

Industrial & Infrastructure Fund Investment Corporation
33rd Period Asset Management Report
(Semi-Annual Report)

August 1, 2023 – January 31, 2024

Industrial & Infrastructure Fund Investment Corporation

Industrial & Infrastructure Fund Investment Corporation (IIF) invests in social infrastructure as a source of power for the Japanese economy and supports Japan's industrial activities from the perspective of real estate.

Industrial & Infrastructure Fund Investment Corporation (IIF) was listed on the REIT securities market of the Tokyo Stock Exchange (securities code: 3249) in October 2007 as the only J-REIT specializing in industrial properties.

IIF aims to **continuously expand unitholder value** by securing **a stable profit** and achieving steady growth of the properties under management. It aims to achieve this by investing in logistics facilities, manufacturing and research and development (R&D) facilities, and infrastructure facilities which play a vital role in various industrial activities and are expected to be utilized stably in the medium and long term (hereinafter collectively referred to as “industrial properties”).

KJR Management

IIF has signed an asset management agreement with KJR Management (hereinafter referred to as the “Asset Manager”) and consigned the asset management business based on its articles of incorporation and investment policy.

The Asset Manager manages IIF's portfolio with the aim of securing a stable profit and achieving steady growth of the properties under management in the medium and long term.

Distribution Per Unit

- The 33rd Fiscal Period (Result: August 1, 2023 – January 31, 2024) 3,434 yen
- The 34th Fiscal Period (Forecast: February 1, 2024 – July 31, 2024) 3,390 yen
- The 35th Fiscal Period (Forecast: August 1, 2024 – January 31, 2025) 3,390 yen

Highlight of the 33rd Period

	The 30th Period	The 31st Period	The 32nd Period	The 33rd Period (Actual)	The 34th Period (Forecast)	The 35th Period (Forecast)
Operating Revenue (million yen)	17,194	17,944	17,848	18,167	20,889	20,948
Net Income (million yen)	6,492	5,940	7,419	7,242	8,369	8,485
Total Asset (million yen)	417,430	422,345	433,409	441,839	-	-
Distribution per Unit (yen)*	3,100	3,122	3,282	3,434	3,390	3,390
Net Asset Value per Unit (yen)	91,476	91,257	92,590	92,735	-	-

* The figures include distribution in excess of profit.

Greetings

I would like to take this opportunity to express my sincere gratitude to all investors for your ongoing support.

This report provides an update on IIF's performance for the fiscal period ended January 31, 2024 (the 33rd period). In the fiscal period, IIF acquired IIF Atsugi Logistics Center III (Redevelopment) upon its completion. In addition, IIF acquired three key business locations owned by Central Tank Terminal Co., Ltd. for 7.8 billion yen as a CRE carve-out project in collaboration with its sponsor KKR, and sold IIF Kobe Logistics Center (40% co-ownership interest). As a result, the number of properties under management at the end of the fiscal period was 81, and the AUM was 397.9 billion yen (on an acquisition price basis). With regards to ESG, IIF has joined and endorsed two new biodiversity initiatives to promote biodiversity preservation.



As a result of these activities, the distribution per unit (including distribution in excess of profit) for the period was 3,434 yen. Currently, the Japanese economy is also concerned about the macroeconomic impact of the Ukraine issue and the global election year in the U.S. and elsewhere. However, the Nikkei Stock Average surpassed 40,000 yen for the first time in March 2024, reaching an all-time high, and strong growth in domestic capital investment has led to heightened expectations for the Japanese economy's future. On the other hand, the Bank of Japan's monetary policy changes in the future will affect IIF's funding environment in the form of higher interest rates and higher funding costs, and we must continue to monitor these situations closely. However, IIF will continue to strive for stable management and work to maximize unitholder value through continuous external and internal growth. I would like to look forward to your continuous support.

Kumi Honda
Executive Director
Industrial & Infrastructure Fund Investment Corporation

IIF Focus

Continuous improvement of asset value through acquisition of highly profitable properties by CRE proposal and promotion of redevelopment projects

Topics

- **New acquisition of over 120 billion yen located in prime locations throughout Japan as a CRE carve-out deal in collaboration with KKR, the sponsor**
- **Asset size increased to 494.5 billion yen through the 12th public offering**
- **Decided to dispose of two properties and distribute the gains on sales over three fiscal periods, thereby stabilizing distributions**

Summary of the 33rd Period (Fiscal Period Ended January 31, 2024)

In the period, due to the increase in rent revenues of five new properties acquired and the gain on sale from the disposition of property, operating revenue was 18,167 million yen (increase by 319 million yen from the previous period), and net income was 7,242 million yen (decrease by 176 million yen from the previous period).

As a result, the distribution per unit increased by 152 yen from the previous period to 3,434 yen (including distribution in excess of profit of 6 yen*¹). Net asset value (NAV) per unit*² increased by 79 yen from the previous fiscal period to 135,692 yen.

IIF's portfolio as of January 31, 2024 consists of 81 properties worth 397.9 billion yen (based on acquisition price) with a total leasable area of 2,869,600.76 m² and an occupancy rate of 99.7%*³.

The average remaining lease term is 10.2 years, and based on these long-term lease agreements, we have secured stable management.

Prospect for the 34th Period (Fiscal Period Ending July 31, 2024), the 35th Period (Fiscal Period Ending January 31, 2025) and Future Management Policies

We forecast an operating revenue of 20,889 million yen, net income of 8,369 million yen, a distribution per unit of 3,390 yen (including distribution in excess of profit of 91 yen*¹) for the fiscal period ending July 31, 2024 (the 34th period) and an operating revenue of 20,948 million yen, net income of 8,485 million yen, a distribution per unit of 3,390 yen (including distribution in excess of profit of 45 yen*¹) for the fiscal period ending January 31, 2025 (the 35th period).

As the only J-REIT specializing in industrial properties*⁴, IIF has pioneered manufacturing facilities, research & development facilities and infrastructure facilities based upon our unique Corporate Real Estate (CRE*⁵) proposals. As a result, we have acquired properties with low competition and high growth potential.

In February 2024, in addition to IIF's strength in CRE proposals, IIF executed its 12th public offering in collaboration with KKR, the sponsor, and newly acquired 28 properties and equity interest in silent partnerships with high profitability, which are located in metropolitan areas in Japan with high industrial concentration, and in February 2024, IIF announced the disposition of IIF Yokohama Tsuzuki

R&D Center and IIF Totsuka Technology Center (land with leasehold interest), and the gain on sale is expected to be distributed over three fiscal periods.

Through these measures, we will continue to work diligently to contribute to the maximization of unitholder value in order to realize continuous growth by strengthening the quality of our portfolio and our foundation.

We would like to ask for your continued support and encouragement from our investors in the future.

*1 Distribution in excess of earnings per unit is all related to the allowance for temporary differences.

*2 “NAV per unit” is net asset value per unit based on the appraisal value (or research value) as of the end of the most recent fiscal period. The same applies hereafter.

*3 Figures are rounded off to two decimal places.

*4 “Industrial properties” is a collective term for properties that serve as bases for a range of industrial activities such as research and development, raw material procurement, stockpiling, storage, manufacturing, production, intercompany distribution, assembly and processing, sale distribution, and recycling, and infrastructure properties that serve as bases for supporting these industrial activities.

*5 “CRE” is the abbreviation for Corporate Real Estate, which refers to properties owned by companies. To contribute to solving managerial and operational issues and needs of private-sector companies and public institutions, IIF pursues CRE strategy that involves making proposals for optimum and efficient management of such property holdings, and works on projects for developing plants, research facilities, and other properties.

Sustainability Column

ESG Activities of Asset Management Companies
Publication of Sustainability Report 2024

Further promotion of ESG activities through
publication of Sustainability Report

KJRM 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 URL below for the detail of Sustainability Report

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

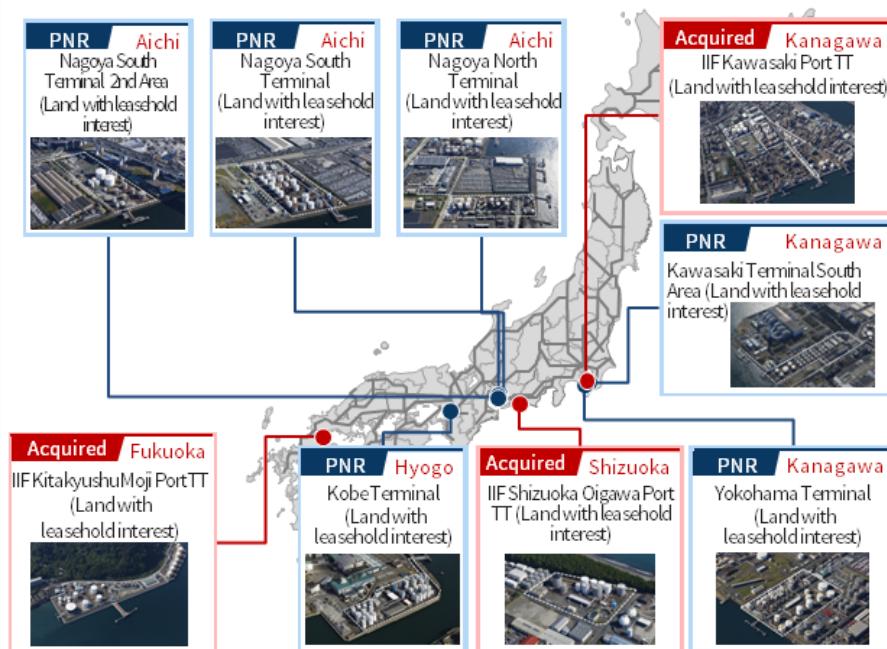
IIF's Growth

New Acquisition in the 33rd fiscal period

Acquired assets in bulk (including 6 PNR granted)
located in major industrial areas through Sales & Leasebacks

Central Tank Terminal (Portfolio Company of KKR)

Acquired 3 Properties	Aggregate of Acquisition Price ⁽¹⁾	Aggregate of Appraisal Value	Aggregate of Difference between Acquisition Price and Appraisal Value (Ratio of Difference) ⁽²⁾
	JPY 7,830 mn	JPY 8,276 mn	JPY 446 mn (+5.7%)







*1 "Acquisition Price" of the acquired properties represents the purchase price (excluding acquisition costs, fixed property tax, city planning tax, consumption tax, etc.) for each property or trust beneficiary interest in each property as indicated in the purchase and sale agreement.

*2 "Aggregate of Difference between Acquisition Price and Appraisal Value" is the difference between the aggregate of the appraisal values stated in the appraisal reports at the time of acquisition for the acquired three properties and the aggregate of the acquisition prices. In addition, "Aggregate of Difference between Acquisition Price and Appraisal Value (Ratio of Difference)" is the ratio of the aggregate difference between the acquisition price and the appraisal value to the aggregate acquisition price.

【New Acquisition in the 34th fiscal period】

(Overview of the 12th Public Offering)

Sales & Leasebacks Over JPY 210.0bn

New Acquisitions			
New Acquisitions	Number of Properties	Total Acquisitions Prices	
	28	JPY 108.2 bn	
NOI Yields	Average NOI Yield ⁽¹⁾	Average NOI Yield after Depreciation ⁽¹⁾	
	4.3 %	3.8 %	
Total unrealized gain/ Average ratio of unrealized gain ⁽²⁾	Total unrealized gain ⁽²⁾	Average ratio of unrealized gain ⁽²⁾	
	JPY +11.3 bn	+10.5 %	
			
			

(2) Equity Interest in Silent Partnership				
Equity Interest in Silent Partnership (49.9%)	Amount of Investment by IIF	Anticipated Dividend Payout ⁽³⁾	Underlying Assets	Number of Properties
	JPY 16.6 bn	6.7 %		4
				Total acquisition price of underlying assets ⁽⁴⁾
				JPY 104.4 bn

*1 "Average NOI yield" and the "Average NOI yield after depreciation" of new acquisitions are calculated following formula below. The same shall apply hereafter.

NOI yield = NOI* / Anticipated acquisition price

NOI yield after depreciation = (NOI - depreciation**) / Anticipated acquisition price

* With respect to the calculation of NOI, the NOI of new acquisition is calculated based on the net operating income in the direct capitalization method as described in the appraisal report at acquisition dated February 1, 2024. 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 at the depreciation ratio under the straight-line method according to the useful lives thereof as with other properties owned by IIF.

*2 "Total unrealized gain" of new acquisitions represents the difference between the appraisal value stated in the appraisal report at the time of acquisition and the acquisition price, and the "unrealized gain ratio" is calculated by dividing the unrealized gain by the acquisition price. Please note that there is no guarantee that this unrealized profit will be realized. The "Average ratio of unrealized gain" of new acquisitions is calculated by the following formula. The same applies hereafter.

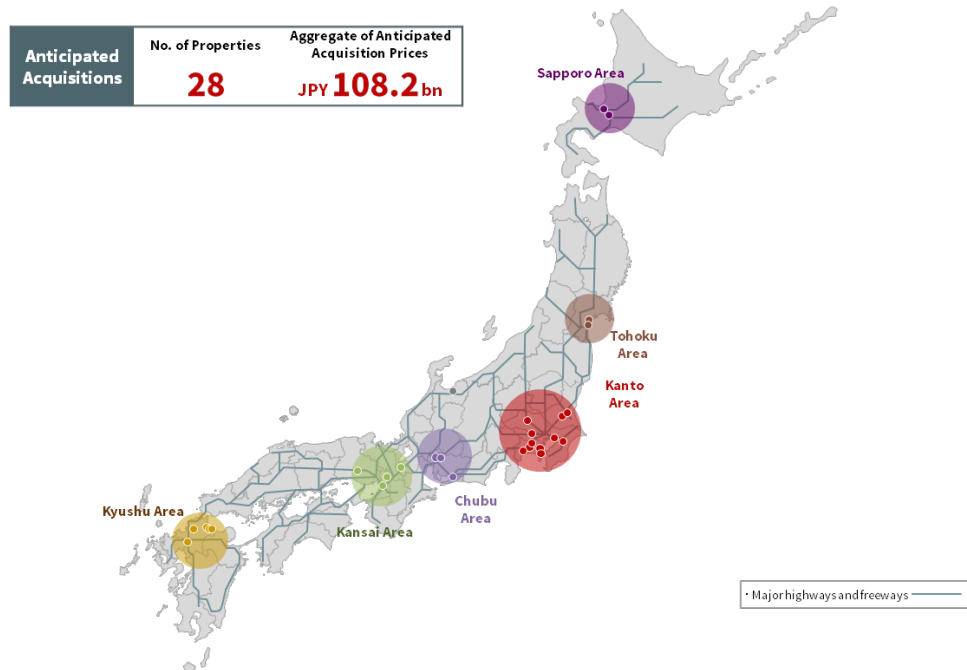
Average unrealized gain ratio = Aggregate unrealized gain ÷ Aggregate acquisition price

*3 "Anticipated dividend payout" is calculated by dividing (A) the product of (a) the simulated dividend of the equity interest in silent partnership, which is calculated by deducting (i) simulated expenses such as operating expense of the SPC and the interest of debt from (ii) the first year net operating income with the DCF method as described in the real estate appraisal report with February 1, 2024 as the appraisal date, and (b) IIF's equity interest ratio to the total equity interest in silent partnership amount (49.9%), by the IIF's anticipated investment amount to the equity interest in silent partnership. The anticipated amounts of expenses are reference values calculated by the Asset Manager, and the actual dividend payout may differ greatly from the reference values or dividends may not be paid at all.

*4 "Total acquisition price of underlying assets" column is the total purchase price (excluding acquisition costs, fixed property tax, city planning tax, consumption tax, etc.) of each Trust Beneficial Interest stated in the Trust Beneficial Interest Purchase Agreement executed by SPC. The same applies hereafter.

Acquiring Properties in Major Industrial Cities in Japan

▶ Assets near advanced industrial clusters and consumption centers in major cities, supporting the logistics network of various industries



【Disposition】

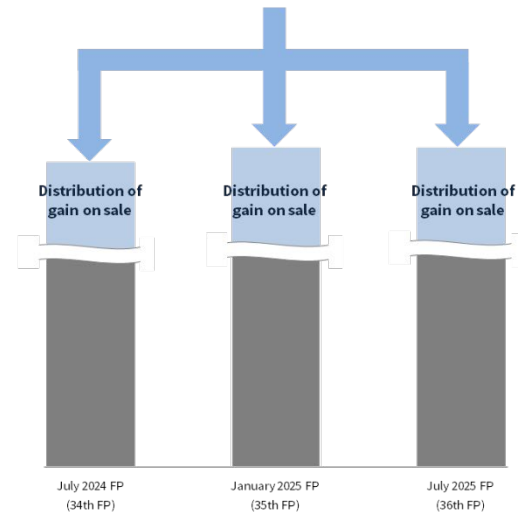
Return to Unitholders by Strategic Asset Dispositions

Timely Disposition of IIF Totsuka TC (Land with leasehold interest) and IIF Yokohama Tsuzuki R&DC
Considering Both Potential Downside in Profitability and Unitholder Return

IIF Totsuka TC (Land with leasehold interest)	IIF Yokohama Tsuzuki R&DC
	
Sum of 2 Properties	
Book Value ⁽¹⁾ (as of July 31, 2023)	JPY 10,545 mn
Anticipated Disposition Price ⁽²⁾	JPY 13,500 mn
Difference between Anticipated Disposition Price and Book Value ⁽³⁾	JPY 2,954 mn

< Illustrative image of distribution from gain on sales >

Gain on sales from IIF Totsuka TC (Land with leasehold interest) to be distributed over three fiscal periods starting from the July 2024 fiscal period⁽⁵⁾



Disposing and Distributing Significant Returns to Unitholders Over the Past Three Years

IIF's Track Record in Disposition of Properties

2021	IIF Hiroshima MC (Land with leasehold interest)	IIF Tsukuba MC (Land with leasehold interest)	IIF Zama ITSC	IIF Shinagawa ITSC
2022	IIF Osaka Nanko ITSC	IIF Inzai LC		
2023	IIF Kobe LC ⁽⁶⁾			
2024	IIF Totsuka TC (Land with leasehold interest) ⁽⁵⁾	IIF Yokohama Tsuzuki R&DC ⁽¹⁾		

Total number of (Anticipated) Disposed Properties	9 properties
Aggregate of Book Value (As of disposition decision) ⁽⁷⁾	JPY 33,968 mn
Aggregate of (Anticipated) Disposition Price ⁽⁸⁾	JPY 42,875 mn
Difference between Aggregate of (Anticipated) Disposition Price and Aggregate of Book Value ⁽⁹⁾	JPY 8,906 mn

*1 The book value of IIF Yokohama Tsuzuki R&DC is based on the book value as of the end of July 2023 fiscal period, with the amount equivalent to the related asset retirement obligation is deducted. The same applies hereinafter.

*2 "Anticipated Disposition Price" is the amount excluding disposition costs, etc. The same applies hereinafter.

*3 "Difference between Anticipated Disposition Price and Book Value" is for reference only, and actual gain or loss on sales will differ.

*4 With regard to the disposition of IIF Totsuka Technology Center (land with leasehold interest), 30% of the co-ownership interest has been disposed of on March 29, 2024, 35% of the co-ownership interest will be disposed of on November 29, 2024, and 35% of the co-ownership interest will be disposed of on March 31, 2025.

*5 The "Illustrative image of distribution from gain on sales" is an illustration for easy understanding that the gain on sales of IIF Totsuka Technology Center (land with leasehold interest) will be distributed over three fiscal periods. The height of each graph and the percentage of gain on sales do not necessarily correspond to the actual figures, nor do they suggest or guarantee the amount of distribution.

*6 With regard to the disposition of IIF Kobe LC, 3% of the co-ownership interest was disposed of on April 7, 2023, 32% of the co-ownership interest was disposed of on July 31, 2023, 40% of the co-ownership interest was disposed of on January 19, 2024, and 25% of the co-ownership interest was disposed of on March 22, 2024.

*7 The "Aggregate of Book Value (as of disposition decision)" represents the aggregate book value of the properties as of the end of the most recent fiscal period immediately prior to the decision to dispose of each property (Anticipated).

*8 The "Aggregate (Anticipated) disposition price" is an amount that does not include disposition expenses, etc.

*9 The "Difference between the Aggregate (anticipated) Disposition Price and Aggregate of Book Value" is for reference only, and the actual gain or loss on disposition will differ.

【Redevelopment】

Upside potential from redevelopment and expansion

- Development projects worth approximately JPY 54 billion (based on expected acquisition price) are underway.

		2023	2024	2025	2026	2027	
<div>(Tentative) IIF Hyogo Sanda Logistics Center II</div> 	External development						
		Nov. 2023 Start of construction		Nov. 2024 Completion (scheduled)			
		Preferential Negotiation Price		JPY 9,240 mn.			
		Anticipated Floor-area		33,759.84㎡			
<div>IIF Hamura LC</div> 	On-Book						
		Nov. 2023 Start of construction		Feb. 2025 Completion (scheduled)			
		Amount of investment		JPY 2,589 mn.			
		Anticipated acquisition price / Appraisal value		JPY 3,155 mn. / JPY 3,790 mn.			
		Anticipated Floor-area		14,001.64㎡			
<div>IIF Narashino LCI (Land with leasehold interest)</div> 	Off-Balance						
		Nov. 2023 Start of construction		Feb. 2025 Completion (scheduled)			
		Amount of investment		JPY 5,126 mn.			
		Anticipated acquisition price / Appraisal value		JPY 6,371 mn. / JPY 8,610 mn.			
		Anticipated Floor-area		27,614.58㎡			
<div>IIF Narashino LC II</div> 	Off-Balance						
		Mar. 2025 Start of construction (planned)		Feb. 2027 Completion (scheduled)			
		Amount of investment		Approx. JPY 32,000 mn.			
		Anticipated acquisition price/ Appraisal value		Approx. JPY 35,000 mn. / JPY 43,100 mn.			
		Anticipated Floor-area		133,623.21㎡			

*1 These figures are rendering images of the buildings to be completed, and thus, may differ from the actual buildings.

Financial Initiatives of IIF

In this period, the percentages of long-term and fixed-interest rate borrowings were 98.6% and 98.0%, respectively, with an average applicable interest rate of 0.67% and an average of 4.6 years remaining until maturity. The loan to value (LTV) ratio was 49.9%.

IIF will work to build up the continuative and stable financial foundation through the ALM (Asset Liability Management) strategy to implement long-term and fixed-interest rate borrowings.

IIF's Sustainability Management

Endorsement of Initiatives to Promote Biodiversity

Endorsement of and participation in two new initiatives to promote biodiversity

■ Japan Business Initiative for Biodiversity (JBIB)



JBIB was established in 2008, with an aim to produce results that cannot be achieved only with sole corporate activities, and to contribute to preservation of biodiversity within Japan and abroad, through cooperative researches among companies covering a wide scope of business sectors

■ 30by30 Alliance for Biodiversity



30by30 Alliance, led by Ministry of the Environment, is an alliance among governmental agencies, companies and NPOs, etc. for the purpose of promoting actions and making such actions and initiatives noticed to achieve the goal of conserving and protecting at least 30% of the land and sea as healthy ecosystems, with an aim to curb loss in and restore biodiversity by 2030

01 Third-Party Evaluation and Certifications (As of the end of January, 2024)

GRESB Real Estate Assessment

IIF was designated as “four stars” (five-star scale) by the GRESB Real Estate rating which is based on GRESB Overall Score and its quintile position relative to global participants in 2023. IIF was also rated as “A”, the top rating in the GRESB Public Disclosure for the six consecutive years.



GRESB
★★★★☆ 2023

CASBEE

IIF has been promoting environmental and energy conservation measures as well as the efficient use of energy in its properties for the effort to strengthen environmental consciousness and reduce environmental load. 25 properties in IIF’s portfolio were awarded CASBEE Real Estate Certification.



BELS

22 properties in IIF’s portfolio were awarded BELS Certification.



DBJ Green Building Certification

Five properties in IIF’s portfolio have received the DBJ Green Building Certification.



DBJ Green Building

ResReal

Two properties in IIF’s portfolio were awarded “ResReal” certification (Flood damage assessment category)



ResReal

02 Continuous Efforts Regarding ESG

KJR Management., the asset manager of IIF, has been promoting ESG initiatives. Having established basic policy on sustainability in 2013, IIF has implemented the following initiatives. IIF shares this policy in making investments.

In 2013

- Established an “Environment Charter”
- Established the Basic Policy for Responsible Property Investment
 - Established Sustainability Committee with the Asset Manager’s CEO as Chairman
- Signed the “Principles for Responsible Investment (PRI)” proposed by the UN Secretary General
- Became the first J-REIT asset manager to sign the “Principles for Financial Action Towards a Sustainable Society (Principles for Financial Action for the 21st Century)” drawn up with the Ministry of Environment serving as secretariat

In 2015

- Became the first J-REIT asset manager to sign the “Montreal Carbon Pledge”, a new commitment to reduce CO₂, drawn up by the United Nations PRI General Assembly

In 2016

- Became the first J-REIT asset manager to sign the United Nations Global Compact (UNGC), an organization led by the UN Secretary General

In 2019

- Expressed support for the recommendations of the “Task Force on Climate-related Financial Disclosures (TCFD)”

In 2020

- Newly organized a “Sustainability Committee”
- Introduced Chief Sustainability Officer (CSO)

In 2021

Establishment of New CO₂ Emissions Reduction Targets

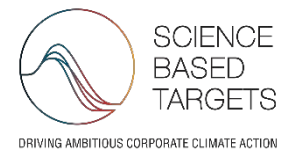
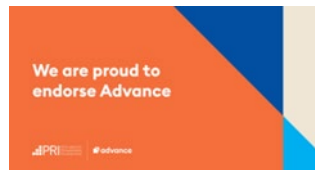
- Reduce CO₂ emissions per unit by 50% by 2030 compared with 2015
- Aim to reach carbon neutrality by 2050

In 2022

- Establishment of the 4°C and 1.5°C scenarios as information disclosure based on the TCFD recommendations
- First Participation in the CDP Climate Change Program in 2022 and received a score of “A-”, the highest level of leadership • Signed as an endorser to “Advance”, established by PRI

In 2023

- Setting of new reduction targets for greenhouse gas emissions and acquisition of SBTi validation for SMEs
- Acquired “ResReal” certification (Flood damage assessment category)
- Endorsement of and participation in two new initiatives to promote biodiversity
 - Japan Business Initiative for Biodiversity (JBIB)
 - 30by30 Alliance for Biodiversity



WE SUPPORT



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.

