

Think bold today for a brighter tomorrow.



## Investor Presentation for the Jan. 2020 (25th) Period

Securities Code : **3249**

Industrial & Infrastructure Fund Investment Corporation

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## Appendix

### Portfolio Data and Other Materials

# 1. Executive Summary



# Steadily increase unitholders' value through "continuous external growth" and "steady internal growth"

## New Acquisitions

### Continue to acquire highly profitable assets

#### ■ AUM reaches JPY 300bn. level

<Overview of 9th PO in November 2019>

- New Acquisition **5** properties  
JPY **25.3**bn.
- NOI yield **5.7%**
- NOI yield after depreciation **4.4%**
- CRE proposal **100.0%**
- Manufacturing and R&DC **66.3%**

#### ■ Initiatives for High-Profit Development Projects

NOI Yield

- IIF Atsugi MC (Building) : **6.0%**
- IIF Gifu Kakamigahara LC : **5.9%**
- IIF Hiroshima Seifushinto LC : **5.7%**

## Existing Portfolio

### Steady progress in internal growth

#### ■ Continuous implementation of internal growth measures

<Properties with improved profitability>

##### 【Logistics】

- IIF Nagoya LC
- IIF Fukuoka Hakozaki LC II
- IIF Koshigaya LC

##### 【Manufacturing and R&DC】

- IIF Shinkawasaki R&DC

##### 【Infrastructure】

- IIF Haneda Airport MC

#### ■ Environmentally conscious measures to improve profitability

<Promotion of LED replacement>

- Implemented in FP ending Jan. 2020  
IIF Sagamihara R&DC
- To be implemented in FP ending July 2020  
IIF Morioka LC II and IIF Osaka Suminoe LC I

## Financial Strategy

### Strengthen financial base through ALM strategy

#### ■ Procuring long-term debt at low cost

<Overview of new borrowings regarding PO>

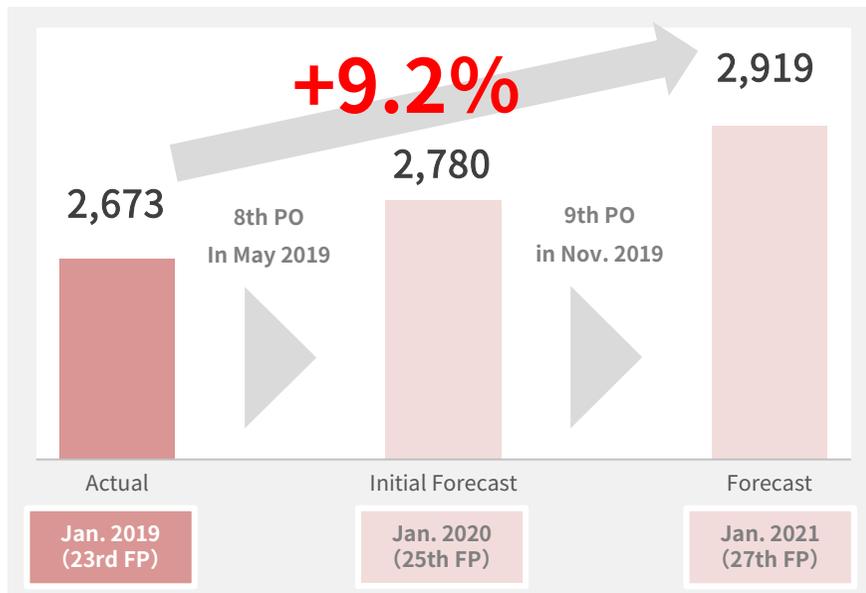
- Plans to raise JPY 14bn. borrowings in total
- Average borrowing period : **8.4** years
- Average interest rate : **0.37%**

<Key Indicators>

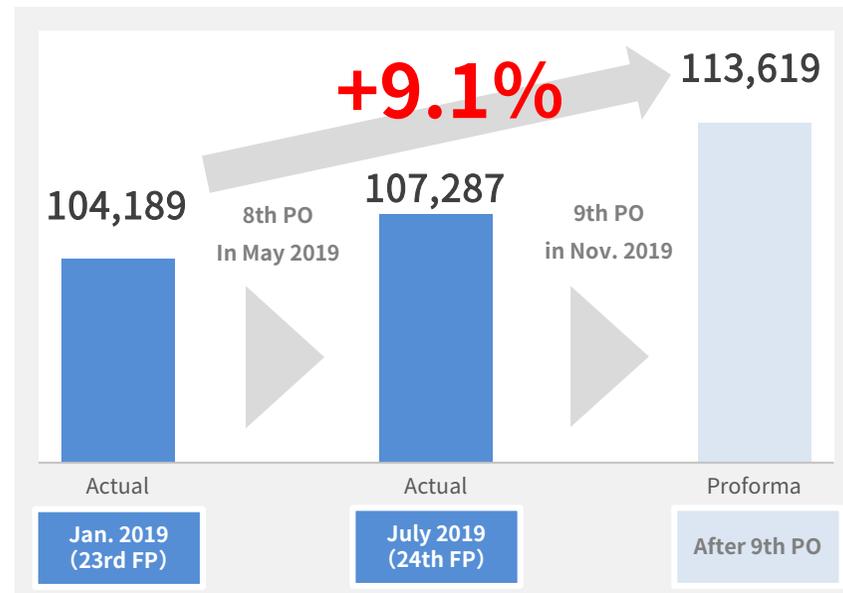
	As of July 2019	After New Acquisition
• LTV	: 49.9%	⇒ <b>49.7%</b>
• Average Interest Rate	: 0.86%	⇒ <b>0.79%</b> (Note)

# DPU and NAV will grow by more than 9% through the POs twice a year

## Changes in DPU (After adjustment of property-related taxes and excluding the impact from gain on sales) (Note1)



## Changes in NAV per unit (Note2)



## Key Portfolio Indicator after the 9th Public Offering (Note3)

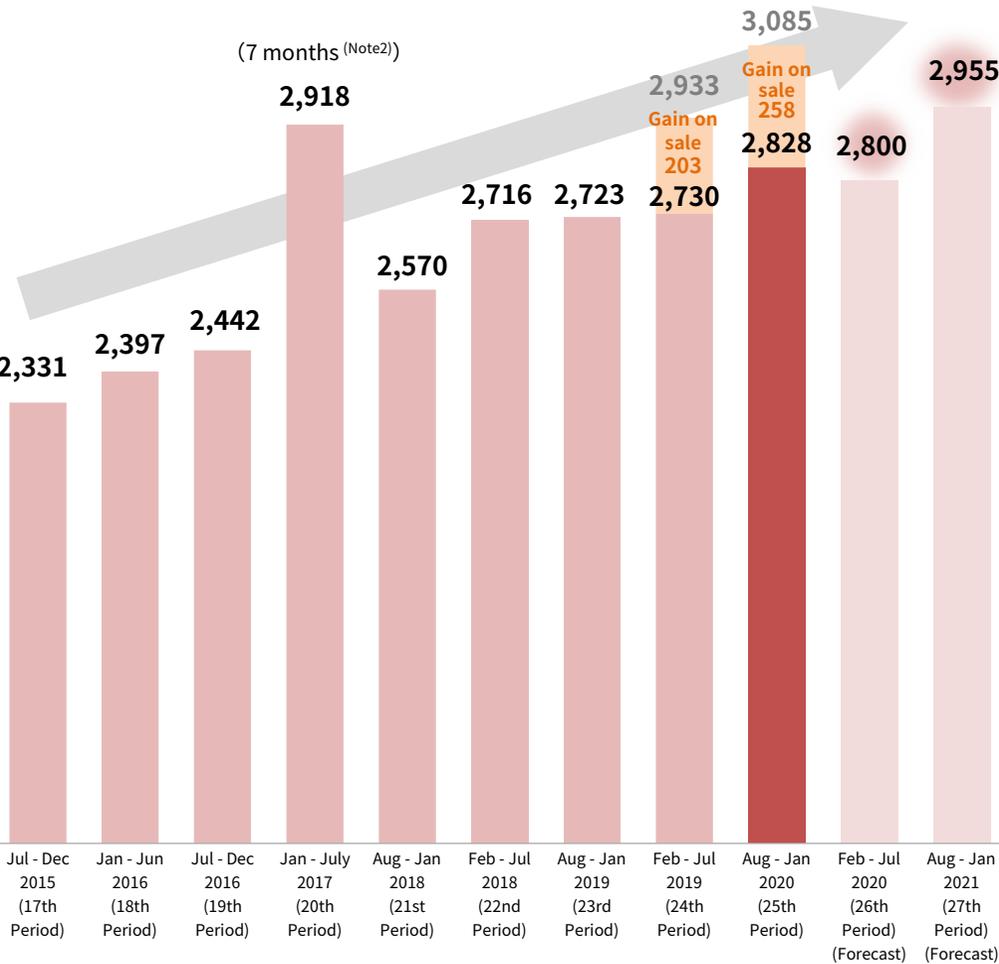
	Asset		Debt		Equity
Number of properties	<b>75</b> properties	LTV (Note 6) (Based on book value)	<b>49.7%</b>	Market capitalization (Note 7)	<b>JPY 313.5</b> bn.
AUM	<b>JPY 323,566</b> mn.	LTV (Note 6) (Based on appraisal value)	<b>42.0%</b>	NAV per unit	<b>JPY 113,619</b> per unit
NOI Yield/ NOI Yield after depreciation (Note 4)	<b>5.8% / 4.8%</b>	Average interest rate	<b>0.79%</b>	Distribution per unit (Stabilized basis) (forecast)	(Jan. 2020 (25th FP) ) <b>JPY 2,780</b> per unit
Unrealized gain (Note 5) on appraisal value (Unrealized gain ratio)	<b>JPY +63,370</b> mn. (+19.7%)	Average borrowing period	<b>9.3</b> year		(Jan. 2021 (27th FP) ) <b>JPY 2,910</b> per unit

# Steady growth in DPU and NAV

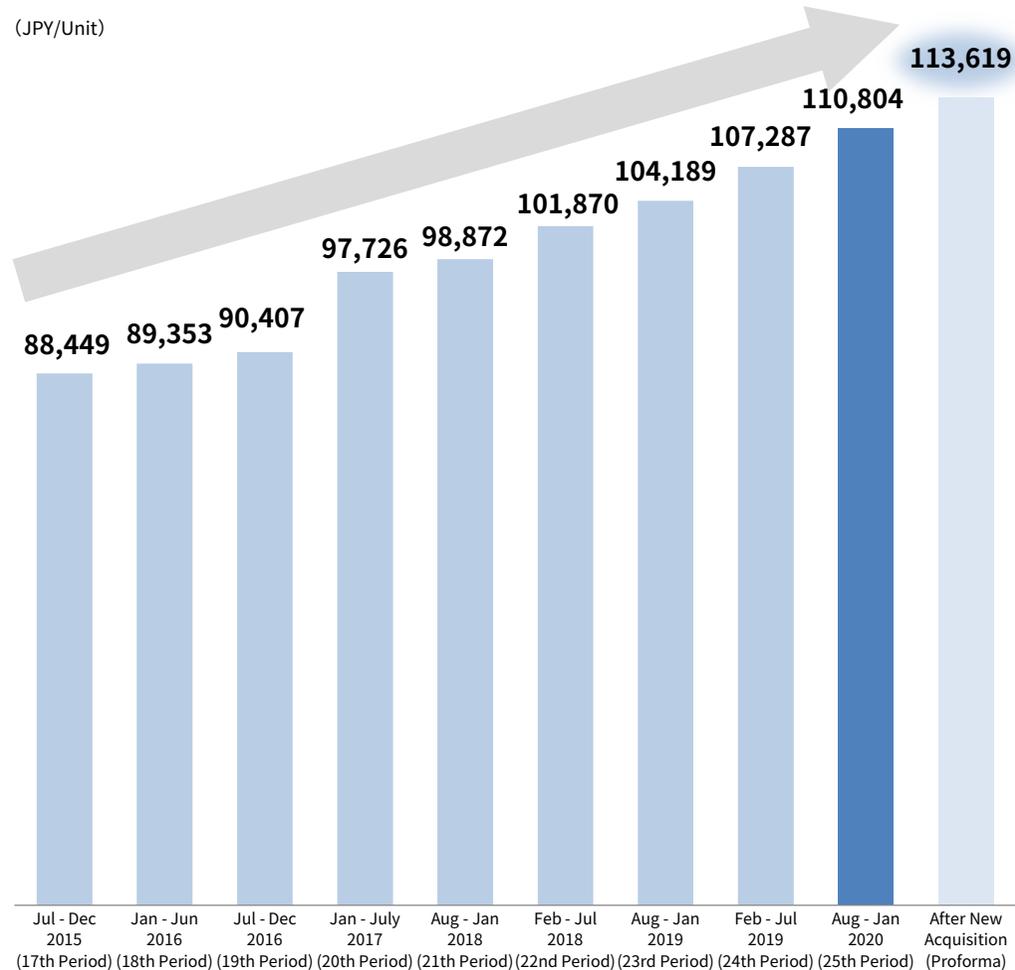
**DPU grew by approx. 1.3 times over five-year period** (Note 1)

**Appraisal NAV per unit grew by approx. 1.3 times over five-year period** (Note 1)

(JPY/Unit)



(JPY/Unit)



※ For the details of the footnotes, see Page 35 & 36.

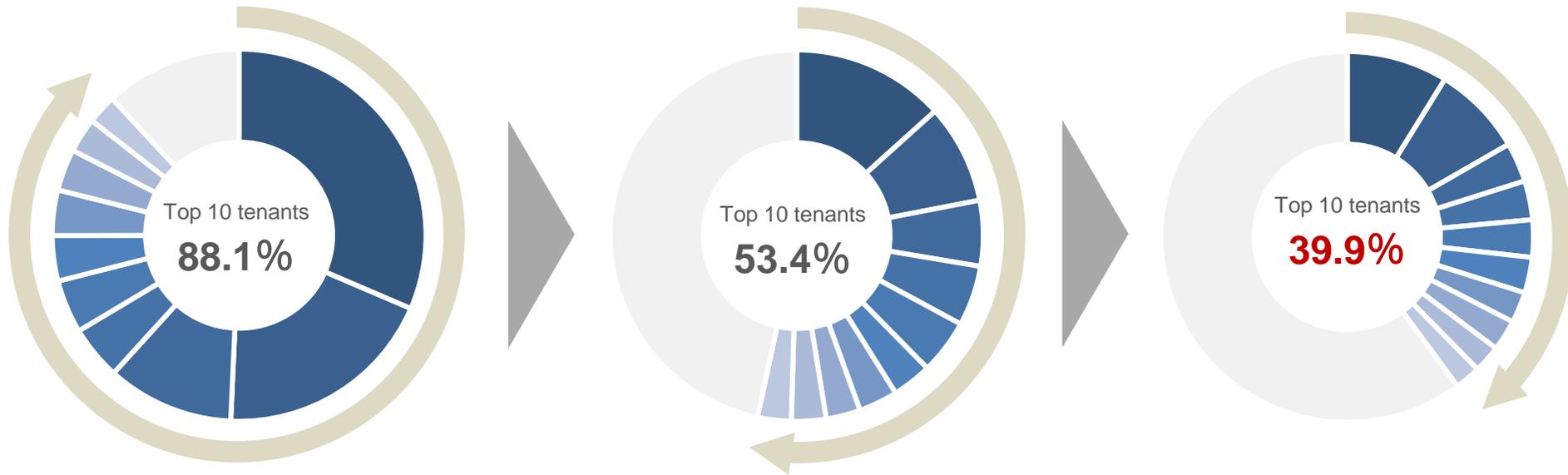
# Steady AUM growth through acquisition of assets by successive public offerings

## AUM expansion and acquired major assets



# Further tenant diversification backed by increasing AUM

## Progress in tenant diversification



	Dec. 2011 (9th FP)
Number of properties	16 properties
AUM	JPY 108,240 mn.
Top 10 tenants ratio (Based on annual rent)	88.1%
Number of tenants	19 tenants

	Dec. 2015 (17th FP)
Number of properties	43 properties
AUM	JPY 204,529mn.
Top 10 tenants ratio (Based on annual rent)	53.4%
Number of tenants	58 tenants

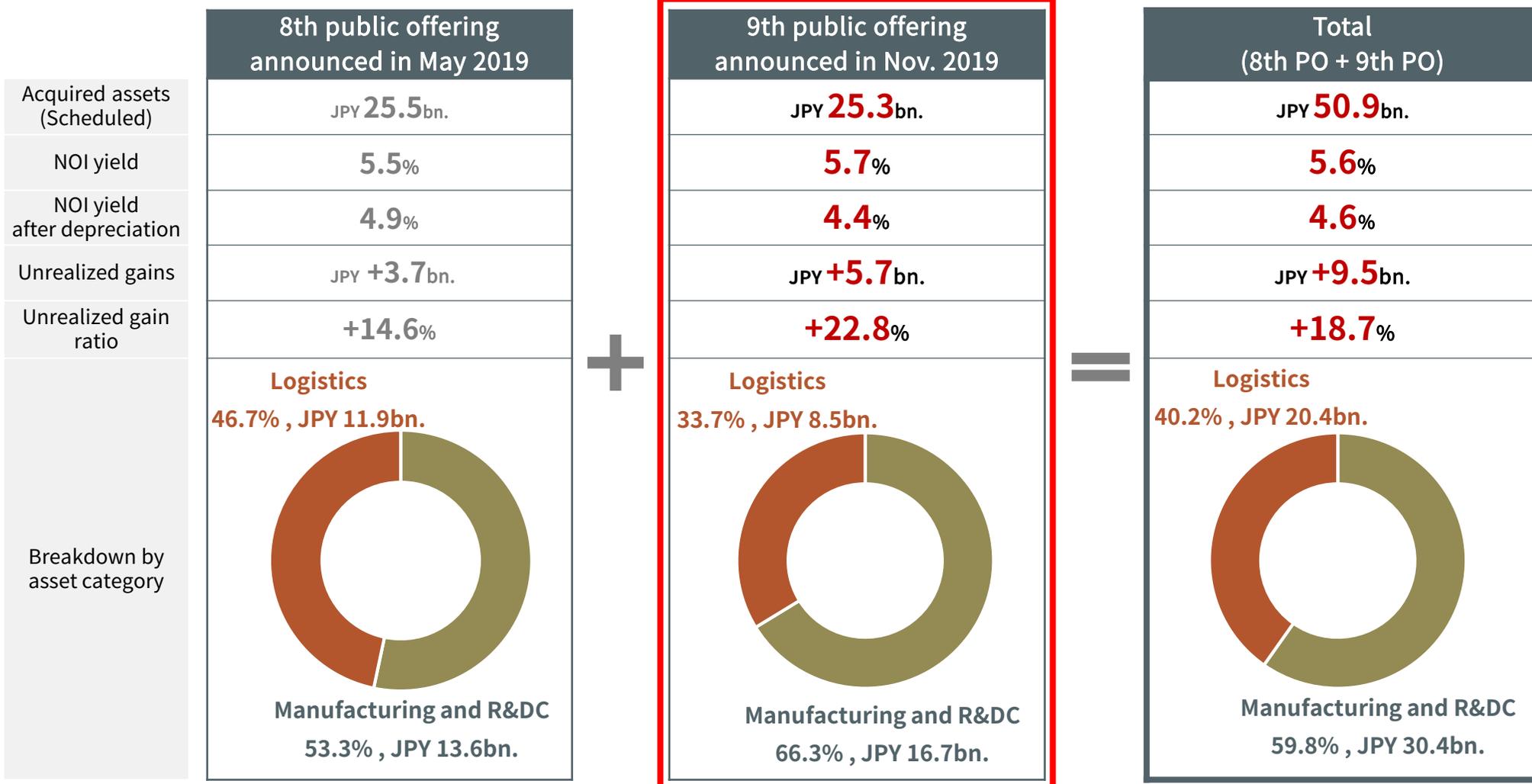
	After new acquisition (July 2020)
Number of properties	<b>75 properties</b>
AUM	<b>JPY 323,566 mn.</b>
Top 10 tenants ratio (Based on annual rent)	<b>39.9%</b>
Number of tenants	<b>98 tenants</b>

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



# Acquired JPY 50.9 bn. in high-profitable assets through two public offerings in 2019

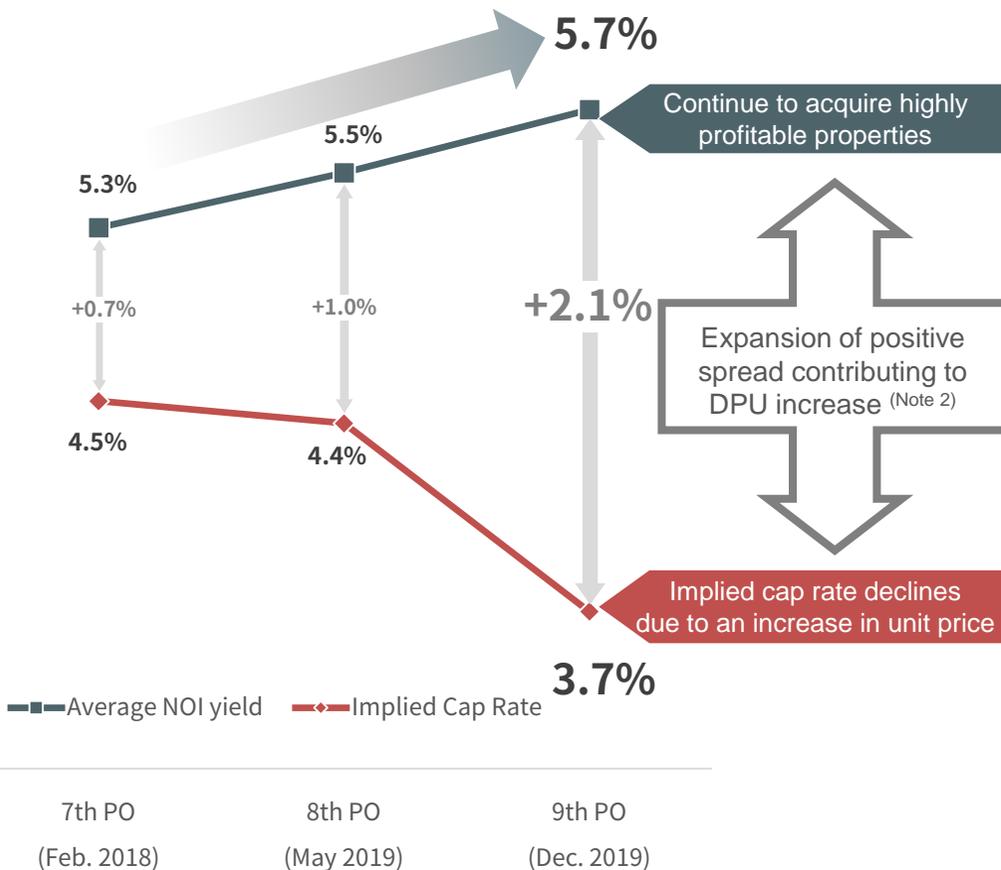
## ■ Outline of the two public offerings in 2019



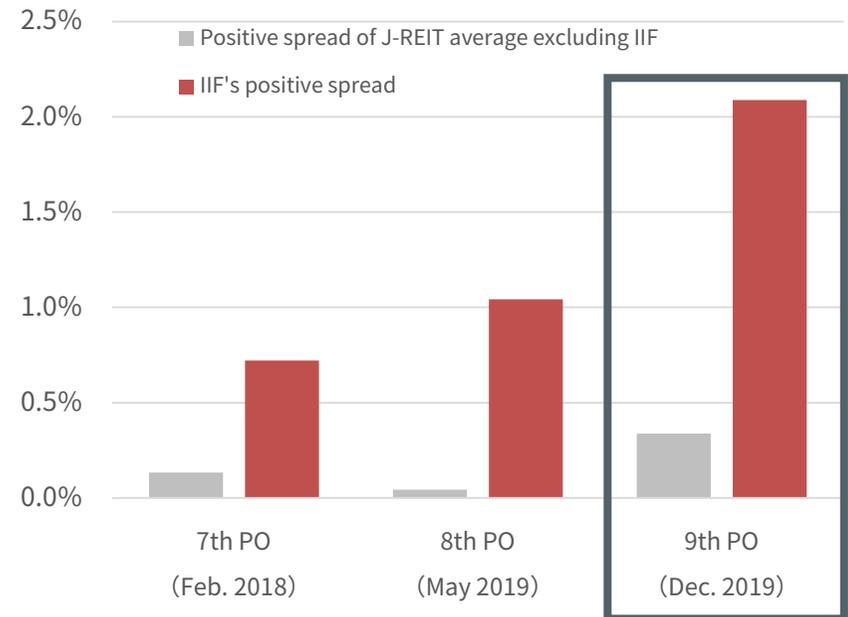
# (Reference) Acquisition NOI yield significantly exceeds the implied cap rate

## Changes in acquisition NOI yield and implied cap rates for IIF (Note 1)

Acquisition NOI yield and implied cap rate



Spread between NOI yield and implied cap rate (J-REIT Average (Note 3) vs. IIF)

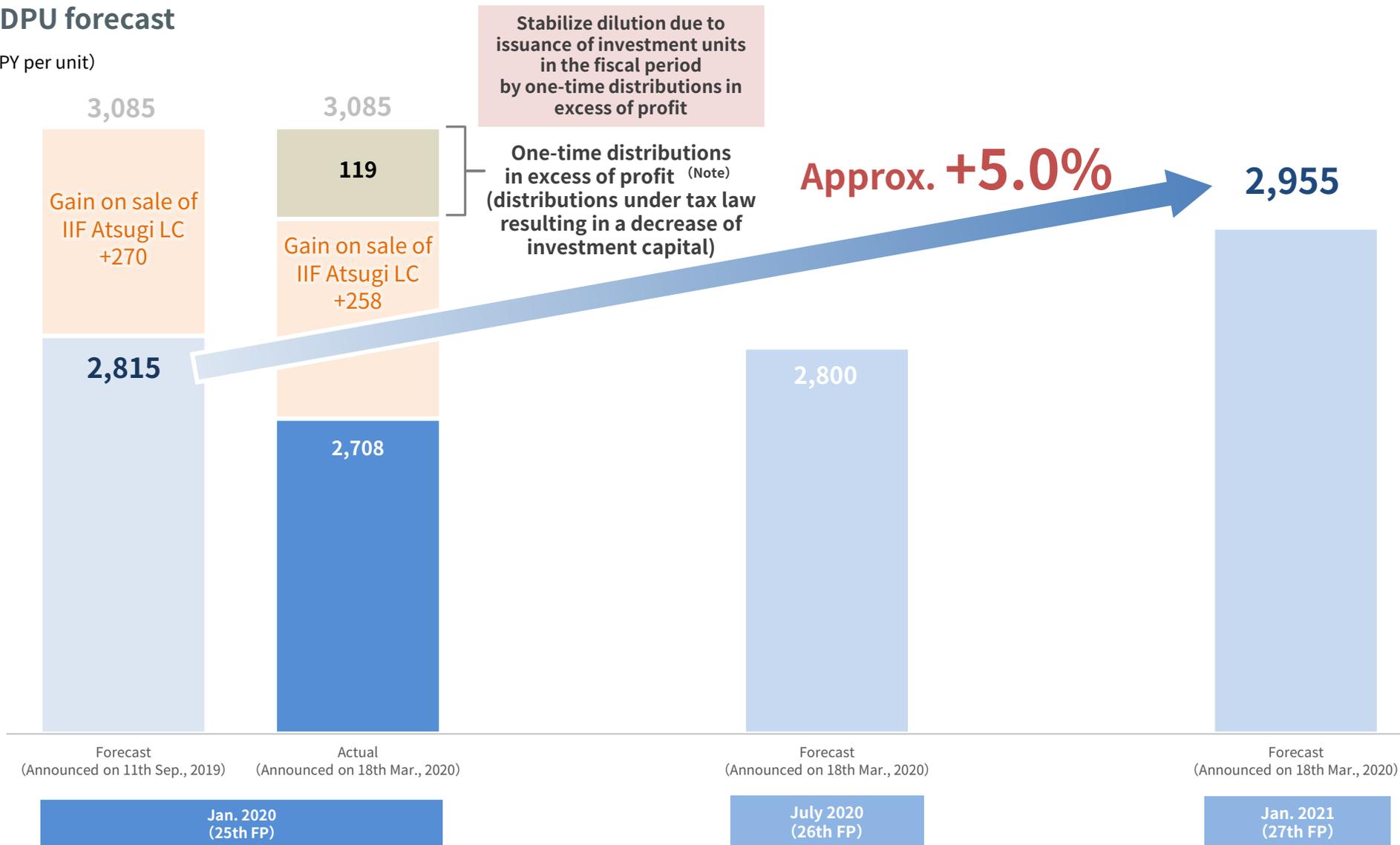


※ For the details of the footnotes, see Page 35 & 36.

# DPU excluding gain on sales are expected to increase +5.0% due to the acquisition of new properties

## DPU forecast

(JPY per unit)



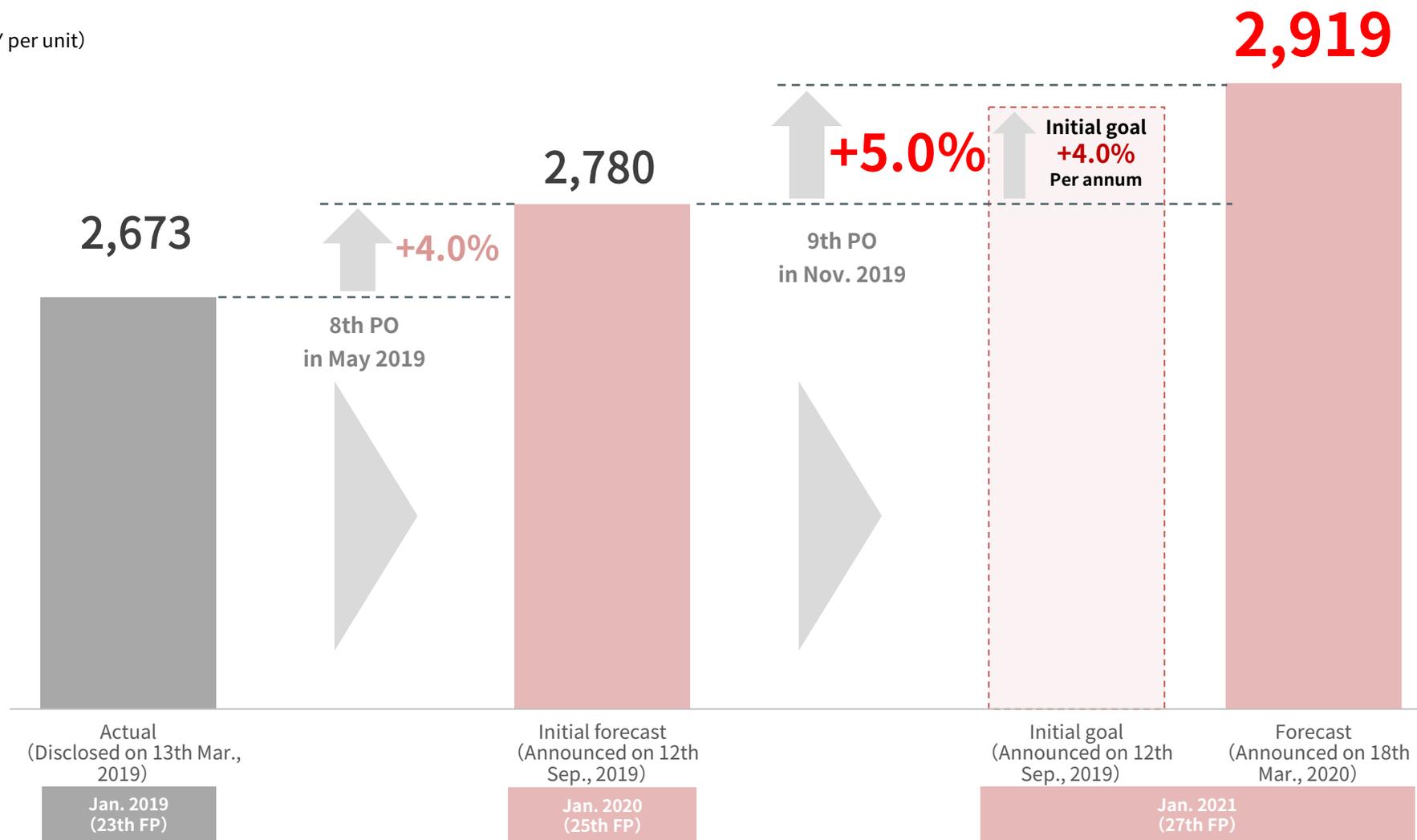
※ For the details of the footnotes, see Page 35 & 36.

# DPU is expected to grow by 5%, exceeding initial expectations.

## ■ DPU forecast

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

(JPY per unit)

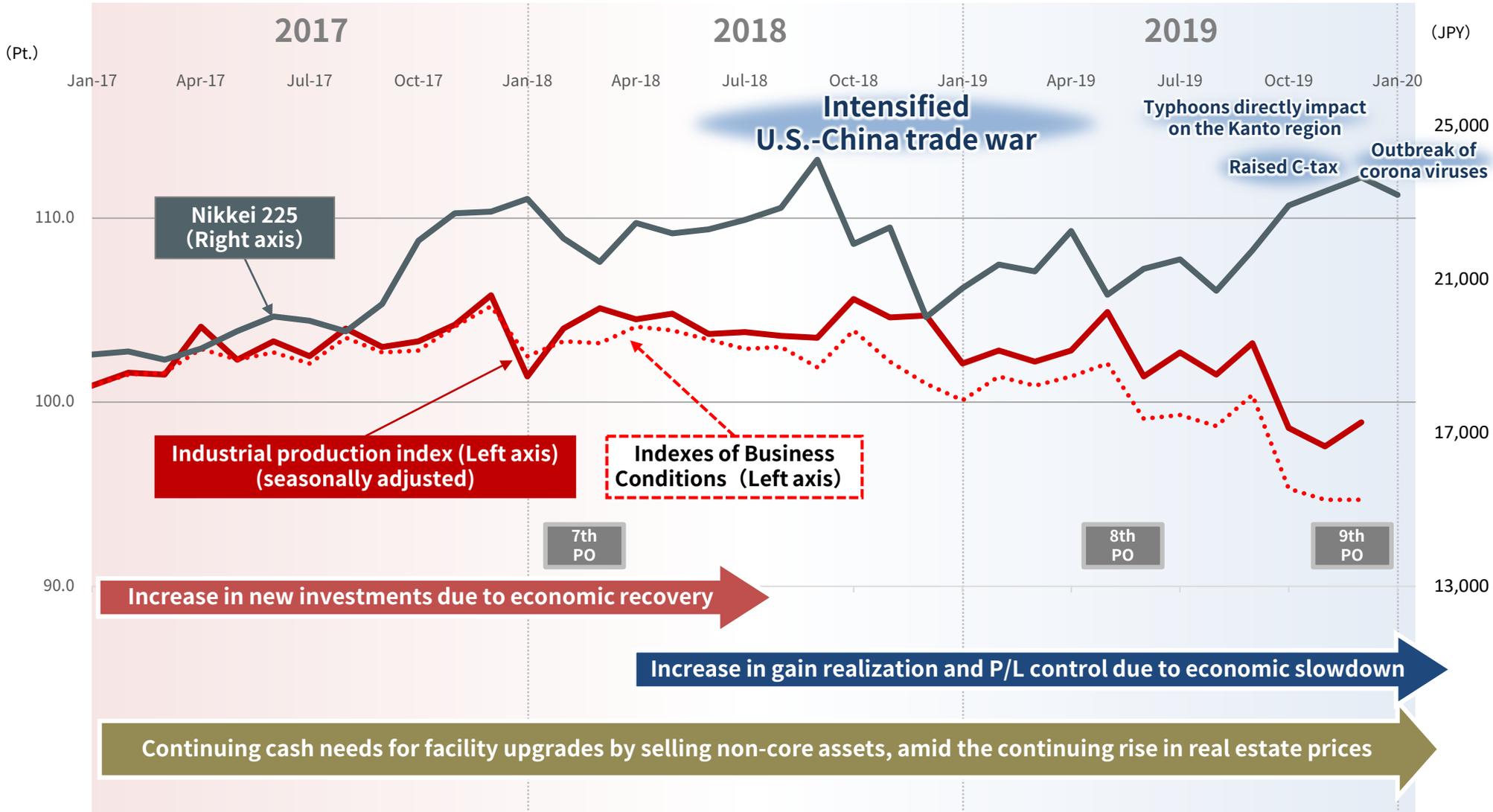


### 3. Recent Acquisition and Investment Strategy Going Forward —“CRE Beyond ”



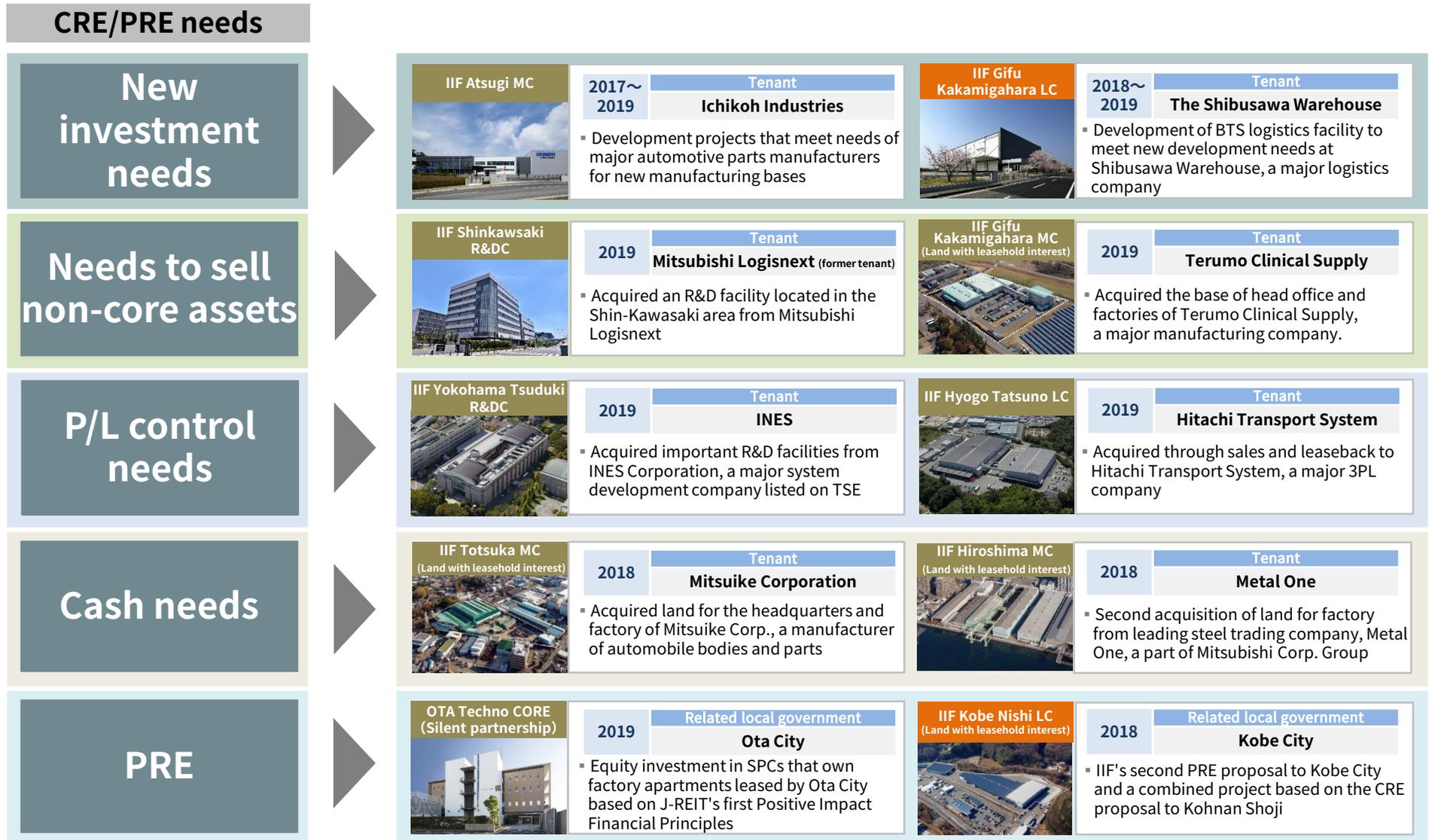
# Diverse CRE needs emerge due to changes in the macro environment

Trends in Indices of Industrial Production (Seasonally Adjusted) and Nikkei 225 for the Most Recent Three Years



# Implement customized proposals in response to the changing needs of sellers in accordance with the economic environment

## CRE/PRE proposals and property acquisitions



# Steadily build up pipeline by making use of extensive track record and methods

## ■ Acquiring assets with less competition and high growth prospects 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>

#### Sale of non-core assets

- Core distribution facility of a major pharmaceutical wholesaler located in Kanagawa Prefecture

#### P/L Control + Cash Needs

- R&D facilities in major manufacturing industries located in Tokyo metropolitan area
- Large-scale plant facilities in major manufacturing industries located in Tokyo metropolitan area (land with leasehold interest)

#### PRE

- Proposals for securitization of real estate owned by incorporated administrative agencies

## ■ Pipeline Status

Total number of properties under consideration **28 Properties**

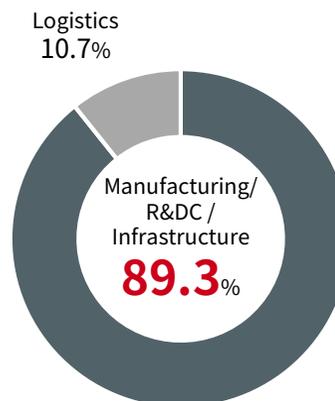
Total value of properties under consideration **JPY 204.4bn**

Number of properties currently under detailed consideration

**11 properties**

### Breakdown of deals under detailed consideration

#### 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”



# Steadily improve profitability of existing properties by taking advantage of opportunities such as contract termination

## Logistics



IIF Nagoya LC

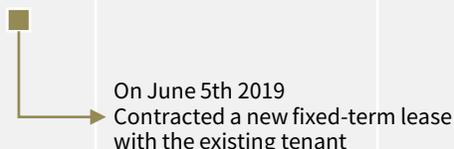
### Lease contract renewal

- Contracted new fixed-term lease with the existing tenant in June 2019
- Realized rent growth by capturing market rent

July 2019 (24th FP) → Jan. 2020 (25th FP) → July 2020 (26th FP) → Jan. 2021 (27th FP) → July 2021 (28th FP)

Termination of current lease in Jan. 2020

New lease contract from Oct. 2019



	Current (As of Jan. 2020)	Based on new contract
(Note1) NOI Yield	7.8%	<b>8.9%</b>



IIF Fukuoka Hakozaki LC II

### Lease contract renewal

- Concluded new fixed-term lease on two floors, which are scheduled to expire
- Realized rent upside based on market rent

Termination of current lease in Mar. 2020

New lease contract from Apr. 2020

	Current (As of Jan. 2020)
(Note 1) NOI Yield	4.7%

Based on new contract (Estimated)	Target NOI Yield (Note 3)
<b>4.8%</b>	<b>5.3-5.5%</b>

• Other 75% lease floors Aiming for more rent increase at the end of lease terms considering market rent

## Manufacturing & R&DC



IIF Shinkawasaki R&DC

### Tenant replacement

- Already contracted a fixed-term lease with a new tenant
- Scheduled to realize rent increase from Apr. 2020

Termination of current lease in Mar. 2020

New lease contract from Apr. 2020

Realized rent increase by tenant replacement	
Current tenant	New tenant
Mitsubishi Logisnext Co., Ltd.	NEC Networks & System Integration Corporation

	As of acquisition (In June, 2019)	Based on new contract (Estimated)
(Note2) NOI Yield	5.7%	<b>7.4%</b>

## Infrastructure



IIF Haneda Airport MC

### Rent revision

- Scheduled to revise rent from Jan. 2021 according to the contact
- Rent increase by about JPY 58mn p.a.

Current rent term will end in Dec. 2020

New rent term from Jan. 2021

	Current (As of July 2019)	After rent revision (Estimated)
(Note1) NOI Yield	4.7%	<b>4.8%</b>

※ For the details of the footnotes, see Page 35 & 36.

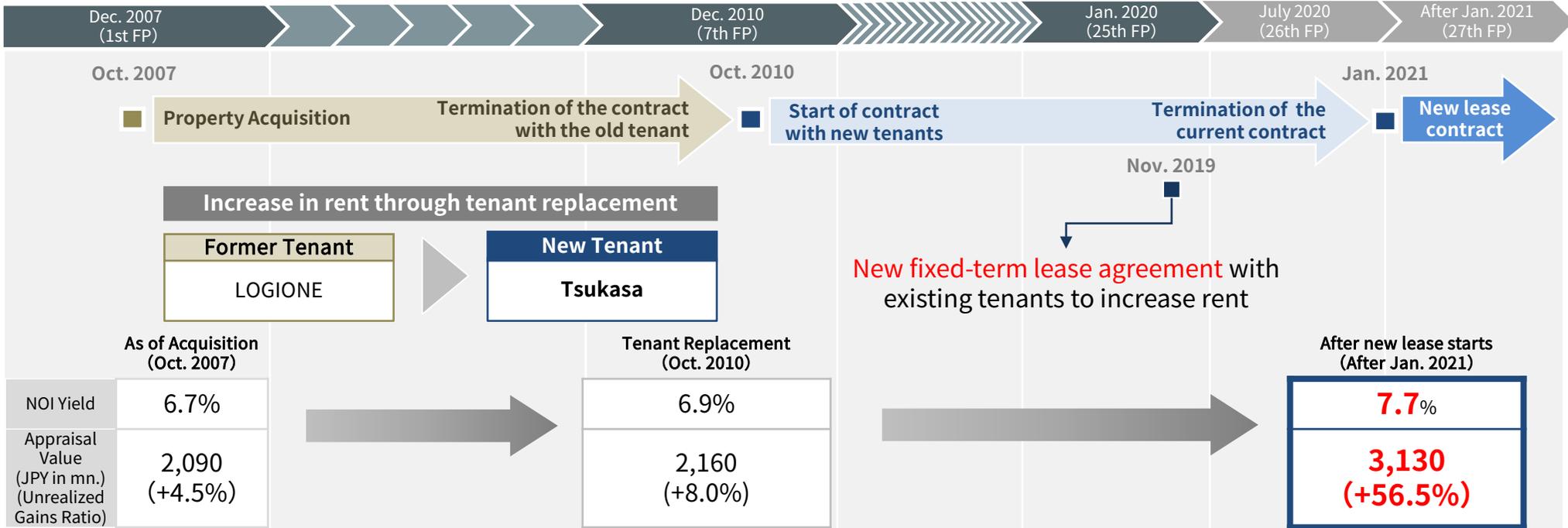
# IIF Koshigaya Logistics Center: Increase rent by capturing robust rent market

Continuously improve profitability and unitholder value by grasping the timing of tenant replacement and contract expiration



## Property Characteristics

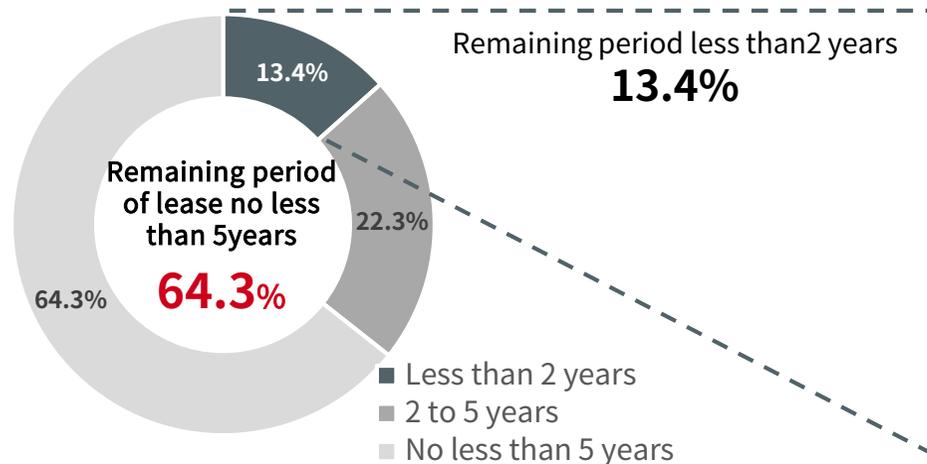
- A single-tenant distribution center with two-floor warehouses. A large-scale logistics facility with a total floor space of approximately 3,000 tsubo that can be used to consolidate distribution centers.
- It has two elevators for cargo on both sides of the building and has highly versatile basic specifications. It not only has business spaces, but also resting spaces such as locker rooms and cafeterias.
- The Family Mart Koshigaya Temperature Center handles processed foods, confectionery, beverages, liquor, and other consumer-related products, and supplies them to about 500 stores in northern Tokyo and southern Saitama Prefecture.



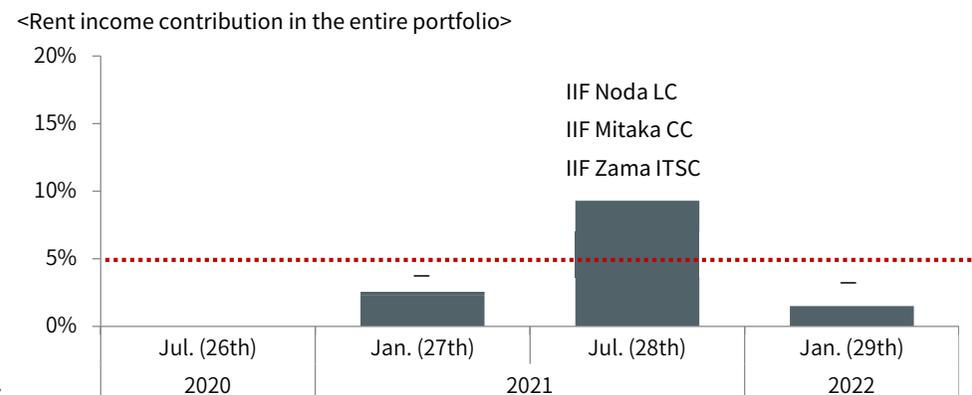
※ For the details of the footnotes, see Page 35 & 36.

# 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)



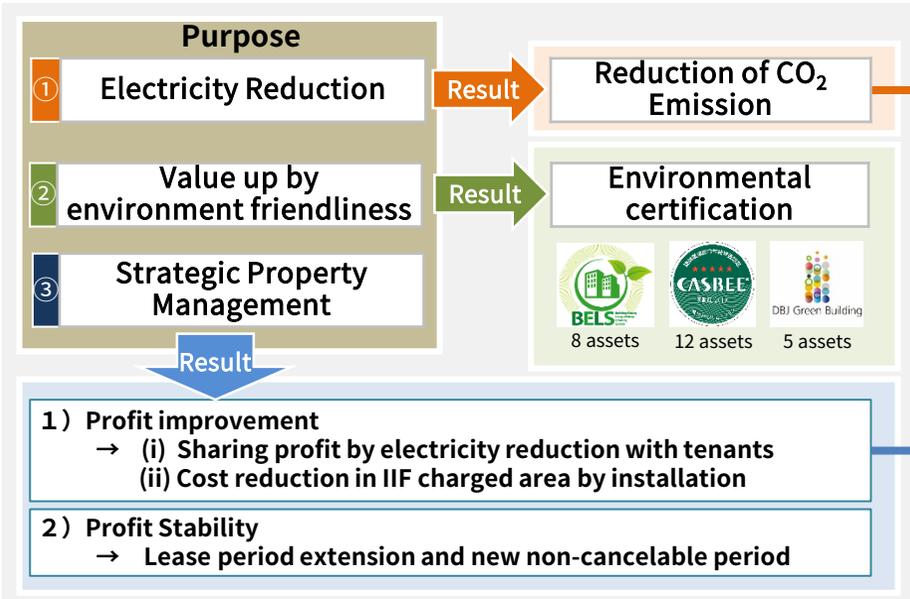
※ Only asset names accounting for 1.0% or more of the entire portfolio are listed above.

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

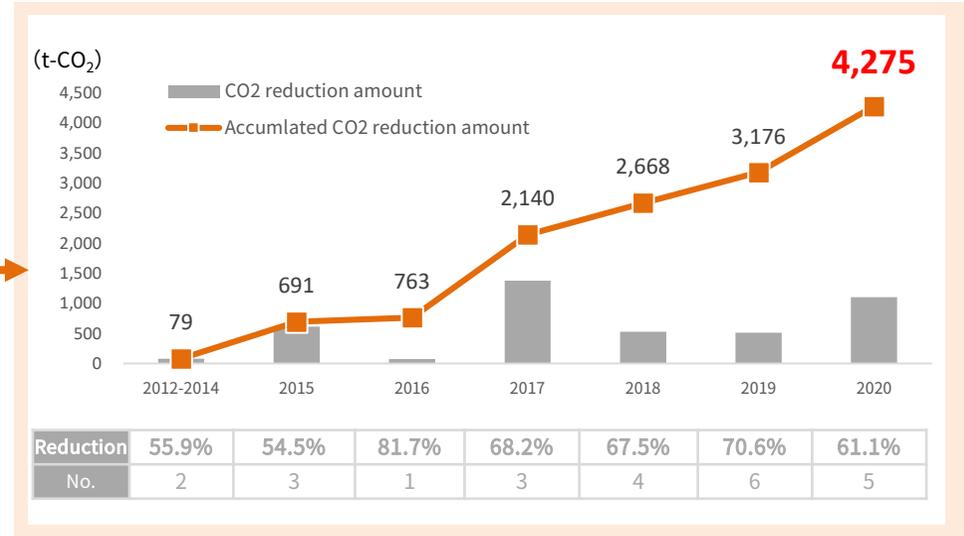
	Lease Expiry	Property Name	Tenant	Achievements / Action Plans	
July 2020 (26th FP)	4/30/2020	IIF Shinkawasaki R&DC	<span style="border: 1px solid black; padding: 2px;">Old</span> Mitsubishi Logisnext Co., Ltd.	<b>Concluded a new fixed-term building lease contract with a new tenant, achieving rent increase</b>	<b>Concluded</b>
			<span style="border: 1px solid black; padding: 2px;">New</span> NEC Networks & System Integration Corporation		
July 2021 (28th FP)	2/28/2021	IIF Mitaka CC	JCB Co., Ltd.	Under negotiation for contract terms and assuming renewal after confirming intention of continued use	<b>In progress</b>
	4/30/2021	IIF Noda LC	Japan Logistic Systems Corp. Mitsubishi Electric Logistics Corporation, etc.	Under negotiation for contract terms and assuming renewal after confirming intention of continued use	<b>In progress</b>
	7/25/2021	IIF Zama ITSC	IBM Japan, Ltd.	Under negotiation for contract terms and assuming renewal after confirming intention of continued use	<b>In progress</b>

# Improvement of profitability and stability by promoting environment-friendly LED installation

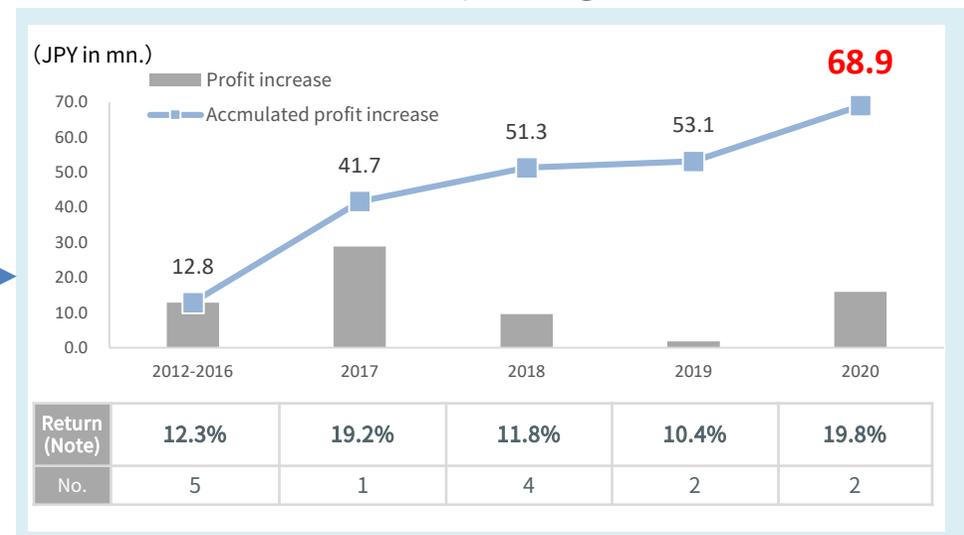
## Purpose and result of LED installation Initiatives



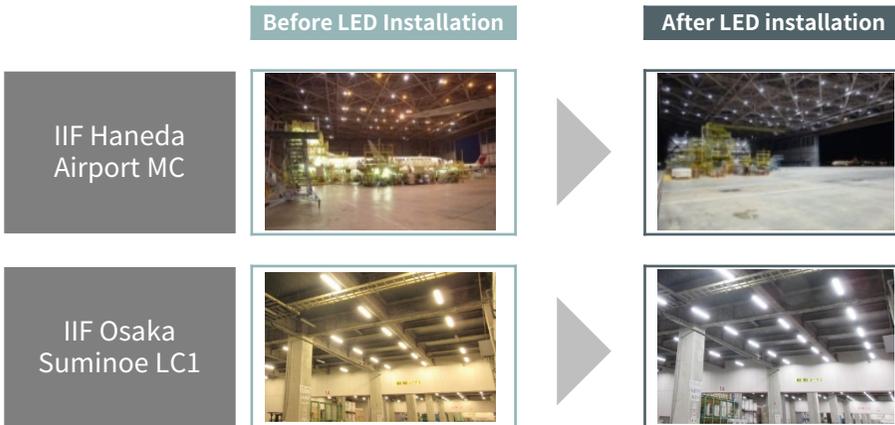
## CO<sub>2</sub> reduction effect in LED-installed properties



## Profit increase per annual by strategic LED installation



## Example of LED installation work



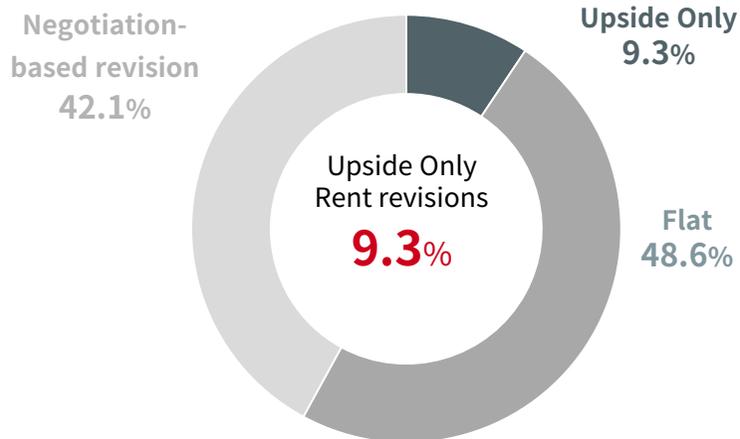
※ For the details of the footnotes, see Page 35 & 36.

# Achieve internal growth while continuously executing measures for environmental conservation

## Key internal growth and stabilization measures

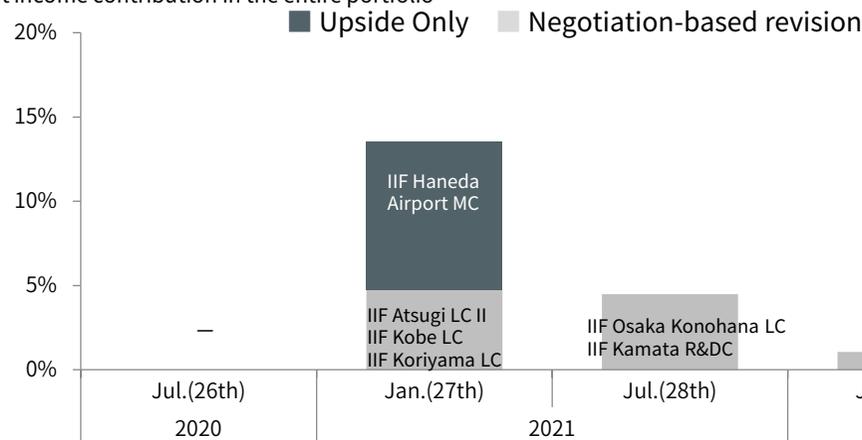
	Effective Date	Property Name	Tenant	Measures	Status	Rent Increase
July 2020 (26th FP)	Feb. 2020	IIF Sagamihara R&DC	Micron Memory Japan Inc.	IIF receives direct benefits from reduced electricity consumption accompanying the shift to LED lighting equipment.	Increased	Not disclosed
	Feb. 2020	IIF Nagoya LC	JAPAN AIRWAYS CO.,LTD	Contracted new fixed-term lease with the existing tenant in June 2019 and realized rent growth by capturing market rent	Increased	Not disclosed
	Apr. 2020	IIF Fukuoka LC II	NIPPON EXPRESS CO., LTD.	Contracted new fixed-term lease agreement on two floors scheduled to expire and to be realized rent growth by capturing market rent	To be increased	Not disclosed
	Apr. 2020	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
	May 2020	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
Jan. 2021 (27th FP)	Jan. 2021	IIF Koshigaya LC	Tsukasa Express Co., Ltd.	Contracted new fixed-term lease with the existing tenant in June 2019 and to be realized rent growth by capturing market rent	To be increased	Not disclosed
	Jan. 2021	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 58.4M p.a.

## Rent Revisions (annual rent basis) (Note)

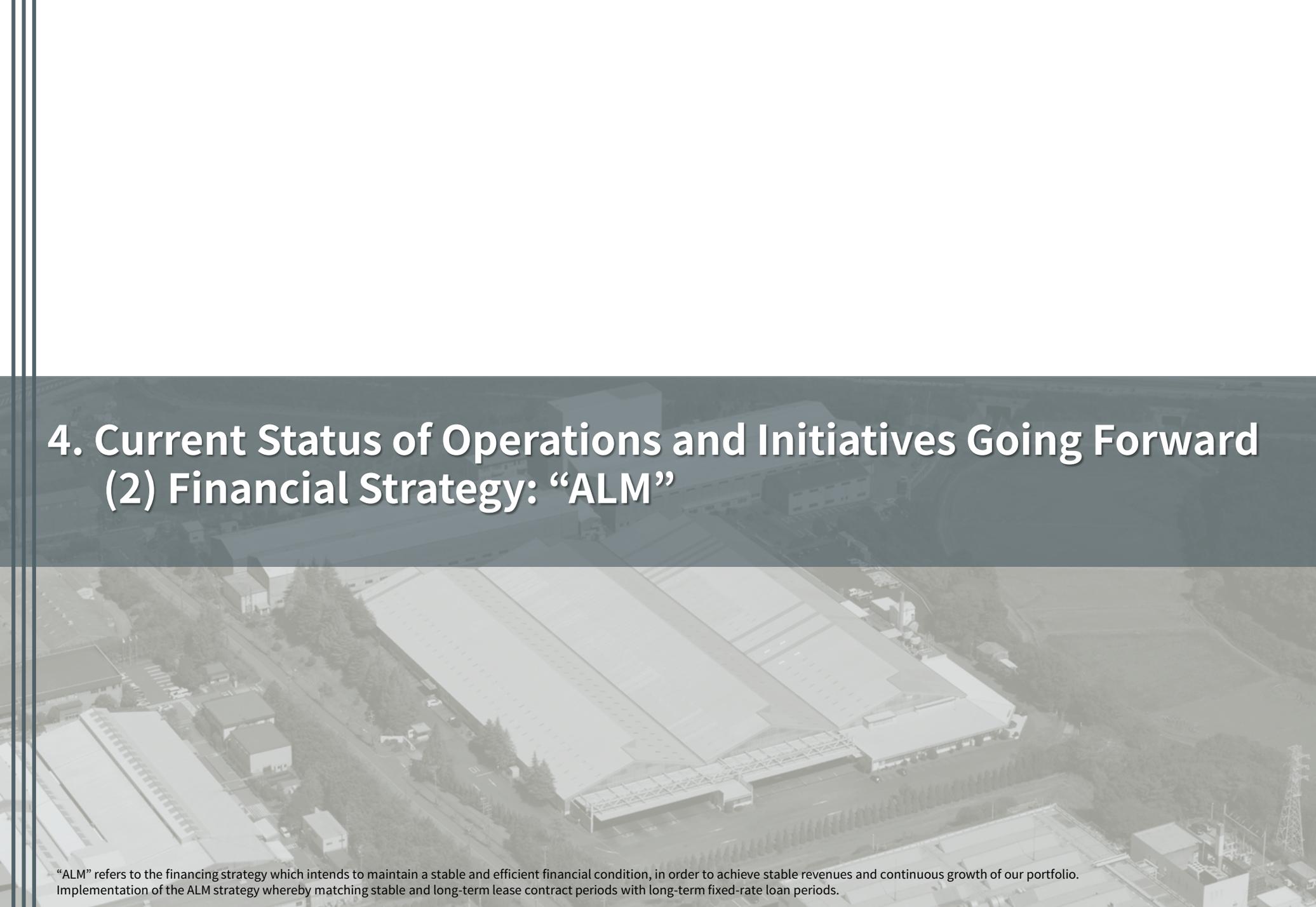


## Properties of which the rent may be revised within the next two year

<Rent income contribution in the entire portfolio>



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



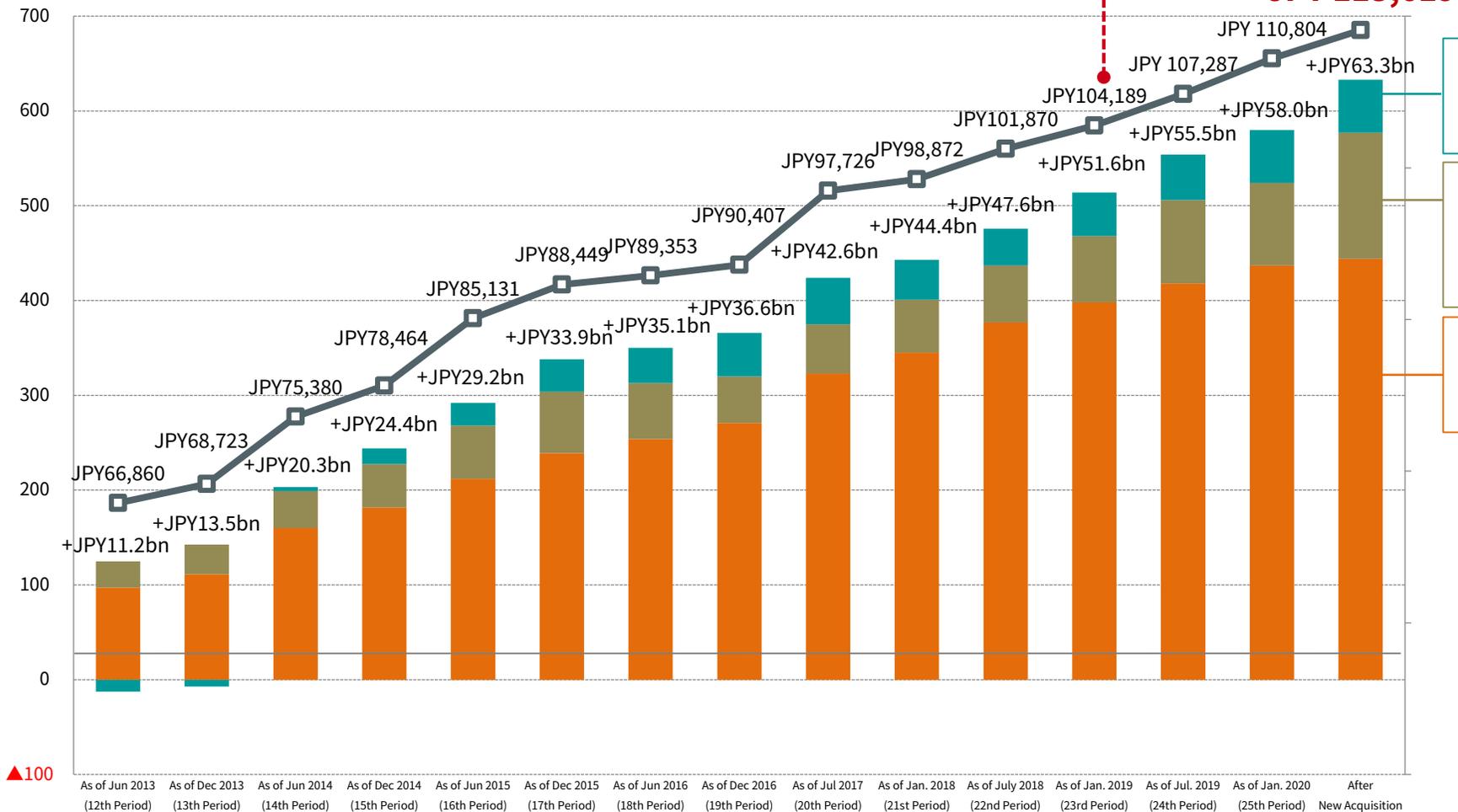
## 4. Current Status of Operations and Initiatives Going Forward (2) Financial Strategy: “ALM”

“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 to reach JPY66.3bn (ratio+19.7%) after new acquisition

## Unrealized gain / NAV per unit

(Unrealized gain: JPY100m)



Unrealized gain  
+66.3bn  
(ratio : +19.7%)

Increased by  
Approx. 9.1% NAV per unit  
JPY 113,619

**Infrastructure**  
Unrealized gain ratio  
**+6.8%**

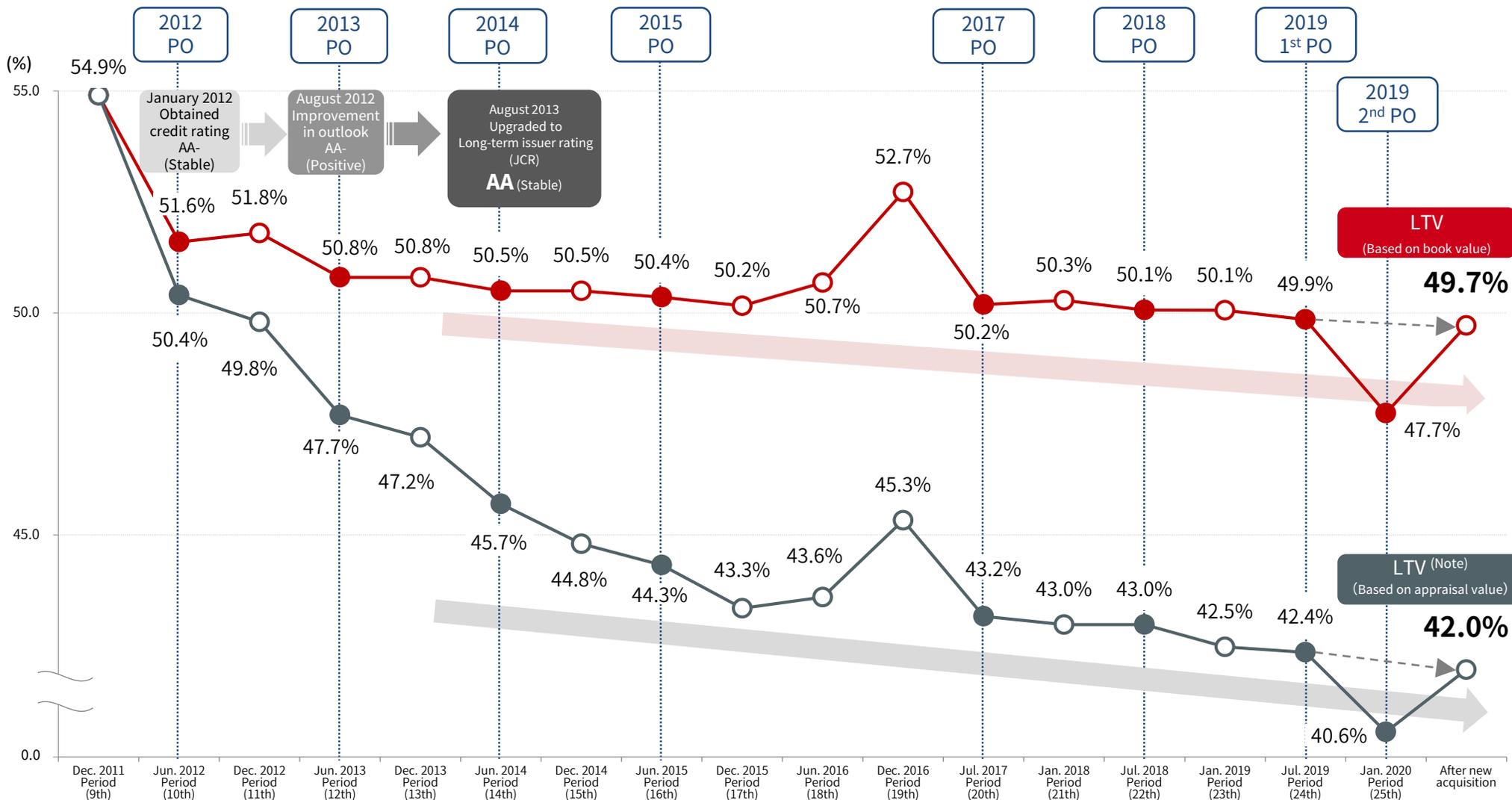
**Manufacturing/  
R&D facilities**  
Unrealized gain ratio  
**+16.6%**

**Logistics facilities**  
Unrealized gain ratio  
**+27.8%**

▲100

# LTV has dropped through constant public offering

## Historical LTV



※ For the details of the footnotes, see Page 35 & 36.

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

## Steady decrease of debt cost

- Outline of contracted repayments and new borrowings

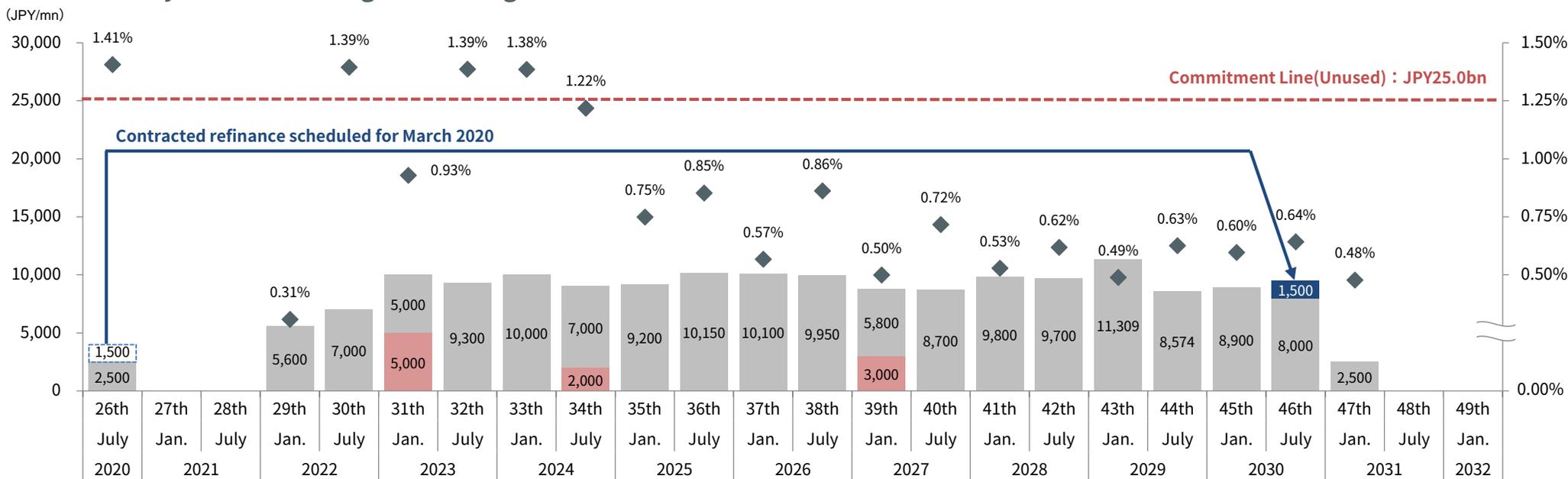
Repayments	
Amount	JPY <b>3.1bn</b>
Average Borrowing Period	<b>7.5</b> years
Average Interest Rate	<b>1.35%</b>

New borrowing	
Amount	JPY <b>17.1bn</b>
Average Borrowing Period	<b>8.6</b> years
Average Interest Rate	<b>0.37%</b> (▲0.98pt.)

## Key indices

	July 2019 (24th FP)	As of July 2020 (Estimated)
Issuer's Long-term Credit Rating (JCR)	AA(stable)	<b>AA(stable)</b>
LTV	49.9%	<b>49.7%</b>
Average Borrowing Period	9.3years	<b>9.3years</b>
Average Interest Rate	0.86%	<b>0.79%</b> (▲0.07pt.)

## Maturity ladder and weighted average interest rate



## 5. Approach to ESG



# Continuous MC-UBS group initiatives for ESG

## Continuous Efforts Regarding ESG

2013	<ul style="list-style-type: none"> <li>Established the environmental charter</li> <li>Established the Responsible Property Investment (RPI) Policy</li> <li>Signed the Principles for Responsible Investment (PRI) proposed by the UN</li> <li>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</li> </ul>
2015	<ul style="list-style-type: none"> <li>Became the first J-REIT asset manager to sign the UN PRI Montreal Carbon Pledge, a new commitment to reduce CO2</li> </ul>
2016	<ul style="list-style-type: none"> <li>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</li> <li>Became the first J-REIT asset manager to sign the United Nations Global Compact (UNGC), an organization led by the UN Secretary General</li> </ul>
2019	<ul style="list-style-type: none"> <li>Expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)</li> </ul>
2020	<ul style="list-style-type: none"> <li>Organized the Sustainability Committee</li> <li>Establish the Chief Sustainability Officer (CSO).</li> </ul>



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.



Signatory of:



## Inclusion in MSCI Japan ESG Select Leaders Index<sup>(Note)</sup>



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 Mar. 18th, 2020.

## 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

### ■ CASBEE

IIF Yokohama Tsuduki LC, IIF Misato LC, IIF Shinkawasaki R&DC and IIF Shinagawa ITSC newly received "CASBEE for Real Estate Certification" in Nov. 2019.



### ■ BELS

8 properties have received the BELS rating as of Mar. 18th, 2020.



BELS Properties	
IIF Kashiwa LC	IIF Yokohama Tsuduki LC
IIF Nishinomiya LC	IIF Hiroshima LC
IIF Atsugi LCIII	IIF Shinagawa ITSC
IIF Kawasaki SC	IIF Haneda Airport MC

### ■ DBJ Green Building Certification

5 properties have received the DBJ Green Building Certification as of Mar. 18th, 2020.



DBJ Green Building Certification	
IIF Hiroshima LC	IIF Kobe LC
IIF Tosu LC	IIF Koshigaya LC
IIF Noda LC	

※For the details of the footnotes, see Page 35 & 36.

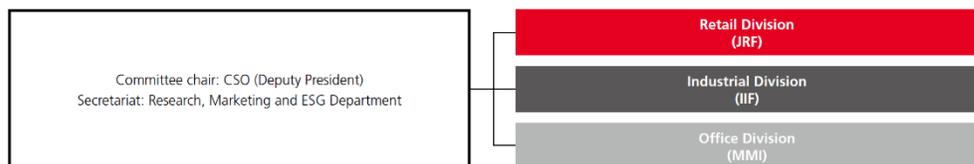
# New ESG Initiatives Recently Implemented

## Newly Established the Sustainability Committee and appointed the Chief Sustainability Officer (CSO)

In order to strengthen the sustainability promotion system, the Sustainable Committee was newly organized and appointed MCUBS's Executive Vice President as the Chief Sustainability Officer.

MCUBS's sustainability promotion system is centered on the Sustainability Committee, and we are making every effort to create value that surpasses the expectations of our stake holders.

Organizational Chart of the Sustainability Committee



## Publication of the ESG Report for 2020

Following on from last year, MC-UBS Group has published an ESG Report that is concise and comprehensive in order to share the Group's basic philosophy and approach to ESG with all stakeholders, including investors.



※For more information on ESG Reports, please refer to the following links.

<http://contents.xj-storage.jp/xcontents/32490/bfe301ef/8461/4f20/a0fe/53ce98e7021d/20200116140106796s.pdf>

## Holding of MC-UBS Group Joint ESG Briefing Session

On January 30, 2020, MC-UBS Group held its first Joint ESG Briefing Session to systematically explain the objectives, targets, and efforts of the Group's ESG activities.



※Please refer to the following link for details of the Joint ESG Briefing Session and the materials available on that day.

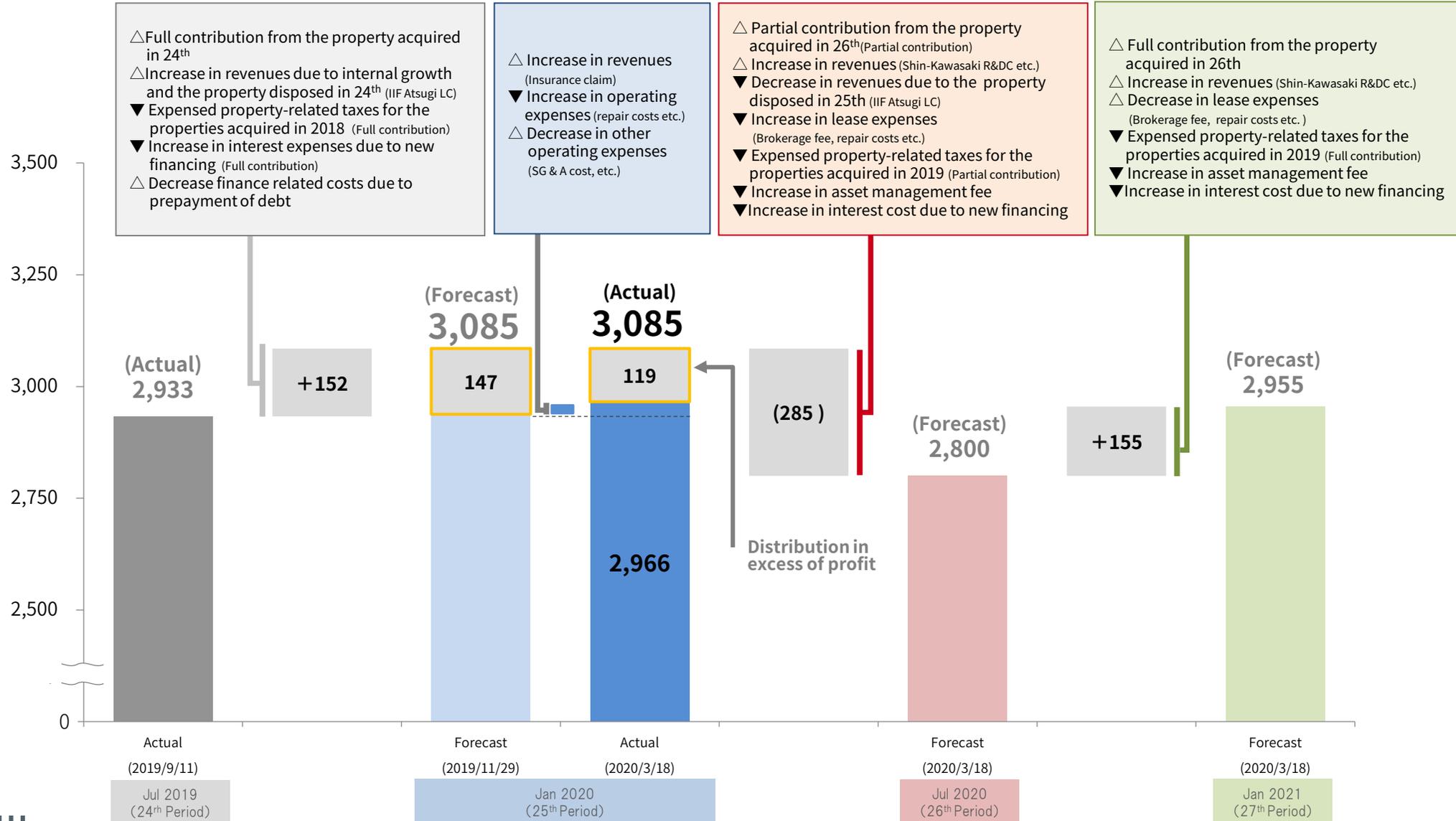
<https://www.net-presentations.com/mcubsr/20200130e/>

## 6. Operating Results for the January 2020 (25th) Fiscal Period and Earnings Forecast for the July 2020 (26th) and January 2021 (27th) Fiscal Periods



# DPU Continue to Increase Due to Property Acquisitions Through Public Offering

## Trend in DPU



# Operating Results for the January 2020 (25th) Financial Periods

	(JPY mn)				(JPY mn)				
	Jul. 2019	Jan. 2020 (25th Period Actual)			Jan. 2020	Jan. 2020 (25th Period Actual)			
	(24th Period Actual)	Period over period			(Previous Forecast)	Difference of estimate			
<b>Operating revenue</b>	10,602	11,049	+446	+4.2 %	11,015	11,049	+33	+0.3 %	
<b>Operating expense</b>	4,383	4,529	+145	+3.3 %	4,542	4,529	(12)	(0.3)%	
<b>Operating Income</b>	6,218	6,519	+300	+4.8 %	6,473	6,519	+46	+0.7 %	
<b>None-operating income</b>	0	1	+1	+241.2 %	1	1	+0	+4.1 %	
<b>Non-operating expense</b>	1,027	949	(77)	(7.6)%	952	949	(3)	(0.3)%	
<b>Ordinary income</b>	5,192	5,572	+379	+7.3 %	5,522	5,572	+49	+0.9 %	
<b>Net income</b>	5,190	5,571	+380	+7.3 %	5,520	5,571	+50	+0.9 %	
<b>Distributions per unit (yen)</b>	2,933	3,085	+152	+5.2 %	3,085	3,085	-	-	
<b>Capital expenditure</b>	877	788 <sup>(Note1)</sup>	(88)	(10.1)%	853	788	(64)	(7.6)%	
<b>Repair expense</b>	97	87 <sup>(Note2)</sup>	(9)	(10.0)%	69	87	+17	+25.5 %	
<b>Total</b>	974	876	(98)	(10.1)%	923	876	(46)	(5.1)%	
<b>Depreciation</b>	1,404	1,471	+67	+4.8 %	1,476	1,471	(5)	(0.3)%	
<b>FFO</b>	6,124	6,557	+433	+7.1 %	6,511	6,557	+45	+0.7 %	
<b>AFFO</b>	5,246	5,768	+521	+9.9 %	5,657	5,768	+110	+2.0 %	
<b>Number of properties</b>	72	72	-	-	72	72	-	-	
<b>Occupancy rate</b>	100.0%	99.8%	(0.2)pt	-	99.8%	99.8%	-	-	
<b>Total book value</b>	296,837	297,921	+1,084	+0.4 %					
<b>Total appraisal value</b>	352,419	356,001	+3,582	+1.0 %					
<b>Unrealized gain</b>	55,581	58,079	+2,497	+4.5 %					
<b>Total debt</b>	156,583	156,583	-	-					
<b>LTV</b>	49.9%	47.7%	(2.1)pt	(4.2)%					
<b>Total net assets</b>	141,873	155,559	+13,686	+9.6 %					
<b>Net assets per unit</b>	79,081	82,743	+3,662	+4.6 %					

(Note 1) Major capital expenditures for the 25<sup>th</sup> FP

IIF Haneda Airport MC	: JPY 59mn for renewal of 4 elevators at M1 buildings
IIF Nishinomiya LC	: JPY 53mn for renewal of exterior wall for the Building I
IIF Shinonome LC	: JPY 36mn for renewal of air conditioning equipment

(Note 2) Major repair cost expensed in the 25<sup>th</sup> FP

IIF Shinonome LC	: JPY 2mn for removal of air conditioning equipment for capex
IIF Shinsuna LC	: JPY 2mn for restoration of the ceilings on east lane
IIF Shinonome LC	: JPY 2mn for replacement of washlets

(JPY mm.)

## Major Factors of change for 25<sup>th</sup> Period (Compared to 24<sup>th</sup> Actual)

### Operating Revenue **+446**

- ✓ Increase in revenue due to the new property acquired +483
- ✓ Decrease in revenue due to partial disposition of property (IIF Atsugi LC) (42)
- ✓ Increase in revenue due to the internal growth (IIF Sagamiyama R&DC, IIF Shinagawa ITSC, etc.) +34
- ✓ Decrease in other revenue (insurance claim etc.) (35)

### Operating Expense **+145**

- ✓ Decrease in lease expenses due to disposition (IIF Atsugi LC) (27)
- ✓ Decrease in lease expense (Utilities expense, repair cost etc.) (38)
- ✓ Increase in expensed property-related taxes for the properties acquired in 2018 (Full contribution) +42
- ✓ Increase in depreciation for the new properties acquired +86
- ✓ Increase in asset management fee due to the new properties acquired +72
- ✓ Increase in other operating expenses (SG&A etc.) +4

### Non-Operating Expense **(77)**

- ✓ Increase in interest expense for new debt for PO in May 2019 +20
- ✓ Decrease in interest expense due to prepayment and refinancing in 24<sup>th</sup> FP (122)
- ✓ Decrease in interest expense for refinancing in 25<sup>th</sup> FP (5)
- ✓ Increase in interest expense due to the difference in business days +13
- ✓ Increase in finance related costs due to additional commitment lines Agreement +5
- ✓ Increase in amortization for new units issued for POs +13

## Major Factors of Change for 25<sup>th</sup> Period (Compared to 25<sup>th</sup> Forecast)

### Operating Revenue **+33**

- ✓ Increase in other revenue (Insurance claim etc.) +33

### Operating Expense **(12)**

- ✓ Increase in lease expense (Repair costs) +5
- ✓ Decrease in depreciation for the properties (5)
- ✓ Decrease in other operating costs (SG&A) (12)

### Non-Operating Expense **(3)**

- ✓ Decrease in amortization for new units issued for PO in Dec. 2019 (2)

# Earnings Forecast for the July 2020 (26th)

	(JPY mn)				(JPY mn)			
	Jan. 2020	Jul. 2020 (26th Period Forecast)			Jul. 2020	Jul. 2020 (26th Period Forecast)		
	(25th Period Actual)		Period over period		(26th Period Previous Forecast)		Difference of estimate	
<b>Key P/L Figures</b>								
Operating revenue	11,049	10,984	(64)	(0.6)%	10,984	10,984	(0)	(0.0)%
Operating expense	4,529	4,793	+263	+5.8 %	4,787	4,793	+5	+0.1 %
Operating Income	6,519	6,191	(327)	(5.0)%	6,196	6,191	(5)	(0.1)%
None-operating income	1	-	(1)	(100.0)%	-	-	-	-
Non-operating expense	949	932	(16)	(1.8)%	938	932	(5)	(0.6)%
Ordinary income	5,572	5,259	(312)	(5.6)%	5,258	5,259	+0	+0.0 %
Net income	5,571	5,257	(314)	(5.6)%	5,256	5,257	+0	+0.0 %
	3,085	2,800	(285)	(9.2)%	2,800	2,800	-	-
<b>Other Figures</b>								
Capital expenditure	788	896 <sup>(Note1)</sup>	+107	+13.7 %				
Repair expense	87	103 <sup>(Note2)</sup>	+16	+18.9 %				
Total	876	1,000	+124	+14.2 %				
Depreciation	1,471	1,587	+116	+7.9 %				
FFO	6,557	6,845	+287	+4.4 %				
AFFO	5,768	5,948	+179	+3.1 %				
Number of properties	72	75	+3	-				
Occupancy rate	99.8%	100.0%	+0.2pt	-				

(Note 1) Major capital expenditures planned in the 26<sup>th</sup> FP

IIF Sagamihara R&DC	: JPY 96mn for outdoor air conditioning unit
IIF Haneda Airport MC	: JPY 60mn for renewal of major parts of the elevator units
IIF Osaka Suminoe LC I	: JPY 55mn for installation of LED lighting

(Note 2) Major repair cost planned in the 26<sup>th</sup> FP

IIF Shin-Kawasaki R&DC	: JPY 15mn for removal of slopes
IIF Osaka Toyonaka DC	: JPY 8mn for maintenance of power generation equipment (Unit 4 F) inspection
IIF Osaka Suminoe LC I	: JPY 6mn for removal of lighting equipment for installation of LED lighting

(JPY mm.)

## Major Factors of Change for 26<sup>th</sup> Period (Compared to 25<sup>th</sup> Actual)

<b>Operating Revenue</b>	<b>(64)</b>
✓ Partial contribution from the properties acquired in 26 <sup>th</sup> FP	+412
✓ Diminished gain on sales from the partial disposition of the property (IIF Atsugi LC)	(485)
✓ Increase in revenue due to the internal growth	+60
✓ Decrease in revenue (Insurance claim, penalty from early termination etc.)	(35)

<b>Operating Expense</b>	<b>+263</b>
✓ Increase in lease expenses (repair costs and Brokerage fee etc.)	+48
✓ Increase in expensed property-related taxes due to the properties acquired in 2019	+37
✓ Increase in depreciation for the new properties acquired	+116
✓ Increase in asset management fee due to the new properties acquired	+33
✓ Increase in other operating expenses (SG&A etc.)	+24

<b>Non-Operating Expense</b>	<b>(16)</b>
✓ Increase in interest expense for new debt for PO in Dec. 2019	+14
✓ Decrease in interest expense due to refinancing in 25 <sup>th</sup> FP and 26 <sup>th</sup> FP	(8)
✓ Decrease in interest expense due to the difference in business days	(6)
✓ Decrease in amortization for new units issued for PO	(14)

## Major Factors of Change for 26<sup>th</sup> Period (Compared to 26<sup>th</sup> Previous Forecast)

<b>Operating Expense</b>	<b>+5</b>
✓ Increase in lease expenses (Brokerage fee, utilities fee paid etc.)	+2
✓ Decrease in depreciation	(4)
✓ Increase in other operating expenses (SG&A etc.)	+9

<b>Non-Operating Expense</b>	<b>(5)</b>
✓ Decrease in amortization for new units issued for PO in Dec. 2019	(6)

# Earnings Forecast for the January 2021 (27th) Fiscal Periods

Key P/L Figures

	(JPY mn)			
	Jan. 2020	Jan. 2021 (27th Period Forecast)	Period over period	
	(26th Period Forecast)			
Operating revenue	10,984	11,409	+425	+3.9 %
Operating expense	4,793	4,897	+104	+2.2 %
Operating Income	6,191	6,512	+320	+5.2 %
None-operating income	-	-	-	-
Non-operating expense	932	961	+28	+3.1 %
Ordinary income	5,259	5,551	+292	+5.6 %
Net income	5,257	5,549	+292	+5.6 %
	2,800	2,955	+155	+5.5 %

	(JPY mn)			
	Jan. 2021	Jan. 2021 (27th Period Forecast)	Difference of estimate	
	(27th Period Previous Forecast)			
	11,415	11,409	(5)	(0.0)%
	4,895	4,897	+1	+0.0 %
	6,519	6,512	(6)	(0.1)%
	-	-	-	-
	968	961	(7)	(0.7)%
	5,550	5,551	+0	+0.0 %
	5,549	5,549	+0	+0.0 %
	2,955	2,955	-	-

(JPY mm.)

## Major Factors of Change for 27<sup>th</sup> Period (Compared to 26<sup>th</sup> Forecast)

<b>Operating Revenue</b>	<b>+425</b>
✓ Full contribution from the properties acquired in 26 <sup>th</sup> FP	+374
✓ Increase in rental revenue due to internal growth	+41
<b>Operating Expense</b>	<b>+104</b>
✓ Decrease in lease expenses (repair costs and brokerage fee etc.)	(17)
✓ Increase in expensed property-related taxes due to the properties acquired in 2019	+36
✓ Increase in depreciation for the new properties acquired	+44
✓ Increase in asset management fee due to new properties acquired	+34
<b>Non-Operating Expense</b>	<b>+28</b>
✓ Increase in interest expense for new debt for PO in Dec. 2019	+32
✓ Decrease in interest expense due to refinancing in 26 <sup>th</sup> FP	(9)
✓ Increase in interest expense due to the difference in business days	+6

## Major Factors of Change for 27<sup>th</sup> Period (Compared to 27<sup>th</sup> Previous Forecast)

<b>Operating Revenue</b>	<b>(5)</b>
✓ Termination of lease agreement for parking lot and others	(5)
<b>Operating Expense</b>	<b>+1</b>
✓ Decrease in lease expenses (Utilities fee paid)	(2)
✓ Decrease in depreciation	(3)
✓ Increase in other operating expenses (SG&A)	+9
<b>Non-Operating Expense</b>	<b>(7)</b>
✓ Decrease in amortization for new units issued for PO in Dec. 2019	(6)

# 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) The average interest rate after new acquisition shows the weighted average of interest rates calculated based on the loan rate calculated based on the offered rate of fixed interest rates (Reuters9154 pages) as of 11:00 a.m. (Tokyo Hour) on January 31, 2020 plus the spreads set forth in each loan agreement, based on the loan agreements related to the new loan concluded on November 29, 2019, and the loan agreements related to refinance loan to be concluded on March 18, 2020, as the interest rates applicable to new loans arising from the public offering and to refinancing scheduled to be implemented at the end of March 2020 have not yet been determined as of the date of this document. The same applies hereafter.
- P.4 (Note 1) "DPU (After adjustment of property-related taxes and excluding the impact from gain on sales)" (hereinafter referred to as "Stabilized DPU") refers to distribution per unit calculated by assuming that fixed asset tax, city planning tax and depreciable asset tax included in acquisition cost are expensed in each calculation period and excluding the effects of gains on sales of IIF Atsugi LC. For the fiscal year ending January 2020 (25th FP), the Company estimates the initial results forecast announced on September 12, 2019, and for the fiscal year ending January 2021 (27th FP), based on the forecast announced on March 18, 2020. The same applies hereafter.
- (Note 2) NAV per unit = NAV ÷ number of investment units issued and outstanding as of the end of the most recent fiscal period  
"NAV" is the net difference between assets and liabilities when the value of real estate-related assets is evaluated based on the appraisal value (or investigation value) as calculated by the following formula.  
NAV = Total equity \* + (Appraisal value of real estate-related assets at end of period (or investigation value) - Book value of real estate-related assets at end of period\*)  
\* The total equity and the book value of real estate-related assets at the end of the fiscal year are based on the amount on the balance sheet as of the end of the most recent fiscal year.  
The NAV per unit after the 9th public offering (hereinafter referred to as "after new acquisition") is calculated by adding the NAV for the fiscal period ending January 2020 (25th FP) to the sum of the appraisal values of IIF Yokohama Tsuzuki R&DC, IIF Hiroshima Seifushinto LC, IIF Atsugi MC (building) and IIF Okazaki MC (land with leasehold interest) as of the end of January 2020, which are the assets to be acquired (hereinafter referred to as "unrealized gains for new acquisition").
- (Note 3) Figures for the portfolios after the 9th public offering are assumed as of July 15, 2020 after new acquisition, unless otherwise noted. These assumptions are estimates as of the date of this document based on certain assumptions and do not necessarily agree with actual figures after the acquisition of the assets to be acquired. The same applies hereafter.
- (Note 4) NOI Yield = NOI\* ÷ 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.  
NOI yield (after depreciation) = (NOI - depreciation\*) ÷ 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 5) Unrealized gains on the entire portfolio after new acquisition are calculated by adding unrealized gains on assets held as of the end of the 25th fiscal period to unrealized gains for new acquisition. Please note that there is no guarantee that this unrealized gain will be realized. Unrealized gains/losses are calculated by dividing the unrealized gains/losses by the acquisition price.
- (Note 6) LTV based on book value after new acquisition = (Total interest-bearing debt as of the end of the period ending January 2020 (25th FP) + Amount of new borrowings for the 9th public offering)/(Total assets after new acquisition\*)  
LTV based on appraisal value after new acquisition = (Total interest-bearing debt as of the end of the period ending January 2020 (25th FP) + Amount of new borrowings for the 9th public offering)/(Total assets after new acquisition\* + \*\* unrealized gains for new acquisition)  
\* Total assets after new acquisition = Total liabilities as of January 2020 (25th FP) + Net assets as of January 2020 (25th FP) + Amount of new borrowings for the 9th public offering + Amount of lease security deposits and guarantees relating to new acquisition  
\*\* Unrealized gains after new acquisition = Total appraisal value at the end of the period ending January 2020 (25th FP) - Book value of assets held at the end of the period ending January 2020 (25th FP) + Unrealized gains for new acquisition  
LTV based on book value and LTV based on appraisal value after new acquisition are estimates as of the date of this document based on certain assumptions, and do not necessarily agree with the actual LTV based on
- (Note 7) Figures are as of January 31, 2020.
- 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 2

- P.10 (Note 1) Implied cap rate is calculated by the following formula.  
“Implied cap rate = Annualized NOI of all properties / (Market capitalization + Interest-bearing debt + Tenant leasehold and security deposits (including those in trust) -Cash and bank deposits).  
In calculating the implied cap rate as of a particular date, IIF uses the investment unit price and the number of outstanding investment units as of such date, the actual annualized NOI of the most recently completed fiscal period as of such date and the amount of interest-bearing debt, tenant leasehold and security deposits (including those in trust) and cash and bank deposits as of the last day of the most recently completed fiscal period as of such date. The implied cap rates are based on the market price of IIF’s units and other financial indicators as of particular dates. Accordingly, the implied cap rates may significantly fluctuate due mainly to IIF’s units’ market price resulting from a number of factors related or unrelated to IIF’s financial performance. The stabilized forecast NOI yields are based on the forecast assumptions and subject to various risks and uncertainties about IIF’s business. The adoption of different assumptions or judgments could lead to materially different NOI yields. Thus, investors should not place undue reliance on the implied cap rates or differences between the implied cap rates and the stabilized forecast NOI yields of IIF’s properties.
- (Note 2) “Positive spread” is the value obtained by subtracting the implied cap rate at the time of each public offering from the average NOI yield at the time of acquisition (schedule) at the time of each public offering.
- (Note 2) Average NOI yields and average implied cap rates in J-REIT public offerings are calculated on a simple average basis.  
For the 7th public offering, the average of the public offerings in J-REIT except for IIF in which the issue price was determined from February 8, 2017 to February 28, 2018  
For the 8th public offering, the average of the public offerings in J-REIT except for IIF in which the issue price was determined from March 1, 2018 to May 22, 2019  
For the 9th public offering, the average of the public offerings in J-REIT except for IIF in which the issue price was determined from May 23, 2019 to November 15, 2019  
The average NOI yield on new acquisition at the time of each J-REIT public offering except for IIF is price-weighted average yield based on each acquisition yield calculated by the operating net revenue under the direct capitalization method in real estate appraisal of new acquisition announced in press releases and other releases at the same time as each J-REIT public offering by the acquisition price of each new acquisition.
- P.11 (Note) “One-time 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 one-time 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 (one-time distributions in excess of profit) of 119 yen per unit is for Jan. 2020 (25th period), however, “One-time 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.18 (Note 1) NOI for “Current (As of Jan. 2020)” is based on the actual results for the fiscal period ended in July 2019 and Jan. 2020 adjusting temporary factors such as leasing brokerage fees, while for “Based on new contract” or “After rent revision (Estimated)” is calculated by annualizing the forecast for the fiscal period ending in July 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 actual for the fiscal period ending in January 2020. The same shall apply hereinafter.  
(Note 3) The figure is a target rate as of Mar. 18, 2020 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.19 (Note 1) NOI for “As of acquisition” is calculated by using the net operating income for the first fiscal year under the DCF method indicated in the appraisal report as of July 1, 2007, for “Tenant replacement” by using the net operating income for the first fiscal year under the DCF method indicated in the appraisal report as of Dec. 31, 2010 and, for “After new lease starts” by using the net operating income for the first second year under the DCF method indicated in the appraisal report as of Jan. 31, 2020 .  
(Note 2) Appraisal value for “As of acquisition” is based on the appraisal report as of July 1, 2007, for “Tenant replacement” based on the appraisal report as of Dec. 31 and for “After new lease starts” based on the appraisal report as of Jan. 31 2020.
- P.21 (Note) The return is the amount calculated by dividing the increased revenue from LED construction during each period by the corresponding LED capex amount.
- 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.25 (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.28 (Note) The inclusion of IIF in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of IIF by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

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- 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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