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For Immediate Release

Real Estate Investment Trust

Japan Logistics Fund, Inc. (Security Code: 8967)
Representative: Yasushi Ogaku, Executive Director

Asset Management Company

Mitsui & Co., Logistics Partners Ltd.
Representative: Naohiro Kameoka, President
Contact: Ryota Sekiguchi, Corporate Planning & Finance Dept.
TEL +81-3-3238-7171

Notice Concerning Acquisition of a New Asset

Mitsui & Co., Logistics Partners Ltd. (hereafter referred to as “MLP”), the asset management company of Japan Logistics Fund, Inc. (hereafter referred to as “JLF”), announced today that MLP has decided to acquire Ichikawa Logistics Center III (hereafter referred to as the “Property”) described in “Notice Concerning the Conclusion of Fixed-term Lease Contract, JLF as a Lessee, with a Termination Clause and the Acquisition of Purchase Option” announced on June 29, 2018 and “Notice Concerning the Conclusion of Fixed-term Lease Contract, JLF as a Lessee, with a Termination Clause and the Acquisition of Purchase Option (Follow-Up)” announced on July 11, 2018.

1. Rationale for the acquisition

As announced in notices released on June 29 and July 11, 2018, JLF is engaged in a fixed-term lease contract with termination clause (hereinafter referred to as the “Contract”) with regard to the Property. Since the termination clause for the Contract is expected to be fulfilled (on March 8, 2019), JLF has decided to commence the lease of the property pursuant to the Contract and, at the same time, exercise the purchase option as provided for under the Contract to acquire the Property. In the notices released on June 29 and July 11, 2018, it was announced that the lease term under the Contract was planned to begin on March 1, 2019. However, since the termination clause for the Contract is now expected to be fulfilled on March 8, 2019, the the date of commencement for the lease term and the date of acquisition of the Property are now planned to be March 8, 2019 accordingly.

In order to secure routes for the acquisition of properties that will contribute to the growth of dividends per unit (DPU) in the medium to long term, JLF has adopted two approaches: “sourcing from the real estate market” and “independent sourcing.” JLF believes that by striking the right balance between these two approaches, it will be able to achieve expansion in the size of its portfolio and the acquisition of properties with comparatively high cap rates, enabling it to pursue stable growth of DPU.

The Property has been acquired through independent sourcing. JLF decided to acquire the Property in order to pursue stability and growth of DPU based on the belief that the acquisition enables JLF to expand asset under

management and acquire good yield property.

For details concerning the Contract and the Property, please refer to 7. Details of the New Asset below, and the notices dated June 29 and July 11, 2018.

2. Outline of the acquisition

(1) New asset

Property number	Name of the property	Date of delivery	Seller	Acquisition price (million yen) (Note 1)	Appraisal value (million yen)	Expected NOI yield (Acquisition price base) (Note 2)
M-36	Ichikawa Logistics Center III	March 8, 2019	Limited Liability Company Ichikawa Project	3,850	5,150	6.6%

(Note 1) Overhead cost of the acquisition, fixed asset tax, city planning tax and consumption tax are not included in the acquisition price.

(Note 2) Expected NOI yield (Acquisition price base) = Expected NOI / acquisition price x 100
(Figures are rounded off to the first decimal place.)

Expected NOI is a normalized estimate based on annual income and expense projections and is not the forecast at the time of acquisition of the Properties nor the forecast for the fiscal period ending July 2019.

(2) Fund source Cash on hand

(3) Payment method Lump-sum payment on the date of delivery

3. Outline of the seller

Please refer to the notices dated June 29 and July 11, 2018.

4. Current condition of the seller

The acquisition of the Property does not fall under the acquisition from a person with special interest in JLF and MLP.

5. Outline of the broker

There is no broker in the acquisition of the Property.

6. Future prospects

In the Forecasts for the Fiscal Period ending July 2019 (February 1, 2019 to July 31, 2019) announced in the REIT Financial Report for the Fiscal Period ended July 31, 2018 (released on September 12, 2018), it was stated that the acquisition of the Property was planned to take place on March 31, 2019. Although the date of acquisition is now expected to change to March 8, 2019, the impact on the forecast for the Fiscal Period ending July 2019 (The 28th Period) is minimal, and there is no change to the forecast for this period.

7. Details of the New asset

(1) Outline of the new asset

Outline of the asset		Outline of the appraisal		
Asset type	Trust beneficiary right of real estate	Real estate appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.	
Date of the acquisition	March 8, 2019	Date of the appraisal	February 28, 2019	
Acquisition price	3,850 million yen	Appraisal Value	5,150 million yen	
Trustee	Sumitomo Mitsui Trust Bank, Limited			
Winding-up of the trust	March 31, 2029			
Land	Location	17-18 Futamata-shinmachi, Ichikawa, Chiba	Income approach	5,150 million yen
	Site area	13,080.20 m ²	Discounted cash flow approach	5,130 million yen
	Zoning	Industrial area		
	Floor-area ratio	200%		
	Building-to-land ratio	60%	Discount rate	4.2% / 4.3%
	Type of ownership	Ownership	Terminal cap rate	4.4%
Building	Structure/Story (Note 1)	Steel-frame 4-story building with aluminum sheet roof	Direct capitalization approach	5,190 million yen
	Date of the completion (Note 1)	July 23, 2001		
	Total floor area (Note 1)	24,726.05 m ²	Cap rate	4.2%
	Total rentable area	23,880.20 m ²		
	Usage (Note 1)	Warehouse, Office		
	Type of ownership	Ownership	Cost approach	5,010 million yen
Property management company (planned)	CRE, Inc.	Land (Percentage)	68.6%	
Collateral	None	Building (Percentage)	31.4%	
Outline of the lease contract		Outline of engineering report		
Number of tenants	1	Survey company	Shimizu Corporation	
Names of major tenant	Not disclosed (Note 2)	Issue date of the report	February 25, 2019	
Annual rent (excluding consumption tax)	Not disclosed (Note 2)	Urgent repairs	-	
Lease deposit	Not disclosed (Note 2)	Short-term repairs	180 thousand yen	
Total rent area (Note 3)	23,880.20 m ²	Long-term repairs	196,588 thousand yen	
Occupancy	100.0%	PML	10.9%	
Expected income/expense (Note 4)		Design company, construction company and building certification company		
Income (including auxiliary income)	Not disclosed (Note 2)	Design company	Daiwa House Industry Co., Ltd.	
Expected NOI	254 million yen	Construction company	Daiwa House Industry Co., Ltd.	
Expected NOI yield (based on acquisition price)	6.6% (Note 5)	Building certification company	JAPAN ERI CO., LTD.	
Remarks: With regard to the local road (6,260.09 m ²) that lies adjacent to the Property, easement of access has been established with the Property as dominant estate and said local road as servient estate.				
(Note 1) The outline shown here is according to the real estate registry, and may differ from the present state.				
(Note 2) Not disclosed, for unable to obtain the tenant's consent.				
(Note 3) In general, there are minor differences between the definition of "rentable area" as determined by JLF and the definition of "rent area" as determined by the lease contracts (including pre-lease contract). The total rent area represents the sum of the rent area included in the rentable area. It is possible that some of the rent area is not included in the rentable area.				
(Note 4) The figures are not forecasts for revenue from the Property as of the date of acquisition of the Property, but normalized estimations based on annual income and expenses projections.				
(Note 5) The figure is expected NOI divided by 3,850 million yen, which is the acquisition price.				

(2) Outline of the appraisal
[M-36 Ichikawa Logistics Center III]

Appraisal value	3,850 million yen
Real estate appraiser	The Tanizawa Sogo Appraisal Co., Ltd.
Date of appraisal	February 28, 2019

Item	Details	Outline
Income approach value	5,150 million yen	Appraisal performed based on DCF approach as a standard, with validation using the direct capitalization approach
Direct capitalization approach	5,190 million yen	
Operating revenues	Not disclosed (Note)	
Total potential revenue	Not disclosed (Note)	Appraisal based on market rent price levels for the subject real estate
Loss such as vacancy	0 yen	Not assumed.
Operating expenses	Not disclosed (Note)	
Maintenance	0 yen	Not assumed.
Utilities expenses	0 yen	Not assumed.
Repairs	11 million yen	Appraisal by applying set allocations to figures based on ER and comparable transactions
Property management fee	Not disclosed (Note)	Appraisal based on a standard monthly outsourcing fee
Expenses for recruiting tenants	0 yen	Not assumed.
Real estate taxes	27 million yen	Estimated value
Casualty insurance premium	Not disclosed (Note)	Appraisal based on a standard rate, with no earthquake insurance subscribed
Other expenses	4 million yen	Appraisal based on earnings samples and the like
Net operating income	239 million yen	
Profit on the investment of a lump sum	Not disclosed (Note)	
Capital expenditure	24 million yen	Appraisal by applying set allocations to figures based on ER and comparable transactions
Net cash flow	217 million yen	
Capitalization rate	4.2%	Appraisal by comparing multiple transaction yields from comparable regions within the same market and neighboring areas, and by comprehensively taking into consideration trends and the like in the real estate investment market
DCF method	5,130 million yen	
Discount rate	4.2%/4.3%	Appraisal by factoring individual risks related to the subject real estate on top of a base warehouse yield calculated by a build-up approach for financial products
Terminal cap rate	4.4%	Appraisal by incorporating future forecasting uncertainties based on a capitalization yield
Cost approach	5,010 million yen	
Land percentage	61.6%	
Building percentage	38.4%	
Remarks	Not applicable	

(Note) JLF does not disclose these items because their disclosure may enable the lease terms and level of fees to be estimated, which could have a negative impact on the efficient operations of JLF and cause disadvantages to investors.

(End)

This notice is the English translation of the announcement in Japanese on our website. However, no assurance or warranties are given for the completeness or accuracy of this English translation.