

July 7, 2021

To all concerned parties:

Investment Corporation

Industrial & Infrastructure Fund Investment Corporation

(Tokyo Stock Exchange Company Code: 3249)

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Asset Management Company

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Notice Concerning IIF Atsugi Logistics Center III Redevelopment Project

Industrial & Infrastructure Fund Investment Corporation (“IIF”) announced today that Mitsubishi Corp.–UBS Realty Inc., IIF’s asset manager (the “Asset Manager”), has decided to carry out a redevelopment project (the “Redevelopment Project”) for IIF Atsugi Logistics Center III (the “Property”), which is owned by IIF, and concluded the fixed-term building lease reservation contract related to the Redevelopment Project today.

1. Reasons for the Redevelopment Project

IIF promotes redevelopment initiatives for existing properties as part of its external growth strategy. In accordance with this strategy, after securing the tenant after redevelopment, IIF plans to demolish the Property, construct a cold storage facility (the "Property After Redevelopment") on the premises of the Property and acquire it, with the purpose of establishing a long-term stable revenue foundation and improving competitiveness of the Property.

Key Point

- 1. Improvement of competitiveness by building a cold storage facility**
- 2. Improvement of NOI and appraisal value (unrealized gain) by realizing upside through utilization of surplus floor-area ratio**
- 3. Conclusion of the long fixed-term building lease reservation contract (contract term: 15 years)**

■ Images of the Property After Redevelopment



※Those are rendering images prepared on the assumption that the building is scheduled to be completed, and may differ from the actual building. The same shall apply hereafter.

■ Background to the Redevelopment Project

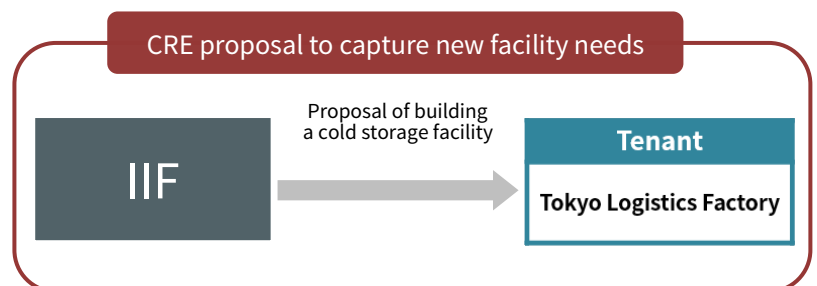
Since the acquisition of the Property in March 2012, we have continued to operate the Property in a stable manner. However, as about 40 years have passed since its building completion as of today, we have considered the operation of the Property in the future at the view of creating the stable portfolio in mid-to-long term.

The Property is located in prime industrial area allowing for 24-hour operation along the main highway nearby IC on Ken-O expressway. In addition, the surplus floor- area ratio to cap floor-area ratio is large (the current floor area ratio of about 100% compared to the cap floor-area ratio of 200%), and there is a rent gap between the current rent and the market rent. Therefore, the property has been recognized as having the upside potential in the future. Since continuing to own the Property may require large-scale renovation to maintain competitiveness, we have carefully considered several operational options, such as continuous lease or redevelopment, for the Property from February 2022, the expiration date of the fixed-term building lease contract with Tokyo Logistics Factory Co., Ltd. (the "Tenant"), the major logistics 3PL (a third party logistics) company.

We have carefully considered the possibility of carrying out a redevelopment project in several operational options for the Property in collaboration with the Tenant, and, based on the examination about economics, the scale and specifications of the building after redevelopment, the various risks related to redevelopment and the impact of temporary expenses and downtime on the profit and loss of the portfolio during the redevelopment period, have judged that building a cold storage facility expanding its demand backed by the recent increase in demand for frozen foods, and carrying out redevelopment on balance of IIF after securing the tenant after redevelopment maximize unitholder's value. Therefore, we concluded the fixed-term building lease reservation contract (the "Contract") for 15 years with the Tenant concerning the Property After Redevelopment and determined to carry out the Redevelopment Project.



After the Redevelopment Project, the appraisal value (survey value) of the Property After Redevelopment will be 7,030 million yen (an increase of 3,830 million yen) and the unrealized gain will be 2,597 million yen (unrealized gain ratio + 58.6%), which are expected to greatly improve compared to the figures before the Redevelopment Project.

The Tenant is also the lessee of the IIF Akishima Logistics Center owned by IIF, and the Redevelopment Project will be realized through much discussion by leveraging the favorable relationship with the Tenant. As a result, IIF will be able to improve profitability of the Property, continue long-term and stable lease contract, realize improvement of asset value, and further deepen relationships with the Tenant simultaneously through the redevelopment on balance of IIF to keep development profit after securing tenants after redevelopment.



■ Effects of the Redevelopment Project

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

Before redevelopment		After redevelopment	
			
Total floor area ^(Note1)	16,470.24m ²	23,369.28m²	
Floor area ratio ^(Note1) (current/cap)	100.8% / 200%	132.9% / 200%	
(Anticipated) Acquisition price ^(Note2)	JPY 2,290 mn.	JPY 4,432 mn.	
Appraisal value ^(Note3)	JPY 3,200 mn.	JPY 7,030 mn. (JPY +3,830 mn.)	
Unrealized gain (Ration) ^(Note4)	JPY 813 mn. (+34.1%)	JPY 2,597 mn. (+58.6%)	
Annual NOI ^(Note5)	JPY 160 mn.	JPY 308 mn. (JPY +148 mn.)	
NOI yield/ NOI yield after depreciation ^(Note6) (After adjustment by optimal payable distribution)	7.0% / 6.0%	7.0% / 5.1% (5.7%)	
Contract term (Remaining term)	5.0 years (1 year) (Fixed-term building lease contract)	15.0 years (Fixed-term building lease reservation contract)	

(Note 1) The figures for "total floor area" and "floor area ratio" after redevelopment, are shown for reference based on the current plan for the Redevelopment Project. The actual figures for "total floor area" and "floor area ratio" after redevelopment may change in the future due to changes of the plan for the Redevelopment Project. The same shall apply hereafter.

(Note 2) The figure for "(anticipated) acquisition price" after redevelopment is reference value by totaling anticipated acquisition price of the Property After Redevelopment (the total of construction costs, design fee, and CM fees) and 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). As the construction contract regarding to the Property After Redevelopment has not been concluded as of today, construction costs, design fee, and CM fees are reference value based on the estimation and will be announced again after the conclusion of the construction contract regarding to the Property After Redevelopment. Accordingly, 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 3) The figure for "appraisal value" before redevelopment is the survey value based on the survey report as of January 31, 2021. The figure for "appraisal value" of the Property After Redevelopment is the survey value based on the survey report based on the plans for the Redevelopment Project as of June 1, 2021. Please refer to the below for more detail; "4. Summary of Survey Report (After the Redevelopment Project)". The same shall apply hereafter.

(Note 4) The figure for "unrealized gain" before redevelopment is the difference between the survey value based on the survey report as of January 31, 2021 and the book value as of January 31, 2021. The figure for "Unrealized gain" of the Property After Redevelopment is the difference between the survey value based on the survey report on the plans for the Redevelopment Project as of June 1, 2021 and the anticipated acquisition price. The same shall apply hereafter.

(Note 5) The figure for "Annual NOI" before redevelopment is the total actual NOI for the 26th fiscal period ended July 31, 2020 and the 27th fiscal period ended January 31, 2021 of the Property. The figure for "Annual NOI" after redevelopment is the net operating income for the first fiscal year under the DCF method indicated in the survey report on the plan for the Redevelopment Project as of June 1, 2021. The figure for "Annual NOI" after redevelopment is the estimated value after the completion of the Property After Redevelopment based on the plan for the Redevelopment Project, and there is no guarantee that it will be realized and 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.

(Note 6) NOI yield = Annual NOI / (Anticipated) acquisition price
 NOI yield after depreciation = Annual NOI after depreciation* / (Anticipated) acquisition price
 NOI yield after depreciation (after adjustment by optimal payable distribution**) = (Annual NOI after depreciation + depreciation (annual) of Property After Redevelopment × 30%) / (Anticipated) acquisition price
 *Annual NOI after depreciation= Annual NOI-depreciation (annual)

Depreciation of the Property is calculated using the total actual depreciation for the 26th fiscal period ended July 31, 2020 and the 27th fiscal period ended January 31, 2021 of the Property. Depreciation of the Property After Redevelopment is an estimate calculated by using the depreciation rates under the straight-line method in proportion to the useful life for the Property After Redevelopment. The same shall apply hereafter.

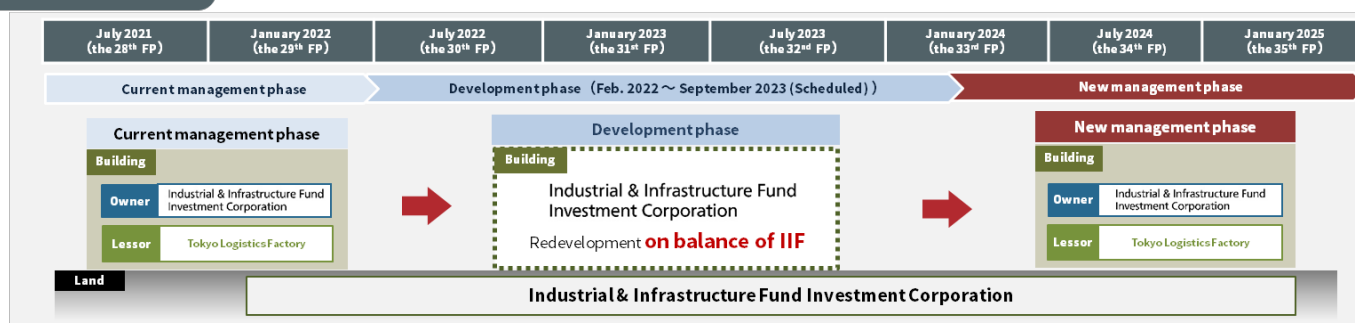
** Approval of changes in the Articles of Incorporation of IIF at the General Meeting of Unitholders of IIF is mandatory to implement optimal payable distribution. As of today, IIF has not decided on implementation of the optimal payable distribution, nor the call of the General Meeting of Unitholders for such amendment. NOI yield after depreciation (after adjustment by optimal payable distribution) described in this document is a reference value based on estimate as of today, and there is no guarantee that it will be realized. The same shall apply hereafter.

■ The Scheme and the Schedule of Redevelopment Project (scheduled)

IIF and the “Tenant” concluded fixed-term building lease reservation contract relating to the “Property After Redevelopment” after completion of the Redevelopment Project as of today. In addition, Suzuyo Construction Co., Ltd. (“Suzuyo Construction”) is scheduled to be employed as a designer and a contractor in the Redevelopment Project. Suzuyo Construction is a group company of Suzuyo & Co., Ltd., the lessee of the IIF Nishinomiya Logistics Center, and was employed as a construction contractor for the IIF Nishinomiya Logistics Center Expansion Project completed in May 2016. IIF will promote the Redevelopment Project by utilizing professional and abundant knowledge of Suzuyo Construction about operations of logistics and various know-how in development of logistics facility.

Conclusion of fixed-term building lease reservation contract	July 7, 2021
Basic design and detailed design	From July 2021 to December 2021 (scheduled)
Conclusion of construction contract	January 2022 (scheduled)
Application for building certification	January 2022 (scheduled)
Demolition term	From February 2022 to April 2022 (scheduled)
Construction term	From May 2022 to September 2023 (scheduled)
Start of newly operation	October 2023 (scheduled)

Assumed Schedule



2. Information about the Property

		Before the Redevelopment Project	After the Redevelopment Project
Property name		IIF Atsugi Manufacturing Center III	
Type of asset		Trust beneficiary right in real estate	
Location		3007-7, Kamiechi Aza Uenohara, Atsugi-shi, Kanagawa	
Acquisition date		March 7, 2012	<Land> March 7, 2012 <the Property After Development> September 30, 2023 (Note 1)
Acquisition price		2,290 million yen	4,432 million yen (anticipated)
Appraisal Value (Survey value)		3,200 million yen (As of January 31, 2021)	7,030 million yen (As of June 1, 2021)
Appraiser		Japan Real Estate Institute	
Land	Land area	17,415.20m ²	
	Zoning	Industrial exclusive area	
	Type of possession	Ownership	
Building	Building structure/ stories	< Main building > 3-storied steel-framed reinforced concrete building with zinc- coated steel plate roof < Attached building > One-story ferroconcrete building with deck roof	4-storied steel-framed building (Note 2)
	Construction completion	October 23, 1981 August 22, 2000 (Expansion)	September 30, 2023 (Note 2)
	Total floor area	16,470.24m ²	23,369.28m ² (Note 2)
	Current floor area ratio(cap) / Current building-to- land ratio(cap)	100.8% (200%) / 42.6% (45%)	132.9% (200%) / 45% (45%)
	Type of possession	Ownership	
	Use	< Main building > Warehouse, goods discharge spot < Attached building > Guardhouse	Warehouse (Note 2)
	Earthquake PML	7.3%	- (Note 3)
Collateral conditions		None	
Special notes		None	
Designer		Nikken Sekkei Ltd (Note 4)	Suzuyo Construction Co., Ltd. (Planned)
Contractor		KAJIMA CORPORATION (Note 4)	Suzuyo Construction Co., Ltd. (Planned)

(Note 1) "Acquisition date" after the Redevelopment Project 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 2) "Building structure / stories", "Construction completion", "Total floor area" and "Use" of the Property After Redevelopment are described based on the basic design as of today.

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

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

3. Details of the fixed-term building lease contract

Tenant	Tokyo Logistics Factory Co., Ltd.
Property	IIF Atsugi Logistics Center III
Leased floor area ^(Note 1)	22,843.07 m ²
Ratio of leased floor area to leasable floor area in the Property After Redevelopment	100%
Revenue ^(Note 2)	Not disclosed
Security deposit ^(Note2)	Not disclosed
Conclusion date of fixed-term building lease reservation contract	July 7, 2021
Contract type ^(Note 1)	Fixed-term building lease contract
Contract term ^(Note 1)	15 years from delivery date
Rent revision ^(Note 1)	During the contract term, the rent shall not be revised for any reason whatsoever, and the provisions of Article 32 of Act on Land and Building Leases shall not apply.
Cancellation ^(Note1)	The Lessee shall be entitled to terminate the contract only if the Lessor is notified in writing at least six months prior to the date of termination, and the amount equivalent to the total rent for the period from the date of such termination to the last day of the lease period (provided, however, that the amount shall be calculated on the basis of the monthly rent as of the date of termination) is paid to the Lessor as a penalty in a lump sum as of the date of such termination. Provided, however, that in the event the Lessee introduces an alternate lessee, and the Lessor concludes a lease contract with the alternate lessee in which the amount of the rent, the amount of the security deposit, and other terms and conditions are the same as those of the Contract, and the lease of the Property After Redevelopment continues, the Lessor shall immediately return the entire amount of the security deposit to the Lessee and shall not claim the amount equivalent to the penalty and the rent for the remaining term. The Lessee shall not be entitled to terminate the Contract during the contract term except in the above cases.

(Note 1) "Leased floor area," "Contract type," "Contract term," "Rent revision" and "Cancellation" are planned contract terms as of today based on the fixed-term building lease reservation contract.

(Note 2) Consent has not been obtained from the tenant, and accordingly, "Revenue" and "Security deposit" are not disclosed. With respect to "Revenue", the annual rent is to be calculated on the basis of the total construction costs ultimately determined for the Property After Redevelopment with accordance to the rent calculation formula determined separately, and the monthly rent is calculated by dividing the annual rent by 12. In addition, when property taxes, city planning taxes and depreciable property taxes are finalized, monthly rents are to be revised in accordance with the same rent calculation formula.

4. Summary of Survey Report (After the Redevelopment Project)

Appraiser	Japan Real Estate Institute
Survey value	7,030 million yen
Survey value as of:	June 1, 2021

Item	Value	Notes
Indicated value based on income approach	7,030 million yen	
DC method	7,050 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	5 million yen	
Net income	302 million yen	
Capitalization rate	4.3%	
DCF method	7,010 million yen	
Discount rate	4.0%	
Terminal capitalization rate	4.4%	
Indicated Value based on cost approach	6,860 million yen	
Portion of Land	58.2%	
Portion of Building	41.8%	

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.

5. The impacts of the Redevelopment Project on IIF's operating status

(1) Temporary costs such as demolition cost

With the start of the Redevelopment Project, the useful life for the Property has been revised in accordance with the "Accounting Standard for Accounting Changes and Error Corrections". As a result, depreciation for accounting is expected to increase by approximately 89 million yen in the fiscal period ending July 2021 (the 28th fiscal period) and by approximately 536 million yen in the fiscal period ending January 2022 (the 29th fiscal period). On the other hand, the maximum amount of depreciation for tax is calculated based on the useful life which has been applied previously.

Therefore, there will be taxable income in excess of accounting income caused by the case above for the fiscal period ending July 2021 (the 28th fiscal period) and the fiscal period ending January 2022 (the 29th fiscal period). So, we plan to adjust the tax burden caused by the taxable income in excess of accounting income by distribution in excess of profits (allowance for temporary difference adjustments ("ATA")) of approximately 89 million yen for the period ending July 2021 (the 28th fiscal period) and of approximately 536 million yen for the period ending January 2022 (the 29th fiscal period) in order to avoid the corporate income tax burden resulting from taxable income in excess of accounting income.

In addition, the total demolition cost associated with the Redevelopment Project is expected to be approximately 275 million yen for the fiscal period ending July 2022 (the 30th fiscal period) and the abolition of the above-mentioned taxable income in excess of accounting income is expected to cause the reversal of ATA of approximately 626 million yen during the fiscal period ending July 2022 (the 30th fiscal period) when the dismantling work is to be finished. Therefore, we plan to implement a temporary distribution in excess profits for the total amount approximately 901 million yen, which is the sum of the demolition cost and the amount of reversal of the ATA.

Please refer to the " Notice Concerning Partial Amendment of Internal Rules (Asset Management Plan) of IIF's Asset Manager " announced on March 12, 2021 regarding the distribution policy for temporary distribution in excess of profits.

(2) Decrease in rent revenue during the construction term

From February 2022, the current contract with the Tenant will have been terminated, rent revenue will not be incurred until the construction work is completed and the new fixed-term building lease contract is started. However, we plan to stabilize distribution by implementing temporary distribution in excess of profits equivalent to amount of the level of operating income of the premise prior to the construction.

(Reference: rent net operating income of the Property for the fiscal period ended January 31, 2021 (the 27th fiscal period): 67 million yen)

(3) Construction of new building

Construction cost (excluding demolition cost) for the Redevelopment Project is expected to be approximately 2,769 million yen (excluding tax) in total as of today. IIF may pay the construction cost not only in cash on hand but also in financing such as new issuance of investment units and debt. In case of payment through new finance, we will announce again when the amount, date, and method of the finance are determined.

(4) Impact on operating status and outlook

The impact of the Redevelopment Project on IIF's operating status for the period ending July 2021 (the 28th fiscal period: February 1, 2021 to July 31, 2021) is not material and the forecast of operating status for the same period remains unchanged. In addition, there will be no rent net operating

income from the start to the completion of the construction (from February 1, 2022 to September 30, 2023 (Scheduled)), however, we plan to stabilize distribution by implementing temporary distribution in excess of profits equivalent to amount of the level of operating income of the premise prior to the construction. IIF has concluded a fixed-term building lease reservation contract with the Tenant for the Property After Redevelopment and rent revenue is expected to be incurred after October 1, 2023 (scheduled) as described below. Furthermore, IIF is considering the implementation of optimal payable distribution up to 30% of the depreciation of the Property After Redevelopment after the completion of the Redevelopment Project with the aim of maximizing unitholder's value on the premise of approval changes in the Articles of Incorporation of IIF at the general meeting of unitholders to be held in the future. 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 estimate as of today, and there is no guarantee that it will be realized.

NOI (Annual)	308 million yen
NOI yield	7.0%
NOI yield after depreciation (after adjustment by optimal payable distribution)	5.1% (5.7%)

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/>

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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.