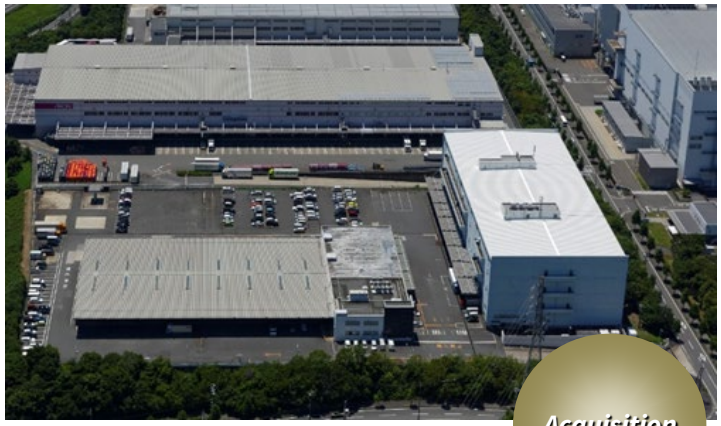
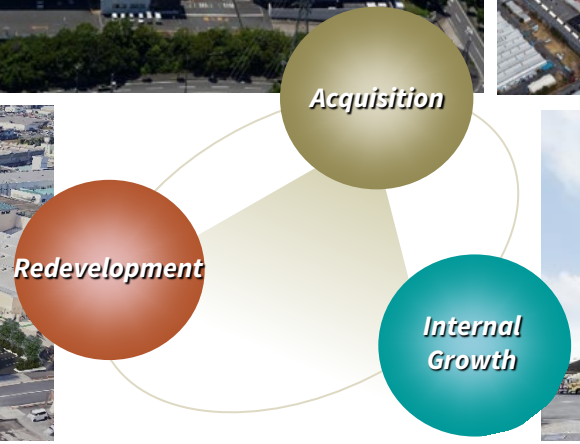
Think bold today for a brighter tomorrow.

MC-UBS GROUP





Investor Presentation for the Jan. 2022 (29th) Period

Securities Code : **3249**

Industrial & Infrastructure Fund Investment Corporation

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～Appendix～

Portfolio Data and Other Materials

1. Executive Summary

Continually improving unitholder's value while navigating through external changes

Key Points of 29th FP

1. Accumulated pipelines through CRE proposals that address changes in the market

Approximately JPY 39 bn. Pipeline including anticipated acquisitions, preferential negotiation rights and ongoing proposals

<Total of properties acquired recently or to be acquired>	JPY 12.56 bn.
<Total of preferential negotiation rights>	approximately JPY 17.5 bn.
<Total of ongoing proposals>	approximately JPY 9.0 bn.

2. Unique initiatives for organic growth

Initiatives to improve profitability through diversified methods of property management

- Promoting redevelopment : IIF Hamura LC, IIF Atsugi LC III, IIF Atsugi MC
- Organic growth of existing properties : IIF Higashi Osaka LC, IIF Kashiwa LC, IIF Tosu LC, etc.

3. Commencing Value-Up project for IIF Shonan Health Innovation Park

Lease-up of potential vacant areas during master lease period

- Kick-started plans to enhance facility management and renovate facility foreseeing improvement of profitability after shift to direct lease

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

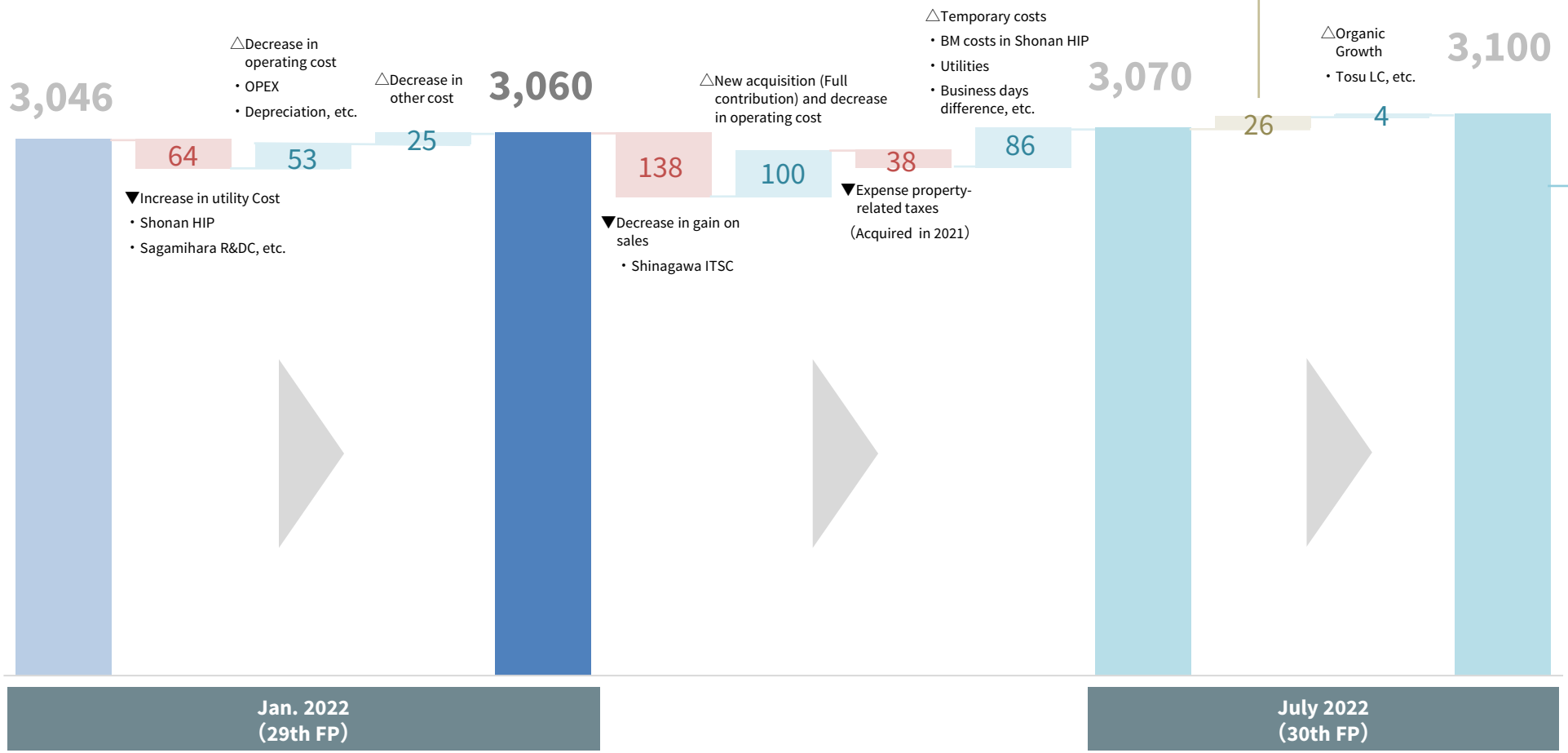
Changes in DPU from 29th fiscal period to 30th fiscal period

Changes in DPU

(JPY per unit)

【Profit contribution from new acquisitions】
- Iruma MC (Land with leasehold interest)
- Tochigi Moka MC (Land with leasehold interest)

【Optimal Payable Distribution】
- Redevelopment of Atsugi LCIII (Demolition cost, etc.)
- Redevelopment of Hamura LC
  (Equivalent to rent decrease during construction period)
- Temporary increase in utility cost in Shonan HIP



Changes in DPU from 30th fiscal period to 31st fiscal period and adjustment for stabilized DPU

Changes in DPU

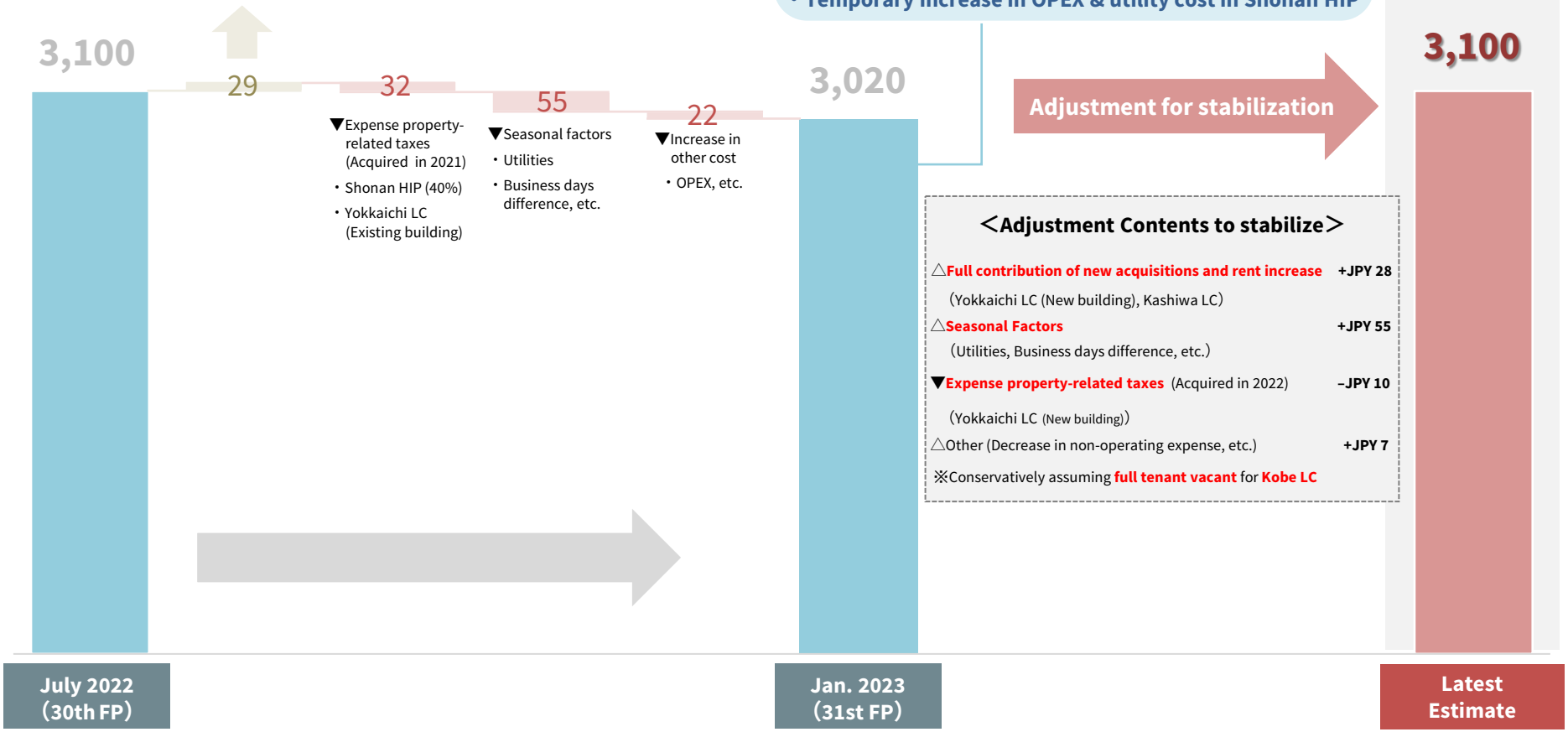
(JPY per unit)

【Profit contribution from new acquisitions】

- **Iruma MC (Land with leasehold interest)** ： **Full contribution**
- **Tochigi Moka MC (Land with leasehold interest)** ： **Full contribution**
- **Yokkaichi LC (New building)** ： **Partial contribution**

【Optimal Payable Distribution】

- **Redevelopment of Atsugi LC III**
  (Equivalent to rent decrease during construction period)
- **Redevelopment of Hamura LC (Demolition cost, etc.)**
- **Temporary increase in OPEX & utility cost in Shonan HIP**



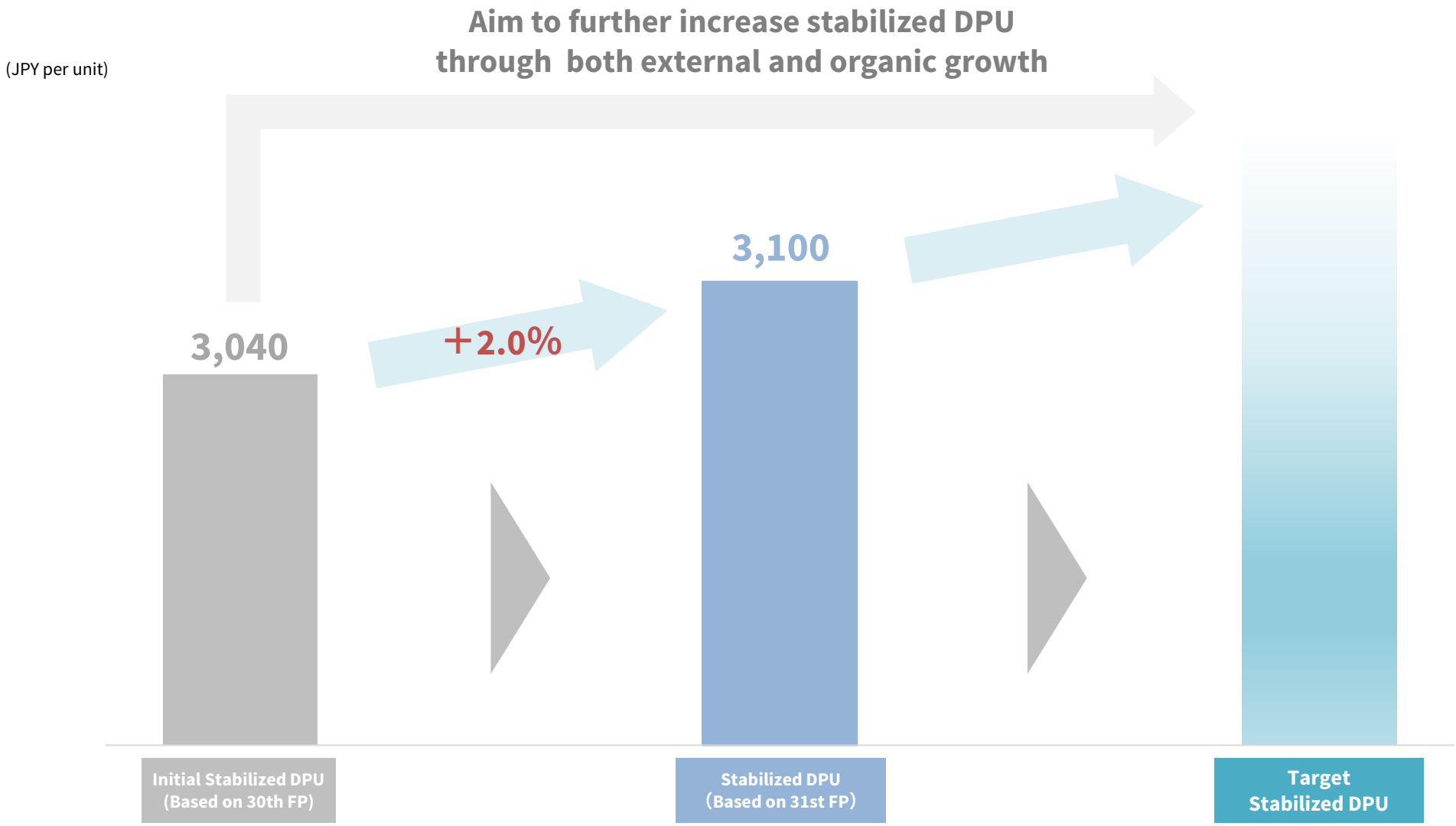
＜Adjustment Contents to stabilize＞

△**Full contribution of new acquisitions and rent increase** (Yokkaichi LC (New building), Kashiwa LC)	**+JPY 28**
△**Seasonal Factors** (Utilities, Business days difference, etc.)	**+JPY 55**
▼**Expense property-related taxes** (Acquired in 2022) (Yokkaichi LC (New building))	**–JPY 10**
△Other (Decrease in non-operating expense, etc.)	**+JPY 7**

※Conservatively assuming **full tenant vacant** for **Kobe LC**

Changes in DPU after adjustment of property-related taxes and estimated temporary revenue loss

Changes in DPU



Steady growth of NAV per unit

Changes in NAV per unit

(JPY per unit)

Increase by +5.1% through asset replacement, new acquisitions and increase in unrealized gain for existing properties

JPY 129,996

JPY 123,715

Jan. 2021 (27th FP)

Disposition

IIF Zama ITSC

IIF Tsukuba MC
(Land with leasehold interest)

IIF Hiroshima MC
(Land with leasehold interest)

JPY 124,345

July 2021 (28th FP)

Acquisition

IIF Shonan HIP(40%)

IIF Yokkaichi LC
(Existing building)

Disposition

IIF Shinagawa ITSC

JPY 129,706

Jan. 2022 (29th FP)

Acquisition※

IIF Iruma MC
(Land with leasehold interest)

IIF Tochigi MokaMC
(Land with leasehold interest)

※To be acquired on April 1, 2022

After New Acquisition

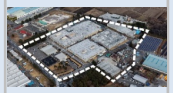
3. Recent Acquisitions and Investment Strategy Going Forward —“CRE Beyond ”

“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.

Steady pipeline accumulation

Accumulated further pipeline by adding preferential negotiation rights through CRE/PRE proposal

				Acquisition price or Preferential negotiation price	NOI yield	NOI yield after depreciation (After considering optimal payable distribution)
Acquired assets		Logistics	IIF Yokkaichi LC (Existing building) (Acquired in Dec. 2021)	JPY 3,530 mn.	5.5%	4.3%
Assets to be acquired		Manufacturing	IIF Iruma MC (Land with leasehold interest) (To be acquired in Apr. 2022)	JPY 2,550 mn.	5.5%	5.5%
		Manufacturing	IIF Tochigi Moka MC (Land with leasehold interest) (To be acquired in Apr. 2022)	JPY 1,100mn.	6.1%	6.1%
		Logistics	IIF Yokkaichi LC (New building) (To be acquired in Sep. 2022)	JPY 5,380 mn.	5.5%	2.8% (3.6%) (Note)
Preferential negotiation rights	Bridged	Logistics	(Tentative) Shiga Omihachiman Logistics Center	Approx. JPY 17,500 mn. in total	5.0%	4.0%
		Manufacturing, PRE	(Tentative) Saitama Hanno Manufacturing Center (Land with leasehold interest)			
		Manufacturing, PRE	OTA Techno CORE			
	Under DD		4 properties (Manufacturing center and Logistics Center, etc.)			
Under consideration			2 properties (Logistics Center and Development)	Approx. JPY 9,000 mn. in total		
			Total	Approx. JPY 39,000 mn.	5.0%	4.0%



※For the details of the footnotes, please see page 40.

New acquisitions with high profitability through CRE proposal

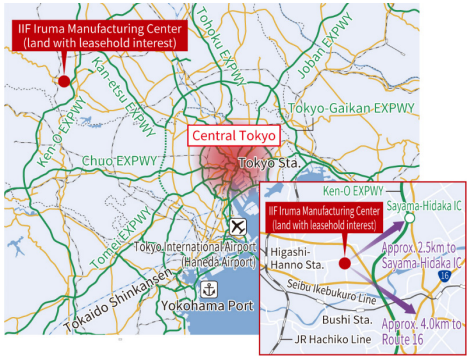
- IIF Iruma Manufacturing Center (Land with leasehold interest) / IIF Tochigi Moka Manufacturing Center (Land with leasehold interest)

Acquiring manufacturing lands with high continuity and versatility by capturing Sale & Leaseback needs

Points

- Two acquisitions of land for main plants of Kinugawa Rubber Industrial co., ltd., a major automotive parts manufacturer, through sale & leaseback needs
- Long-term usability backed by fixed-term land lease contract for business purpose with 49.9 years (non-cancellable for 12 years)

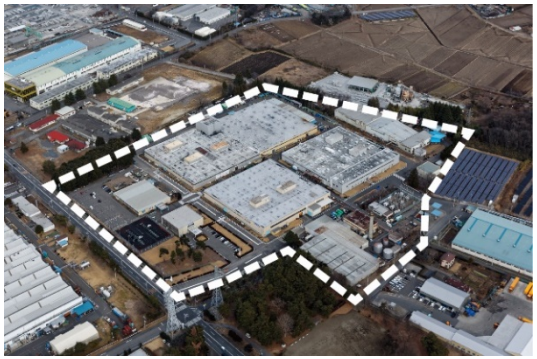
IIF Iruma Manufacturing Center (Land with leasehold interest)

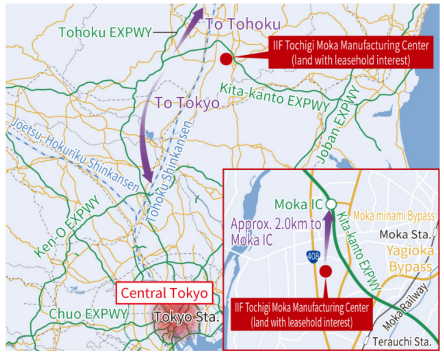


Anticipated Acquisition Price	JPY 2,550 mn.
Appraisal value	JPY 2,920 mn.
Unrealized gain	+ 14.5%
NOI yield	5.5%
NOI yield after deprecation	5.5%
Anticipated acquisition date	Apr. 1, 2022

Main tenant	Kinugawa Rubber Industrial co., ltd.
Occupancy Rate	100.0%
Lease Type	Fixed-term land lease contract for business purpose
Lease Period (Remaining Period)	49.9 years (48.9 years)
Cancelability before Maturity/ Rent Revision	Not allowed for 12 years/ Not allowed

IIF Tochigi Moka Manufacturing Center (Land with leasehold interest)





Anticipated Acquisition Price	JPY 1,100 mn.
Appraisal value	JPY 1,330 mn.
Unrealized gain	+ 20.9%
NOI yield	6.1%
NOI yield after deprecation	6.1%
Anticipated acquisition date	Apr. 1, 2022

Main tenant	Kinugawa Rubber Industrial co., ltd.
Occupancy Rate	100.0%
Lease Type	Fixed-term land lease contract for business purpose
Lease Period (Remaining Period)	49.9 years (48.9 years)
Cancelability before Maturity/ Rent Revision	Not allowed for 12 years/ Not allowed

Aiming to build up further pipelines through CRE proposals whilst navigating through changes in the acquisition market

Environment surrounding IIF

- **Constant sale & leaseback needs** from companies
- Increase in **diversified disposition needs of Non-core asset** backed by rising price of real estate asset
- Increase in needs of **new investment in logistics facilities for stable manufacturer**
- Diversification of CRE needs from sellers – effective use of portfolio assets including land with leasehold interest

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
- Disposition of Non-core asset (logistics facility) located in the Tokyo metropolitan area
- Sale & leaseback project for factory located in the Greater Tokyo area
- Effective use of real estate asset (land) owned by a business company
- Development project of new logistics facility for stable business company

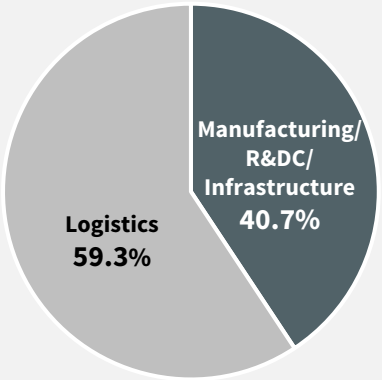
Pipeline Status (note)

Total number of properties under consideration	**39 properties**
Total value of properties under consideration	**JPY 210.7bn**

Number of properties currently under detailed consideration
15 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

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).

Development projects are underway as scheduled

Schedule

2021 | 2022 | 2023 | 2024 | 2025 | 2026

Manufacturing and R&DC

IIF Atsugi MC

Expansion

Expansion to improve productivity and usability

Tenant	ICHIKOH INDUSTRIES

Jan. 2022 End of current lease → Jan. 2022 Start of new lease

- Mar. 2021 Commencement of construction
- **Jan. 2022 Completion of expansion and additional acquisition**

Investment amount	JPY **300** mn.
Increase in NOI	+ JPY **19** mn.
Increase in appraisal value	+ JPY **400** mn.

Logistics

IIF Atsugi LC III

Redevelopment

Redevelopment to cold storage by capturing tenant needs

Tenant (End tenant)	Tokyo Logistics Factory (Oisix ra daichi)

Jan. 2022 End of current lease → Demolition and construction → Oct. 2023 Start of new lease

- July 2021 Conclusion of Fixed-term building lease contract
- Nov. 2021 Conclusion of construction contract
- **Feb. 2022 Commencement of demolition**

Investment amount	JPY **3,016** mn.
Increase in NOI	+ JPY **148** mn.
Increase in appraisal value	+ JPY **3,830** mn.

IIF Hamura LC

Redevelopment

Redevelopment to latest logistics facility by capturing logistics needs

Tenant	Tokyo Logistics Factory

May 2022 End of current lease → Demolition and construction → Mar. 2024 Start of new lease

- **Mar. 2022 Conclusion of fixed-term building lease reservation contract**
- June 2022 Commencement of demolition(Scheduled)

Investment amount	JPY **1,987** mn.
Increase in NOI	+ JPY **99** mn.
Increase in appraisal value	+ JPY **2,716** mn.

Redevelopment Project – IIF Hamura Logistics Center

Realizing upside potential by reconstructing a logistics facility built to the latest standards

Overview

Key points of the Redevelopment

1	Value-up of logistics facility over 30 years old through redevelopment in time with cancellation of current lease contract
2	Significant improvement of NOI and appraisal value (unrealized gain) by utilizing surplus floor-area ratio
3	Redevelopment after concluding of a long fixed-term building lease reservation contract with successive tenant (Contract term: 10 years)

Versatile & latest logistics facility

- **Total floor area** is going to increase by approximately **3.5 times** compared to before redevelopment through utilizing surplus floor-area ratio
- Versatile & latest logistics facility with a floor weight capacity of 1.5t/m^2, effective ceiling height of 5.6m and pillar intervals of approx. 11.0m × approx. 10.9m (planned)

CRE proposal to capture new facility needs

IIF → Proposal of establishing a new distribution base → **Tenant**: Tokyo Logistics Factory

Key indices

Before redevelopment

After redevelopment

Costs related to redevelopment (Estimate) (Note 1)

Demolition cost	Cost equivalent to retirement*	Development cost
approx. JPY **150** mn.	approx. JPY **210** mn.	approx. JPY **1,830** mn.

*The figure is additional depreciation increased by the redevelopment project. For more details, please refer to "5. The impacts of the Redevelopment Project on IIF's operating status" on the press release dated March 9, 2022.

	Before redevelopment	After redevelopment
(Anticipated) Acquisition price (Note2)	JPY 820 mn.	JPY **2,509** mn.
Appraisal value (Survey value) (Note3)	JPY 704 mn.	JPY **3,420** mn. (JPY +2,716 mn.)
Unrealized gain/ loss (Gain / loss ratio) (Note4)	JPY - 220 mn. (-23.9%)	JPY **910** mn. (+36.3%)
Total floor area (Note5)	3,892.66㎡	**13,823.22㎡** (+255.1%)
Annual NOI (Note6)	JPY 41 mn.	JPY **141** mn. (+JPY 99 mn.)
NOI yield/ NOI yield after depreciation (After adjustment by optimal payable distribution) (Note7)	5.1% /3.9%	**5.6% / 3.0%** (3.8%)
Contract term (Remaining term)	5.7 years (0.3 year) (Fixed-term building lease contract)	**10.0 years** (Fixed-term building lease reservation contract)

※For the details of the footnotes, please see page 40.

Steady organic growth

Improving profitability and lengthening lease period by capturing opportunity in time with contract revision

July 2021 (28th FP) → Jan. 2022 (29th FP) → July 2022 (30th FP) → Jan. 2023 (31st FP) → July 2023 (32nd FP)

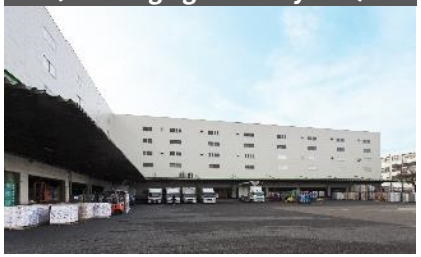
IIF Higashi Osaka LC
(Building age : 30.2 years)

Improving profitability and lengthening lease period by capturing opportunity in time with contract revision

Current lease revised at the end of Mar. 2023 → Apr. 2023 Start of New lease

	Before revision		After revision
Lease period	12 years	Lengthening lease period and increasing in rentable floor →	15 years
Rentable floor	19,598.81m²		20,194.64m²

IIF Kashiwa LC
(Building age : 31.2 years)



Improving profitability while keeping mid-term stability

Current lease ends at the end of Nov. 2022 → Dec. 2022 Start of New lease

	Before revision		After revision
Lease period	5 years	Keeping mid-term stability through setting new lease period of 5 years →	5 years

IIF Tosu LC
(Building age : 15.0 years)

Improving profitability and lengthening lease period by shifting to direct lease (Scheduled)

Current lease ends at the end of June 2022 → July 2022 Start of New lease (Scheduled)

	Before revision		After revision
Lease period	5 years	To increase rent and lengthen lease period by concluding lease contract with sublessee directly(Scheduled) →	8 years

Improved asset value

	Before Revision	After Revision
(Note 1) NOI Yield	7.7%	9.4% (+1.8%)
(Note 2) Appraisal Value (Increase Ratio)	JPY 3,370mn.	JPY 4,230 mn. (+25.5%)

	Before Revision	After Revision
NOI Yield	8.7%	9.4% (+0.7%)
Appraisal Value (Increase Ratio)	JPY 3,000 mn.	JPY 3,340 mn. (+11.3%)

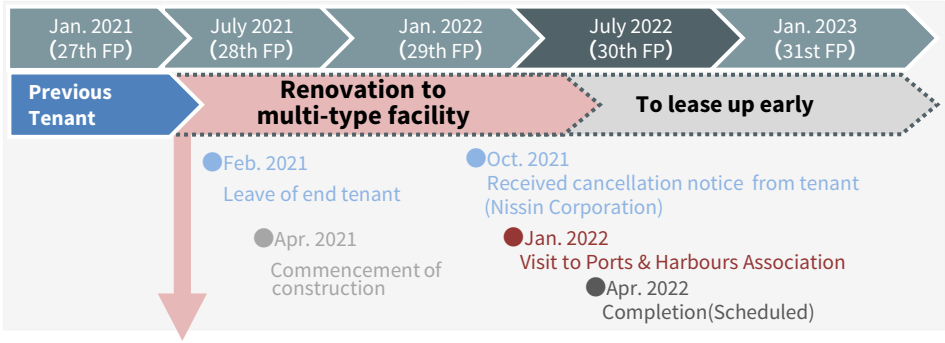
	Before Revision	After Revision
NOI Yield	6.6%	7.5% (+0.9%)
Appraisal Value (Increase Ratio)	JPY 2,030 mn.	JPY 2,320 mn. (+14.3%)

※For the details of the footnotes, please see page 40.

Tenant replacement – IIF Kobe Logistics Center

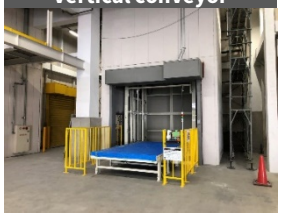
After renovating to a multi-type facility, aim to lease up early

Schedule



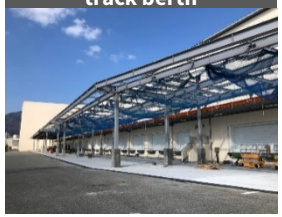
➢ Reinforcing versatility through renovation to multi-type facility

Additional vertical conveyor



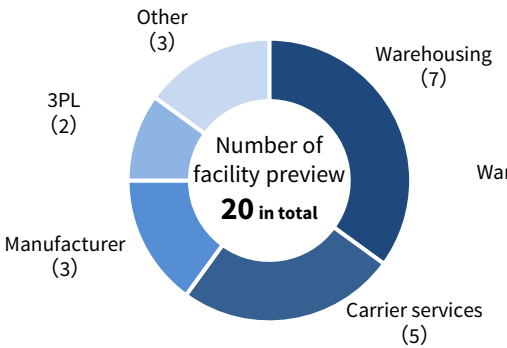
Shift to over-slider of dog shelter

Eaves expansion over track berth

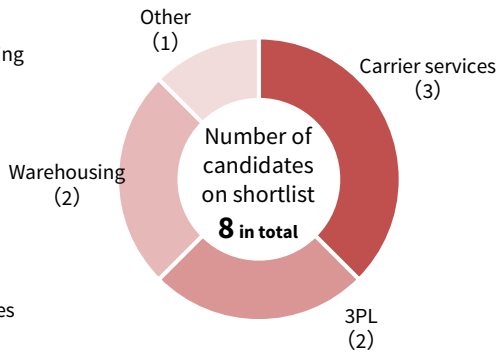


Leasing status

≪Number of facility preview≫



≪Number of candidates on shortlist≫



Recent leasing activity

Candidate	Business Type	Purpose	Floor area	Description
Company A	Carrier services	For delivery base in Greater Osaka	Around 2,000 tsubo	Partially for cold storage
Company B	3PL	For delivery base in Greater Osaka	Around 2,000 tsubo	Under confirmation of facility spec
Company C	3PL	For delivery base in Greater Osaka	Around 5,000 tsubo	Under consideration for overseas cargos
Company D	Warehousing	For base reorganization	2,000～6,000 tsubo	Under consideration after viewing

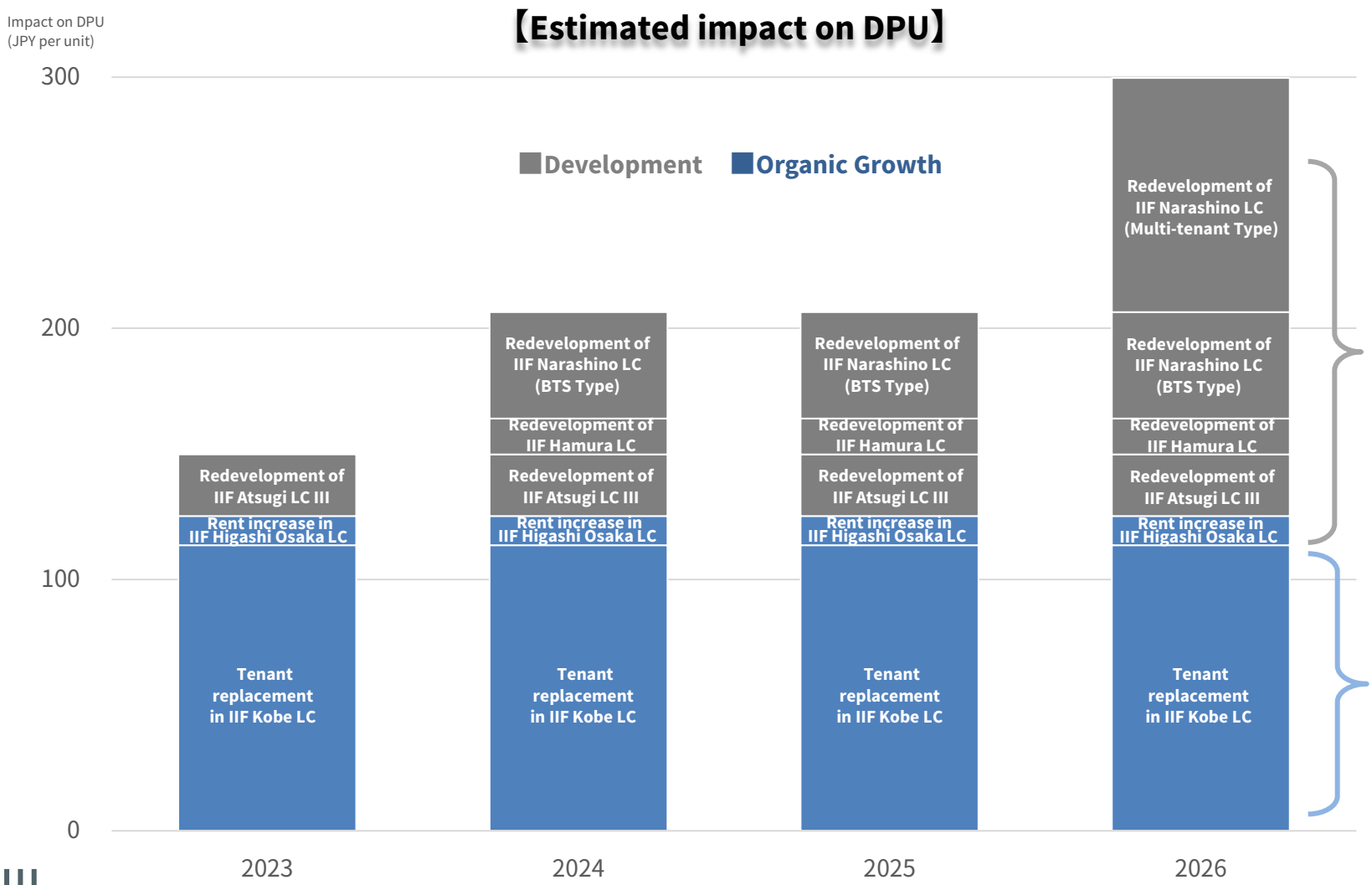
➢ Many inquiries from potential tenants coming from the high reputation of facility's location and capability

➢ On the other hand, prior consultation with concerned parties occurred due to many inquiries regarding overseas cargos

After visiting Ports & Harbours Association, aim to lease up early henceforth

(Reference) Potential profitability improvement by Development and organic growth

Potential upside in profitability in the mid-term through development and organic growth



<Reference>
Impact on DPU

(Note)
Estimated total JPY +260～310

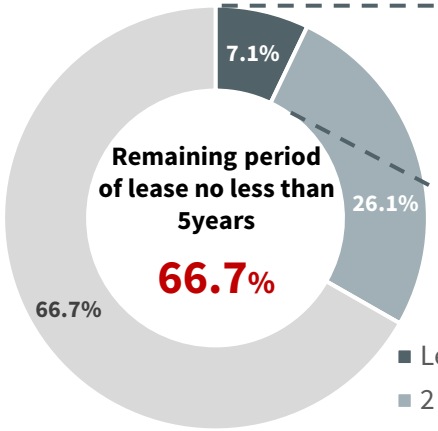
Development JPY +160～180

Organic Growth JPY +100～130

※For the details of the footnotes, please see page 40.

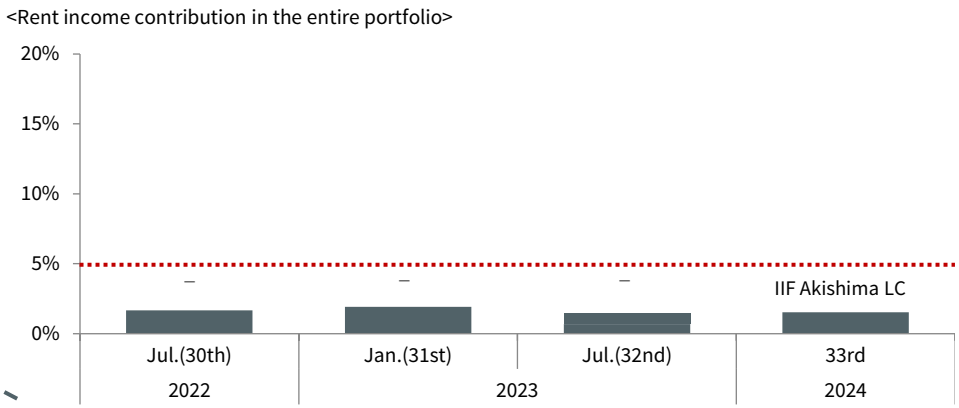
Continuous communications to key tenants facing lease expiration

Distribution of lease expiration periods (annual rent basis)



Remaining period less than 2 years
7.1%

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）

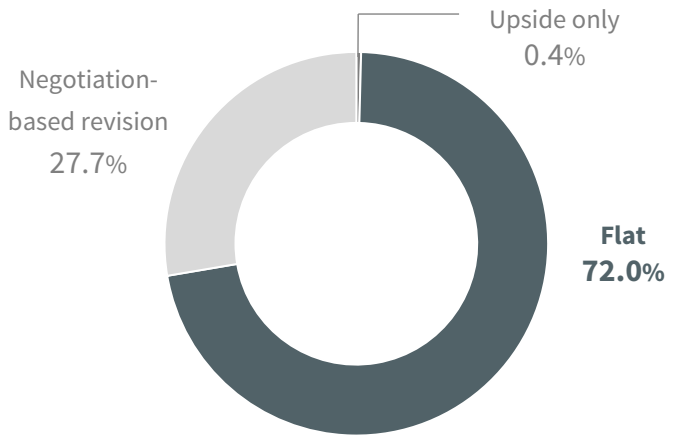
	Lease Expiry	Property name	Tenant	Achievement / Action Plans	
Jan. 2024 (33rd FP)	Sep. 30, 2023	IIF Akishima LC	Tokyo Logistics Factory	Under negotiation after confirming tenant intention for continued use	In progress

Achieve internal growth while continuously executing measures for environmental conservation

Key internal growth and stabilization measures

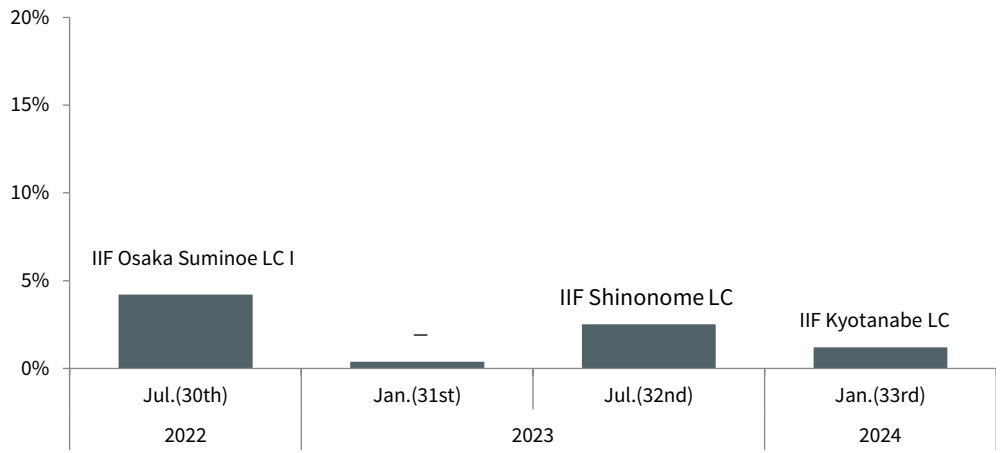
	Effective Date	Property Name	Measures	Status	Rent Increase
Jan. 2022 (29th FP)	Aug. 2021	IIF Fukuoka Hakozaki LC I	Contracted new fixed-term lease agreement with the existing tenant and realized rent growth by capturing market rent	Increased	Not disclosed
	Aug. 2021	IIF Fukuoka Hakozaki LC II	Contracted new fixed-term lease agreement with the existing tenant and realized rent growth by capturing market rent	Increased	Not disclosed
	Dec. 2021	IIF Tosu LC	**Contracted to share partial benefit from reduced electricity charge following installation of LED lighting**	Increased	Not disclosed
	Jan. 2022	IIF Atsugi MC	Increased rent through new acquisition of extension constructed within existing building	Increased	Not disclosed
July 2022 (30th FP)	July 2022	IIF Tosu LC	To be contracted a new fixed-term lease agreement with the end-tenant and to be realized rent growth by shifting to direct lease	To be increased	Not disclosed
Jan. 2023 (31st FP)	Dec. 2022	IIF Saitama LC	**Contracted memorandum regarding fixed-term lease agreement with the existing tenant and realized stability by lengthening lease period**	Concluded	—
	Dec. 2022	IIF Kashiwa LC	Contracted a new fixed-term lease agreement with the existing tenant and to be realized rent growth by capturing market rent	To be increased	Not disclosed
July 2023 (32nd FP)	Apr. 2023	IIF Higashi Osaka LC	Contracted a new fixed-term lease agreement with the existing tenant and to be realized rent growth by capturing market rent	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.

※For the details of the footnotes, please see page 40.

IIF Shonan Health Innovation Park (1)
- Enhancing the facility management structure facing shift to direct lease

Value-up initiatives by utilizing know-how of Takeda Pharmaceutical Company and Mitsubishi Corp.

2020	2021	2022	2023	2024	2025	2026

Master lease period → Direct lease period

Management structure enhancement

● Sep.2020 — New acquisition — Acquired 60%

● Aug. 2021 — Additional acquisition — Acquired 40%

Full-scale management after acquiring full ownership

Further value-up by utilizing know-how of Takeda Pharmaceutical Company and Mitsubishi Corp.

Takeda

MC-UBS GROUP

Mitsubishi Corporation

Industrial & Infrastructure Fund Investment Corporation

Renovation to improve profitability

■ **Simultaneously proceed both early leasing of potential vacant areas and facility renovation**

<Renovation>

1. Renovation of Lab in A building

【Before】

【Clean Space】

【After】

【Lounge】

2. Attracting tenants with rapid growth in the area of next-generation medical care

- Considering installing specialized lab. for “Cellular & Tissue-Based Products” utilizing cell therapy and regenerative medicine

Business areas of potential tenants

- R&D of cell culture product
- R&D of cultured meat
- R&D of primary cancer screening test, etc.
- R&D of drug discovery and medical equipment, etc.
- Evaluation test of medical equipment
- R&D of pharmaceutical seeds

etc.

■ **Improvement of profitability**

	<As of acquisition>
NOI yield (Considering strategic expenditure)	6.2%

Stabilize profitability by optimal payable distribution to compensate temporary costs related to renovation

	<After shifting to direct lease>
NOI yield (Considering strategic expenditure)	7% (target) (Note)

※For the details of the footnotes, please see page 40.

IIF Shonan Health Innovation Park (2)
- Initiatives to stabilize profitability during renovation period

Plans to stabilize profitability through optimal payable distributions under fluctuations in profit and temporary increase in costs

Strategic expenditure

Purpose

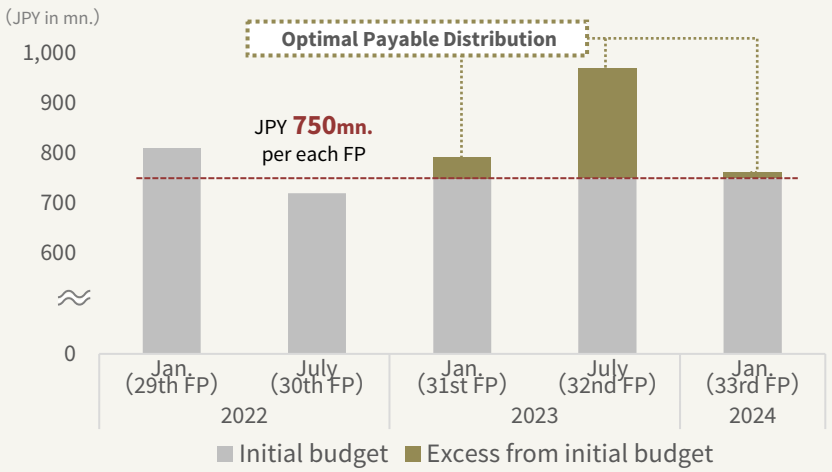
- To improve profitability after shifting to direct lease through lease-up of vacant area

Issue

- Partial strategic expenditure may be recorded as OPEX (expense) and be a factor of temporary decrease in profit

Solution

- Implement optimal payable distribution equivalent to excess amount of initial OPEX budget (JPY 750mn. per each FP) as of acquisition



Utility cost

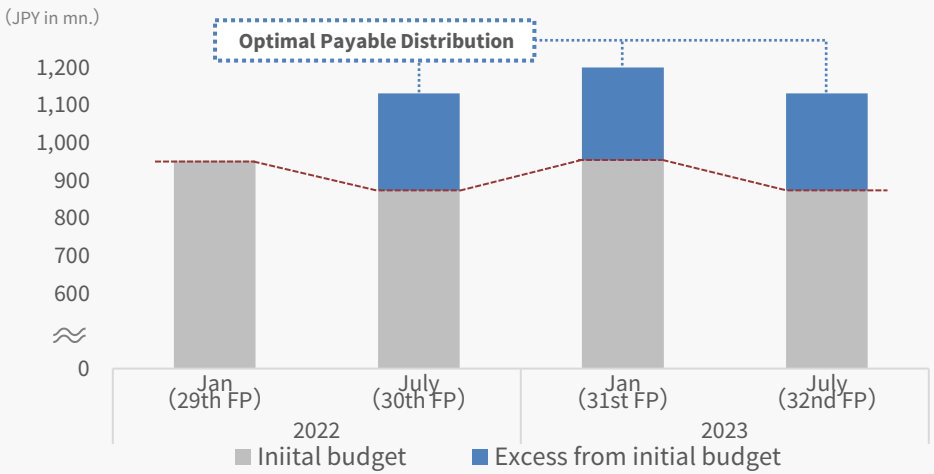
Issue

- Utility cost is included in rent
- There is no utility meter in each section due to specialized spec as R&DC originally only for Takeda Pharmaceutical Company

Utility cost has soared temporarily due to accidentally escalating energy price

Solution

- Implement optimal payable distribution equivalent to excess amount of initial budget (JPY 870mn. in even FP, JPY 950mn. in odd FP)
- Install of each utility meter and to revise lease contract regarding utility cost allocation, etc.

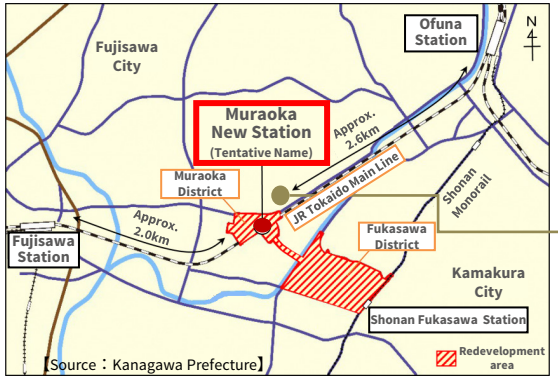


(Reference) City development around IIF Shonan HIP

With a new train station under development, plan to create an area dedicated to health innovation with IIF Shonan HIP at the center

New train station to be opened

- **Kanagawa Prefecture, Fujisawa City, Kamakura City and JR East signed a memorandum regarding the establishment of Muraoka New Station (Scheduled to be opened in 2032)**



【Source：Kanagawa Prefecture】

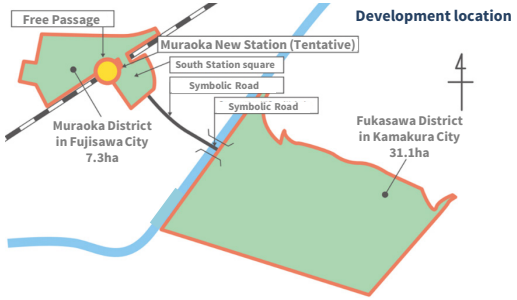
Muraoka New Station (Rendering image) (Note)

IIF Shonan Health Innovation Park

- **Kanagawa prefecture has designated the surrounding area as a center for health innovation**

In Kanagawa Prefecture, the Kanagawa Urban Master Plan positions the Muraoka and Fukazawa areas as bases for cutting-edge new regions such as healthcare and new frontiers. We are working to build a sustainable and attractive prefectural land and urban area that will be passed on to the next generation by promoting efforts to install a new station between the Tokaido Main Line Fujisawa Station and Ofuna Station, as well as the formation of a new urban base.

In March 2021, concluded the "Basic Agreement on Urban Development in the Muraoka and Fukazawa Districts" to determine the division of roles related to urban development.



【Source：Fujisawa City】

Initiatives to form a health innovation center in IIF Shonan HIP

- **Signed a “Memorandum of Understanding on Developing a Cutting-Edge Health Innovation Center in the Muraoka-Fukasawa District”**

Related parties signed a memorandum to develop a cutting edge health innovation center, to promote physical and mental health, to improve QOL, to extend healthy life expectancy and to generate businesses in healthcare.

- **Pilot project of “Healthcare MaaS” by using self-driving vehicles in IIF Shonan from Dec. 4, 2021 to Dec. 26, 2021**

In Dec. 2021, Five related parties conducted a pilot project of “Healthcare MaaS” that will combine autonomous-driving technologies and healthcare.

【Self-driving shuttle bus】

湘南鎌倉総合病院 SHONAN KAMAKURA GENERAL HOSPITAL
iPark Shonan
Mitsubishi Corporation
MITSUBISHI ELECTRIC Changes for the Better
MACNICA

※For the details of the footnotes, please see page 40.

(Reference) Media article

Nikkei article on March 2, 2022 (Note)

Shonan i-Park advances drug discovery with open innovation and collaboration

Shonan Health Innovation Park is one of Japan's largest science parks in Fujisawa City, Kanagawa Prefecture. Usually referred to as "Shonan i-Park", there are five buildings with 10 floors above ground, and the floor area is about 0.3 million square meters, six and half times of that of the Tokyo Dome, alongside 116 experiment and test areas.

Takeda Pharmaceutical Company Limited established the facility as a R&D center in 2011 at a cost of about 150 billion yen. It was reborn in April, 2018, opening up to companies and research institutes. Currently, 91 tenants, including other companies, are occupying the facility. Approximately 2,200 people work within, and more than 910 collaborations have been established. The aim is to create a research environment that transcends organizational boundaries. By assembling various players in one place and forming an ecosystem, it hopes to be the place for innovation in the healthcare industry.

According to Mr. Toshio Fujimoto, General Manager of i-Park, 'Open Innovation; assembling diverse organizations from businesses, government, and academia to in the latest research center to create new medicine' is the norm for the pharmaceutical industry in Europe and the U.S. Due to the sophistication of drug discovery technologies, an increasing number of drugs have their origins in 'seeds', innovations kick-started from academia and startups. This is because collaboration between academia and ventures, with quick development cycles and pharmaceutical giants, with established know-how on sales, are increasingly collaborating to utilize each others' strengths.

In Japan, however, the company says the country has fewer open innovation hubs and weak connections between academia and startups to pharmaceutical companies, resulting in delays in actual implementation. Domestic rivals are also cooperating at i-Park. Mitsubishi Tanabe Pharma uses i-Park as a research base and shares some internal evaluation data on compounds with Takeda Pharmaceutical.

Evaluation data has until now been used only internally as "property" for pharmaceutical companies, but there is also active movement to share this 'property' in 'Open Innovation'.
Mr. Fujimoto emphasizes, "We often do things discretely in Japan. This is best used in achieving a set of goals, but rather difficult when it comes to new innovations. Shonan i-Park will actively attract overseas companies and create innovation by securing diversity."

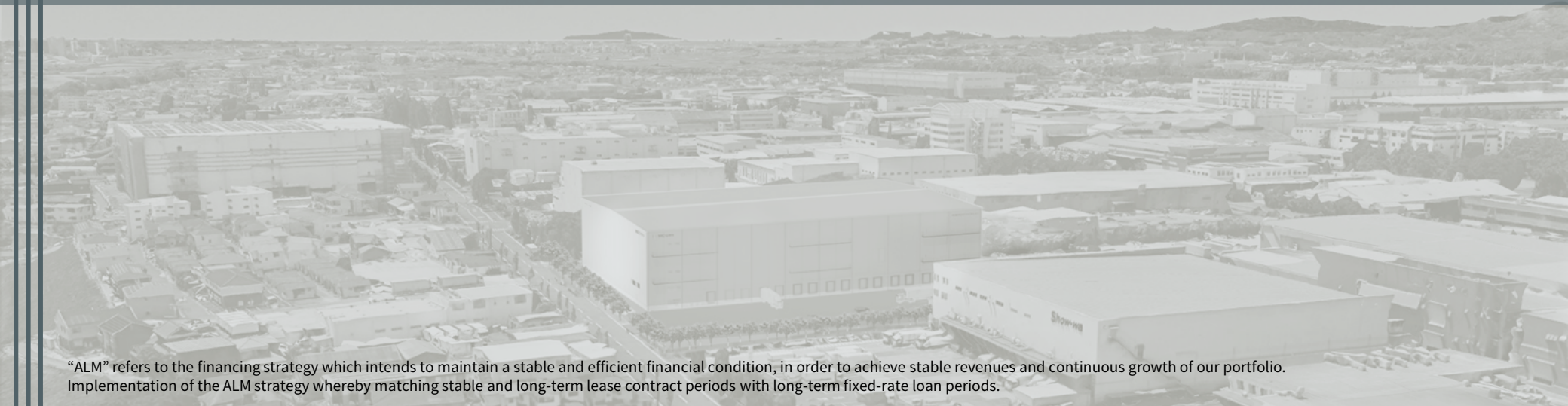
Especially in the knowledge and technology intensive pharmaceutics field, the cooperation of industry, government, and academia becomes more important for a swift creation of value. What is required is speed, and each company's self-reliance is not enough. Open innovation in the integration of human resources, technology, capital, and collaboration are essential for Japan to compete with the rest of the world.

Shonan i-Park with six-half of the floor space of the Tokyo Dome

116 experiment areas in Shonan i-Park

(Note) Mitsubishi Corp. - UBS Realty Inc., the asset manager of IIF, translates the original Japanese article into English for informational purposes only, and the Japanese language article should be referred to as the original.

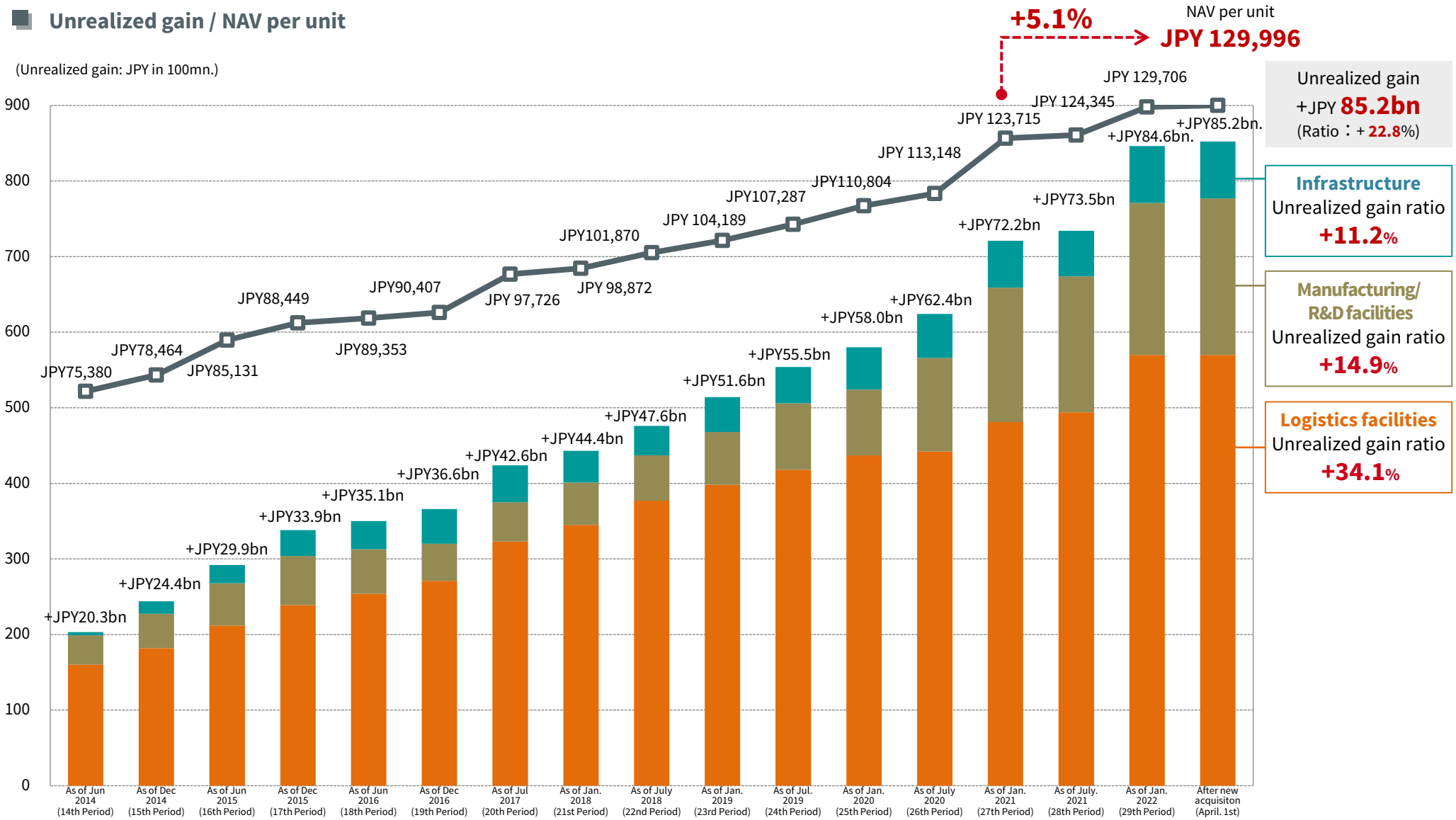
4. Current Status of Operations and Initiatives Going Forward
(2) Financial Strategy: “ALM”



“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.

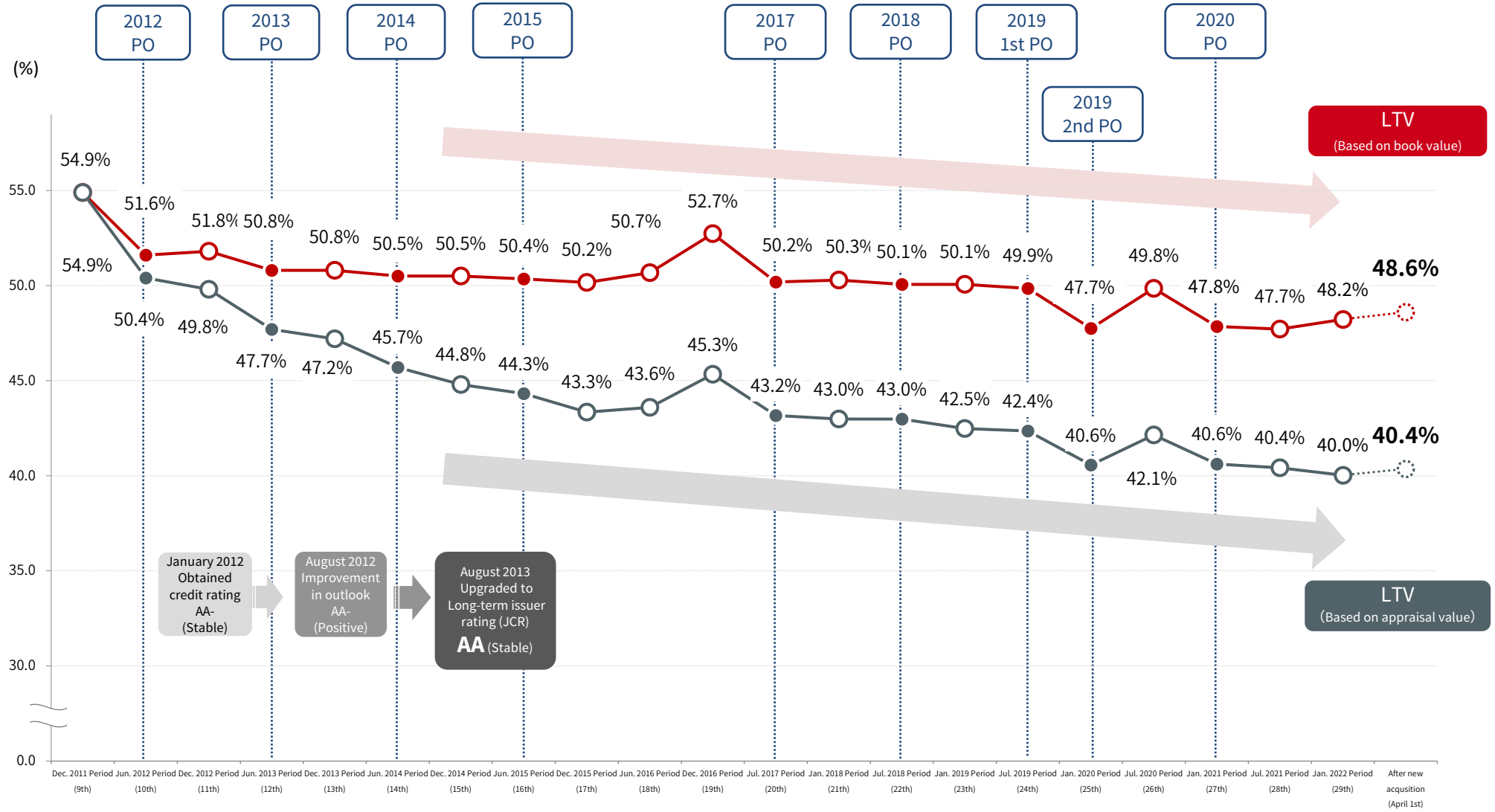
Unrealized gain to reach JPY 85.2bn (ratio+22.8%)

Unrealized gain / NAV per unit



LTV has dropped through constant public offerings

Historical LTV



Continuing to refinance current borrowings with lower interest

Lengthening borrowing periods while lowering interest costs even in a phase of rising interest rate

＜Refinance＞
(From Aug. 2021 to Mar. 2022(Scheduled))

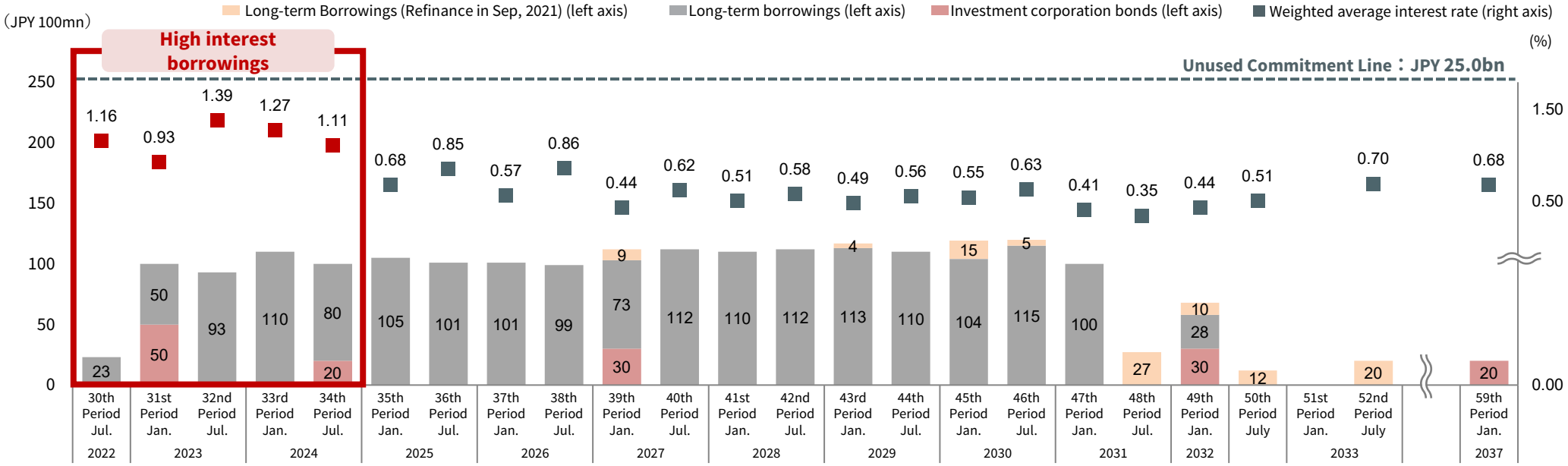
Before Refinance	
Amount	JPY 10.3bn.
Average Borrowing period	6.0years
Average interest rate	0.86%

After Refinance	
Amount	JPY 10.3bn.
Average Borrowing period	9.1years
Average interest rate	0.49% (▲0.37pt.)

＜Key indices＞

	Jan. 2022 (29th FP)	As of Apr. 1, 2022
Issuer's Long-term Credit Rating (JCR)	AA(stable)	AA(stable)
LTV	48.2%	48.6%
Average Borrowing Period	9.4years	9.4years (Note)
Average Interest Rate	0.73%	0.71% (Note) (▲0.02pt.)

Maturity ladder and weighted average interest rate at the end of Mar. 31, 2022 (excluding short-term borrowings)



※For the details of the footnotes, please see page 40.

5.ESG Initiatives

Recent ESG initiatives

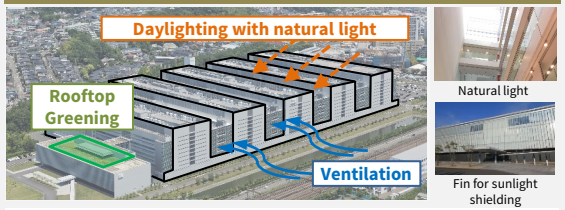
1. Sourcing electricity from 100% renewable energy based on RE100

■Properties directly managed by IIF (Note 1)

Following IIF Shonan HIP, IIF Sagamihara R&DC has switched to electricity sourced from 100% renewable energy with Non-FIT & Non-Fossil certificate

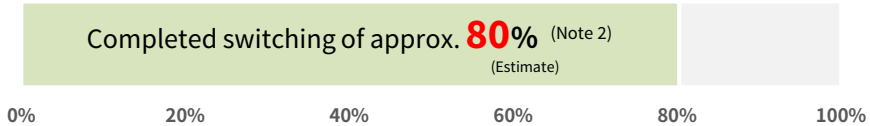
IIF Sagamihara R&DC

IIF Shonan HIP

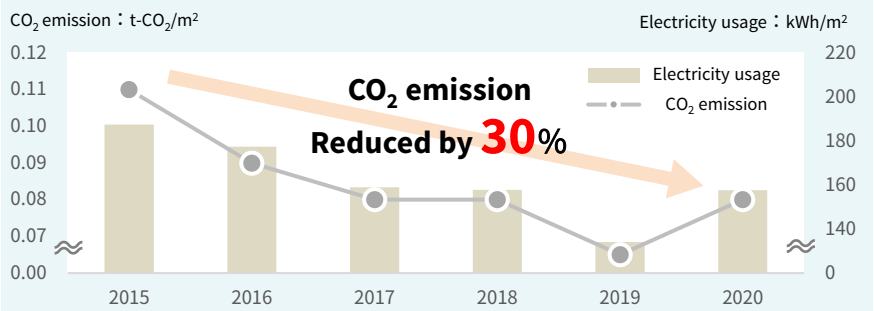


Passive design utilizing natural power maximally

＜Switch ratio to electricity sourced from renewable energy＞



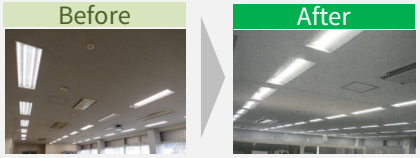
(Reference) Electricity usage and CO_2 emission (Per unit)



2. Recent activity to reduce CO_2 emission

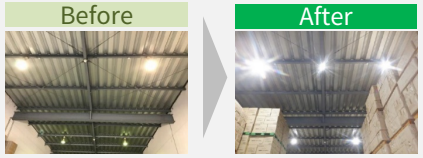
■ Promotion of LED installation (IIF Yokosuka TC & IIF Tosu LC)

IIF Yokosuka TC



Reduction ratio of electricity & CO_2 emission : 68%

IIF Tosu LC



Reduction ratio of electricity & CO_2 emission : 72%

■ Reopen of solar panel (IIF Sagamihara R&DC)

Solar panel installed on the roof has reopened for self-use

3. Publication of ESG Report 2022

MCUBS has compiled ESG activities across the entire Group and published an ESG report, with the hope of sharing the Group's basic ESG approach and activities with all of our stakeholders.

※Please refer to IIF's website for the detail of ESG Report

https://iif-reit_sustainability.disclosure.site/en/themes/76/

※For the details of the footnotes, please see page 40.

External Recognition and Certifications

External Recognition and Certifications

■ GRESB Real Estate Assessment

GRESB ★★★★☆ 2021

Designated as "**Four Stars**"

Designated as "Green star" for nine consecutive year

Rated "A" in the GRESB Public Disclosure Level evaluation scheme for four consecutive years

■ CASBEE for Real Estate Certification

IIF Osaka Suminoe LC I, IIF Morioka LC II and IIF Nagoya LC newly received "CASBEE for Real Estate Certification" in Jan. 2022.

23 properties have received this certification as of the end of Jan. 2022.

IIF Osaka Suminoe LC I

IIF Morioka LCII

■ BELS Rating

IIF Koshigaya LC, IIF Fukuoka Hakozaki LC II, IIF Kobe LC and IIF Higashi Osaka LC newly received the BELS rating in Jan. 2022.

15properties have received this certification as of the end of Jan. 2022.

IIF Koshigaya LC

IIF Fukuoka Hakozaki LC II (Expansion)

■ DBJ Green Building Certification

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

DBJ Green Building

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

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.

Social finance framework

IIF has received "Social 1 (F)" rating from Japan Credit Rating Agency, Ltd. (JCR)

＜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.

※For the details of the footnotes, please see page 40.

MCUBS Group 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）

■ 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 for financial institutions that want to fulfill the responsibilities and roles necessary for the formation of a sustainable society

Signatory since June 2013

■ 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

■ Montreal Carbon Pledge

Initiative to reduce CO_2 launched at PRI in Montreal

Signatory since Sep. 2015（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”

■ 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 UNICEFF 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 Initiative from a ESG standpoint

Actions to achieve both sustainable 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	Reduce environmental impact 6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Control CO2 emissions ・Convert lighting to LED ・Update energy-saving devices for air-conditioning ・Install solar panels ・ESCO business ・Green lease Promote efficient use of water ・Reuse on-site well water ・Install water-saving toilets	・Reduce environmental impact	・Improved NOI ・Strengthen tenant partnership ・Increase in facility value
Social	Contribute to society by supporting Japanese industry 3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION 15 LIFE ON LAND 17 PARTNERSHIPS FOR THE GOALS	Improve health and well-being of tenant employees ・Increase number of restrooms Disaster prevention measures ・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 Contribute to the community and raise awareness about the environmental ・Implement ESG study meeting for tenants ・Greening of facilities ・Provide sites for regional events ・Organize property tours ・Invest in PRE projects	・Bring about a symbiotic society ・Revitalize local community and economy ・Bring about a sustainable society	・Strengthen tenant partnerships ・Strengthen building resilience ・Improve recognition level
Governance	Practice sound asset management for all stakeholders 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 17 PARTNERSHIPS FOR THE GOALS	Comprehensive corporate governance system ・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 Information disclosure to stakeholders ・Timely disclosure/optional disclosure/IR activity ・Disclose information to ESG investors Maximize investor value ・Signing and participating in international initiatives ・Obtain external evaluation/certification	・Maintain and develop a sound market	・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	• 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	• Improve environmental performance of properties • Expand the range of investors	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES
	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	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES
Response to climate change	Reduction in CO_2 emission	Reduction in CO_2 emission per unit* by 50% compared with 2015 (Target year: 2030)	• Drop in tenant sales & increase in property damages due to physical impact of climate change • Decline in favorable assessment by tenants & investors	Cost reduction with efficient energy use	13 CLIMATE ACTION
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	7 AFFORDABLE AND CLEAN ENERGY
	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)	• 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	6 CLEAN WATER AND SANITATION
Collaboration with local communities	Providing sites to community events	• Existing Property Maintenance for the actual condition • New Property Consideration of the plan based on the negotiation with tenants	• Degradation of the environmental surrounding the real asset • Decline in reputation in the neighboring area	• Revitalization of neighboring areas • Improvement of corporate image	17 PARTNERSHIPS FOR THE GOALS

※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/)

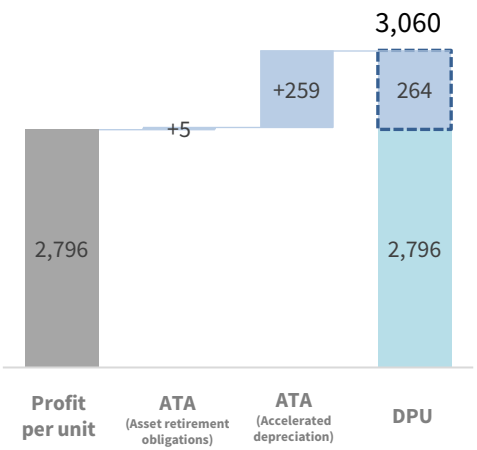
6. Operating Results for the Jan. 2022 (29th) Fiscal Period and Earnings Forecast for the July 2022 (30th) and the Jan. 2023 (31st) Fiscal Periods

Stabilize temporary decrease in DPU due to redevelopment through temporary distribution in excess profits and optimal payable distribution

Stabilize DPU through temporary distribution in excess profits and optimal payable distribution

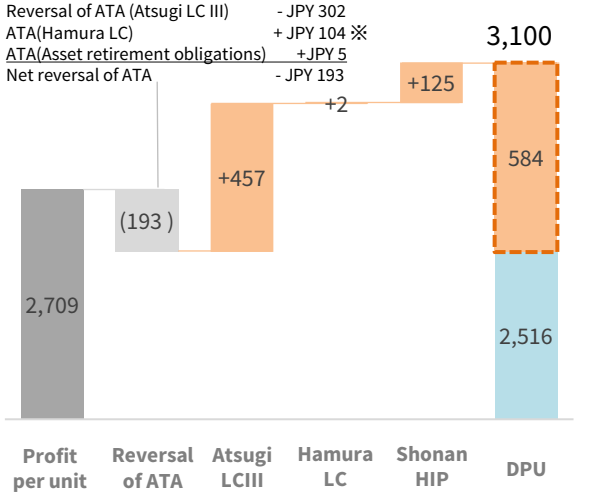
	Distribution Type	Subject	Description	Amount (JPY per unit)	
29th FP	Temporary distribution in excess profits (For discrepancies between tax and accounting)	Asset retirement obligations	Increase in depreciation related to properties with asset retirement obligations (JPY 5)	5	264
		Atsugi LC III	Increase in depreciation due to change in estimated useful life (accounting base) (JPY 259)	259	
30th FP	Optimal payable distribution	Atsugi LC III	Demolition cost (JPY 118), Reversal of ATA (JPY 302), Profit decrease during development (JPY 37)	457	584
		Hamura LC	Profit decrease during development (JPY 2)	2	
		Shonan HIP	Excess utility cost (JPY 125)(※equivalent to excess from initial budget (JPY 872M)), Excess OPEX (JPY 0)(※equivalent to excess from JPY 750M per FP)	125	
31st FP	Optimal payable distribution	Atsugi LC III	Profit decrease during development (JPY 37)	37	332
		Hamura LC	Demolition cost (JPY 39), Reversal of ATA (JPY 109), Profit decrease during development (JPY 9)	157	
		Shonan HIP	Excess utility cost (JPY 118)(※equivalent to excess from initial budget (JPY 953M)), Excess OPEX (JPY 20)(※equivalent to excess from JPY 750M per FP)	138	

Distribution in excess profits (29th FP)



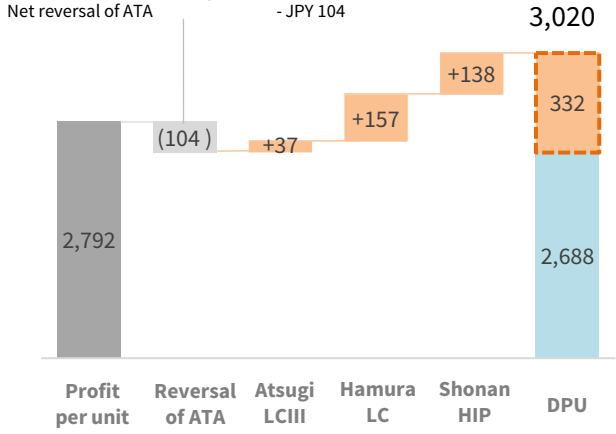
Optimal payable distribution (30th FP)

Reversal of ATA (Atsugi LC III) - JPY 302
ATA(Hamura LC) + JPY 104 ※
ATA(Asset retirement obligations) +JPY 5
Net reversal of ATA - JPY 193



Optimal payable distribution (31st FP)

Reversal of ATA (Hamura LC) -JPY 104 ※ (Negated amount of tax discrepancy regarding asset retirement obligations)
Reversal of ATA (Hamura LC) -JPY 5
ATA(Asset retirement obligations) +JPY 5
Net reversal of ATA - JPY 104



※For Hamura LC, JPY 104 of provision for temporary difference adjustment will be incurred in order to handle with the tax discrepancy associated with accelerated depreciation in the 30th FP. However, ATA distribution is not expected to occur in the 30th FP because due to offset by ATA reversal regarding Atsugi LCIII.

Operating Results for the Jan. 2022 (29th) Fiscal Period

(JPY mn)

	Jul. 2021 (28th Period Actual)	Jan. 2022 (29th Period Actual)	Period over period	
Key P/L Figures				
Operating revenue	15,349	16,493	+1,143	+7.5 %
Operating expense	7,707	9,704	+1,997	+25.9 %
Operating Income	7,642	6,789	(853)	(11.2)%
None-operating income	0	0	+0	+59.2 %
Non-operating expense	977	1,002	+24	+2.5 %
Ordinary income	6,665	5,787	(877)	(13.2)%
Net income	6,663	5,786	(876)	(13.2)%
Distributions per unit (yen)	3,266	3,060	(206)	(6.3)%
Other Figures				
Capital expenditure	1,109	1,264 (Note1)	+154	+13.9%
Repair expense	684	839 (Note2)	+155	+22.8%
Total	1,793	2,104	+310	+17.3%
Depreciation	1,918	2,456	+537	+28.0%
FFO *	8,307	7,957	(350)	(4.2)%
AFFO **	7,197	6,692	(504)	(7.0)%
Number of properties	74	74	-	-
Occupancy rate	100.0%	100.0%	-	-
Total book value	358,718	369,627	+10,908	+3.0 %
Total appraisal value	432,251	454,257	+22,006	+5.1 %
Unrealized gain	73,532	84,629	+11,097	+15.1 %
Total debt	194,383	199,383	+5,000	+2.6 %
LTV	47.7%	48.2%	+0.5pt	+1.1 %
Total net assets	190,116	189,173	(942)	(0.5)%
Net assets per unit	91,842	91,387	(455)	(0.5)%

(JPY mn)

	Jan. 2022 (29th Period Forecast)	Jan. 2022 (29th Period Actual)	Period over period	
Key P/L Figures				
Operating revenue	16,481	16,493	+11	+0.1 %
Operating expense	9,715	9,704	(10)	(0.1)%
Operating Income	6,766	6,789	+22	+0.3 %
None-operating income	-	0	+0	-
Non-operating expense	1,002	1,002	(0)	(0.1)%
Ordinary income	5,763	5,787	+24	+0.4 %
Net income	5,761	5,786	+25	+0.4 %
Distributions per unit (yen)	3,046	3,060	+14	+0.5 %
Other Figures				
Capital expenditure	1,485	1,264	(221)	(14.9)%
Repair expense	916	839	(76)	(8.3)%
Total	2,402	2,104	(297)	(12.4)%
Depreciation	2,477	2,456	(20)	(0.8)%
FFO *	7,953	7,957	+4	+0.1 %
AFFO **	6,467	6,692	+225	+3.5 %
Number of properties	74	74	-	-
Occupancy rate	100.0%	100.0%	-	-

*FFO = Net income + depreciation + gain and loss on sale **AFFO = FFO – capital expenditure The same applies hereafter.

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

- IIF Shonan HIP : JPY 225mn for conversion of biochemistry laboratory
- IIF Shonan HIP : JPY 77mn for renewal of security camera equipment
- IIF Shonan HIP : JPY 57mn for expansion work of office area
- IIF Shinonome LC : JPY 47mn for repair of rooftop waterproof, wall waterproof and green space
- IIF Shonan HIP : JPY 47mn for renewal of interlock circuit board

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

- IIF Shonan HIP : JPY 104mn for inspection and maintenance of air conditioning equipment and cold heat source equipment
- IIF Shonan HIP : JPY 102mn for inspection and maintenance of air conditioning equipment
- IIF Shonan HIP : JPY 80mn for inspection and maintenance of air conditioning equipment
- IIF Shonan HIP : JPY 51mn for inspection and maintenance of air Vacuum equipment
- IIF Shonan HIP : JPY 47mn for inspection and maintenance of air conditioning equipment

(JPY mm.)

■Major Factors of Change for 29th FP (Compared to Actual for 28th FP)

Operating Revenue **+1,143**

- ✓ Partial contribution from the new acquisitions in 2021 +1,950
- ✓ Decrease in gain on sale from the disposition of the property (175)
  (Difference between recorded in 28th FP and recorded 29th FP)
- ✓ Decrease in rent revenue due to disposition (IIF Shinagawa ITSC, IIF Zama ITSC, etc.) (444)
- ✓ Decrease in other revenue (IIF Kobe LC, etc.) (187)

Operating Expense **+1,997**

- ✓ Increase in lease expense for facility management fee, etc. due to new acquisitions in 2021 +1,343
- ✓ Increase in lease expense for utilities (IIF Shonan HIP, etc.) +173
- ✓ Increase in lease expense for facility management fees (IIF Shonan HIP, etc.) +156
- ✓ Decrease in lease expense for repair and management cost (IIF Kobe LC, etc.) (138)
- ✓ Decrease in lease expense due to disposition (IIF Shinagawa ITSC, etc.) (81)
- ✓ Increase in expensed property-related taxes (Full contribution), etc. due to the properties acquired in 2020 +170
- ✓ Increase in depreciation (Redevelopment of IIF Atsugi LC III and new acquisitions, etc.) +537
- ✓ Decrease in loss on sale from the disposition of the property(IIF Zama ITSC) (185)
- ✓ Increase in asset management fee including in the difference in business days +41
- ✓ Decrease in other operating expenses (SG&A) (19)

Non-Operating Expense **+24**

- ✓ Increase in interest expense from new bond issuance(Social Bonds) +10
- ✓ Increase in interest expense due to the difference in business days +14

■Major Factors of Change for 29th FP (Compared to Forecast for 29th FP)

Operating Revenue **+11**

- ✓ Increase in rent revenue for utilities received (IIF Sagamihara R&DC, etc.) +11

Operating Expense **(10)**

- ✓ Increase in lease expense for utilities (IIF Shonan HIP) +144
- ✓ Decrease in lease expense for repair and maintenance cost (IIF Shonan HIP, etc.) (76)
- ✓ Decrease in lease expense for facility management fees (IIF Shonan HIP, etc.) (10)
- ✓ Decrease in Depreciation (IIF Shonan HIP, etc.) (20)
- ✓ Decrease in other operating expenses (SG&A) (43)

Earnings Forecast for the July 2022 (30th) Fiscal Period

(JPY mn)

	Jan. 2022 (29th Period Actual)	Jul. 2022 (30th Period Forecast)	Period over period	
Key P/L Figures				
Operating revenue	16,493	16,292	(200)	(1.2)%
Operating expense	9,704	9,709	+4	+0.0%
Operating Income	6,789	6,583	(205)	(3.0)%
None-operating income	0	-	(0)	-
Non-operating expense	1,002	973	(28)	(2.9)%
Ordinary income	5,787	5,610	(177)	(3.1)%
Net income	5,786	5,608	(178)	(3.1)%
Distributions per unit (yen)	3,060	3,100	+40	+1.3%
Other Figures				
Capital expenditure	1,264	1,738 (Note1)	+474	+37.5%
Repair expense	839	1,049 (Note2)	+209	+25.0%
Total	2,104	2,788	+684	+32.5%
Depreciation	2,456	2,171	(284)	(11.6)%
FFO	7,957	7,780	(176)	(2.2)%
AFFO	6,692	6,041	(651)	(9.7)%
Number of properties	74	76	-	-
Occupancy rate	100.0%	100.0%	-	-

(JPY mn)

	Jul. 2022 (30th Period Previous Forecast)	Jul. 2022 (30th Period Forecast)	Period over period	
Operating revenue	16,188	16,292	+104	+0.6%
Operating expense	9,219	9,709	+490	+5.3%
Operating Income	6,968	6,583	(385)	(5.5)%
None-operating income	-	-	-	-
Non-operating expense	969	973	+4	+0.4%
Ordinary income	5,999	5,610	(389)	(6.5)%
Net income	5,997	5,608	(389)	(6.5)%
Distributions per unit (yen)	3,070	3,100	+30	+1.0%

(Note 1) Major capital expenditures planned in the 30th FP

IIF Kobe LC	: JPY 579mn for construction work of large scale renovations
IIF Shonan HIP	: JPY 180mn for installation of LED lighting
IIF Noda LC	: JPY 119mn for construction work of fire preventing compartment
IIF Yokohama Tsuzuki TC	: JPY 101mn for renewal of air conditioning equipment and cold heat source equipment
IIF Shonan HIP	: JPY 82mn for renewal of local HUB for central monitoring equipment

(Note 2) Major repair cost planned in the 30th FP

IIF Atsugi LC III	: JPY 244mn for demolition work
IIF Shonan HIP	: JPY 52mn for inspection and maintenance of air conditioning equipment
IIF Shonan HIP	: JPY 51mn for repair of external wall
IIF Shonan HIP	: JPY 51mn for inspection and maintenance of turbo freezing machine and chemical storage
IIF Shonan HIP	: JPY 43mn for inspection and maintenance of water supply drain facilities

(JPY mm.)

■Major Factors of Change for 30th FP（Compared to Actual for 29th FP）

Operating Revenue **(200)**

- ✓ Partial contribution from the new acquisitions in 2022 +69
- ✓ Full contribution from the new acquisitions in 2021 +90
- ✓ Decrease in gain on sale from the disposition of the property (IIF Shinagawa ITSC) (285)
- ✓ Decrease in rent revenue due to down-time (IIF Atsugi LC III and IIF Hamura LC) (99)
- ✓ Increase in rent revenue due to internal growth +13

Operating Expense **+4**

- ✓ Decrease in lease expense for facility management fees (IIF Shonan HIP, etc.) (135)
- ✓ Increase in lease expense for utilities (IIF Shonan HIP) +78
- ✓ Increase in lease expense for repair and maintenance cost (Demolition cost for IIF Atsugi LC III, etc.) +209
- ✓ Increase in expensed property-related taxes from the properties acquired in 2021 (Partial contribution) etc. +84
- ✓ Decrease in depreciation (Redevelopment of IIF Atsugi LC III, etc.) (284)
- ✓ Decrease in asset management fee due to difference in business days (9)
- ✓ Increase in other operating expenses (SG&A) +60

Non-Operating Expense **(28)**

- ✓ Decrease in interest expense due to refinancing in 30th FP, etc. (17)
- ✓ Decrease in interest expense due to the difference in business days (11)

■Major Factors of Change for 30th FP（Compared to Initial Forecast for 30th FP）

Operating Revenue **+104**

- ✓ Partial contribution from the new acquisitions in 2022 +69
- ✓ Increase in rent revenue due to internal growth +12
- ✓ Increase in rent revenue for utilities received (IIF Sagamihara R&DC) +23

Operating Expense **+490**

- ✓ Increase in lease expense for utilities (IIF Shonan HIP, etc.) +293
- ✓ Decrease in lease expense for repair and maintenance (IIF Shonan HIP) (74)
- ✓ Increase in depreciation (Redevelopment of IIF Hamura LC, etc.) +197
- ✓ Increase in asset management fee +12
- ✓ Increase in other operating expenses (SG&A) +38

Non-Operating Expense **+4**

- ✓ Increase in interest expense from new debt in 30th FP +3

Earnings Forecast for the Jan. 2023 (31st) Fiscal Period

(JPY mn)

		Jul. 2022 (30th Period Forecast)	Jan. 2023 (31st Period Foecast)	Period over period	
Key P/L Figures	Operating revenue	16,292	16,443	+150	+0.9 %
	Operating expense	9,709	9,662	(46)	(0.5)%
	Operating Income	6,583	6,780	+197	+3.0 %
	None-operating income	-	-	-	-
	Non-operating expense	973	999	+25	+2.7 %
	Ordinary income	5,610	5,781	+171	+3.1 %
	Net income	5,608	5,779	+171	+3.1 %
	Distributions per unit (yen)	3,100	3,020	(80)	(2.6)%
Other Figures	Capital expenditure	1,738	2,055	+316	+18.2 %
	Repair expense	1,049	973	(75)	(7.2)%
	Total	2,788	3,029	+240	+8.6 %
	Depreciation	2,171	2,051	(120)	(5.5)%
	FFO	7,780	7,831	+50	+0.7 %
	AFFO	6,041	5,775	(265)	(4.4)%
	Number of properties	76	76	-	-
	Occupancy rate	100.0%	100.0%	-	-

(JPY mm.)

■Major Factors of Change for 31st FP（Compared to Revised Forecast for 30th FP）

Operating Revenue **+150**

- ✓ Partial contribution from the new acquisitions in 2022(31st FP) +127
- ✓ Full contribution from the new acquisitions in 2022(30th FP) +34
- ✓ Decrease in rent revenue due to down-time (IIF Hamura LC) (18)
- ✓ Increase in rent revenue for utility received (IIF Sagamihara R&DC, etc.) +11

Operating Expense **(46)**

- ✓ Increase in lease expense for utilities (IIF Shonan HIP, etc.) +67
- ✓ Increase in lease expense for facility management fee (IIF Shonan HIP, etc.) +44
- ✓ Decrease in lease expense for repair and maintenance cost (Demolition cost for IIF Atsugi LC III, etc.) (75)
- ✓ Increase in expensed property-related taxes (Full contribution) etc. due to the properties acquired in 2021 +67
- ✓ Decrease in depreciation (Redevelopment of IIF Hamura LC, etc.) (120)
- ✓ Increase in asset management fee including in the difference in business days +38
- ✓ Decrease in other operating expenses (SG&A) (68)

Non-Operating Expense **+25**

- ✓ Increase in interest expense from new debt +20
- ✓ Increase in interest expense due to the difference in business days +16
- ✓ Decrease in amortization for issuance cost of new units issued for PO in May. 2019 and PO in Dec. 2019 (13)

(Note 1) Major capital expenditures planned in the 31st FP

IIF Shonan HIP	：JPY 475mn for conversion of laboratory
IIF Shonan HIP	：JPY 223mn for conversion of biochemistry laboratory
IIF Noda LC	：JPY 114mn for construction work of fire preventing compartment
IIF Osaka Konohana LC	：JPY 73mn for renewal of elevators
IIF Shonan HIP	：JPY 65mn for renewal of power monitoring equipment

(Note 2) Major repair cost planned in the 31st FP

IIF Hamura LC	：JPY 150mn for demolition work
IIF Shonan HIP	：JPY 104mn for inspection and maintenance of air conditioning equipment
IIF Shonan HIP	：JPY 94mn for inspection and maintenance of air conditioning equipment and cold heat source equipment
IIF Shonan HIP	：JPY 86mn for inspection and maintenance of emergency generators
IIF Shonan HIP	：JPY 56mn for coating sound insulation wall

Note

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.10 (Note) 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.15 (Note 1) The figures for “Demolition cost”, “Cost equivalent to retirement” and “Development cost” are estimates based on the plans for the Redevelopment Project as of today.
(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 construction management 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 2016). As the construction contract regarding to the Property After Redevelopment has not been concluded as of today, construction costs, design fee, and construction management 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(survey value)” before redevelopment is the survey value based on the survey report as of January 31, 2022. The figure for “appraisal value(survey 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 March 1, 2022. For more details of survey reports, Please refer to “4. Summary of Survey Report (After the Redevelopment Project)” described in the press release dated March 9, 2022.
(Note 4) The figure for "unrealized gain/loss" before redevelopment is the difference between the survey value based on the survey report as of January 31, 2022 and the book value as of January 31, 2022. The figure for “Unrealized gain/loss” 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 March 1, 2022 and the anticipated acquisition price..
(Note 5) The figure for "total floor area" after redevelopment is shown for reference based on the current plan for the Redevelopment Project. The actual figure for "total floor area" 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 net operating income in the direct capitalization method indicated in the survey report as of January 31, 2022. The figure for "Annual NOI" of the Property After Redevelopment is the net operating income in the direct capitalization method indicated in the survey report on the plan for the Redevelopment Project as of March 1, 2022. 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 = Annual NOI / (Anticipated) acquisition price
NOI yield after depreciation = Annual NOI after depreciation* / (Anticipated) acquisition price
NOI yield after depreciation (after adjustment by optimal payable distribution**) = (Annual NOI after depreciation + depreciation (annual) of Property After Redevelopment × 30%) / (Anticipated) acquisition price
*Annual NOI after depreciation= Annual NOI-depreciation (annual)
Depreciation before redevelopment is calculated using the total actual depreciation for the 28th fiscal period ended July 31, 2021 and the 29th fiscal period ended January 31, 2022 of the Property. Depreciation of the Property After Redevelopment is an estimate calculated by using the depreciation rates under the straight-line method in proportion to the useful life for the Property After Redevelopment.
** 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 today, 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 value based on estimate as of today, and there is no guarantee that it will be realized. The same shall apply hereafter.

P.16 (Note1) Regarding “NOI Yield”, the figure for “Before Revision” is the net operating income in the direct capitalization method indicated in the appraisal report as of July 31, 2021. The figure for “After Revision” is the net operating income in the direct capitalization method indicated in the appraisal report as of Jan. 31, 2022.
(Note2) Regarding “Appraisal Value”, the figure for “Before Revision” is based on the appraisal report as of July 31, 2021. The figure for “After Revision” is based on the appraisal report as of Jan. 31, 2022.

P.18 (Note) The figure is the estimation as of Mar. 16, 2022 and there is no assurance for the realization of the figure.

P.20 (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.21 (Note) The figure is the estimation as of Mar. 16, 2022 and there is no assurance for the realization of the figure.

P.23 (Note) The image of “Muraoka New Station” is a rendering image, and may differ from the actual building.

P.28 (Note) Average interest rate as of Apr. 1, 2022 is the estimation based on the average interest rate as of Jan. 31, 2022 and estimated interest rate of new borrowings to be executed by Apr. 1, 2022, which may differ from the actual interest rate. In addition, short-term borrowings are excluded from calculation of average interest rate above.

P.30 (Note1) Six properties in total : IIF Shonan HIP, IIF Fukuoka Hakozaki LC I, IIF Fukuoka Hakozaki LC II, IIF Noda LC, IIF Sagamihara R&DC, IIF Toyonaka DC.
(Note2) Only properties directly managed by IIF are considered in the switch ratio; properties managed by tenants are excluded.

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