

Think bold today for a brighter tomorrow.



Investor Presentation for the July 2021 (28th) Period

Securities Code : **3249**

Industrial & Infrastructure Fund Investment Corporation

Table of contents

1	Executive Summary	P.2
2	Continuous Growth of the Unitholders' Value : DPU Forecast	P.9
3	Recent Acquisition and Investment Strategy Going Forward - “CRE Beyond”	P.13
4	Current Status of Operations and Initiatives Going Forward	
	(1) Management of Current Portfolio: “3C Management”	P.22
	(2) Financial Strategy: “ALM”	P.26
5	ESG initiatives	P.33
6	Operating Results for the July 2021 (28th) Fiscal Period and Earnings Forecast for the January 2022 (29th) and the July 2022 (30th) Fiscal Periods	P.39

～Appendix～

Portfolio Data and Other Materials

1. Executive Summary



Implement measures to strengthen portfolio quality and growth base for continuous growth

Key Points of 28th FP

(1) Building Acquisition Pipelines and Asset Replacement

Strengthen portfolio quality through asset replacement

<Total amount of recent acquisition> IIF Shonan HIP (40% co-ownership interest) : JPY **15,400**mn

<Total amount of recent disposition> **4** properties including IIF Shinagawa ITSC : JPY **16,200**mn

(2) Development Strategic Advantages

Commenced development of BTS-type logistics facility through CRE proposal capturing business expansion needs

- IIF Atsugi LC III : Redevelopment project of new cold storage
- IIF Yokkaichi LC : Acquisition of existing building and development of new building

(3) Diversified Funding Sources

Raised long-term debt funds under favorable conditions by issuing Social Bonds

<10-year bond> 【Amount】 JPY **3,000**mn 【Interest rate】 **0.39%**

<15-year bond> 【Amount】 JPY **2,000**mn 【Interest rate】 **0.68%**

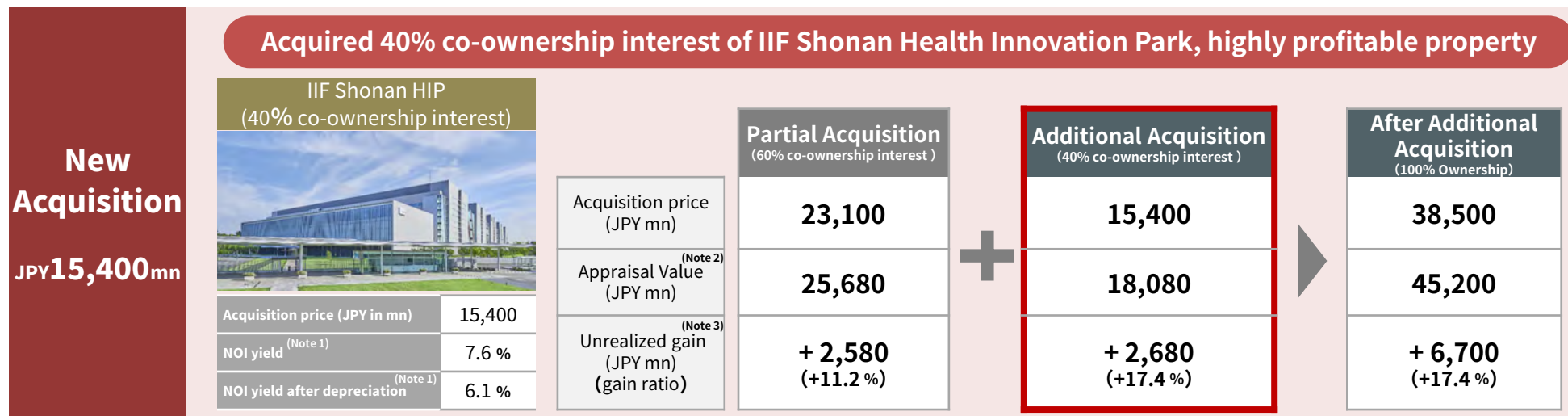
(4) Commitment to ESG Initiatives

Establishment of New CO₂ Emissions Reduction Targets toward Carbon Neutrality by 2050

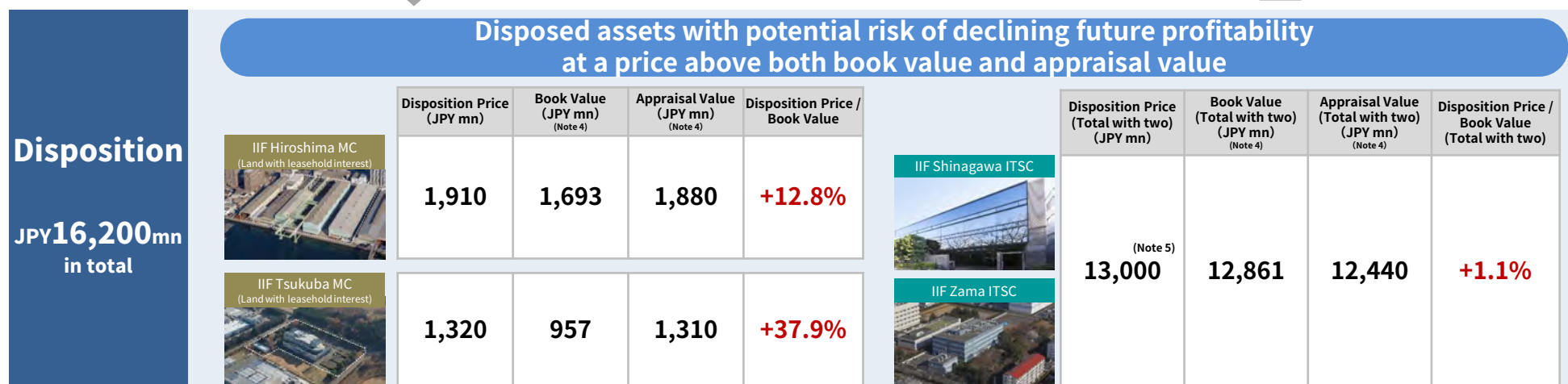
- Reduce CO₂ emissions per unit by 50% by 2030 compared with 2015
- Switching to electricity procured from renewable energy : IIF Shonan HIP

Highlight 1 : Strengthen portfolio quality through asset replacement

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



Reinforcement of Portfolio Quality by Asset Replacement



Highlight 2 : Social Bonds Issuance under favorable conditions

Diversification of financing methods and Social Bonds Issuance under favorable conditions

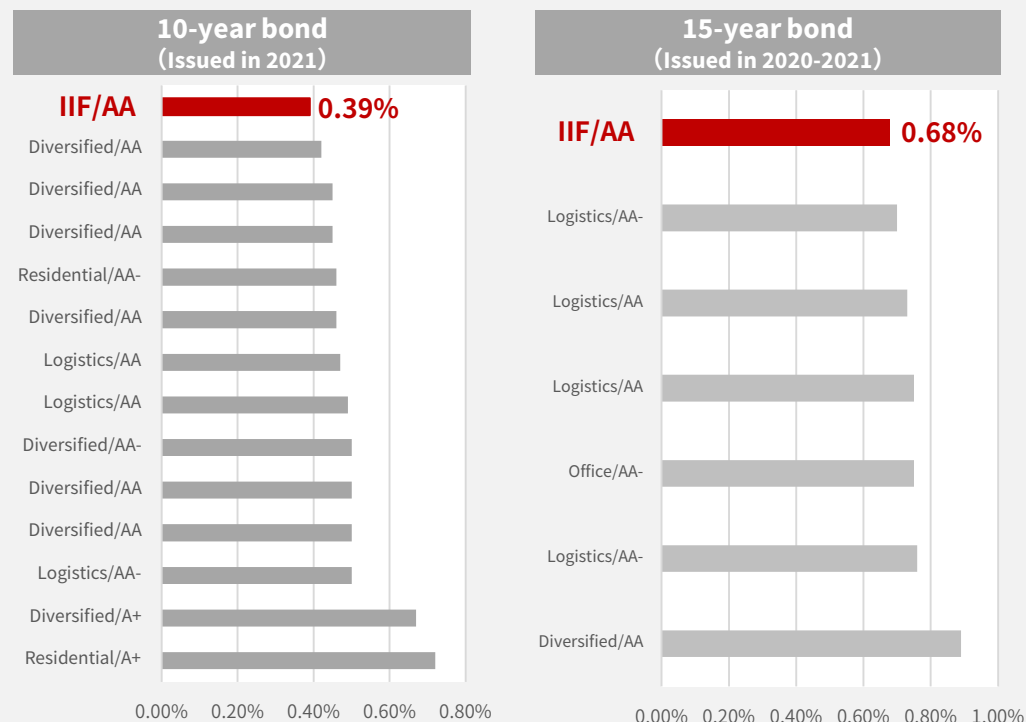
Key Points

- **Increased methods to finance long-term debt** as the trend of ESG continues to rise
- Established **a unique Social Finance Framework** as the J-REIT specializing in industrial properties
- Achieved **the lowest interest rate** among recent J-REIT ESG bonds

Overview of Social Bonds Issuance

	The 1st IIF Social Bonds (The 5th Unsecured Investment Corporation Bond)	The 2nd IIF Social Bonds (The 6th Unsecured Investment Corporation Bond)
Term	10 years	15 years
Amount	JPY 3,000 mn	JPY 2,000 mn
Interest rate (annual)	0.39%	0.68%
Issue date	September 7, 2021	September 7, 2021
Bonds rating	(JCR) AA	

(Reference) Interest rate of J-REIT ESG Bonds^(※)



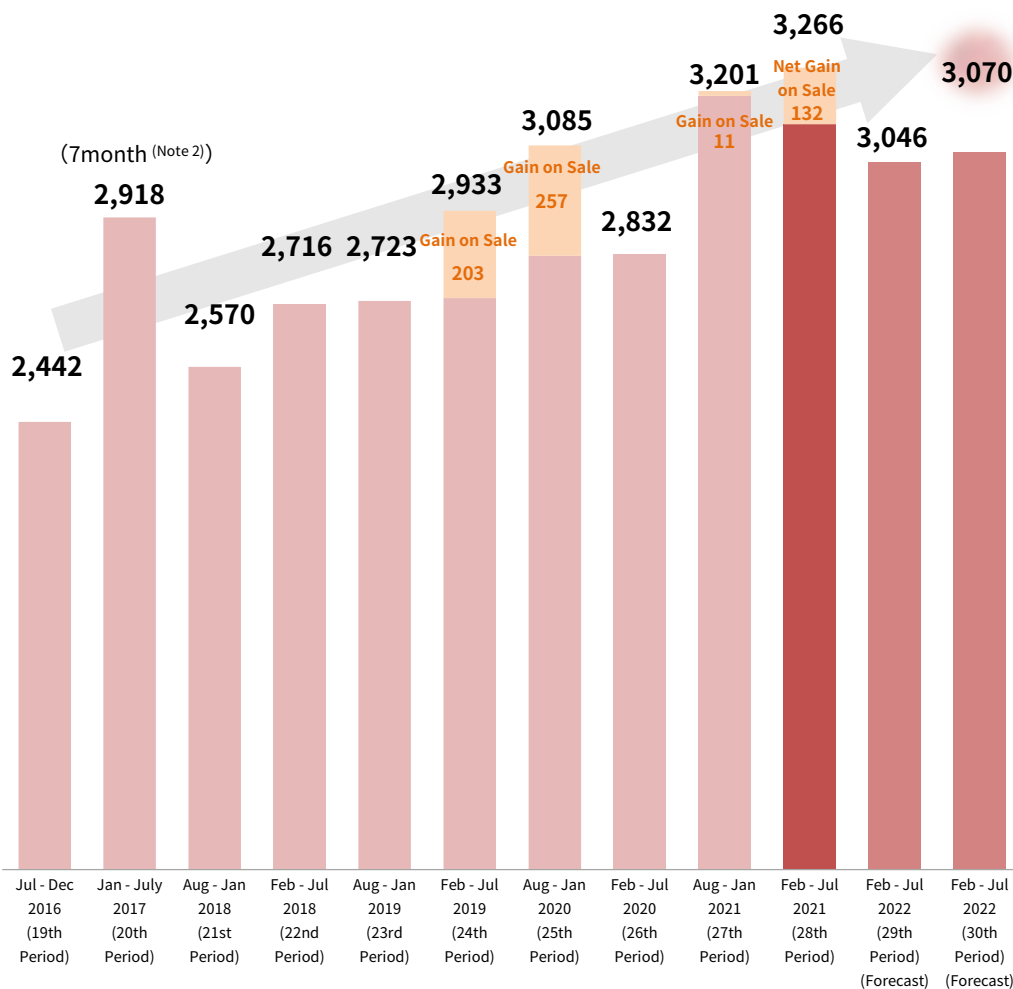
※Created by Asset Manager based on press releases regarding issuance of J-REIT ESG Bonds disclosed by July 30, 2021

Steady growth in DPU and NAV

DPU growth by approx. 1.3 times^(※) over six-year period (Note 1)

※ Calculating based on the difference between actual DPU for the fiscal period ended December 31, 2016 and forecasted DPU for the fiscal period ending July 31, 2022

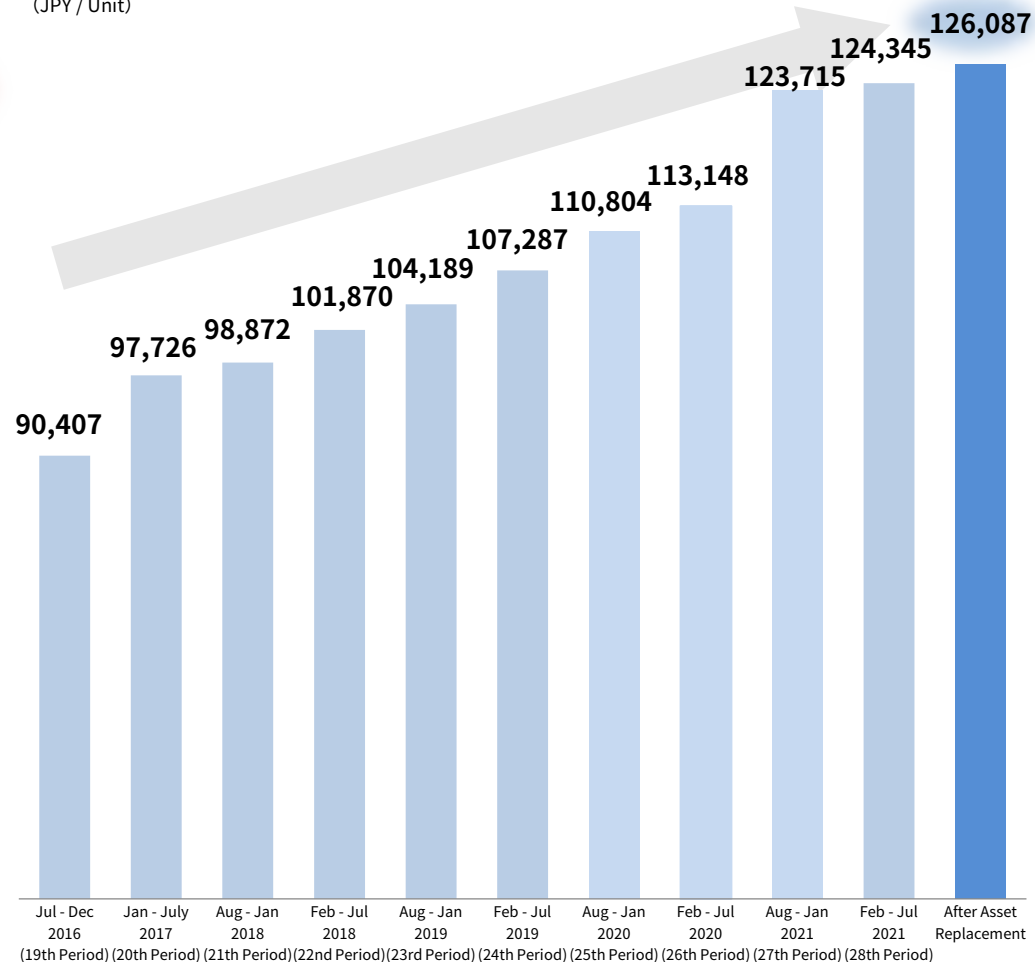
(JPY / Unit)



Appraisal NAV per unit growth by approx. 1.4 times^(※) over five-year period (Note 1)

※ Calculating based on the difference between actual NAV per unit for the fiscal period ended December 31, 2016 and estimated NAV per unit after asset replacement

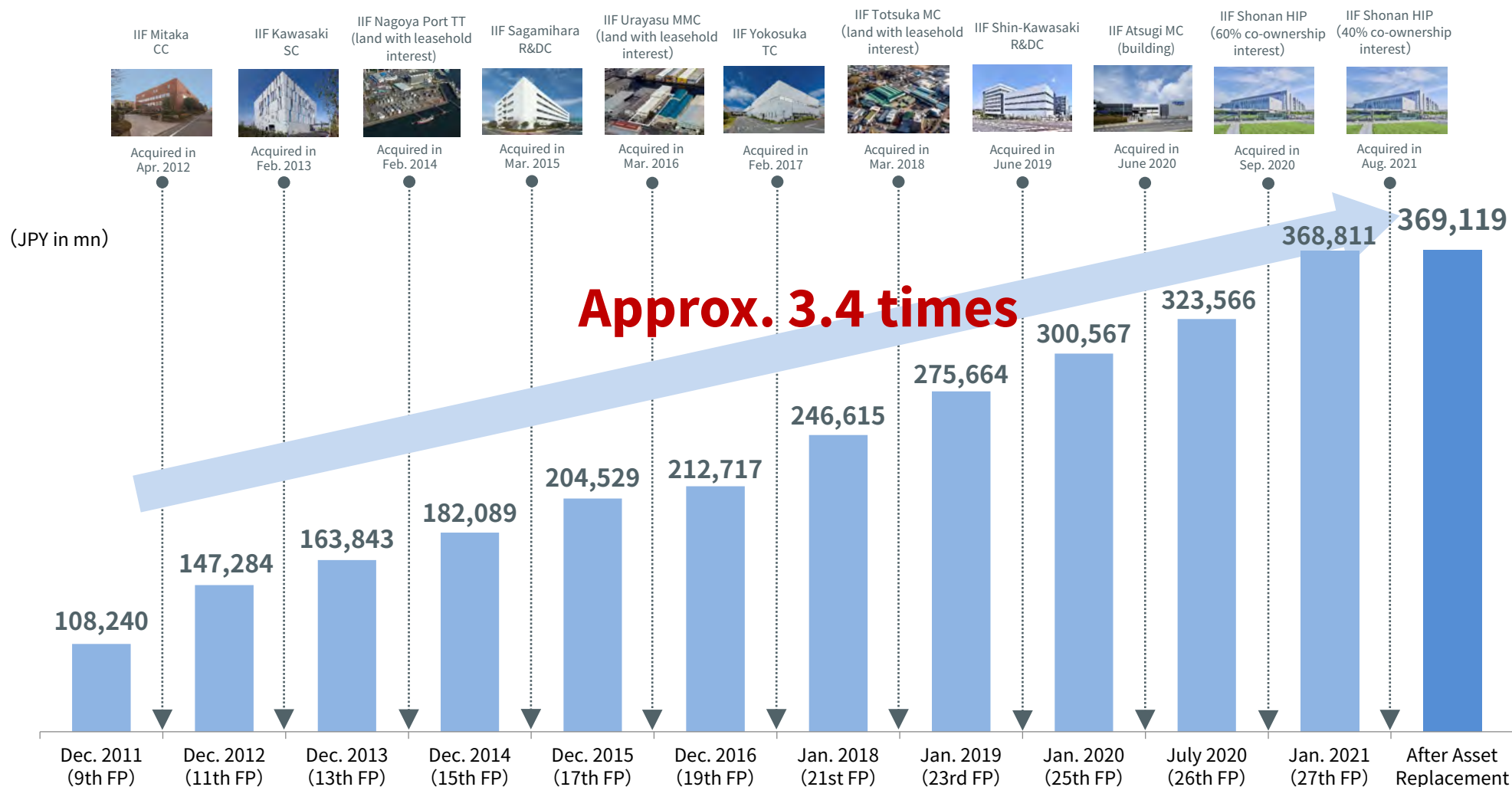
(JPY / Unit)



※ For the details of the footnotes, please see page 44 ~ 45.

Steady AUM growth with Asset Replacement

AUM expansion and major acquired assets



Indices after Asset Replacement and Social Bond Issuance

■ Key indices after asset replacement and social bond issuance ^(Note1)

	Asset		Debt
Number of Properties	73 properties	LTV ^(Note3) (based on book value)	48.2 %
Total Acquisition Price	JPY 369,119 mn	LTV ^(Note4) (based on appraisal value)	40.6 %
Total Appraisal Value	JPY 443,411 mn	Average Borrowing Period ^(Note5)	9.4 years
Average NOI Yield ^(Note2)	5.8 %	Average Interest Rate ^(Note5)	0.73 %
Average NOI Yield after Depreciation ^(Note2)	4.8 %		
Difference between Appraisal Value and Book Value	JPY +77,138 mn	Market Capitalization (As of Sep. 10, 2021)	JPY 451,470 mn
Total Number of Tenants	98 tenants	Stabilized DPU ^(Note6) (after adjustment of property-related taxes and estimated temporary revenue loss)	JPY 3,040 per unit
		Appraisal NAV per Unit ^(Note7)	JPY 126,087 per unit

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



Changes in DPU from 28th fiscal period to 29th fiscal period

Changes in DPU

(JPY per unit)

△Gain on sale and decrease in revenue due to property disposition

- Tsukuba MC
- Hiroshima MC
- Zama ITSC

3,266

Excess profit distribution in connection with redevelopment of IIF Atsugi LC III (ATA)
(Increase in depreciation due to discrepancies between tax and accounting)

※For the details, please see Page 40~41.

99
▼Expense property-related taxes
(Acquired in 2020)

104
▼Temporary costs
• BM costs in Shionan HIP
• Utilities
• Business days difference, etc.

△New acquisition
• Shonan HIP(40%)
• Yokkaichi LC

192

134

▼Decrease in gain on sale and revenue due to dispositions
• Tsukuba MC
• Hiroshima MC
• Zama ITSC
• Shinagawa ITSC

75
▼Other
• Decrease in revenue from Kobe LC
• Strategic repair costs in Shonan HIP, etc.

3,046

Changes due to asset replacement

Initial forecast
Disclosed on
Mar. 17, 2021

Actual
Disclosed on
Sep. 15, 2021

Forecast
Disclosed on
Sep. 15, 2021

July 2021
(28th FP)

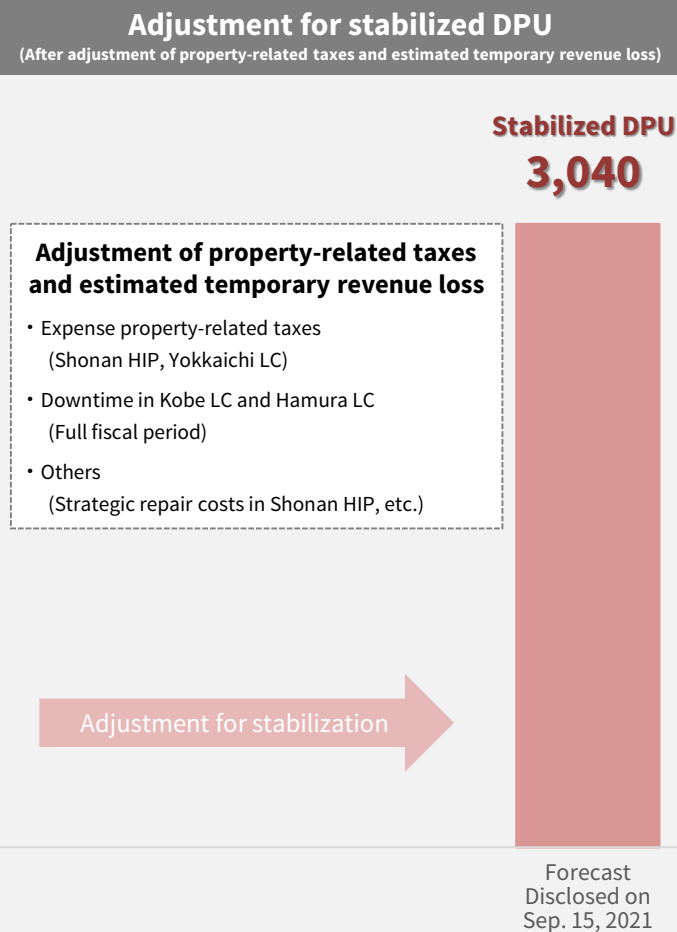
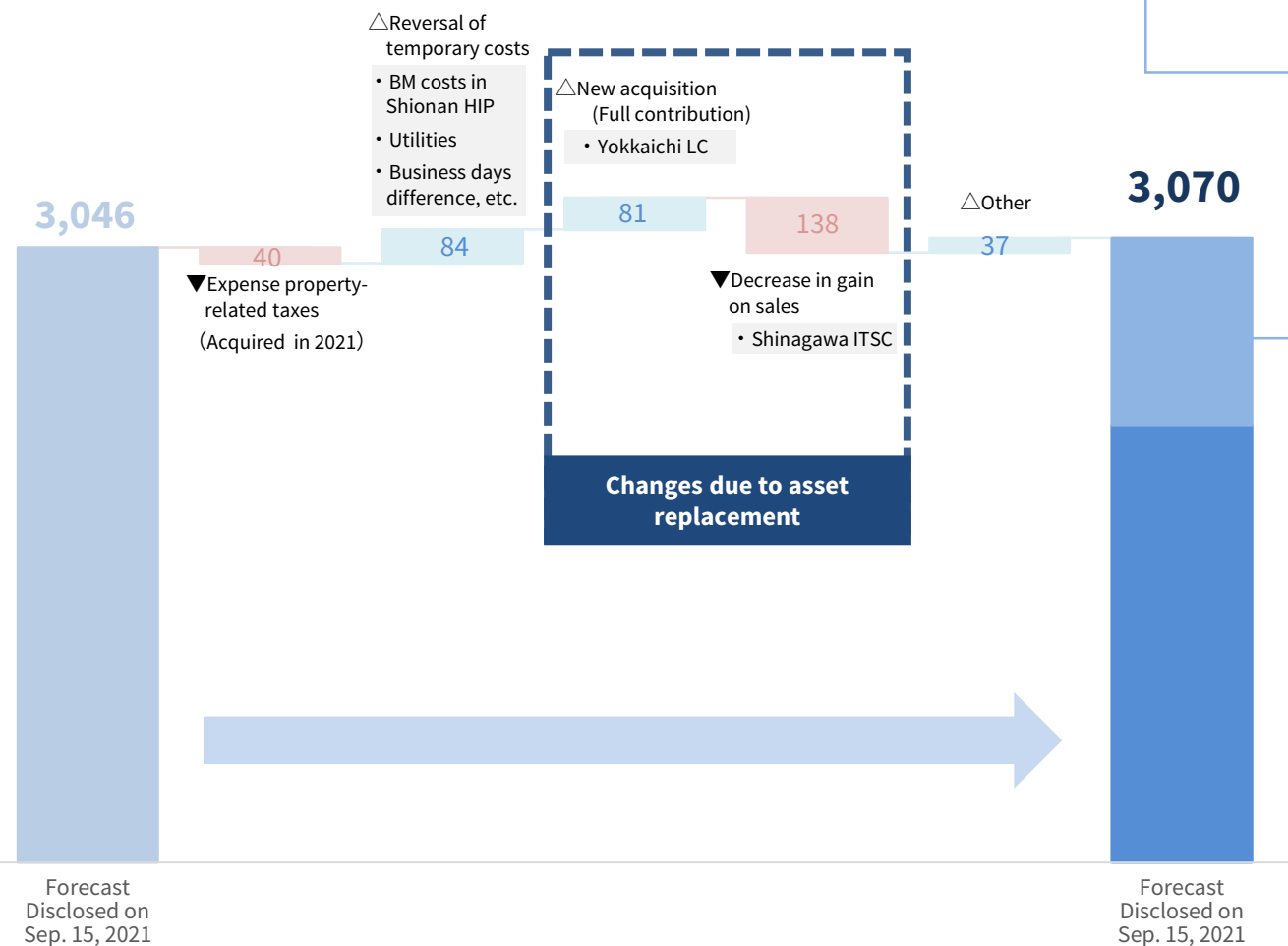
Jan. 2022
(29th FP)

※Actual DPU and forecast DPU include excess profit distribution (28th FP: JPY 43, 29th FP: JPY 259) to be implemented in connection with the redevelopment of IIF Atsugi LC III.

Changes in DPU from 29th fiscal period to 30th fiscal period and adjustment for stabilized DPU

Changes in DPU

(JPY per unit)



Jan. 2022
(29th FP)

Forecast
Disclosed on
Sep. 15, 2021

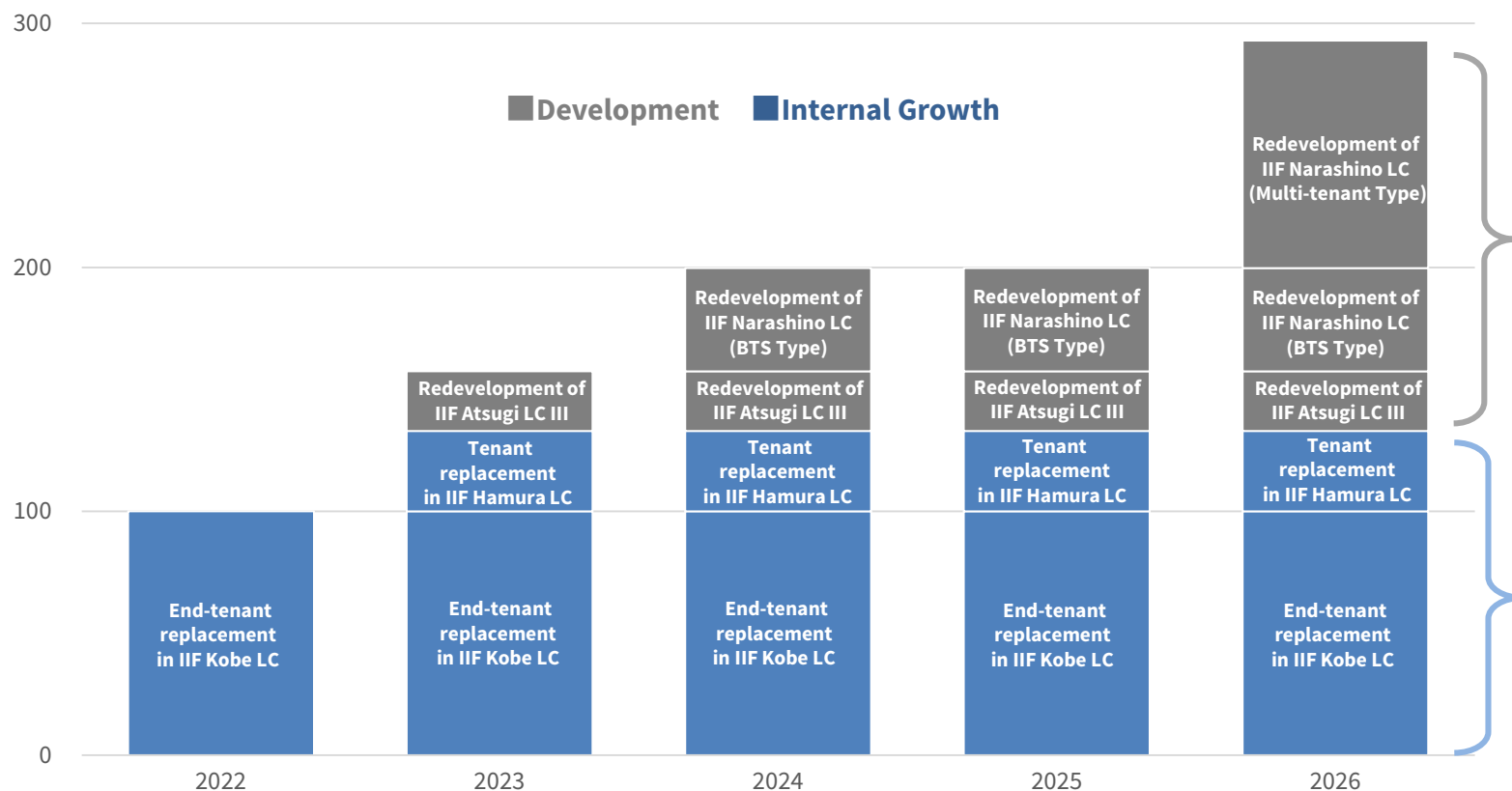
July 2022
(30th FP)

※Forecast DPU is include excess profit distribution and optimal payable distribution (29th FP: JPY 259, 30th FP: JPY 471) to be implemented in connection with the redevelopment of IIF Atsugi LC III.

(Reference) Potential profitability improvement by Development and Internal growth

■ Potential profitability improvement in mid-to-long term by development and existing portfolio management

【Estimated impact on DPU】

Impact on DPU
(JPY per unit)

<Reference>

Impact on DPU

(Compared to JPY 3,040 per unit as stabilized forecast DPU of 30th FP)

Estimated total (Note)

+240~300yen (+8~10%)

Development
+135~165yen
(+4.5~5.5%)

Internal Growth
+105~135yen
(+3.5~4.5%)

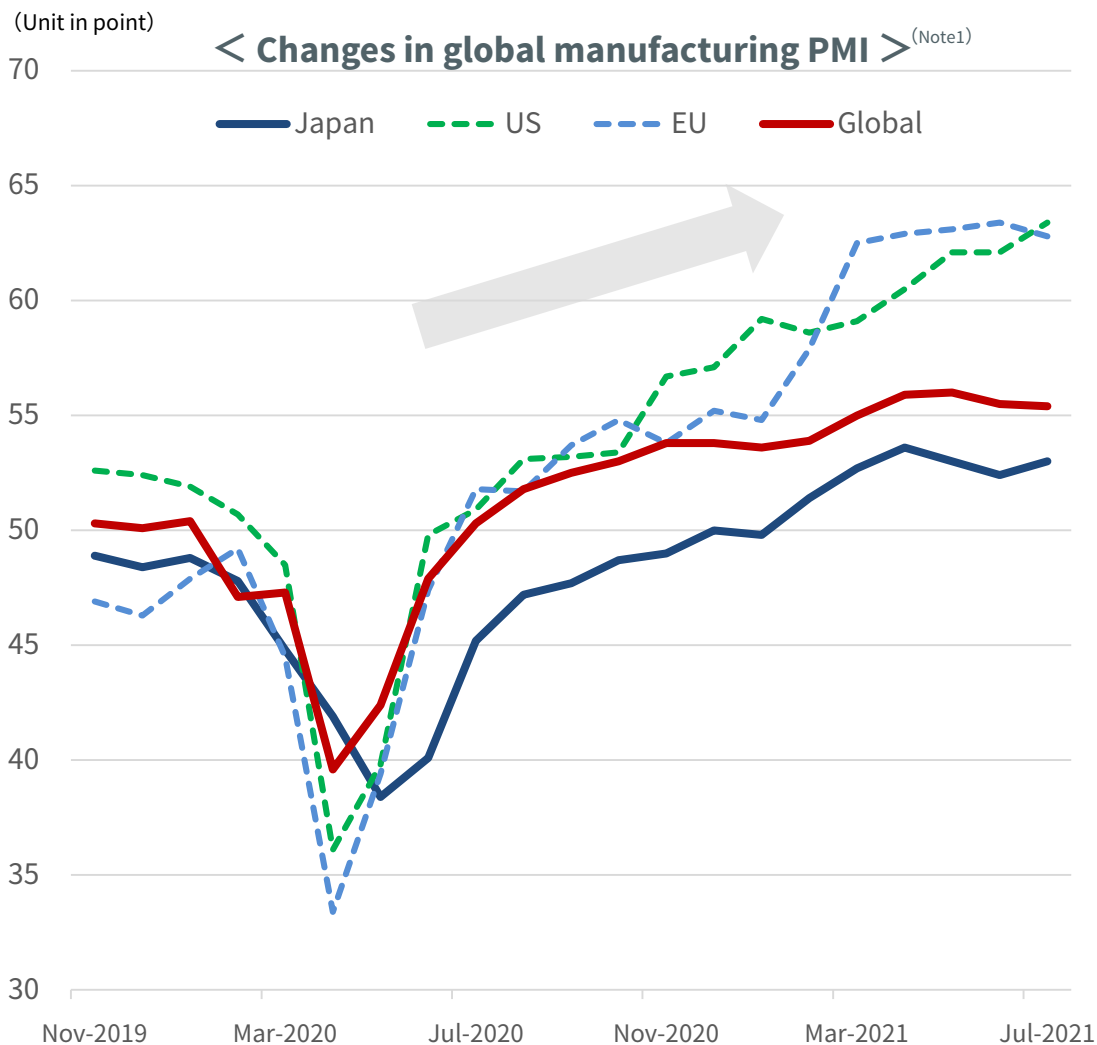
3. Recent Acquisition and Investment Strategy Going Forward —“CRE Beyond ”



“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.

Manufacturing industry remains strong globally

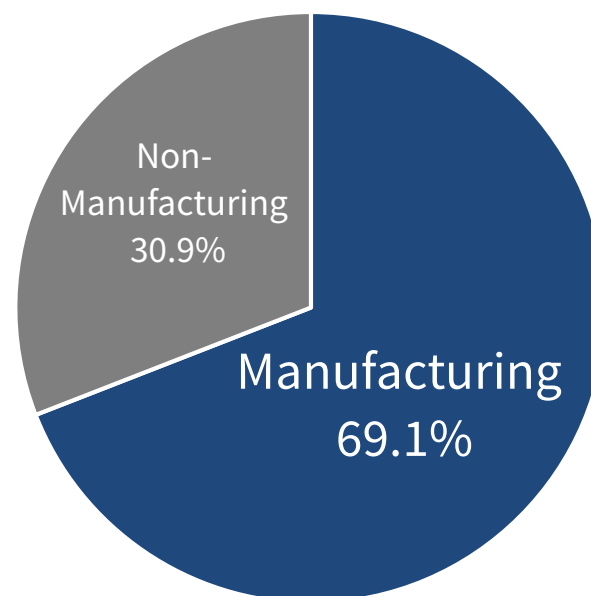
■ Manufacturing industry shows steady growth globally even in the covid-19 pandemic



(Note1) Created by an asset manager based on the figures of each country in the Manufacturing Purchasing Managers' Index (PMI) published by IHS Markit.

■ Clear recovery of manufacturing performance even in Japan

^(Note2)
Percentage of manufacturing sector among companies that have revised their earnings upwards in the announcement of Q1. 2021.



(Note2) The above data of 207 companies shows the percentage of manufacturing (143) and non-manufacturing companies (64) that have revised their estimated earnings upwards out of a total 1,332 companies compiled as of August 19, 2021

Steadily building up acquisition pipeline

- Acquisition pipeline is steadily expanding with preferential negotiation rights through CRE / PRE proposals and additional redevelopment projects of existing properties.

<Pipeline with preferential negotiation rights>

Sale & Leaseback proposals

(Tentative) Saitama Iruma MC
(land with leasehold interest)



NEW

(Tentative) Tochigi Mooka MC
(land with leasehold interest)



NEW

(Tentative) Shiga Omi Hachiman LC



(Tentative) Saitama Hanno MC
(land with leasehold interest)



PRE proposal

OTA Techno CORE



Complex proposal

IIF Yokkaichi LC
(Existing Bld. / New Bld.)



NEW

Development proposal

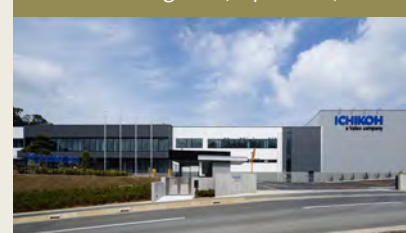
IIF Atsugi LC III (Redevelopment)



IIF Narashino LC I・II
(Redevelopment)



IIF Atsugi MC (Expansion)



Further build up of acquisition pipeline through unique CRE solution proposals

Environment surrounding IIF

- Good business sentiment related to “**Manufacturing**”, “**Demand for at-home consumption**”, and “**Logistics**”
- Diversifying CRE needs of companies (**Cash needs**, **New investment**, etc.)
- Increasing needs for **Redevelopment and Expansion** of IIF’s properties

Aim to build up the pipeline
through unique CRE solution proposals

<Recent CRE proposals>

- **Sale & leaseback project for large factory (land)** located in the Tokyo metropolitan area
- **Sale & leaseback project for factory** located in the Greater Tokyo area
- **Cash needs for logistics facility** located in the Greater Osaka area

<Recent Redevelopment and Expansion proposals>

- **Redevelopment project of logistics facility** located in Route.16 area
- **Expansion project of logistics facility utilizing surplus floor-area ratio** located in Tohoku area

■ Pipeline Status (note)

Total number of properties
under consideration **42 properties**

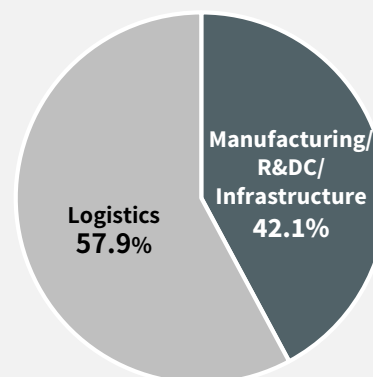
Total value of properties
under consideration **JPY 220.2bn**

**Number of properties currently
under detailed consideration**
19 properties

Breakdown of deals under detailed consideration

By Asset class (Based on price)

By source (Based on price)



(Note) The pipeline includes redevelopment projects for existing properties

Recent Acquisition Case (1) : IIF Yokkaichi Logistics Center

■ Acquisition of complex project through CRE proposal (including proposal of new building development) in capturing business expansion needs of major logistics company

Points

- Acquired complex project through CRE proposal (including proposal of new building development) in collaboration with Kajima Group capturing the business expansion needs of major logistics company
- Located close to Yokkaichi-higashi IC near where distribution bases of major logistics companies and the one of the largest semiconductor manufacturing plants in the world are located, dramatically improved traffic convenience by stretching expressway
- Acquisition of the existing building and start of development discussion of the new building through CRE proposal in collaboration with Kajima Group capturing business expansion needs of a major logistics company



New Building (Note1) (Development planned)



- 7 stories above ground (logistics area : 5 stories)
- A floor weight capacity of 1.5t/m² (partially 2.0t/m²), effective ceiling height of 5.0-5.9m and pillar intervals of approx. 11.5m × approx. 11.5m
- Potential to change to a double-sided berth in the future (Available for multi tenants)

Major logistics company

CRE needs

- Expansion of distribution base due to the business expansion

CRE Proposal



Industrial & Infrastructure Fund Investment Corporation

Solution Proposal

- Off-balance Sheet Development of new building on the premise due to business expansion

Existing Building (Anticipated acquisition)



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

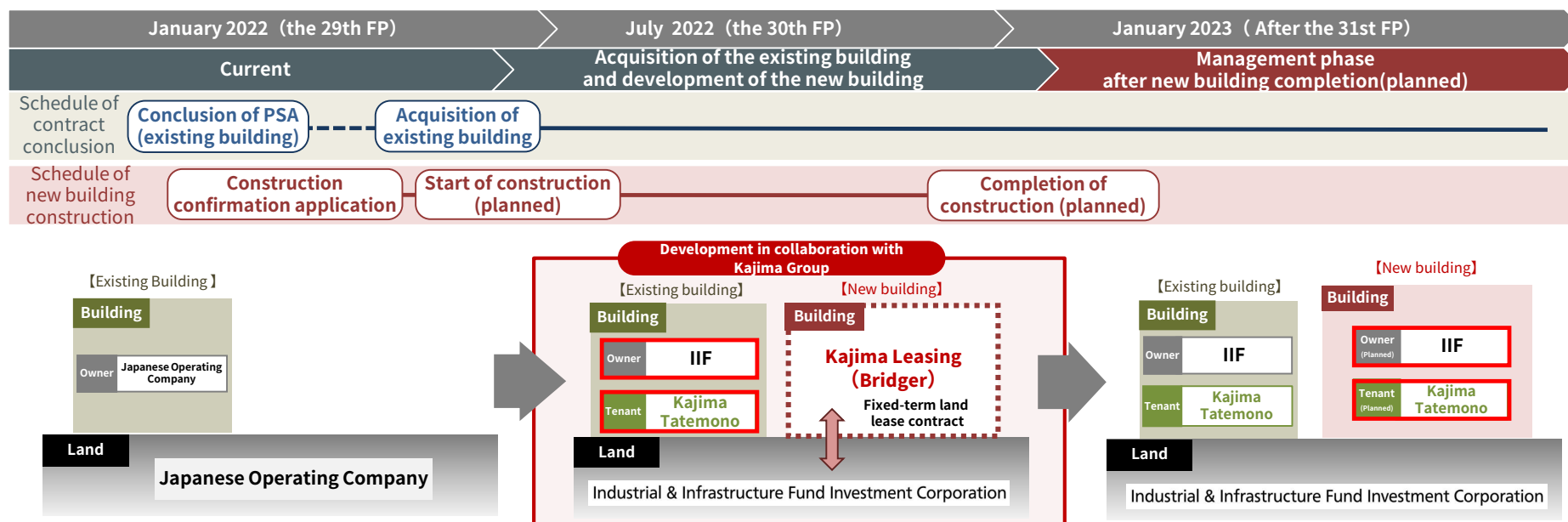
Anticipated acquisition price	JPY 3,640mn
Appraisal value (Note3)	JPY 3,957mn
Unrealized gain (Note4) (Unrealized gain ratio)	JPY 317mn (+8.7%)
NOI yield/ NOI yield after depreciation (Note5)	5.4% / 4.3%

Tenant (Note6)	Kajima Tatemono Sogo Kanri Co., Ltd
Occupancy rate (Note6)	100.0%
Contract type (Note6)	Fixed-term building lease contract
Contract term (Note6)	10 years
Renewal / Revision (Note6)	Not allowed in principle/ Not allowed in principle

Recent Acquisition Case (1) : IIF Yokkaichi Logistics Center (cont'd)

Expect profit contribution without downtime by utilizing the bridge scheme of Kajima Group

<Scheme and schedule of the Development Project>



<Effect of the Development Project>

	Existing building	+	New building	=	After acquisition of new building
Anticipated acquisition price ^(Note1)	JPY 3,640 mn		JPY 5,180 mn		JPY 8,820 mn
Appraisal value ^(Note2)	JPY 3,957 mn				JPY9,990 mn (+JPY 6,033 mn)
Unrealized gain ^(Note3) (Unrealized gain ratio)	JPY317 mn (+8.7%)				JPY 1,170 mn (+13.3%)
Total floor area ^(Note4)	18,155.31 m ²		34,354.00 m ²		52,509.31 m ²
NOI yield/ NOI yield after depreciation ^(Note5)	5.4% / 4.3%		5.4% / 2.7%		5.4% / 3.4% (3.8%) ^(Note6) (After adjustment by optimal payable distribution)

※ For the details of the footnotes, please see page 44 ~ 45.

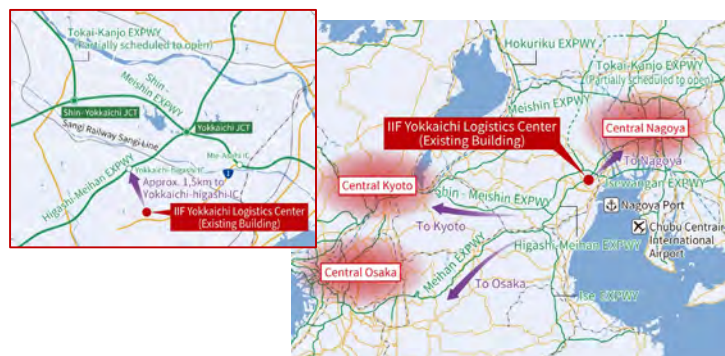
Recent Acquisition Case (1) : IIF Yokkaichi Logistics Center (cont'd)

Industrial cluster with the greatest value of manufactured products shipment of semiconductors and other electronic components in Japan, locating distribution bases of major logistics companies

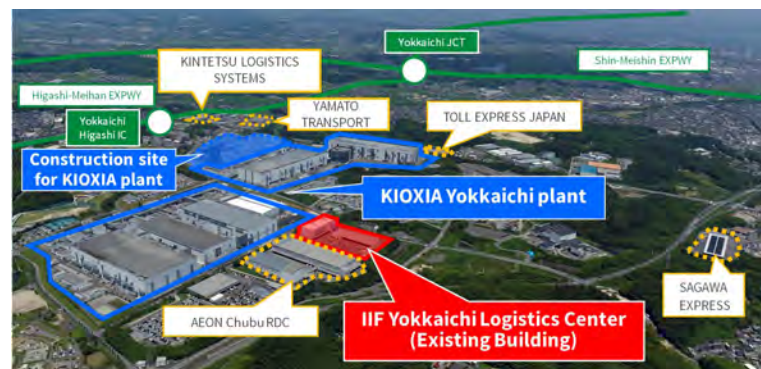
Located close to the one of the largest semiconductor plants in the world and with excellent access to wide areas

- ✓ Accessible to wide areas due to the connection from Higashi-Meihan Expressway to Shin-Meishin Expressway and Isewangan Expressway and locating many distribution bases of major logistics companies
- ✓ Close to Kioxia Yokkaichi Plant expanding currently its scale to increase production due to expanding demand for semiconductors

[Location with an improved expressway network and excellent access to metropolitan areas]



[Close to Kioxia Yokkaichi Plant]



Yokkaichi city as industrial cluster of electronic components, devices, and electronic circuit, etc.

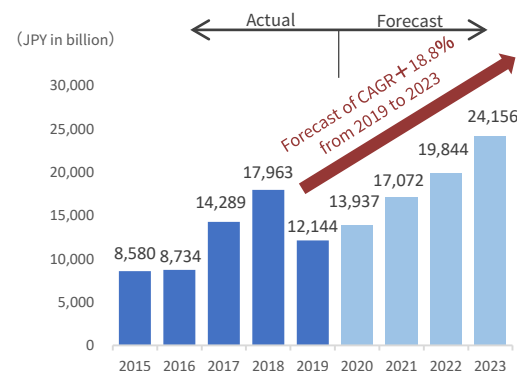
- ✓ Yokkaichi city has the greatest value of manufactured products shipment of "electronic components, devices, and electronic circuit manufacturers", mainly semiconductors.
- ✓ Demand for semiconductors is expected to expand in the future due to the spread of 5G and recovering demand for smartphones and data centers etc.

[Value of manufactured products shipment of electronic components, devices, and electronic circuits]

1	Yokkaichi city	1,321	(JPY in billion)
2	Kameyama city	460	
3	Inazawa city	245	
4	Isehaya city	244	
5	Yao city	226	
6	Hitachinaka city	226	
7	Kirishima city	226	
8	Osaki city	219	
9	Higashihiroshima city	215	
10	Izumo city	214	

Source : Created by the Asset Manager based on Ministry of Economy, Trade and Industry, "Industry statistical survey 2019 (as of FY2018)"

[Forecast expansion of semiconductor memory market]



Source : Created by the Asset Manager based on the website of IC Insight

[Industrial cluster of semiconductors and related industries around Yokkaichi city (Note)]



Recent Acquisition Case (2) : IIF Atsugi Logistics Center III

■ Cold storage redevelopment for Oisix ra daichi backed by expanding demand for at-home consumption

Project Overview

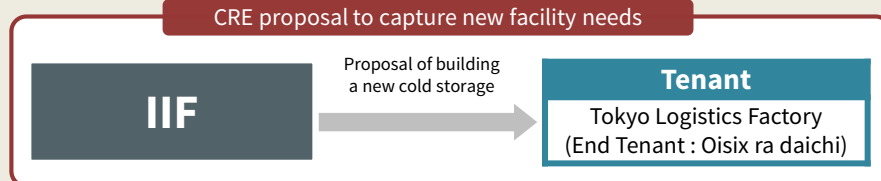


Approx.40-year old logistics facility along the main highway nearby IC on Ken-O expressway will be converted into a cold storage facility by utilizing surplus floor-area

Effects of the Redevelopment Project

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

CRE proposal to capture new facility needs



Key Indices

Before redevelopment



After redevelopment



Costs related to redevelopment (Estimate) (Note1)

Demolition cost

approx. JPY 270 mn

Cost equivalent to retirement

apprpx. JPY 620 mn

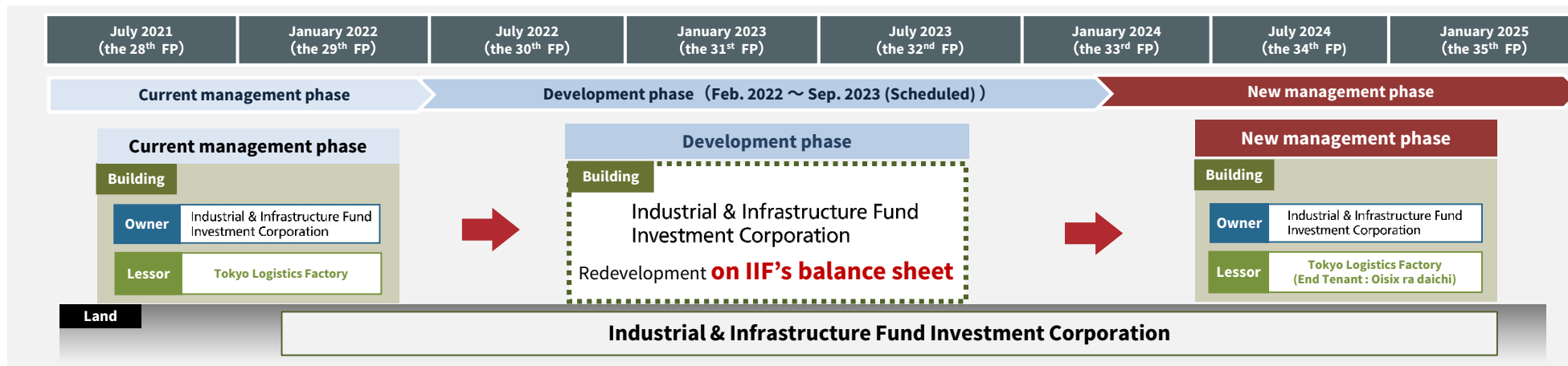
Development cost

apprpx. JPY 2,760 mn

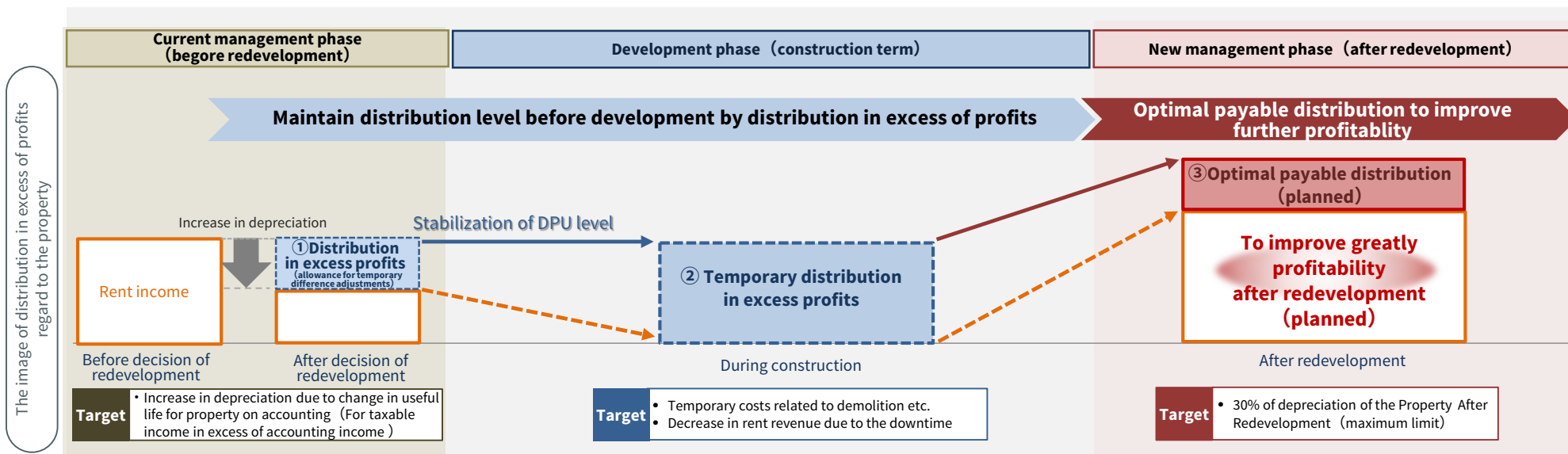
	Before Redevelopment	After Redevelopment
(Anticipated) Acquisition price (Note2)	JPY 2,290 mn	JPY 4,432 mn
Appraisal value (Note3)	JPY 3,200 mn	JPY 7,030 mn (JPY +3,830 mn)
Unrealized gain (Ration) (Note4)	JPY 813 mn (+34.1%)	2,597 mn (+58.6%)
Total floor area (Note5)	16,470.24 m ²	23,369.28 m² (+41.9%)
Annual NOI (Note6)	JPY 160 mn	308 mn (+148 mn.)
NOI yield/ NOI yield after depreciation (After adjustment by optimal payable distribution) (Note7)	7.0% / 6.0%	7.0% / 5.1% (5.7%)
Contract term (Remaining term)	5.0 years (1 year) (Fixed-term building lease contract)	15.0 years (Fixed-term building lease reservation contract)

Recent Acquisition Case (2) : IIF Atsugi Logistics Center III (cont'd)

Scheme and schedule of the redevelopment project



<Stabilization of DPU level and pursuit of further profitability improvement by distribution in excess of profits>



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).

Status of tenant replacement

Status 1 : IIF Kobe Logistics Center

Aiming to lease-up after conversion to multi-type building



Conversion plan to multi-type and leasing progress

Conversion plan to multi-type



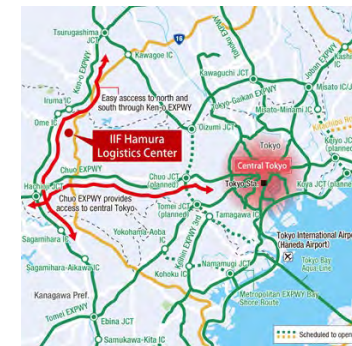
- The specifications of the building and equipment have been finalized, and **the construction of additional EVs, vertical conveyors, etc. has begun.**
- In addition, in order to strengthen the facility's competitiveness, **the eaves of the truck berth will be expanded and the toilets will be added.**

Status of current leasing activity

Candidate	Purpose of use	Floor needs
A	EC materials	1,000~1,500 tsubo
B	3PL	about 2,000 tsubo
C	3PL	about 2,000 tsubo
D	3PL (freezing and refrigerating, normal)	about 10,000 tsubo
E	Storage and Delivery (in-house use, etc)	about 10,000 tsubo

Status 2 : IIF Hamura Logistics Center

Aiming to improve profitability with a view to Redevelopment



Property Characteristics

- Good access to central Tokyo and the Greater Tokyo, located near Route 16 and Hinode IC on the Ken-o Expressway
- Within commuting distance by foot and bicycle of the Hamura Station on the JR Ome Line and with residential areas nearby, a favorable location for securing employment
- The facility's warehouse is suitable for storing and shipping heavy items and it has a low floor that makes it easy for trucks and fork lifts to move around.

Acquisition Price	Annual NOI	NOI yield	Floor area	Floor area ratio	Completion
JPY 820 mn	JPY 45 mn	5.5%	3,892.66m ²	60.4%	July 1991

Background of early cancellation

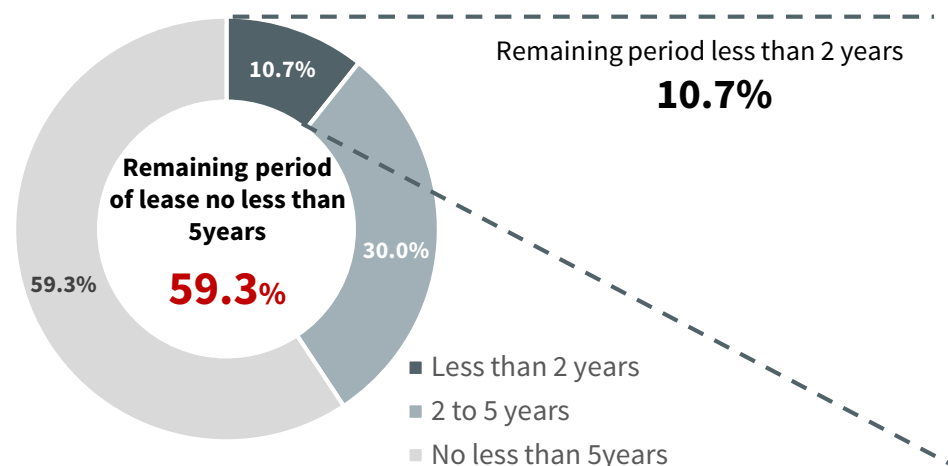
Consolidate Coca-Cola Group's distribution hub in the Greater Tokyo area

Action Plan

Confirmed several potential tenants with interest
To decide “leasing” or “redevelopment” after comparing the investment effects

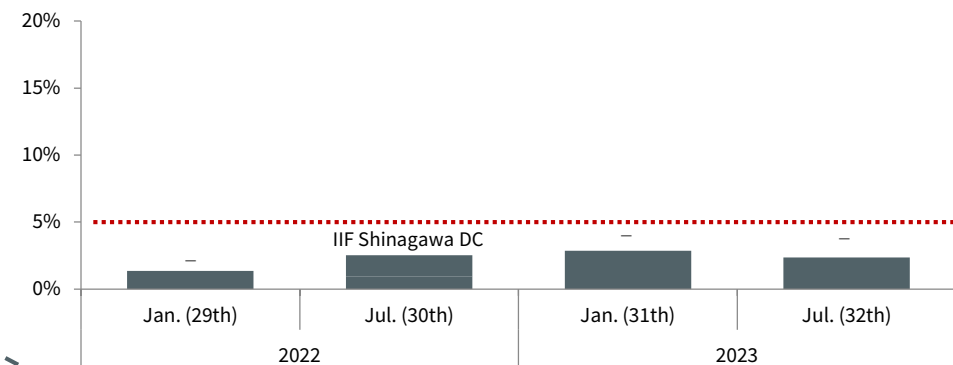
Continuous actions to key tenants facing lease expiration

■ 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)

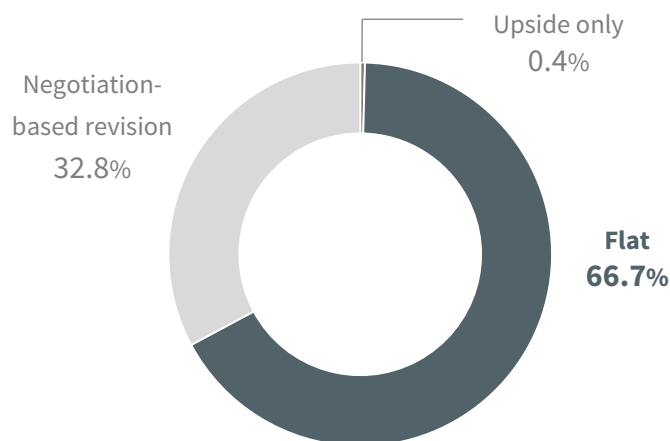
	Lease Expiry	Property name	Tenant	Achievement / Action Plans	
July 2022 (30th FP)	Mar. 6, 2022	IIF Shinagawa DC	XYMAX corporation	Concluded a new fixed-term building lease contract for 10 years with the existing tenant and to be realized rent growth.	Concluded

Achieve internal growth while continuously executing measures for environmental conservation

■ Key internal growth and stabilization measures

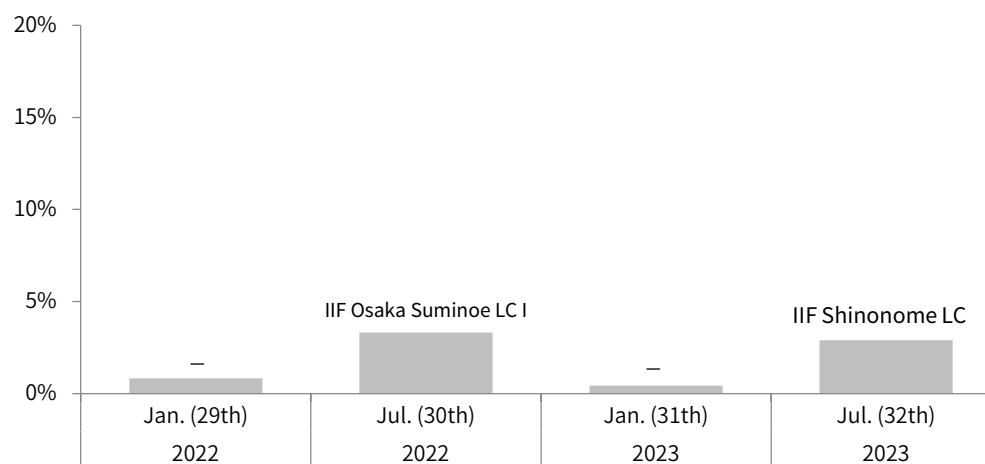
	Effective Date	Property Name	Measures	Status	Rent Increase
July 2021 (28th FP)	Apr. 2021	IIF Mitaka CC	Signed a memorandum to partially benefit from the reduced electricity charge due to the installation of LED lighting	Increased	Not disclosed
Jan. 2022 (29th FP)	Aug. 2021	IIF Fukuoka Hakozaki LC I	Contracted new fixed-term lease agreement with the existing tenant and to be realized rent growth by capturing market rent	Increased	Not disclosed
	Aug. 2021	IIF Fukuoka Hakozaki LC II	Contracted new fixed-term lease agreement with the existing tenant (Floor C) scheduled to expire and to be realized rent growth by capturing market rent	Increased	Not disclosed
	Jan. 2022	IIF Atsugi MC	To be increased after Jan. 2022 through new acquisition of extension to be constructed within existing building	To be increased	Not disclosed

■ Rent revisions (annual rent basis) (Note)



■ Rent contracts to be renewed 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”

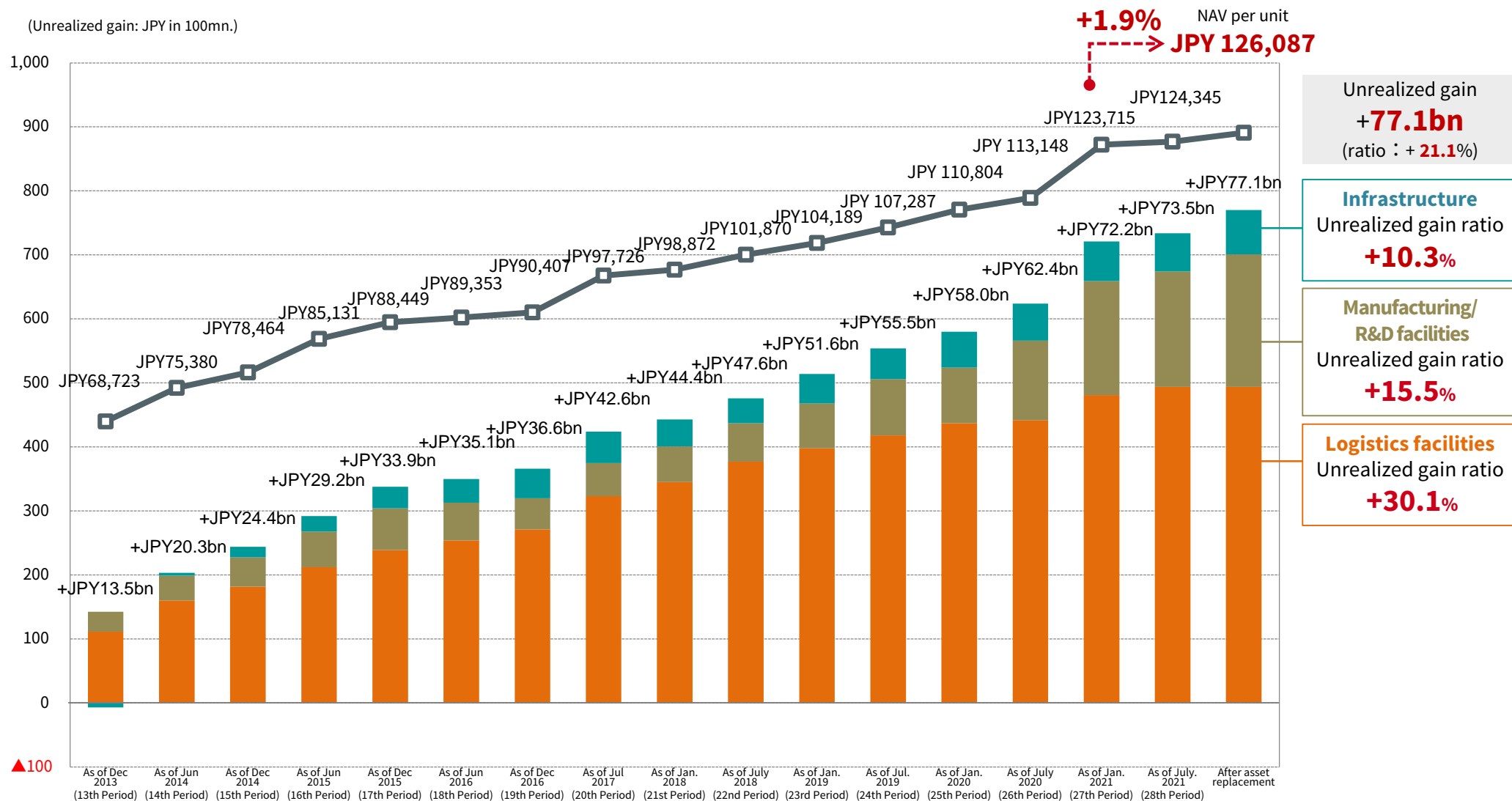


“ALM” refers to the financing strategy which intends to maintain a stable and efficient financial condition, in order to achieve stable revenues and continuous growth of our portfolio. Implementation of the ALM strategy whereby matching stable and long-term lease contract periods with long-term fixed-rate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

Unrealized gain to reach JPY 77.1bn (ratio+21.1%) after asset replacement

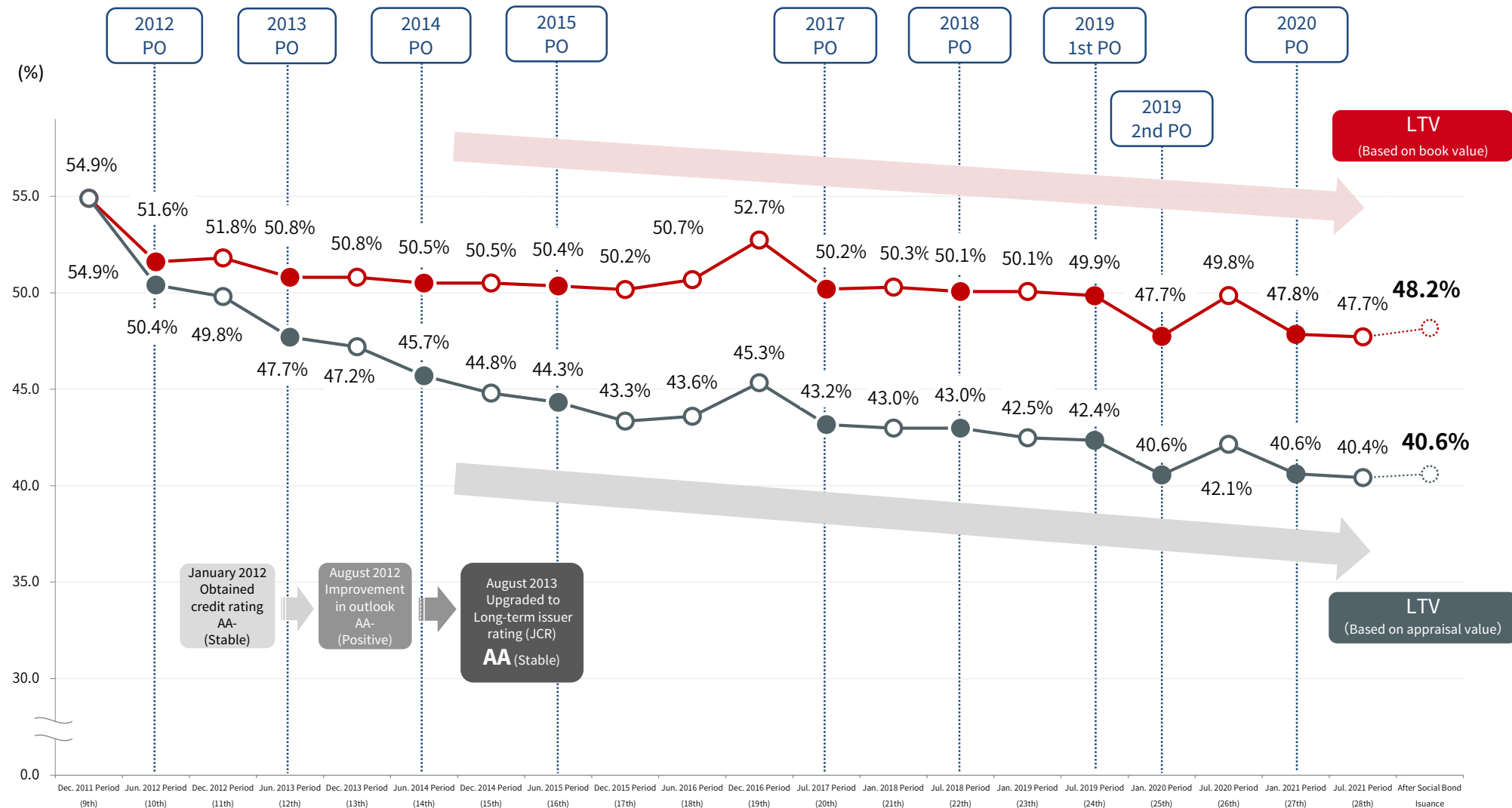
■ Unrealized gain / NAV per unit

(Unrealized gain: JPY in 100mn.)



LTV has dropped through constant public offering

Historical LTV



Overview of IIF Social bond

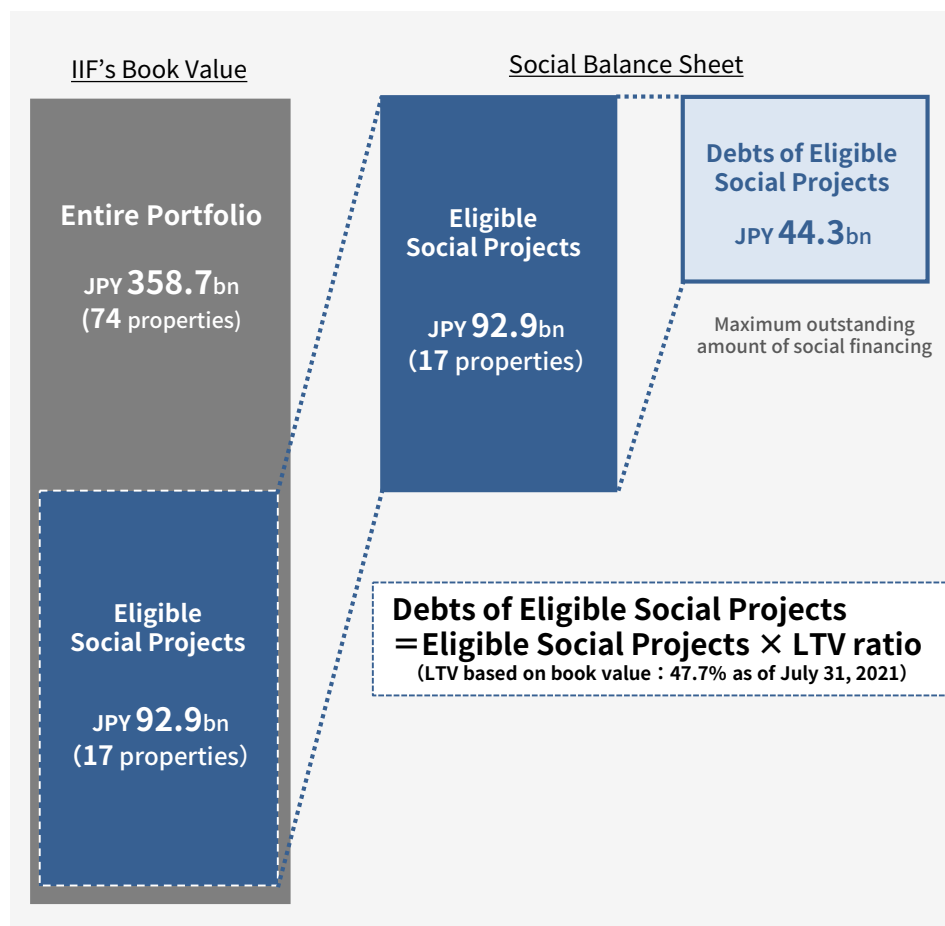
■ Issuance of social bond by the only J-REIT specializing in industrial properties

Overview of social finance framework

- The proceeds will be allocated towards acquisition funds to purchase Eligible Social Projects, repayment of debts and redemption of investment corporation bonds related to acquire Eligible Social Projects.
- Set the maximum outstanding amount as debts of Eligible Social Projects (Eligible Social Projects × LTV ratio)
- Eligible Social Projects, Debts of Eligible Social Projects, outstanding balance and KPI for impact reporting will be disclosed on the IIF website or in ESG reports published by MCUBS once a year










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

Maximum outstanding amount of social financing (As of the end of July, 2021)]



Reference (1) : Overview of Eligible Social Projects

Classified IIF's assets that can solve social issues into five categories and set Eligible Social Projects

Eligible Social Projects	1. Facilities contributing to development in medical technology including medication, pharmaceutical, drug discovery etc., and treatment	2. Facilities for job creation and development of regional economies through industrial promotion, etc.	3. Facilities for maintenance and improvement of social life networks	4. Facilities for maintenance and improvement of public lifelines	5. Facilities contributing to development of disaster prevention technologies, maintenance of redundancies and maintenance of logistics networks for daily necessities in the event of disasters, and facilities for temporary evacuation, etc.
Target	<ul style="list-style-type: none"> R&D facilities for medical, pharmaceutical, drug discovery, etc. Manufacturing plants for medical devices and pharmaceuticals Logistics and distribution facilities for medical devices and pharmaceuticals 	<ul style="list-style-type: none"> Facilities for industrial promotion support Facilities for job training and vocational training, etc. Factories and laboratories, etc., for job creation in regional economies Facilities utilizing land for the purpose of revitalizing regional economies led by public institution 	<ul style="list-style-type: none"> Facilities for research and practice of automation and robot introduction R&D facilities and data center facilities for telecommunications, mobility, and advanced industrial technologies, etc. Logistics facilities with temperature zone equipment (Cold storage, etc.) 	<ul style="list-style-type: none"> Renewable energy-related facilities Transportation infrastructure facilities (Airports, Harbors, Railways, and Roads (except for new construction)) Utilities infrastructure facilities (water supply, district heating and cooling, electricity, etc.) Other public facilities (incineration facilities and recycling centers) 	<ul style="list-style-type: none"> R&D facilities for disaster prevention technologies Data center facilities for maintaining redundancy in the event of a disaster Facilities with specifications that can be used and diverted as response bases for temporary evacuation centers, etc., in accordance with requests for cooperation from local governments and private companies and disaster prevention agreements Logistics facilities in line with BCP measures Logistics facilities where tenants have concluded material supply agreements in the event of a disaster
Typical assets	 <p>IIF Shonan HIP</p>  <p>IIF Shonan LC</p>	 <p>IIF Kawasaki SC</p>  <p>IIF Kobe Nishi LC (land with leasehold interest)</p>	 <p>IIF Shin-Kawasaki R&DC</p>  <p>IIF Shinagawa DC</p>	 <p>IIF Kobe DHC</p>	 <p>IIF Osaka Toyonaka DC</p>  <p>IIF Totsuka TC (land with leasehold interest)</p>

Reference (2) : Reporting indicators

■ Indicators matching each Eligible Social Project

Eligible Social Projects	1. Facilities contributing to development in medical technology including medication, pharmaceutical, drug discovery etc., and treatment	2. Facilities for job creation and development of regional economies through industrial promotion, etc.	3. Facilities for maintenance and improvement of social life networks	4. Facilities for maintenance and improvement of public lifelines	5. Facilities contributing to development of disaster prevention technologies, maintenance of redundancies and maintenance of logistics networks for daily necessities in the event of disasters, and facilities for temporary evacuation, etc.
Output indicators	<ul style="list-style-type: none"> • Summary of Properties and Leases of Eligible Social Projects • Profit and Loss of Eligible Social Projects (Details of expenses related to property rental business, NOI) • Occupancy rate of Eligible Social Projects 				
Outcome indicators	1.Trends in social security benefits 2.Trends in the number of researchers and R&D expenditures in the pharmaceutical manufacturing industry 3.Trends in the number of particular medical expenses (designated intractable disease) recipients	Number of business establishments, amount of shipments of manufactured goods, and number of employees in areas where facilities are located	1.Trends in workers' excess and deficiency judgement D.I. 2.Trends in IT investment and GDP ratio 3.Trends in food waste	1.Renewable energy-related facilities: Trends in energy consumption of gas, electric power, etc. 2.Traffic infrastructure facilities: Trends in the number of accidents 3.Lifestyle infrastructure facilities: Population of the municipality in which the facility is located	1.Trends in the amount of damage of nature disaster 2.Contents of cooperation with local governments and private companies, outline of disaster prevention agreements, and the number of actual use of disaster prevention site 3.Outline of the material supply agreement in the event of a disaster
Impact (Qualitative Targets)	To contribute to the establishment and development of a stable social infrastructure by promoting industrial promotion and R&D activities as a practice under the philosophy “Invests in infrastructure and industrial properties as a source of power for the Japanese economy and supports Japan’s industrial activities from the perspective of real estate.”				

For the time being, high interest borrowings continue

Expect further reduction in borrowing costs assuming current monetary easing to continue

<Overview of Social Bond Issuance>

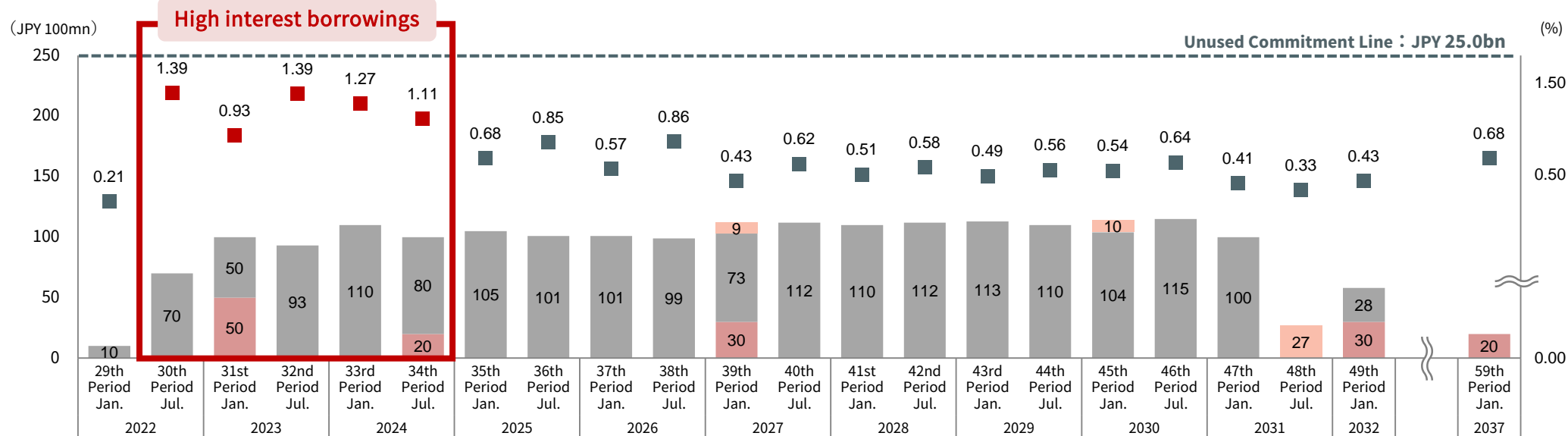
Name	Amount	Payment Date	Redemption Date	Maturity	Interest rate
The 1st IIF Social Bonds	JPY 3,000mn	Sep. 7, 2021	Sep. 5, 2031	10 years	0.39%
The 2nd IIF Social Bonds	JPY 2,000mn	Sep. 7, 2021	Sep. 5, 2036	15 years	0.68%

<Key Indices>

	Jan. 2021 (27th FP)	As of Sep. 30, 2021
Issuer's Long-term Credit Rating (JCR)	AA _(stable)	AA _(stable)
LTV	47.8%	48.2%
Average Borrowing Period	9.2years	9.4years
Average Interest Rate	0.74%	0.73% (Note) (▲0.01pt.)

Maturity ladder and weighted average interest rate as of Sep. 30, 2021

Long-term Borrowings (Refinance in Sep, 2021) (left axis) Long-term borrowings (left axis) Investment corporation bonds (left axis) Weighted average interest rate (right axis)



5. ESG initiatives



Recent ESG initiatives

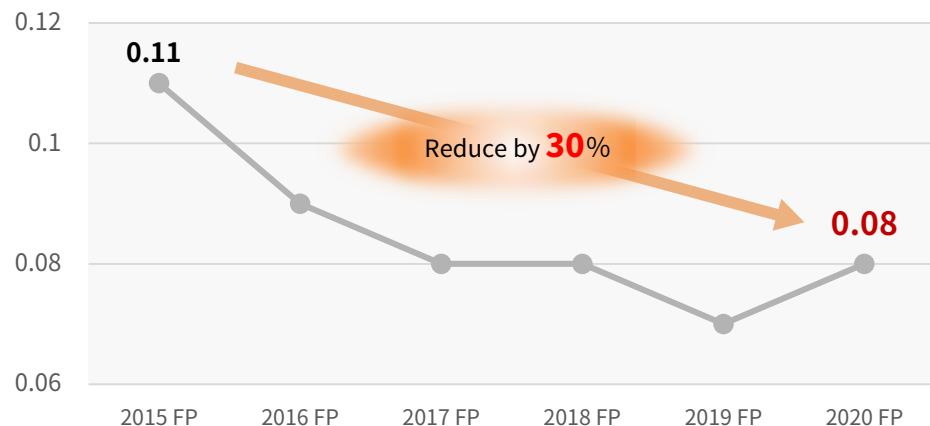
1. Establishment of New CO₂ Emissions Reduction Targets toward Carbon Neutrality by 2050

New CO₂ Emissions Reduction Targets

- Aim to reach **carbon neutrality by 2050**
- Reduce CO₂ emissions per unit **by 50% by 2030 compared with 2015**

※Previous target : Reduce CO₂ emissions per unit by 30% by 2030 compared with 2015

■ Historical CO₂ emissions per unit



※ (Note) Emissions per unit is calculated based on the total floor area (after considerations for occupancy status)

■ Main Measures for Achieving New CO₂ Emissions Reduction Targets

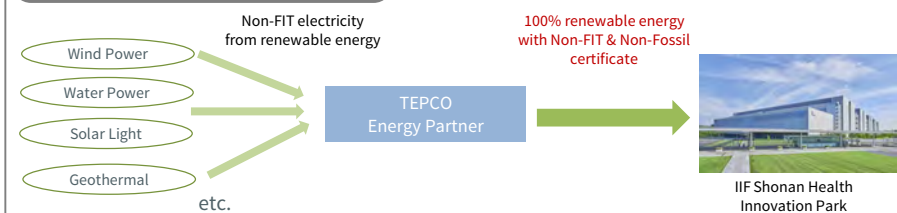
- Switching to **electricity procured from renewable energy** in IIF's directly managed properties
- Reduction of energy consumption by **introducing the latest energy-saving air conditioners and LED lighting**

2. Initiatives in IIF Shonan Health Innovation Park

■ Procure electricity from 100% renewable energy based on RE100

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

Image of power procurement



■ Temporary medical facilities

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



【Temporary medical facilities】

■ Group vaccination

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



【Area for Vaccination】



【Waiting area after vaccination】

External Recognition and Certifications

Incorporation in MSCI Japan ESG Select Leaders Index (Note)

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

IIF has been incorporated in the MSCI Japan ESG Select Leaders Index, launched by MSCI on July 3, 2017. As of the end of June 2021, the ESG rating for IIF is “A”

<J-REIT incorporation in MSCI Japan ESG Select Leaders Index >

10 names including IIF are
incorporated

Other 52 names
(Not incorporated)

External Recognition and Certifications

■ GRESB Real Estate Assessment



Designated as the Highest Rank “**Five Stars**”

■ CASBEE for Real Estate Certification

IIF Akishima LC newly received “CASBEE for Real Estate Certification” in May, 2021.

19 properties have received this certification as of the end of July 2021.



IIF Fukuoka
Hakozaki LCII



IIF Nishinomiya LC



■ BELS Rating

As of the end of July, 2021, **12** properties have received the BELS rating



■ DBJ Green Building Certification

As of the end of July, 2021, **five** properties have received the DBJ Green Building certification



BELS rating certified properties	
IIF Noda LC	IIF Kashiwa LC
IIF Yokohama Tsuzuki LC	IIF Nishinomiya LC
IIF Hiroshima LC	IIF Atsugi LC III
IIF Gifu Kakamigahara LC	IIF Hiroshima Seifushinto LC
IIF Kawasaki SC	IIF Shinkawasaki R&DC
IIF Haneda Airport MC	IIF Shinagawa ITSC

DBJ Green Building certified properties	
IIF Hiroshima LC	IIF Kobe LC
IIF Tosu LC	IIF Koshigaya LC
IIF Noda LC	

Supported Initiatives

■ Principles for Responsible Investment (PRI)

To improve long-term investment performance for beneficiaries by incorporating ESG issues into decision-making processes

Signatory since Aug. 2013 (First J-REIT asset manager)

Signatory of:



■ Principles for Financial Action toward a Sustainable Society (Principles for Financial Action for the 21st Century)

The action guideline advocated by Ministry of the Environment Government* of Japan for financial institutions that want to fulfill the responsibilities and roles necessary for the formation of a sustainable society

Signatory since June 2013



■ Montreal Carbon Pledge

Initiative to reduce CO₂ launched at PRI in Montreal

Signatory since Sep. 2015 (First J-REIT asset manager)

Signatory of:



■ United Nations Environment Programme Finance Initiative (UNEP FI)

To promote conversion to financial system integrating economic development with ESG by cooperating with financial institution, policymakers and regulator

Signatory since Oct. 2016 (First J-REIT asset manager)



■ United Nations Global Compact (UNGC)^(*)

Initiatives to create world-wide framework for the realization of sustainable growth based on four areas of human rights, labor, the environment, and anti-corruption, and 10 principles

Signatory since October 2016 (First J-REIT asset manager)

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



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

Recommendation to disclose business risk, opportunity, impact on financial status, specific countermeasure and strategy relating to mid-to-long term climate changes

Signatory since August 2019



■ Japan Climate Initiative (JCI)

Initiative to realize a decarbonized society as a network of Japanese companies, local governments, organizations, NGOs, etc. in support of the declaration "Joining the front line of global trend for decarbonization from Japan."

Signatory since May 2020



■ Japan Association for UNHCR and UNICEF















MCUBS has received a letter of appreciation from the Japan Association for UNHCR (United Nations High Commissioner for Refugees) and has supported UNICEF campaigns



※For the detail of each initiative, please see MCUBS-Group home page (https://mc-ubs_sustainability.disclosure.site/en/themes/85/) and ESG Report (https://iif-reit_sustainability.disclosure.site/en/themes/76/)

IIF's Sustainability taking ESG into account

Actions to achieve both continued growth of MC-UBS Group, and contribute to SDGs as a global firm







Category	Goal Contributing SDGs	Objective of principal initiatives	Social benefits	Company benefits
Environment	<p>Reduce environmental impact</p>   	<p>Control CO2 emissions</p> <ul style="list-style-type: none"> • Convert lighting to LED • Update energy-saving devices for air-conditioning • Install solar panels • ESCO business • Green lease <p>Promote efficient use of water</p> <ul style="list-style-type: none"> • Reuse on-site well water • Install water-saving toilets 	<ul style="list-style-type: none"> • Reduce environmental impact 	<ul style="list-style-type: none"> • Improved NOI • Strengthen tenant partnership • Increase in facility value
Social	<p>Contribute to society by supporting Japanese industry</p>       	<p>Improve health and well-being of tenant employees</p> <ul style="list-style-type: none"> • Increase number of restrooms <p>Disaster prevention measures</p> <ul style="list-style-type: none"> • Install storage batteries for tenants • Provide lifeline equipment at the time of disaster • Use domestic water at the time of a well water accident • Install a waterproofing board <p>Contribute to the community and raise awareness about the environmental</p> <ul style="list-style-type: none"> • Implement ESG study meeting for tenants • Greening of facilities • Provide sites for regional events • Organize property tours • Invest in PRE projects 	<ul style="list-style-type: none"> • Bring about a symbiotic society • Revitalize local community and economy • Bring about a sustainable society 	<ul style="list-style-type: none"> • Strengthen tenant partnerships • Strengthen building resilience • Improve recognition level
Governance	<p>Practice sound asset management for all stakeholders</p>    	<p>Comprehensive corporate governance system</p> <ul style="list-style-type: none"> • Governing body made up of General Meeting of Unitholders, Board of Directors and Accounting Auditors" • Transparent management fees • Transparent decision-making • Thorough awareness of compliance issues • Eliminate anti-social forces • Commit to fiduciary responsibility <p>Information disclosure to stakeholders</p> <ul style="list-style-type: none"> • Timely disclosure/optional disclosure/IR activity • Disclose information to ESG investors <p>Maximize investor value</p> <ul style="list-style-type: none"> • Signing and participating in international initiatives • Obtain external evaluation/certification 	<ul style="list-style-type: none"> • Maintain and develop a sound market 	<ul style="list-style-type: none"> • Practice sound and efficient asset management • Expand the investor base

※ For the details, please see IIF Home Page (https://iif-reit_sustainability.disclosure.site/en/)

ESG Materiality



Identification and visualization of materiality related to sustainability issues

Level of Importance ★★★

Most important ESG materiality	Target	KPI	Risk	Opportunity	Closely related SDGs
Response to sustainability certifications	Improving proportion of environmental certifications	<ul style="list-style-type: none"> Acquiring certifications for 60% or more of the total portfolio Acquiring certifications for 70% or more of Logistics facilities (Target year : 2023) 	Decline in assessment among tenants and investors who base their assessments on sustainability	<ul style="list-style-type: none"> Improve environmental performance of properties Expand the range of investors 	 
	Improving sustainability activities through participation in GRESB and other external evaluation institutions	Achieving "A" or higher on the MSCI ranking			
Building resilience	Implementing disaster prevention measures	Completion of construction of emergency call tree	Increase in expenses for recovery, compensation, etc., after natural disasters	Increase in property competitiveness	 
Response to climate change	Reduction in CO ₂ emission	Reduction in CO ₂ emission per unit* by 50% compared with 2015 (Target year: 2030)	<ul style="list-style-type: none"> Drop in tenant sales & increase in property damages due to physical impact of climate change Decline in favourable assessment by tenants & investors 	Cost reduction with efficient energy use	
Energy efficiency	Improvement in energy consumption	Reduction in energy consumption per unit* by 30% compared with 2015 (Target year: 2030)	Increase in energy-related expenses Reinforcement of environmental regulations	Cost reduction with efficient energy use	
	Introduction of renewable energy	Switching to electricity procured from renewable energy in IIF's directly managed properties (Target year: 2030)			

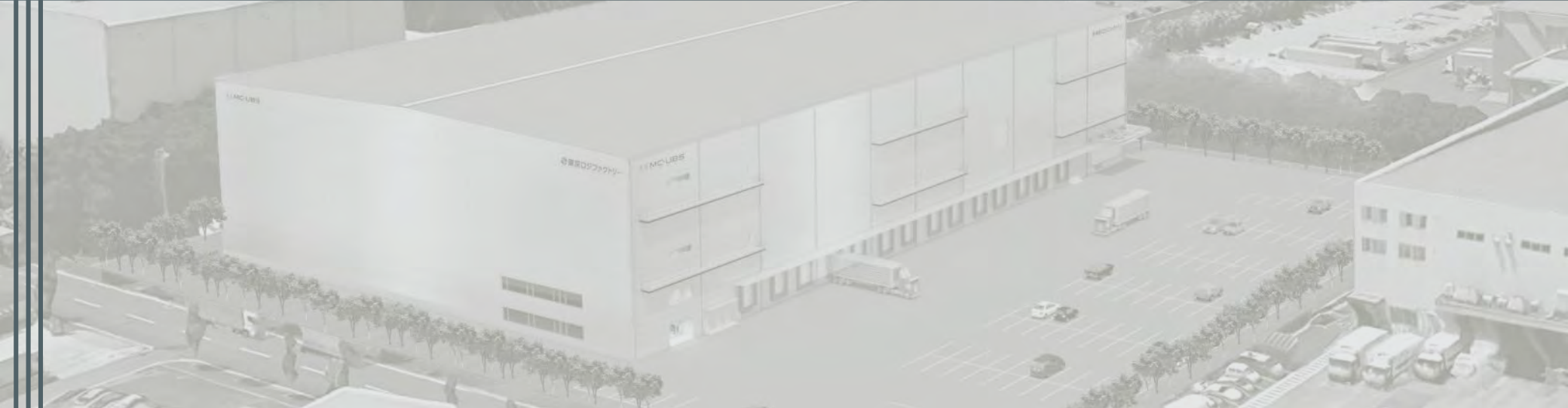
(*) Emissions per unit is calculated based on the total floor area (after considerations for occupancy status)

Level of Importance ★★

Important ESG materiality	Target	KPI	Risk	Opportunity	Closely related SDGs
Efficient water use	Reduction in water consumption	Keeping water use per unit* at the same level as 2015 (Target year: 2030)	<ul style="list-style-type: none"> Impact of shortage or quality decline of water resources on surrounding areas Rise in cost with increase in water consumption volume 	Cost reduction by reducing water consumption	
Collaboration with local communities	Providing sites to community events	<ul style="list-style-type: none"> Existing Property Maintenance for the actual condition New Property Consideration of the plan based on the negotiation with tenants 	<ul style="list-style-type: none"> Degradation of the environmental surrounding the real asset Decline in reputation in the neighboring area 	<ul style="list-style-type: none"> Revitalization of neighboring areas Improvement of corporate image 	

※For the detail of each initiative, please see IIF Home Page (https://iif-reit_sustainability.disclosure.site/en/) and ESG Report (https://iif-reit_sustainability.disclosure.site/en/themes/76/)

6. Operating Results for the July 2021 (28th) Fiscal Period and Earnings Forecast for the January 2022 (29th) and the July 2022 (30th) Fiscal Periods



To stabilize temporary decrease in DPU due to redevelopment by temporary distribution in excess profits (1)

Trend in DPU

1. Distribution in excess profits for Allowance for Temporary difference Adjustments (ATA)

Due to the redevelopment of IIF Atsugi LC III, excess profit distribution equivalent to allowance for temporary difference adjustment (ATA) will be distributed in terms of discrepancies between tax and accounting regarding increase in accounting depreciation due to the change in estimated useful life of existing buildings, etc. (28th FP : JPY 43 per unit, 29th FP : JPY 259 per unit (estimate))

In the 30th FP, the above expenses will be deducted for tax purposes due to the completion of the demolition work of the existing building, tax inconsistency will be resolved, and the ATA will be returned*.

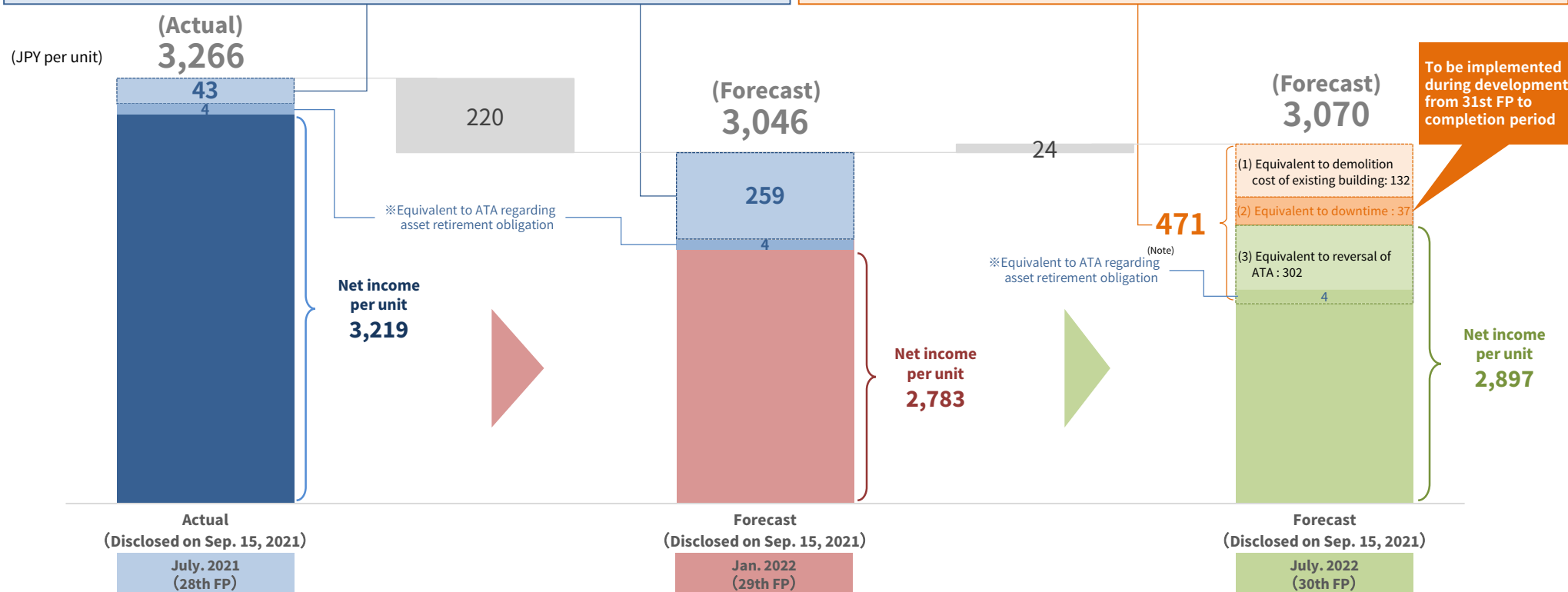
※Reversal of ATA will reduce distribution per unit. (30th FP : - JPY 302 per unit)

2. Optimal Payable Distribution with decrease in investment capital

Optimal payable distribution will be implemented to compensate temporary costs such as demolition costs associated with the redevelopment of IIF Atsugi LC III and reductions in distributions due to downtime during the development period. (30th : JPY 471 per unit (estimate))

<Breakdown>

- (1) Equivalent to demolition costs of existing buildings : JPY 132 per unit
- (2) Decrease in sales during the development period : JPY 37 per unit
- (3) Equivalent to reversal of ATA reserves recorded in the 28th FP and 29th FP: JPY 302 per unit



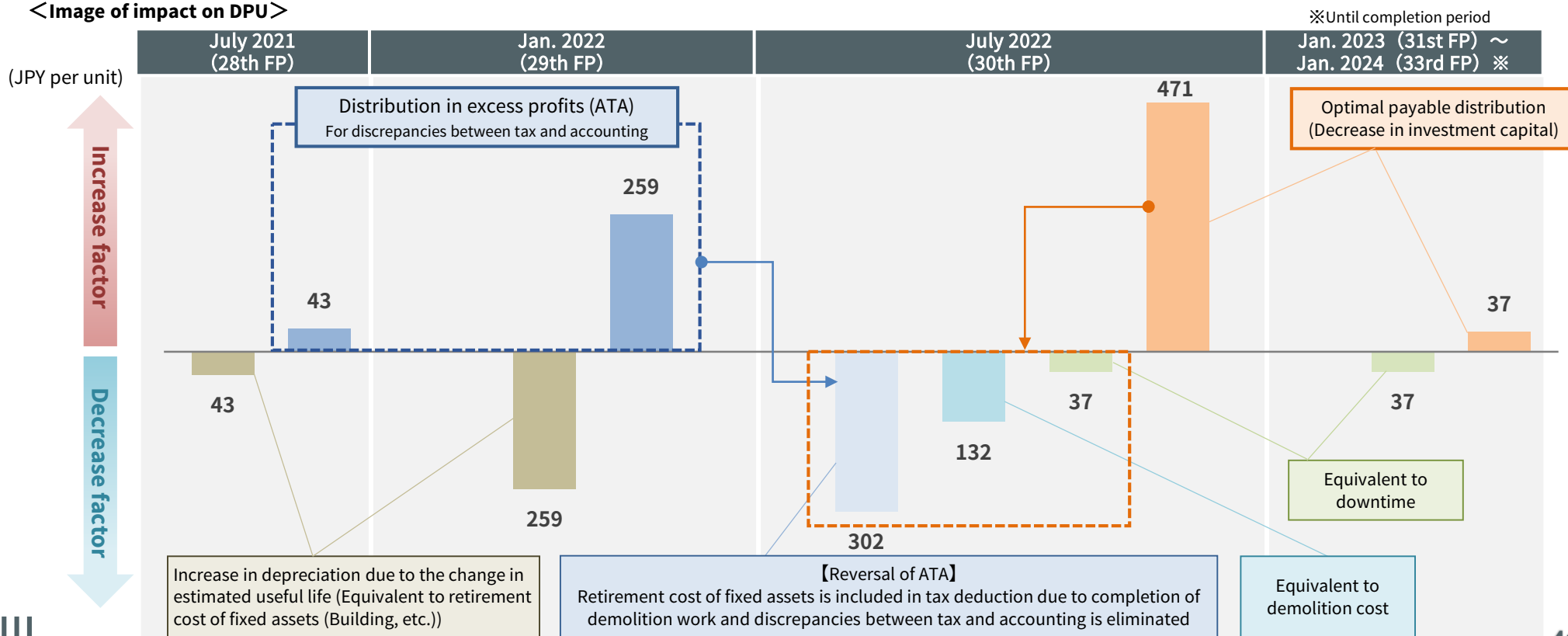
To stabilize temporary decrease in DPU due to redevelopment by temporary distribution in excess profits (2)

To stabilize temporary decrease in DPU due to redevelopment by temporary distribution in excess profits

<Factors of temporary decrease in DPU concerning redevelopment of Atsugi LC III>

Items	Estimate	Remarks
Retirement cost of fixed assets (Building, etc.)	JPY 620 mn (JPY 302 per unit)	• Cumulative increase in depreciation for seven months from July 2021 to January 2022 due to change in estimated useful life, equivalent to estimated remaining book value of existing building etc. as of Jan. 31, 2022 assuming the useful life is not changed.
Demolition cost	JPY 270 mn (JPY 132 per unit)	• Demolition cost of existing building
Decrease in profit during development (Downtime)	JPY 70 mn (JPY 37 per unit) in each fiscal year	• Estimated decrease in profit due to downtime during development as difference between NOI before development (27th FP) and NOI during development, considering current rent revenue and decrease in depreciation etc. (excluding temporary large cost such as demolition cost)

<Image of impact on DPU>



Operating Results for the July 2021 (28th) Financial Periods

		(JPY mn)				(JPY mn)			
		Jan. 2021	Jul. 2021 (28th Period Actual)			Jul. 2021	Jul. 2021 (28th Period Actual)		
		(27th Period Actual)		Period over period		(28th Period Forecast)		Period over period	
Key P/L Figures	Operating revenue	13,892	15,349	+1,457	+10.5%	14,888	15,349	461	3.1 %
	Operating expense	6,278	7,707	+1,428	+22.8%	7,339	7,707	368	5.0 %
	Operating Income	7,614	7,642	+28	+0.4%	7,549	7,642	+93	+1.2%
	None-operating income	2	0	▲2	▲78.3%	-	0	0	-
	Non-operating expense	997	977	▲20	▲2.0%	976	977	0	0.1 %
	Ordinary income	6,618	6,665	+46	+0.7%	6,572	6,665	+92	+1.4%
	Net income	6,617	6,663	+45	+0.7%	6,570	6,663	+92	+1.4%
	Distributions per unit (yen)	3,201	3,266	+65	+2.0%	3,178	3,266	+88	+2.8%
Other Figures	Capital expenditure	1,014	1,109 ^(Note1)	+94	+9.3%	1,129	1,109	(19)	(1.7)%
	Repair expense	375	684 ^(Note2)	+308	+82.2%	515	684	168	+32.7 %
	Total	1,390	1,793	+403	+29.0%	1,644	1,793	148	+9.1 %
	Depreciation	1,791	1,918	+126	+7.1%	1,859	1,918	+59	+3.2%
	FFO	8,385	8,307	▲78	▲0.9%	8,430	8,307	▲122	▲1.5%
	AFFO	7,371	7,197	▲173	▲2.4%	7,300	7,197	▲103	▲1.4%
	Number of properties	77	74	-	-	77	74	-	-
	Occupancy rate	100.0%	100.0%	-	-	100.0%	100.0%	-	-
	Total book value	367,081	358,718	▲8,362	▲2.3%				
	Total appraisal value	439,309	432,251	▲7,058	▲1.6%				
	Unrealized gain	72,227	73,532	+1,304	+1.8%				
	Total debt	194,383	194,383	0	0.0%				
	LTV	47.8%	47.7%	(0.1)pt	(0.3)%				
	Total net assets	190,053	190,116	+62	+0.0%				
	Net assets per unit	91,812	91,842	+30	+0.0%				

(Note 1) Major capital expenditures for the 28th FP

IIF Shinonome LC : JPY 112mn repair of rooftop waterproof, wall waterproof and green space
 IIF Shinagawa DC : JPY 58mn for renewal of central monitoring equipment
 IIF Mitaka CC : JPY 58mn for renewal of chiller unit

(Note 2) Major repair cost expended in the 28th FP

IIF Shonan HIP : JPY 51mn for filter replacement
 IIF Shonan HIP : JPY 45mn for inspection and maintenance of water supply drain facilities
 IIF Shonan HIP : JPY 36mn for repair of external ceiling

(JPY mm.)

■ Major Factors of change for 28th Period (Compared to 27th Actual)

Operating Revenue

✓	Full contribution from the new properties acquired for PO in Aug. 2020	+1,457
✓	Decrease in rental revenue due to down-time(IIF Kobe LC)	+1,145
✓	Increase in rental revenue due to internal growth (IIF Fukuoka hakozaiki LC II etc.)	(172)
✓	Gain on sale from the disposition of the property (IIF Tsukuba MC(land with leasehold interest)etc.)	+69
✓	Decrease in rental revenue due to disposition(IIF Zama ITSC etc.)	+437
✓	Increase in other revenue (IIF Kobe LC etc.)	(203)
✓		+173

Operating Expense

✓	Increase in lease expenses for the new properties acquired for PO in Aug. 2020	+1,428
✓	Increase in lease expenses (Repair and maintenance cost etc.) (IIF Kobe LC etc.)	+736
✓	Increase in expensed property-related taxes (due to the properties acquired in 2020 (Partial contribution))	+156
✓	Increase in depreciation for the new properties acquired etc.	+161
✓	Loss on sale from the disposition of the property(IIF Zama ITSC)	+126
✓	Increase in other operating expense (SG&A)	+185
✓		+50

Non-Operating Expense

✓	Increase in interest expense for new debt for PO in Aug. 2020	(20)
✓	Decrease in interest expense due to the difference in business days	+15
✓	Decrease in amortization for new units issued for PO in Mar. 2018	(14)
✓		(22)

■ Major Factors of Change for 28th Period (Compared to 28th Forecast)

Operating Revenue

✓	Gain on sale from the disposition of the property (IIF Tsukuba MC(land with leasehold interest)etc.)	+461
✓	Decrease in rental revenue due to disposition (IIF Zama ITSC etc.)	+460
✓	Increase in other revenue (IIF Kobe LC etc.)	(181)
✓		+182

Operating Expense

✓	Decrease in lease expenses (Repair and maintenance cost etc.) (IIF Kobe LC etc.)	+368
✓	Decrease in lease expenses due to disposition(IIF Zama ITSC etc.)	+125
✓	Increase in depreciation(IIF Atsugi LC III etc.)	(15)
✓	Loss on sale from the disposition of the property (IIF Zama ITSC)	+59
✓	Increase in other operating expenses (SG&A)	+185
✓		+15

Earnings Forecast for the January 2022 (29th) and the July 2022 (30th) Fiscal Periods

Key P/L Figures	(JPY mn)				(JPY mn)		
	Jul. 2021	Jan. 2022 (29th Period Forecast)			Jul. 2022 (30th Period Forecast)	Period over period	
	(28th Period Actual)			Period over period			
Operating revenue	15,349	16,481	+1,131	+7.4%	16,188	(293)	(1.8)%
Operating expense	7,707	9,715	+2,008	+26.1%	9,219	(496)	(5.1)%
Operating Income	7,642	6,766	(876)	(11.5)%	6,968	+202	+3.0%
None-operating income	0	-	(0)	-	-	-	-
Non-operating expense	977	1,002	+25	+2.6%	969	(33)	(3.3)%
Ordinary income	6,665	5,763	(901)	(13.5)%	5,999	+236	+4.1%
Net income	6,663	5,761	(902)	(13.5)%	5,997	+236	+4.1%
Distributions per unit (yen)	3,266	3,046	(220)	(6.7)%	3,070	+24	+0.8%
Other Figures	Capital expenditure	1,109	1,485 (Note 1)	+376	+33.9%		
	Repair expense	684	916 (Note 2)	+232	+33.9%		
	Total	1,793	2,402	+608	+33.9%		
	Depreciation	1,918	2,477	+558	+29.1%		
	FFO	8,307	7,953	(354)	(4.3)%		
	AFFO	7,197	6,467	(730)	(10.2)%		
	Number of properties	74	74	-	-		
	Occupancy rate	100.0%	100.0%	-	-		

(Note 1) Major capital expenditures planned in the 29th FP

- IIF Shonan HIP : JPY 251mn for conversion of biochemistry laboratory
- IIF Shonan HIP : JPY 75mn for expansion work of office area
- IIF Shonan HIP : JPY 51mn for installation of access point

(Note 2) Major repair cost planned in the 29th FP

- IIF Shonan HIP : JPY 112mn for inspection and maintenance of air conditioning equipment
- IIF Shonan HIP : JPY 104mn for inspection and maintenance air conditioning equipment and cold heat source equipment
- IIF Shonan HIP : JPY 80mn for inspection and maintenance of air conditioning equipment

About distribution in excess profits with the redevelopment of IIF Atsugi LC III

- ✓ January, 2022(29th Period)
Distribution in excess profits per unit (allowance for temporary difference adjustments ("ATA")) is expected to be 43 yen in the 28th period and 259 yen in the 29th period for that there will be taxable income in excess of accounting income caused by the revising the useful life for the property with the redevelopment project.
- ✓ July, 2022(30th Period)
Distribution in excess profits per unit (distribution with the decrease of investment capital under tax law) is to be expected to be 471 yen for the decrease in rental revenue and the demolition cost due to redevelopment and the reversal of ATA in the 28th period and 29th period (302 yen).

(JPY mm.)	
■ Major Factors of Change for 29th Period (Compared to 28th Actual)	
Operating Revenue	+1,131
✓ Partial contribution from the new properties acquired	+1,950
✓ Diminished gain on sale from the disposition of the property	(175)
✓ Decrease in rental revenue due to disposition (IIF Shinagawa ITSC, IIF Zama ITSC etc.)	(463)
✓ Decrease in other revenue (IIF Kobe LC etc.)	(186)
Operating Expense	+2,008
✓ Increase in lease expenses for the new properties acquired	+1,373
✓ Increase in lease expenses (Facility management fees etc.)	+99
✓ Decrease in lease expenses due to disposition (IIF Shinagawa ITSC etc.)	(80)
✓ Increase in expensed property-related taxes due to the properties acquired in 2020 (Full contribution) etc.	+174
✓ Increase in depreciation (IIF Atsugi LC III, the new properties acquired etc.)	+558
✓ Diminished loss on sale from the disposition of the property	(185)
✓ Increase in asset management fee due to the new properties acquired	+42
✓ Increase in other operating expense (SG&A)	+24
Non-Operating Expense	+25
✓ Increase in interest expense for new bond for issuance (Social Bonds)	+11
✓ Increase in interest expense due to the difference in business days	+13
✓ Decrease in amortization for new units issued for PO in Mar. 2018	(4)

■ Major Factors of Change for 30th Period (Compared to 29th Previous Forecast)

Operating Revenue	(293)
✓ Full contribution from the new properties acquired	+90
✓ Decrease in rental revenue due to down-time (IIF Atsugi LC III)	(90)
✓ Diminished gain on sale from the disposition of the property (IIF Shinagawa ITSC)	(285)
Operating Expense	(496)
✓ Decrease in lease expenses (Facility management fee etc.)	(163)
✓ Decrease in lease expenses (Utilities expense paid)	(70)
✓ Increase in lease expenses (Repair and maintenance) (IIF Atsugi LCIII)	+275
✓ Increase in expensed property-related taxes due to the properties acquired in 2021 (Partial contribution etc.)	+75
✓ Decrease in depreciation (IIF Atsugi LC III, IIF Shinagawa ITSC)	(502)
✓ Decrease in other operating expense (SG&A)	(10)
Non-Operating Expense	(33)
✓ Increase in interest expense for new bond for issuance (Social Bonds)	+2
✓ Decrease in interest expense for new debt for refinancing in 30 th period	(18)
✓ Decrease in interest expense due to the difference in business days	(13)
✓ Decrease in amortization for new units issued for PO in May. 2019	(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.4 (Note 1) As the master lease agreement is expected to be switched to direct lease agreement with end tenants in mid to long term, profitability will be able to improve further. On the other hand, large-scale additional renovation work (estimated cost of whole the Property: 2 billion yen) is also planned in the future and expenses are supposed to increase temporarily in the future. As a result, the "NOI yield" and the "NOI yield after depreciation" above are calculated using the net operating income in the direct capitalization method in the appraisal report, which takes into account certain loss from vacancy while assuming the switch to direct agreement above.
- (Note 2) The appraisal value of "Partial Acquisition" is the appraisal value for 60% co-ownership interest based on the appraisal report as of June 1, 2020. The appraisal value of "Additional Acquisition" is the appraisal value for 40% co-ownership interest based on the appraisal report as of June 30, 2021. The appraisal value of "After Additional Acquisition" is the appraisal value for entire property based on the appraisal report as of June 30, 2021.
- (Note 3) "Unrealized gain" is a difference between acquisition price and appraisal value.
- (Note 4) "Book value" and "Appraisal value" are as of January 31, 2021.
- (Note 5) The disposition price of IIF Zama ITSC and IIF Shinagawa ITSC is shown for the total disposition price of two properties. The disposition price of each property cannot be disclosed as it is an essential condition from the buyer with respect to its business plan related to the disposition.
- P.6 (Note 1) Due to the 2-for-1 investment unit split implemented in January 1, 2015 and the 4-for-1 investment unit split implemented in February 1, 2018, the figures for DPU and NAV per unit from the period ended June 2015(16th period) up to the period ended 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.
- P.8 (Note 1) Each index after asset replacement and issuance of social bond is a estimate figure considering new decisions from Aug. 1, 2021 to present including the disposition of IIF Shinagawa ITSC, the acquisition of IIF Shonan Health Innovation Park (40% co-ownership interest), the issuance of the social bonds, refinancing and so on, based on a value as of July 31, 2021. The same shall apply hereinafter.
- (Note 2) $\text{NOI yield} = \text{NOI} / \text{Acquisition price}$ The same shall apply hereinafter.
 $\text{NOI yield after depreciation} = (\text{NOI} - \text{depreciation}) \div \text{Acquisition price}$ The same shall apply hereinafter.
 * Depreciation is calculated based on the straight line method according to durable years
- (Note 3) $\text{LTV based on book value} = \text{Total interest-bearing debt} / \text{Total assets}$ The same shall apply hereinafter.
- (Note 4) $\text{LTV based on appraisal value} = \text{Total interest-bearing debt} / (\text{Total assets} + \text{unrealized gains})$ The same shall apply hereinafter.
- (Note 5) Average Borrowing Period and Averaged Interest Rate are represented by the weighted average of borrowing period and interest rate applied to the respective interest-bearing debts. Average interest rate is the estimation based on the average interest rate as of July 31, 2021 and (estimated) interest rate of new borrowings executed or to be executed by Sep. 30, 2021, which may differ from the actual interest rate. The same shall apply hereinafter.
- (Note 6) "DPU (After adjustment of property-related taxes and estimated temporary revenue loss)" 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 that the total rental income of the properties with possibility of tenant replacement in zero conservatively. The same shall apply hereinafter.
- (Note 7) $\text{NAV per unit} = \text{NAV} / \text{number of investment units issued and outstanding as of the end of most recent fiscal period}$.
 "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.
 $\text{NAV} = \text{Total equity} * + (\text{appraisal value of real estate-related assets at end of period (or investigation value)} - \text{Book value of real estate-related assets at end of period} *)$
 *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.
- P.12 (Note) The figure is the estimation as of Sep. 15, 2021 and there is no assurance for the realization of the figure.
- P.17 (Note 1) IIF has not decided to acquire the new building as of Sep. 15, 2021. IIF also concluded the project agreement regarding the acquisition of the new building as of Aug. 25, 2021, however, the project agreement does not oblige to IIF to acquire the new building and does not assure IIF of the acquisition of the new building. In addition, the specs of new building may change in the future due to changes in the content of plan for the Development Project. The same shall apply hereinafter.
- (Note 2) This image is rendering image prepared on the assumption that the new building to be build on the site of IIF Yokkaichi LC (Existing building) (hereinafter referred to "Development Project") is scheduled to be completed, and may differ from the actual building.
- (Note 3) "Appraisal value" of the existing building is a total of the appraisal value of the existing building and the appraisal value of the planned construction site for new building based on the appraisal report as of Aug. 1, 2021. The same shall apply hereinafter.
- (Note 4) "Unrealized gain" of the existing building is deference between appraisal value and acquisition price. The same shall apply hereinafter.
- (Note 5) "NOI yield" and "NOI yield after depreciation" of the existing building are calculated by using a total of each net operating income for the first year under the DCF method as described in the appraisal report for the existing building and the appraisal report for the planned construction site for the new building as of January 31, 2021. The same shall apply hereinafter.
- (Note 6) The fixed-term building lease contract has not been concluded as of today so these items may change in the future.

Note 2

- P.18 (Note 1) “Anticipated acquisition price” of new building is a reference figure based on the anticipated acquisition price specified in the project agreement for reference. “Anticipated acquisition price” after acquisition of new building is a reference figure of totaling the anticipated acquisition price of existing building and that of new building. The actual acquisition price of the new building may change in the future due to changes in the content of the plan for the Development Project.
- (Note 2) “Appraisal value” after acquisition of new building is the survey value based on the survey report for the entire of existing building and new building based on the plan for the Development Project as of August 1, 2021.
- (Note 3) “Unrealized gain” after acquisition of new building is the difference between the survey value based on the survey report for the entire of existing and new building based on the plans for the Development Project as of Aug. 1, 2021 and the total anticipated acquisition price of existing building and new building.
- (Note 4) “Floor area” of new building is a reference figure based on the current plan for the Development Project. “Floor area” after acquisition of new building is the sum of the total floor area of existing building and that of new building. The actual figures for “Floor area” of the new building may change in the future due to changes in the content of plan for the Development Project.
- (Note 5) “NOI yield” and “NOI yield after depreciation” after acquisition of new building are calculated by using the net operating income for the first year under the DCF method as described in the survey report for the entire of existing building and new building based on the plans for the Development Project as of Aug. 1, 2021. “NOI yield” and “NOI yield after depreciation” of new building are calculated by using the difference between NOI of the existing building and NOI after acquisition of new building. The same shall apply hereinafter.
- (Note 6) NOI yield after depreciation (after adjustment by optimal payable distribution*) = (Annual NOI after depreciation + depreciation (annual) of new building × 30%) / Anticipated acquisition price
 *Approval of changes in the Articles of Incorporation of IIF at the General Meeting of Unitholders of IIF is mandatory to implement optimal payable distribution. As of Sep. 15, 2021, IIF has not decided on implementation of the optimal payable distribution, nor the call of the General Meeting of Unitholders for such amendment. NOI yield after depreciation (after adjustment by optimal payable distribution) described in this document is a reference figure based on estimate as of Sep. 15, 2021, and there is no assurance for the realization. The same shall apply hereafter.
- P.19 (Note) Semiconductor factories that can be confirmed from disclosure information of companies in Japan as of July 31, 2021 are plotted.
- P.20 (Note 1) Demolition cost and development cost are estimate figures based on the project as of today. Retirement cost is book value of the building as of the end of January 2021 (27th fiscal period).
- (Note 2) The figure for “(anticipated) acquisition price” after redevelopment is reference value by totaling anticipated acquisition price of the Property After Redevelopment (the total of construction costs, design fee, and CM fees) and the price of land already acquired (the acquisition price of the land described in the trust beneficiary right purchase and sale agreement for the Property at the time of the acquisition in 2012). As the construction contract regarding to the Property After Redevelopment has not been concluded as of today, construction costs, design fee, and CM fees are reference value based on the estimation and will be announced again after the conclusion of the construction contract regarding to the Property After Redevelopment. Accordingly, the actual acquisition price of the Property After Redevelopment may change in the future due to changes of the plan for the Redevelopment Project.
- (Note 3) The figure for “appraisal value” before redevelopment is the survey value based on the survey report as of January 31, 2021. The figure for “appraisal value” of the Property After Redevelopment is the survey value based on the survey report based on the plans for the Redevelopment Project as of June 1, 2021. Please refer to the below for more detail; “4. Summary of Survey Report (After the Redevelopment Project)”.
- (Note 4) The figure for “unrealized gain” before redevelopment is the difference between the survey value based on the survey report as of January 31, 2021 and the book value as of January 31, 2021. The figure for “Unrealized gain” of the Property After Redevelopment is the difference between the survey value based on the survey report on the plans for the Redevelopment Project as of June 1, 2021 and the anticipated acquisition price.
- (Note 5) The figures for “total floor area” and “floor area ratio” after redevelopment, are shown for reference based on the current plan for the Redevelopment Project. The actual figures for “total floor area” and “floor area ratio” after redevelopment may change in the future due to changes of the plan for the Redevelopment Project.
- (Note 6) The figure for “Annual NOI” before redevelopment is the total actual NOI for the 26th fiscal period ended July 31, 2020 and the 27th fiscal period ended January 31, 2021 of the Property. The figure for “Annual NOI” after redevelopment is the net operating income for the first fiscal year under the DCF method indicated in the survey report on the plan for the Redevelopment Project as of June 1, 2021. The figure for “Annual NOI” after redevelopment is the estimated value after the completion of the Property After Redevelopment based on the plan for the Redevelopment Project, and there is no guarantee that it will be realized and the actual annual NOI after redevelopment may change in the future due to changes of the plan for the Redevelopment Project.
- (Note 7) NOI yield after depreciation (after adjustment by optimal payable distribution*) = (Annual NOI after depreciation + depreciation (annual) of Property After Redevelopment × 30%) / Anticipated acquisition price
- P.25 (Note) “Upside - only” means the rent will be automatically raised 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 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.32 (Note) Average interest rate as of Sep. 30, 2021 is the estimation based on the average interest rate as of July 31, 2021 and (estimated) interest rate of new borrowings executed or to be executed by Sep. 30, 2021, which may differ from the actual interest rate.
- P.35 (Note) The incorporation 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.

Think bold today for a brighter tomorrow.



Industrial & Infrastructure Fund Investment Corporation

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

Asset Management Company : Mitsubishi Corp.- UBS Realty Inc.

(Financial Instruments Dealer Director of Kanto Financial Bureau (Financial Instruments Dealer)

Number 403, Member of The Investment Trusts Association, Japan)