

April 28, 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 Disposition of Two Properties in Japan

【IIF Shinagawa IT Solution Center and IIF Zama IT Solution Center】

Industrial & Infrastructure Fund Investment Corporation (“IIF”) announced today that Mitsubishi Corp.-UBS Realty Inc., IIF’s asset manager (the “Asset Manager”), decided to dispose (the “Anticipated Disposition”) trust beneficiary rights in real estate (the “Properties to be Disposed” or the “Property”) as outlined below.

1. Summary of the Anticipated Disposition

Property name	Type of asset	Disposition price (million yen)	Book value (million yen) (Note 1)	Difference between disposition price and book value (million yen)	Appraisal value (survey price) (million yen)	Contract signing date (scheduled)	Delivery date (scheduled)	Buyer
IIF Shinagawa IT Solution Center	Trust beneficiary right in real estate	13,000	12,861	138	12,440	April 30,	August 2, 2021	Domestic Operating
IIF Zama IT Solution Center		(Note 2)	(Note 3)	(Note 2)	(Note 3)	2021	April 30, 2021	Company (Note 4)

(Note 1) The book value is as of January 31, 2021.

(Note 2) The disposition price is shown for the total disposition price of two properties. The disposition price of each property cannot be disclosed as it is an essential condition from the buyer with respect to its business plan related to the Anticipated Disposition. The Anticipated Disposition will contribute to improving the values of IIF and unitholders as described in “2. Reasons for Disposition” and thus the difference between disposition price and book value is shown for the difference between total disposition price and total book value. And, the disposition price excludes miscellaneous expenses etc. for the disposition. Since the difference between disposition price and book value is shown for reference, the actual gain on sale is different from that value. The same shall apply hereinafter.

(Note 3) The book value and the appraisal value (survey price) are figures of total value of each property. For the book value and the appraisal value (survey price) of each property, please see “3. Information about Properties to be Disposed” and “10. Summary of Appraisal Report (Price Survey Report)”. The same shall apply hereinafter.

(Note 4) Although the buyer of each property is the same domestic operating company, the buyer’s profile cannot be disclosed as we have not obtained consent from the buyer with respect to disclosure. The same shall apply hereinafter.

2. Reasons for Disposition

Disposition of the Properties has been decided taking account into “continuity”, “versatility” and “profitability” of the Properties at the view of creating the stable portfolio in mid-to-long term.

In considering the impact to the portfolio in terms of the risk of decrease in future cash flow and the substitutability of tenants etc., we have received the proposal of the bulk transaction from the buyer at the disposition price higher than the total book value and the total appraisal value (survey price). As a result of comparing the advantages of continuing to own and manage the Properties in mid-to-long term and those of disposing the Properties early, disposition of the Properties to the buyer has been decided, based on the judgment that early disposition of the Properties at the current active market for transaction of office etc. contributes to improving unitholder’s value.

Although each disposition price cannot be disclosed as we have been required not to disclose each disposition price from the buyer, the loss on sale from the disposition of IIF Zama IT Solution Center (to be scheduled on April 30, 2021) will be recorded for the fiscal period ending July 2021 (the 28th fiscal period) and the gain on sale from the disposition of IIF Shinagawa IT Solution Center (to be scheduled on August 2, 2021) will be recorded for the fiscal period ending January 2022 (the 29th fiscal period). Since the gain on sale from the disposition of IIF Hiroshima Manufacturing Center (land with leasehold interest) (completed on March 25, 2021) and IIF Tsukuba Manufacturing Center (land with leasehold interest) (completed on April 16, 2021) will be recorded for the fiscal period ending July 2021 (the 28th fiscal period), as described in “9. Future Outlook of IIF”, the impact of the Anticipated Disposition on IIF’s operating status for the period ending July 2021 (the 28th fiscal period) is not material and the forecast of operating status for the same period after Anticipated Disposition remains unchanged. We will maintain and improve stabilized DPU (after adjustment of property-related taxes and estimated one-time revenue loss) through using the proceeds from the Anticipated Disposition for acquisition of property.

The reasons for the disposition of each property are shown below.

【IIF Shinagawa IT Solution Center】

The Property has been managed as an infrastructure facility (data center) since the acquisition in March 2015. On the other hand, due to the changes in the outlook for the profitability and the capital expenditures resulting from the change of use as for a part of the lease area, the appraisal value (survey price) declined from the initial appraisal value as of acquisition and an unrealized loss of approximately 980 million yen (an unrealized loss ratio: -12.4%) incurred as of the fiscal period ended January 2021 (the 27th fiscal period). In addition, since approximately 70% of the leased area is currently used as office space through multiple tenant replacements, risk-return profile of the Property has been changed from that of infrastructure facility, the investment target of IIF.

In the Meguro and Gotanda areas where the Property is located, demands from IT-related companies are high. Tenant replacements have often occurred recently at the Property, and unstable management has continued. Although the occupancy rate was 100% as of the fiscal period ended January 2021 (the 27th fiscal period) and the profitability has been recovered successfully, further increases in vacancy rates and decreases in rent levels in the future are expected in the surrounding areas due to the COVID-19 pandemic. As a result of comprehensive consideration to the above facts, we have judged that early disposition of the Property at the current active market for transaction of office etc. contributes to improving unitholder’s value.

【IIF Zama IT Solution Center】

The Property has been managed for approximately nine years since the acquisition in March 2012. We have been considering future mid-to-long term management policies in the context of a market environment in which demand for data centers is increasing in recent years.

Compared to the latest data centers, the building specifications and location characteristics of the Property are insufficient in some respects, such as building structures, height of floors, load-resistance, and securing the electricity capacity. Also, it is difficult to convert the Property to other uses such as office etc. from the viewpoint of location characteristics and building specifications. Furthermore, in the event of tenant replacement in the future, it is assumed that capital expenditures are incurred and the period to recruit new tenant takes longer.

As a result of comprehensively consideration to the above facts, at the present time when the conclusion of a new fixed-term building lease agreement for 5 years starts in July 2021 with the current tenant is realized, we have judged that early disposition of the Property contributes to improving unitholder's value.

【IIF Shinagawa IT Solution Center】



【IIF Zama IT Solution Center】



3. Information about Properties to be Disposed

【IIF Shinagawa IT Solution Center】

Property name		IIF Shinagawa IT Solution Center				
Type of asset		Trust beneficiary right in real estate				
Trustee		Sumitomo Mitsui Trust Bank, Limited				
Location		31-18, Nishi-Gotanda 4-chome, Shinagawa-ku, Tokyo				
Acquisition date		March 17, 2015				
Acquisition price		7,200 million yen				
Book value		7,891 million yen (As of January 31, 2021)				
Land	Land area	3,435.27 m²				
	Zoning	Neighborhood commercial district				
	Floor area ratio/ building-to-land ratio	300% / 80%				
	Type of possession	Ownership				
Building	Building structure/ stories	1-story basement and 5-story above ground: steel-framed, reinforced concrete building with flat roofing				
	Construction completion	February 5, 1993				
	Total floor area	10,479.42 m²				
	Type of possession	Ownership				
	Use	Office				
	Earthquake PML	7.7%				
Tenant summary	Tenant (Number of tenants) ^(Note 1)	Hitachi Systems, Ltd. etc. (9 companies)				
	Total rental business revenue(annual)	Not disclosed ^(Note 2)				
	Security deposit	Not disclosed ^(Note 2)				
	Total leased area	7,057.03 m²				
	Total leasable area	7,057.03 m²				
	Occupancy rate (based on leased area)	July 31, 2019	January 31, 2020	July 31, 2020	January 31, 2021	Current date
		98.9%	72.7%	100%	100%	100%
Collateral conditions		None				
Special notes		None				

(Note 1) The number of tenants is based on the number of the building lease contract terms stipulated in each lease contract.

(Note 2) This is not disclosed as we have not obtained the tenant's consent for disclosure.

【IIF Zama IT Solution Center】

Property name		IIF Zama IT Solution Center				
Type of asset		Trust beneficiary right in real estate				
Trustee		Mitsubishi UFJ Trust and Banking Corporation				
Location		1-78, Higashihara 5-chome, Zama-shi, Kanagawa				
Acquisition date		March 7, 2012				
Acquisition price		5,384 million yen				
Book value		4,970 million yen （As of January 31, 2021）				
Land	Land area	9,917.34 m ²				
	Zoning	Industrial area				
	Floor area ratio/ building-to-land ratio	200% / 60%				
	Type of possession	Ownership				
Building	Building structure/ stories	< Main building > 4-story above ground: steel-framed, reinforced concrete building with flat roofing < Annex > 2-story above ground: reinforced concrete building with flat roofing				
	Construction completion	November 15, 1988				
	Total floor area	10,931.89 m ²				
	Type of possession	Ownership				
	Use	Main building: office Annex: substation				
	Earthquake PML	7.3%				
Tenant summary	Tenant (Number of tenants)	IBM Japan, Ltd. （1 company）				
	Total rental business revenue(annual)	Not disclosed ^(Note)				
	Security deposit	Not disclosed ^(Note)				
	Total leased area	10,931.89 m ²				
	Total leasable area	10,931.89 m ²				
	Occupancy rate (based on leased area)	July 31, 2019	January 31, 2020	July 31, 2020	January 31, 2021	Current date
		100%	100%	100%	100%	100%
Collateral conditions		None				
Special notes		None				

(Note) This is not disclosed as we have not obtained the tenant's consent for disclosure.

4. Profile of Buyer

Although the buyer of each property is the same domestic operating company, the buyer's profile cannot be disclosed as we have 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. Broker

None

6. Matters relating to Forward Commitment Contracts

The sale and purchase agreement concerning IIF Shinagawa IT Solution Center falls within the definition of forward commitment contract, etc. ^(Note) as stipulated in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. With regard to the sale and purchase agreement of IIF Shinagawa IT Solution Center, in the case of a breach of the contract (including a serious breach of the representations and warranties, provided, however, that a minor breach is excluded) caused intentionally or negligently by IIF or the buyer, IIF or the buyer may notify fulfillment or correction to the breaching party in writing specifically indicating the breach for a reasonable period and if such breach is not fulfilled or corrected within the period of such notice, the sale and purchase agreement can be cancelled. If the other party suffers damages due to or related to the breach of the breaching party under the contract (including the case where the matters guaranteed were not true, provided, however, that a minor breach is excluded), the other party's damages shall be compensated up to total compensation amount equivalent to 10% of the disposition price.

(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.

7. Means of Payment

The settlement will be conducted by a lump sum on the scheduled date of delivery.

8. Scheduled Date of Disposition

	IIF Shinagawa IT Solution Center	IIF Zama IT Solution Center
Contract signing date (scheduled)	April 30, 2021	
Payment date(scheduled)	August 2, 2021	April 30, 2021
Delivery date (scheduled)	August 2, 2021	April 30, 2021

9. Future Outlook of IIF

The impact of the Anticipated Disposition 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 after Anticipated Disposition remains unchanged.

10. Summary of Appraisal Report (Price Survey Report)

【IIF Shinagawa IT Solution Center】

Appraiser	CBRE K.K.
Survey price	6,910 million yen
Survey price as of:	January 31, 2021

Item	Value	Notes
Indicated value by income approach	6,910 million yen	
DC method	6,780 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	334 million yen	
Operating profit from lump-sum payments	3 million yen	
Capital expenditures	33 million yen	
Net income	304 million yen	
Capitalization rate	4.5%	.
DCF method	6,910 million yen	
Discount rate	4.1%	
Terminal capitalization rate	4.6%	

Other matters that the appraisal firm considered upon conducting the appraisal	None
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(Note) 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.

【IIF Zama IT Solution Center】

Appraiser	Japan Real Estate Institute
Survey price	5,530 million yen
Survey price as of:	January 31, 2021

Item	Value	Notes
Indicated value by income approach	5,530 million yen	
DC method	5,540 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	403 million yen	
Operating profit from lump-sum payments	0 million yen	
Capital expenditures	4 million yen	
Net income	399 million yen	
Capitalization rate	7.2%	.
DCF method	5,520 million yen	
Discount rate	5.8%	
Terminal capitalization rate	7.8%	

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