

March 9, 2022

## Investment Corporation

Industrial & Infrastructure Fund Investment Corporation

(Tokyo Stock Exchange Company Code: 3249)

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## Supplementary Materials Concerning Press Release Dated March 9, 2022

“Notice Concerning IIF Hamura Logistics Center Redevelopment Project”



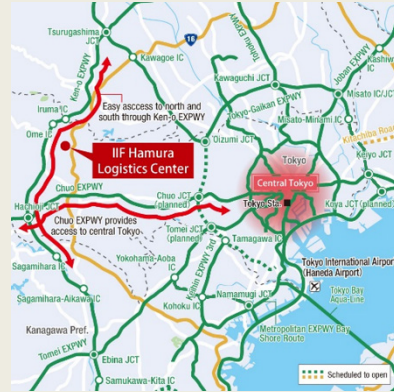
Securities Code

# 3249

# Redevelopment project to utilize surplus floor-area ratio

## Realization of Up-side potential by rebuilding a latest logistics facility

### Overview



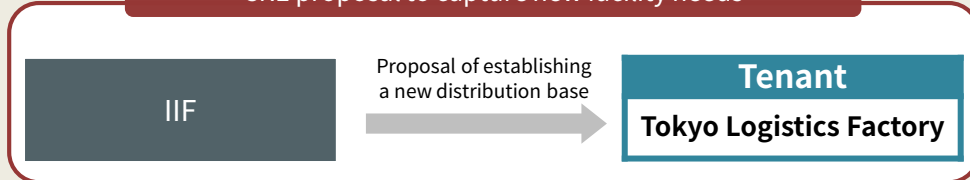
### Key points of the Redevelopment

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

### Versatile & latest logistics facility

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

### CRE proposal to capture new facility needs



### Key indices

#### Before redevelopment



#### After redevelopment



### Costs related to redevelopment (Estimate) (Note 1)

#### Demolition cost

approx. JPY **150** mn.

#### Cost equivalent to retirement\*

approx. JPY **210** mn.

#### Development cost

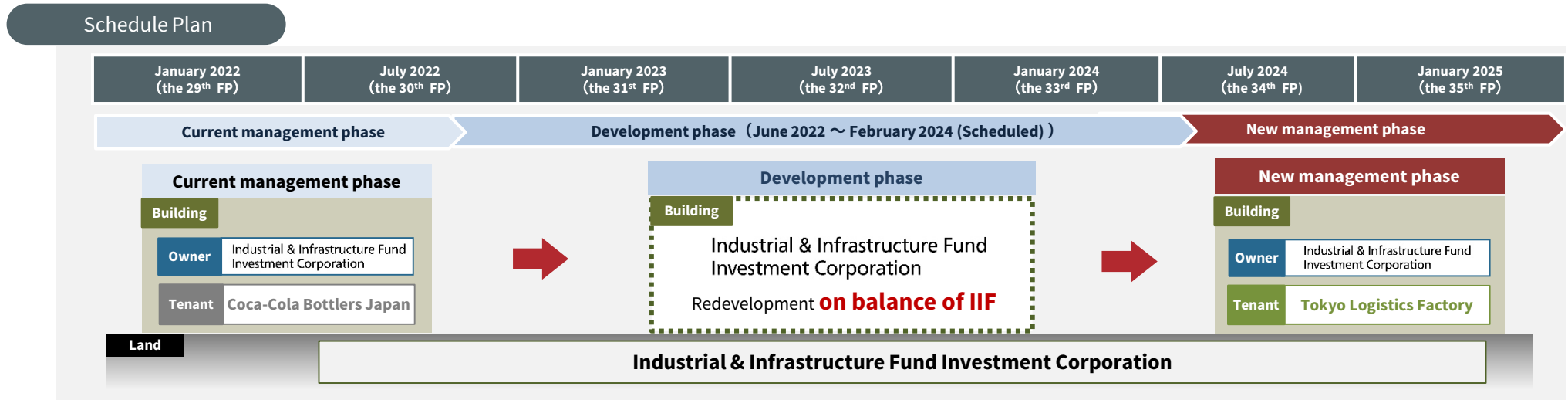
approx. JPY **1,830** mn.

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

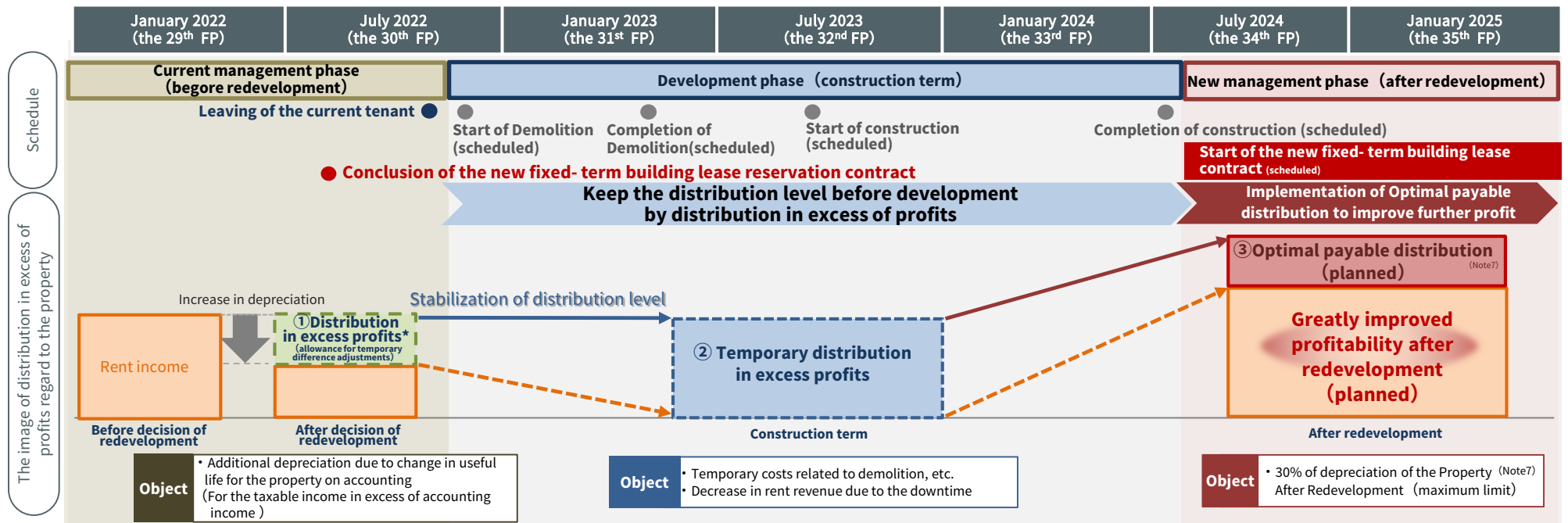
|   | Before redevelopment   | After redevelopment   |
|---|--|---|
| (Anticipated) Acquisition price <small>(Note2)</small>  | JPY 820 mn.  | <b>JPY 2,509 mn.</b>  |
| Appraisal value (Survey value) <small>(Note3)</small>   | JPY 704 mn.  | <b>JPY 3,420 mn.</b><br>(JPY +2,716 mn.)                  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

# Distribution in excess of profit in order to stabilize DPU and maximize unitholder value

## The scheme and schedule of the redevelopment project



## Stabilization of distribution level and pursuit of further improvement in profitability by implementing distribution in excess of profits



\*Allowance for temporary difference adjustments will not occur in the 30<sup>th</sup> fiscal period due to offset by reversal of ATA of IIF Atsugi LC III

# Notes

- Top (Note) Those are rendering images prepared on the assumption that the building is scheduled to be completed based on redevelopment project for IIF Hamura Logistics Center (the “the Redevelopment Project”) , and may differ from the actual building. The same shall apply hereafter.
- (Note 1) The figures for “Demolition cost”, “Cost equivalent to retirement” and “Development cost” are estimates based on the plans for the Redevelopment Project as of today.
- (Note 2) The figure for “anticipated acquisition price” after redevelopment is reference value by totaling anticipated acquisition price of the Property After Redevelopment (the total of construction costs, design fee, and construction management fees) and the price of land already acquired (the acquisition price of the land described in the trust beneficiary right purchase and sale agreement for the Property at the time of the acquisition in 2016). As the construction contract regarding to the Property After Redevelopment has not been concluded as of today, construction costs, design fee, and construction management fees are reference value based on the estimation and will be announced again after the conclusion of the construction contract regarding to the Property After Redevelopment. Accordingly, the actual acquisition price of the Property After Redevelopment may change in the future due to changes of the plan for the Redevelopment Project.
- (Note 3) The figure for “appraisal value(survey value)” before redevelopment is the survey value based on the survey report as of January 31, 2022. The figure for “appraisal value(survey value)” of the Property After Redevelopment is the survey value based on the survey report based on the plans for the Redevelopment Project as of March 1, 2022. For more details of survey reports, Please refer to “4. Summary of Survey Report (After the Redevelopment Project)” described in the press release dated March 9, 2022.
- (Note 4) The figure for “unrealized gain/loss” before redevelopment is the difference between the survey value based on the survey report as of January 31, 2022 and the book value as of January 31, 2022. The figure for “Unrealized gain/loss” of the Property After Redevelopment is the difference between the survey value based on the survey report on the plans for the Redevelopment Project as of March 1, 2022 and the anticipated acquisition price.
- (Note 5) The figure for “total floor area” after redevelopment is shown for reference based on the current plan for the Redevelopment Project. The actual figure for “total floor area” after redevelopment may change in the future due to changes of the plan for the Redevelopment Project.
- (Note 6) The figure for “Annual NOI” before redevelopment is the net operating income in the direct capitalization method indicated in the survey report as of January 31, 2022. The figure for “Annual NOI” of the Property After Redevelopment is the net operating income in the direct capitalization method indicated in the survey report on the plan for the Redevelopment Project as of March 1, 2022. The figure for “Annual NOI” after redevelopment is the estimated value after the completion of the Property After Redevelopment based on the plan for the Redevelopment Project, and there is no guarantee that it will be realized and the actual annual NOI after redevelopment may change in the future due to changes of the plan for the Redevelopment Project.
- (Note 7)  $\text{NOI yield} = \text{Annual NOI} / (\text{Anticipated}) \text{ acquisition price}$   
 $\text{NOI yield after depreciation} = \text{Annual NOI after depreciation} * / (\text{Anticipated}) \text{ acquisition price}$   
 $\text{NOI yield after depreciation (after adjustment by optimal payable distribution)**} = (\text{Annual NOI after depreciation} + \text{depreciation (annual) of Property After Redevelopment} \times 30\%) / (\text{Anticipated}) \text{ acquisition price}$   
\*Annual NOI after depreciation= Annual NOI-depreciation (annual)  
Depreciation before redevelopment is calculated using the total actual depreciation for the 28th fiscal period ended July 31, 2021 and the 29th fiscal period ended January 31, 2022 of the Property. Depreciation of the Property After Redevelopment is an estimate calculated by using the depreciation rates under the straight-line method in proportion to the useful life for the Property After Redevelopment.
- \*\* Approval of changes in the Articles of Incorporation of IIF at the General Meeting of Unitholders of IIF is mandatory to implement optimal payable distribution. As of today, IIF has not decided on implementation of the optimal payable distribution, nor the call of the General Meeting of Unitholders for such amendment. NOI yield after depreciation (after adjustment by optimal payable distribution) described in this document is a reference value based on estimate as of today, and there is no guarantee that it will be realized. The same shall apply hereafter.

Think bold today for a brighter tomorrow.



## Industrial & Infrastructure Fund Investment Corporation

- This document may contain information such as data on future performance, plans, management targets, and strategies. These forward-looking statements 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.
- Unless otherwise noted, this document is prepared based on Japanese accounting principles.
- This document relates to the press release entitled “Notice Concerning IIF Hamura Logistics Center Redevelopment Project” dated March 9, 2022 and is not prepared for the purpose of soliciting acquisition of IIF investment securities or the signing of financial instruments contracts. When investing, investors are requested to invest under their own responsibility and based on 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 incur losses when unit prices decline in the market or when the amounts of distributions decline according to economic and interest rate circumstances, the balance of supply and demand for units, the real estate market environment, fluctuations in prices of and rent revenues from real estate properties under management, disaster, deterioration of the financial status of IIF, and other factors. For details, please see “Investment Risks” in the IIF Securities Report.

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

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

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