

Investor Presentation for the July 2023 (32nd) Period

Securities Code : **3249**

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~Appendix~

Portfolio Data and Other Materials

1. Executive Summary



Return to growth path through the public offering and asset disposition

Key Points of 32nd FP

(1) Improved quality and stability of the portfolio through the public offering and asset disposition

(1) Public offering : Acquisition price of JPY 22 bn, High profitability with NOI yield 5.5% / NOI yield after depreciation 3.9%

(2) Asset disposition (IIF Kobe LC) : Dividing gain on sale of JPY 2.76 bn over three fiscal periods.

(2) DPU is significantly higher than the initial forecast due to continuous cost-reduction efforts

- (32nd Initial Forecast) 3,084 yen ⇒ (32nd Actual Result) 3,282 yen (+6.4%)
- (33rd Initial Forecast) 3,165 yen ⇒ (33rd Latest Forecast) 3,260 yen (+3.0%)

(3) Increase pipeline significantly due to progress in collaborative projects with the sponsor (KKR)

(4) Steady progress in redevelopment and renovation projects for existing properties

- IIF Narashino LC I (amount of investment : JPY 5.1 bn) : Redevelopment PJ for BTS-type logistics facility by using bridge scheme
- IIF Okazaki MC (amount of investment : JPY 0.4 bn) : Value-up PJ through additional acquisition of building and renovation

Continuous enhancement of unitholders' value and further reinforcement in stability

Completed Acquisitions of Properties to Contribute to Continuous Enhancement of Unitholders' Value

		Jan. 2023 FP (31st FP)	July 2023 FP (32nd FP) <small>(Note)</small>
Asset	Number of properties	74 properties	77 properties
	Total Acquisition price	JPY 378,996 mn	JPY 388,833 mn
	Total Appraisal value	JPY 469,582 mn	JPY 480,438 mn
	Total Unrealized gain	JPY 92,113 mn	JPY 95,631 mn
Debt	LTV (based on Book value)	49.3%	49.0% (-0.3pt)
	LTV (based on Appraisal value)	40.5%	40.1% (-0.4pt)
Equity	NAV per unit	JPY 133,322	JPY 134,995 (+1.3%)

(Note) For each indicator for the July 2023 FP (32nd FP), figures are based on the assumption that all interests of IIF Kobe LC are sold and a new building after redevelopment of IIF Atsugi LC III is acquired. The same shall apply hereinafter.

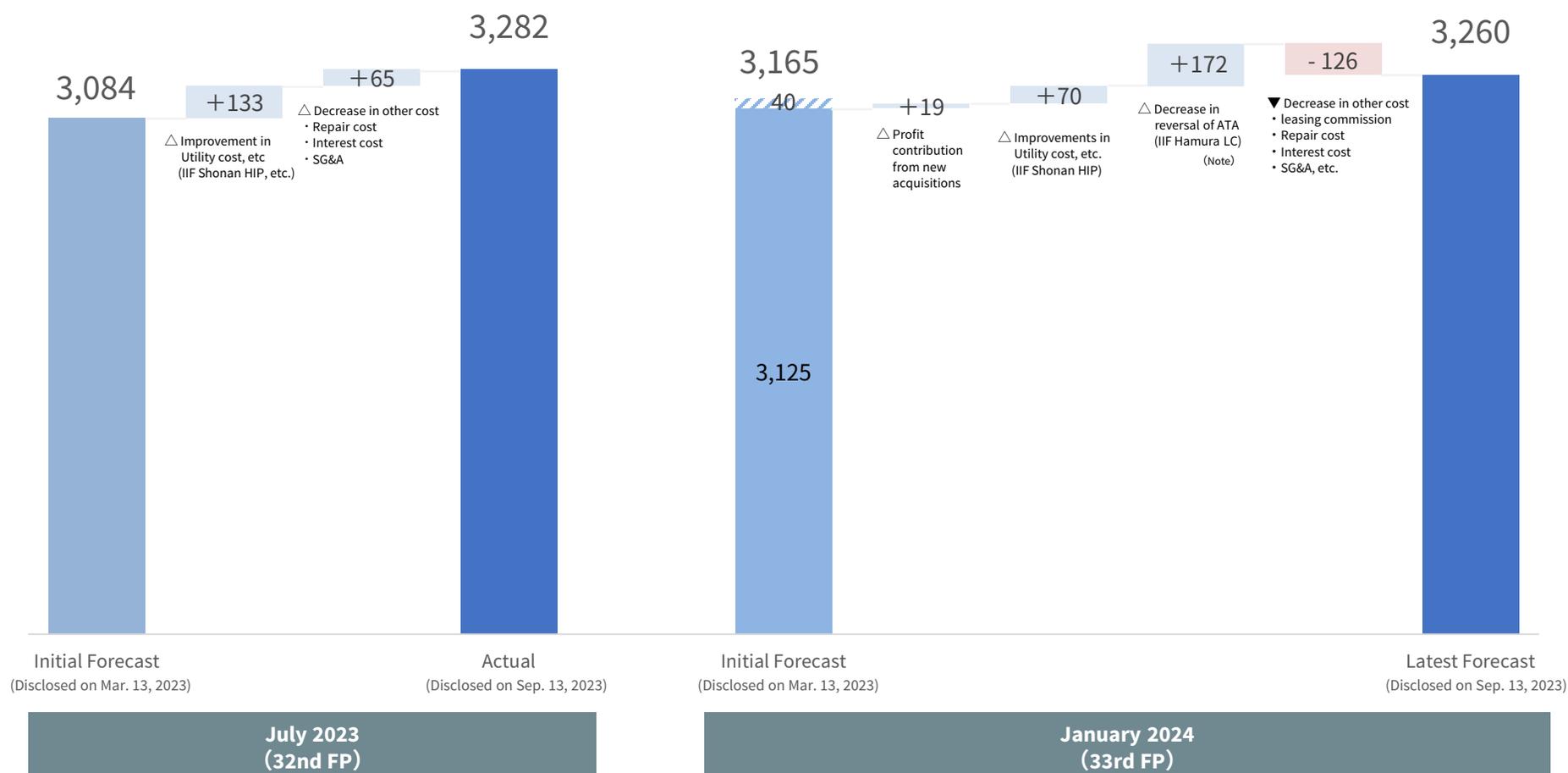
2. Continuous Growth of the Unitholders' Value : DPU Forecast



Changes in DPU for the 32nd fiscal period and the 33rd fiscal period

Changes in DPU

(JPY per unit)

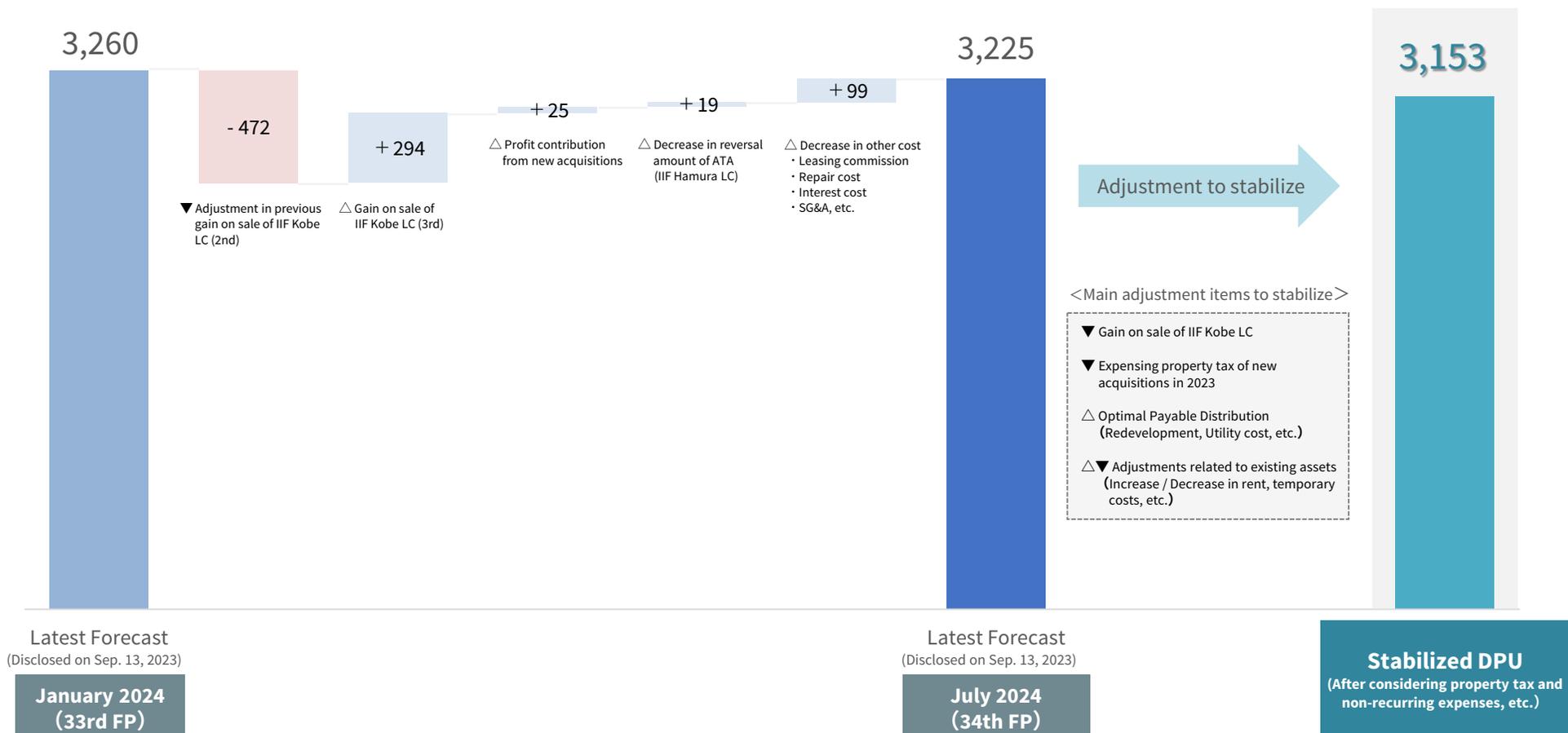


※For the details of the footnote, please see page 35~36.

Changes in DPU from the 33rd fiscal period to the 34th fiscal period, and stabilized DPU

Changes in DPU

(JPY per unit)

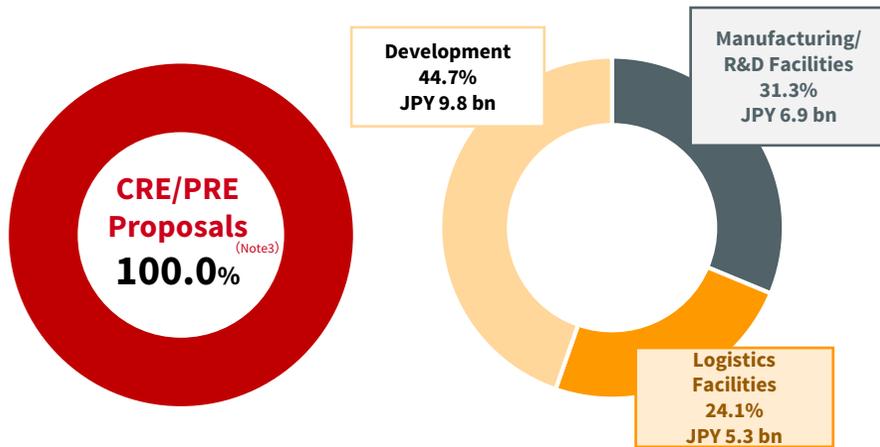


Summary of the 11th PO and Asset disposition

(1) The 11th public offering

Summary of the New acquisitions

New acquisitions	Number of properties	Total acquisition price
	6 properties	JPY 22.0 bn
Profitability <small>(Note1)</small>	Average Appraisal NOI Yield	Average Appraisal NOI Yield After Depreciation <small>(considering continuous surplus cash distribution)</small>
	5.5%	3.9% (4.3%)
Aggregate of Unrealized Gain/ Average Ratio of Unrealized Gain <small>(Note2)</small>	Aggregate	Average Ratio of Unrealized Gain
	+JPY 5.56 bn	+25.2%



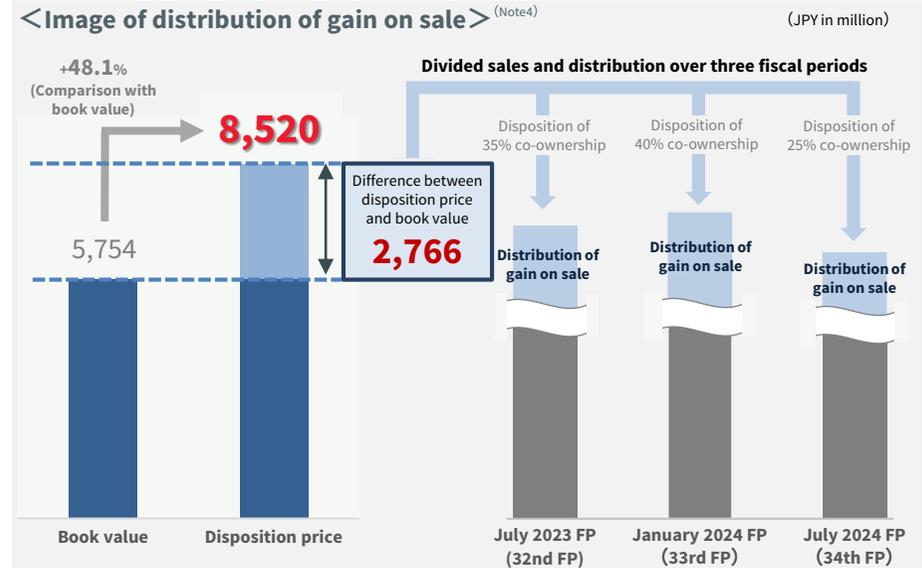
(Based on the Acquisition Price)

(2) Asset disposition : IIF Kobe Logistics Center



Background of the Disposition

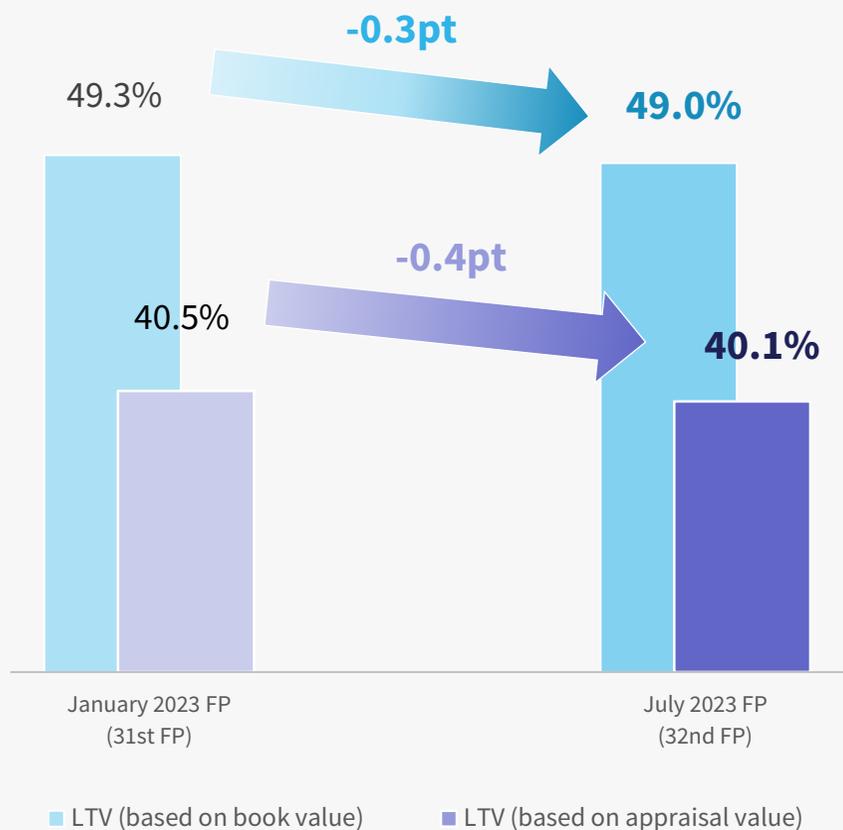
- Decided to dispose of the property early based on a comprehensive analysis of the impact on our portfolio.
- Divided sales and distribution over three fiscal periods will contribute to stabilizing the level of distributions.



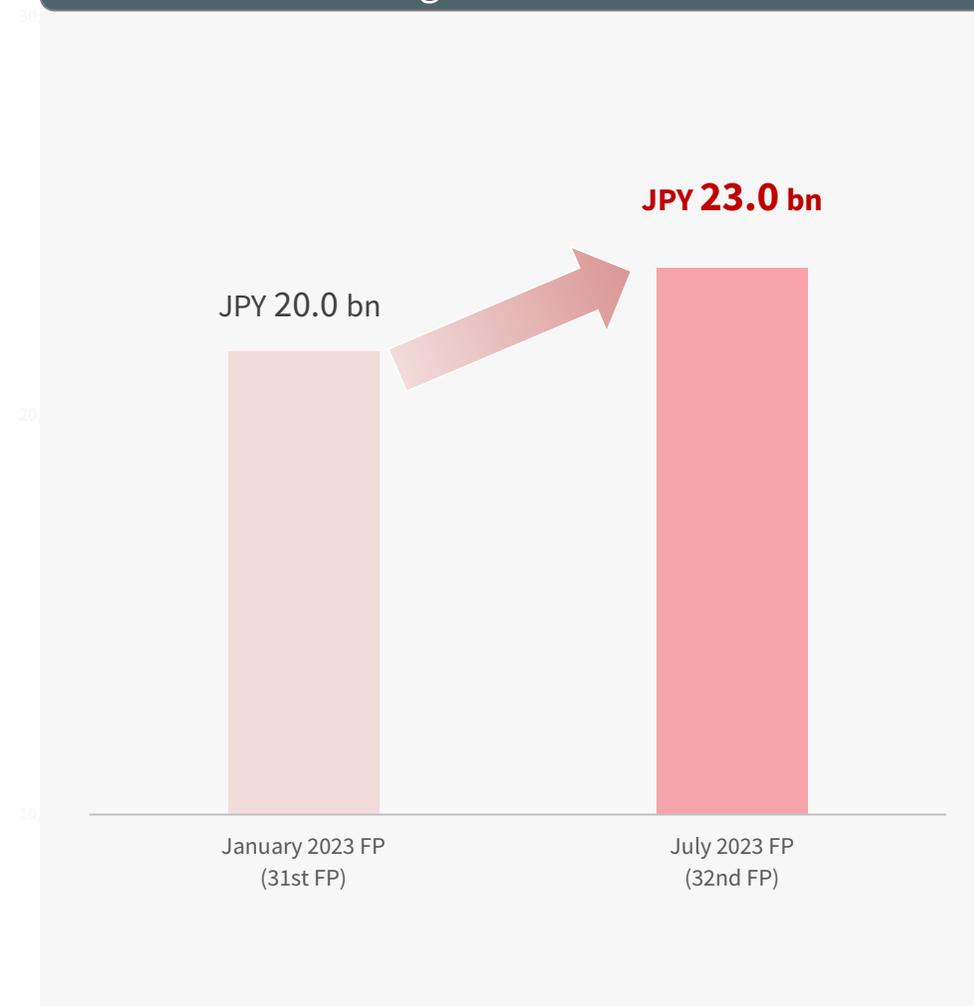
Reduce LTV and increase free-cash through public offering and asset disposition

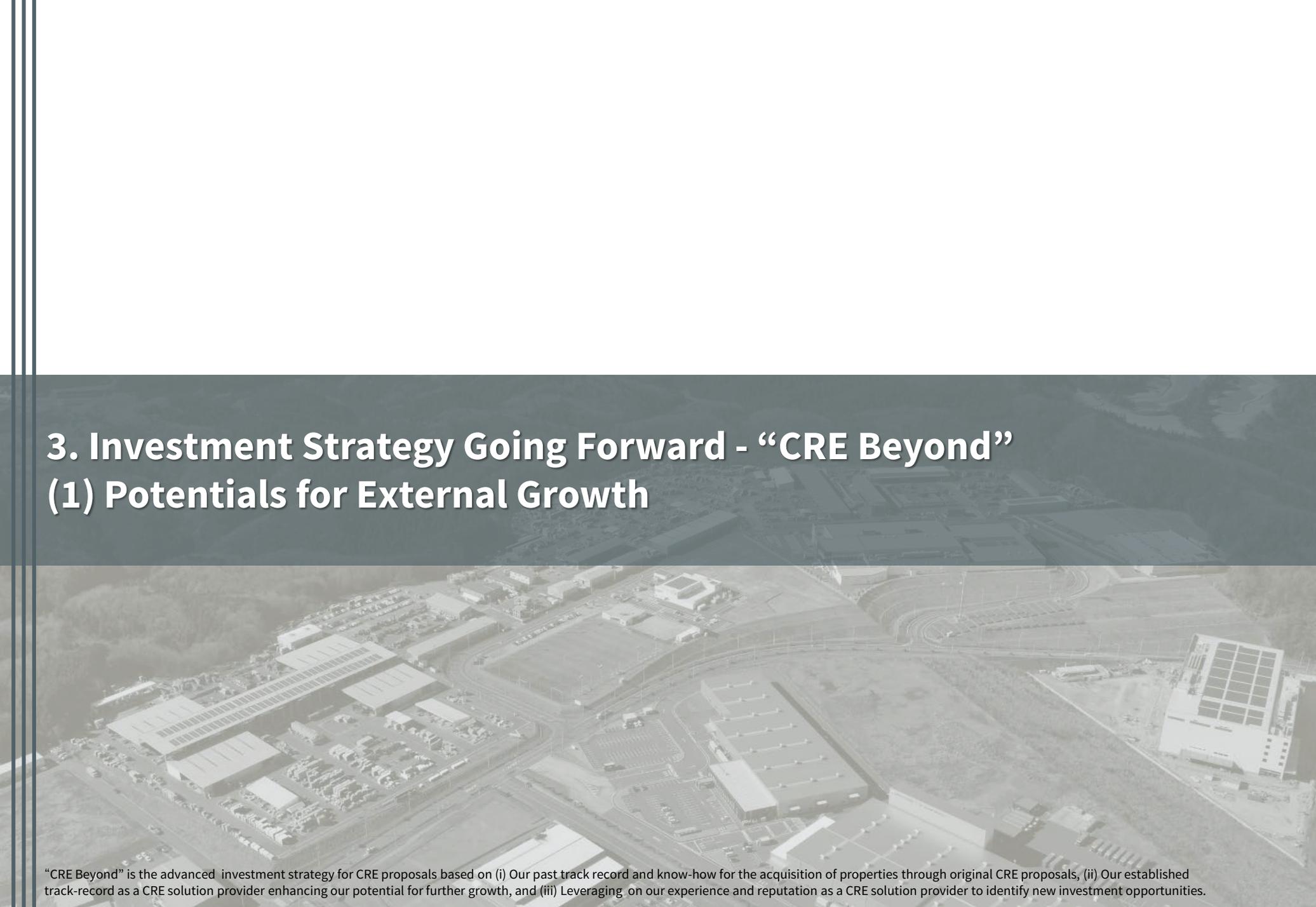
Secure investment capacity for future growth

Changes in LTV ^(Note1-2)



Changes in Free-cash ^(Note3)





3. Investment Strategy Going Forward - “CRE Beyond” (1) Potentials for External Growth

“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.

Expand investment strategy to meet changing investment needs in industrial property

Expand acquisition opportunities by engaging actively in sponsor carve-out deals while continuing the current investment strategy

Environment surrounding the manufacturing industry

- Increased return of manufacturing industries to Japan
- Progress on investments in key industries (e.g. semiconductors)
- Request to improve capital efficiency in response to the "P/B ratio below 1x" problem.

Needs for investment in industrial property

- Growing demand for logistics due to inventory holding needs in the manufacturing sector
- Investment restraint and renovation needs accompanied by soaring construction costs
- P/L control and needs for securing cash
- Needs for selling non-core businesses and assets

Expansion of investment opportunities through sponsor support

- Obtain opportunities for CRE proposals to KKR's portfolio company
- Utilize the sponsor's unique resources regarding not only in PE investment but also in real estate, infrastructure, finance, etc.

Investment Strategy of IIF

① Property acquisition through CRE / PRE proposals



IIF Totsuka TC
(Land with leasehold interest)



IIF Shin-Kawasaki R&DC



IIF Atsugi MC



IIF Ota MC

② Inclusion of diversified asset class

(Logistics, R&D center, Manufacturing, Life science center., etc.)



IIF Haneda Airport MC



IIF Mitaka CC



IIF Ichihara MC
(Land with leasehold interest)



IIF Shonan HIP

③ Approaches to development projects

(Off-balance or On-book development, Extension of building, Renovation., etc.)



IIF Kawasaki SC



IIF Gifu Kagamigahara LC



IIF Yokkaichi LC
(New building)



IIF Atsugi LC III



④ CRE proposals for carve-out deals by KKR

Significant increase in pipeline through rapid increase in collaborative projects with sponsor

■ Pipeline Status

Total number of properties under consideration	79 properties
Total value of properties under consideration	JPY 507.0 bn

Number of properties currently under detailed consideration

53 properties

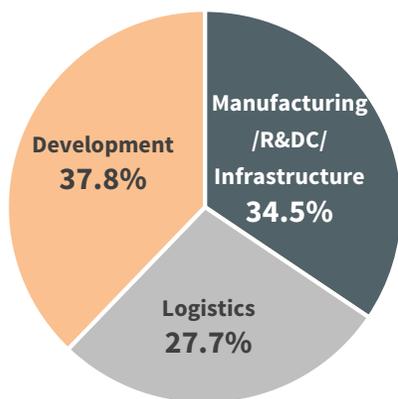
■ Status of projects with sponsor

State of progress

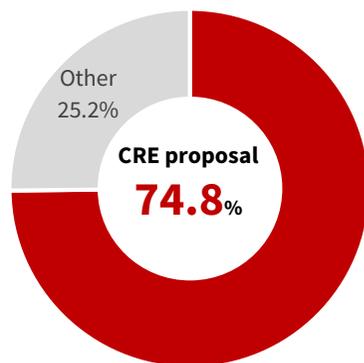
- Promote redevelopment projects for portfolio companies of the sponsor
- Negotiate to acquire assets through new carve-out deals by working with the sponsor
- Initiate introduction of CPI-linked rent, etc. in long-term lease contracts to hedge future inflation
- Consider acquisition of various development and income-generating projects in cooperation with the sponsor

Breakdown of deals under detailed consideration (excluding supported projects by sponsor)

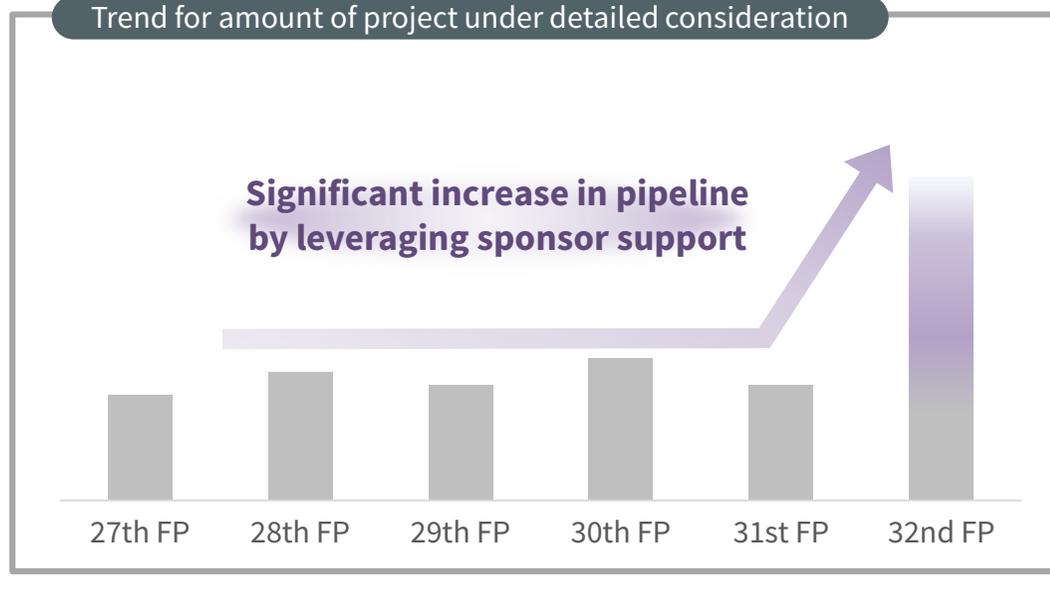
By Asset class (based on price)



By source (Based on price)



Trend for amount of project under detailed consideration



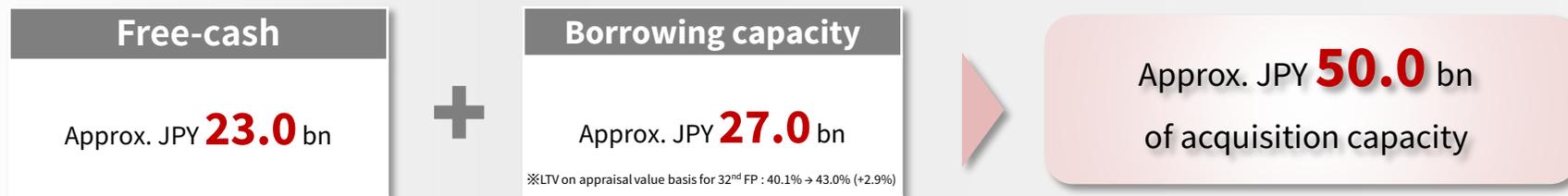
(Note) The pipeline includes redevelopment projects for existing properties.

(Ref.) Utilize various methods to acquire growing pipeline

Promote flexible property acquisitions in addition to equity finance while assessing the capital market environment

► Utilize acquisition capacity for external growth

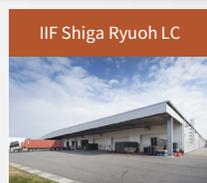
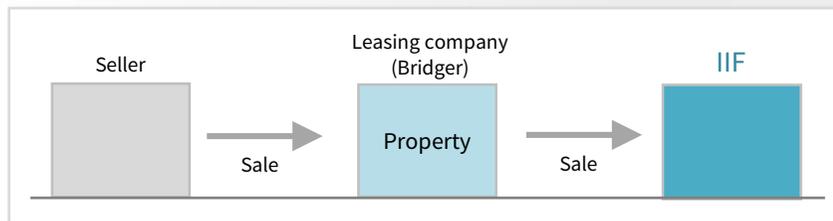
► Acquisition of properties using free-cash and debt



► **Bridge structure** (• Suitable for short-to-medium term warehousing before acquisition by IIF
• Possible reduction of acquisition price in the future by holding for a certain period)

(1) Bridge scheme using third party

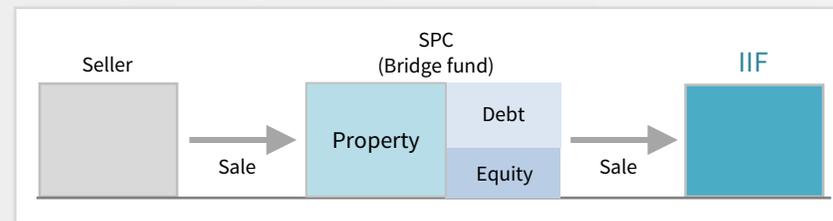
► Bridge schemes using major leasing companies, e.g.



(Key Cases)

(2) Bridge fund

► Bridge scheme through silent partnership investment in SPCs assuming future acquisition, e.g.



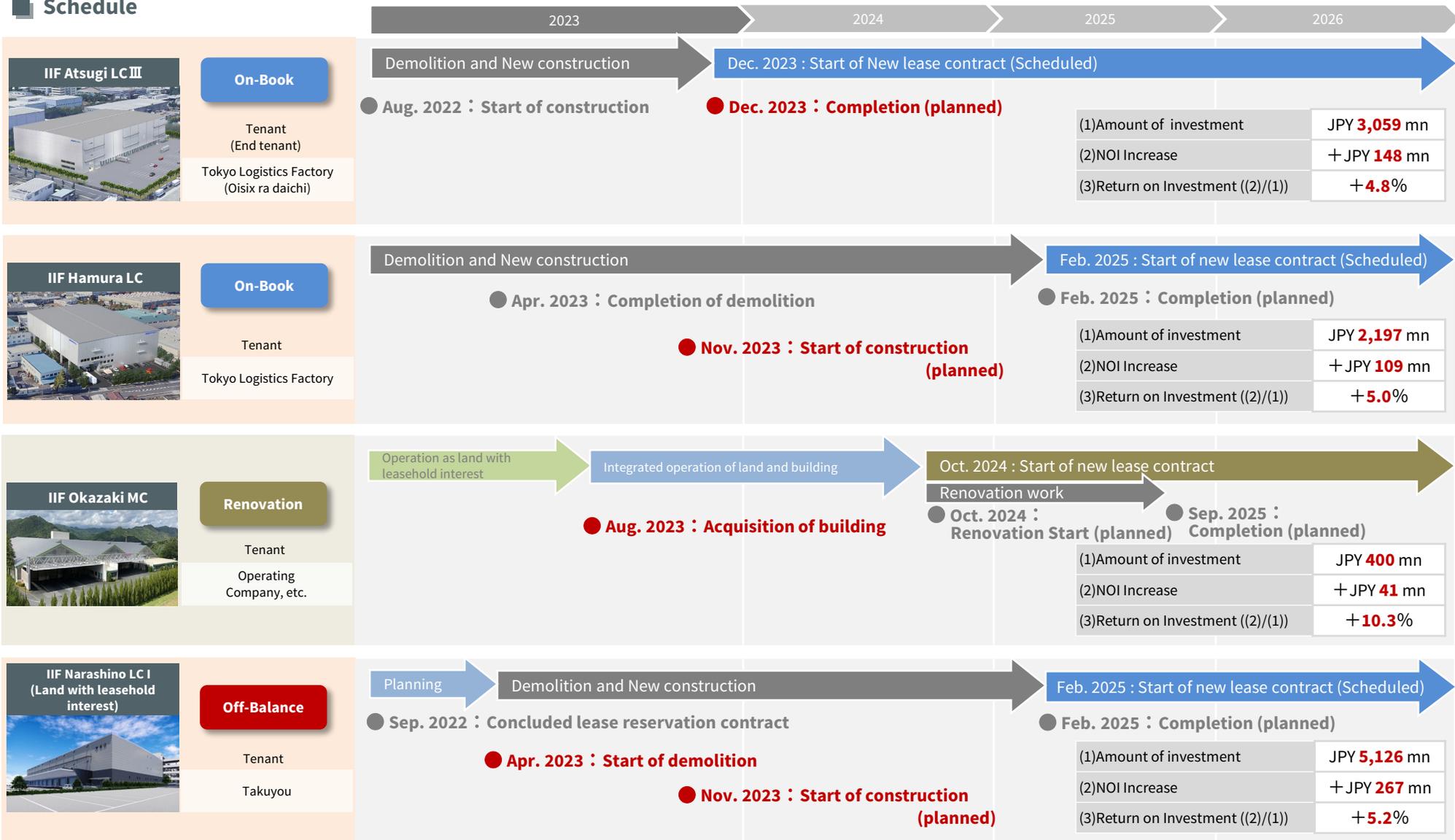
(Key Cases)

3. Investment Strategy Going Forward - “CRE Beyond” (2) Status of Redevelopment projects, etc

“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.

Promoting redevelopment projects while controlling construction costs

Schedule



※The amount of investment, NOI increase and Return on investment of each property in a development project are estimates as of the date of this document and are not a guarantee of their realization. They may change in the future due to changes in the plans for each development.

Redevelopment : IIF Narashino Logistics Center I (Land with leasehold interest)

Demolition work is completed and new construction begins

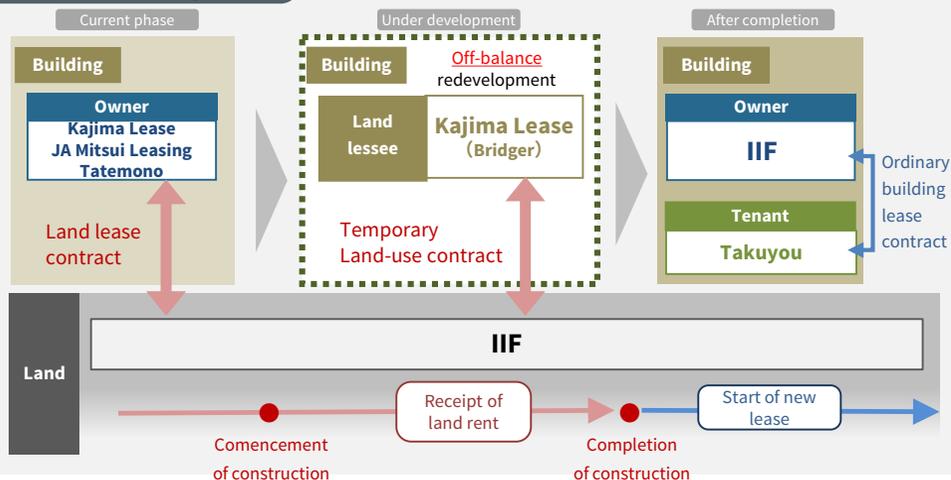
Summary of Project



Key points

- Development of BTS-type logistics facility to meet a major logistics company's need for a new operation base.
- Signed long-term lease reservation contract (15-year contract term / 10-year non-cancelable period) with the tenant.
- Maintain profitability during the development period through redeveloping through using the bridge scheme.

Scheme image



Key Indices

Before Redevelopment



※IIF owns land with leasehold interest only

After Redevelopment



	Before Redevelopment (Land with leasehold interest)	After Redevelopment (Land and Building)
Anticipated acquisition price <small>(Note1)</small>	JPY 1,190 mn	JPY 6,371 mn
Appraisal Value (Survey Value) <small>(Note2)</small>	JPY 1,950 mn	JPY 8,610 mn (+ JPY 6,660 mn)
Unrealized gain (Ratio) <small>(Note3)</small>	JPY 760 mn (+63.9%)	JPY 2,238 mn (+35.1%)
Total floor area <small>(Note4)</small>	—	27,614.58m²
Annual NOI <small>(Note5)</small>	JPY 68 mn	JPY 336 mn (+JPY 267 mn)
NOI yield / NOI yield after depreciation <small>(Note5)</small> <small>(Considering continuous surplus cash distribution)</small>	5.7% / 5.7%	5.3% / 3.9% (4.3%)
Contract term	22.0 years (Remaining for 0.1years)	15.0 years (Non-cancelable for 10 years)

※For the details of the footnotes, please see page 35~36.

Renovation : IIF Okazaki Manufacturing Center

Grasp end-tenants' contract expiry dates and make value-up investments to increase profitability and asset value.

Property overview



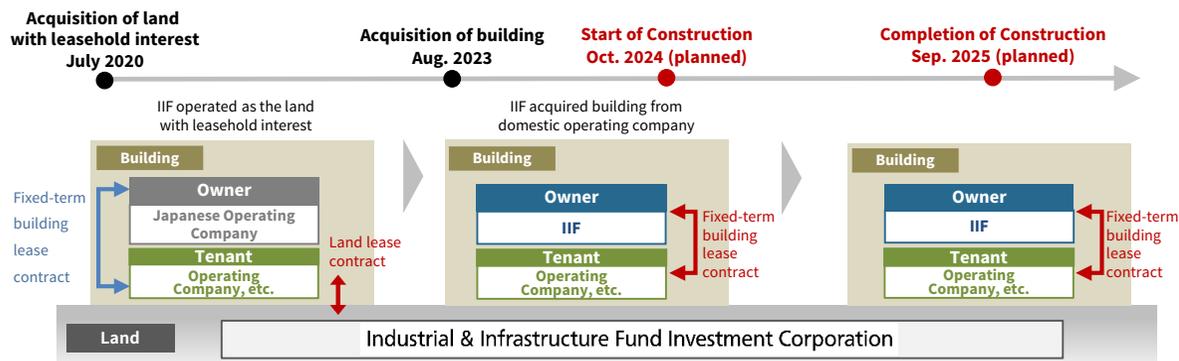
< Located in industrial cluster close to Okazaki-Higashi IC >



Background of Renovation

- A factory in an exclusive industrial area with rare availability close to the Okazaki Higashi IC on the New Tomei Expressway, located in the Nishi-mikawa region of Aichi Prefecture, which boasts a strong industry cluster within Japan.
- Aiming to improve profitability and stability by acquiring adjacent buildings and implementing renovation works such as seismic reinforcement, etc.
- Received intention from several remaining tenants to renew the leasing contract, as well as confirmed intentions to re-lease from other tenants within the existing zone.

Scheme Image



Changes in key indicators before and after renovation

	Before Renovation (Land with leasehold interest)	After Renovation (Land and Building)
Acquisition price	JPY 3,930 mn	JPY 3,933 mn
Appraisal value <small>(Note1)</small>	JPY 4,330 mn	JPY 4,770 mn <small>(+JPY 440 mn)</small>
Annual NOI <small>(Note1)</small>	JPY 191 mn	JPY 232 mn <small>(+JPY 41 mn)</small>
NOI yield <small>(Note2)</small>	4.9%	5.9%
NOI yield after depreciation <small>(Note2)</small>	4.9%	5.1%

<Total investment amount: JPY 400mn>
 • Building : JPY 2.5mn
 • Renovation cost, etc. : JPY 397.5mn

※For the details of the footnotes, please see page 35~36.

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).

Continuous communication with key tenants

Distribution of lease expiration periods (Annual rent basis)

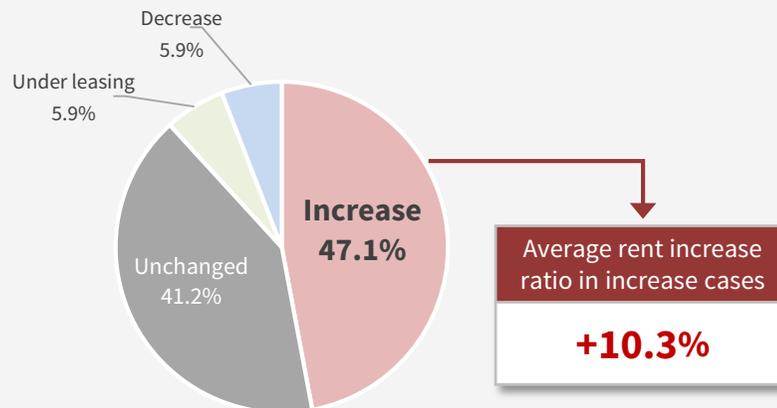
Diversification of lease agreements expiration periods (Note1)
(Annual rent basis)

(Rent income contribution in the entire portfolio)



Rent revisions of lease contract expired recently (Note2)

(17 Properties reaching contract expiration between 31st FP and 34th FP)



(Rent increase cases)



Response to key tenants facing lease expiration in the future

	Lease Expiry	Property name	Tenant	Achievement / Action Plans	
Jan. 2024 FP (33rd FP)	Sep. 30, 2023	IIF Akishima LC	Tokyo Logistics Factory	Automatically renewed with existing tenant with a new lease term of 5 years.	Concluded
July 2024 FP (34th FP)	June 6, 2024	IIF Kobe DHC	Osaka Gas	Signed a fixed-term building lease agreement for lease term of 10 years with existing tenant.	Concluded
Jan. 2025 FP (35th FP)	Oct. 30, 2024	IIF Yokohama Tsuzuki R&DC	INES Corporation	Early cancellation of lease contract at the end of October 2024. Currently under leasing activity.	In progress

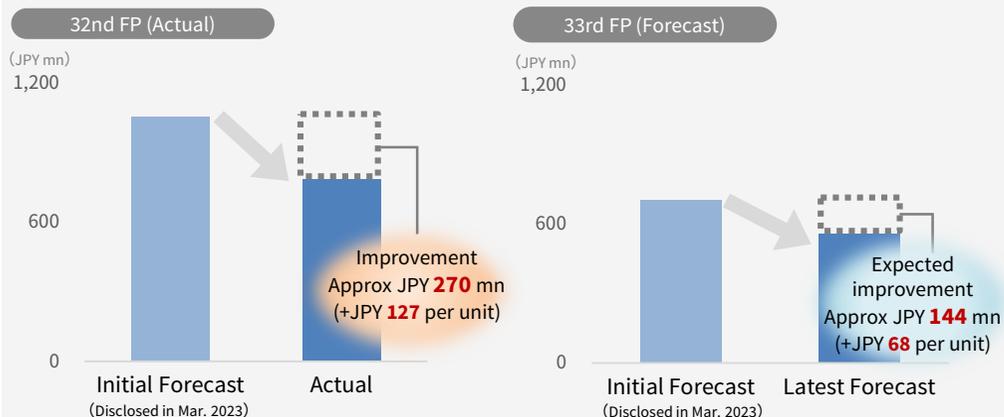
※For the details of the footnotes, please see page 35~36.

Operation and Management at IIF Shonan Health Innovation Park

■ Status of measures to improve future profitability and stability.

■ Utility costs at IIF Shonan HIP

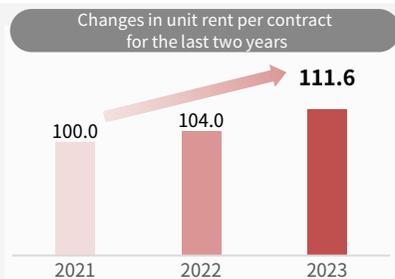
- The major tenant has borne the utility costs for the entire facility multiplied by ratio of area used by the major tenant (64.5%) since April 2023.
- Reduced utility costs substantially through use of pass-through structure, decrease in unit price of utility, review of utility usage, etc.
- Planning to negotiate with other tenants at the time of the next contract renewals, etc.



※The improvement amount and expected improvement amount are the difference between utilities received and utilities paid.

■ Leasing of vacant plots (Note)

- Termination occurred in some lease areas of direct contract tenants other than Takeda Pharmaceuticals.
- Contracted rents have been increasing over the last two years
- Confirmed demand from potential tenants for lease areas to be identified, therefore, lease up as soon as possible



※For the details of the footnote, please see page 35~36.

■ Initiated various measures to utilize the surplus site of the facility.

- Consideration of expansion to take advantage of large unused floor space and building coverage

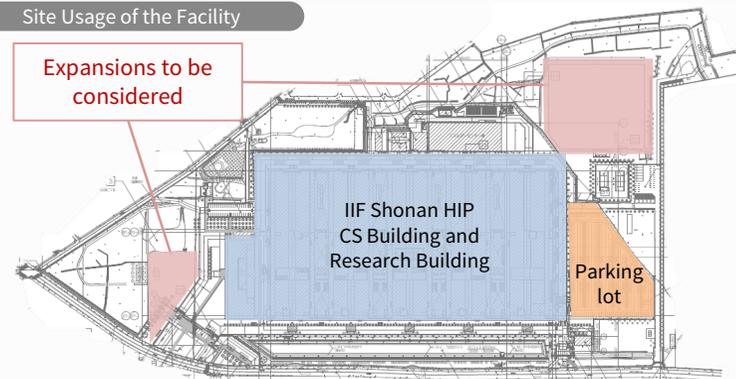
<Outline of the facility>

- (Land area) 220,356.28m² (Total floor area) 298,435.64m²
 ※ 【Designation】 building-to-land ratio : 60%, Floor area ratio : 200%
【Current status】 building-to-land ratio : 29%, Floor area ratio : 118%
- With development demand for new business centers by several companies focusing on the “Life science ecosystem”, a strong feature of this facility, and heightened needs for office expansion, etc. amidst an increasing number of tenants, currently initiated an assessment on the facility expansion project.

Exterior View of the Facility



Site Usage of the Facility



An aerial photograph of a large industrial facility, likely a factory or warehouse. The building is a long, rectangular structure with a flat roof and several large windows. In front of the building is a large parking lot with several cars and trucks. The surrounding area includes trees and other industrial buildings. The image is overlaid with a semi-transparent dark grey rectangle containing the text.

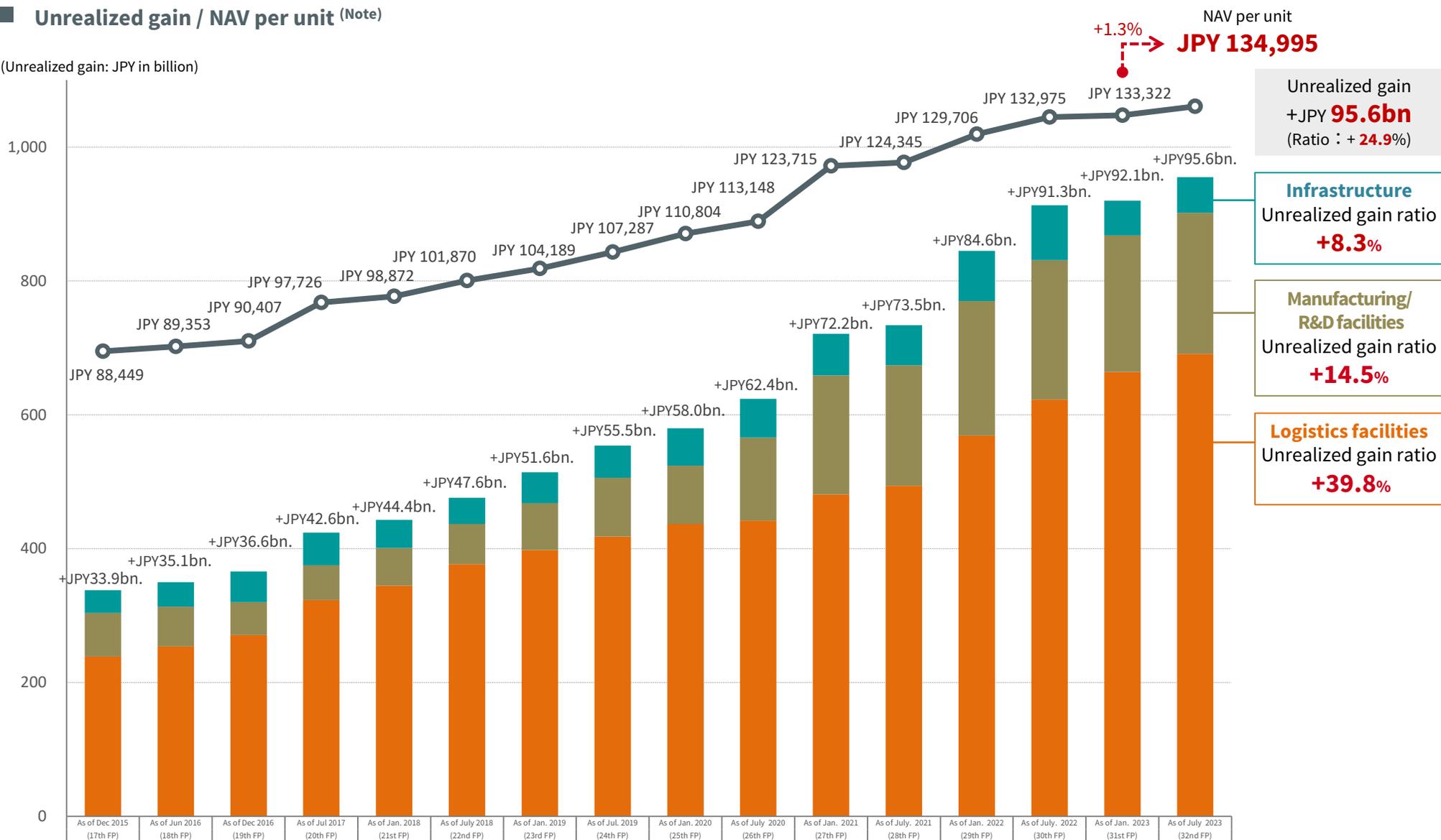
4. Current Status of Operations and Initiatives Going Forward (2) Financial Strategy: “ALM”

“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 increased to JPY 95.6 billion (unrealized gain ratio +24.9%)

■ Unrealized gain / NAV per unit (Note)

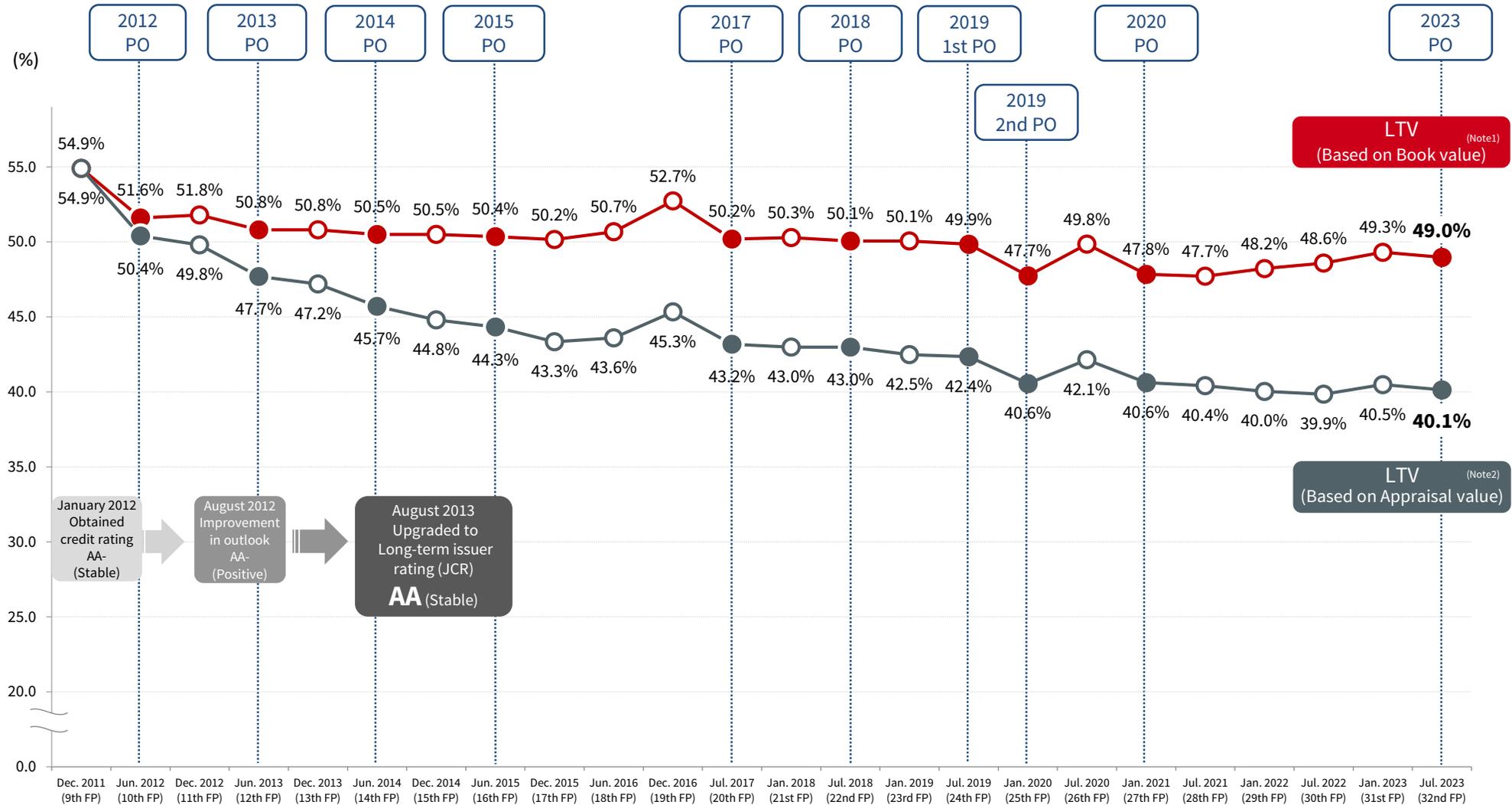
(Unrealized gain: JPY in billion)



※For the details of the footnote, please see page 35~36.

Decrease in LTV following continuous public offerings

Historical LTV



※For the details of the footnotes, please see page 35~36.

Control interest costs while diversifying repayment maturity

Reducing interest costs even in a phase of rising interest rate

<Status of Finance> (From Feb. 2023 to July 2023)

Total Repayment	
Amount	JPY 11.8bn.
Average borrowing period	7.6years
Average interest rate	1.18%

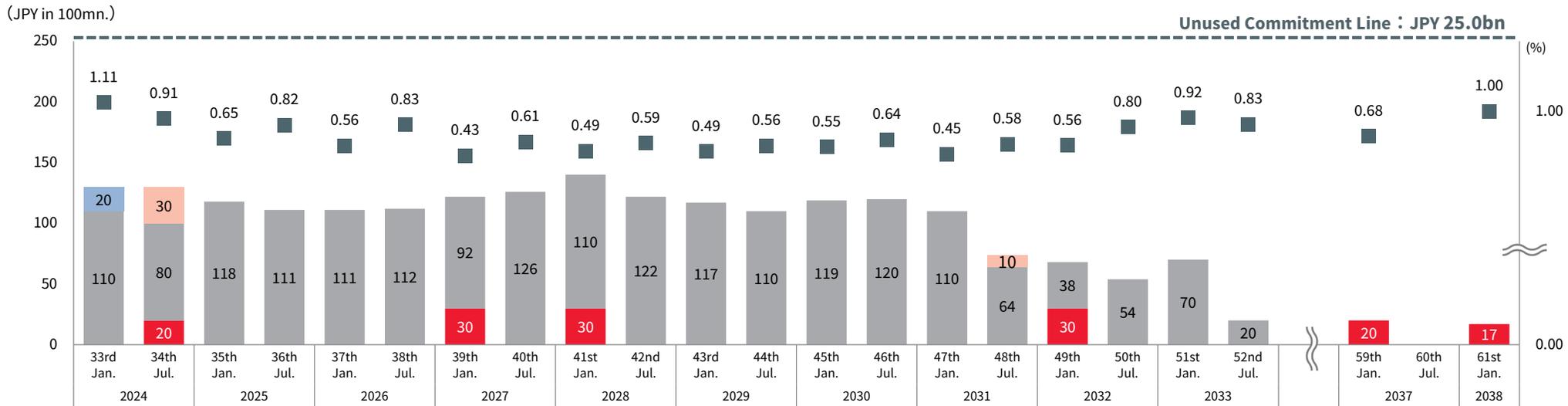
Total Refinance	
Amount	JPY 11.8bn.
Average borrowing period	5.1 ^(Note) years
Average interest rate	0.63 ^(Note) % (-0.55pt.)

<Key Indices>

	Jan. 2023 (31st FP)	July 2023 (32nd FP)
Issuer's long-term credit rating (JCR)	AA(stable)	AA (stable)
LTV (Based on Book value)	49.3%	49.0%
LTV (Based on Appraisal value)	40.5%	40.1%
Average borrowing period	9.3years	9.0 years
Average interest rate	0.69%	0.66% (-0.03pt.)

Maturity ladder and weighted average interest rate (as of July 31, 2023)

■ New Borrowings (left axis)
 ■ Short-term borrowings (left axis)
 ■ Long-term borrowings (left axis)
 ■ Investment corporation bonds (left axis)
 ■ Weighted average interest rate (right axis)



※For the details of the footnote, please see page 35~36.

5. ESG Initiatives



Proactive acquisition of external certification

■ First Participation in CDP (Carbon Disclosure Project) Climate Change Program by IIF



Participated in the CDP Climate Change Program for the first time in 2022
Received “A-” score, the highest “Leadership” level

■ EcoAction 21 Certification and Registration



Completed certification and registration procedures of EcoAction 21, the environment management system formulated by the Ministry of Environment in January 2023

■ GRESB Real Estate Assessment



Designated as “**Four Stars**”
Rated as “A” in the GRESB Public Disclosure Level evaluation for 5 consecutive years

■ BELS Certification

18 properties have received the certification as of July 31, 2023



■ CASBEE for Real Estate Certification

21 properties have received the certification as of July 31, 2023



■ DBJ Green Building Certification

5 properties have received the certification as of July 31, 2023



DBJ Green Building Certified Properties	
IIF Hiroshima LC	IIF Kobe LC
IIF Tosu LC	IIF Koshigaya LC
IIF Noda LC	

Acquired Validation from SBTi (Science Based Targets initiative)



Acquired **Validation from SBTi** based on new GHG reduction targets in Feb.2023

New GHG reduction targets

- Reduce absolute Scope 1+2 emissions by 42% by 2030 compared with 2021
- Aim for net zero emissions of GHG across the entire value chain by 2050

Acquired ResReal certification (Flood damage assessment category)

■ What is ResReal (Resilience of Real estate) ?

- The certification system quantifies and visualizes the resilience of real estate against natural disasters.
- Assesses the resilience of real estate for each natural disaster, such as floods (external and internal flooding), earthquakes, tsunamis, storm surges and landslides.



■ SILVER rating (Flood damage assessment category) at Shinagawa DC and Kawasaki SC



<Assessment point>

- Site security/facility back-up**
- No risk of external flooding
 - Openings/emergency generators located above the flood level of internal flooding
- Building functionality and safety**
- No risk of internal flooding
 - Design to prevent flooding from external flooding protects critical facilities such as fire protection equipment.

Recent ESG Initiatives

Social Activity

Working with local communities at IIF Shonan HIP



Overview of event

Shonan i Park Festa

【Date】 May 27, 2023 (Sat.) 10 am-5 pm 【Location】 Shonan HIP (Free admission)
 【Organisator】 i Park Institute Co. 【Supportor】 Fujisawa-city, Kamakura-city

Purpose and content of the event

- 7,000 visitors came to experience science with researchers from resident companies.
- Shonan i Park (IIF Shonan HIP), one of the largest life science research facilities in Japan, was opened to the public and a number of events were held to bring science closer to local people, including science experiences by resident companies, science shows and dance performances.



- ◆ At the "Science Experience" booth, Shonan i-Park community of companies and researchers introduced some of the research they are conducting, and offered hands-on observation and operation programs.

Source: Shonan iPark website (Event Report June 30, 2023)

Execution of IIF's first social loan

- Borrowed JPY 4.0 bn. as a social loan under the Social Finance Framework to acquire IIF Ota MC, the Eligible Social Project

“Measures in Support of Regional Economic Development from the Perspective of Real Estate Investment (PRE)”



Site secured for human resource development and succession of technologies to promote industry over the medium- to long-term

“Cooperation with J-REIT as a long-term ownership”

Securing high profitability over the medium term Supporting local economy development

The property is the Eligible Social Project that meets the Eligibility Social Criteria of **“Facilities for job creation and development of regional economies through industrial promotion, etc”** out of the five eligibility criteria in the Framework



(Reference) Eligible Social Projects/Debt of Eligible Social Projects after the execution of the Social Loan (Estimated)



Initiatives Engaged by KJRM Group

■ Principles for Responsible Investment (PRI)

Principle to incorporate ESG perspectives into the investment decision-making process aiming to improve long-term achievements received for beneficiaries

Signatory of:



Signed in August 2013 (1st among J-REIT asset managers)

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

Principles for action for financial institutions who are willing to assume responsibility and roles to shape a sustainable society suggested by the Ministry of Environment



Signed in June 2013

■ Japan Climate Initiative (JCI)

Initiatives joined by companies, municipalities, associations and NGOs in support of JCI's declaration "Joining the front line of the global push for decarbonization from Japan"



Participated in May 2020

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

Suggestion on disclosure of business risks and opportunities caused by medium to long-term climate change, their impact on financial status and specific measures and strategies to address them



Declared support in August 2019 (1st among J-REIT asset managers)

■ United Nations Global Compact (UNGC)(※)

Voluntary initiatives to participate in the global framework to realize sustainable growth centered around the 10 principles in the 4 sections: "Human Rights", "Labor", "Environment" and "Anti-Corruption"



Signed in October 2016 (1st among J-REIT asset managers)

※ The Asset Manager has agreed upon the Corporate Sustainability Initiative set by the United Nations Global Compact as well as the principles regarding "Human Rights", "Labor", "Environment" and "Anti-Corruption" since 2016.

■ Endorsement of Advance

Signed as an endorser to "Advance", established by PRI. The initiative aims to make positive impacts on workers, communities and society by investors taking action on human rights and social issues.

Signed in December 2022



6. Operating Results for the July 2023 (32nd) Fiscal Period and Earnings Forecast for the Jan. 2024 (33rd) and the July 2024 (34th) Fiscal Periods



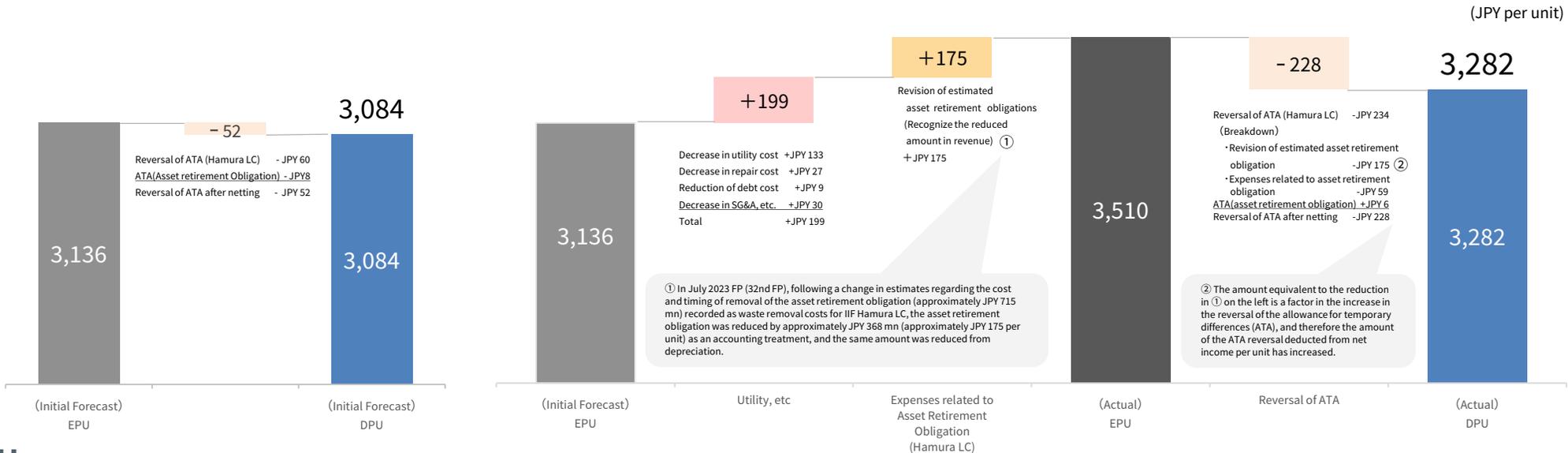
Distribution in excess of profit^①

Breakdown of distributions in excess of profit in the 32nd FP

	Distribution type	Subject	Description	Amount of each description (JPY per unit)				Distribution amount (JPY per unit)	
				Actual		Initial plan		Distribution amount (JPY per unit)	
July 2023 (32nd FP)	Optimal Payable Distribution (return of invested capital)	Atsugi LCⅢ	Decrease in revenue during development (JPY 34)	34		34	404		
		Hamura LC	Decrease in revenue during development (JPY 9)	9		9			
		Shonan HIP	Excess utility cost (JPY 168) (※equivalent to excess from initial budget JPY 873mn) Excess OPEX (JPY 0) (※No excess from JPY 750mn per FP)	168		294			
		Reversal of ATA	Reversal due to tax discrepancy related to asset retirement obligation, etc. (JPY 51)	51		52			
	Surplus Cash Distribution (return of invested capital)	Yokkaichi LC (New building)	Equivalent to 30% of the depreciation expense of 73 million yen arising from the new building (JPY 10)	10		10	-	To make ATA reversal of JPY 228 equivalent to the amount deducting ATA reversal of JPY 234 from ATA distribution JPY 6.	0
		Shiga Ryuoh LC	Equivalent to 30% of the depreciation expense of 26 million yen arising from the new acquisition (JPY 3)	3		3			
	Temporary distribution in excess of profit (ATA) (For discrepancies between tax and accounting)	Hamura LC	Decrease in ATA distribution due to ATA reversal (JPY 234) Increase in amortization expense due to recognition of asset retirement obligations for properties with asbestos (JPY 6)	-228	-228	-	-		

Initial DPU forecast for the 32nd FP

Distribution in excess of profit for the 32nd FP



Distribution in excess of profit^②

Breakdown of distributions in excess of profit in the 33rd FP and 34th FP

	Distribution type	Subject	Description	Amount of each description (JPY per unit)				Distribution amount (JPY per unit)	
				Recent		Initial plan			
Jan.2024 (33rd FP)	Optimal Payable Distribution (return of invested capital)	Atsugi LCⅢ	Decrease in revenue during development (JPY 10)	10	242	10	513	In light of distribution level considering gain on sale of Kobe LC (2nd gain on sale), neither optimal payable distribution nor surplus cash distribution shall be made (estimate). (Reference) To implement no distribution because the gain on sale (JPY 472) exceeds the amount subject to distribution in excess of profit (JPY 242).	0
		Hamura LC	Decrease in revenue during development (JPY 9)	9		33			
		Shonan HIP	Excess utility cost (JPY 123) (※equivalent to excess from initial budget JPY 953 mn.) Excess OPEX (JPY 0) (※No excess from JPY 750mn. per FP)	123		193			
		Reversal of ATA	Reversal due to tax discrepancy related to asset retirement obligation, etc. (JPY 84)	84		257			
	Surplus Cash Distribution (return of invested capital)	Yokkaichi LC (New building)	Equivalent to 30% of the depreciation expense of 73 million yen arising from the new building (JPY 10)	10		10			
		Shiga Ryuoh LC	Equivalent to 30% of the depreciation expense of 30 million yen arising from the new acquisition (JPY 4)	4		4			
		Atsugi LCⅢ (Redevelopment)	Equivalent to 30% of the depreciation expense of 40 million yen arising from the new acquisition (JPY 2)	2		6			
July 2024 (34th FP)	Optimal Payable Distribution (return of invested capital)	Hamura LC	Decrease in revenue during development (JPY 9)	9	195	—	—	In light of distribution level considering gain on sale of Kobe LC (3rd gain on sale), neither optimal payable distribution nor surplus cash distribution shall be made (estimate). (Reference) To implement no distribution because the gain on sale (JPY 294) exceeds the amount subject to distribution in excess of profit (JPY 195).	0
		Shonan HIP	Excess utility cost (JPY 159) (※equivalent to excess from initial budget JPY 873 mn.) Excess OPEX (JPY 7) (※No excess from JPY 750mn. per FP)	166		—			
	Surplus Cash Distribution (return of invested capital)	Yokkaichi LC (New building)	Equivalent to 30% of the depreciation expense of 73 million yen arising from the new building (JPY 10)	10		—			
		Shiga Ryuoh LC	Equivalent to 30% of the depreciation expense of 31 million yen arising from the new acquisition (JPY 4)	4		—			
		Atsugi LCⅢ (Redevelopment)	Equivalent to 30% of the depreciation expense of 40 million yen arising from the new acquisition (JPY 6)	6		—			
	Temporary distribution in excess of profit (ATA) (For discrepancies between tax and accounting)	Existing properties	Increase in amortization expense due to recognition of asset retirement obligations for properties with asbestos (JPY 19)	19		19			

※ Amounts subject to distribution in excess of profit (JPY per unit) are rounded down to the nearest yen, so totals may not match the sum of each item.

(Note) Regarding the asset retirement obligations of Hamura LC, the asset retirement obligations that were recorded as waste removal costs at the end of the 32nd fiscal period have been changed concerning the removal costs and timing of removal. In the 33rd fiscal period, the ATA reversal related to the elimination of asset retirement obligations at Hamura LC will exceed the ATA distribution related to asset retirement obligations, etc., arising at properties other than Hamura LC, so the ATA reversal is expected to appear as a result of an offset. As it is assumed that no ATA reversal will occur after the 34th fiscal year, the ATA distribution relating to asset retirement obligations arising at properties other than Hamura LC will be made.

Operating Results for the July 2023 (32nd) Fiscal Period

	(JPY mn)							
	Jan. 2023		Jul. 2023		Jul. 2023		Jul. 2023	
	(31st Period Actual)	(32nd Period Actual)	(32nd Period Actual)	Period over period	(32nd Period Original Budget)	(32nd Period Actual)	Period over period	
Key P/L Figures	Operating revenue	17,944	17,848	(96)	(0.5)%	18,402	(554)	(3.0)%
	Operating expense	11,004	9,493	(1,511)	(13.7)%	10,814	(1,320)	(12.2)%
	Operating income	6,939	8,354	+1,415	+20.4%	7,588	+766	+10.1%
	Non-operating income	16	1	(15)	(91.5)%	-	+1	-
	Non-operating expense	1,013	936	(76)	(7.6)%	956	(20)	(2.1)%
	Ordinary income	5,942	7,419	+1,476	+24.9%	6,631	+787	+11.9%
	Net income	5,940	7,419	+1,478	+24.9%	6,630	+789	+11.9%
	Earnings per unit (yen)	2,870	3,510	+640	+22.3%	3,136	+374	+11.9%
	Distributions per unit (excluding ATA and OPD) (yen)	2,870	3,282	+412	+14.4%	3,084	+198	+6.4%
	ATA (Allowance for Temporary difference Adjustment per unit) (yen)	252	0	(252)	(100.0)%	0	-	-
OPD (Other excess Profit Distributions per unit) (yen)	0	0	-	-	0	-	-	
Distributions per unit (yen)	3,122	3,282	+160	+5.1%	3,084	+198	+6.4%	
Other Figures	Capital expenditure	1,428	1,118	(310)	(21.7)%	1,170	(52)	(4.5)%
	Maintenance	1,032	965	(67)	(6.6)%	1,000	(34)	(3.5)%
	Enhancement	396	153	(242)	(61.4)%	170	(17)	(10.3)%
	Repair and maintenance cost	960	824	(135)	(14.2)%	876	(51)	(5.9)%
	Total	3,818	3,061	(757)	(19.8)%	3,217	(156)	(4.9)%
	Depreciation	2,758	1,709	(1,048)	(38.0)%	2,082	(372)	(17.9)%
	FFO *	7,248	8,267	+1,018	+14.0%	7,854	+412	+5.3%
	AFFO **	5,820	7,149	+1,329	+22.8%	6,683	+465	+7.0%
	Number of properties	74	77	+3	+4.1%	77	+0	+0.0%
	Occupancy rate	98.8%	100.0%	+1.2pt	+1.2%	100.0%	0	+0.0%
	Total book value	377,468	387,618	+10,150	+2.7%			
	Total appraisal value	469,582	484,557	+14,975	+3.2%			
	Unrealized gain	92,113	96,938	+4,824	+5.2%			
	Total debt	208,283	212,283	+4,000	+1.9%			
	LTV	49.3%	49.0%	(0.3)pt	(0.7)%			
Total net assets	188,905	195,690	+6,785	+3.6%				
Net assets per unit	91,257	92,590	+1,333	+1.5%				

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

(Note 1) Major capital expenditures carried out in the 32nd FP

IIF Shonan HIP	: JPY 176mn. for renewal of central monitoring device and terminal server
IIF Kashiwa LC	: JPY 70mn. for renewal of roof
IIF Shinagawa DC	: JPY 51mn. for renewal of VCB of generator
IIF Shonan HIP	: JPY 45mn. for renewal of surveillance camera equipment component
IIF Saitama LC	: JPY 39mn. for waterproofing work on the roof

(Note 2) Major repair cost carried out in the 32nd FP

IIF Shonan HIP	: JPY 79mn. for inspection and maintenance of air conditioning equipment at Bldg. A
IIF Shonan HIP	: JPY 64mn. for replacement of RI filter
IIF Shonan HIP	: JPY 63mn. for inspection and maintenance of air conditioning equipment at Bldg. B
IIF Shonan HIP	: JPY 53mn. for inspection and maintenance of air conditioning equipment in biochemistry & reserve room at Bldg. A
IIF Shonan HIP	: JPY 37mn. for periodic inspection and maintenance of water supply and drainage systems at Bldg. A and Bldg. EC

Major Factors of Change for 32nd Period (Compared to 31st Actual)

	(JPY mn)
Operating Revenue	(96)
Increase in revenue from new acquisitions related to PO (Partial contribution)	+ 233
Increase in rental revenue (Utilities received)	+ 161
Increase in rental revenue (incl. disposition of the property (IIF Kobe LC))	+ 97
Decrease in gain on sale from the dispositions (Difference between 31st FP and 32nd FP)	(588)
Operating Expense	(1,511)
Increase in lease expenses due to new acquisitions related to PO	+ 57
Decrease in lease expenses (Utilities expense)	(252)
Decrease in lease expenses (Repair and maintenance cost) , etc.	(214)
Increase in expensed property-related taxes due to the properties acquired in 2022 (Partial contribution), etc.	+ 26
Decrease in lease expenses due to dispositions of the properties (IIF Kobe LC)	(30)
Decrease in depreciation (Incl. revision of estimated asset retirement obligation at IIF Hamura LC)	(1,092)
Non-Operating Expense	(76)
Decrease in interest expense for new debt and refinancing	(14)
Decrease in interest expense for refinancing of the 2nd series investment corporation bonds	(19)
Decrease in interest expense due to the difference in business days	(14)
Decrease in amortization for issuance cost of new units issued related to PO	(9)
Decrease in other non-operating expense	(18)

Major Factors of Change for 32nd Period (Compared to 32nd Original Budget)

Operating Revenue	(554)
Decrease in rental revenues (Utilities received) , etc.	(557)
Operating Expense	(1,320)
Decrease in lease expenses due to new acquisitions related to PO in Mar. 2023	(8)
Decrease in lease expenses (Utilities expense)	(852)
Decrease in lease expenses (Repair and maintenance cost) , etc.	(27)
Decrease in depreciation (Incl. revision of estimated asset retirement obligation at IIF Hamura LC)	(373)
Decrease in other operating expenses (SG&A) , etc.	(61)
Non-Operating Expense	(20)
Decrease in interest expense for new debt and refinancing	(18)

Earnings Forecast for the Jan. 2024 (33rd) Fiscal Period

	(JPY mn)								
	Jul. 2023 (32nd Period Actual)	Jan. 2024 (33rd Period Revised Budget)				Jan. 2024 (33rd Period Original Budget)	Jan. 2024 (33rd Period Revised Budget)		
		Period over period					Period over period		
Key P/L Figures	Operating revenue	17,848	18,405	+556	+3.1%	19,046	(641)	(3.4)%	
	Operating expense	9,493	10,393	+900	+9.5%	10,929	(535)	(4.9)%	
	Operating income	8,354	8,011	(343)	(4.1)%	8,117	(106)	(1.3)%	
	Non-operating income	1	-	(1)	-	-	-	-	
	Non-operating expense	936	941	+4	+0.5%	969	(28)	(2.9)%	
	Ordinary income	7,419	7,070	(349)	(4.7)%	7,147	(77)	(1.1)%	
	Net income	7,419	7,068	(350)	(4.7)%	7,146	(77)	(1.1)%	
	Earnings per unit (yen)	3,510	3,344	(166)	(4.7)%	3,381	(37)	(1.1)%	
	Distributions per unit (excluding ATA and OPD) (yen)	3,282	3,260	(22)	(0.7)%	3,125	+135	+4.3%	
	ATA (Allowance for Temporary difference Adjustment per unit) (yen)	0	0	-	-	0	-	-	
OPD (Other excess Profit Distributions per unit)(yen)	0	0	-	-	40	(40)	(100.0)%		
Distributions per unit (yen)	3,282	3,260	(22)	(0.7)%	3,165	+95	+3.0%		
Other Figures	Capital expenditure	1,118	1,285	+166	+14.9%				
	Maintenance	959	1,079	+119	+12.5%				
	Enhancement	158	206	+47	+29.8%				
	Repair and maintenance cost	824	789	(35)	(4.3)%				
	Total	1,943	2,074	+131	+6.8%				
	Depreciation	1,709	2,157	+448	+26.2%				
	FFO	8,267	8,228	(39)	(0.5)%				
	AFFO	7,149	6,943	(206)	(2.9)%				
	Number of properties	77	77	-	-				
	Occupancy rate	100.0%	100.0%	-	-				

(Note 1) Major capital expenditures planned in the 33rd FP

IIF Shonan HIP	: JPY 167mn. for renewal of industrial controller for monitoring Bldg. A
IIF Kashiwa LC	: JPY 69mn. for exterior wall painting
IIF Osaka Toyonaka DC	: JPY 60mn. for renewal of regular-use elevators (No. 3 and 4)
IIF Shonan HIP	: JPY 54mn. for expansion of office and meeting room (for tenant occupying in 33rd FP)
IIF Shonan HIP	: JPY 47mn. for renewal of security equipment component

(Note 2) Major repair cost planned in the 33rd FP

IIF Shonan HIP	: JPY 49mn. for inspection and maintenance of air-conditioning/heat source equipment at Bldg. A and Bldg. EC
IIF Shonan HIP	: JPY 35mn. for inspection and maintenance of service equipment at Bldg. B and Bldg. C
IIF Shonan HIP	: JPY 30mn. for inspection and maintenance of emergency generators
IIF Shonan HIP	: JPY 30mn. for inspection and maintenance of emergency generators
IIF Narashino LC II	: JPY 28mn. for demolition work of Bldg. D

Major Factors of Change for 33rd Period (Compared to 32nd Actual)

Operating Revenue

Increase in revenue from new acquisitions related to PO (Full contribution)	+ 556
Increase in rental revenue due to organic growth , etc.	+ 233
Increase in rental revenue (Utilities received) , etc.	+ 37
Increase in rental revenue (Utilities received) , etc.	+ 175
Decrease in rental revenue (incl. disposition of the properties (IIF Kobe LC))	(13)
Increase in gain on sale from the dispositions (Difference between 32nd FP and 33rd FP)	+ 136

Operating Expense

Increase in lease expenses due to new acquisitions related to PO	+ 900
Increase in lease expenses (Leasing commission) , etc.	+ 67
Increase in lease expenses (Utilities expense)	+ 104
Increase in lease expenses (Utilities expense)	+ 194
Decrease in lease expenses due to disposition of the property	(42)
Increase in expensed property-related taxes due to the properties acquired in 2022 (Full contribution), etc.	+ 15
Increase in depreciation (Incl. revision of estimated asset retirement obligation at IIF Hamura LC)	+ 428
Increase in other operating expenses (SG&A), etc.	+ 119

Non-Operating Expense

Increase in interest expense due to the difference in business days	+ 4
Decrease in amortization for issuance cost of new units issued related to PO	+ 15
	(12)

Major Factors of Change for 33rd Period (Compared to 33rd Original Budget)

Operating Revenue

Increase in revenue from new acquisitions related to PO (Full contribution)	(641)
Increase in revenue from new acquisitions related to PO (Full contribution)	+ 11
Increase in rental revenue due to organic growth , etc.	+ 32
Decrease in rental revenue (Utilities received)	(686)

Operating Expense

Increase in lease expenses due to new acquisitions related to PO	(535)
Increase in lease expenses due to new acquisitions related to PO	+ 2
Increase in lease expenses (Leasing commission)	+ 106
Decrease in lease expenses (Utilities expense)	(835)
Increase in lease expenses (Repair and maintenance cost) , etc.	+ 113
Decrease in lease expenses due to disposition of the property	(16)
Increase in depreciation	+ 32
Increase in other operating expenses (SG&A) , etc.	+ 63

Non-Operating Expense

Decrease in interest expense for new debt and refinancing	(28)
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Earnings Forecast for the July 2024 (34th) Fiscal Period

(JPY mn)

	Jan. 2024 (33rd Period Revised Budget)	Jul. 2024 (34th Period Budget)		Period over period
Key P/L Figures	Operating revenue	18,405	18,075	(329) (1.8)%
	Operating expense	10,393	10,361	(32) (0.3)%
	Operating income	8,011	7,714	(296) (3.7)%
	Non-operating income	-	-	- -
	Non-operating expense	941	936	(4) (0.4)%
	Ordinary income	7,070	6,777	(292) (4.1)%
	Net income	7,068	6,775	(292) (4.1)%
	Earnings per unit (yen)	3,344	3,206	(138) (4.1)%
	Distributions per unit (excluding ATA and OPD) (yen)	3,260	3,206	(54) (1.7)%
	ATA (Allowance for Temporary difference Adjustment per unit) (yen)	0	19	+19 -
OPD (Other excess Profit Distributions per unit) (yen)	0	0	- -	
Distributions per unit (yen)	3,260	3,225	(35) (1.1)%	
Other Figures	Capital expenditure	1,285	1,769 ^(Note 1)	+483 +37.6%
	Maintenance	1,079	1,314	+235 +21.8%
	Enhancement	206	454	+248 +120.6%
	Repair and maintenance cost	789	902 ^(Note 2)	+112 +14.2%
	Total	2,074	2,671	+596 +28.7%
	Depreciation	2,157	2,186	+28 +1.3%
	FFO	8,228	8,340	+112 +1.4%
	AFFO	6,943	6,571	(371) (5.4)%
	Number of properties	77	77	- -
	Occupancy rate	100.0%	100.0%	- -

(Note 1) Major capital expenditures planned in the 34th FP

IIF Shonan HIP	: JPY 250mn. for conversion of Bldg. A to the same spec of Bldg. B (Area A43W)
IIF Shonan HIP	: JPY 131mn. for change to LED lightning (Bldg. A2, B2 and C2)
IIF Kobe DHC	: JPY 100mn. for air-conditioned renewal works for the whole building (phase 1)
IIF Shonan HIP	: JPY 90mn. for update of RI management system electrical component
IIF Osaka Suminoe LC I	: JPY 82mn. for installation of new photovoltaic power generation equipment

(Note 2) Major repair cost planned in the 34th FP

IIF Shonan HIP	: JPY 88mn. for periodic inspection and maintenance of water supply and drainage systems at Bldg. A and Bldg. EC
IIF Shonan HIP	: JPY 54mn. for conversion of Bldg. A to the same spec of Bldg. B (Area A43W)
IIF Shonan HIP	: JPY 49mn. for inspection and maintenance of animal system air-conditioning at Bldg. A
IIF Shonan HIP	: JPY 46mn. for inspection and maintenance of air-conditioning/heat source equipment at Bldg. A and Bldg. EC
IIF Shonan HIP	: JPY 38mn. for inspection and maintenance of air-conditioning at Bldg. B

(JPY mn)

Major Factors of Change for 34th Period (Compared to 33rd Revised Budget)

Operating Revenue	(329)
Increase in revenue from new acquisitions related to PO in Mar. 2023 (IIF Atsugi III, Full contribution)	+ 105
Decrease in rental revenue (incl. disposition of the property)	(45)
Decrease in rental revenue (Utilities received)	(10)
Decrease in gain on sale from the dispositions (Difference between 33rd FP and 34th FP)	(375)
Operating Expense	(32)
Increase in lease expenses due to new acquisitions related to PO in Mar. 2023	+ 22
Decrease in lease expenses (Leasing commission)	(105)
Decrease in lease expenses (Utilities expense)	(18)
Increase in lease expenses (Repair and maintenance cost), etc.	+ 89
Decrease in lease expenses due to disposition of the property	(40)
Increase in expensed property-related taxes due to the properties acquired in 2023 (Partial contribution)	+ 32
Increase in depreciation	+ 20
Decrease in other operating expenses (SG&A), etc.	(34)
Non-Operating Expense	(4)
Increase in interest expense for new debt and refinancing	+ 3
Decrease in interest expense due to the difference in business days, etc.	(11)
Increase in other non-operating expense	+ 2

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.6 (Note) Regarding "Decrease in reversal of ATA (IIF Hamura LC)", the initial forecast assumed a reversal of the allowance for temporary differences (ATA) (approximately JPY 257) as a response to the tax discrepancy related to asset retirement obligations, etc. However, in the 32nd fiscal period (ending July 31, 2023), a reversal of the ATA (approximately JPY 84) is newly assumed due to changes in estimates regarding the removal costs and timing of the asset retirement obligations (approximately JPY 715 million) recorded as waste removal costs for the IIF Hamura Logistics Centre, and the impact on the distribution per unit by changes described above is expected to be an increase of approximately JPY 172.
- P.8 (Note 1) Regarding the New Acquisitions, the "Average Appraisal NOI Yield", "Average Appraisal NOI Yield after Depreciation", and "Average Appraisal NOI Yield after Depreciation (considering continuous surplus cash distribution)" are calculated based on the following formula. The same shall apply hereinafter.
- $$\begin{aligned} \text{Average Appraisal NOI Yield} &= \text{Total Appraisal NOI} \div \text{Sum of Acquisition Price} \\ \text{Average Appraisal NOI Yield after Depreciation} &= (\text{Total Appraisal NOI} - \text{Depreciation}^{**}) \div \text{Sum of Acquisition Price} \\ \text{Average Appraisal NOI Yield after Depreciation (considering continuous surplus cash distribution}^{***}) &= (\text{Total Appraisal NOI} - \text{Depreciation} + \text{Sum of the depreciation expense (limited to that of "IIF Shiga Ryuoh Logistics Center", "IIF Atsugi Logistics Center III (Redevelopment)", and "IIF Yokkaichi Logistics Center (New Building)")} \times 30\%) \div \text{Sum of Acquisition Price} \end{aligned}$$
- * Unless otherwise noted, for the calculation of Appraisal NOI, the net operating income in the direct capitalization method as described in the appraisal reports by Japan Real Estate Institute, Tanizawa Sogo Appraisal Co., Ltd., and CBRE K.K. dated January 31, 2023 (the appraisal report of the uncompleted building including the acquired land portion for IIF Atsugi Logistics Center III (Redevelopment) dated January 31, 2023) (the "Appraisal Reports for the New Acquisitions" hereinafter). If the direct capitalization method is not used in the Appraisal Report, the net operating income for the first year in the DCF method described in the appraisal report is used.
- ** Depreciation regarding the New Acquisitions is calculated based on the pro forma amount calculated at the depreciation ratio under the straight-line method according to the useful lives thereof as with other properties owned by IIF. The same shall apply hereinafter.
- *** For considerations on continuous surplus cash distribution, IIF plans to pay a distribution for every period, in principle, of an amount up to 30% of depreciation expense during the relevant operational period specified by IIF as continuous surplus cash distribution, regarding a redeveloped property or a newly-constructed property, etc. in which a large portion of the acquisition price is building price and the portion of depreciation expense is high. As such, regarding the New Acquisitions, the Appraisal NOI Yield after Depreciation in which 30% of the depreciation expense is subtracted from the Depreciation is shown as a reference. However, all or part of such surplus cash distribution may not be paid in consideration of the amount of capital expenditure required for maintenance and enhancement of competitiveness of the IIF Portfolio Assets, profit levels including the level of net income and temporary gains from sale of real estate, etc. or cancellation penalty charges for the relevant operating period, levels of cash distributions including surplus cash distribution for the relevant operating period, the financial status of IIF, as well as macroeconomic, real estate market and real estate leasing market trends. Consequently, the Appraisal NOI Yield after depreciation (considering continuous surplus cash distribution) is only a reference, and does not imply or guarantee the actual distribution amount or level to unitholders. Out of the New Acquisitions, the following three properties: IIF Shiga Ryuoh Logistics Center, IIF Atsugi Logistics Center III (Redevelopment), and IIF Yokkaichi Logistics Center (New Building) fit the description of having "a large portion of the acquisition price is building price and the portion of depreciation expense is high".
- The Average Appraisal NOI Yield after Depreciation of the New Acquisitions is based upon the Appraisal Reports for the New Acquisitions, and may differ from the actual values after IIF acquires said properties.
- (Note 2) "Unrealized Gain" of the New Acquisitions represents the difference between appraisal value stated in the Appraisal Reports for the New Acquisitions and the Acquisition Price. Please note that there is no assurance that such unrealized gain will be realized. The Average Ratio of Unrealized Gain for the New Acquisitions is calculated as follows. The same shall apply hereinafter.
- $$\text{Average Ratio of Unrealized Gain} = \text{Total of Unrealized Gain} \div \text{Total of the Acquisition Price}$$
- (Note 3) "CRE Strategy" is defined as the strategy, based on a management strategic viewpoint, to optimally and efficiently operate real estate owned by corporations as to maximize said corporations' enterprise value. CRE Strategy or the real estate held by the corporate itself may be referred to as "CRE". "PRE Strategy" is defined as the strategy, based on a public viewpoint, to appropriately and efficiently operate public real estate with regards to economic revitalization and financial prudence. PRE Strategy or the public real estate itself may be referred to as "PRE". The same shall apply hereinafter.
- "CRE Proposals" are defined as proposals based on the "CRE Strategy". "PRE Proposals" are defined as proposals based on the "PRE Strategy". "CRE/PRE Proposals" or "Combined CRE/PRE Proposal" are defined as proposals including both or either "CRE Proposals" and "PRE Proposals".
- (Note 4) The difference between disposition price and book value is for reference only and differs from the actual gain on sale.
- P.9 (Note 1) LTV as of the 31st fiscal period (as of Jan. 31, 2023) is calculated based on the following formula. The same shall apply hereinafter.
- $\text{LTV (based on book value)} = \text{Total amount of interest-bearing debts} \div \text{Total assets}^{**}$
 - $\text{LTV (based on appraisal value)} = \text{Total amount of interest-bearing debts} \div (\text{Total assets}^{**} + \text{Total of unrealized gain as of the end of the fiscal period ending January 2023})$
 - * $\text{Total amount of interest-bearing debts} = \text{Total amount of interest-bearing debts as of the end of the January 2023 fiscal period}$
 - ** $\text{Total assets} = \text{Total liabilities as of the end of the January 2023 fiscal period} + \text{Total net asset as of the end of the January 2023 fiscal period}$
- (Note 2) LTV as of the 32nd fiscal period (as of July 31, 2023) is calculated based on the following formula. The same shall apply hereinafter.
- $\text{LTV (based on book value)} = \text{Total amount of interest-bearing debts} \div \text{Total assets}^{**}$
 - $\text{LTV (based on appraisal value)} = \text{Total assets}^{**} + \text{Total of unrealized gain as of the end of the fiscal period ending July 2023} - \text{sum of unrealized gain of "IIF Kobe Logistics Center" and "IIF Atsugi Logistics Center III" as of the end of the fiscal period ending July 2023} + \text{Difference between the appraisal value based on the appraisal report of uncompleted buildings including the acquired land portion as of January 31, 2023 and the anticipated acquisition price for IIF Atsugi Logistics Center III (redevelopment)}$
 - * $\text{Total amount of interest-bearing debts} = \text{Total amount of interest-bearing debts as of the end of the July 2023 fiscal period}$
 - ** $\text{Total assets} = \text{Total liabilities as of the end of the July 2023 fiscal period} + \text{Total net asset as of the end of the July 2023 fiscal period}$
- (Note 3) There is no guarantee that the free cash will be realized because the free cash is an estimate of available cash after trial calculation based on the sum of cash and deposits, cash and deposits in trust, etc. at the end of each fiscal period, taking into account future expenditure such as accounts payable, advances received, distribution amount and expected capital expenditure. The same shall apply hereinafter.

Note (2)

- P.16 (Note 1) The "Anticipated acquisition price" for "After Redevelopment (Land and Building)" is a reference figure totaling the acquisition price of the trust beneficiary interest for the Anticipated acquisition (excluding acquisition costs, property tax, city planning tax, consumption tax, etc.) as described in the purchase and sale agreement for the building, land price already acquired (the acquisition price of the land described in the purchase and sale agreement for the property at the time of acquisition in 2010), and the land value proportionally divided by the area of the land (1,777.88m²) to be delivered (the Land to be delivered) to the Property from the land of IIF Narashino Logistics Center II, adjacent to the Property. The actual acquisition price of the Anticipated acquisition may change in the future due to changes in the project plan, etc.. In addition, the NOI yield After Redevelopment (Land and Building) and NOI yield after depreciation may also change in the future, as the above land delivery has not been determined as of today. The same shall apply hereinafter.
- (Note 2) The "Appraisal Value (Survey Value)" of "Before Redevelopment (Land with leasehold interest)" is the appraisal value based on the appraisal report for the land portion with a date of valuation of July 31, 2023 and that of After Redevelopment (Land and Building) is the survey value based on the survey report for the entire land (including the Land to be delivered) and building with a survey date of July 1, 2023. The same shall apply hereafter.
- (Note 3) The "Unrealized gain" of "Before Redevelopment (Land with leasehold interest)" is the difference between the appraisal value and the acquisition price of the Property. The "Unrealized gain" of "After Redevelopment (Land and Building)" is the difference between the survey value for the entire land (including the Land to be delivered) and building and the acquisition price. The "Unrealized gain" of "Before Redevelopment (Land with leasehold interest)" and "After Redevelopment (Land and Building)" are estimated figures as of today and there is no guarantee that they will be consistent with each actual unrealized gain. The acquisition price and the actual survey value may change in the future due to changes in the content of the plan for the Development Project. The same shall apply hereinafter.
- (Note 4) The "Total floor area" of "After Redevelopment (Land and Building)" is the reference figure based on the current plan for the Development Project. The "Total floor area" of "After Redevelopment (Land and Building)" may change in the future due to changes in the content of the plan for the Development Project.
- (Note 5) "NOI yield" and the "NOI yield after depreciation (After adjustment by surplus cash distribution)" is calculated following formula below. The same shall apply hereafter.
NOI yield = NOI* / Anticipated acquisition price
NOI yield after depreciation = (NOI - depreciation**) / Anticipated acquisition price
NOI yield after adjustment by surplus cash distribution = (NOI - depreciation** + depreciation (annual amount) × 30%) / Anticipated acquisition price
* With respect to the calculation of NOI, the NOI of Anticipated acquisition is calculated based on the net operating income in the direct capitalization method as described in the survey report dated July 1, 2023, that of Before Redevelopment is calculated based on the net operating income in the direct capitalization method as described in the appraisal report dated July 31, 2023, and that of After Redevelopment is calculated based on the net operating income in the direct capitalization method as described in the survey report dated July 1, 2023.
** Depreciation has not been incurred for the Property before redevelopment (land with leasehold interest), as IIF only owns the land with leasehold interest, and is estimated calculated by using the depreciation rates under the straight-line method for the property After Redevelopment (Land and Building), as with the other existing assets owned by IIF.
- P.17 (Note 1) The "Appraisal value" and "NOI" for the after renovation (land and building) are the survey value stated in the survey report for the land and the entire building after assumed completion of renovation works, with a date of valuation of July 1, 2023, and the net operating income under the direct capitalization method. The same shall apply hereinafter.
- (Note 2) "NOI yield" and the "NOI yield after depreciation (After adjustment by surplus cash distribution)" is calculated following formula below. The same shall apply hereinafter.
NOI yield = NOI / Acquisition price
NOI yield after depreciation = (NOI - depreciation*) / Acquisition price
* Depreciation has not been incurred for the Property before renovation, as IIF only owns the land with leasehold interest, and is estimated calculated by using the depreciation rates under the straight-line method for the property After Renovation (Land and Building), as with the other existing assets owned by IIF.
- P.19 (Note 1) For lease contracts that will expire in the future, if there is more than one contract with the same tenant and the same expiry date, it is calculated as one contract.
- (Note 2) The percentage of "Increase", "Unchanged", "Under leasing" and "Decrease" in "Revised rents" is the percentage of the number of lease contracts that have been renewed with "Increase", "Unchanged", "Under leasing" and "Decrease" out of the number of lease contracts that have expired or are due to expire between 1 August 2022 and 31 July 2024, respectively. The "Average rent increase in increase cases" is the percentage of the total difference in rent before and after the increase divided by the total rent before the increase for lease contracts that were renewed with an increase in rent. The "Age of building" indicates the age of the building as of 31 July, 2023.
- P.20 (Note) The "Changes in unit contract rents over the last two years" in the leasing of vacant parcels is calculated as the average of contract rents with new end-tenants in a total of three parcels where renovation work to convert Building A to Building B has been carried out.
- P.22 (Note) "Unrealized gains" is the difference between the appraisal value and book value of the existing properties as of the end of each fiscal period, and "Unrealized gains ratio" is calculated by dividing unrealized gain by book value.
"NAV per unit" is calculated by the following formula.
NAV per unit = NAV ÷ number of investment units issued and outstanding as of the end of each fiscal period
"NAV" is the difference between the value of IIF's assets and liabilities when the value of the real estate-related assets held by IIF is evaluated based on the appraisal value (or survey price), as calculated by the following formula.
NAV = unitholders' capital* + appraisal value (or survey price) of real estate-related assets at the end of each fiscal period - book value of real estate-related assets at the end of each fiscal period*
* Unitholders' capital and book value of real estate-related assets at the end of each fiscal period are the amounts on the balance sheet as of the end of the relevant fiscal period.
NAV per unit as of July 2023 (32nd FP) is estimated by subtracting unrealized gain on IIF Kobe LC to be disposed from the unrealized gain on the assets held as of the end of the 32nd fiscal period and by using estimated unrealized gain after the acquisition of the redevelopment building as for IIF Atsugi LC III.
- P.23 (Note 1) LTV (based on book value) = Total interest-bearing debt / Total assets
(Note 2) LTV (based on appraisal value) = Total interest-bearing debt / (Total assets + Total unrealized gain on IIF's portfolio)
- P.24 (Note) The figures for "Average borrowing period" and "Average interest rate" are average figures by calculating on the basis of borrowings executed between February 1, 2023 and July 31, 2023.



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Industrial & Infrastructure Fund Investment Corporation

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

KJRM KKR Japan Realty Management

Asset Management Company : KJR Management

(Financial Instruments Dealer Director of Kanto Financial Bureau (Financial Instruments Dealer) Number 403,
Member of The Investment Trusts Association, Japan, Member of Japan Investment Advisers Association,
Member of Type II Financial Instruments Firms Association)