

Industrial & Infrastructure Fund Investment Corporation

February 15, 2024

To all concerned parties:

Investment Corporation

Industrial & Infrastructure Fund Investment Corporation

(Tokyo Stock Exchange Company Code: 3249)

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

Asset Management Company

KJR Management

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Notice Concerning Disposition of Two Properties

[IIF Totsuka Technology Center (Land with leasehold interest) and IIF Yokohama Tsuzuki R&D Center]

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

1. Summary of the Anticipated Dispositions

Property name	IIF Totsuka Technology Center (Land with leasehold interest)
Type of asset	Real estate trust beneficiary right
Location	344-1, Nase-cho, Totsuka-ku, Yokohama-shi, Kanagawa and others
Anticipated disposition price ^(Note 1)	7,500 million yen
Book value ^(Note 2)	4,553 million yen
Difference between anticipated disposition price and book value ^(Note 3)	2,946 million yen
Appraisal value (survey price) ^(Note 4)	5,350 million yen
Broker	None
Buyer	Domestic operating company ^(Note 5)
Contract signing date	February 15, 2024
Delivery date (scheduled) ^(Note 6)	Co-ownership interests 30%: March 29, 2024 35%: November 29, 2024 35%: March 31, 2025

Disclaimer:

This press release is intended as general information for the press regarding IIF’s dispositions of real estate trust beneficiary rights in Japan, and has not been prepared for the purpose of solicitation of investment.

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Property name	IIF Yokohama Tsuzuki R&D Center
Type of asset	Real estate trust beneficiary right
Location	9-2, Ushikubo 3-chome, Tsuzuki-ku, Yokohama-shi, Kanagawa
Anticipated disposition price ^(Note 1)	6,000 million yen
Book value ^(Note 2)	5,992 million yen
Difference between anticipated disposition price and book value ^(Note 3)	7 million yen
Appraisal value (survey price) ^(Note 4)	5,970 million yen
Broker	Broker
Buyer	Domestic operating company ^(Note 5)
Contract signing date	February 15, 2024
Delivery date (scheduled)	February 29, 2024

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

(Note 2) The book value is as of July 31, 2023. In addition, the book value for “IIF Yokohama Tsuzuki R&D Center” excludes value the asset retirement obligations pertaining to “IIF Yokohama Tsuzuki R&D Center” as of the end of July 2023. The same shall apply hereinafter.

(Note 3) The difference between anticipated disposition price and book value is shown for reference. The actual gain on sale may differ from the difference above.

(Note 4) The appraisal value (survey price) is as of January 31, 2024.

(Note 5) The buyer’s profile cannot be disclosed as IIF has not obtained consent from the buyer with respect to disclosure. For details, please refer to “4. Profile of the Buyer.”

(Note 6) In connection with the disposition of the co-ownership interests of the real estate trust beneficiary right pertaining to IIF Totsuka Technology Center (Land with leasehold interest), IIF intends to enter into an agreement with the buyer on the delivery date. IIF and the buyer intend to agree that neither IIF nor the buyer may dispose its interests in the real estate trust beneficiary right to a third party until IIF disposes all of its interests to the buyer, and that, with respect to instructions to the trustee, etc., certain important matters shall be determined with the unanimous consent of all co-owners.

2. Reasons for the Anticipated Dispositions

IIF has decided to dispose of the Properties at a price equal to or higher than the appraisal value and the book value from the viewpoint of improving the stability of the portfolio, and from the standpoint of maintaining and improving the level of distributions per unit by utilizing the proceeds from the Anticipated Dispositions.

The proceeds from the Anticipated Dispositions will be used for future property acquisitions and redevelopment, etc. as well as for a part of the funds to acquire, and to repay borrowings for the acquisition of, the new specified assets that IIF intends to acquire as announced today in “Notice Concerning Acquisition and Leasing of Real Estate Trust Beneficiary Rights” and “Notice Concerning Asset Acquisition (Equity Interest in a Silent Partnership)” to maintain and improve the level of distributions per unit.

【IIF Totsuka Technology Center (Land with leasehold interest)】

The property has been under stable management since the acquisition in March 2010. However, in considering IIF’s medium term management policy (including possibility of early lease cancellation in the future), IIF has recently received a proposal of the transaction from the buyer at the disposition price that is significantly higher than the book value (+64.7% of book value). Comparing the advantages of continuing to manage the property in medium-to-long term and those of disposing the property in terms of maintaining and improving profitability in the future, IIF has decided the early disposition of the property to the domestic operating company, based on the judgment that the realization of unrealized gain through early disposition of the property contributes to improving unitholder’s value. The disposition is scheduled to take place over three fiscal periods (the fiscal period ending July 31, 2024 (34th fiscal period), the fiscal period ending January 31, 2025 (35th fiscal period), and the fiscal period ending July 31, 2025 (36th fiscal period)), and since a gain on sales is scheduled to be recorded in each fiscal period, it is expected to contribute to stabilizing the level of distributions.

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【IIF Yokohama Tsuzuki R&D Center】

The property has been under stable management as a R&D facility since the acquisition in March 2020. However, last year, the current tenant has informed their written intention to terminate the lease as of end of October 2024, and IIF has considered leasing to a different tenant after receiving such written intention in consideration of securing a stable profit base. IIF has also received multiple solicitations from potential buyers to purchase the property outright early. Taking into account the downtime occurring between leases and their effect on the DPU etc., and in consideration of a stable portfolio management, IIF has determined that a timely disposition of the property contributes to improving unitholder's value, and has decided to timely dispose the property to a domestic operating company and replace assets.

3. Information about the Properties to be Disposed

Property name		IIF Totsuka Technology Center (Land with leasehold interest)				
Type of asset		Real estate trust beneficiary right				
Trustee		Mitsubishi UFJ Trust and Banking Corporation				
Location		344-1, Nase-cho, Totsuka-ku, Yokohama-shi, Kanagawa and others				
Acquisition date		March 31, 2010				
Acquisition price		4,500 million yen				
Book value		4,553 million yen (As of July 31, 2023)				
Land	Land area	31,442.47m ²				
	Zoning	Category I residential area, Category I low-rise exclusive residential area				
	Floor area ratio / building-to-land ratio	Category I residential area: 200% / 60% Category I low-rise exclusive residential area: 80% / 50%				
	Type of possession	Ownership				
Building	Building structure / stories	-				
	Construction completion	-				
	Total floor area	-				
	Type of possession	-				
	Use	-				
	Earthquake PML	-				
Tenant summary	Number of tenants	One company				
	Total rental business revenue (annual)	276 million yen				
	Security deposit	276 million yen				
	Total leased area	31,442.47m ²				
	Total leasable area	31,442.47m ²				
	Occupancy rate (Based on leased area)	January 31, 2022	July 31, 2022	January 31, 2023	July 31, 2023	Current date
		100.0%	100.0%	100.0%	100.0%	100.0%
Collateral conditions		-				
Special notes		<ul style="list-style-type: none"> • There is a part of the property for which a contract on recognition of the boundary has not been concluded • For a part of the property, easement is set out for the purpose of entry into the property, etc. for installation and maintenance of transmission lines, etc. 				

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Property name		IIF Yokohama Tsuzuki R&D Center				
Type of asset		Real estate trust beneficiary right				
Trustee		Sumitomo Mitsui Trust Bank, Limited				
Location		9-2, Ushikubo 3-chome, Tsuzuki-ku, Yokohama-shi, Kanagawa				
Acquisition date		March 2, 2020				
Acquisition price		5,900 million yen				
Book value		5,992 million yen (As of July 31, 2023)				
Land	Land area	9,809.27m ²				
	Zoning	Category II residential area				
	Floor area ratio / building-to-land ratio	200% / 60%				
	Type of possession	Ownership				
Building	Building structure / stories	Main building: 5-story, 1-basement SRC with flat stainless steel sheet roof Annex building: 1-story reinforced concrete structure with alloy plated steel sheet roof				
	Construction completion	Main building: March 8, 1991 Annex building: October 31, 2009				
	Total floor area	Main building: 18,043.92m ² Annex building: 88.50m ²				
	Type of possession	Ownership				
	Use	Main building: Research center Annex building: Bathroom				
	Earthquake PML	6.6%				
Tenant summary	Number of tenants	One company				
	Total rental business revenue(annual)	_ (Note)				
	Security deposit	_ (Note)				
	Total leased area	18,132.42m ²				
	Total leasable area	18,132.42m ²				
	Occupancy rate (Based on leased area)	January 31, 2022	July 31, 2022	January 31, 2023	July 31, 2023	Current date
		100.0%	100.0%	100.0%	100.0%	100.0%
Collateral conditions		-				
Special notes		<ul style="list-style-type: none"> As a result of survey on asbestos-containing building materials by EAI Co., Ltd., asbestos has been confirmed to be contained in some exterior finishing coating materials and the interior finishing coating material. Removal expenses of such asbestos (approximately 360 million yen) were recorded as asset retirement obligations by IIF 				

(Note) IIF has not obtained the necessary permission from the lessee to disclose this information.

4. Profile of the buyer

(1) IIF Totsuka Technology Center (Land with leasehold interest)

The buyer of the Property is a domestic operating company, but the buyer's profile cannot be disclosed as IIF has 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.

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(2) IIF Yokohama Tsuzuki R&D Center

The buyer of the Property is a domestic operating company, but the buyer's profile cannot be disclosed as IIF has 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. Profile of the broker

(1) IIF Totsuka Technology Center (Land with leasehold interest)

None

(2) IIF Yokohama Tsuzuki R&D Center

The broker of the Property is a domestic operating company, but the broker's profile cannot be disclosed as IIF has not obtained consent from the broker with respect to disclosure. There are no notable capital, personal or business relationships between IIF / the Asset Manager and the broker, 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 broker. None of the broker, its interested parties or its affiliated companies falls under the category of related parties of IIF / the Asset Manager.

6. Matters relating to forward commitment contracts

(1) The Property to be Disposed that falls within the definition of forward commitment contract, etc.^(Note)

The purchase and sale agreement concerning IIF Totsuka Technology Center (Land with leasehold interest) falls within the definition of forward commitment contract, etc.^(Note) as stipulated in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.

(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. The same shall apply hereinafter.

(2) Effect on IIF's financial condition due to any Failure of IIF to comply with a forward commitment contract, etc.

With regard to the purchase and sale agreement concerning IIF Totsuka Technology Center (Land with leasehold interest), in case of a material breach of the purchase and sale agreement, etc. (including a material breach of the representations and warranties) caused intentionally or negligently by IIF or the buyer, IIF or the buyer may demand fulfillment or rectification within a reasonable and specified period of time by giving the breaching party written notice, which specifies the breach, and in the event that such breach is not fulfilled or rectified within the specified period, IIF or the buyer may terminate the purchase and sale agreement. In such case, the breaching party shall compensate to the equivalent amount of 10% of the disposition price as a breakup fee. The breaching party of the purchase and sale agreement shall compensate damages, etc. that the other party suffer due to or in connection with the breach of the representations and warranties up to total amount equivalent to 10% of the disposition price.

7. Means of payment

The settlement will be conducted in a lump sum on each scheduled date of delivery, or in a lump sum upon delivery.

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8. Scheduled date of the Anticipated Dispositions

(1) IIF Totsuka Technology Center (Land with leasehold interest)

Date of decision on disposition	February 15, 2024
Contract signing date	February 15, 2024
Payment date (scheduled)	Co-ownership 30%: March 29, 2024 35%: November 29, 2024
Delivery date (scheduled)	35%: March 31, 2025

(2) IIF Yokohama Tsuzuki R&D Center

Date of decision on disposition	February 15, 2024
Contract signing date	February 15, 2024
Payment date (scheduled)	February 29, 2024
Delivery date (scheduled)	

9. Future outlook of IIF

With regard to the forecast of operating results for the fiscal period ending July 2024 (34th fiscal period: from February 1, 2024 to July 31, 2024) and the forecast of the operating status for the fiscal period ending January 2025 (35th fiscal period: from August 1, 2024 to January 31, 2025), please refer to the “Notice Concerning Revised Forecast & Distributions for the Jan. 2024 FP and the July 2024 FP, and Forecast & Distributions for the Jan. 2025 FP” announced today.

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10. Summary of Appraisal Report or Survey Report

(1) IIF Totsuka Technology Center (Land with leasehold interest)

Appraiser	Japan Real Estate Institute
Survey price	5,350 million yen
Survey price as of:	January 31, 2024

Item		Value	Notes
Indicated value by income approach		5,350 million yen	
	DCF method	5,350 million yen	Since the appraiser does not apply the direct capitalization method for the appraisal, only capitalized value based on the DCF method is stated.
	Discount rate	5.0%	
	Terminal capitalization rate	- %	As It is assumed that the land will be cleared after the leasehold period expires, as agreed upon the fixed-term land lease contract for business purpose, the terminal capitalization rate is not used.

Other matters that the appraisal firm considered upon conducting the appraisal	None
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(2) IIF Yokohama Tsuzuki R&D Center

Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.
Survey price	5,970 million yen
Survey price as of:	January 31, 2024

Item	Value	Notes
Indicated value by income approach	5,970 million yen	
DC method	6,120 million yen	
Operating income	Not disclosed	(Note)
Potential 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	334 million yen	
Operating profit from lump-sum payments	1 million yen	
Capital expenditures	54 million yen	
Net income	281 million yen	
Capitalization rate	4.6%	
DCF method	5,900 million yen	
Discount rate	4.5% (for the first year) 4.7% (from the second year)	
Terminal capitalization rate	4.8%	

Other matters that the appraisal firm considered upon conducting the appraisal	None
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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.

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(Reference) Other press releases announced today:

“Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units”

“Notice Concerning Revised Forecast & Distributions for the Jan. 2024 FP and the July 2024 FP, and Forecast & Distributions for the Jan. 2025 FP”

“Notice Concerning Acquisition and Leasing of Real Estate Trust Beneficiary Rights”

“Notice Concerning Asset Acquisition (Equity Interest in a Silent Partnership)”

“Notice Concerning New Debt Financing”

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: 81-3-5293-7091), Head of Industrial Division at KJR Management, the 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.

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