1) NOI for "Current (As of July 2019)" is based on the actual results for the fiscal period ended in January 2019 and July 2019 adjusting temporary factors such as leasing brokerage fees, while for "Based on new contract (Estimated)" or "After rent revision (Estimated)" is calculated by annualizing the forecast for the fiscal period ending in January 2020 adjusting each rent increase.

(Note 2) NOI for "As of acquisition (In June, 2019)" is calculated by using the net operating income for the first fiscal year under the DCF method indicated in the appraisal report as of April 1, 2019, while for "Based on new contract (Estimated)" by using the net operating income for the second fiscal year under the DCF method indicated in the appraisal report as of April 1, 2019. Depreciation expenses are calculated by annualizing an annual estimate for the fiscal period ending in January 2020. The same shall apply hereinafter.

P.19 (Note) Source : CBRE K.K.

P.20 (Note 1) The figure used for the calculation of NOI as of new acquisition is calculated by multiplying the first-year net revenue with the DCF method as described in the real estate appraisal as of Dec. 1, 2016 by 60% co-ownership. The figure used for the calculation of NOI after acquisition of main building (40% Co-ownership interest) and extension building is the first-year net revenue with the DCF method as described in the real estate appraisal as of January 1, 2018.

The figure used for the calculation of NOI after start of new lease contract is based on the forecast for the fiscal period ending in January 2020 adjusting rent increase of new lease.

(Note 2) The figure is a target rate as of Sep. 11, 2019 based on the forecast for the fiscal period ending in January 2020 adjusting annualized potential rent increase, and there is no assurance that such figure may be realized.

P.22 (Note) "Upside-only" means the rent will be automatically raised or parties can only negotiate for raising rent regarding the rent.

"Flat" means the rent will not be revised until 10 years has passed or until the lease expiration date from the (anticipated) acquisition date, or the rent will not be revised in general.

"Negotiation based revision" means the contract type other than both "Upside-only" and "Flat" above, and the rent will be negotiable.

P.26 (Note) "LTV(based on appraisal value)" is derived by $(\text{total of interest-bearing debts}) \div (\text{total amount of net assets} + \text{total amount of unrealized gains})$

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