

July 11, 2018

For Immediate Release

Real Estate Investment Trust

Japan Logistics Fund, Inc.
Representative: Keita Tanahashi
Executive Director
(Security Code: 8967)

Asset Management Company

Mitsui & Co., Logistics Partners Ltd.
Representative: Keita Tanahashi
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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)

Japan Logistics Fund, Inc. (hereinafter referred to as “JLF”) discloses the location and exterior view of Ichikawa Logistics Center III (hereinafter referred to as the “Property”) as well as the identity of the counterparty of the fixed-term lease contract with a termination clause (hereinafter referred to as the “Lessor”) with which JLF concluded as a lessee, as notified in the “Notice Concerning the Conclusion of Fixed-term Building Lease Contract with a Termination Clause” dated June 29, 2018, for JLF obtained approval of the Lessor.

This disclosure is made upon approval of the Lessor, Ichikawa Project Limited Liability Company (hereinafter referred to as “Ichikawa SPC”), which acquired the land on July 10, 2018 and consented to disclose the location of the Property and its corporate name.

Location	17-18 Futamata-shinmachi, Ichikawa, Chiba
Lessor	Ichikawa Project Limited Liability Company

(Note) Please refer to the attachment for details about said press release to which information pertaining to the location, map, exteriors of the facility, distinct features of the Property and outline of the lessee is added in this follow-up.

[Reference: Revised version (Revised part is **Bold and Underlined**)]

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Notice Concerning the Conclusion of Fixed-term Lease Contract, JLF as a Lessee, with a Termination Clause and the Acquisition of Purchase Option

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 JLF has decided to conclude fixed-term lease contract with a termination clause as a lessee (hereafter referred to as the “Contract”) regarding Ichikawa Logistics Center III (hereafter referred to as the “Property” or sometimes as the “Asset”) and concluded the Contract today, as detailed below. The Contract grants to JLF an option to purchase the Property with specified term and price (hereafter referred to as the “Purchase Option”). At the same time, the Contract also grants to **Limited Liability Company Ichikawa Project, the counterparty of the contract, (hereafter referred to as the “Lessor”)**, an option to sell the Property to JLF with specified term and price (hereafter referred to as the “Disposition Option”) (Note)

(Note) As the Contract grant to the Disposition Option to the Lessor, the Contract, corresponds to the forward commitment, etc. (A post-dated acquisition contract, in which the actual transactions or closing take place one month or more after the conclusion of a contract. The same will apply hereafter.) stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” set by the Financial Services Agency. Please refer to “9. Other matters necessary for investors to properly understand and evaluate the related information” regarding the contents of the Disposition Option and penalty charges.

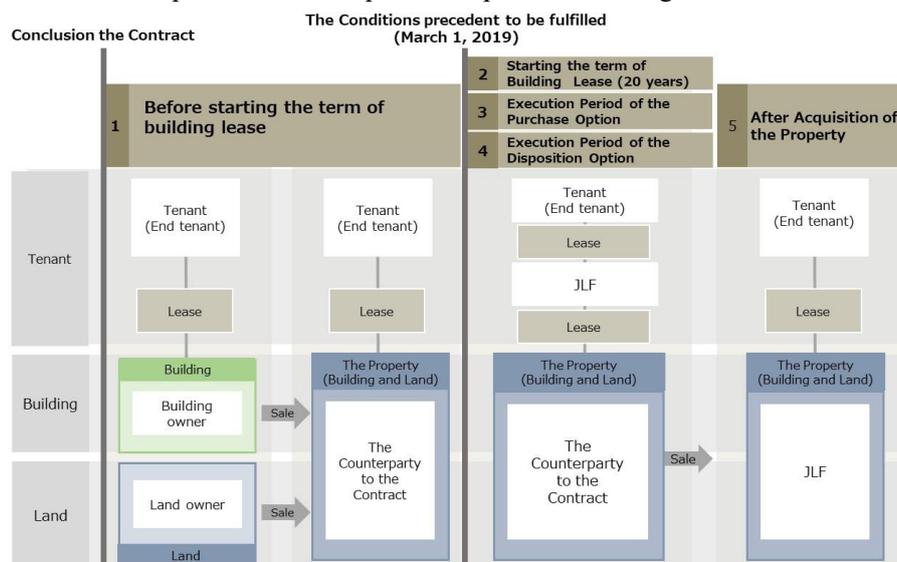
1. Outline of the Contract

- | | |
|-------------------------|---|
| a. Name of the property | Ichikawa Logistics Center III |
| b. Location | <u>17-18 Futamata-shinmachi, Ichikawa, Chiba</u> |
| c. Form of contact | Fixed-term lease contract with a termination clause |
| d. Date of contract | June 29, 2018 |

- e. Term of building lease 20 years from fulfillment of the conditions precedent concerning the Contract
(From March 1, 2019 to February 28, 2039 (Planned))
- f. Lessor **Limited Liability Company Ichikawa Project**
- g. Lessee JLF
- h. Total rental area 23,880.20 m² (100% of the total rentable area regarding the Property)
- i. Monthly rent Not disclosed (Note)
- j. Lease deposit Not disclosed (Note)
- k. Termination clause The lease shall not be commenced unless certain conditions are satisfied, such as the Lessor acquires the trust beneficiary rights of real estate associated with the Property or the Lessor confirms legal compliance issues.
- l. Purchase Option The Purchase Option grants to JLF the right to purchase the Property from the Lessor at the prescribed price. That right may be exercised between the date the lease term begins (expected on March 1, 2019) until February 28, 2023.
- m. Disposition Option The Disposition Option grants to the Lessor the right to sell the Property to JLF at the prescribed price. The right may be exercised between the date the lease term begins (expected on March 1, 2019) until February 28, 2023.
- n. Midterm cancellation On or after October 1, 2025, JLF may cancel the Contract by providing the Lessor a written notification six months in advance of the desired cancellation date and by paying the Lessor 695 million Yen.

(Note) As JLF will conclude the Contract to sublease the Property, JLF does not disclose Monthly rent because JLF judged the disclosure may affect adversely on competitive advantage of JLF, and may cause disadvantage to investors.

See below for a schematic diagram of the Contract. For details on the substance of the Contract, refer to the above 1. Outline of the Contract, 3. Outline of the Termination Clause, 4. Outline of the Sublease concerning the Contract, and 5. Outline of the Purchase Option and the Disposition Option concerning the Contract.



(Note) The property will be converted into the trust beneficiary rights once the Lessor acquires the Property. However, the substantive owner of the Property is the Lessor, and the diagram above shows the Lessor as the Property owner, for simplifying purpose.

2. Rationale for conclusion of the Contract

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.” The “independent sourcing” approach involves using imaginative acquisition schemes to create opportunities for acquisitions through off-market transactions and enables JLF to acquire properties with higher cap rates than “sourcing from the logistics real estate market.”

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 Contract is an example of our independent sourcing that enables us to acquire properties that contribute to growth and stability in DPU in the future. Upon executing the Contract, JLF will become the lessee of the Property, sublease the Property to tenant(s) to gain earnings and assess the timing to acquire the Property.

3. Outline of the Termination Clause

The Contract prescribes that following conditions must be satisfied as the Termination Clause. The Termination Clause is expected to be fulfilled on March 1, 2019, and the lease under the Contract starts on the same date.

- The Lessor acquires trust beneficiary right of real estate associated with the Property.
- The Lessor is leasing the Property from the trustee in a legal and valid way.
- It can be confirmed that the Property is in compliance with all applicable laws and regulations, including the Building Standards Law and the Fire Service Law.
- The sublease (as defined in the after-mentioned 4. Outline of the Sublease concerning the Contract, hereinafter referred to as the “Sublease Contract”) continues to exist and there are no circumstances of non-performance, cancellation, termination or invalidity.
- JLF clearly and definitively has assumed the status of lessor under the Sublease Contract and has obtained the approval of a tenant for that assumption of status as lessor.

4. Outline of the Sublease concerning the Contract

JLF intends to sublease to third parties the Property it leases from the Lessor. Specifically, it intends to, in conjunction with fulfillment of the Termination Clause, assume the status of lessor under a lease contract with the tenant currently leasing the Property and sublet the Property to said tenant. An outline of said Sublease Contract is as follows.

Form of contact:	Lease contract
Sublessee:	Not disclosed (Note)
Planned date of Succession of Lessor Status:	The date of fulfillment of the conditions prescribed in the Termination Clause (March 1, 2019 (Planned))
Expiration date of the lease contract:	September 30, 2025
Total rental area:	23,880.20 m ² (100% of the total rental area that JLF lease)
Monthly rent:	Not disclosed (Note)
Lease deposit:	Not disclosed (Note)
Termination clause:	Up until September 30, 2021, the lessee may cancel the contract: if the lessee provides JLF with seven months advance notice of cancellation and pays a prescribed penalty or; if the lessee refers a substitute lessee(s), which JLF approves, and pays a prescribed penalty. On or after October 1, 2021, if the lessee desires to cancel, the lessee may cancel without paying a penalty by

providing JLF with written notification one year and three months before the date of cancellation.

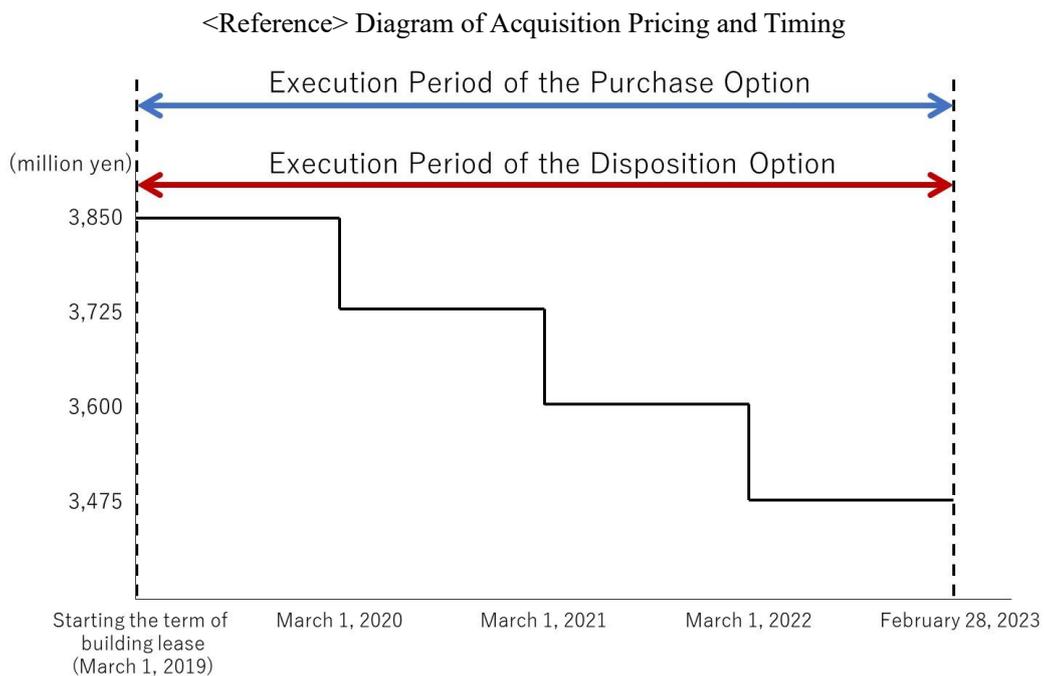
(Note) Not disclosed, for unable to obtain the consent.

In the event the leasing and subleasing activity under the Contract and the Sublease Contract described above is implemented, it is assumed that JLF will gain 9 million yen in profit per earnings-reporting period (6 months). That assumed profit amount is the amount of leasing revenues that JLF receives from the sublessee, less lease and other expenses that JLF pays to the lessor.

5. Outline of the Purchase Option and the Disposition Option concerning the Contract

JLF is granted a purchase option to acquire the Asset from the Lessor. That option may be exercised between the date the lease term begins (March 1, 2019) until February 28, 2023. The acquisition price of the Asset shall be an amount agreed upon in advance, which falls within the range of 3,475 million Yen to 3,850 million Yen, depending on the planned acquisition date.

The Lessor is granted Disposition Option, the right to claim that JLF acquire the Asset. That right may be exercised between the date the lease term begins (March 1, 2019) until February 28, 2023. In that event, the price at which JLF acquires the Asset shall be an amount agreed upon in advance, which falls within the range of 3,475 million Yen to 3,850 million Yen, depending on the date that JLF receives notification of the Lessor's claim for acquisition.



6. Details of the Asset

(1) Outline of Ichikawa Logistics Center III

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	Undecided (Note 1)	Date of the appraisal	June 29, 2018	
Acquisition price	Undecided (Note 1)			
Land	Location	17-18 Futamata-shinmachi, Ichikawa, Chiba	Income approach	4,480 million yen
	Site area	13,080.20 m ²	Discounted cash flow approach	4,510 million yen
	Zoning	Industrial area		
	Floor-area ratio	200%	Discount rate	4.3% / 4.4%
	Building-to-land ratio	60%	Terminal cap rate	4.5%
	Type of ownership	Ownership		
Building	Structure/Story (Note 2)	Steel-frame 4-story building with aluminum sheet roof	Direct capitalization approach	4,420 million yen
	Date of the completion (Note 2)	July 23, 2001		
	Total floor area (Note 2)	24,726.05 m ²	Cap rate	4.3%
	Total rentable area	23,880.20 m ²		
	Usage (Note 2)	Warehouse, Office	Cost approach	4,380 million yen
	Type of ownership	Ownership		
Property management company (planned)	Undecided	Land (Percentage)	58.2%	
Collateral	None	Building (Percentage)	41.8%	
Outline of the lease contract		Outline of engineering report		
Number of tenants	1	Survey company	Shimizu Corporation	
Names of major tenant	Not disclosed (Note 3)	Issue date of the report	June 7, 2018	
Annual rent (excluding consumption tax)	Not disclosed (Note 3)	Urgent repairs	-	
Lease deposit	Not disclosed (Note 3)	Short-term repairs	180 thousand yen	
Total rent area (Note 4)	23,880.20 m ²	Long-term repairs	196,588 thousand yen	
Occupancy	100.0%	PML	10.9%	
Expected income/expense (Note 5)		Design company, construction company and building certification company		
Income (including auxiliary income)	Not disclosed (Note 3)	Design company	Daiwa House Industry Co., Ltd.	
Expected NOI	252 million yen	Construction company	Daiwa House Industry Co., Ltd.	
Expected NOI yield (based on acquisition price)	6.6% (Note 6)	Building certification company	JAPAN ERI CO., LTD.	
Remarks: With regard to the local road (6,260.09 m²) that lies adjacent to the Property, there is a plan to establish the easement of access under the Property as dominant estate and said local road as servient estate.				
(Note 1) JLF has been granted the right to acquire the asset from the Lessor and in the event said Purchase Option is executed, the Property shall be acquired on a date between the date the lease term begins (March 1, 2019) until February 28, 2023, at a price agreed upon in advance under the Contract, which falls within the range of 3,475 million Yen to 3,850 million Yen.				
(Note 2) The outline shown here is according to the real estate registry, and may differ from the present state.				
(Note 3) Not disclosed, for unable to obtain the tenant's consent.				
(Note 4) 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 5) 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. Furthermore, said estimated NOI represents the NOI to be				



enjoyed by the Property owner, which is not the same as the assumed earnings of JLF in the event JLF leases and sublets the Property.

(Note 6) The figure is expected NOI divided by 3,850 million yen, which is the acquisition price on March 1, 2019.

(2) Characteristics of the Property

Acquisition Highlights

- **The Property is located in an area ideal for logistics, as it is close to Japan's largest consumption area and enables wide-area distribution to all parts of Tokyo.**
- **Highly versatile box-type logistics facility with standard specifications**
- **Created future acquisition opportunity through off-market transactions using the unique networks of the asset management company**

a. Location

- **The Property is located approximately 18 kilometers from central Tokyo, Japan's largest consumption area, in the bay area of Ichikawa city in the western part of Chiba Prefecture. The area has a good access to international logistics bases, such as Tokyo Port, Port of Chiba, Tokyo International Airport and New Tokyo International Airport.**
- **The Property is located approximately 1.5 kilometers from the Wangan Ichikawa Interchange of the Higashi-Kanto Expressway and approximately 3.0 kilometers from the Funabashi Interchange of the Keio Expressway, enabling distribution to every consumption area in Tokyo.**
- **The Property is located in the Keio Industrial District where several large factories, logistics bases and other facilities are concentrated. There is little concern that residents living in the vicinity would complain about noise, vibration or other problems, enabling tenants to operate 24 hours.**
- **Futamata-shinmachi Station of JR Keio Line is available nearby. The location is comparatively convenient for commuting and sufficient local labor can be secured.**

b. Specification

- **A four-story, highly versatile box-type logistics facility with standard specifications, including effective column spacing of 9.8 meters × 11.1 meters, effective ceiling height of 5.5 meters and standard floor load of 1.5 tons per square meters.**
- **The facility meets a wide range of tenants needs, as loading and unloading of goods and moving and storing goods within the facility can be efficiently conducted with 16 raised floor-type truck berths on the first floor and 2 cargo elevators and 2 vertical conveyors within the facility.**

[Exterior View]

[Map]

7. Outline of the Lessor

<u>Name</u>	<u>Limited Liability Company Ichikawa Project</u>
<u>Head office location</u>	<u>1-6-2 Ginza, Chuo-ku, Tokyo</u>
<u>Representative</u>	<u>Representative Partner:</u> <u>General Incorporated Association Ichikawa Development Society</u> <u>Administrator: Mamoru Hiramatsu</u>
<u>Main business</u>	<u>1. Acquisition, holding and disposition of real estate</u> <u>2. Lease and management of real estate</u> <u>3. Acquisition, holding and disposition of trust beneficiary rights of real estate</u>
<u>Capital</u>	<u>0.2 million yen (as of June 30, 2018)</u>
<u>Date of establishment</u>	<u>April 20, 2018</u>
<u>Net assets</u>	<u>Not disclosed (Note)</u>
<u>Total assets</u>	<u>Not disclosed (Note)</u>
<u>Equity investor</u>	<u>Not disclosed (Note)</u>
<u>Relation to JLF or MLP</u>	<u>No capital or personnel relationship involved.</u> <u>No business relationship worthy of special mention in the fiscal period ended January 2018 and ending July 2018.</u> <u>Limited Liability Company Ichikawa Project does not fall under an interested party of JLF and MLP.</u>

(Note) These are not disclosed for unable to obtain the Lessor's consent.

8. Current condition of the Lessor

The Lessor of Ichikawa Logistics Center III does not fall under the an interested party with either JLF or MLP.

9. Outline of the broker

There is no broker in the acquisition of the Properties.

10. Other matters necessary for investors to properly understand and evaluate the related information

As the Contract grants to the Disposition Option to the Lessor, the Contract corresponds to the forward commitment, etc. (A post-dated acquisition contract, in which the actual transactions or closing take place one month or more after the conclusion of a contract. The same will apply hereafter.) stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” set by the Financial Services Agency. Regarding the contents of the Disposition Option and penalty charges are shown below.

With regard to the disposition option under the Contract, between the date the building lease term begins (March 1, 2019) until February 28, 2023, the Lessor may exercise the right to claim that JLF acquire the Asset for a prescribed amount. The exercise of said disposition option causes a purchase agreement on the Asset to take effect. The following are the cancellation provisions and the like planned to be stipulated by said sale contract. Furthermore, in the event the financial environment deteriorates markedly or otherwise it is objectively found not to be possible to raise the funds approximately equivalent to the sale amount for reasons not the fault of the buyer, JLF may cancel the transaction by paying the seller a penalty equivalent to 20% of the sale amount.

The total amount of the penalty to be borne by JLF if JLF fails to fulfill its obligations under the Purchase Agreement is less than the maximum amount of the penalty permitted when making a forward commitment, etc. stipulated in the internal rules of the asset manager and even if procurement of funds cannot be completed and JLF fails to fulfill the forward commitment, this is unlikely to have any major impact on JLF's financial status. Moreover, JLF has a maximum commitment limit of 15.5 billion yen and has funding methods that ensure flexibility and stability of financing. It is, therefore, unlikely that JLF will pay a penalty because of the failure of procurement of funds in an amount equivalent to the purchase price.

- (1) If one of the parties to the agreement violates said purchase agreement and said violation is not remedied within 30 days of notice of said violation by the counterparty, said counterparty may terminate said purchase agreement.
- (2) In the event that one of the parties to said purchase agreement cancels based on (1) above, the party canceling may claim the counterparty a penalty equivalent to 20% of the sale amount upon canceling. Even in the event actual damages exceed the penalty amount, there shall be no claim for said excess damages. Likewise, even in the event damages fall short of the penalty, there shall be no claim for a reduction to the penalty.

11. Future prospects

The building lease term under the Contract is planned to begin March 1, 2019 (Fiscal Period 28 ending July 2019). Also, commencement of the exercise term for the acquisition option is planned also to begin March 1, 2019 (Fiscal Period 28 ending July 2019). Such being the case, exercising the Contract should have no impact on earnings forecasts for Fiscal Period 26 (ending July 2018) or Fiscal Period 27 (ending January 2019). Furthermore, the impact in case JLF acquires the Property will be announced once the acquisition by execution of the Purchase Option or the Disposition Option is determined.

12. Outline of the appraisal

[M-36 Ichikawa Logistics Center III]

Appraisal value	4,450 million yen
Real estate appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Date of appraisal	June 29, 2018

Item	Details	Outline
Income approach value	4,480 million yen	Appraisal performed with validation using the direct capitalization approach based on a standard of a value under DCF approach.
Direct capitalization approach	4,420 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	14 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	Assessed based on tax documents.
Casualty insurance premium	Not disclosed (Note)	Appraisal based on a standard rate, with no earthquake insurance applied.
Other expenses	5 million yen	Appraisal based on earnings samples and the like.
Net operating income	219 million yen	
Profit on the investment of a lump sum	Not disclosed (Note)	
Capital expenditure	31 million yen	Appraisal by applying set allocations to figures based on ER and comparable transactions.
Net cash flow	189 million yen	
Capitalization rate	4.3%	Appraisal by comparing multiple transaction yields from comparable regions within the same area of supply and demand and neighboring areas and by comprehensively taking into consideration trends and the like in the real estate investment market.
DCF method	4,510 million yen	
Discount rate	4.3% / 4.4%	Appraisal by factoring individual risks related to the subject real estate on top of a base warehouse yield arrived at a build-up approach for financial products.
Terminal cap rate	4.5%	Appraisal by incorporating future forecasting uncertainties based on a capitalization yield.
Cost approach	4,380 million yen	

	Land percentage	58.2%	
	Building percentage	41.8%	
Remarks	Not applicable		

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

[Appendix]

Portfolio list after acquisition of new assets

(End)

* JLF's website: <http://8967.jp/eng/>

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.