

Industrial & Infrastructure Fund Investment Corporation

March 13, 2023

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
Inquiries: Hidehiko Ueda,
Head of Industrial Division
TEL: +81-3-5293-7091

Notice Concerning IIF Atsugi Logistics Center III Redevelopment Project

(Follow-up Report 2)

Industrial & Infrastructure Fund Investment Corporation (“IIF”) hereby informs current developments regarding the redevelopment project (the “Redevelopment”) for IIF Atsugi Logistics Center III (the “Redevelopment Property”) as previously announced in “Notice Concerning IIF Atsugi Logistics Center III Redevelopment Project” on July 7, 2021, and “Notice Concerning IIF Atsugi Logistics Center III Redevelopment Project (Follow-up Report)” on November 24, 2021.

In addition, while the Redevelopment Property is under development and not yet finished as of March 13, 2023, IIF additionally briefs on the summary of the appraisal report as of January 31, 2023 regarding the Redevelopment Property.

1. Summary of the Redevelopment Property

Property number (Note 1)	Property name	Location	Seller ^(Note 3)	Anticipated acquisition price (million yen)	Appraisal value ^(Note 2) (million yen)	Appraisal NOI yield ^(Note 3)	Appraisal NOI yield after depreciation (considering continuous surplus cash distribution) ^(Note 3)	Anticipated acquisition date
L-15	IIF Atsugi Logistics Center III (Redevelopment)	Atsugi-shi, Kanagawa	Suzuyo Construction Co., Ltd.	4,477 ^(Note 4)	7,510	6.8%	5.0% (5.5%)	December 31, 2023 ^(Note 5)

(Note 1) “Property number” classifies properties owned or to be acquired by IIF into three categories, namely, L (logistics facilities), F (manufacturing, research and development facilities) and I (infrastructure facilities).

(Note 2) The appraisal value is based on the appraisal report for the unfinished building including the acquired land portion dated January 31, 2023.

(Note 3) Regarding “Appraisal NOI yield”, “Appraisal NOI yield after depreciation”, and “Appraisal NOI yield after depreciation (considering continuous surplus cash distribution)”, please refer to “4. Main Items of the Redevelopment Property (Note 7)”.

(Note 4) Regarding the Anticipated acquisition price for the Redevelopment Property, please refer to “4. Main Items of the Redevelopment Property (Note 4)”.

(Note 5) Regarding the Anticipated acquisition date, please refer to “4. Main Items of the Redevelopment Property (Note 3)”.

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2. Schedule for the Redevelopment Project

The schedule for the Redevelopment Project as of today is as below.

Conclusion of construction contracts	November 24, 2021
Application for building certification	March 2, 2022
Demolition term	From February 2022 to July 2022
Construction term	From March 2022 to December 2023 (scheduled)
Start of newly operation	January 2024 (scheduled)

3. The impacts and forecast on IIF's operating status

(1) The construction cost of new building and the demolition cost

The construction cost of new building is estimated to be 2,704 million yen (taxes excluded) and the demolition cost is estimated to be 244 million yen (taxes excluded). IIF plans to pay the construction cost of new building in installments in accordance with the progress of the construction work, and will allocate the accrued costs to construction in progress of each fiscal period as assets according to the payment period. In addition, IIF plans to pay the construction cost from financing through issuance of new investment units, and new borrowings, as well as cash reserves. Regarding the issuance of new investment units, please refer to "Notice Concerning Issuance of New Investment Units" released today. Regarding finance through new borrowings, IIF will newly announce when the amount, date, and method of the financing are determined.

(2) Future outlook of IIF

Please refer to "Notice Concerning Revision of Forecast of Operating Results and Distributions for the July 2023 (32nd) Fiscal Period and Forecast of Operating Results and Distributions for the January 2024 (33rd) Fiscal Period" regarding IIF's forecast on operating results for the July 2023 fiscal period (32nd) and the January 2024 fiscal period (33rd).

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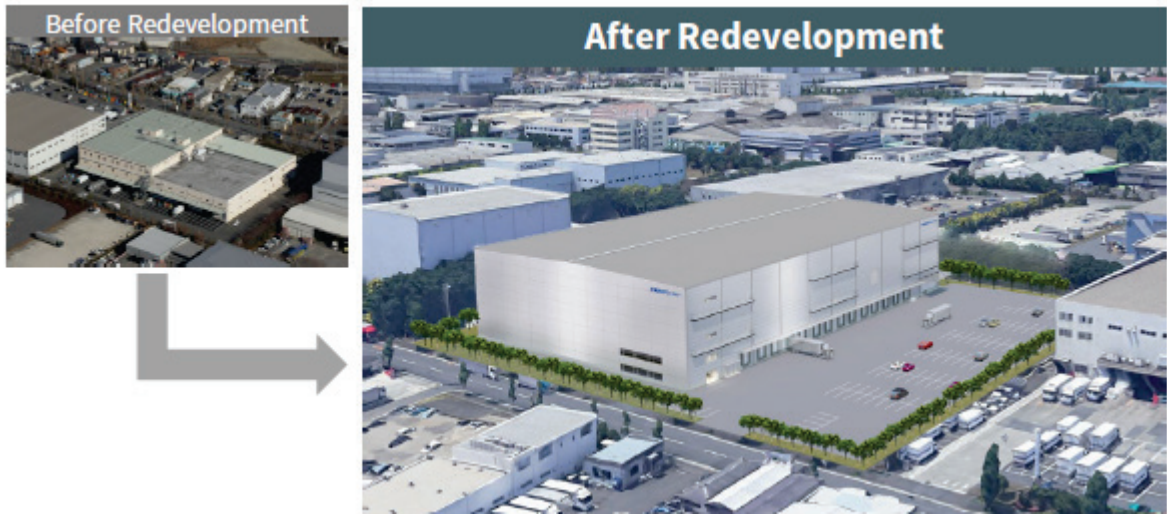
4. Main Items of the Redevelopment Property

	Property Before Redevelopment	Property After Redevelopment ^(Note 1) (As of November 24, 2021)	Property After Redevelopment ^(Note 2) (As of March 13, 2023)	
Property name	IIF Atsugi Logistics Center III			
Type of asset	Real estate trust beneficiary interest			
Location	3007-7, Kamiechi Aza Uenohara, Atsugi-shi, Kanagawa			
(Anticipated) acquisition date	March 7, 2012	<Land> March 7, 2012 <Redevelopment Property> September 30, 2023	<Land> March 7, 2012 <Redevelopment Property> <u>December 31, 2023</u> ^(Note 3)	
(Anticipated) acquisition price	2,290 million yen	4,434 million yen (anticipated)	<u>4,477 million yen</u> (anticipated) ^(Note 4)	
Land price (ratio)	1,662 million yen (72.6%)	1,662 million yen (37.5%)	1,662 million yen (37.1%)	
Building price (ratio)	627 million yen (27.4%)	2,772 million yen (62.5%)	<u>2,815 million yen</u> (62.9%)	
Appraisal Value ^(Note 5) (research price)	3,200 million yen (As of January 31, 2021)	7,030 million yen (As of June 1, 2021)	<u>7,510 million yen</u> (As of January 31, 2023)	
Difference between appraisal value and (anticipated) acquisition price (Ratio of difference) ^(Note 6)	813 million yen (+34.1%)	2,595 million yen (+58.5%)	<u>3,032 million yen</u> (+67.7%)	
Appraisal NOI yield / Appraisal NOI yield after depreciation ^(Note 7) (considering continuous surplus cash distribution)	7.0% / 6.0%	7.0% / 5.1% (5.7%)	<u>6.8% / 5.0%</u> (5.5%)	
Land	Land area	17,415.20m ²		
	Zoning	Industrial exclusive area		
	Type of possession	Ownership		
Building	Building structure / stories	<Main building> Three-story steel-framed reinforced concrete building with zinc-coated steel plate roof <Attached building> One-story ferroconcrete building with deck roof	Four-story steel-framed building	Four-story steel-framed building ^(Note 8)
	Construction completion	October 23, 1981 (Expansion) August 22, 2000	September 30, 2023	<u>December 31, 2023</u> ^(Note 8)
	Total floor area	16,470.24 m ²	23,403.67 m ²	<u>22,879.35m²</u> ^(Note 8)
	Floor area ratio (cap) / Building-to-land ratio (cap)	100.8% (200%) / 42.6% (45%)	132.7% (200%) / 44.7% (45%)	<u>129.72% (200%) / 43.97% (45%)</u> ^(Note 8)
	Type of possession	Ownership		
	Use	<Main building> Warehouse, goods discharge spot <Attached building> Guard Station	Warehouse	Warehouse ^(Note 8)
	Earthquake PML	7.3%	5.1%	<u>5.1%</u> ^(Note 8)
Collateral conditions	None			
Special notes	None			
Designer	Nikken Sekkei Ltd ^(Note 9)	Suzuyo Construction Co., Ltd.	Suzuyo Construction Co., Ltd.	
Contractor	KAJIMA CORPORATION ^(Note 9)	Suzuyo Construction Co., Ltd.	Suzuyo Construction Co., Ltd.	

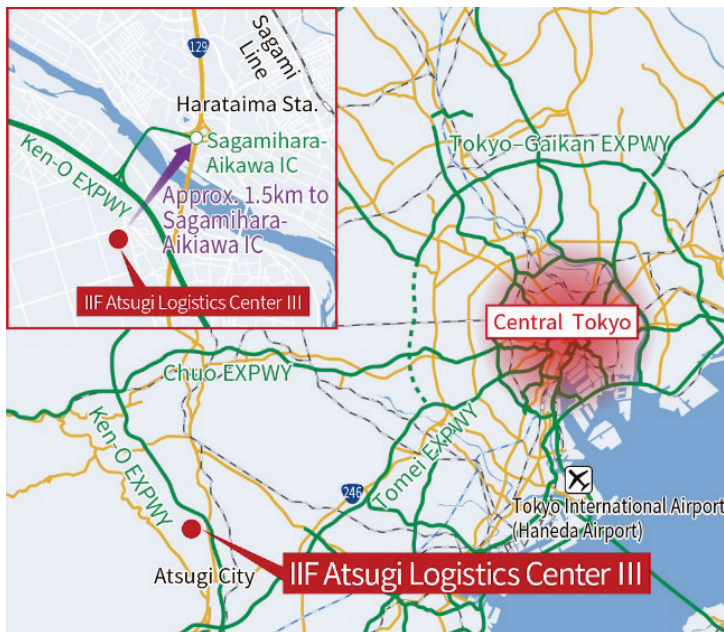
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- (Note 1) The items of the Property After Redevelopment (As of November 24, 2021) are based on the press release titled “Notice Concerning IIF Atsugi Logistics Center III Redevelopment Project (Follow-up Report)” dated November 24, 2021.
- (Note 2) The underlined parts of the items of the Property After Redevelopment (As of March 13, 2023) are the changes from the contents announced in the press release titled "Notice Concerning IIF Atsugi Logistics Center III Redevelopment Project (Follow-up Report)" dated November 24, 2021.
- (Note 3) “(Anticipated) acquisition date” of the Property After Redevelopment (As of March 13, 2023) is the scheduled date of completion and delivery based on the construction contracts.
- (Note 4) “(Anticipated) acquisition price” of the Property After Redevelopment (As of March 13, 2023) is the sum of price of the acquired land portion (the acquisition price of the land described in the trust beneficiary interest sales and purchase agreement for the Property at the time of the acquisition), and the total construction cost, design cost, and CM fee of the Property during the Redevelopment. The actual acquisition price may differ from the estimate aforementioned due to changes in the acquisition price of the building. The same shall apply hereafter.
- (Note 5) “Appraisal value (research price)” of the Property Before Redevelopment is the research price based on the valuation report as of January 31, 2021. “Appraisal value (research price)” of the Property After Redevelopment (As of November 24, 2021) and that of the Property After Redevelopment (As of March 13, 2023) are respectively the research price from the valuation report based on the plans for the Redevelopment Project as of June 1, 2021, and the appraisal value from the appraisal report for the unfinished building including the acquired land portion purchased as of January 31, 2023.
- (Note 6) “Difference between appraisal value and (anticipated) acquisition price” of the Property Before Redevelopment is the difference between the research price based on the valuation report as of January 31, 2021 and the book value as of January 31, 2021. “Difference between appraisal value and (anticipated) acquisition price” of the Property After Redevelopment (As of November 24, 2021) is the difference between the research price from the valuation report based on the plans for the Redevelopment Project as of June 1, 2021 and the anticipated acquisition price as of November 24, 2021. “Difference between appraisal value and (anticipated) acquisition price” of the Property After Redevelopment (As of March 13, 2023) is the difference between the appraisal value from the appraisal report for the unfinished building including the acquired land portion purchased as of January 31, 2023 and the anticipated acquisition price as of March 13, 2023. The “Ratio of difference” is calculated by dividing the “Difference between appraisal value and (anticipated) acquisition price” with the (anticipated) acquisition price.
- (Note 7) Appraisal NOI yield = $\text{NOI}^* \div (\text{Anticipated}) \text{ acquisition price}$
Appraisal NOI yield after depreciation = $(\text{NOI after depreciation}^{**}) \div (\text{Anticipated}) \text{ acquisition price}$
Appraisal NOI Yield after depreciation (considering continuous surplus cash distribution)^{***} = $(\text{NOI after depreciation} + \text{Depreciation} \times 30\%) \div (\text{Anticipated}) \text{ acquisition price}$
* The NOI for the Property Before Redevelopment is the sum of the actual NOI regarding the Property for the July 2020 fiscal period (26th fiscal period) and the January 2021 fiscal period (27th fiscal period). The NOI for the Property After Redevelopment (As of November 24, 2021) is the net operating income in the DCF method for the first year as stated on the valuation report based on the plans for the Redevelopment Project as of November 24, 2021. The NOI for the Property After Redevelopment (As of March 13, 2023) is the net operating income in the direct capitalization method as stated on the appraisal report for the unfinished building including the acquired land portion purchased as of January 31, 2023. The NOI for the Property After Redevelopment (As of November 24, 2021) and for the Property After Redevelopment (As of March 13, 2023) is an estimate based on the plans for the Redevelopment Project, and consequently, the actual NOI of the Property After Redevelopment may differ following changes in the plans for the Redevelopment Project etc. The same shall apply hereafter.
** NOI after depreciation = NOI – Depreciation
Depreciation of the Property Before Redevelopment is the total actual depreciation for the July 2020 fiscal period (26th fiscal period) and the January 2021 fiscal period (27th fiscal period) of the Property. Depreciation of the Property After Redevelopment (As of November 24, 2021) and that of the Property After Redevelopment (As of March 13, 2023) are estimates calculated by using the depreciation rates under the straight-line method in proportion to the useful life for the Property After Redevelopment. The same applies hereinafter
*** Appraisal NOI yield after depreciation (considering continuous surplus cash 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.
- (Note 8) “Building structure / stories”, “Construction completion”, “Total floor area”, “Floor area ratio (cap) /Building-to-land ratio (cap)”, “Use” and “Earthquake PML” of the Property After Redevelopment (As of March 13, 2023) are described based on the design as of today. These may change in the future due to changes of the plan for the Redevelopment Project.
- (Note 9) The “Designer” and “Contractor” before the Redevelopment are regarding the building before redevelopment.

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■ Map for the surrounding area



(Reference) Other press releases announced today:

“Notice Concerning Issuance of New Investment Units”

“Notice Concerning the Acquisition and Leasing of Four Properties in Japan”

“Notice Concerning Revision & Announcement of Forecast of Operating Results & Distributions for the Fiscal Period ending July 2023 & January 2024”

“Supplementary Material for the Press Release Announced on March 13, 2023”

“Notice Concerning Debt Financing (Refinancing)”

“Notice Concerning Acquisition of SBTi Validation”

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5. Summary of the Appraisal Report (After the Redevelopment (as of March 13, 2023))

Appraiser	Japan Real Estate Institute
Appraisal value	7,510 million yen
Appraisal value as of:	January 31, 2023

Item	Value	Notes
Indicated value by income approach	7,510 million yen	
DC method	7,530 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	306 million yen	
Operating profit from lump-sum payments	1 million yen	
Capital expenditures	7 million yen	
Net income	301 million yen	
Capitalization rate	4.0%	
DCF method	7,490 million yen	
Discount rate	3.7%	
Terminal capitalization rate	4.1%	
Indicated value based on cost approach	7,500 million yen	
Proportion of land	59.2%	
Proportion of building	49.8%	

Other matters that the appraisal firm considered upon conducting the appraisal	The appraisal value for the Redevelopment Property includes appraisal on the unfinished building including the acquired land portion.
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(Note) Since this appraisal refers to numbers based on the actual values, 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 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: 81-3-5293-7091), Head of Industrial Division at KJR Management, asset manager for Industrial & Infrastructure Fund Investment Corporation.

Investor Relations: Telephone Number: 81-3-5293-7091 E-mail: iif-3249.ir@kjrm.co.jp

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