

Industrial & Infrastructure Fund Investment Corporation

March 13, 2023

Investment Corporation

Industrial & Infrastructure Fund Investment Corporation

(Tokyo Stock Exchange Company Code: 3249)

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

“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”



<IIF Ota Manufacturing Center>



<IIF Atsugi Logistics Center III (Redevelopment)> (Note 1)

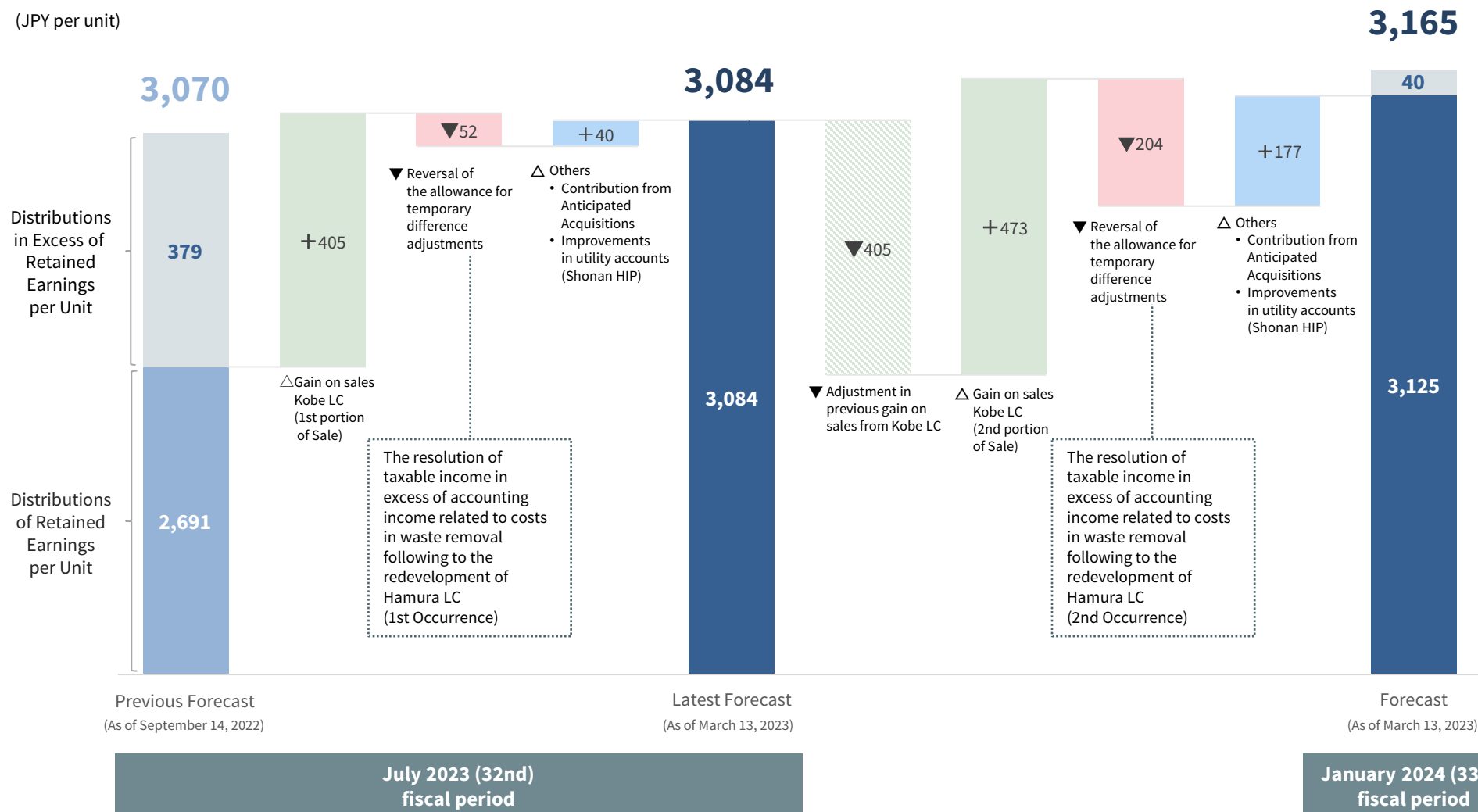
Security Code

3249

Maintain and Increase in DPU through Anticipated Acquisitions and Gain on Sales

Changes in DPU (including distributions in excess of retained earnings) (Note 2) (July 2023 (32nd) fiscal period and January 2024 (33rd) fiscal period)

(JPY per unit)

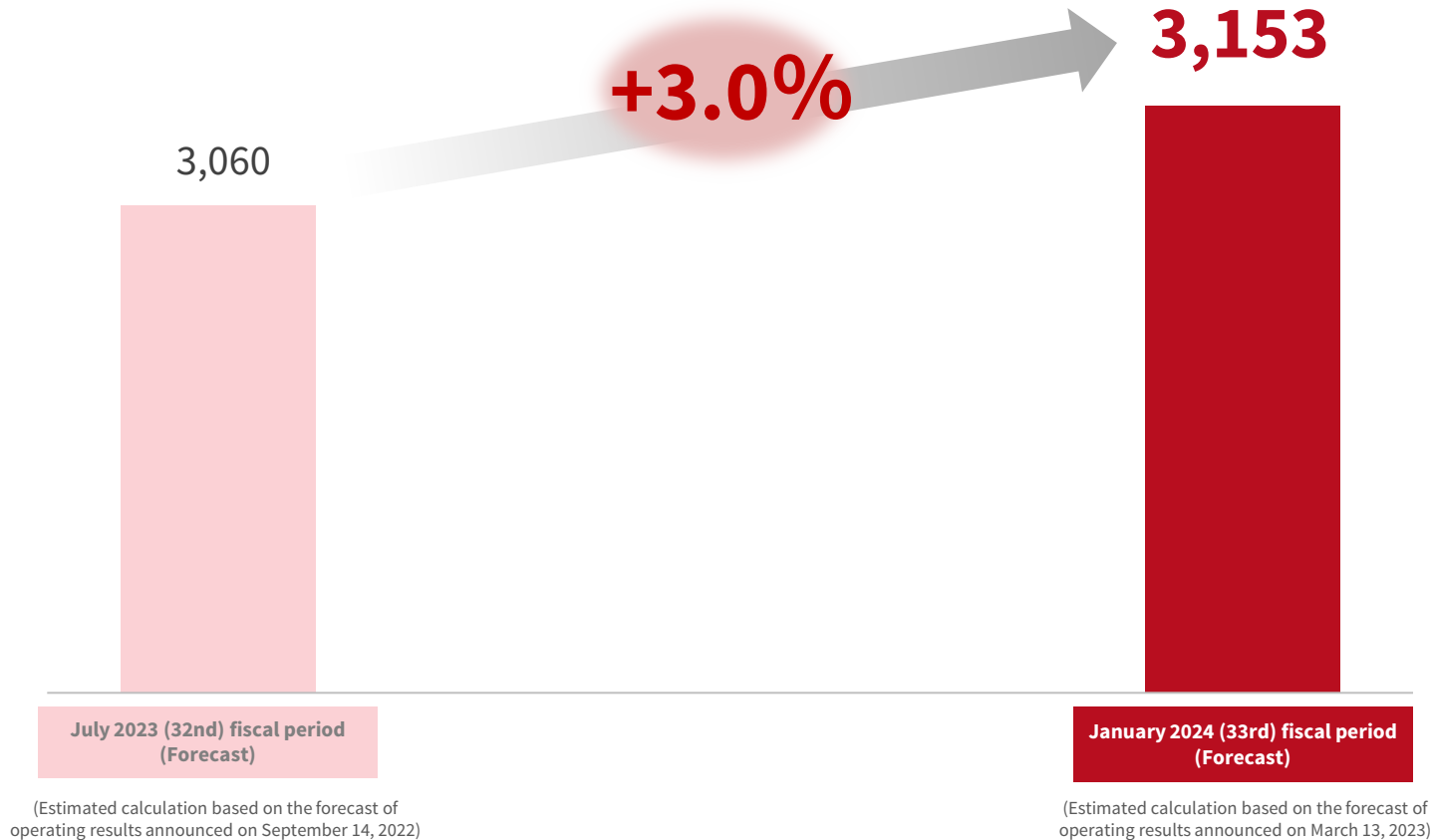




DPU expected to increase by 3.0% (After Adjustment of Fixed Property Tax, City Planning Tax and Non-recurring Gains or Losses, etc.)

■ Increase in DPU (After adjustment of fixed property tax, city planning tax and non-recurring gains or losses, etc.)^(Note 3)

(JPY per unit)



*The “DPU (After adjustment of fixed property tax, city planning tax and non-recurring gains or losses, etc.)” for the July 2023 (32nd) fiscal period (forecast) is a reference value derived by adding adjustments to the assumptions of the forecast DPU for the July 2022 (32nd) fiscal period stated in IIF’s “Summary of financial results for the six months ended July 31, 2022” released on September 14, 2022. The “DPU (After adjustment of fixed property tax, city planning tax and non-recurring gains or losses, etc.)” for the January 2024 (33rd) fiscal period (forecast) is a reference value derived by adding adjustments to the assumptions of the forecast DPU for the January 2024 (33rd) fiscal period stated in “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” released on March 13, 2023. For further details on the assumptions, please refer to (Note 3) on Page 6. The values are not a forecast for IIF’s DPU in any certain fiscal period, and are not a guarantee of the existence of future dividends nor their values. Furthermore, the “DPU (After adjustment of fixed property tax, city planning tax and non-recurring gains or losses, etc.)” for both the July 2023 (32nd) fiscal period and the January 2024 (33rd) fiscal period include distributions in excess of retained earnings.

Stabilization of Distributions by Distributing Gains on Sales from IIF Kobe Logistics Center over Three Fiscal Periods

Decided to dispose IIF Kobe Logistics Center early in light of the impact on the portfolio



Background of the Disposition

After the end-tenant, a major toy manufacturer, left before maturity due to early termination of lease, value-added work was performed for the property in order to convert it to a multi-tenant building in consideration of the next leasing.

Value-added work for the property to a multi-tenant building was completed in April 2022. Leasing activities started and lease-up of one lot (occupancy rate: 18.1%) was completed.

While continuing lease-up of the remaining lots, we will conduct disposition activity in parallel, taking into account the property's location, age and spec.

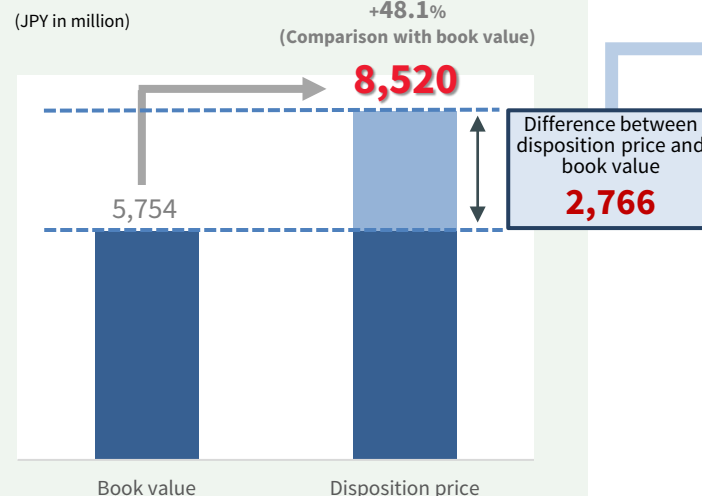
Decided to dispose of the property early based on a comprehensive analysis of the impact on our portfolio. Divided sales and distribution over three fiscal periods will contribute to stabilizing the level of distributions.

Property Characteristics

- Maya wharf is located at the center of Kobe Port, which enables to cover wide-area including the Hanshin area.
- Valuable logistics warehouse with highly versatile spec, located near the central area of Kobe City and near IC of expressway.

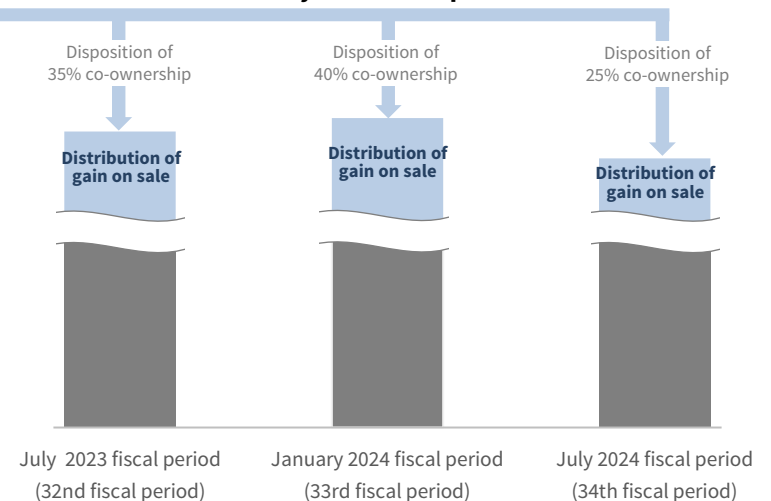
<Summary of the Disposition>

Acquisition price	JPY 5,193mn
Book value (As of July 31, 2022)	JPY 5,754mn
Appraisal value (As of July 31, 2022)	JPY 8,520mn
Disposition price	JPY 8,520mn
Difference between disposition price and book value	JPY 2,766mn



<Image of distribution of gain on sale>

Divided sales and distribution over three fiscal periods from the July 2023 fiscal period



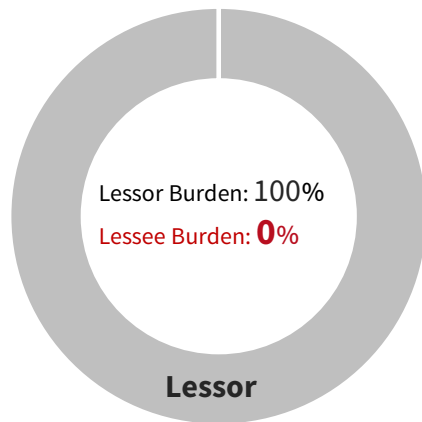
Regarding IIF Shonan Health Innovation Park, IIF Has Switched the Utility Costs Burden with the Major Tenant to a Pass-through Scheme so that the Major Tenant Would Be Liable

Confront the increase in utility costs by increasing the lessee's burden

<Changes in the burdening of utility costs for the whole facility within IIF Shonan Health Innovation Park> (Note 4)(Note 5)

As of Acquisition

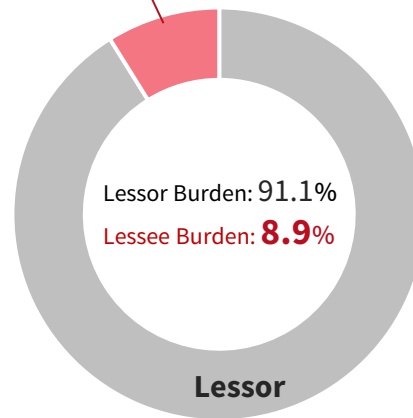
- ✓ Utility costs for the whole building to be liable to the lessor including exclusive and common areas



After the Previous Change (October 2022)

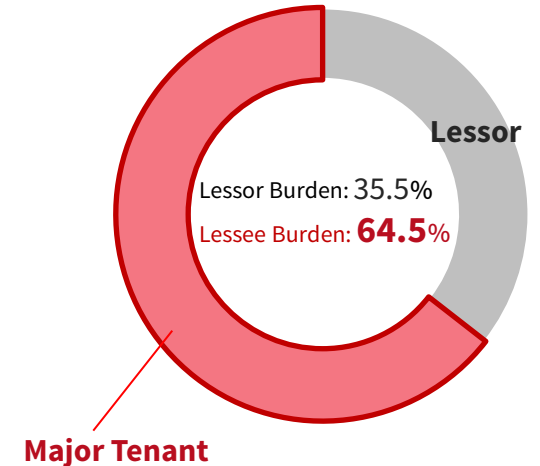
- ✓ A portion of the utility costs exceeding a threshold to be liable to the major tenant

Major Tenant



After the Current Change (April 2023)

- ✓ For the utility costs incurred in the whole facility (including exclusive and common areas), the major tenant will burden the cost according to its usable area (64.5%)



Currently in talks with other tenants as well to change utility costs burden to a pass-through scheme



Notes and Calculations

(Note 1) The indicative image displayed as after redevelopment is a rendering assuming the completion, and may differ in actuality.

(Note 2) • “DPU (including distributions in excess of retained earnings)” includes distributions in excess of retained earnings (distribution amounting to an increase in the allowance for temporary difference adjustment or the distribution with decrease in investment capital under tax law).

• For further details on the assumptions for the figures, 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” released as of today.

◇ Considerations regarding the DPU (including distributions in excess of retained earnings) forecast

The forecast value for the July 2023 (32nd) fiscal period and the January 2024 (33rd) fiscal period are calculated based on the assumptions stated in “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” released as of today, and may differ significantly from the actual DPU (including distributions in excess of retained earnings) due to changes from the assumptions such as future acquisitions or disposals of real estate etc., differences in rent income following changes in tenants, changes in the operational environment such as unpredicted outbreak in repair costs, fluctuations in interest rates, and the actual number of shares issued or total amount to be paid in.

In addition, regarding the definition and summary for the “Anticipated Acquisitions”, please refer to the press release “Notice Concerning the Acquisition and Leasing of Four Properties in Japan” and “Notice Concerning IIF Atsugi Logistics Center III Redevelopment Project (Follow-up Report 2)” released as of today.

(Note 3) “DPU (After adjustment of fixed property tax, city planning tax and non-recurring gains or losses, etc.)” is defined as the estimated DPU starting with the forecast DPU after subtracting the distributions in excess of retained earnings (distribution with decrease in investment capital under tax law), adding the considered estimate of accrued fixed property tax, city planning tax, and depreciable property tax currently not changed into costs, and non-recurring gains or losses, etc. (the “Adjustment of fixed property tax, city planning tax and non-recurring gains or losses, etc.”) for each period, then adding the DPU considering continuous distributions in excess of retained earnings. Consequently, the values of forecast DPU (After adjustment of fixed property tax, city planning tax and non-recurring gains or losses, etc.) stated for each fiscal period is not an estimate nor prediction for any or a certain period of IIF’s fiscal period.

The estimate for the “Adjustment of fixed property tax, city planning tax and non-recurring gains or losses, etc.” is the estimate of accrued fixed property tax, city planning tax, and depreciable property tax, currently accounted in the acquisition price and not changed into costs, and adjustments by non-recurring gains or losses, etc. “Adjustments by non-recurring gains or losses, etc.” are the total of the estimated adjustments in gains or losses with the temporary factors expected to be resolved after the respective fiscal period ends for the resolved temporary cost incurred regarding redevelopment, the difference between the rent revenue assumed after rent revenue from new acquisitions are expected to contribute to the full fiscal period and the budgeted rent revenue from the acquired property contributing to the accounting period, and adjustments made to stabilize utility costs etc. to account for temporary changes resulting from increase in commodity costs or seasonal factors. For further details on the assumptions for these figures, 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”.

In addition, IIF has currently received a written notice of cancellation from the current tenant INES Corporation for “IIF Yokohama Tsuzuki R&D Center”, and the lease contract is expected to terminate as of October 30, 2024. The next tenant is not yet decided as of now, but the cancellation is not factored in regarding the “DPU (After adjustment of fixed property tax, city planning tax and non-recurring gains or losses, etc.)” for the January 2024 (33rd) fiscal period (forecast).

(Note 4) This is an illustrative estimate for the facility’s utility costs based on actual figures for the January 2023 (31st) fiscal period, and divided accordingly to the new utility cost burdening structure between the major tenant and other tenants. Accordingly, this does not represent the actual burdening ratio for the actual 31st, 32nd, and 33rd fiscal periods. The lessee’s burdening portion is calculated by dividing the utility revenue calculated as above with the entire facility’s incurred utility costs (actual costs for 31st fiscal period).

(Note 5) IIF and the major tenant have, with a memorandum dated September 12, 2022, decided a rule in which the lessee will be liable to part of the cost exceeding a predetermined price decided by the lessor and lessee, after October 2022. In addition, while both IIF and the major tenant have decided, with a memorandum dated February 15, 2023, a rule to pass-through the utility costs burden (the pass-through scheme) to the lessee proportionate to the lessee’s usable area excluding the subleased area (36,310.06m²) for the subtenant as of November 1, 2022 divided by the facility’s total rentable area (130,342.61m²), equivalent to 64.5%, after April 2023. It is possible that such proportion may change in the future. Furthermore, for other tenants, while there are multiple tenants who agreed to partly burden the utility costs, such agreements are not incorporated in the above calculations since these are not the pass-through scheme.



Disclaimer

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 analyzing the financial results of Investment & Infrastructure Fund Investment Corporation (“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.

KJRM KKR Japan Realty Management

Asset Management Company: KJR Management

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

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