

Industrial & Infrastructure Fund Investment Corporation

July 6, 2022

To all concerned parties:

Investment Corporation

Industrial & Infrastructure Fund Investment Corporation

(Tokyo Stock Exchange Company Code: 3249)

Representative: Kumi Honda, Executive Director

URL: <https://www.iif-reit.com/english/>

Asset Management Company

KJR Management

Representative: Naoki Suzuki,
President & Representative Director

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Notice Concerning Disposition of One Property in Japan

[IIF Osaka Nanko IT Solution Center]

Industrial & Infrastructure Fund Investment Corporation (“IIF”) announced today that KJR Management, IIF’s asset manager (the “Asset Manager”), decided to dispose (the “Anticipated Disposition”) trust beneficiary rights in real estate (the “Property to be disposed” or the “Property”) as outlined below.

1. Summary of the Anticipated Disposition

Property name	Type of asset	Disposition price (Note 1) (million yen)	Book value (Note 2) (million yen)	Difference between disposition price and book value (Note 3) (million yen)	Appraisal value (survey price) (million yen)	Contract signing date (scheduled)	Delivery date (scheduled)	Buyer
IIF Osaka Nanko IT Solution Center	Trust beneficiary right in real estate	2,700	1,156	1,544	2,420	July 8, 2022	August 17, 2022	Special Purpose Company (Not disclosed) (Note 4)

(Note 1) The disposition price excludes expenses related to the disposition.

(Note 2) The book value is as of January 31, 2022.

(Note 3) The difference between disposition price and book value is shown for reference. The actual gain on sale is different from that value.

(Note 4) The buyer’s profile cannot be disclosed as we have not obtained consent from the buyer with respect to disclosure. For the details, please refer to the following “4. Profile of Buyer”.

2. Reasons for Disposition

IIF has decided to dispose of this property from the viewpoint of creating a stable portfolio in med- to-long term. The Property has been under management since its acquisition in February 2013, however, risks such as decrease in future cash flow and tenant leaving are concerned as the fixed-term lease agreement with the current tenant expires at the end of February 2023, thus we have considered the future management policy of the Property. On the other hand, the building specifications and location characteristics of the Property, compared to the latest data centers, are insufficient in terms of building structure, floor height, load-bearing capacity, and securing available electricity supply, etc. Moreover, it is difficult to reconstruct the Property into the latest-model data center or convert it to other uses such as office, etc., in terms of its location characteristics and profitability. Furthermore, in the event of tenant replacement in the future, it is assumed that capital expenditures are incurred and the period to recruit new tenant takes longer.

As a result of comprehensively taking the above into consideration, we have determined that an early disposition of the Property at a price significantly higher than its book value and appraisal value, compared to holding and managing the Property in mid-to-long term, contributes to improving unitholder's value.

Industrial & Infrastructure Fund Investment Corporation

3. Information about Property to be disposed

Property name		IIF Osaka Nanko IT Solution Center				
Type of asset		Trust beneficiary right in real estate				
Trustee		Mitsubishi UFJ Trust and Banking Corporation				
Location		1-1-23, Nanko-Kita, Suminoe-ku, Osaka-shi, Osaka				
Acquisition date		February 7, 2013				
Acquisition price		1,150 million yen				
Book value		1,156 million yen (As of January 31, 2022)				
Land	Land area	13,200.07 m ²				
	Zoning	Semi-industrial area/Exclusive industrial area				
	Floor area ratio/ building-to-land ratio	400% (Note 1) /70%				
	Type of possession	Ownership				
Building	Building structure/ stories	Main Building:1-story basement and 6-story above ground: steel-framed & reinforced concrete building with deck roofing Attached Building: Reinforced concrete structure with deck roof				
	Construction completion	Main Building: March 26, 1992 Attached Building: March 31, 1992				
	Total floor area	18,429.14 m ²				
	Type of possession	Ownership				
	Use	Main Building: Office Attached Building: Guard station				
	Earthquake PML	5.4%				
Tenant summary	Tenant (Number of tenants)	Nomura Research Institute, Ltd (One company)				
	Total rental business revenue(annual)	Not disclosed (Note 2)				
	Security deposit	Not disclosed (Note 2)				
	Total leased area	18,429.14 m ²				
	Total leasable area	18,429.14m ²				
	Occupancy rate (based on leased area)	July 31, 2020	January 31, 2021	July 31, 2021	January 31, 2022	Current date
	100%	100%	100%	100%	100%	
Collateral conditions		None				
Special notes		None				

(Note 1) The floor area ration of the Property is expanded to 400% pursuant to the “Sakishima Cosmosquare Area Project” though the original ratio is 281.62%.

(Note 2) This is not disclosed as we have not obtained the tenant’s consent for disclosure.

4. Profile of Buyer

The buyer of the Property is a special purpose company formed in Japan by an overseas operating company, but the buyer’s profile cannot be disclosed as we have not obtained consent from the buyer with respect to disclosure. There are no notable capital, personal or business relationships between IIF / the Asset Manager and the buyer, and there are no notable capital, personal or business relationships between interested parties and affiliated companies of IIF / the Asset Manager and those of the buyer. None of the buyer, its interested parties or its affiliated companies falls under the category of related parties of IIF / the Asset Manager.

5. Broker

(i) Profile of the Broker

(1)	Name	Jones Lang LaSalle K.K.
(2)	Location	2-13-10 Nagatacho, Chiyoda-ku, Tokyo
(3)	Name and Title of Representatives	President and Representative Director: Toshinobu Kasai
(4)	Business	<ul style="list-style-type: none"> • Consultancy and research of real estate investment • Real estate sales, exchanges, leasing and management, and agency & brokerage related to these businesses • Valuation and consultancy of real estate • All businesses related to or incidental to the preceding items
(5)	Capital	195 million yen (as of June 30, 2022)
(6)	Date Established	April 23, 1985
(7)	Relationship with IIF or Asset Manager	
	Capital Relationship	There is no capital relationship to note between IIF / the asset manager and the relevant company. In addition, there are no noteworthy capital relationships between interested parties and affiliated companies of IIF / the asset manager and those of the relevant company.
	Personal Relationship	There is no personal relationship to note between IIF / the asset manager and the relevant company.
	Business Relationship	There is no business relationship to note between IIF / the asset manager and the relevant company.
	Related Parties Relationship	The relevant company does not fall under the category of a related party of IIF / the asset manager. In addition, none of the related parties and affiliated companies of the relevant company fall under the category of the related parties of IIF/ the asset manager.

(ii) Commission

The commission pertaining to this transaction cannot be disclosed as we have not obtained the necessary permission from the broker of the transaction to disclose the commission.

6. Matters relating to Forward Commitment Contracts

The purchase and sale agreement concerning the Anticipated Disposition falls within the definition of forward commitment contract, etc. ^(Note) as stipulated in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. In the case of a material breach of the contract (including a material breach of the representations and warranties) caused intentionally or negligently by IIF or the buyer, IIF or the buyer may notify fulfillment or correction to the breaching party in writing specifically indicating the breach for a reasonable period. In the event that such breach is not fulfilled or corrected within the period of such notice, the sale and purchase agreement may be cancelled. The breaching party shall compensate damages that the other party suffer due to or related to the breach under the contract (including the case that representations and warranties made in the agreement are untrue in any material respect) up to total amount equivalent to 10% of the disposition price.

(Note) A forward commitment contract, etc. is defined as any purchase and sale agreement or other type of agreement that is signed a month or more in advance of the actual date of the settlement or delivery pursuant to the agreement.

Industrial & Infrastructure Fund Investment Corporation

7. Means of Payment

10% of the disposition price is received as a deposit promptly after execution of purchasing and sales agreement but by July 25, 2022. Remaining 90% of disposition price is received on the scheduled date of delivery. In the event that the buyer does not pay the deposit by the due date described above, IIF may cancel immediately the agreement without notification. In the case, the buyer shall pay a penalty equivalent to 10% of the disposition price to IIF.

8. Scheduled Date of Disposition

	IIF Osaka Nanko IT Solution Center
Contract signing date (scheduled)	July 8, 2022
Payment date of deposit (scheduled)	July 25, 2022
Payment date of remaining balance (scheduled)	August 17, 2022
Delivery date (scheduled)	August 17, 2022

9. Future Outlook of IIF

In connection with the disposition, a gain on sales of real estate is scheduled to be recorded in the fiscal period ending January 31, 2023 (31st fiscal period), and a certain level of increase in operating revenues, etc. is expected. On the other hand, for the fiscal period ending July 31, 2022 (30th Fiscal Period) and the fiscal period ending January 31, 2023 (31st Fiscal Period), we expect to incur temporary expenses such as demolition costs related to the redevelopment of IIF Atsugi Logistics Center III and IIF Hamura Logistics Center, and repair expenses and utilities costs related to IIF Shonan Health Innovation Park. In response to the increase in expenses, we plan to make a temporary distribution in excess of profits (distribution in reduction of capital contribution under the tax law) for the purpose of stabilizing the level of distribution. In addition, as of today, we are reviewing the forecasts of operating status, considering the impact of further increases in utility costs due to soaring energy prices and expenses related to redevelopment, etc., which are yet to be determined at this time. The updated forecast of operating status will be informed as details of the impact become clear.

Since the disposition is scheduled to be executed on August 17, 2022, the impact on the operating conditions for the fiscal period ending July 31, 2022 (30th fiscal period) is not material.

10. Summary of Appraisal Report

【IIF Osaka Nanko IT Solution Center】

Appraiser	Japan Real Estate Institute
Survey price	2,420 million yen
Survey price as of:	January 31, 2022

Item	Value	Notes
Indicated value by income approach	2,420 million yen	
DC method	2,410 million yen	
Operating income	Not disclosed	(Note)
Effective gross income	Not disclosed	
Loss from vacancy	Not disclosed	
Operating expenses	Not disclosed	
Maintenance and management fee	Not disclosed	
Utility cost	Not disclosed	
Repair expenses	Not disclosed	
Property management fee	Not disclosed	
Leasing cost	Not disclosed	
Property tax	Not disclosed	
Insurance premium	Not disclosed	
Other expenses	Not disclosed	
Net operating income	152 million yen	
Operating profit from lump-sum payments	1 million yen	
Capital expenditures	0 million yen	
Net income	153 million yen	
Capitalization rate	6.4%	
DCF method	2,420 million yen	
Discount rate	5.8%	
Terminal capitalization rate	6.9%	

Other matters that the appraisal firm considered upon conducting the appraisal	None
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(Note) The disclosure of this information may negatively affect IIF's competitiveness and work to the detriment of unitholders, and therefore, we have decided not to disclose the information.

About IIF: Industrial & Infrastructure Fund Investment Corporation ("IIF") is the first J-REIT focused on acquiring and operating both industrial and infrastructure properties in Japan – properties that play a vital role in the Japanese economy, and for which IIF expects to see stable demand in the mid to long term. With respect to industrial properties, IIF intends to invest in a diverse portfolio of properties, including manufacturing and research and development facilities. Please refer to our website at <https://www.iif-reit.com/english/>

Contacts: For the further information relating to this press release as well as IIF and its Asset Manager, please feel free to contact Mr. Hidehiko Ueda (Telephone Number: 81-3-5293-7090), Head of Industrial Division at KJR Management., asset manager for Industrial & Infrastructure Fund Investment Corporation.

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This English language release is for informational purposes only, and the Japanese language release should be referred to as the original.