

Industrial & Infrastructure Fund Investment Corporation

August 31, 2022

To all concerned parties:

Investment Corporation

Industrial & Infrastructure Fund Investment Corporation

(Tokyo Stock Exchange Company Code: 3249)

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Notice Concerning IIF Hamura Logistics Center Redevelopment Project **(Follow-up Report)**

Industrial & Infrastructure Fund Investment Corporation (“IIF”) announces that IIF has concluded the construction contract regarding new building (the “Construction Contract”) dated today concerning a logistics facility (the “Property After Redevelopment”) to be built on the premise of IIF Hamura Logistics Center (the “Property”) related to the redevelopment project (the “Redevelopment Project”) announced in the press release titled “Notice Concerning IIF Hamura Logistics Center Redevelopment Project” dated March 9, 2022.

1. Summary of the construction contract regarding new building

Property number	Property name	Contractor	Contract Price (Note) (million yen)	Contract Execution Date	Scheduled Commencement Date of Construction	Scheduled Delivery Date
L-33	IIF Hamura Logistics Center	Suzuyo Construction Co., Ltd.	1,977	August 31, 2022	February 1, 2023	February 29, 2024

(Note) “Contract Price” is the construction cost of the Property After Redevelopment described in the construction contract regarding new building and does not include design fee and construction management fee. It differs from the anticipated acquisition price (It is the total of construction cost, design fee, and construction management fee. The same shall apply hereafter.) of the Property After Redevelopment. In addition, it may change in the future due to changes of the plan for the Redevelopment Project as the construction cost is based on the design as of today. For the assumption of the anticipated acquisition price of the Property After Redevelopment as of today, please refer to “5. Summary of the Property After Redevelopment.”

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2. Profile of the contractor

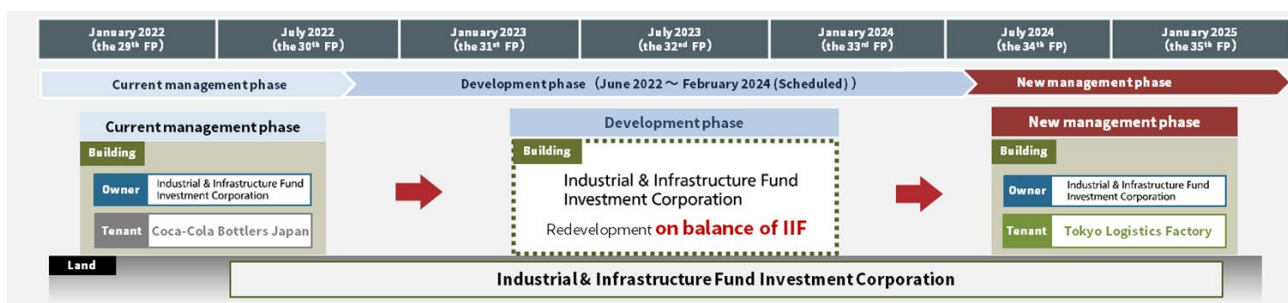
The profile of the contractor for the new construction work is as follows. The contractor, Suzuyo Construction Co., Ltd. ("Suzuyo Construction"), was employed as a construction contractor for the IIF Nishinomiya Logistics Center Expansion Project completed in May 2016, and for the IIF Atsugi Logistics Center III Redevelopment Project currently undergoing redevelopment. IIF appoints Suzuyo Construction as the contractor because IIF evaluates Suzuyo Construction in terms of professional and abundant knowledge about operations of logistics and various know-how in development of logistics facility.

(1) Name of company	Suzuyo Construction Co., Ltd.
(2) Head office address	5-17 Matsubara-cho, Shimizu-ku, Shizuoka-shi, Shizuoka, Japan
(3) Representative	Hiroaki Oishi, President & CEO
(4) Main line of business	Construction : Logistics facilities, Factory and Plant Civil engineering : Roads, Pavements and Bridges Other business : Land & building transaction etc.
(5) Capital	268 million yen (as of August 31, 2021)
(6) Date of establishment	March 24, 1949
(7) Net assets	This is not disclosed as we have not obtained the contractor's consent for disclosure.
(8) Total assets	This is not disclosed as we have not obtained the contractor's consent for disclosure.
(9) Large shareholder (Shareholding ratio)	Suzuyo Construction Holdings Company (100%) (as of August 31, 2021)
(10) Relation with IIF or the Asset Manager	There are no notable capital, personal or business relationships between IIF / the Asset Manager and the company, 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 company. None of the company, its interested parties or its affiliated companies falls under the category of related parties of IIF / the Asset Manager

3. The Schedule of the Redevelopment Project

The Schedule of the Redevelopment Project as of today is as follows.

Conclusion of fixed-term building lease reservation contract	March 9, 2022
Basic design and implementation design	From March 2022 to June 2022
Application for building certification	August 2022
Conclusion of construction contract	August 31, 2022
Demolition term	From June 2022 to November 2022 (scheduled)
Construction term	From February 2023 to February 2024 (scheduled)
Start of new operation	March 2024 (scheduled)



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4. The impacts on and forecast of IIF's operating status

(1) The construction cost of new building

The construction cost of new building is estimated to be 1,977 million yen (excluding taxes). IIF plans to pay the construction cost of new building in installments in accordance with the progress of the construction work. According to the payment schedule of construction cost of new building, the construction cost will be capitalized on IIF's balance sheet in each future fiscal period as "construction in progress". In addition, IIF may pay the construction cost not only in cash on hand but also in financing such as debt, etc. as needed. In case of payment through financing, we will announce again the amount, date, and method of the financing once they are determined.

(2) The impacts and forecast on IIF's operating status

The impact of the conclusion of the Construction Contract on IIF's operating status for the period ending January 2023 (the 31st fiscal period: August 1, 2022 to January 31, 2023) is not material and the forecasts of operating status for the same period remain unchanged. The forecast of operating status for the period ending July 2023 (32nd fiscal period: February 1, 2023 to July 31, 2023) considering the impact of Construction Contract will be announced in "Industrial & Infrastructure Fund Investment Corporation Summary of Financial Results for the Six Months Ended July 31, 2022" to be released on September 14, 2022.

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5. Summary of the Property After Redevelopment

	Property Before Redevelopment	Property After Redevelopment ^(Note 1) (As of March 9, 2022)	Property After Redevelopment ^(Note 2) (As of August 31, 2022)	
Property name	IIF Hamura Logistics Center			
Type of asset	Trust beneficiary right in real estate			
Location	8-16, Shinmeidai 4-chome, Hamura-shi, Tokyo, Japan			
(Anticipated) acquisition date	December 22, 2016	<Land> December 22, 2016 <The Property After Development> February 29, 2024	<Land> December 22, 2016 <The Property After Development> February 29, 2024 ^(Note 3)	
(Anticipated) acquisition price	820 million yen	2,509 million yen (Anticipated)	<u>2,720 million yen</u> (Anticipated) ^(Note 4)	
Land price (ratio)	672 million yen (82.0%)	672 million yen (26.8%)	672 million yen (<u>24.7%</u>)	
Building price (ratio)	147 million yen (18.0%)	1,836 million yen (73.2%)	<u>2,047 million yen</u> (75.3%)	
Appraisal Value (Survey value) ^(Note 5)	704 million yen (As of January 31, 2022)	3,420 million yen (As of March 1, 2022)	<u>3,790 million yen</u> (As of August 1, 2022)	
Unrealized gain (ratio) ^(Note 6)	-220 million yen (-23.9%)	910 million yen (+36.3%)	<u>1,069 million yen</u> (+39.3%)	
NOI yield / NOI yield after depreciation ^(Note 7) (after adjustment by optimal payable distribution)	5.1% / 3.9 %	5.6% / 3.0% (3.8%)	5.6% / <u>3.4%</u> <u>(4.0%)</u>	
Land	Land area	6,932.37m ²		
	Zoning	Industrial exclusive area		
	Type of possession	Ownership		
Building	Building structure/ stories	< Main building > 2-storied, steel-frame structure with flat, galvanized steel-plate roof < Attached building > Single-story, steel-frame structure with galvanized steel-plate roof	4-storied steel-framed building	4-storied steel-framed building ^(Note 8)
	Construction completion	July 31, 1991	February 29, 2024	February 29, 2024 ^(Note 8)
	Total floor area	3,892.66m ²	13,823.22m ²	<u>14,001.64 m²</u> ^(Note 8)
	Floor area ratio(cap) / Building-to-land ratio(cap)	60.4% (200%) / 45.4% (60%)	199.4% (200%) / 66.4% (70%)	199.4% (200%) / <u>67.2%</u> (70%) ^(Note 8)
	Type of possession	Ownership		
	Use	< Main building > Warehouse < Attached building > Garbage storage, cylinder storage	Warehouse	Warehouse ^(Note 8)
	Earthquake PML	4.2%	-	<u>2.8%</u> ^(Note 8)
Collateral conditions	None			
Special notes	An asbestos survey conducted by ERM Japan Ltd. confirmed the presence of asbestos (Level	None	None	

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	3) in some exterior wall finish coat materials and interior building materials. ERM Japan reported, however, that no deterioration has currently occurred. IIF has recorded expenses for removal of the asbestos (approximately 83 million yen) as asset retirement obligations since the December 2016 (19th) fiscal period.		
Designer	SHIMIZU CORPORATION First-class Architect Office (Note 9)	Suzuyo Construction Co., Ltd. (planned)	Suzuyo Construction Co., Ltd.
Contractor	SHIMIZU CORPORATION (Note 9)	Suzuyo Construction Co., Ltd. (planned)	Suzuyo Construction Co., Ltd.

(Note 1) The items of the Property After Redevelopment (As of March 9, 2022) are based on the press release titled "Notice Concerning IIF Hamura Logistics Center Redevelopment Project" dated March 9, 2022.

(Note 2) The underlined parts of the items of the Property After Redevelopment (As of August 31, 2022) are the changes from the contents announced in the press release titled "Notice Concerning IIF Hamura Logistics Center Redevelopment Project" dated March 9, 2022.

(Note 3) "(Anticipated) acquisition date" of the Property After Redevelopment (As of August 31, 2022) is the scheduled date of completion and delivery as of today. It may change depending on the progress of the Redevelopment Project in the future.

(Note 4) "(Anticipated) acquisition price" of the Property After Redevelopment (As of August 31, 2022) is a reference value by totaling 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 2012) and anticipated acquisition price of the Property After Redevelopment. The anticipated acquisition price of the Property After Redevelopment is an estimated value based on the design as of today and thus the actual acquisition price of the Property After Redevelopment may change in the future due to changes of the plan for the Redevelopment Project. The same shall apply hereafter.

(Note 5) "Appraisal value (Survey value)" of the Property Before Redevelopment is the survey value based on the survey report as of January 31, 2022. "Appraisal value (Survey value)" of the Property After Redevelopment (As of March 9, 2022) is the survey value based on the survey report based on the plans for the Redevelopment Project as of March 1, 2022 and that of the Property After Redevelopment (As of August 31, 2022) is the survey value based on the survey report based on the plans for the Redevelopment Project as of August 1, 2022. For the details of the survey report, please refer to "6. Summary of Survey Report (After the Redevelopment (As of August 31, 2022))"

(Note 6) "Unrealized gain" of the Property 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. "Unrealized gain" of the Property After Redevelopment (As of March 9, 2022) is the difference between the survey value based on the survey report based on the plans for the Redevelopment Project as of March 1, 2022 and the anticipated acquisition price as of March 9, 2022. "Unrealized gain" of the Property After Redevelopment (As of August 31, 2022) is the difference between the survey value based on the survey report based on the plans for the Redevelopment Project as of August 1, 2022 and the anticipated acquisition price as of August 31, 2022.

(Note 7) $\text{NOI yield} = \text{Annual NOI} / (\text{Anticipated}) \text{ acquisition price}$
 $\text{NOI yield after depreciation} = \text{Annual NOI after depreciation}^{**} / (\text{Anticipated}) \text{ acquisition price}$
 $\text{NOI yield after depreciation (after adjustment by optimal payable distribution}^{***}) = (\text{Annual NOI after depreciation} + \text{depreciation (annual) of Property After Redevelopment} \times 30\%) / (\text{Anticipated}) \text{ acquisition price}$

* The annual NOI of the Property Before Redevelopment is the net operating income under the direct capitalization method indicated in the survey report as of January 31, 2022. The annual NOI of the Property After Redevelopment (As of March 9, 2022) is the net operating income for the first fiscal year under the direct capitalization method indicated in the survey report based on the plan for the Redevelopment Project as of March 1, 2022 and that of the Property After Redevelopment (As of August 31, 2022) is the net operating income under the direct capitalization method indicated in the survey report based on the plan for the Redevelopment Project as of August 1, 2022. The annual NOI of the Property After Redevelopment (As of March 9, 2022) and that of the Property After Redevelopment (As of August 31, 2022) are estimated values after the completion of the Property After Redevelopment based on the plan for the Redevelopment Project, and there are no guarantee that they will be realized and thus the actual annual NOI after redevelopment may change in the future due to changes of the plan for the Redevelopment Project. The same shall apply hereafter.

** Annual NOI after depreciation = Annual NOI - depreciation (annual)

Depreciation of the Property is 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 (As of March 9, 2022) and that of the Property After Redevelopment (As of August 31, 2022) are estimates calculated by using the depreciation rates under the straight-line method in proportion to the useful life for the Property After Redevelopment.

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*** 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 an estimate as of today, and there is no guarantee that it will be realized.

(Note 8) “Building structure / stories”, “Construction completion”, “Total floor area”, “Floor area ratio/Building-to-land ratio”, “Use” and “Earthquake PML” of the Property After Redevelopment (As of August 31, 2022) are described based on the design as of today. They may change in the future due to changes of the plan for the Redevelopment Project.

(Note 9) The “Designer” and “Contractor” before the Redevelopment Project are regarding the building before redevelopment.

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Effects of the Redevelopment Project

The following effects are expected as a result of the Redevelopment Project.

Before redevelopment		After redevelopment	
Total floor area	3,892.66m ²	14,001.64m²	
Floor area ratio (current/cap)	60.4% / 200%	199.4% / 200%	
(Anticipated) Acquisition price	JPY 820 mn.	JPY 2,720 mn.	
Appraisal value (Survey value)	JPY 704 mn.	JPY 3,790 mn. (JPY +3,086 mn.)	
Unrealized gain/loss (Gain/loss ratio)	JPY - 220 mn. (-23.9%)	JPY 1,069 mn. (+39.3%)	
Annual NOI	JPY 41 mn.	JPY 151 mn. (JPY +109 mn.)	
NOI yield/ NOI yield after depreciation (After adjustment by optimal payable distribution)	5.1% / 3.9%	5.6% / 3.4% (4.0%)	
Contract term (Remaining term)	5.7 years (0.3 year) (Fixed-term building lease contract)	10.0 years (Fixed-term building lease reservation contract)	

(Note) For the fixed-term building lease reservation contract after the Redevelopment Project, please refer to the press release "IIF Hamura Logistics Center Redevelopment Project" dated March 9, 2022.

Images of the Property After Redevelopment



※ These are rendering images of the building to be completed, and thus may differ from the actual building.

Map



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6. Summary of Survey Report (After the Redevelopment Project (As of August 31, 2022))

Appraiser	Tanizawa Sogo Appraisal Co., Ltd.
Survey value	3,790 million yen
Survey value as of:	August 1, 2022

Item	Value	Notes
Indicated value based on income approach	3,790 million yen	
DC method	3,900 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	151 million yen	
Operating profit from lump-sum payments	0 million yen	
Capital expenditures	3 million yen	
Net income	148 million yen	
Capitalization rate	3.8%	
DCF method	3,740 million yen	
Discount rate	3.7% (Until 10 th year) 3.9% (11th year)	
Terminal capitalization rate	4.0%	
Indicated Value based on cost approach	3,460 million yen	
Portion of Land	39.9%	
Portion of Building	60.1%	

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

About IIF: Industrial and 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.