

# Industrial & Infrastructure Fund Investment Corporation

April 24, 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 IIF Narashino Logistics Center II Redevelopment Project**

Industrial & Infrastructure Fund Investment Corporation (“IIF”) announces today that KJR Management, IIF’s asset manager (the “Asset Manager”), decided to carry out a redevelopment project (the “Redevelopment Project”) for IIF Narashino Logistics Center II (the “Property”) , which is owned by IIF, concluded the reservation contract regarding the temporary land use contract and land lease reservation contract related to the Redevelopment Project today with SMFL MIRAI Partners Company, Limited (the “Bridger”), and acquired a preferential negotiating right for the acquisition of the building to be constructed after the Redevelopment Project (the “Preferential Negotiating Rights”).

### 1. Reason for the Redevelopment Project

IIF promotes redevelopment initiatives for existing properties as part of its external growth strategy. In accordance with this strategy, we will newly launch the Redevelopment Project to redevelop a state-of-the-art logistics warehouse (the “Redevelopment Property” <sup>(Note)</sup>) on the Property site with the aim of building a long-term stable revenue base and improving the competitiveness of the Property.

#### Key Points

- 1. Redevelopment to meet needs of the major business company for a new operation base (To be completed in February 2027).**
- 2. Improvement of appraisal value (unrealized gain) by realizing upside through utilization of surplus floor-area ratio.**
- 3. Signed long-fixed term lease reservation contract for 10 years (non-cancelable in principle) with the prime tenant.**

(Note) As of today, IIF has not decided to acquire the building after the Redevelopment Project.

### ■ Images of the Redevelopment Property



\* The above figures are rendering images of the building to be completed, and actual construction may differ from the images.

# Industrial & Infrastructure Fund Investment Corporation

## ■ Background to the Redevelopment Project

After the acquisition of the Property, we have continued to operate the Property in a stable manner, but have considered the operation of the Property after the termination of the contract with the current tenant from the perspective of building a stable portfolio over the medium-to-long term. In particular, since the property has a large unutilized floor-area ratio and unutilized building-to-land ratio, we have been focusing on the fact that the property has very high redevelopment potential since its acquisition, and have repeatedly considered value enhancement through redevelopment as one of the core measures in our consideration of management strategies.

In the midst of these efforts, we have recently identified a need for a new location for a major business company (the "Tenant") and decided to redevelop the building of the Property in collaboration with the Bridger upon concluding a fixed-term building lease reservation contract between the Tenant and the Bridger for the Redevelopment Property today. In this project, after the expiration of the existing tenant's fixed-term building lease agreement, we will demolish existing building, vacate the Property and lease the vacated land of the Property to the Bridger, and the Bridger will act as the ordering party of the construction contract to construct a new redeveloped property on the Property's land. By receiving land rent, etc. from the Bridger, the redevelopment will be carried out while avoiding revenue downtime and large one-time expenses such as demolition costs, and maintaining profitability equivalent to the current level of post-depreciation income earned from the Property. In addition, we have obtained the Preferential Negotiating Rights for the acquisition of the Redevelopment Property from the Bridger as of today and a scheme for diminishing future acquisition price has been established. We will consider future acquisition of the Redevelopment Property by exercising the Preferential Negotiating Rights at an appropriate time, considering trends in the capital market. The total property value of IIF Narashino Logistics Center I and IIF Narashino Logistics Center II will increase by approximately 5.7 times to approximately 51.6 billion yen (based on appraisal value), and the difference between the sum of the anticipated acquisition price and preferential negotiation price and the sum of appraisal value of the two properties is expected to be approximately 9.6 billion yen.

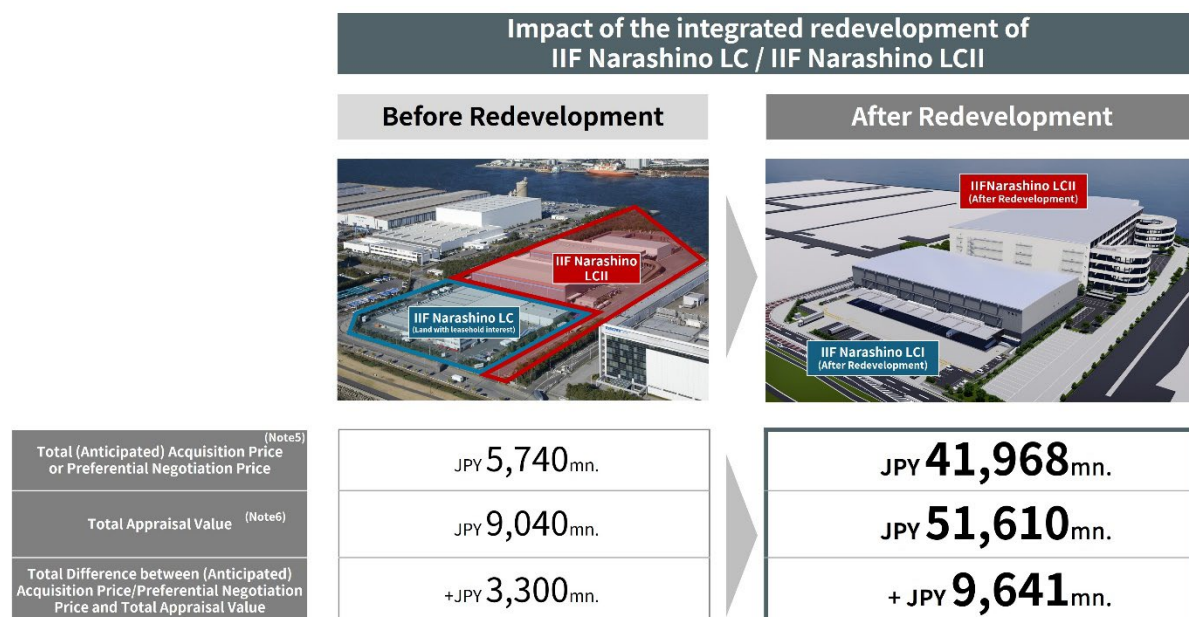
## ■ Effects of the Redevelopment Project

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

	Before Redevelopment	After Redevelopment
		
<b>Floor-area (Note1)</b>	25,835.16m <sup>2</sup>	<b>133,623.21m<sup>2</sup></b>
<b>Acquisition Price or (Note2) Preferential Negotiation Price</b>	JPY 4,550mn.	<b>JPY 35,596mn.</b>
<b>Appraisal Value (Note3)</b>	JPY 7,080mn.	<b>JPY 43,000mn.</b>
<b>Difference between Acquisition Price /Preferential Negotiation Price and Appraisal Value</b>	+JPY 2,530mn.	<b>+JPY 7,403mn.</b>
<b>Annual NOI (Note4)</b>	JPY 323mn.	<b>JPY 1,561mn.</b>

# Industrial & Infrastructure Fund Investment Corporation

(Reference) Effects of the integrated redevelopment of IIF Narashino LC and IIF Narashino LC II

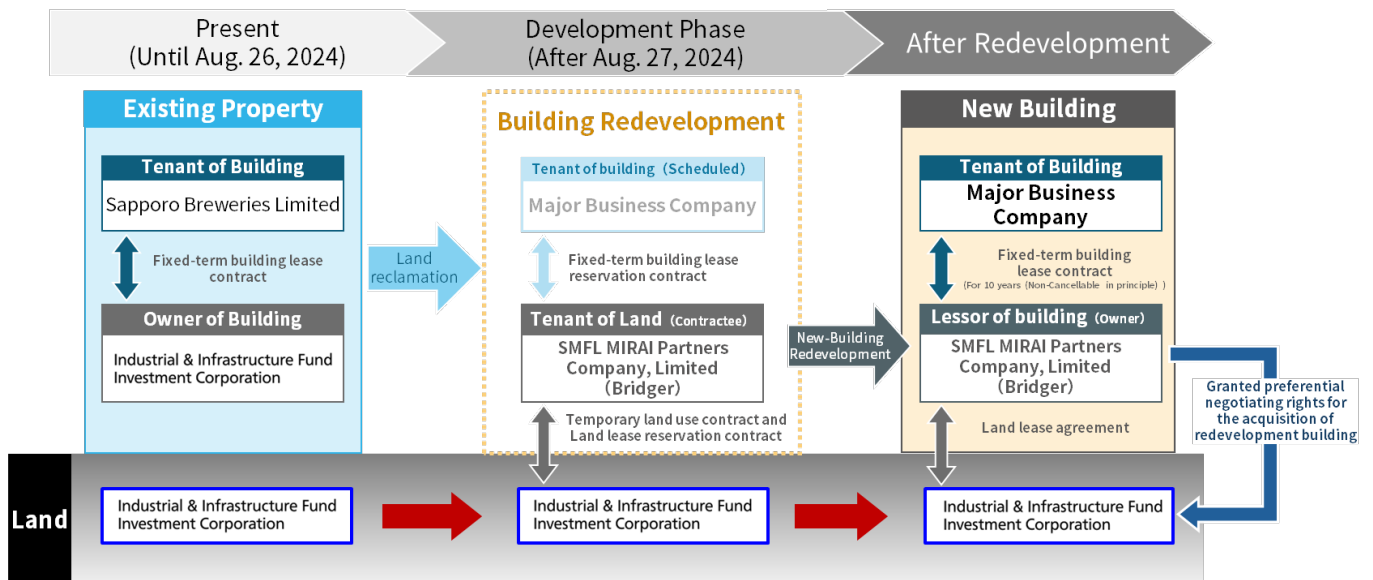


- (Note 1) "Floor-area" of "After Redevelopment" is the reference figure based on the current plan for the Redevelopment Project. The "Floor area" of "After Redevelopment" may change in the future due to changes in the content of the plan for the Development Project.
- (Note 2) "Preferential Negotiation Price" for "After Redevelopment" is a reference figure totaling the building price after redevelopment based on the preferential negotiation rights and the land price already acquired (the acquisition price of the land described in the purchase and sale agreement for the property at the time of acquisition in 2012), and deducting the land value proportionally divided by the area of the land (1,777.88 m<sup>2</sup>) to be delivered (the Land to be delivered) to IIF Narashino Logistics Center (land with leasehold interest) from the land of the Property. Although IIF has obtained the preferential negotiating rights for the building after the Redevelopment Project, IIF has not decided to acquire the building after the Redevelopment Project as of today. In addition, there is no guarantee that IIF will be able to acquire the building after the Redevelopment Project based on the preferential negotiating rights. The same shall apply hereafter.
- (Note 3) "Appraisal Value" of "Before Redevelopment" is the appraisal value based on the appraisal report with a valuation date of January 31, 2024, and that of After Redevelopment is the survey value based on the survey report for the Redevelopment Project of the Redevelopment Property with a survey date of April 1, 2024. For the details of the survey report, please refer to "5. Summary of Survey Report (After the Redevelopment Project)" below. The same shall apply hereafter.
- (Note 4) "Annual NOI" before redevelopment is the net operating income based on the direct capitalization method as stated in the appraisal report with a valuation date of January 31, 2024. "Annual NOI" after redevelopment is the net operating income under the direct capitalization method as stated in the survey report on the redevelopment plan for the Redeveloped Property with a survey date of April 1, 2024. "Annual NOI" after redevelopment is an estimated value after the completion of the redevelopment property calculated based on the plan for the Project, and its realization is not guaranteed. The actual annual NOI after redevelopment may differ due to changes in the Project. The same shall apply hereafter.
- (Note 5) "Total Acquisition Price" before redevelopment is the sum of the acquisition price of the land and building described in the trust beneficiary interests purchase agreement for IIF Narashino Logistics Center (land with leasehold interest) and IIF Narashino Logistics Center II at the time of initial acquisition. "Total Anticipated Acquisition or Preferential Negotiation Price" after redevelopment is the sum of the acquisition price of the land of IIF Narashino Logistics Center (land with leasehold interest) as stated in the trust beneficiary interests purchase agreement at the time of initial acquisition, the anticipated acquisition price of IIF Narashino Logistics Center I (after redevelopment) and the acquisition price of IIF Narashino Logistics Center II (after redevelopment) stated in Note 2 above.
- (Note 6) "Total Appraisal Value" before redevelopment is the sum of the appraisal value of IIF Narashino Logistics Center (land with leasehold interest) and IIF Narashino Logistics Center II based on the appraisal report with a valuation date of January 31, 2024. "Total Appraisal Value" after redevelopment is the sum of the appraisal value of IIF Narashino Logistics Center I (after redevelopment) based on the appraisal report for the land (including this land with leasehold interest) with a survey date of July 1, 2023, the survey value of the entire building of IIF Narashino Logistics Center I (after redevelopment) based on the survey report as of July 1, 2023 and the survey value of IIF Narashino Logistics Center II (after redevelopment) for the development plan of the Redevelopment Property based on the survey report for as of the survey date of April 1, 2024.

# Industrial & Infrastructure Fund Investment Corporation

## ■ The scheme and schedule of the Redevelopment Project (Planned)

Conclusion of fixed-term building lease reservation contract	April 24, 2024
Basic design and implementation design	From February 2024 to February 2025 (Scheduled)
Expiration of current lease agreement	August 26, 2024
Demolition work period	From August 2024 to February 2025 (Scheduled)
Application for building confirmation	January 2025 (Scheduled)
Conclusion of construction contract	February 2025 (Scheduled)
New construction period	From March 2025 to February 2027 (Scheduled)
Completion of the Redevelopment Property	February 2027 (Scheduled)



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## 2. Summary of the Property

		Before the Redevelopment Project	After the Redevelopment Project
Property name		IIF Narashino Logistics Center II	
Type of asset		Trust beneficiary right in real estate	
Location		34-1, Akanehama 3-chome, Narashino-shi, Chiba, Japan	
Land	Land area	58,070.00 m <sup>2</sup>	57,079.89 m <sup>2</sup>
	Zoning	Industrial exclusive area	
	Type of possession	Ownership	
Building	Building structure/ stories	Main building: 1-storied steel framed building with flat roof Annex 1: 2-storied steel-framed building with galvanized steel sheet roofing Annex 2: 1-storied concrete block structure Annex 3: 2-storied steel-framed with galvanized steel sheet roofing Annex 4: 1-storied ferroconcrete building with deck roof Annex 5: 1-story; steel-framed building with galvanized steel sheet roofing Annex 6 (Demolished): 1-story; steel-framed building with galvanized steel sheet roofing Annex 7: 1-story; steel-framed building with galvanized steel sheet roofing	5-storied reinforced concrete and steel frame building with alloy-plated steel sheet roofing <small>(Note 1)</small>
	Construction completion	Main building, Annex 1 & 2: April 8, 1991 Annex 3 & 4: March 24, 1992 Annex 5: August 2, 1995 Annex 6: August 2, 1995 (Demolished on August 22, 2023) Annex 7: January 21, 1997	February 2027 (Scheduled) <small>(Note 1)</small>
	Total floor area	24,628.38 m <sup>2</sup> <small>(Note 2)</small>	133,623.21 m <sup>2</sup> <small>(Note 1)</small>
	Designated floor area ratio / Designated building-to-land ratio	200% / 50%	200% / 50%
	Type of possession	Ownership	
	Use	Main building: Office Annex 1: Warehouse Annex 2: Mechanical room Annex 3: Warehouse Annex 4: Warehouse, Toilet Annex 5: Office, Warehouse Annex 6 (Demolished): Warehouse Annex 7: Warehouse	Warehouse <small>(Note 1)</small>
	Earthquake PML	9.2%	- <small>(Note 3)</small>
Collateral conditions		None	
Special notes		None	
Designer	TAISEI CORPORATION Tokyo Class-1 Registered Architect Office and others <small>(Note 4)</small>	JFE Civil Engineering & Construction Corp.	
Contractor	TAISEI CORPORATION Tokyo Office and others <small>(Note 4)</small>	JFE Civil Engineering & Construction Corp. (Planned)	

(Note 1) "Building structure / stories", "Construction Completion", "Gross floor area" and "Type of building" are described based on the design as of today. They may change in the future due to changes in the plan for the Development Project.

(Note 2) The figure is after the demolition of the Annex 6.

(Note 3) "Earthquake PML" after the Redevelopment Project is not described because it is difficult to calculate it as of today.

(Note 4) "Designer" and "Contractor" before the Redevelopment Project are described at the time of new construction.



# Industrial & Infrastructure Fund Investment Corporation

### 3. Summary of lease reservation contracts, etc.

The details of the lease contract, etc. concluded as of today, are as follows. The following contracts will be concluded, and the current level of post-depreciation income derived from the property will be maintained during the redevelopment period and from the completion of the Redevelopment Property to the end of the preferential negotiation period. In addition, the lease contract with the current tenant will continue until August 26, 2024.

#### < Land lease contract for Temporary use <sup>(Note 1)</sup>>

Lessor	Number of tenant(s)	Total leased area (occupancy rate)	Annual rent (excluding consumption tax) <small>(Note 2)</small>	Period of contract <small>(Note 3)</small>	Deposit <small>(Note 2)</small>
SMFL MIRAI Partners Company, Limited	1	57,079.89 m <sup>2</sup> (100%)	Not disclosed	(From March 1, 2025(Scheduled) to February 27, 2027)	Not disclosed
Revision of rent or termination during the lease period					
Contract Type: Land lease contract for temporary use Contract Renewal and Revision: <ul style="list-style-type: none"> <li>· There are no provisions regarding mid-term cancellation or rent revision in the contract.</li> <li>· Under the contract, the lessor and lessee are supposed to terminate the land lease contract for temporary use on February 27, 2027, and to enter into a new ordinary land lease agreement on February 28, 2027. Refer to &lt; Ordinary land lease reservation agreement &gt; as below.</li> </ul>					

(Note 1) This is a land lease contract for temporary use between IIF and SMFL MIRAI Partners Company, Limited to construct a building on the land.

(Note 2) IIF has not obtained the necessary permission from the lessee to disclose this information.

#### <Ordinary land lease reservation contract <sup>(Note 1)</sup>>

Lessor/ Lessee	Number of tenant(s)	Total leased area <small>(Note 1)</small> (occupancy rate)	Annual rent (excluding consumption tax) <small>(Note 2)</small>	Period of contract <small>(Note 3)</small>	Deposit <small>(Note 2)</small>
SMFL MIRAI Partners Company, Limited	1	57,079.89 m <sup>2</sup> (100%)	Not disclosed	70 years (From February 28, 2027 to February 28, 2097)	Not disclosed
Revision of rent or termination during the lease period					
Contract Type: Ordinary land lease reservation contract Contract Renewal and Revision: <ul style="list-style-type: none"> <li>· The lessor and the lessee agree not to reduce the rent even if, during the term of this contract, part or all of the land becomes temporarily unavailable for use and profit due to a survey of the land or other reasons, or if part of the land becomes unavailable for use and profit due to loss or other reasons.</li> <li>· <u>Neither the lessor nor the lessee may cancel this contract before maturity during the term of this contract.</u></li> </ul>					

(Note 1) This is a reservation contract regarding an ordinary land lease contract to be executed between the land trustee and SMFL MIRAI Partners Company, Limited on the scheduled delivery date of the Redevelopment Property on the Property from SMFL MIRAI Partners Company, Limited.

(Note 2) IIF has not obtained the necessary permission from the lessee to disclose this information.

# Industrial & Infrastructure Fund Investment Corporation

(Reference) Summary of the lease reservation contract executed between the Bridger and the Tenant for the Redevelopment Building

Property Name	IIF Narashino Logistics Center II (Redevelopment)
Leased floor area <sup>(Note)</sup>	114,306.24 m <sup>2</sup>
Ratio of leased floor area to leasable floor area in the Redevelopment Property	100%
Conclusion date of fixed-term building lease reservation contract	April 24, 2024
Contract type <sup>(Note)</sup>	Fixed-term building lease contract
Contract term <sup>(Note)</sup>	10 years from the delivery date

(Note) "Leased floor area," "Contract type," and "Contract term" are planned contract terms as of today based on the fixed-term building lease reservation contract concluded today.

#### 4. Outlook of IIF

The impact of the Redevelopment Project on the fiscal period ending July 2024 (the 34th fiscal period: February 1, 2024 to July 31, 2024) and the fiscal period ending January 2025 (the 35th fiscal period: August 1, 2024 to January 31, 2025) has already been incorporated into the forecast of operating status disclosed in the "Summary of Financial Results For the Six Months Ended January 31, 2024" dated March 14, 2024; thus the forecasts of operating status for the same fiscal periods remain unchanged.

# Industrial & Infrastructure Fund Investment Corporation

## 5. Summary of Survey Report (After the Redevelopment Project)

### 【IIF Narashino Logistics Center II (Land and Building)】

Surveyor	Japan Real Estate Institute
Survey value	43,000 million yen
Survey value as of:	April 1, 2024

Item	Value	Notes
Indicated value by income approach	43,000 million yen	
DC method by the adjusted Inwood method	43,700 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	1,561 million yen	
Operating profit from lump-sum payments	4 million yen	
Capital expenditures	37 million yen	
Net income	1,528 million yen	
Discount rate of adjusted Inwood method	3.5 %	
DCF method	42,300 million yen	
Discount rate	3.2 %	
Discount rate of the terminal value	3.6 %	
Indicated value based on cost approach	39,000 million yen	
Proportion of land	40.3 %	
Proportion of building	59.7 %	

Other matters that the appraisal firm considered upon conducting the appraisal	None
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(Note) Since the disclosure of this information may negatively affect IIF's competitiveness and work to the detriment of unitholders, 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. Regarding 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/>

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