

IIF to Acquire a Trust Beneficiary Right (Co-ownership Interest) in IIF Yokohama Shinyamashita R&D Center

Industrial & Infrastructure Fund Investment Corporation (“IIF”) announced today that Mitsubishi Corp. - UBS Realty Inc., IIF’s asset manager (the “Asset Manager”), decided to acquire a co-ownership interest (the “Anticipated Acquisition”) in real estate trust beneficiary rights (the “Trust Beneficiary Right”) as outlined below.

1. Summary of Disposition

1) Asset to be acquired	Trust beneficiary right in real estate
2) Asset category	Manufacturing, research and development facilities
3) Property name	IIF Yokohama Shinyamasita R&D Center (Note 1)
4) Acquisition price	11,430,000 yen (Note 2)
5) Appraisal value	12,500,000 yen (value as of February 1, 2016) (Note 2) (Note 3)
6) Contract date	February 16, 2016
7) Closing date	March 1, 2016 (scheduled)
8) Seller	Business company in Japan (Note 4)
9) Financing	Cash on hand
10) Payment method	Lump sum payment at closing

The following is the ownership situation of co-ownership interest concerning the Trust Beneficiary Right after the acquisition of the Anticipated Acquisition.

	Co-ownership Interest	Owner	(Expected) Acquisition Price (million yen)	Appraisal Value (million yen) (Note 2)
IIF Yokohama Shinyamashita R&D Center	0.3% (this acquisition)	IIF	11	12
	99.7%*	Business company in Japan*	3,798 *	—
合計	100.0%	—	3,810	4,170

* For 99.7% of the co-ownership interest which the business company in Japan continues to hold as a bridging function, IIF may exercise its preferential negotiation rights as of February 16, 2016 up until March 31, 2017. For details, please refer to “4. Details of the Preferential Negotiation Rights.”

(Note 1) This is the name attached by IIF for this acquisition.

(Note 2) The figure indicated for the Anticipated Acquisition is a 0.3% co-ownership interest.

(Note 3) For detail of the appraisal value, please refer to “11. Appraisal Report Summary”.

(Note 4) Not disclosed as the seller has not agreed to the disclosure of information. The same shall apply herein after.

2. Reason for Acquisition

IIF decided to acquire the property based on its judgment that the acquisition of 0.3% co-ownership interest and preferential negotiation rights for the remaining 99.7% co-ownership interest of the Trust Beneficiary Right are in alignment with IIF’s investment strategies (specifically, the acquisition of quality assets that contribute to increases in per unit cash distribution).

The acquisition of this Anticipated Acquisition is intended to secure the possibility of future acquisition of a property that will contribute to IIF’s profitability, continuity, and versatility. We will make decision on the execution of the preferential negotiation rights in a comprehensive manner from the perspectives of examination statuses of other acquisition cases, financing strategies, and management situations pertaining to existing properties.

Following points were valued highly in particular upon making decision on the acquisition.

■ **Acquisition Highlights** <privately negotiated deal >

- Realized a negotiated transaction using a less competitive acquisition environment and satisfied the needs of the seller to sell in the manufacturing, research and development facilities category (on which IIF focuses).
- Stable cash backed by a fixed-term building lease agreement with a term of 20 years (remaining term of 11.5 years) against a backdrop of the importance of the site for the tenant.

■ **Continuity** (likelihood of long-term use by tenant)

- Head office and the engineering center of TRW Automotive Japan Co., Ltd. (which is a Japanese subsidiary of a major global supplier of automobile parts).
- A BTS-type facility constructed for the tenant, which is user-friendly for the tenant in terms of conducting quality tests for air-bags and brakes and for developing the leading-edge systems (such as that for driving support).
- A high degree of continuity backed by a fixed-term building lease agreement with a term of 20 years, with the remaining term of 11.5 years.

■ **Versatility (Versatility as a Real Estate Asset)**

<Location>

High degree of versatility with excellent access to central Tokyo

- It is superior for its proximity to potential corporate customers as it is located at a site that is within a 10 minute walk to Motomachi-Chukagai Station of the Minatomirai Line. It also features good access to office areas in downtown Tokyo, being about 10 minutes to Yokohama station and about 40 minutes to Tokyo station.
- Its location as a research & development site is highly evaluated due to its excellent access to the area around the Yokohama Station (which features a high degree of accessibility). It is also evaluated highly as a building located within a walking distance from the nearest station, despite being in a quasi-industrial district.

<Facilities>

A facility which is relatively new and equipped with necessary and sufficient specifications as an R&D center

- A user-friendly facility as a research & development facility, not only for automobile parts, but also a broad range of manufacturing. It is equipped with general-purpose specifications to provide individual air-conditioning, a ceiling-height of 4,600mm (partly 6,500mm) and a maximum load weight of 1.2 t/m2 (for the first floor), the installed large-scale inspection equipment such as that for high voltage power reception, an electric power supply for inspection and other features.
- Equipped with emergency generators to support the continued operation of the facility in emergencies
- Fully equipped security system with contactless IC cards

Property Photos and Map



3. Outline of the Property to be Acquired

Property name		IIF Yokohama Shinyamashita R&D Center		
Type of asset		Trust beneficiary right in real estate		
Location (address)		1-16-5 Shinyamasita, Naka-ku, Yokohama-shi, Kanagawa, Japan		
Acquisition price		11,430,000 yen		
Appraisal value		12,500,000 yen (as of February 1, 2016)		
Appraiser		CBRE K.K.		
Collateral conditions		N/A		
Type of possession		Building structure / stories	Reinforced concrete structure, flat roof, 3 stories above ground and 1 story below ground	
Land Area				
Zoning		Semi-industrial area	Completion	August 2007
FAR / building-to-land ratio		200%/60%	Gross floor area	4,832.18 m ²
Earthquake PML		5.0%	Type of building	Research institute
Tenant summary				
Number of tenant(s)		1 (TRW Automotive Japan Co., Ltd.)		
Annual rent		Not disclosed as the tenant has not agreed to the disclosure of information.		
Tenant leasehold /security deposit		Not disclosed as the tenant has not agreed to the disclosure of information.		
Total leased area		4,832.18 m ²	Occupancy rate (based on leased area)	100.0%
Total leasable area		4,832.18 m ²		
Major tenant				
Period of contract		September 1, 2007 – August 31, 2027 (20 years)		
Type of contract		Fixed term building lease agreement		
Revision of rent		<ul style="list-style-type: none">• The rent amount shall be left unchanged for 5 years from the start of the term of the lease (until August 31, 2012).• After 5 years, the rent amount shall be revised every 3 years, using the average annual indexes of the consumer price Index (CPI) published by the Statistics Bureau of the Ministry of Internal Affairs and Communications. For the first revision, the latest CPI published as of the end of December 2006 shall be used as the standard value, and thereafter the indexes to be used shall be the CPI published as of the end of December of the last fiscal year at the time of the previous revision. The new rent amount shall be calculated by dividing the CPI published as of the end of the last December in the rent fixed term by the standard value; and then multiplying the quotient by the rent amount in effect at the time of revision.• The rent amount shall change within a range of 10% of the rent amount at the time of revision; provided, however, that the rent amount may not be revised if the resulting rent amount will become lower than the monthly rent amount at the time of the conclusion of this lease agreement.		
Early termination		<ul style="list-style-type: none">• Early termination is not permitted. When intending to terminate the lease agreement due to reasons attributed to the lessee, the lessee shall pay a penalty equivalent to the rent amount for the period up to August 31, 2017, and 75% of the rent amount for the period lasting from September 1, 2017 up until the expiry of the term of the lease.• Provided, however, if the succeeding lessee arranged by the lessee during the contract term concludes a fixed-term building lease agreement with conditions equal to or better than those contained in this agreement or other conditions accepted by the lessor, penalties shall not be incurred.		
Special notes		<ul style="list-style-type: none">• With the acquisition of the Anticipated Acquisition, IIF intends to conclude an agreement among the co-owners of beneficiary rights, with other co-owners and trust beneficiaries of the Trust Beneficiary Right. The main content of the said agreement among co-owners is as follows.<ul style="list-style-type: none">– Certain important issues shall be decided upon by means of consensus of all co-owners. If consensus among co-owners is not reached within a certain period of time, the said issue shall be deemed not approved. Other issues shall be decided upon by the co-owner who has the largest co-ownership interest.– If a co-owner sells all or part of a co-ownership interest owned, prior approval of other co-owners shall be required (provided, however, that other co-owners may not refrain from approval or reject the sale without reasonable grounds unless the purchasing third party turns out to be an anti-social force). Moreover, if other co-owners wish to purchase the said co-ownership interest, they shall be given priority for negotiation over others, and, if it is to be sold to third parties at a price lower than the one notified at the said negotiation, other co-owners may purchase at the said price.• Prior to the acquisition of the property, IIF requested K.K. Field Partners to perform an assessment of the soil contamination risk. As a result, the presence of soil contamination consisting of arsenic, lead,		

	<p>and boron have been confirmed in a soil survey carried out in the past for the Anticipated Acquisition. An evaluation on the effects of each is as shown below. For the acquisition of the Anticipated Acquisition, IIF has decided upon the planned acquisition price after consideration of the assumed expenses needed to carry out measures against soil contamination.</p> <ul style="list-style-type: none"> With respect to the arsenic confirmed to have exceeded the elution amount standard, lead, and boron exceeding the ground water standard, the Anticipated Acquisition is surrounded by water areas and canals, meaning there is a low chance that any wells for drinking water exist within the vicinity. Thus, it is believed that the possibility of harm to human health via ground water is low. Also, with respect to lead exceeding the content standard, none has been confirmed to be contained within the surface layer of the soil, meaning that it is believed the possibility that any health risks stemming from soil contamination via direct intake as a result of dispersal of lead in the air is low.
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- While IIF intends to purchase a 0.3% co-ownership of the real estate trust beneficiary right for this property as a trust asset, details on the entirety of the property are stated, with the exception of the “planned acquisition price” and “appraised value (at the time of pricing)”.
- Amounts of less than one hundred yen are rounded down, and percentages are rounded to the nearest second decimal place.
- “Location” represents the registered address of the property.
- Descriptions of “land area” is based on descriptions in registry books.
- The “FAR (floor area ratio)” is the ratio of the total area of the building to the area of land stipulated in Article 52 of the Building Standards Act (Act No. 201 of 1950, including amendments thereafter) and the value of the upper limit of the floor area ratio defined in city planning based on the applicable region is indicated.
- The “building-to-land ratio” reflects, as a general rule, the ratio of the area of building against the area of land stipulated in Article 53 of the Building Standards Act.
- “Zoning” represents the classification of land by its use, stipulated in Section 1-1, Article 8 of the City Planning Act.
- “Annual rent” and “tenant leasehold /security deposit” are not disclosed as the permission on disclosure has not been obtained from the tenant.

4. Details of the Preferential Negotiation Rights

Details of the right	If the following exercise period and price conditions are fulfilled, IIF shall be given priority for negotiation on the purchase of 99.7% of co-ownership interest of the Trust Beneficiary Right owned by the other co-owners, the business company in Japan. This is provided, however, that if the other co-owners objectively judge as of March 1, 2017 that the person designated by IIF or the Asset Manager is unlikely to purchase the said co-ownership interest by the last day of the said month, and at the same time acquires the consent of the Asset Manager in writing, the said co-owner may sell co-ownership interest to third parties even before the last day of the said month.
Exercise period of the preferential negotiation rights	February 16, 2016 – March 31, 2017
Conditions for pricing	3,798,570,000 yen

(Note 1) This is the price in the case that the transfer takes place after April 15, 2016. In the event that IIF wishes to execute the acquisition prior to that day, an agreement must be reached through discussions between IIF and other relevant co-owners with respect to separate price conditions.

5. Profile of the seller

While the seller is a business company in Japan, the summary of the seller is not disclosed since the disclosure of its name and other details is not approved by the seller. There are no capital, personal or business relationships to note between IIF / the Asset Manager and the company, and there are no noteworthy capital, personal or business relationships between interested parties and affiliated companies of IIF / the Asset Manager and those of the company. The company does not fall under the category of a related party of IIF / the Asset Manager. In addition, none of the related parties and affiliated companies of the company fall under the category of the related parties of IIF / the Asset Manager.

6. Ownership history of the property to be acquired

The trust beneficiary right in real estate is not acquired from the seller which falls under the category of a related party of IIF/the Asset Management Company.

7. Broker profile and brokerage fee

Not applicable.

8. Payment

Lump sum payment at closing.

9. Planned Acquisition Schedule

Decision Date	February 16, 2016
Signing Date	February 16, 2016
(Scheduled) Payment Date	March 1, 2016
(Scheduled) Closing Date	March 1, 2016

10. Future Outlook

For our revenue forecast for June 2016 (18th) fiscal period (January 1, 2016 to June 30, 2016) after completion of the planned property acquisition, please refer to the news release titled, "Summary of Financial Results for the Six Months Ended December 31, 2015" dated today.

11. Appraisal Report Summary

The Anticipated Acquisition of IIF is 0.3% co-ownership interest of the Trust Beneficiary Right and the appraisal value is indicated below under "(1) Appraisal Value for the 0.3% Co-ownership Interest of the Trust Beneficiary Right." The calculation of this appraisal value is made by multiplying 0.3% to the estimated value of the building and land as a whole (indicated under "(2) Estimated Value of the Trust Beneficiary Right (100% Co-ownership Interest)").

(1) Appraisal Value for the 0.3% Co-ownership Interest of the Trust Beneficiary Right

Property Name	IIF Yokohama Shinyamashita R&D Center
Appraisal Value	12,500,000 yen
Appraiser	CBRE K.K.
Value Date	February 1, 2016

(2) Estimated Value of the Trust Beneficiary Right (100% Co-ownership Interest)

Property Name	IIF Yokohama Shinyamashita R&D Center
Appraisal Value	4,170 million yen
Appraiser	CBRE K.K.
Value Date	February 1, 2016

Item	Value	Notes
Estimated value by income approach	4,210 million yen	
DC method	4,190 million yen	(Note)
Operating income	Not disclosed	(Note)
Effective gross income	Not disclosed	(Note)
Loss from vacancy, etc.	Not disclosed	(Note)
Operational cost	Not disclosed	(Note)
Maintenance and management fee	Not disclosed	(Note)
Utility cost	Not disclosed	(Note)
Repair expenses	Not disclosed	(Note)
Property manager fee	Not disclosed	(Note)
Leasing cost	Not disclosed	(Note)
Property tax	Not disclosed	(Note)
Insurance premium	Not disclosed	(Note)
Other expenses	Not disclosed	(Note)
Net operating income	205 million yen	
Operating profit from lump-sum payments	1 million yen	(Note)
Capital expenditure	5 million yen	
Net income	201 million yen	
Capitalization rate	4.8%	
DCF method	4,210 million yen	
Discount rate	4.4%	
Terminal capitalization rate	4.9%	

Other matters of consideration

The estimated value (complete ownership) for the subject property has been assessed by subtracting the present value (wherein expenses are required to remove the soil contamination), from the estimated value obtained with the above figures using the income approach.

Note: As 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.

[Reference]

Prospective Income and Expenditures for the Property

NOI (Net Operating Income)	102 million yen
NOI yield	5.5%
Depreciation	9 million yen
NOI yield after depreciation	5.0%

- NOI is based on the annual rent based on the lease agreement which starts from February 24, 2016.
- NOI yield is calculated by dividing NOI by the acquisition price and rounding to the nearest second decimal place.
- Depreciation is the approximate estimate as of today.
- NOI yield after depreciation is calculated by dividing NOI after deducting depreciation by the acquisition price, and rounding to the nearest second decimal place.

About IIF: Industrial and Infrastructure Fund Investment Corporation (“IIF”) is the first J-REIT to focus 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 <http://www.iif-reit.com/english/>

Contact: For further information relating to this press release as well as IIF and its Asset Manager, please feel free to contact Mr. Toshiaki Fukai (Telephone Number: +81-3-5293-7090), Head of Industrial Division at Mitsubishi Corp. -UBS Realty, Inc., Asset Manager for Industrial & Infrastructure Fund Investment Corporation.

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It is for informational purposes only, and the Japanese language release should be referred to as the original.

Portfolio After Anticipated Acquisition

Asset Type	Property Number	Property Name	(Anticipated) Acquisition Price (million yen)	Rate of Investment ^(Note 1) (%)
Logistics Facilities	L-1	IIF Shinonome Logistics Center ^(Note 2)	13,700	6.6
	L-4	IIF Noda Logistics Center	6,500	3.1
	L-5	IIF Shinsuna Logistics Center	5,300	2.5
	L-6	IIF Atsugi Logistics Center	2,100	1.0
	L-7	IIF Koshigaya Logistics Center	2,000	1.0
	L-8	IIF Nishinomiya Logistics Center	1,300	0.6
	L-9	IIF Narashino Logistics Center (<i>land with leasehold interest</i>)	1,190	0.6
	L-10	IIF Narashino Logistics Center II	4,550	2.2
	L-11	IIF Atsugi Logistics Center II	3,100	1.5
	L-12	IIF Yokohama Tsuzuki Logistics Center	2,350	1.1
	L-13	IIF Saitama Logistics Center	1,490	0.7
	L-14	IIF Nagoya Logistics Center	1,050	0.5
	L-15	IIF Atsugi Logistics Center III	2,290	1.1
	L-16	IIF Kawaguchi logistics Center	1,770	0.9
	L-17	IIF Kobe Logistics Center	5,193	2.5
	L-18	IIF Higasahi-Osaka Logistics Center	2,280	1.1
	L-19	IIF Kashiwa Logistics Center	1,810	0.9
	L-20	IIF Misato Logistics Center	3,550	1.7
	L-21	IIF Iruma Logistics Center	3,184	1.5
	L-22	IIF Tosu Logistics Center	1,570	0.8
	L-23	IIF Inzai Logistics Center	1,060	0.5
	L-24	IIF Morioka Logistics Center	600	0.3
	L-25	IIF Hiroshima Logistics Center	3,540	1.7
	L-26	IIF Izumiotsu e-shop Logistics Center (<i>land with leasehold interest</i>)	4,000	1.9
	L-27	IIF Izumisano Food Processing and Logistics Center	860	0.4
	L-28	IIF Kyotanabe Logistics Center	5,730	2.8
	L-29	IIF Fukuoka Koga Vehicle Logistics Center (<i>land with leasehold interest</i>)	860	0.4
	L-30	IIF Fukuoka Higashi Logistics Center	1,860	0.9
Subtotal			84,787	40.8
Manufacturing, Research and Development Facilities	F-1	IIF Totsuka Technology Center (<i>land with leasehold interest</i>)	4,500	2.2
	F-2	IIF Yokohama Tsuzuki Technology Center	1,100	0.5
	F-3	IIF Mitaka Card Center	8,700	4.2
	F-4	IIF Shinonome R&D Center	8,800	4.2
	F-5	IIF Kamata R&D Center	7,200	3.5
	F-6	IIF Kawasaki Science Center	2,168	1.0
	F-7	IIF Sagamihara R&D Center	3,100	1.5
	F-8	IIF Yokohama Shinyamashita R&D Center ^(Note 3)	11	0.0
	F-9	IIF Kakegawa Manufacturing Center (<i>land with leasehold interest</i>)	1,540	0.7
Subtotal			37,119	17.9
Infrastructure Facilities	I-1	IIF Kobe District Heating and Cooling Center	18,100	8.7
	I-2	IIF Haneda Airport Maintenance Center	41,110	19.8
	I-3	IIF Zama IT Solution Center	5,384	2.6
	I-4	IIF Shinagawa Data Center	4,900	2.4
	I-5	IIF Osaka Toyonaka Data Center	5,600	2.7
	I-6	IIF Osaka Nanko IT Solution Center	1,150	0.6
	I-7	IIF Nagoya Port Tank Terminal (<i>land with leasehold interest</i>)	1,900	0.9
	I-8	IIF Shinagawa IT Solution Center	7,200	3.5
	I-9	IIF Higashimatsuyama Gas Tank Maintenance Center (<i>land with leasehold interest</i>)	690	0.3
Subtotal			86,034	41.4
Total			207,940	100.0

(Note 1) Rounded to one decimal place.

(Note 2) IIF owns 53% co-ownership interest of real estate trust beneficiary right in IIF Shinonome Logistics Center.

(Note 3) IIF owns 0.3% co-ownership interest of real estate trust beneficiary right in IIF Yokohama Shinyamashita R&D Center.