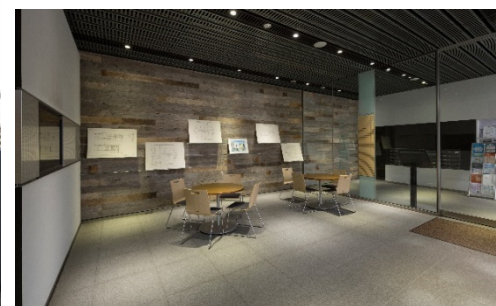


Think bold today for a brighter tomorrow.



## Supplemental Material

— “Growth Initiatives during Jan. 2019 (23rd) fiscal period” —

Nomura Global Real Estate Forum 2019

26<sup>th</sup> Feb., 2019

Security Code : **3249**

Industrial & Infrastructure Fund Investment Corporation

## **Highlights on recent initiatives**

**P.2**

### **1. Internal Growth**

**P.3**

### **2. Asset acquisitions by cash reserves**

**P.7**

### **3. Initiatives for ESG**

**P.12**

# Highlights on recent initiatives

## ■ Key initiatives during Jan. 2019 (23rd) fiscal period

Internal Growth	<p>【 IIF Shinagawa IT Solution Center – Steady leasing in progress 】</p> <ul style="list-style-type: none"> <li>• Occupancy rate recovers to <b>98.9%</b> by capturing strong office lease demands</li> </ul>
	<p>【 IIF Sagamiyama R&amp;D Center – New lease contract for Amenity building 】</p> <ul style="list-style-type: none"> <li>• Improved profitability by capturing Micron’s expansion needs and by additionally leasing amenity building to Micron</li> <li>• Continuous value-up approaches improve a NOI yield to <b>9.6%</b> from 7.5% as of acquisition</li> </ul>
Asset acquisitions by cash reserves	<p>【IIF Tsukuba Manufacturing Center (land with lease hold interests) 】</p> <ul style="list-style-type: none"> <li>• Acquired a versatile manufacturing facility with <b>8.3%</b> NOI yield and <b>+46.7%</b> unrealized gain ratio</li> </ul>
	<p>【OTA Techno CORE (Investment in silent partnership) 】</p> <ul style="list-style-type: none"> <li>• Undertake <b>PRE</b> development and <b>ESG</b> measures by acquiring a rental factory (shared factory) of which Ota city in Tokyo is the tenant</li> <li>• Secured high profitability with <b>7.6%</b> expected dividend payout over the medium term</li> </ul>
Initiatives for ESG	<ul style="list-style-type: none"> <li>• ESG report publication by MC-UBS Group, the asset manager</li> <li>• Aim for realization of important <b>ESG Materiality</b> by incorporating <b>SDGs ideas</b></li> </ul>

# 1. Internal Growth



# IIF Shinagawa IT Solution Center : Occupancy rate recovers to 98.9%

## Occupancy rate recovers quickly despite former tenant leaves due to hub integration



### Property Characteristics

- Located in Nishi Gotanda, Shinagawa-ku with good access from central Tokyo having strong company demand
- Highly convenient with a 2 minute walk from Fudomae Station on the Tokyu Meguro Line and a 11 minute walk from Gotanda Station on the Yamanote Line
- High specification with two emergency power generation equipments, floor-loading capacity of 400 kg/m<sup>2</sup> to 1t/m<sup>2</sup>, and electric capacity of 40VA/m<sup>2</sup>

### <Leasing Status>

#### [As of tenant leave]

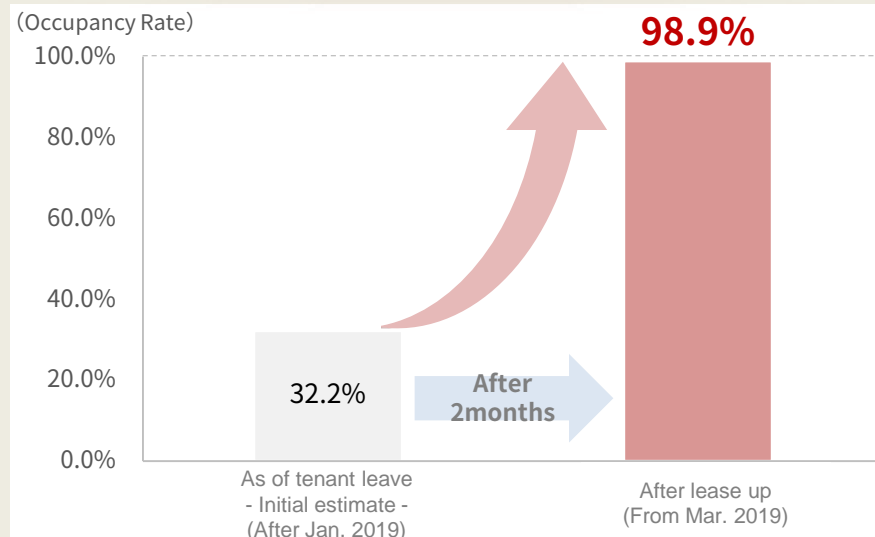
4F	Existing Tenant (789.49m <sup>2</sup> )
3F	Vacant (1,410.91m <sup>2</sup> )
2F	Vacant (2,091.01m <sup>2</sup> )
1F	Existing Tenant (1,493.52m <sup>2</sup> )
B1	Vacant (1,272.10m <sup>2</sup> )
(Total Rentable Area : 7,057.03m <sup>2</sup> )	

#### [As of Mar. 2019]

4F	Existing Tenant (789.49m <sup>2</sup> )	
3F	E-commerce (1,410.91m <sup>2</sup> )	
2F	IT (1) (1,620.26m <sup>2</sup> )	IT (2) (454.81m <sup>2</sup> )
1F	Existing Tenant (1,493.52m <sup>2</sup> )	Vacant (15.93m <sup>2</sup> )
B1	IT (1) (1,207.63m <sup>2</sup> )	Vacant (64.46m <sup>2</sup> )
(Total Rentable Area : 7,057.03m <sup>2</sup> )		

Initially, occupancy was expected to fall to 32.2% from Jan. 2019

Occupancy rate recovers to **98.9%** from Mar. 2019 by capturing strong office lease demands and area characteristics



DPU is expected to increase by **64** yen due to quick lease up (vs 23rd fiscal period)<sup>(Note)</sup>

※For the details of the footnotes, see Page 17.

# IIF Sagamihara R&D Center : Great improvement in profitability

## Expanding rentable area by converting amenity building into office



### Property Characteristics

- The core R&D center of Micron Memory Japan Inc., which is a Japanese subsidiary of Micron Technology, Inc.
- Surrounded by Sagamihara Machinery and Metal Industrial Park and Oyama Industrial Park, etc. and is a suitable area for research and development facilities
- Including a ceiling height of 2,800 mm and OA floor of 300 mm which satisfies the basic specifications for research and development facilities.



<b>As of Acquisition (Mar. 2015)</b>	<ul style="list-style-type: none"> <li>• Acquired through CRE proposal to capture NEC's needs to dispose non-core asset</li> <li>• Originally, leased to 6 tenants for 1 year period with annual contract renewal</li> </ul>
<b>① 1st Value-up</b> Nov. 2017	Changed the contract with Micron to lease entire main building
<b>② 2nd value-up</b> Oct. 2018	Contracted with Micron to lease entire parking area in site
<b>③ 3rd Value-up</b> Mar. 2019	Newly contracted with Micron to lease amenity building, and convert amenity building into office

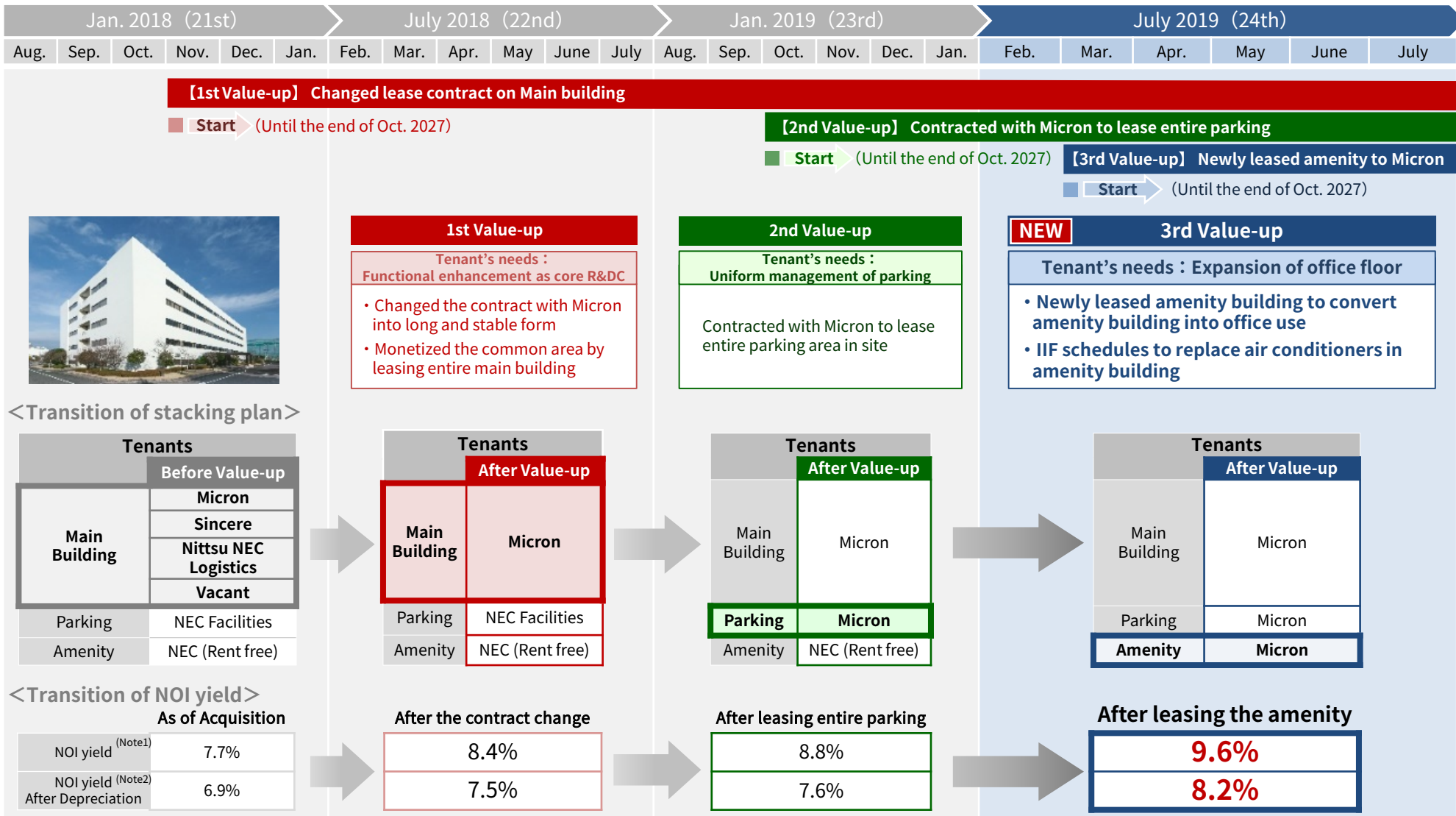
## Great improvement in stability, asset value and profitability by value-up approaches

	As of acquisition		After value-up
Lease type	Other	Stability Improvement	Other
Lease term	1year		<b>10</b> years
Non cancellation period	None		<b>5</b> years from lease commencement
Early termination	6 months notice		<b>24</b> months notice
Number of tenant	6 tenants		<b>1</b> tenant
Appraisal value (Unrealized gain ratio)	3,460million	Asset Value Improvement	<b>4,650million</b> (+41.8%) (Note3)
NOI Yield (Note1)	7.7%		Profitability Improvement
NOI Yield (Note2) after depreciation	6.9%	<b>8.2%</b>	

※For the details of the footnotes, see Page 17.

# IIF Sagamihara R&D Center : Value-up approaches capturing tenant needs

## Continuous value-up measures capturing the Micron's needs



※For the details of the footnotes, see Page 17.

## 2. Asset acquisitions by cash reserves





# Asset acquisition by cash reserves (1) : IIF Tsukuba Manufacturing Center (land with lease hold interest)

■ Acquired a manufacturing facility with high profitability, high versatility and large unrealized gain through CRE proposal



## Key Points

Acquired manufacturing facility (land with leasehold interest) located in prime area with high versatility through CRE proposal using cash reserves.  
The acquisition with NOI yield of 8.3% and unrealized gain ratio of 46.7%, contributing to the growth of dividend per unit and the net asset value.

### Long-term Usability

- Medium-term usability secured with the non-cancellable period by April 2023, as specified in the lease contract with the current tenant

### Versatility

- Location within approx. 7.0km distance from Ami-Higashi IC on Ken-O Expressway, within “Tsukuba-no Sato Industrial Park” comprised in Tsukuba International Strategic Zone, allowing for 24-hour operation
- Location close to Ryugasaki New Town and other residential colonies, which means advantage in securing a workforce
- Enhanced potential as a logistics site, underpinned by the new opening of the section of Ken-O Expressway from Sakai-Koga IC to Tsukuba-Chuo IC in February 2017

Acquisition Price	<b>900million</b>
Appraisal Value	<b>1,320million</b>
Unrealized gain (Ratio) (Note1)	<b>+420million (+46.7%)</b>
NOI Yield	<b>8.3%</b>
NOI Yield after depreciation	<b>8.3%</b>
Tenant	IDEC Corporation
Occupancy Rate	100.0%
Lease type	Fixed-term leasehold for business purposes
Lease term (Remaining term) (Note2)	30.0 years (29.2 years)
Cancellation before maturity / Rent revision	Not allowed for 5 years / Not allowed in principle

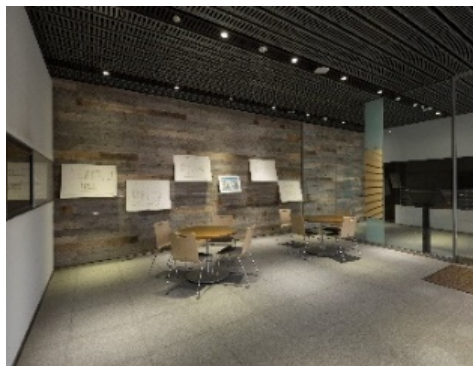
■ Located in the Tsukuba International Strategic Zone where many companies concentrate



※For the details of the footnotes, see Page 17.

# Asset acquisition by cash reserves (2) : OTA Techno CORE (Investment in silent partnership)

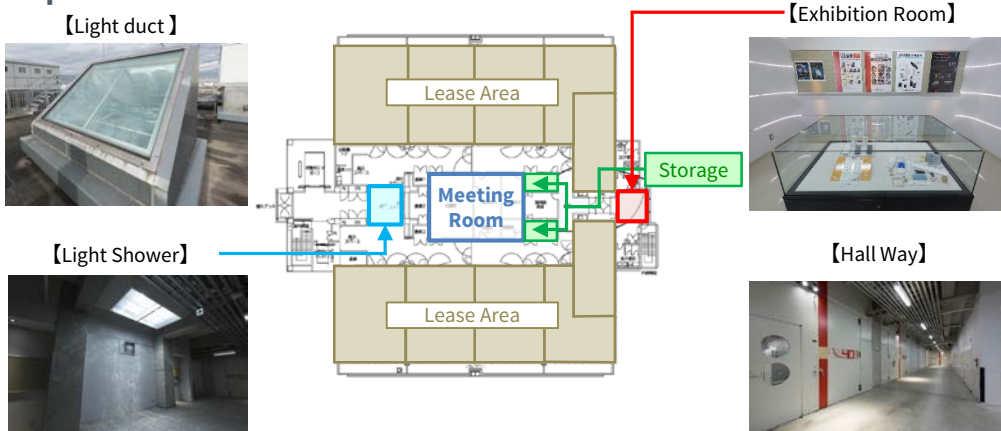
## ■ Acquiring a rental factory (shared factory) of which Ota city in Tokyo is the tenant



### Property Characteristics

- Ota City in Tokyo, where the property is located, ranks number one in industry among Tokyo's 23 wards in terms of the value of manufactured goods shipment, number of employees, and number of business sites, and there is solid tenant demand from small and medium manufacturing businesses.
- The property features specifications with a high degree of versatility including floor bearing capacity of 2.5 t/m<sup>2</sup> on the first and second floors, and 1.5 t/m<sup>2</sup> on the third and fourth floors, effective ceiling heights of 4.1 m on the first floor, 3.8 m on the second floor, and 3.0 m on the third and fourth floors, one 6.0-ton freight elevator that can be used to transport large machinery and materials, and one standard elevator.

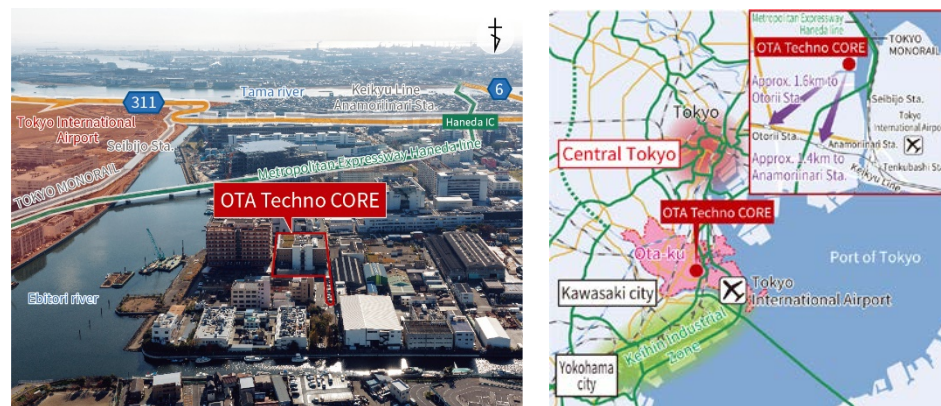
### <Representative floor charts>



### Key Points

1. The SPC established by funds from IIF and other investors invites the Development Bank of Japan Inc. as the senior lender and is going to acquire a rental factory (shared factory) of which Ota City in Tokyo is the tenant.
2. A preferential negotiation right will be given to IIF to acquire the trust beneficiary right at a price lower than the acquisition price of the SPC, and securing both future acquisition opportunities and high profitability over the medium term.
3. PRE development and ESG measures will be undertaken on a continuous basis.

<b>Tenant</b>	Ota City, Tokyo
<b>Lease type</b>	Fixed-term leasehold agreement
<b>Lease term (Remaining period)</b>	20.0 years (13.2years)
<b>Cancellation before expiration/ Rent revision</b>	Not permitted in principle / Negotiable



# Asset acquisition by cash reserves (2) : OTA Techno CORE (Investment in silent partnership) - Continued -

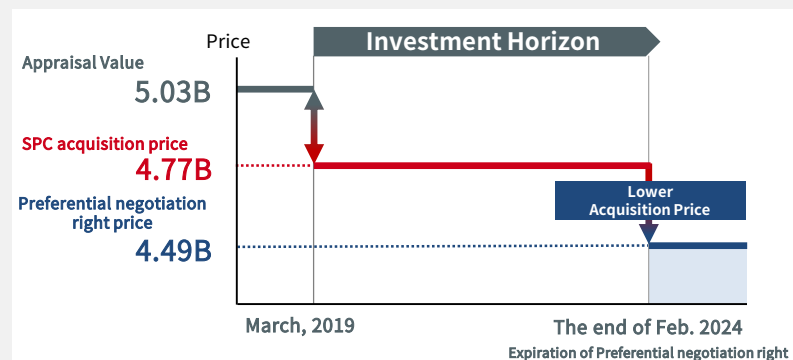
## Scheme involved in stakeholders with high public nature

SPC Scheme	
Trust beneficiary right in real estate etc. <b>5,050</b> million yen  Owner: the SPC  Tenant: Ota City, Tokyo	Non-recourse debt (senior) <b>2,200</b> million yen Development Bank of Japan Inc.
	Non-recourse debt (mezzanine) <b>1,200</b> million yen IBJ Leasing Company, Ltd.
	Equity interest in Silent Partnership, etc. <b>1,650</b> million yen  IIF Investment Amount : <b>100</b> million yen  Domestic investors with high degrees of public nature such as non-profit organizations including a mutual aid enterprise and educational institutions

Investment Amount	<b>100</b> million yen (6.06% of total investment amount in Tokumei Kumiai)
Expected dividend payout <sup>(Note)</sup>	<b>7.6%</b>
Investment Horizon	<b>5 years</b> (February 28, 2019 – February 29, 2024)
Special notes	IIF to secure preferential negotiation right for the trust beneficiary right

## Securing preferential negotiation right that allows IIF to acquire the asset at a lower price than SPC acquisition price

### Lower IIF acquisition price with preferential negotiation right



### Schedule

2019	● January : Execution of silent partnership contract
	● February : Implementation of investment in silent partnership
2024	● March : Acquisition of trust beneficiary right by SPC
	IIF will secure preferential negotiation right for the asset acquisition from March 1, 2019 to February 29, 2024
	● February : Scheduled end of investment horizon

### To consider measures after the investment horizon according to the environment

#### Main Options for Future

Acquire the trust beneficiary right	Exercise preferential negotiation right
Continue investment in silent partnership	Extend the investment horizon of silent partnership
External sale and redemption	Sell the asset and receive redemption of investment



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### 3. Initiatives for ESG



# Continuous MC-UBS group initiatives for ESG

## MCUBS participation in initiatives



※ Since 2016 MCUBS has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labor, the environment and anti-corruption.

## ESG working groups where MC-UBS attends and proposes

### ■ Ministry of Land, Infrastructure, Transport and Tourism Investigative commission for ESG Real Estate Investment The only J-REIT AM

- Purpose : Investigate needed environment for real estate market in Japan to attract over mid-term investment based on ESG and SDGs
- Main members : Leading Professor, Consultant, Expert, etc.

### ■ PRI Japan Network Property Working Group The only J-REIT AM

- Purpose : Promote implementation of ESG in property investors and investment managers, raising awareness and sharing case studies.
  - Main members : Major Financial Institution, Consulting firm, etc.
- Signatory of:
- 

### ■ UNEP FI Property Working Group

- Purpose : Research, Promotion of environmental friendly business models, Information share, Training, Reporting, Organization of international meeting, etc.
  - Main members : Major Financial Institution, Insurance firm, Asset management company, etc.
- 

## Inclusion in MSCI Japan ESG Select Leaders Index



IIF has been included in the MSCI Japan ESG Select Leaders Index which was launched by MSCI on July 3rd, 2017.  
IIF has received "A" as the highest rank among the J-REITs as of Feb. 26th, 2019.

## Third-Party Evaluations

### ■ GRESB Real Estate Assessment



In Sep. 2018, awarded the "Green Star", the highest rank, for 6 consecutive years.

### ■ CASBEE



IIF Atsugi LC III newly received "CASBEE for Real Estate Certification" in Jan. 2019"

#### IIF Atsugi LC III



#### CASBEE for Real Estate Certification

IIF Kyotanabe LC	IIF Kashiwa LC
IIF Higashi-Osaka LC	IIF Fukuoka Hakozaiki LC II
IIF Iruma LC	IIF Atsugi LC III

### ■ BELS

As of Feb. 26th, 2019, 8 properties awarded BELS certification.



BELS Certification	
IIF Kashiwa LC	IIF Yokohama Tsuzuki LC
IIF Nishinomiya LC	IIF Hiroshima LC
IIF Atsugi LC III	IIF Shinagawa ITSC
IIF Kawasaki SC	IIF Haneda Airport MC

### ■ DBJ Green Building Certification

As of the Feb. 26th 2019, 5 properties have received the DBJ Green Building certification.



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

# Recent initiatives (1) : Identify and visualize ESG materiality using SDGs concept

## MC-UBS Group's ESG materiality and SDGs idea



MC-UBS have identified and visualized ESG material issues related to sustainability (materiality) as follows.

These issues were identified based on the Group's Corporate Philosophy and Environmental Charter but also incorporate the ideas of the Sustainable Development Goals (SDGs<sup>(Note)</sup>), globally shared goals promoted by the United Nations.

### <ESG Materiality Selection Process>



#### • Identification of Sustainability Issues

We compiled lists of sustainability issues related to REITs based on the SDGs, global ESG disclosure criteria, and benchmark studies by overseas companies in the same industry.



#### • Establishment of Priority Order

We established an order of priority for the issues we identified by taking into account their level of importance to asset management companies, each fund under the Company's management, overseas companies in the same industries, and external organizations.



#### • Confirmation of Validity

To ensure objectivity, we underwent a review by CSR Design Green Investment Advisory, Co., Ltd. regarding our ESG materiality and its selection process.



#### • Discussion and Approval by Senior Management

The Company's Sustainability Committee discussed and approved the selected ESG materiality.

## Our ESG Materiality and Closely Related SDGs

Level of importance	ESG materiality	Closely related SDGs
★★★★ Most Important	Response to sustainability certifications	9 INDUSTRY INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES
	Building resilience	9 INDUSTRY INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES
	Response to climate change	13 CLIMATE ACTION
	Energy efficiency	7 AFFORDABLE AND CLEAN ENERGY
	Ensuring of health and well-being of and convenience for people (tenants)	3 GOOD HEALTH AND WELL-BEING
★★★ Important	Employee cultivation and level of satisfaction	8 DECENT WORK AND ECONOMIC GROWTH
	Efficient water use	6 CLEAN WATER AND SANITATION
	Waste disposal	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Partnership with tenants	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 17 PARTNERSHIPS FOR THE GOALS
	Collaboration with local communities	17 PARTNERSHIPS FOR THE GOALS

※For the details of the footnotes, see Page 17.

# Recent initiatives (2) : Investment based on the Principles for Positive Impact Finance

## ■ The first case for J-REIT to invest based on the Principles for Positive Impact Finance - OTA Techno CORE -

- The equity investment in the Tokumei Kumiai is in line with SDGs materiality emphasized by the Asset Manager and will contribute to a sustainable society.
- Furthermore, a third-party opinion (Note 1) has been obtained stating that the project is in accordance with the Principles for Positive Impact (Note 2) of the United Nations Environment Programme Finance Initiative (UNEP FI).

**SUSTAINABLE DEVELOPMENT GOALS**



## ■ Image of measures for a sustainable society

### Measures for Supporting of Regional Economic Development from perspective Real Estate Investment (PRE)

**Ota City, Tokyo**

- A manufacturing industry cluster in Tokyo
- Accumulation of human resources such as engineers and craftsmen



**Industrial & Infrastructure Fund Investment Corporation**

- The Only J-REIT that specializes in industrial properties
- Established track record of acquiring manufacturing and R&D facilities

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 owner

The mid-term high profitability secured  
Future acquisition opportunity secured

※For the details of the footnotes, see Page 17.



# Recent initiatives (3) : Published ESG report compiled ESG activities across MCUBS

## Promotion of ESG activities by publishing ESG report

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 ESG Report.  
 URL: <http://www.iif-reit.com/english/structure/pdf/ESGReport.pdf>

# Notes

Over all figures in this material are rounded down to the shown digits otherwise noted, and ratios and years are rounded off to one decimal place. Thus an aggregate of such figures may not coincide with the total of each item.

- P.4 (Note) Impacted amount on DPU due to leasing up is an estimate amount regarding impact of leasing of IIF Shinagawa ITSC against announced forecast distributions for 23rd fiscal period and is not guaranteed. Actual DPU amount may fluctuate due to factors other than leasing of IIF Shinagawa ITSC.
- P.5 (Note1)  $\text{NOI Yield} = \text{NOI}^* \div \text{Acquisition Price of the property acquired}$  (The same shall apply hereinafter.)  
(Note2)  $\text{NOI yield (after depreciation)} = (\text{NOI}^* - \text{depreciation}^{**}) \div \text{Acquisition price}$  (The same shall apply hereinafter.)  
\*NOI for “As of Acquisition” is calculated by using the net operating income for the first fiscal year under the DCF method indicated in the appraisal report as of Jan. 1, 2015.  
With regards to the values for “After Value-up”, the value is calculated using the net operating income for the first fiscal year under the DCF method indicated in the appraisal report as of Jan. 31, 2019.  
\*\*Depreciation for “As of Acquisition” is calculated based on the figure annualizing the actual amount for June 2015 fiscal period.  
With regards to depreciation for “After Value-up”, the value is calculated annualizing actual amount for Jan. 2019 fiscal period.  
(Note3) “Unrealized gain ratio” is calculated by dividing the difference between appraisal value and book value of the property by the book value. The figure is the assumption and there is no assurance for the figure to be realized.
- P.6 (Note1) NOI for “As of Acquisition” is calculated by using the net operating income for the first fiscal year under the DCF method indicated in the appraisal report as of Jan. 1, 2015.  
With regards to the values for “After the contract change”, the value is calculated using the net operating income for the first fiscal year under the DCF method indicated in the appraisal report as of Jan. 31, 2018.  
With regards to the values for “After leasing whole parking”, the value is calculated using the net operating income for the first fiscal year under the DCF method indicated in the appraisal report as of July 31, 2018 and the adjusted income variance for parking area.  
With regards to the values for “After leasing the amenity”, the value is calculated using the net operating income for the first fiscal year under the DCF method indicated in the appraisal report as of Jan. 31, 2019.  
(Note2) Depreciation for “As of Acquisition” is calculated based on the figure annualizing the actual amount for June 2015 fiscal.  
With regards to depreciation for “After the contract change”, the value is calculated annualizing actual amount for Jan. 2019 fiscal period.  
With regards to depreciation for “After leasing whole parking”, the value is calculated annualizing estimate amount for July 2019 fiscal period.  
With regards to depreciation for “After leasing the amenity”, the value is calculated annualizing estimate amount for Jan. 2020 fiscal period.
- P.8 (Note1) “Unrealized gain” represents the difference between appraisal value and acquisition price of the property. The “Unrealized gain ratio” is calculated by dividing unrealized gain by the acquisition price.  
These figures are the assumptions and there is no assurance for these figures to be realized.  
(Note2) Remaining term represents the figure as of Jan. 31st 2019. The same shall apply hereinafter.
- P.10 (Note) The expected dividend payout is calculated by dividing (A) the product of (a) the simulated silent partnership interest dividend, 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 revenue with the DCF method as described in the real estate appraisal report prepared by the Japan Real Estate Institute with September 30, 2018 as the appraisal date (If special circumstances are expected in the first year, the second or later year net revenue is used), and (b) IIF’s investment ratio to total silent partnership interest amount (6.06%), by the IIF’s Tokumei Kumiai investment amount. The owner of the property will receive subsidies from Ota City in Tokyo until 2021, and the expected dividend payout is calculated using the net operating income in the first year in which the effects from those subsidies are not present. Further, 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.
- P.14 (Note) The Sustainable Development Goals (SDGs) are the core of the 2030 Agenda for Sustainable Development adopted at the United Nations summit in September 2015 (The same shall apply hereinafter). The Asset Manager has investigated its vision and targets for sustainability and taken measures to carry them out until now, but with rising interest in ESG, it has engaged in dialogue and taken action with stakeholders, identified material issues relating to sustainability, and adopted SDGs with a high degree of relevancy. Details can be found on the IIF’s web site. <http://www.iif-reit.com/english/structure/pdf/ESGReport.pdf>
- P.15 (Note1) For the details of the report, please refer the link. <http://www.iif-reit.com/english/structure/pdf/Report.pdf>  
(Note2) Principles adopted in January 2017 by members of the United Nations Environment Programme Finance Initiative (UNEP FI), namely financial institutions, to achieve sustainable development and the SDGs as a series of shared principles for financing that will lead to efforts to maximization of the positive impact on the economy, society, and the environment while addressing any negative impacts on these same three items. A request has been made to the UNEP FI Positive Impact Steering Group for an opinion regarding compliance of the equity investment in the silent partnership.



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# Disclaimer

Think bold today for a brighter tomorrow.



## Industrial & Infrastructure Fund Investment Corporation

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

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

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

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