

# Japan Logistics Fund Inc. Semi Annual Report

For the six-month period ended January 31, 2021

May, 2021



**Japan Logistics Fund, Inc.**

日本ロジステイクスファンド投資法人

## **Management Discussion and Analysis**

### **Background of JLF**

Japan Logistics Fund, Inc. (JLF) is Japan's first dedicated logistics REIT, founded with the aim of contributing to the Japanese economy by converging the flow of money (finance) with the flow of goods (logistics), which is the lifeblood of the economy. To that end, we leverage the history and experience of Mitsui & Co., Ltd., which as a general trading company has worked in logistics operations for long time globally.

Based on the Act on Investment Trusts and Investment Corporations of Japan (Act No. 198 of 1951; including revisions enforced thereafter) (AITIC), JLF was founded on February 22, 2005 by Mitsui & Co., Logistics Partners Ltd. (MLP) as the asset manager, and was listed on the REIT section of the Tokyo Stock Exchange on May 9 of the same year (security code: 8967).

Since JLF's initial public offering, we have applied a discerning eye for logistics sites, building specifications, tenant needs and other factors to investment decisions that are tied to real demand. In the process, we have built a portfolio that can be expected to deliver solid earnings over the mid- to long-term. As Japan's first dedicated logistics REIT entering a market of REITs invested mainly in office and residential assets, JLF became a pioneer and has since demonstrated to the market a track record of the logistics sector's ability to deliver solid cash distributions to its investors.

### **Basic Policy**

As the pioneer of J-REIT dedicated to logistics properties, we aspire to provide "stability" and "growth" of dividends in the mid-to-long-term by leveraging its unparalleled experience and expertise in logistics business and in financial markets. Logistics is a series of economic activities, such as transportation, storage, loading/unloading, packaging, labeling, sorting, or information integration, which connect manufacturers and consumers directly. We believe logistics is a vital function supporting the foundations of industry and people's life in Japan. As a consequence, demand for logistics properties is likely to be solid in the long term. These days, supply chain management which optimizes the entire logistics process is becoming widespread. It is imperative to construct logistics system that can be flexibly adjusted based on consumers' various needs. Therefore, logistics business providers now actively seek highly versatile logistics facilities in order to build elastic logistics systems. Furthermore, consolidation of logistics functions to improve efficiency, as well as separation of ownership and use of logistics facilities to reinforce balance sheets, are growing trends in the logistics business. Given the current environment, we see great investment opportunities in this area.

### **Investment Policy**

#### **Acquisition of new properties**

Compared with other asset types, logistics properties tend to have less liquidity in the acquisition market. We believe, therefore, that collecting a broad range of information and making precise investment decisions based on the information gathered is the only way to achieve high quality property acquisitions. In order to avoid unnecessary price competition, we strive to gain early access to property information and promote negotiated transactions by leveraging our extensive networks of sponsors and the information sourcing channels of MLP. When acquiring properties, we make investment decisions focusing on the location and versatility of properties, which are essential factors in pursuing long-term stability in managing logistics properties. As a general rule, we avoid acquiring properties with unique structural features that suit only certain types of tenants in certain industries. Instead, we prefer properties with specifications that meet broad logistical demand. To minimize fluctuations in revenue arising

from factors such as rent reduction request from tenants or unexpected tenants' departure, we acquire properties that will help reduce the risk of over-concentration of tenants by avoiding excessive dependency on a single tenant or industry, and will help diversify lease period expirations.

#### Portfolio Management

In renewing existing lease contracts, we prefer the way to ensure generating solid revenue flow, such as urging the existing tenant to renew the lease with longer term. In case that a tenant decides to move out, we conduct leasing activities based on this policy so that leases are maintained without any discontinuity and that revenues are secured, by leveraging our sponsor network, intermediary companies well versed in logistics properties and tenant information, and the network of the asset manager.

We promote the improvement of the overall satisfaction level of tenants by maintaining close contact with them. Specifically, we respond to tenants' needs with respect to expanding rental space, making functional improvements in line with tenant and industry needs, and implementing renewal of the properties. We conduct repairs and renovations of properties by keeping related costs below a certain level. In addition, we strive to maintain an optimal level of maintenance management for the properties by selecting appropriate property management companies that can provide efficient management in line with the characteristics of each property, by improving the quality of the property management control at the asset manager, and by standardizing various procedures. Furthermore, we will make additional investments in properties with locational advantage in term of leasing and properties with OBR (Own Book Redevelopment) potential, taking into consideration tenant requests, the leasing needs of facilities, floor area ratios and other factors.

#### Financial strategy

We set the highest priority on stability and growth of dividends while maintaining relatively conservative LTV (Loan to Value) in financing. When pursuing debt financing, we diversify funding sources and repayment due dates. In addition, with regard to tenant leasehold and security deposits, we may use such deposits to partially fund property acquisitions for efficient cash management purpose.

### **Strategic and Financial Review of the 31st Period (The Fiscal Period Ended January 31, 2021)**

During the 31st fiscal period under review, the Japanese economy continued to face extremely difficult conditions due to the impact of the COVID-19 infections in Japan and overseas, but the underlying tone of the economy is picking up. The overseas economy is recovering, despite the impact of the re-emergence of infectious diseases in some areas, and as a result, exports and industrial production are continuing to increase in the Japanese economy. Corporate earnings and business sentiment are gradually improving after deteriorating significantly, and capital investment has stopped declining as a whole, although it varies by industry. The employment and income environment continues to weaken due to the impact of infectious diseases, and although personal consumption is gradually picking up, there is increasing downward pressure on consumption of services such as food and beverage and accommodation.

On the other hand, in the logistics real estate leasing market, the expansion of the e-commerce market is accelerating due to the impact of the COVID-19 infection, and e-commerce related companies are aggressively moving to expand their bases. Logistics companies are also capturing the expansion needs of manufacturers seeking to expand their e-commerce business and companies seeking to improve the efficiency of their logistics operations, resulting in steady demand for logistics facilities. In the Tokyo metropolitan area in particular, although the supply of new facilities continues, the need for large-scale facilities is driving demand, and as a result the vacancy rate remains low.

In this environment, the occupancy rate of JLF's portfolio as of the end of the current fiscal period was 98.8%, maintaining a favorable occupancy status. In addition, JLF is promoting portfolio management that focuses on long-term cash flow stability through "ACTIVE Asset Management," which aims to improve the stability and growth of distributions per unit. As an initiative of this ACTIVE Asset Management in the fiscal period under review, we decided on the redevelopment project of the Urayasu Logistics Center, which is the fifth phase of "OBR (Own Book Redevelopment)" (Note), a characteristic growth strategy of the Investment Corporation. We have also begun renovation work on the Chiba-Kita Logistics Center with the aim of increasing earnings by closing the significant rent gap. We will continue to take such initiatives for organic growth that do not depend on external capital as opportunities arise.

(Note) OBR (Own Book Redevelopment) is the redevelopment of properties held by JLF by itself.

## Results of Operations

The following table illustrates the financial results of the 31st/30th fiscal period:

|  | The 31st fiscal period | The 30th fiscal period |
|--|------------------------|------------------------|
|  | ended January 31, 2021 | ended July 31, 2020    |
| Operating revenue                            | ¥9,120 million         | ¥15,036 million        |
| Operating expenses                           | ¥4,605 million         | ¥4,885 million         |
| Operating income                             | ¥4,514 million         | ¥10,151 million        |
| Ordinary income                              | ¥4,120 million         | ¥9,753 million         |
| Net income                                   | ¥4,120 million         | ¥9,752 million         |
| Earnings per unit                            | ¥4,552                 | ¥10,775                |
| Distributions in excess of earnings per unit | ¥0                     | ¥0                     |
| Dividends per unit                           | ¥4,800                 | ¥9,830                 |

(Note) Dividends per unit for the 31st period were calculated by adding 224 million yen as reversal of reserve for reduction entry to unappropriated retained earnings for the fiscal period under review and dividing it by the total number of investment units issued and outstanding.

Dividends per unit for the 30th period were calculated by dividing the amount after deducting 856 million yen from the unappropriated retained earnings for the period as provision for reserve for reduction entry by the number of investment units issued and outstanding.

In the 31st period (the fiscal period ended January 2021), net income decreased 5,632 million yen from the previous period to 4,120 million yen. Major factors for the change in net income were as follows.

|   |                     |
|---|---------------------|
| Capital gains, etc., on sale of Tajimi Logistics Center and Yachiyo Logistics Center fall off     | - 5,665 million yen |
| Leasing profit from 2 properties sold fall off  | - 30 million yen    |
| Urayasu LC (fixed asset writedown due to OBR, tenant departure)                                   | - 314 million yen   |
| Chiba Kita LC (Tenant departure in advance of renovations)  | - 39 million yen    |
| Other existing properties (decrease in repair and maintenance costs, increase in rental revenues) | + 425 million yen   |
| G&A expenses  | - 11 million yen    |
| Non-operating P/L (decrease in interest payments)   | + 4 million yen     |

In the 31st fiscal period (the fiscal period ended January 2021), the "Special provisions for taxation in the case of advanced

acquisition of land, etc. in 2009 and 2010" (Act on Special Measures Concerning Taxation (Act No. 26 of 1957, including subsequent amendments)) was applied. (Act on Special Measures Concerning Taxation (Act No. 26 of 1957, including subsequent amendments)) (Article 66-2 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, including subsequent amendments)) (hereinafter referred to as the "Special Taxation Measures Law") (Article 66-2). Based on this policy, JLF decided to distribute 4,344 million yen, which is the sum of unappropriated retained earnings and the reversal of the reserve for reduction entry of 224 million yen, as distributions on earnings. As a result, JLF's dividend per investment unit was 4,800 yen.

## **Business Outlook**

### **Recognition of the Environment**

Looking at the economic environment in Japan, although there is still a sense of caution about the COVID-19 infection for the time being, the economy is expected to improve at a moderate pace as the effects of the infection gradually abate, thanks to the recovery of foreign demand, an accommodative financial environment, and the effects of the government's economic measures. However, there is a high degree of uncertainty regarding the timing of the convergence of the COVID-19 infection and the impact it will have on the domestic and overseas economies, so we need to keep a close watch on the situation.

In the logistics real estate leasing market, strong demand is expected to continue due to the expansion of the e-commerce market, which will continue even under the influence of the new coronavirus infection. The supply-demand balance is unlikely to be significantly disrupted. In the market for the sale and purchase of logistics real estate, funds are flowing into the Japanese real estate market amid the continuing low interest rate environment worldwide, and many investors are paying attention to the defensive nature of logistics facilities, so transaction yields will remain low and the acquisition environment is expected to remain severe.

Under this environment, we will continue to pursue "stability" and "growth" in distributions per unit by seizing opportunities to acquire properties through relative transactions, etc., while continuing to manage properties through "ACTIVE Asset Management" in a manner that is less susceptible to changes in the environment such as OBR.

## Strategies & Challenges

### Highlight: Re-leasing of post-OBR Urayasu Logistics Center

Japan Logistics Fund, Inc.

## Highlight: Re-leasing of post-OBR Urayasu Logistics Center

2020/9~2021/2  
Demolition  
**⇒Completed**

2021/2~2022/7  
Construction

2021/2 **Got building permit**  
2021/3 Began construction

2022/8  
Finish construction and  
tenant moves in  
**⇒Lease signed**

**Overview of lease agreement<sup>1</sup>**

|               |   |
|---------------|---|
| Industry      | <b>3PL</b>  |
| Term of lease | <b>6.5 years</b>                                  |
| Space leased  | <b>37,379 m<sup>2</sup><br/>(entire building)</b> |




**Achieved better-than-expected terms**

|                     | Initial plan <sup>2</sup> | New assumption <sup>3</sup> |
|---------------------|---------------------------|-----------------------------|
| Projected NOI yield | 5.6% →                    | <b>About 6.5%</b>           |
| Projected ROIC      | 5.3% →                    | <b>About 6.5%</b>           |

**NOI to grow about 4.6 X due to OBR**

- Demolition is done and construction is progressing as planned
- Executed lease agreement shortly after getting building permit

<sup>1</sup>) This reference is based on the substance of a fixed-term building lease contract with a condition precedent, said condition precedent being the completion of construction of the Urayasu Logistics Center.  
<sup>2</sup>) Assumption as of September 14, 2020.  
<sup>3</sup>) Assumption as of March 17, 2021. Subject to change depending on future status of construction.

First, let us highlight recent important activities before delving into JLF's growth strategy.

In September 2020, we decided to move forward with an OBR project on the Urayasu Logistics Center.

OBR stands for Own Book Redevelopment, which is the redevelopment of a property owned by JLF and constitutes one of JLF's unique growth strategies.

Demolition work on the former building concluded in February 2021, and the building permit for the new building has been acquired. Construction work on the new building began March 2021 with plans to complete July 2022. Construction is progressing well.

Tenant leasing is already complete. A 6.5-year lease agreement has been executed with a major 3PL player. The entire building of 37,379m<sup>2</sup> will be leased to this tenant, who plans to move in August 2022, pending completion of the new building. That represents the earliest leasing scenario assumed in our business decision-making plans.

The taking rent was also higher than expected. Therefore, the new assumptions for NOI yield and ROIC are both about 6.5%, an improvement over original assumptions. Some construction costs and operating expenses remain to be determined, but the original plan includes a buffer reserve. So, we see little chance of investment returns worsening.

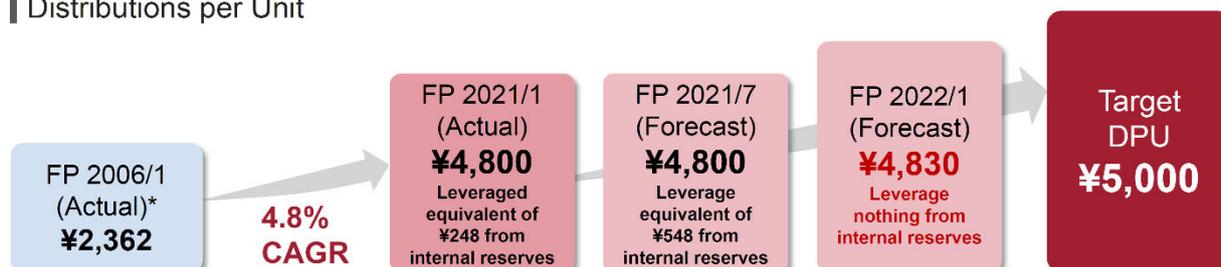
We attribute our success in executing a lease agreement so early--before construction work began--to the following factors.

- Good location and competitive building specifications.
- Thorough feasibility studies were implemented, including identifying multiple tenant candidates based on our analysis of the surrounding real estate leasing market. That analysis work began before the business decision was made.
- We have fundamentally revised and bolstered our asset management organization, including tenant-leasing functions.

We will continue to keep investors updated on progress of the Urayasu OBR project.

## Growing DPU and NAVPU

### Distributions per Unit



- FP 2021/1 and FP 2021/7 will see one-off costs resulting from forward-looking investments. **But we plan to achieve current run-rate DPU of ¥4,800 by leveraging internal reserves.**
- **In FP 2022/1, we plan to grow to ¥4,830 without leveraging internal reserves, thanks to internal growth, among other factors.**
- Aim to reach ¥5,000 soon through ACTIVE Asset Management.

### Net Asset Value per Unit



\*Adjusted for share splits.

Since IPO, we have striven to manage the REIT so as to achieve stability and sustainable growth in distributions per unit (DPU) and net asset value per unit (NAVPU).

#### (1) DPU

In the fiscal period ended January 2021, one-off costs were incurred in connection with the OBR project at Urayasu Logistics Center. A reversal from internal reserves (equivalent to 248 yen per unit) was allocated to distributions, thereby maintaining the existing run-rate DPU of 4,800 yen.

In the fiscal period ending July 2021, one-off costs to be incurred include the OBR at Urayasu Logistics Center as well as renovations to the Chiba Kita Logistics Center. Here, too, the impact will be covered through a reversal (equivalent to 548 yen per unit) of internal reserves to maintain the forecast DPU of 4,800 yen.

In the fiscal period ending January 2022, the completion of the Urayasu OBR and Chiba Kita renovations will remove the temporary cost headwinds to DPU. Additionally, steady internal growth should make it possible to reach a forecast DPU of 4,830 yen, without taking reversals from internal reserves.

The DPU's compound annual growth rate since IPO through the end of January 2021 has been 4.8%, putting JLF on par with other logistics REITs in Japan.

Furthermore, the DPU target for the foreseeable future is 5,000 yen. This level is fully achievable upon completion of the OBR project that is currently underway at Urayasu Logistics Center and the renovations at Chiba Kita Logistics Center. We would like to focus on generating internal and external growth so as to achieve our target early.

(2) NAVPU

As Japan's first logistics REIT, JLF has leveraged its firstcomer's advantage to acquire excellent properties in favorable locations at relatively advantageous terms. Moreover, since acquisition, the value of these assets has been maintained and enhanced through their appropriate management.

As a result, unrealized gain as a percentage of the portfolio has grown to 46.1%, the highest level among J-REITs. Reflecting this rich base of unrealized gains, NAVPU has grown steadily at a compound annual growth rate of 5.9% in the time between IPO and the fiscal period ended January 2021.

Moving forward, we will continue to seek asset value appreciation and stable and sustainable growth in NAVPU.

## ACTIVE Asset Management

### ACTIVE Asset Management

#### Pursue further internal growth

- Continue internal growth by revamping operational regime
- Lease up post-OBR Urayasu Logistics Center
- Sustain rent growth and stable occupancy through diverse approaches

#### Generating autonomous growth opportunities

- Harvest OBR potential
- Pursue development forward commitments
- Acquisition opportunities over near- and long-term through diverse approaches

#### Flexible financial strategy geared toward growth

- Secure dry fire powder (debt and equity)
- Control DPU by making flexible use of internal reserves
- Agile cash management

#### ESG initiatives

- Acquire more third-party certifications and evaluations
- Devise a green finance framework
- Asset management fee structure cognizant of ties to shareholder interests

**Balance stability and sustainable growth in both DPU and NAVPU  
Aim to reach DPU target of ¥5,000**

We execute ACTIVE Asset Management to realize stability and sustainable growth in the DPU and the NAVPU.

Specifically, the growth strategy entails the following four points:

- Pursue further internal growth
- Generating autonomous growth opportunities
- Flexible financial strategy geared toward growth
- ESG initiatives

We aim to achieve our DPU target of 5,000 yen through the execution of these strategies.

## Continue Internal Growth by Bolstering Operational Regime

Favorable real estate leasing market environment



### Bolster operational regime at asset manager

Unify leasing and building management functions and promote optimal operations at the property level.



Establish a person responsible for portfolio management and clarify the management structure.



Enhance personnel qualitatively and quantitatively by hiring talent with asset management capabilities

**Aim for stronger internal growth  
(Maximize portfolio NOI and asset value)**

At the asset manager, we have worked to review and bolster the portfolio asset management regime.

Over 15 years of fund management, the tenant leasing team had existed separately from the team responsible for property management and construction management. That meant various tasks suffered from suboptimization. However, to achieve robust internal growth, people involved in management need to collaborate closely so as to maximize profitability and asset value at the property and portfolio levels. Based on that belief, the tenant leasing team was merged with the team responsible for property management and construction management.

In addition, we hired and reassigned talent with experience in tenant leasing and management strategy, as well as work related to construction management and asset management. Doing so bolstered our human resources both qualitatively and quantitatively.

This February, we created a new general manager position responsible for portfolio asset management and filled the position with a candidate who possesses abundant knowledge in the management of logistics properties. This was part of our reorganization efforts aimed at reforming workflows.

These reforms are already bearing fruit--in the success in leasing the Urayasu Logistics Center as well as in the steady progress seen leasing existing properties.

Under this new organization, we will continue to pursue maximizing portfolio NOI and asset value and sustain strong internal growth, leveraging a favorable leasing market environment as a tailwind.

## Rent Growth through Diverse Approaches

### Souka Logistics Center

Took bullish stance in lease renewal negotiations  
**leveraging market environment analysis** of the submarket

Lease renewal in FP 2021/7



Rent hike **9.7%**

### Takatsuki Logistics Center

**Negotiated lease renewal early** to fulfill existing tenant's renewal needs

Lease renewed in FP 2021/1



Rent hike **3.0%**

### ShinKiba Logistics Center II

**Re-tenanting went well** thanks to an understanding of the existing tenant's use of the facility

New tenant lease in FP 2022/1



No downtime  
Rent hike **7.9%**

### Chiba Kita Logistics Center

Strengthen property competitiveness and **close rent gap** with renovations

Renovated in FP 2021/7



Leasing underway

**Achieve internal growth through diverse approaches**

The benefits of work reforms have emerged not only in the leasing of the Urayasu Logistics Center, but also in internal growth at other portfolio assets.

At the Souka Logistics Center, we were able to renew the lease with a 9.7% increase in rent, because our thorough analysis of the surrounding leasing market gave us insight that the tenant was unlikely to relocate, putting us in a position to negotiate from a bullish stance.

At ShinKiba Logistics Center, we were able to confirm vulnerabilities in the existing tenant's business operations, proactively find a new tenant candidate through our own sourcing channels and replace the tenant early. As a result, we were able to bring in the new tenant at a rent increase of 7.9% without any downtime.

At Takatsuki Logistics Center, communications with the existing tenant informed us that their client had changed, giving rise to the need to use the facility for a longer period of time. So, we renewed their lease early with a rent increase of 3.0%.

At the Chiba Kita Logistics Center, renovations completed April 2021. The previous tenant had been leasing the space at below-market prices, due to the sale-and-lease-back arrangement that had been in place. We are now in the process of leasing activities to close the rent gap and achieve a significant rent increase.

Moving forward, we aim to continue to leverage a diverse range of approaches to pursue internal growth.

## Stable Portfolio Management

Maintain high occupancy rate

Occupancy rate as of end of FP 2021/1  
**98.8%**

Occupancy rate since IPO<sup>1</sup>  
**98.5%**

**Full occupancy excluding space left vacant for strategic reasons**

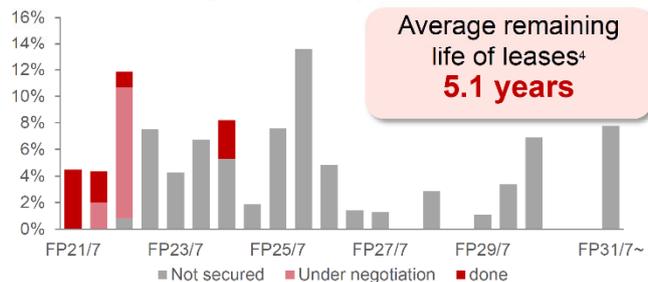
Steady progress in lease renewals

**Continue to see no rent cuts or payment deferrals due to COVID-19**

Flexibility in *aggressive* vs. *defensive* stance in lease renewal negotiations based on supply and demand in the submarket, building specifications and tenant's use.

Maturities in FP 2021/1  
**Raised rent on 3 of 4 leases<sup>2</sup>**

Lease maturity ladder<sup>3</sup>



- FP 21/7: Completed all renewal negotiations
- FP 22/1: Under negotiation with 100% renewal as base case scenario.

1) A simple average of period-end occupancy rates from FP 2006/1 through FP 2021/1.  
2) Excludes ordinary lease agreements that renew automatically and renewals of short-term (less than one year) leases.

3) Prepared based on the status of negotiations for lease renewal and the like as of March 17, 2021  
4) A weighted average based on rent according to leases in place as of March 1, 2021.

Portfolio occupancy rate has remained high--an average of 98.5%--since JLF's IPO. As of the end of January 2021, the occupancy rate was 98.8%, beating the historical average. Moreover, the occupancy rate would be 100%, excluding space in the Chiba Kita Logistics Center left vacant for strategic reasons. The average remaining life of leases is a relatively long 5.1 years.

A year has passed since the outbreak of the COVID-19 pandemic, but we have not needed to provide a single rent concession, either in the form of reduced or deferred rent payments.

Moving forward, we will continue to remain flexible between taking an *aggressive* and a *defensive* stance in lease renewal negotiations in an effort to balance high occupancy with rent growth.

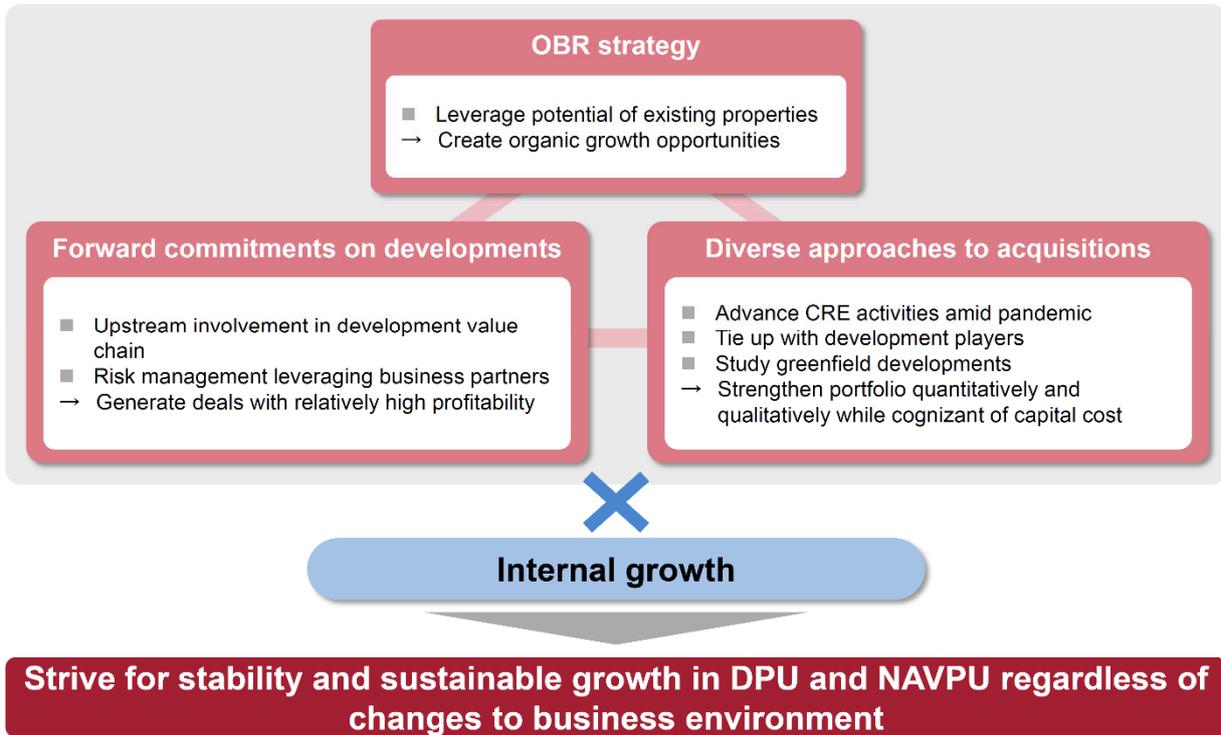
For example, in situations where in-place rent is below market and there is limited opportunity for the tenant to relocate given the surrounding market environment, we will pursue substantial rent growth. Conversely, in situations where in-place rent is sufficient and competition exists within the local market, we will negotiate with a focus on maintaining occupancy over rent growth.

Such negotiation approaches led us to achieve rent growth in three out of four cases for lease agreements expiring during the fiscal period ended January 2021.

Looking forward, we have completed negotiations on all lease renewals coming due in the fiscal period ending July 2021. Furthermore, negotiations are progressing smoothly toward 100% renewal for leases expiring in the fiscal period ending January

2022. Negotiations for the fiscal period ending July 2022 have yet to ramp up, but we have initiated talks with a majority of tenants. We see limited risk of tenant departure, given our sense from the discussions and the tenants' use of the space. The July 2022 period will see a concentration of renewals--equivalent to about 12% of the portfolio--making it a prime opportunity to raise rents.

## Generating Autonomous Growth Opportunities



The leasing market remains solid, and there is a lot of money chasing investment opportunities in the acquisition market, further intensifying competition to acquire properties.

Amid this environment, instead of relying solely on bidding situations to acquire properties, JLF leverages a variety of approaches to acquire relatively profitable properties. Doing so makes it possible to pool a number of high-yielding assets and achieve external growth that is accretive to DPU while remaining cognizant of capital cost.

To achieve autonomous growth in any business environment, it is important to harvest our own growth opportunities, without relying solely on external suppliers, such as our sponsors.

At JLF, we have acquired properties using diverse and creative approaches, including OBR projects and forward commitments on developments.

OBR projects can unleash the potential of portfolio assets. It is an organic growth strategy, given that there are no developers involved and new funding is not required, depending on the size and timing of the project.

Forward commitments on developments are a strategy that involve JLF upstream in the development value chain and make it possible to acquire properties at relatively high yield.

Recently, we have pursued a variety of other approaches to property acquisitions, including CRE activities and alliances with development players.

In addition to solid progress in achieving internal growth, moving forward we will autonomously generate property acquisition opportunities to achieve stability and sustainable growth in DPU and NAVPU, regardless of changes in the business environment.

## OBR Strategy Deep Dive (1)

### Thinking on OBR projects

#### Criteria for executing OBR projects

Excellent location with tenant demand

Low book value on building due to age, etc.

Significant untapped FAR

Great potential for rent growth

#### Validating investment benefits from OBR projects

NOI yield post-OBR

Growth in appraisal value

ROIC

#### Track record of investment returns from past OBR projects

|            | NOI yield post-OBR vs Appraisal NCFCR post-OBR | Growth in appraisal value vs Capital invested in OBR project <sup>1</sup> | ROIC <sup>2</sup> |
|------------|--|---|-------------------|
| Daito LC   | About +440bps                                  | About 170%  | 8.4%              |
| Yachiyo LC | About +190bps                                  | About 130%  | 6.0%              |
| Kiyosu LC  | About +440bps                                  | About 190%  | 10.0%             |
| Kasugai LC | About +200bps                                  | About 140%  | 6.7%              |



1) Capital invested in OBR project: Former building demolition costs + Fixed asset writedowns related to former building + Construction costs of new building

2) ROIC: (Post-OBR NOI - Pre-OBR NOI)/Capital invested in OBR project

The OBR is one of JLF's autonomous growth strategies.

An OBR is a redevelopment project where an existing asset—typically an older building with untapped plot-to-area ratio—is redeveloped while JLF maintains ownership of the asset on its balance sheet. The resulting redevelopment is a large, modern facility that maximizes allowable floor area.

Portfolio properties that fulfill all four of the following criteria are considered OBR candidates.

- Prime location that should support strong demand from tenants
- Small writedown on fixed assets associated with the OBR project, due to the low book value tied to older building age
- Plenty of room to add leasable area due to large untapped plot-to-area ratio
- Plenty of potential for rent growth due to, for example, improved building specifications resulting from the OBR.

The investment benefits from executing an OBR project are validated from the following perspectives.

- Would the post-OBR NOI yield compare favorably to acquisition market transactions in the same sub-market?
- Will there be enough value added (appraisal value appreciation) to justify the capital to be invested in the OBR project?
- Will the investment result in a sufficient ROIC?

JLF has a track record of four OBR projects. In each case the post-OBR NOI yield exceeded the direct capitalization cap rate used in the post-OBR appraisal value by a range of about 190 to 440 basis points. Furthermore, appraisal values exceeded capital invested in the OBR projects by about 130% to 190%. ROIC ranged from 6.0% to 10.0%, generating a favorable return in each case.

The OBR strategy is very attractive to shareholders, but not all REITs can execute these redevelopment projects. There are many

logistics REITs who operate based on a business cycle where the sponsor develops properties, and the REIT acquires those properties. There are few logistics REITs, however, who aim to establish an operating structure where development gains are enjoyed by the REIT, not the sponsor. Add to that a track record and know-how in redevelopment projects and an abundant unrealized gain, and there are few REITs capable of pursuing an OBR strategy successfully. Indeed, JLF is the only J-REIT that executes comprehensive redevelopment projects on portfolio assets on an ongoing basis. We believe OBR comprises JLF's greatest competitive edge.

## OBR Strategy Deep Dive (2)

### Potential for OBR projects

Regularly devise OBR scenarios for all properties and validate investment benefits

NOI yield post-OBR

Growth in appraisal value

ROIC

- Currently there are **8 OBR candidates**<sup>1</sup>
- Could potentially add about **160,000 m<sup>2</sup> to GFA (about 12% of portfolio)**<sup>2</sup>

#### Current lease contract maturities on OBR-candidate properties

|                      | Out to FP 2024/1<br>(Up to 3 years) | Out to FP 2026/1<br>(Up to 5 years) | FP 2026/7 and beyond (More than 5 years) |
|----------------------|-------------------------------------|-------------------------------------|--|
| Number of properties | 3 properties                        | 3 properties                        | 2 properties                             |

**Study optimal timing for executing OBR project while considering impact on portfolio**

#### To reap even greater potential:

- Study buying manufacturing, retail or other asset classes with aim to convert to logistics
- Approach properties located near existing portfolio properties

<sup>1</sup> The total number of properties considered by JLF to be OBR candidates currently, based on our criteria for executing OBR projects. Not a reflection of actual decisions to go forward with future redevelopment projects. Excludes Urayasu Logistics Center, which is currently under OBR work.

<sup>2</sup> An estimate based on maximum legally allowable plot ratios for current OBR candidates. Actual area resulting from actual OBR projects may differ. Excludes Urayasu Logistics Center, which is currently under OBR work.

We regularly draft OBR scenarios for all portfolio assets and validate investment benefits including post-OBR NOI yield, appraisal value growth and ROIC. Based on our validation results, we have identified eight OBR candidates in the existing portfolio. Executing OBR projects on all these properties could potentially grow portfolio gross floor area by about 160,000 m<sup>2</sup>, adding about 12% to the portfolio.

These eight properties are currently operating at 100% occupancy. Looking at the leases in place with tenants, there are three properties with leases expiring by the end of the fiscal period ending January 2024, another three properties with leases expiring between the fiscal periods ending July 2024 and January 2026, and two properties with leases expiring in the fiscal period ending July 2026 and beyond. We will study executing OBR projects on these properties at the appropriate timing. We also consider factors such as long-term relationships with existing tenants and the impact on the overall portfolio from one-off costs including fixed asset writedowns. Therefore, lease expiration does not automatically trigger the decision to move forward with an OBR project. Nevertheless, OBRs represent one of JLF's unique strengths, and the execution of further OBR projects will be studied at the appropriate timing.

Additionally, as a deep-dive application of our OBR strategy leveraging the experience and know-how we have accumulated, we are studying other acquisition approaches, including acquiring other asset types, such as manufacturing facilities or suburban retail assets, with an eye to convert the asset to logistics after its tenants have vacated, or acquiring assets with future OBR potential that are located near our existing properties.

## Forward Commitments on Development Projects

### FC on development projects (Track record on past 4 projects)

| Value Chain                      | Actor                   | Thinking  |
|----------------------------------|-------------------------|---|
| <b>Project sourcing</b>          | JLF                     | <ul style="list-style-type: none"> <li>JLF involved from sourcing stage</li> <li>Achieved market-beating yield through transaction executed with business partner off-market</li> </ul>   |
| <b>Development</b>               | Business partner        | <ul style="list-style-type: none"> <li>Business partner (lease company, general contractor, tenant, etc.) takes development risk</li> <li>JLF provides its business partner development know-how accumulated through past OBR projects</li> </ul> |
| <b>Leasing</b>                   | Business partner or JLF | <ul style="list-style-type: none"> <li>JLF collaborates with business partner on leasing</li> <li>Sometimes the business partner is the future tenant</li> </ul>  |
| <b>Acquisition and ownership</b> | JLF                     | <ul style="list-style-type: none"> <li>JLF increases certainty of acquisition through a forward commitment</li> <li>At the same time, JLF provides its business partner an exit, lessening the partner's risk</li> </ul>                          |

- Independently generated acquisition opportunity leveraging development know-how accumulated through OBR track record
- Involved from the development phase in pursuit of market-beating yield while lowering risk by leveraging business partner.

### Acquisition of Aisai Logistics Center



|  |                          |
|--|--------------------------|
| Location   | Aisai, Aichi             |
| Acquisition date   | March 1, 2021            |
| Acquisition price <sup>1</sup>                                   | ¥ 2,510 Million          |
| Appraisal value  | ¥ 2,790 Million          |
| Discount <sup>2</sup><br>(Acquisition price vs. Appraisal value) | <b>10.0%</b>             |
| Gross leasable area  | 13,852.46 m <sup>2</sup> |
| Occupancy rate   | 100.0%                   |
| Expected NOI yield <sup>3</sup>                                  | <b>5.4%</b>              |
| Business partner   | Lonco Japan (Tenant)     |

**Acquired at 10% discount to appraisal value without taking leasing risk.**

- The purchase agreement related to this property acquisition qualifies as a forward commitment as stipulated by the Comprehensive Guidelines for the Supervision of Financial Instruments Operators, etc., set forth by the FSA.
- (Appraisal value - Acquisition price) / Appraisal value
- Based on an estimated NOI forecasted independently by the asset manager based on the lease agreement with the tenant. Does not reflect guidance for the fiscal period ending July 2021.

Forward commitments on development projects represent an application of OBR expertise toward a strategy of autonomous growth at JLF. We conduct our own searches for land upon which to build logistics properties and bring in a lease company, general contractor or other business partner to acquire the land and develop the property for us. We provide our business partner with our expertise in the development of logistics properties. We work together with the business partner to lease up the completed space and we enter into a forward commitment to acquire the land and building after the development is complete. When acquiring a development property, the developer's gain is typically added on top of the price of the land and building. In contrast, under a forward commitment scheme, we are involved from the development phase; therefore, what would ordinarily be considered the development gain is shared between JLF and our business partner, making it possible to acquire a property at a relatively low price.

Using this scheme, we acquired the Aisai Logistics Center in March 2021 at an estimated NOI yield of 5.4%. The acquisition price was 2,510 million yen, a 10.0% discount to the 2,700-million-yen appraisal value. Since the lease contract with the tenant after the completion of the building was concluded from the timing of the project commencement, JLF could acquire a prime property at a discounted price without assuming leasing risks.

We plan to continue to achieve autonomous growth by creating our own sourcing opportunities, instead of relying solely on the real estate acquisition market.

## Diverse Approaches to Acquisitions

### CRE activities

Actions in response to changes in economic environment due to COVID-19.  
Sourcing with an eye to convert other asset classes to logistics.

### Study greenfield developments

Participate in PRE projects where there is less price competition.  
Aim for high profitability while controlling risk.

### Tie up with development players

Collaborate with new players or players who have no exit.  
Study joint development schemes or exit opportunities for developments or funds.

#### Tokyo Met. Area: Project A<sup>1</sup>

Acquired first right of refusal leveraging bridge scheme on sponsor-developed property

Construction complete:  
100% occupied

GFA: About 9,300m<sup>2</sup>

#### Osaka Area: Project B<sup>2</sup>

Executed business agreement as post-development exit candidate on property developed by a leasing company

Construction completion:  
Late 2022

GFA: About 13,900m<sup>2</sup>

#### Nagoya Area: Project C<sup>2</sup>

Executed business agreement as post-development exit candidate on property developed by a developer

Construction completion:  
Late 2023

GFA (2 buildings): About  
76,900m<sup>2</sup> and 68,900m<sup>2</sup>

### Focus on generating a variety of near-term and long-term acquisition opportunities amid a difficult acquisition environment

1) JLF has acquired a first right of refusal on this property from the property's current owner, but it has not been decided that JLF will acquire the property. Occupancy information is as of the end of February 2021.  
2) A business agreement has been executed with the respective developers and preparations for the development project are under way, but it has not been decided that JLF will acquire the property. Information on construction completion and gross floor area are based on the plan in the relevant business agreement.

We strive to generate property acquisition opportunities leveraging a diverse range of approaches outside of OBR projects and forward commitments on developments, as well.

As part of our CRE activities, we focus on sourcing logistics, as well as other asset classes that could be converted to logistics, based on the assumption that changes in the economic environment caused by the COVID-19 pandemic could lead operating companies to consider disposing real estate assets to bolster earnings or their balance sheets.

Additionally, there has been an increase in players entering the logistics development space, many of which lack an entity to exit the asset post-development. We study collaborating with such players on the development work and acquiring the asset post-completion. Recently we have participated in projects from the initial phases, thereby increasing the probability that we will acquire the developed property. These projects include: obtaining right of first refusal leveraging a bridge scheme on a property developed by our sponsor (Construction complete. GFA: About 9,300 m<sup>2</sup>); a development by a lease company (Construction to finish late 2022. GFA: About 13,900 m<sup>2</sup>); and two buildings under development by a developer (Construction to finish late 2023. GFA: About 76,900 m<sup>2</sup> and 68,900 m<sup>2</sup>, respectively).

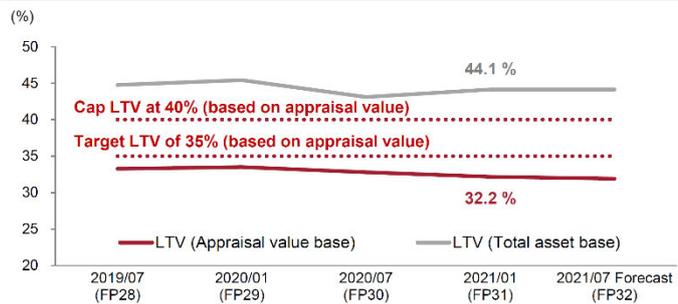
We will focus on generating acquisition opportunities through a diverse range of approaches so that we may avoid the risk of paying too much and make relatively low-priced acquisitions of quality properties, even amid this harsh acquisition environment.

## Secure Dry Fire Powder

Maintaining a solid financial standing\*

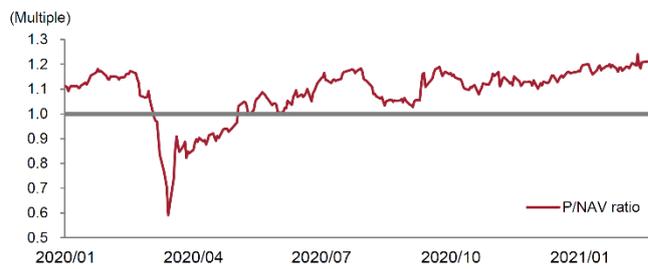
**Highest rating among J-REITs**

|                           |                            |
|---------------------------|----------------------------|
| JCR<br><b>AA (Stable)</b> | R&I<br><b>AA- (Stable)</b> |
|---------------------------|----------------------------|



**Maintain high creditworthiness and an LTV that is below run-rate levels and secure dry fire powder for growth**

Favorable share price trends



**Share price is above pre-COVID-19 levels and P/NAV multiple is high.**

**Funding environment continues to be favorable**

\*Information is current as of March 17, 2021

JLF continues to maintain a solid financial standing. As a reflection of its strong balance sheet, JLF’s credit is rated at the highest level for a J-REIT, with AA (Stable) from JCR and AA- (Stable) from R&I.

The aim continues to be to control LTV at around 35% based on appraisal value, with a ceiling of 40%. As of the end of the fiscal period ended January 2021, the LTV (based on appraisal value) was 32.2%, slightly below the run-rate level, leaving room to lever up.

JLF’s P/NAV multiple is above 1 times and exceeds its pre-COVID-19 level. As such, the fund-raising environment continues to be favorable. Therefore, there is opportunity to consider raising equity while remaining cognizant of capital cost, provided there are investment opportunities that would be accretive to DPU and NAVPU.

The REIT’s finances continue to be managed with flexibility, allowing for access to both equity and debt fund-raising opportunities aimed at future growth.

## Stable debt procurement regime

Amount of interest-bearing liabilities

**¥114,700 million**

Percentage of debt on fixed rates

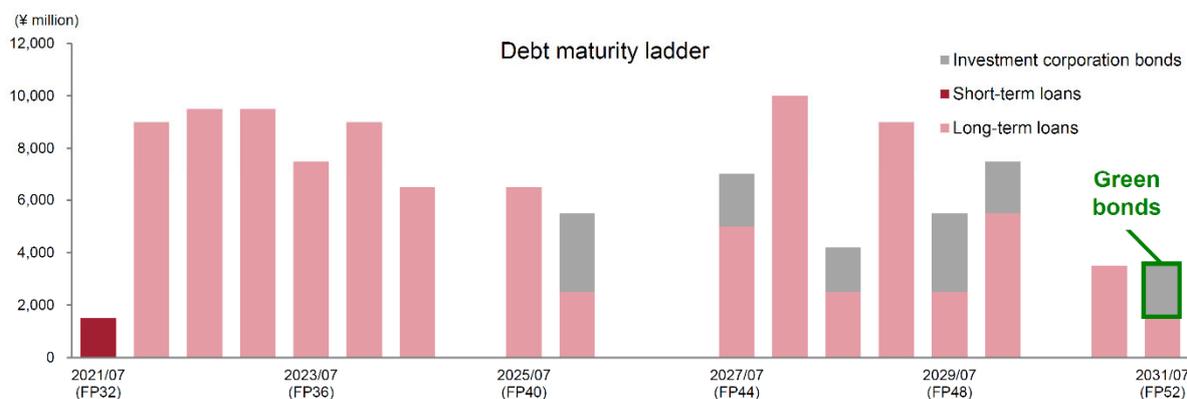
**98.7%**

Average remaining maturity on debt

**4.4 years**

Average cost of debt

**0.66%**



- Continue to spread out debt maturities and lock in fixed rates
- Diversification of financing methods through the issuance of green bonds<sup>2</sup>

1) Assumption as of May 12, 2021.

2) Seventh series of unsecured investment corporation bonds (Green Bonds/ 2 billion yen) were issued on April 26, 2021

JLF continues to enjoy a stable debt procurement regime.

On April 26, 2021, it issued its 7th unsecured bonds (Green Bonds), raising 2,000 million yen and expanding its funding means. As of May 12, 2021, after the Green Bonds were issued and some borrowings were paid down early, total interest-bearing liabilities stood at 114,700 million yen. Debt on fixed rates as a percentage of total debt remains high (98.7%). Additionally, diversification of the debt maturity ladder provides resilience against future interest rate movements. Furthermore, amid this low interest rate environment, average remaining maturities on debt has been extended to 4.4 years while average cost of debt has been lowered to 0.66%.

## Flexible Control of DPU Leveraging Internal Reserves

**Cumulative internal reserves: ¥1,222 Million (¥1,350 per share)**

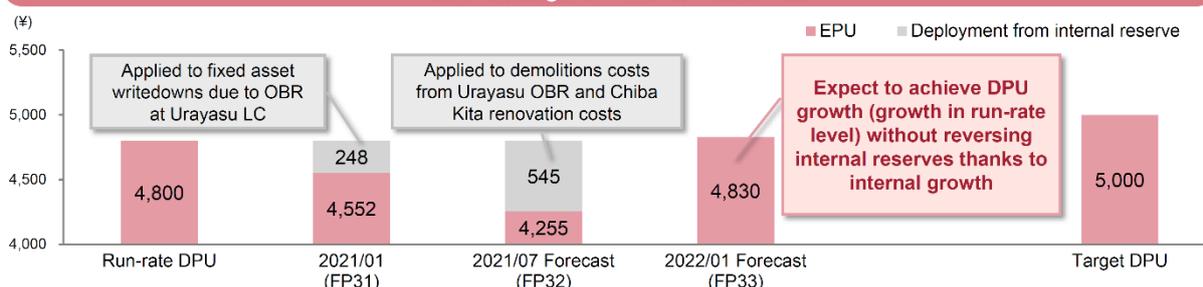
### Case studies in the use of internal reserves

To fill in gaps until property acquisitions are executed or equity offerings implemented part way into a fiscal period

If one-off writedowns on fixed assets arise due to OBR projects or the like

Otherwise, in the event of one-off income shortfalls or cost spikes

### Recent usage of internal reserves



**Actively leverage internal reserves to cover one-off costs aimed at long-term growth and stabilize DPU**

\* Balance for reduction entry reserve is current as of the end of the fiscal period ended January 2021. An amount of ¥224 million is to be reversed from that reserve to pay cash distributions for the fiscal period ended January 2021.

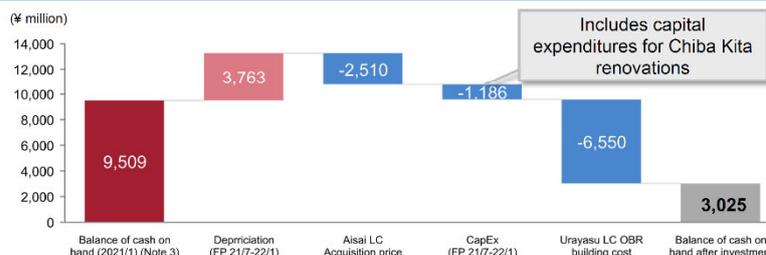
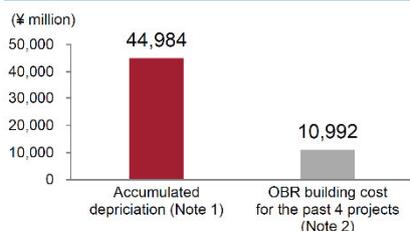
As of the end of January 2021, JLF possessed internal reserves of 1,222 million yen (1,350 yen per unit). We aim to leverage internal reserves in the following scenarios to stabilize the DPU.

- To fill in gaps until property acquisitions are to be executed or where equity offerings are implemented part way into a fiscal period
- To offset one-off costs corresponding to OBR or renovation projects
- Otherwise, in the event of one-off income shortfalls or cost spikes

In the fiscal periods ending January and July 2021, internal reserves are being deployed to offset one-off costs tied to the OBR project at Urayasu Logistics Center and renovations at Chiba Kita Logistics Center. In the fiscal period ended January 2021, a reversal from internal reserves equivalent to 248 yen per unit and, in the fiscal period ending July 2021, a reversal from internal reserves equivalent to 545 yen per unit are being deployed to maintain the DPU at the current run-rate level of 4,800 yen.

In the fiscal period ending January 2022, there are no plans to take reversals from internal reserves. The DPU is forecast to reach 4,830 yen on favorable internal growth. Thanks to progress in driving internal growth, the run-rate DPU level is expected to rise to 4,830 yen from 4,800 yen.

## Agile Cash Management



Invest in growth by procuring internal funds in real terms

No external funding required for investments decided already

**Deploy cash for OBR and other growth opportunities to achieve autonomous growth**

1) Cumulative amount of depreciation costs and fixed asset writedowns from the fiscal period ended January 2006 through the fiscal period ended January 2021.  
 2) Total sum of construction costs from past 4 OBR projects (Daito LC, Yachiyo LC, Kiyosu LC, and Kasugai LC)  
 Sum of cash and deposits and cash and deposits held in trust as of the fiscal period ended January 2021, less the amount earmarked for cash distributions for the fiscal period ended January 2021 and the amount to be reversed from the reduction entry reserve to pay cash distributions for the fiscal period ending July 2021.

Cash on hand will be used in the following sequence according to our cash management policy.

Step 1: Study paying down debt to maintain a strong financial standing and generate dry fire powder for property acquisitions.

Step 2: Study applying the funds to OBR or renovation projects or to fund property acquisitions, with the aim of driving mid- to long-term DPU growth.

Step 3: Study acting with agility to buy back shares if the share price stands at a markedly discounted level.

By the end of January 2021, JLF has utilized 44,084 million yen, an amount equivalent to depreciation costs, to fund OBR projects and other investments. With plenty of cash on hand, the current cash balance (9,509 million yen) and an amount equivalent to depreciations costs out to the end of January 2022 (3,763 million yen) should cover the investments planned as of today. Those investments are: the acquisition of the Aisai Logistics Center (2,510 million yen); capital expenditures to renovate the Chiba Kita Logistics Center (1,186 million yen); and construction costs for the OBR project at Urayasu Logistics Center (6,550 million yen).

By being agile and utilizing cash for growth opportunities such as OBR projects, we will strive to grow independently.

## Environmental Initiatives & Acquisition of 3rd-party Certifications

The asset manager understands the promotion of ESG to be important to the real estate investment business and implements a variety of measures

### Acquisition of third-party certifications

#### GRESB Real Estate Assessment<sup>1</sup>

Acquired Green Star and 4 Star under the 2020 GRESB Real Estate Assessment (An upgrade over 2019)



#### DBJ Green Building Certification<sup>2</sup>

Acquired at 15 properties (44.0%) (Based on gross leasable area)



#### BELS Assessment<sup>3</sup>

Acquired highest rank (5 stars) at Yachiyo LC

### Environmental initiatives

#### Establish a green finance framework

- Devise a framework based on green bond principles to raise funds for investments in green buildings and improvements to environmental performance.
- Acquired top rank of Green1(F) from JCR Green Finance Framework Assessment

Study issuance of green bonds as one means of diversifying funding sources at the same time other ESG initiatives are pursued.

#### Performance results<sup>4</sup>

| Fiscal year | Primary energy consumption basic unit (GJ/m <sup>2</sup> ) | Greenhouse gas emissions basic unit (t-CO <sub>2</sub> /m <sup>2</sup> ) | Water consumption Basic unit (m <sup>3</sup> /m <sup>2</sup> ) | General waste Total weight (t) |
|-------------|--|--|--|--------------------------------|
| 2019 (b)    | 0.194  | 0.025  | 0.119  | 49                             |
| 2018 (a)    | 0.233  | 0.029  | 0.133  | 54                             |
| (b)-(a)     | -0.039   | -0.003   | -0.013   | -5                             |

1) GRESB is the name of an annual benchmark assessment of environmental, social and governance (ESG) initiatives by real estate companies and funds as well as the name of the organization that manages that benchmark. It was established in 2009 primarily by a group of major European pension funds that led advocacy of Principles of Responsible Investing (PRI)  
 2) The DBJ Green Building certification evaluates and certifies real estate called for by society and the economy and assists such efforts, based on a comprehensive evaluation of measures directed at a variety of stakeholders, including the building's environmental performance as well as measures aimed at disaster prevention and local communities.  
 3) BELS is a third-party certification program that displays a building's energy conservation performance.  
 4) Results for those properties within JLF's portfolio for which data was available.

We understand the promotion of ESG to be an important element in the real estate investment business.

We have endeavored to upgrade our score with GRESB, one of the ESG benchmarks. In 2020, we acquired a 4-Star rating, up from our 3-Star rating in 2019.

Looking at certifications for individual properties, Yachiyo Logistics Center acquired a BELS evaluation (the highest 5-star rating), in addition to the DBJ Green Building certification already acquired.

Moreover, we created a Green Finance Framework, which specifies the purpose of fund-raising to the acquisition of green buildings and the like, to prepare for the issuance of green bonds, which also helped diversify funding sources. JLF has obtained a Green 1 (F) (highest for JCR Green Finance Evaluation) rating from JCR in preliminary evaluation for the competence of its Green Finance Framework.

We are also working to collect data on energy usage and the like at portfolio assets and plan to disclose that information to the extent possible.

## ESG Initiatives (Activities for social)

### Build trust through a focus on dialogue with external stakeholders Develop a better work environment for asset manager employees

Actions aimed at officers and employees of the asset manager

#### 1 Develop a better work environment

- Develop a better environment through company culture and practices
  - Systems for flexible work, leave for childcare and nursing care, and special paid leave
  - Efficient work without overtime. An atmosphere supportive of using paid leave

#### 2 High employee satisfaction

- Implement employee satisfaction surveys (CY2020)
  - A total of 95% responded Satisfied or Very satisfied to the question asking whether the individual was satisfied overall as an employee of the company.

#### 3 Putting asset manager in the same boat with JLF

- Introduce systems to align interests of JLF and officers and employees of the asset manager
  - Compensation linked to JLF's DPU
  - Program facilitating buying of JLF shares (share accumulation program)

increases work motivation

Improves teamwork

Expands diversity

Enhances the quality of work

**Driving autonomous growth at JLF  
by raising motivation at the asset manager**

Initiatives with tenants and PM companies

- Improving the environment working together with tenants and PM companies
- Working for user safety, comfort and health

|                                      |  |  |
|--------------------------------------|--|--|
| Distribution of ESG Guide to tenants | Implemented to a total of <b>77%</b> of tenants to date      |  |
| Executing green leases               | Executed with a total of <b>18</b> tenants to date           |  |
| ESG study sessions for PM companies  | Implemented with a total of <b>100%</b> of companies to date |  |

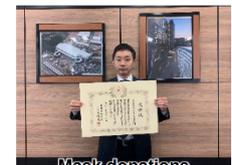
(As of March 17, 2021)

Initiatives contributing to local communities

- More active communication with the community
- Contributing to the safety of the local community



Volunteered cleaning activities



Mask donations

Our social initiatives include distributing ESG guides to tenants (77% to date), executing green leases with tenants (18) and educating tenants about the environment (100% to date). We have also worked to enhance safety and comfort for people who use our facilities, through communication with tenants and the local communities.

The asset manager strives to create a constructive workplace environment and to enhance satisfaction among officers and employees. We strive to achieve autonomous growth for JLF through incentives for officers and employees of the asset manager. Moreover, we aim to create a same-boat alliance between JLF and officers and employees of the asset manager by incorporating compensation tied to JLF's DPU and a program for accumulating JLF shares for officers and employees of the asset manager.

## ESG Initiatives (Activities for Governance)

### Organize internal regimes that bolster governance aimed at achieving operational management that is consistent with unitholder value

Asset management fee structure consistent with unitholder interests (In effect beginning FP 2021/7)

|                   | Fee structure                 | Asset manager incentives   |
|-------------------|-------------------------------|--|
| AM fee 1          | Linked to NOI                 | Asset size growth accompanied by growth in cash flows<br>Growth in cash flows through management of portfolio assets |
| AM fee 2          | Linked to Net income and DPU  | DPU stability and growth   |
| Acquisition fee   | Linked to Acquisition amount  | Asset size growth accompanied by growth in cash flows  |
| Redevelopment fee | Linked to Construction amount | Enhance shareholder value (cash flows and asset values)<br>through implementation of OBR strategy                    |

**Introduce fee tied to DPU beginning FP 2021/7**  
**Abolished fee tied to asset size, which do not necessarily directly enhance unitholder value**

#### Diversify supervisory officers

| Name           | Expertise             |
|----------------|-----------------------|
| Toshima Araki  | Lawyer                |
| Tetsuya Azuma  | Accountant            |
| Yumiko Kikuchi | Real estate appraiser |

#### Regulations on trade conditions in transactions with interested parties

| Transactions                             | Trade conditions   |
|--|--|
| Acquisition of assets under management   | Acquire at a price below the appraisal value   |
| Sale of assets under management          | Sale at a price above the appraisal value  |
| Brokerage of purchase and sale and lease | Reasonable amount within the range of remuneration stipulated in the Real Estate Brokerage Act |

At the general unitholders meeting held in October 2020, reforms to the asset management fee structure were approved. The reform abolished the existing management fee component linked to asset size and the disposition fee and created a new management fee linked to DPU. Additionally, the rate applied to the existing management fee component linked to NOI was changed to increase ties to NOI.

When the J-REIT market was first formed, it was common for asset management fee structures to link to asset size and cash flows. However, considering how the J-REIT market has developed since, we believe that unitholder value is better enhanced by achieving stability and growth in cash flows, as opposed to simply pursuing growth in AUM. For that reason, the fee component tied to total asset size was abolished, and the rate applied to the fee component tied to NOI was increased. This increases the incentive for the asset manager not only to acquire new assets, but to promote internal growth of the existing properties in our portfolio. Moving forward, we will further strengthen our focus on growing portfolio NOI. Moreover, we have further aligned the interests of unitholders and the asset manager by newly creating a fee tied to DPU, reflecting recent trends among J-REITs and our dialog with investors inside and outside of Japan. The existing disposition fee was calculated based on the selling price of the property, causing a fee to be generated even in situations where a property was sold for a loss. We abolished the disposition fee to better align interests with unitholders and reformed the fee structure so that any gains or losses realized on asset dispositions would be reflected in the fee component tied to DPU. Doing so increases the incentive for the asset manager not to simply dispose of assets, rather to execute property transactions at an appropriate timing and strive to actively manage assets under management to enhance their value.

Through these reforms to the asset management fee structure, we aim to avert conflicts of interest between the asset manager and unitholders, increase same-boat incentives and further grow unitholder value. Moving forward, we will continue to monitor market trends and dialog with investors to study further reforms to the asset management fee structure to better align asset

manager incentives and unitholder interests.

We understand investors are increasingly aware of ESG issues. We will continue to study bolstering our ESG initiatives based on dialogs with investors.

## To our investors

In March 2019, at my first earnings presentation since taking over as CEO, I put forth our Investors First motto. In March 2020, I referred to ACTIVE Asset Management at our earnings presentation, where we commemorated our 15th anniversary since IPO.

Both concepts are central to our management of Japan Logistics Fund, Inc. (JLF), and we continue tirelessly to advance and execute on those beliefs. We have worked particularly hard to instill the Investors First mindset more deeply within the company and in all aspects of actions and decisions made in the management of JLF. Moreover, the approval of the asset management fee structure at last October's general shareholders meeting has brought additional clarity to that purpose. Meanwhile, the ACTIVE Asset Management concept has led to solid results, namely, a leaner portfolio achieved through asset reshuffling, a fundamental review and strengthening of the management structure, including leasing and property management, and the advancement of projects such as the Urayasu Logistics Center OBR and the Chiba Kita Logistics Center renovations.

We gained results through a series of measures, including strong internal growth achieved amid the COVID-19 pandemic. Therefore, the operating environment at JLF has been solid recently. That leaves the challenge of leveraging a favorable financing environment to promote external growth. The acquisition market for logistics properties continues to be a seller's market, and competition to acquire properties is intensifying. Nevertheless, at JLF we strive to generate property acquisition opportunities by leveraging the experience, know-how and network we have built up over our operating track record of 15+ years. By allying with development players, pursuing CRE activities and executing OBR projects, we have advanced creative and autonomous property acquisition opportunities to achieve external growth quickly.

As we continue to advance our Investors First and ACTIVE Asset Management concepts, we will build out an infrastructure for achieving both internal growth and sustained external growth. By doing so, we aim to realize stable growth in DPU and NAV.



Naohiro Kameoka

President

Mitsui & Co., Logistics Partners Ltd.

## **Risks**

### **Risk Profiles**

The principal risks with respect to investment in JLF are as follows:

(i) Risks related to the marketability of the investment securities or the investment corporation bonds

- Risk associated with the fluctuation of market prices of the investment units or investment corporation bonds of JLF
- Risk associated with the distribution of cash and investment units buyback programs and etc.
- Risk associated with the fluctuation of income and expenses
- Risk due to the fact that the rights of unitholders and the rights of shareholders are not always identical
- Risk associated with JLF's investment units transactions in the market
- Risk associated with the redemption and coupon payment of the investment corporation bonds of JLF

(ii) Risks related to the management policy of the investment corporation

- Risk due to the fact that the investment target is logistics properties primarily
- Risk associated with the dependency on a small number of tenants
- Risk associated with single tenant properties
- Risk of not being able to purchase properties from Mitsui & Co., Ltd. and Sumitomo Mitsui Trust Bank, Limited as planned
- Risk of not being able to acquire or transfer of real estate
- Risk associated with funding through issuance of new investment units, borrowings and issuance of investment corporation bonds
- Risk associated with the dilution of value when new investment units are issued
- Risk associated with redevelopment projects (OBR)
- Risk associated with investment in data center

(iii) Risks related to parties concerned and framework of the investment corporation

- Risk associated with the dependency on Mitsui & Co., Ltd., Mitsui & Co. Asset Management Holdings Ltd., Sumitomo Mitsui Trust Bank, Limited and Kenedix, Inc., and with conflicts of interest
- Risk associated with the dependency on interested parties of JLF and with conflicts of interest
- Risk of dependency on executive officers of JLF and personnel of MLP
- Risk associated with changes in the investment policy of JLF
- Risk of bankruptcy or deregistration of JLF
- Risk associated with deposits and guarantees

(iv) Legal risks related to beneficial interests of real estate and trusts

- Risk associated with defects of real estate
- Risk associated with lease contracts
- Risk that accompanies damage, loss and deterioration of real estate due to disasters, and degradation of the surrounding environment
- Risk associated with owner liability and repair/maintenance costs related to real estate
- Risk associated with administrative laws and regulations related to real estate
- Risk associated with the establishment or amendment of laws

- Risk of being affected by bankruptcy, etc. of the seller
- Risk associated with the master lease company
- Risk associated with subleasing
- Risk associated with the use of real estate by tenants, etc.
- Risk associated with joint-ownership of properties
- Risk associated with sectional ownership buildings
- Risk associated with properties with leased land
- Risk associated with properties with leased building
- Risk associated with properties with limited proprietary right of land
- Risk associated with development properties, etc.
- Risk associated with detrimental substances
- Risk associated with specific facilities under the Water Pollution Prevention Act
- Risk associated with reserve land
- Specific risk when owning real estate in the form of trust beneficiary rights
- Risk associated with joint-ownership, etc. of trust beneficiary rights
- Risk related to forward commitment, etc.
- Risk related to landfill

(v) Risks related to a taxation system

- Risk associated with requirements for dividend deductibility
- Risk of dividend deductibility requirements not being fulfilled ex-post facto due to corrections following tax inquiries, etc.
- Risk of reduced tax system accompanying the acquisition of real estate not being applied
- Risk associated with changes in the general tax system

(vi) Other

- Risk associated with expert reports, etc.
- Risk associated with the dependency on market reports
- Risk associated with the application of impairment accounting
- Risk of increased tax burden due to discrepancy between accounting and taxation
- Risk associated with investment in silent partnership equity interests

*The current risk profile of the JLF and the risk management systems employed by the MLP to manage those risks:*

The appropriateness and effectiveness of the risk management structure are regularly evaluated and enhanced by the MLP.

Deposits are exposed to risks of bankruptcy of the financial institutions which hold the deposit, and other credit risks. Such risks are, however, managed by limiting short-term deposits and depositing financial institutions with high credit ratings.

Loans and investment corporation bonds are mainly used for asset acquisition or debt repayment, etc. While loans and bonds are exposed to liquidity risk at the time of due date and maturity date, such risk is controlled by diversifying lenders and maturity and due dates, diversifying financing means, establishing commitment lines to secure liquidity as well as monitoring cash flows periodically. JLF has 17.5 billion yen of commitment lines as of May 26, 2021.

Debt with a floating interest rate is exposed to interest rate fluctuation risks. JLF will manage the risk by maintaining conservative level of LTV and by increasing fixed-rate debt ratio.

*Circumstances in which the JLF may use leverage:*

JLF may take out loans or issue long-term or short-term investment corporation bonds for the purpose of acquiring assets, repair of properties, payment for dividends, payment for working capital of JLF, or repayment of obligations (including repayment of tenant leasehold or security deposits, and obligations related to loans or long-term or short-term corporate bonds) and other activities.

*The types and sources of leverage permitted and associated risks:*

JLF may raise funds through loans and issuance of investment corporation bonds.

Associated risks are;

- There are risks of delinquency in payment of principal or interest, or insolvency with regard to investment corporation bonds due to deterioration of JLF's credit status or other reasons.
- There is no guarantee that monetary debt and issuance of investment corporation bonds can be made at a timing or on terms that JLF desires since the possibility and terms of monetary debt and issuance of investment corporation bonds are affected by JLF's economic credibility, interest rate environment and other factors. As a result, there is a possibility that JLF will not be able to purchase assets that it had planned to purchase, forced to sell assets that it had not planned to sell, or face cash-flow issues.
- In cases where JLF makes loans or issues investment corporation bonds, financial covenants such as restricting monetary distribution to unitholders (including distribution in excess of earnings) may be imposed, collateral may be set to assets under management, or changes to articles of incorporation may be restricted. Such restrictions may affect the operation of JFL or may have a negative influence over the amount of monetary distribution, etc. to unitholders. All of JLF's debt as of the date of this document are unsecured; however, financial covenants have been imposed prescribing that a certain level of financial indicator figures must be maintained based on assets and liabilities, etc.
- The interest rate of loans and investment corporation bonds depends on the market trend at the time of the loan or issuance of the investment corporation bond, and will be influenced by subsequent market trends if the interest rate is variable. If the interest rate of the loan and investment corporation bond rise or if the amount of JLF's loan and investment corporation bond issuance increase, the amount of JLF's interest payment will increase. Such increase may have a negative impact on the amount of monetary distribution, etc. to unitholders.

*Any restrictions on leverage:*

The borrowing of funds will be limited to borrowings from qualified institutional investors that are prescribed in Article 2, Paragraph 3, Item 1 of the Financial Instruments and Exchange Act (only institutional investors prescribed in Article 67-15 of the Act on Special Measures concerning Taxation). The amount limit of the borrowings and investment corporation bond issuance shall be 1 trillion yen, respectively, and the sum of the two shall not exceed 1 trillion yen.

*Any restrictions on collateral and asset reuse arrangements:*

When borrowing funds or issuing investment corporation bonds, JLF may offer assets under management as collateral.

*Maximum level of leverage which the MLP is entitled to employ on behalf of the JLF:*

The upper limit of the percentage of the balance of borrowings and investment corporation bonds to JLF's total assets (hereinafter referred to as the "Percentage of Liabilities") will be 60%. However, the Percentage may temporarily exceed 60% due to acquisitions of new assets, etc. In order to secure the financial health and future margin for growth, JLF will maintain a lower Percentage of Liabilities and pursue conservative management for the time being.

## Asset Management Report

### 1. Outline of Asset Management Operation

#### (1) Changes in Key Indicators

| Management period  | For the six-month period ended January 31, 2019 | For the six-month period ended July 31, 2019 | For the six-month period ended January 31, 2020 | For the six-month period ended July 31, 2020 | For the six-month period ended January 31, 2021 |
|--|---|--|---|--|---|
| Operating Revenue (Millions of yen)                              | 9,928   | 9,190  | 9,682   | 15,036                                       | 9,120   |
| of which real estate leasing business revenue (Millions of yen)  | 9,002   | 9,190  | 9,682   | 9,370  | 9,120   |
| Operating Expenses (Millions of yen)                             | 4,680   | 4,538  | 4,721   | 4,885  | 4,605   |
| of which real estate leasing business expenses (Millions of yen) | 3,771   | 3,639  | 3,804   | 3,983  | 3,692   |
| Operating Income (Millions of yen)                               | 5,248   | 4,651  | 4,961   | 10,151                                       | 4,514   |
| Ordinary Income (Millions of yen)                                | 4,628   | 4,255  | 4,556   | 9,753  | 4,120   |
| Net Income (Millions of yen)                                     | 4,628   | 4,254  | 4,555   | 9,752  | 4,120   |
| Total assets (Millions of yen)                                   | 259,262   | 260,709                                      | 265,641   | 266,019                                      | 259,848   |
| (Period-on-period change) (%)                                    | (-1.5)  | (+0.6)                                       | (+1.9)  | (+0.1)                                       | (-2.3)  |
| Net assets (Millions of yen)                                     | 134,144   | 134,087                                      | 134,391   | 139,600                                      | 134,810   |
| (Period-on-period change) (%)                                    | (-1.1)  | (-0.0)                                       | (+0.2)  | (+3.9)                                       | (-3.4)  |
| Unitholders' capital (Millions of yen)                           | 127,344   | 127,344                                      | 127,344   | 127,344                                      | 127,344   |
| The number of investment units outstanding (Units)               | 905,073   | 905,073                                      | 905,073   | 905,073                                      | 905,073   |
| Net Assets per Unit (Yen)  | 148,213   | 148,151                                      | 148,487   | 154,241                                      | 148,950   |
| Total Dividends (Millions of yen)                                | 4,262   | 4,253  | 4,556   | 8,896  | 4,344   |
| Dividends per Unit (Yen)   | 4,710   | 4,700  | 5,034   | 9,830  | 4,800   |
| of which earnings Distribution per Unit (Yen)                    | 4,710   | 4,700  | 5,034   | 9,830  | 4,800   |
| of which Distributions in excess of earnings per Unit (Yen)      | -   | -  | -   | -  | -   |
| Ordinary Income to total assets (Annualized) (Note 1) (%)        | 1.8 (3.5)                                       | 1.6 (3.3)                                    | 1.7 (3.4)                                       | 3.7 (7.4)                                    | 1.6 (3.1)                                       |
| Net income to Net Assets (Annualized) (Note 2) (%)               | 3.4 (6.8)                                       | 3.2 (6.4)                                    | 3.4 (6.7)                                       | 7.1 (14.3)                                   | 3.0 (6.0)                                       |
| Capital adequacy ratio (Note 3) (%)                              | 51.7  | 51.4   | 50.6  | 52.5   | 51.9  |
| (Period-on-period change) (%)                                    | (+0.2)  | (-0.3)                                       | (-0.8)  | (+1.9)                                       | (-0.6)  |
| Number of days under management (Days)                           | 184   | 181  | 184   | 182  | 184   |
| Payout Ratio (Note 4) (%)  | 92.1  | 99.9   | 100.0   | 91.2   | 105.4   |

| Management period   | For the six-month period ended January 31, 2019 | For the six-month period ended July 31, 2019 | For the six-month period ended January 31, 2020 | For the six-month period ended July 31, 2020 | For the six-month period ended January 31, 2021 |
|---|---|--|---|--|---|
| Number of properties held at end of period<br>(Bldgs)                       | 46  | 48   | 50  | 49   | 49  |
| Total leasable area at end of period<br>(Note 5) (m <sup>2</sup> )          | 1,240,529.96                                    | 1,271,048.74                                 | 1,367,058.45                                    | 1,297,242.94                                 | 1,287,871.43                                    |
| Number of tenants at end of period<br>(Tenants)                             | 67  | 70   | 72  | 70   | 65  |
| Occupancy rate at end of period (%)   | 98.8  | 99.9   | 99.9  | 99.7   | 98.8  |
| Depreciation and amortization<br>(Millions of yen)                          | 1,984   | 1,971  | 2,031   | 1,928  | 1,887   |
| Capital expenditure (Millions of yen)                                       | 569   | 274  | 297   | 660  | 762   |
| NOI (Net Operating Income) from leasing business (Note 6) (Millions of yen) | 7,383   | 7,547  | 7,953   | 7,367  | 7,598   |
| FFO (Funds From Operation) (Note 7) (Millions of yen)                       | 5,854   | 6,251  | 6,631   | 6,068  | 6,291   |
| FFO per unit (Note 8) (Yen)   | 6,468   | 6,907  | 7,327   | 6,705  | 6,951   |

(Note 1) Ordinary Income to Total assets = Ordinary income / {(Total assets at the beginning of the period + Total assets at the end of the period) / 2} x 100 (Figures are rounded off to the nearest one decimal place.)

(Note 2) Net Income to Net assets = Net Income / {(Net assets at the beginning of the period + Net assets at the end of the period) / 2} x 100 (Figures are rounded off to the nearest one decimal place.)

(Note 3) Capital adequacy ratio = Net assets at the end of the period / Total assets at the end of the period x 100 (Figures are rounded off to the nearest one decimal place.)

(Note 4) Payout Ratio = Total Dividends / Net Income x 100 (Figures are rounded down to one decimal place.)

(Note 5) The total leasable area had been presented as the registered total floor area less any such space that is not assumed to be used for rent until the fiscal period ended July 31, 2019. Starting from the fiscal period ending January 31, 2020, however, it is calculated mainly based on the leased area associated with buildings covered in the relevant lease contracts for the respective properties.

(Note 6) NOI from leasing business = Real estate leasing business revenue – Real estate leasing business expenses + Depreciation and amortization + Loss on retirement of noncurrent assets.

(Note 7) FFO = Net Income + Depreciation and amortization + Loss on retirement of noncurrent assets + Loss on sale of real estate - Gain on sale of real estate

(Note 9) FFO per Unit = FFO / The number of investment units outstanding (Figures are rounded off to the nearest integral number.)

(Note 9) For amounts in units of millions of yen, figures are rounded down to the nearest million yen.

## (2) Status of Capital Increase, etc.

Investment Units Issued and Outstanding and Changes of the Unitholders' capital are as follows.

| Date               | Summary  | Total number of investment units issued |         | Unitholders' capital (Millions of yen) |         | Remarks   |
|--------------------|--|---|---------|--|---------|-----------|
|                    |  | Change                                  | Balance | Change                                 | Balance |           |
| February 22, 2005  | Private placement offering                     | 1,000                                   | 1,000   | 500                                    | 500     | (Note 1)  |
| May 6, 2005        | Capital increase through public offering       | 55,700                                  | 56,700  | 29,562                                 | 30,062  | (Note 2)  |
| June 1, 2005       | Capital increase through third-party allotment | 2,800                                   | 59,500  | 1,486                                  | 31,548  | (Note 3)  |
| February 8, 2006   | Capital increase through public offering       | 46,500                                  | 106,000 | 35,668                                 | 67,217  | (Note 4)  |
| March 8, 2006      | Capital increase through third-party allotment | 2,800                                   | 108,800 | 2,147                                  | 69,365  | (Note 5)  |
| August 31, 2007    | Capital increase through public offering       | 13,500                                  | 122,300 | 12,656                                 | 82,021  | (Note 6)  |
| February 23, 2010  | Capital increase through public offering       | 8,500                                   | 130,800 | 5,123                                  | 87,145  | (Note 7)  |
| March 25, 2010     | Capital increase through third-party allotment | 500                                     | 131,300 | 301                                    | 87,446  | (Note 8)  |
| August 30, 2010    | Capital increase through public offering       | 16,000                                  | 147,300 | 9,689                                  | 97,136  | (Note 9)  |
| September 24, 2010 | Capital increase through third-party allotment | 700                                     | 148,000 | 423                                    | 97,559  | (Note 10) |
| September 13, 2013 | Distribution in Excess of Earnings             | -                                       | 148,000 | -464                                   | 97,095  | (Note 11) |
| October 2, 2013    | Capital increase through public offering       | 16,000                                  | 164,000 | 14,634                                 | 111,729 | (Note 12) |
| October 28, 2013   | Capital increase through third-party allotment | 2,000                                   | 166,000 | 1,829                                  | 113,559 | (Note 13) |
| February 1, 2014   | Investment Unit Split                          | 664,000                                 | 830,000 | -                                      | 113,559 | (Note 14) |
| September 16, 2015 | Capital increase through public offering       | 47,500                                  | 877,500 | 8,801                                  | 122,360 | (Note 15) |
| October 15, 2015   | Capital increase through third-party allotment | 2,500                                   | 880,000 | 463                                    | 122,823 | (Note 16) |
| September 27, 2017 | Capital increase through public offering       | 42,750                                  | 922,750 | 8,509                                  | 131,332 | (Note 17) |
| October 19, 2017   | Capital increase through third-party allotment | 2,250                                   | 925,000 | 447                                    | 131,780 | (Note 18) |
| July 13, 2018      | Cancellation                                   | -11,000                                 | 914,000 | -2,436                                 | 129,344 | (Note 19) |
| January 11, 2019   | Cancellation                                   | -8,927                                  | 905,073 | -1,999                                 | 127,344 | (Note 20) |

(Note 1) Upon establishment of JLF, investment units were issued at the price of 500,000 yen per unit.

(Note 2) Investment units were newly issued at the price of 550,000 yen per unit (net proceeds of 530,750 yen) for new properties acquisition.

(Note 3) Investment units were newly issued through third-party allotment at the price of 530,750 yen per unit for new properties acquisition.

(Note 4) Investment units were newly issued at the price of 793,800 yen per unit (net proceeds of 767,070 yen) for new properties acquisition.

(Note 5) Investment units were newly issued through third-party allotment at the price of 767,070 yen per unit for new properties acquisition.

- (Note 6) Investment units were newly issued at the price of 971,180 yen per unit (net proceeds of 937,486 yen) for new properties acquisition.
- (Note 7) Investment units were newly issued at the price of 624,680 yen per unit (net proceeds of 602,784 yen) for a new property acquisition.
- (Note 8) Investment units were newly issued through third-party allotment at the price of 602,784 yen per unit for partial repayment of bank borrowings.
- (Note 9) Investment units were newly issued at the price of 627,590 yen per unit (net proceeds of 605,592 yen) for a new property acquisition.
- (Note 10) Investment units were newly issued through third-party allotment at the price of 605,592 yen per unit for partial repayment of bank borrowings .
- (Note 11) Distribution in Excess of Earnings was resolved at the price of 3,138 yen per unit in order to level out the loss associated with OBR.
- (Note 12) Investment units were newly issued at the price of 947,700 yen per unit (net proceeds of 914,652 yen) for new properties acquisition and partial repayment of bank borrowings.
- (Note 13) Investment units were newly issued through third-party allotment at the price of 914,652 yen per unit for partial repayment of bank borrowings.
- (Note 14) JLF has implemented a 5 - for - 1 investment unit split.
- (Note 15) Investment units were newly issued at the price of 191,782 yen per unit (net proceeds of 185,290 yen) for partial new properties acquisition and repayment of borrowings with respect to the acquisition of new properties.
- (Note 16) Investment units were newly issued through third-party allotment at the price of 185,290 yen per unit for financing future acquisition of specified assets, partial repayment of the borrowings or partial redemption of the investment corporation bond.
- (Note 17) Investment units were newly issued at the price of 206,017 yen per unit (net proceeds of 199,044 yen) for partial repayment of borrowings with respect to the acquisition of new properties and making up the decline in cash on hand used for the acquisitions.
- (Note 18) Investment units were newly issued through third-party allotment at the price of 199,044 yen per unit for financing future acquisition of specified assets and repayment of the borrowings.
- (Note 19) Investment units were repurchased through open-market transactions on the Tokyo Stock Exchange from March 14, 2018 to May 31, 2018 based on a discretionary transaction contract with a securities broker. All the acquired investment units were cancelled on July 13, 2018 based on a resolution at a meeting of the Board of Directors of JLF held on June 27, 2018.
- (Note 20) Investment units were repurchased through open-market transactions on the Tokyo Stock Exchange from September 13, 2018 to October 31, 2018 based on a discretionary transaction contract with a securities broker. All the acquired investment units were cancelled on January 11, 2019 based on a resolution at a meeting of the Board of Directors of JLF held on November 28, 2018.

#### Changes in market price of investment securities

The market price of JLF's investment securities listed on the Tokyo Stock Exchange REIT Market changed during each fiscal period as follows:

| For the six months ended | January 31, 2019 | July 31, 2019 | January 31, 2020 | July 31, 2020 | January 31, 2021 |
|--------------------------|------------------|---------------|------------------|---------------|------------------|
| Highest                  | 232,800 yen      | 270,000 yen   | 296,600 yen      | 321,000 yen   | 324,500 yen      |
| Lowest                   | 209,200 yen      | 222,400 yen   | 255,500 yen      | 160,000 yen   | 277,200 yen      |

## (3) Distributions, etc.

For the distribution for the fiscal period under review, in accordance with the distribution policy stipulated in the Articles of Incorporation of the Investment Corporation, the Investment Corporation decided to distribute 4,344 million yen, which is the sum of unappropriated retained earnings for the fiscal period under review and reversal of reserve for reduction entry of 224 million yen, as profit distribution, and as a result, the distribution per investment unit was 4,800 yen.

| Fiscal period  |                  | For the six-month period ended January 31, 2019 | For the six-month period ended July 31, 2019 | For the six-month period ended January 31, 2020 | For the six-month period ended July 31, 2020 | For the six-month period ended January 31, 2021 |
|--|------------------|---|--|---|--|---|
| Total amount of unappropriated retained earnings   | Thousands of yen | 4,628,929                                       | 4,254,382                                    | 4,556,242                                       | 9,752,874                                    | 4,120,082                                       |
| Accumulated earnings   | Thousands of yen | 366,036   | 539  | 105   | 856,007                                      | -   |
| Total amount of cash distributions   | Thousands of yen | 4,262,893                                       | 4,253,843                                    | 4,556,137                                       | 8,896,867                                    | 4,344,350                                       |
| Dividends per unit   | Yen              | 4,710   | 4,700  | 5,034   | 9,830  | 4,800   |
| of which total amount of earnings distributions  | Thousands of yen | 4,262,893                                       | 4,253,843                                    | 4,556,137                                       | 8,896,867                                    | 4,344,350                                       |
| Earnings distribution per unit   | Yen              | 4,710   | 4,700  | 5,034   | 9,830  | 4,800   |
| of which total amount of capital refunds   | Thousands of yen | -   | -  | -   | -  | -   |
| Capital refunds per unit   | Yen              | -   | -  | -   | -  | -   |
| Portion of total amount of capital refunds that is total amount of distributions from reserve for adjustment of temporary differences, etc.        | Thousands of yen | -   | -  | -   | -  | -   |
| (Portion of capital refunds per unit that is distribution from reserve for adjustment of temporary differences, etc. per unit)                     | Yen              | -   | -  | -   | -  | -   |
| Portion of total amount of capital refunds that is total amount of distributions from distribution of reduction in capital, etc. under the tax law | Thousands of yen | -   | -  | -   | -  | -   |
| (Portion of capital refunds per units that is distribution from distribution of reduction in capital, etc. under the tax law)                      | Yen              | -   | -  | -   | -  | -   |

## (4) Significant Subsequent Events

Not applicable.

## [Reference Information]

&lt;Acquisition of a new property &gt;

JLF acquired the following property after the end of the fiscal period ended January 2021 up until the date of this Report.

[T-12 Aisai Logistics Center]

|                    |  |                     |
|--------------------|--|---------------------|
| Asset type         | Real estate  |                     |
| Acquisition price  | 2,510 million yen  |                     |
| Date of delivery   | March 1, 2021  |                     |
| Location           | 32-6, Eda, Minami-Gota-cho, Aisai, Aichi                                 |                     |
| Usage              | Warehouse (Note)   |                     |
| Site area          | 10,067.07m <sup>2</sup> (Note)   |                     |
| Total floor area   | 13,852.46m <sup>2</sup> (Note)   |                     |
| Structure / story  | Steel frame 3 stories building with alloy-plated steel sheet roof (Note) |                     |
| Date of completion | January 28, 2020 (Note)  |                     |
| Type of ownership  | Land: Ownership  | Building: Ownership |

(Note) The outline shown here is based on the real estate registry, and may differ from the present state.

&lt; borrowings &gt;

JLF borrowed the following borrowings after the end of the period up until the date of this report.

|                           |  |  |                                     |
|---------------------------|--|--|-------------------------------------|
| Lender                    | Sumitomo Mitsui Banking Corporation  | MUFG Bank, Ltd.  | Sumitomo Mitsui Trust Bank, Limited |
| Amount borrowed           | 400 million yen  | 400 million yen  | 700 million yen                     |
| Interest rate             | 1-month JPY TIBOR by JBA<br>+ 0.225% (Note)  | 1-month JPY TIBOR by JBA<br>+ 0.250% (Note)  |                                     |
| Date of borrowing         | February 26, 2021  |  |                                     |
| Repayment date            | May 31, 2021   |  |                                     |
| Borrowing method/security | Borrowing based on a<br>commitment line agreement<br>dated on August 1, 2018<br>Unsecured/non-guaranteed | borrowings based on commitment line agreements<br>dated on July 31, 2020<br><br>Unsecured/non-guaranteed |                                     |
| Repayment method          | Lump-sum repayment on due date   |  |                                     |
| Use of funds              | To repay an existing borrowing   |  |                                     |

|                           |   |                   |                   |
|---------------------------|---|-------------------|-------------------|
| Lender                    | Sumitomo Mitsui Banking Corporation         |                   |                   |
| Amount borrowed           | 2,000 million yen                           | 2,000 million yen | 2,000 million yen |
| Interest rate             | 1-month JPY TIBOR by JBA<br>+ 0.170% (Note) | 0.35830%          | 0.55761%          |
| Date of borrowing         | February 26, 2021                           |                   |                   |
| Repayment date            | February 28, 2022                           | February 28, 2025 | August 31, 2028   |
| Borrowing method/security | Unsecured/non-guaranteed                    |                   |                   |
| Repayment method          | Lump-sum repayment on due date              |                   |                   |
| Use of funds              | To repay an existing borrowing              |                   |                   |

|                           |                                |
|---------------------------|--------------------------------|
| Lender                    | Nippon Life Insurance Company  |
| Amount borrowed           | 1,500 million yen              |
| Interest rate             | 0.60000%                       |
| Date of borrowing         | February 26, 2021              |
| Repayment date            | February 28, 2031              |
| Borrowing method/security | Unsecured/non-guaranteed       |
| Repayment method          | Lump-sum repayment on due date |
| Use of funds              | To repay an existing borrowing |

(Note) Regarding JPY TIBOR, please refer to JBA (Japanese Bankers Association) TIBOR administration's website (<http://www.jbatibor.or.jp/english/rate/>) for more information.

## 2. Outline of JLF

### (1) Status of Unitholders' Capital

| Fiscal period                                       | As of January 31, 2019 | As of July 31, 2019 | As of January 31, 2020 | As of July 31, 2020 | As of January 31, 2021 |
|---|------------------------|---------------------|------------------------|---------------------|------------------------|
| Total number of investment units authorized (Units) | 10,000,000             | 10,000,000          | 10,000,000             | 10,000,000          | 10,000,000             |
| Total number of investment units issued (Units)     | 905,073                | 905,073             | 905,073                | 905,073             | 905,073                |
| Unitholders' capital (Millions of yen)              | 127,344                | 127,344             | 127,344                | 127,344             | 127,344                |
| Number of unitholders (Persons)                     | 11,323                 | 10,504              | 9,929                  | 12,844              | 12,211                 |

## (2) Matters Concerning Investment Units

Major unitholders as of January 31, 2021 are as follows:

| Name  | Address  | Number of investment units owned (Units) | Portion in the total number of investment units issued (%) |
|---|--|--|--|
| Custody Bank of Japan, Ltd. (Trust Account)                       | 1-8-12 Harumi, Chuo-ku, Tokyo                      | 202,953                                  | 22.42  |
| The Master Trust Bank of Japan, Ltd. (Trust Account)              | 2-11-3 Hamamatsu-cho, Minato-ku, Tokyo             | 139,586                                  | 15.42  |
| The Nomura Trust and Banking Co., Ltd. (Investment Trust Account) | 2-2-2 Otemachi, Chiyoda-ku, Tokyo                  | 40,931                                   | 4.52   |
| Custody Bank of Japan, Ltd. (Securities Investment Trust Account) | 1-8-12 Harumi, Chuo-ku, Tokyo                      | 33,771                                   | 3.73   |
| STATE STREET BANK WEST CLIENT - TREATY 505234                     | 1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171 U.S.A. | 12,982                                   | 1.43   |
| Mizuho Securities Co., Ltd.                                       | 1-5-1 Otemachi, Chiyoda-ku, Tokyo                  | 12,224                                   | 1.35   |
| Japan Securities Finance Co., LTD.                                | 1-2-10 Nihonbashi-Kayabacho, Chuo-ku, Tokyo        | 11,522                                   | 1.27   |
| STATE STREET BANK AND TRUST COMPANY 505001                        | P.O.BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A.      | 11,058                                   | 1.22   |
| Meiji Yasuda Life Insurance Company                               | 2-1-1 Marunouchi, Chiyoda-ku, Tokyo                | 10,890                                   | 1.20   |
| SMBC Nikko Securities Inc.  | 3-3-1 Marunouchi, Chiyoda-ku, Tokyo                | 10,864                                   | 1.20   |
| Total   |  | 486,781                                  | 53.78  |

(Note) The "Portion in the total number of investment units issued" is indicated with figures rounded down to two decimal places.

(3) Matters Concerning Officers, etc.

A. The executive director, supervisory directors and accounting auditor in the 31<sup>st</sup> Period are as follows:

| Title                                     | Name                        | Major concurrent posts outside JLF  | Total compensation or fee For the six-month period ended January 31, 2021 (Thousands of yen) |
|---|-----------------------------|---|--|
| Executive Director<br>(Note 1) (Note 2)   | Naohiro Kameoka             | President, Mitsui & Co., Logistics Partners Ltd.  | -  |
| Supervisory Director<br>(Note 1) (Note 2) | Takachiyo Suto              | President and CEO, Daiichi Appraisal Co., Ltd.<br>President and CEO, Daiichi Kousan Co., Ltd.<br>Chairman and CEO, Appraisal Firm A Square Ltd. | 900  |
| Supervisory Director<br>(Note 1) (Note 2) | Toshima Araki               | Lawyer, Mahoroba Law Office<br>Corporate Auditor, SAZABY LEAGUE, Ltd.<br>Company Auditor, Forum Engineering Inc.                                | 1,800  |
| Supervisory Director<br>(Note 1) (Note 2) | Tetsuya Azuma               | Azuma Certified Public Accountant Office<br>Director, The Kodensha Co., Ltd   | 1,800  |
| Supervisory Director<br>(Note 1) (Note 2) | Yumiko Kikuchi              | Executive Director (Chairman, International Relations Committee),<br>Japan Association of Real Estate Counselors                                | 1,200  |
| Accounting auditor<br>(Note 3)            | Ernst & Young ShinNihon LLC | -   | 12,500   |

(Note 1) The Executive Director and Supervisory Directors do not own investment units of JLF under their own or other names, and might serve as directors or auditors of entities other than the above, but there are no mutual business interests between JLF and such entities, including those above.

(Note 2) Takachiyo Sudo resigned on October 21, 2020 and Yumiko Kikuchi, who was elected as supervisory director at the General Unitholders' Meeting on October 21, 2020, was appointed as supervisory director as of the same date. Although the name used for Yumiko Kikuchi is her maiden name and occupation, her name in the family register is Yumiko Ishida.

(Note 3) The audit contract with an accounting auditor is renewed every fiscal period. The renewal requires deliberation about reappointment or non-reappointment at a meeting of the Board of Directors.

(4) Asset Management Company, Custodian and Administrative agent

Asset management company, custodian and administrative agent as of January 31, 2021 are as follows:

| Business                 | Name                                  |
|--------------------------|---------------------------------------|
| Asset management company | Mitsui & Co., Logistics Partners Ltd. |
| Custodian of assets      | Sumitomo Mitsui Trust Bank, Limited   |
| Administrative agent     | Sumitomo Mitsui Trust Bank, Limited   |

### 3. Investment Assets of JLF

| Type of assets                     | Use of assets      | Region (Note 2)                        | As of January 31, 2021                        |   | As of July 31, 2020                           |   |
|------------------------------------|--------------------|--|---|---|---|---|
|                                    |                    |  | Total amount owned (Millions of yen) (Note 3) | Percentage to total assets (%) (Note 4) | Total amount owned (Millions of yen) (Note 3) | Percentage to total assets (%) (Note 4) |
| Real estate                        | Logistics facility | Tokyo Metropolitan Area                | 10,884  | 4.2                                     | 10,853  | 4.1                                     |
|                                    |                    | Kinki Area, Chubu Area and Kyushu Area | 14,978  | 5.8                                     | 15,110  | 5.7                                     |
|                                    |                    | Other Areas                            | 1,597   | 0.6                                     | 1,613   | 0.6                                     |
|                                    | Subtotal           | 27,460                                 | 10.6  | 27,578                                  | 10.4  |   |
| Real estate in trust               | Logistics facility | Tokyo Metropolitan Area                | 198,435                                       | 76.4                                    | 199,676                                       | 75.1                                    |
|                                    |                    | Kinki Area, Chubu Area and Kyushu Area | 17,248  | 6.6                                     | 17,191  | 6.5                                     |
|                                    |                    | Other Areas                            | 937   | 0.4                                     | 942   | 0.4                                     |
|                                    | Subtotal           | 216,621                                | 83.4  | 217,810                                 | 81.9  |   |
| Deposits and other assets (Note 5) |                    |  | 15,766  | 6.1                                     | 20,630  | 7.8                                     |
| Total assets                       |                    |  | 259,848                                       | 100.0                                   | 266,019                                       | 100.0                                   |

(Note 1) Descriptions under "3. Reference Information" are effective as of January 31, 2021, as a general rule, unless otherwise indicated.

(Note 2) For region, please refer to "Area classification" below.

(Note 3) The total amount owned is based on the figures posted on the Balance Sheets as of the end of the fiscal period (real estate and real estate in trust are presented in book values after depreciation), and figures below one million yen have been omitted.

(Note 4) Figures are rounded off to the first decimal place.

(Note 5) Deposits and other assets include; deposit in trust assets of 4,268 million yen for the 31<sup>st</sup> Period and of 4,178 million yen for the 30<sup>th</sup> Period.

#### <Area classification>

| Area classification     | Region                             |
|-------------------------|------------------------------------|
| Tokyo Metropolitan Area | Tokyo, Kanagawa, Chiba and Saitama |
| Kinki Area              | Osaka, Hyogo and Kyoto             |
| Chubu Area              | Aichi, Gifu and Mie                |
| Kyushu Area             | Fukuoka and Saga                   |
| Other Areas             | Other than above                   |

## (2) Major Assets Held

The outline of major assets held by JLF is as follows:

| Name of real estate, etc.                 | Book value<br>(Millions of yen)<br>(Note 1) | Total leasable area<br>(m <sup>2</sup> )<br>(Note 2) | Leased area<br>(m <sup>2</sup> )<br>(Note 3) | Occupancy rate<br>(%)<br>(Note 4) | Portion of real estate leasing business revenue (%)<br>(Note 4) | Primary use        |
|---|---|--|--|-----------------------------------|---|--------------------|
| Urayasu Logistics Center<br>(Note 5)      | 2,498                                       | -  | -  | 0.0                               | - (Note 6)  | Logistics facility |
| Hiratsuka Logistics Center                | 1,250                                       | 11,418.57  | 11,418.57                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Shinkiba Logistics Center                 | 2,153                                       | 11,595.40  | 11,595.40                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Urayasu Chidori Logistics Center          | 4,923                                       | 31,829.55  | 31,829.55                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Funabashi Nishiura Logistics Center       | 4,140                                       | 34,723.80  | 34,723.80                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Kawasaki Logistics Center                 | 9,471                                       | 46,667.00  | 46,667.00                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Narashino Logistics Center                | 1,430                                       | 4,123.60   | 4,123.60                                     | 100.0                             | 0.7   | Logistics facility |
| Yachiyo Logistics Center                  | 7,204                                       | 56,882.98  | 56,882.98                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Yokohama Fukuura Logistics Center         | 7,745                                       | 40,160.35  | 40,160.35                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Yachiyo Logistics Center II               | 3,815                                       | 32,389.75  | 32,389.75                                    | 100.0                             | 2.1   | Logistics facility |
| Urayasu Chidori Logistics Center II       | 1,409                                       | 6,192.80   | 6,192.80                                     | 100.0                             | - (Note 6)  | Logistics facility |
| Ichikawa Logistics Center                 | 4,078                                       | 18,735.76  | 18,735.76                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Shinonome Logistics Center<br>(Note 7)    | 11,071                                      | 24,380.84  | 24,380.84                                    | 100.0                             | 3.9   | Logistics facility |
| Narashino Logistics Center II<br>(Note 7) | 6,224                                       | 43,508.54  | 43,508.54                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Ichikawa Logistics Center II<br>(Note 7)  | 15,198                                      | 67,065.02  | 67,065.02                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Souka Logistics Center                    | 13,473                                      | 55,300.10  | 55,300.10                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Tatsumi Logistics Center                  | 8,241                                       | 29,810.84  | 29,810.84                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Kashiwa Logistics Center                  | 3,328                                       | 20,550.73  | 20,550.73                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Musashimurayama Logistics Center          | 7,845                                       | 40,884.25  | 40,884.25                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Kashiwa Logistics Center II               | 3,677                                       | 50,159.55  | 50,159.55                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Shin-Koyasu Logistics Center<br>(Note 7)  | 8,887                                       | 36,251.63  | 36,251.63                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Misato Logistics Center                   | 3,491                                       | 19,405.45  | 19,405.45                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Sagamihara Logistics Center               | 7,273                                       | 42,733.37  | 42,733.37                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Chiba Kita Logistics Center               | 1,375                                       | 14,828.38  | 0.00   | 0.0                               | - (Note 6)  | Logistics facility |
| Chiba Kita Logistics Center II            | 4,484                                       | 25,595.13  | 25,595.13                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Urayasu Chidori Logistics Center III      | 1,041                                       | 5,587.80   | 5,587.80                                     | 100.0                             | - (Note 6)  | Logistics facility |
| Zama Logistics Center                     | 1,738                                       | 9,352.06   | 9,352.06                                     | 100.0                             | - (Note 6)  | Logistics facility |
| Shinkiba Logistics Center II              | 15,098                                      | 41,270.00  | 41,270.00                                    | 100.0                             | - (Note 6)  | Logistics facility |

| Name of real estate, etc.              | Book value<br>(Millions of yen)<br>(Note 1) | Total leasable area<br>(m <sup>2</sup> )<br>(Note 2) | Leased area<br>(m <sup>2</sup> )<br>(Note 3) | Occupancy rate<br>(%)<br>(Note 4) | Portion of real estate leasing business revenue (%)<br>(Note 4) | Primary use        |
|--|---|--|--|-----------------------------------|---|--------------------|
| Yokohama Machida Logistics Center      | 25,004                                      | 65,657.14  | 65,657.14                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Shiroi Logistics Center                | 4,021                                       | 25,653.79  | 25,653.79                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Toda Logistics Center                  | 2,044                                       | 7,219.40   | 7,219.40                                     | 100.0                             | - (Note 6)  | Logistics facility |
| Ichikawa Logistics Center III          | 3,843                                       | 24,740.88  | 24,740.88                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Fujisawa Logistics Center              | 4,259                                       | 16,443.72  | 16,443.72                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Hanyu Logistics Center                 | 1,350                                       | 5,919.53   | 5,919.53                                     | 100.0                             | 0.7   | Logistics facility |
| Saitama Kisai Logistics Center         | 3,166                                       | 24,574.14  | 24,574.14                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Kazo Logistics Center                  | 3,057                                       | 25,189.47  | 25,189.47                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Daito Logistics Center                 | 8,789                                       | 97,390.99  | 97,390.99                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Osaka Fukuzaki Logistics Center        | 3,301                                       | 23,736.68  | 23,736.68                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Kiyosu Logistics Center                | 2,869                                       | 20,438.09  | 20,438.09                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Kadoma Logistics Center                | 1,010                                       | 7,416.19   | 7,416.19                                     | 100.0                             | - (Note 6)  | Logistics facility |
| Komaki Logistics Center                | 1,810                                       | 9,486.45   | 9,486.45                                     | 100.0                             | - (Note 6)  | Logistics facility |
| Komaki Logistics Center II             | 1,646                                       | 11,104.45  | 11,104.45                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Fukuoka Hakozaki Futo Logistics Center | 2,647                                       | 24,463.69  | 24,463.69                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Fukuoka Kashiihama Logistics Center    | 2,508                                       | 21,217.48  | 21,217.48                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Kasugai Logistics Center               | 3,473                                       | 22,246.29  | 22,246.29                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Takatsuki Logistics Center             | 1,577                                       | 7,305.33   | 7,305.33                                     | 100.0                             | - (Note 6)  | Logistics facility |
| Osaka-Nishiyodogawa Logistics Center   | 2,590                                       | 10,213.81  | 10,213.81                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Maebashi Logistics Center              | 937   | 5,416.42   | 5,416.42                                     | 100.0                             | 0.5   | Logistics facility |
| Sendaiko-kita Logistics Center         | 1,597                                       | 10,634.24  | 10,634.24                                    | 100.0                             | - (Note 6)  | Logistics facility |
| Total                                  | 244,081                                     | 1,287,871.43   | 1,273,043.05                                 | 98.8                              | 100.0   |                    |

(Note 1) The book value is indicated with figures rounded down to the nearest million yen.

(Note 2) The total leasable area is calculated mainly based on the leased area associated with buildings covered in the relevant lease contracts for the respective properties.

(Note 3) The leased area is presented as the total leased area associated with buildings covered in the relevant lease contracts for the respective properties.

(Note 4) The occupancy rate and the portion of real estate leasing business revenue are indicated with figures rounded off to the nearest one decimal place.

(Note 5) The building was retired due to the redevelopment project.

(Note 6) Not disclosed as the tenant did not agree to disclosure.

(Note 7) Figures for co-ownership are indicated.

Shinonome Logistics Center: 47%, Narashino Logistics Center II: 90%, Ichikawa Logistics Center II: 90%  
Shin-Koyasu Logistics Center: 51%

### (3) Details of Properties

[Details of real estate Portfolio Properties]

The outline of portfolio properties held as of January 31, 2021 is as follows:

| Name of real estate, etc.<br>(properties to be acquired,<br>etc.) | Location   | Type of<br>ownership                      | Book<br>value<br>(Note1)<br>(Millions of<br>yen) | Appraised<br>value at end<br>of period<br>(Note 2)<br>(Millions of<br>yen) |
|---|--|---|--|--|
| Urayasu Logistics Center  | 79 Minato, Urayasu, Chiba                                  | Trust beneficiary<br>right of real estate | 2,498  | 5,590  |
| Hiratsuka Logistics Center  | 1-4 Nagatoro, Hiratsuka,<br>Kanagawa                       | Trust beneficiary<br>right of real estate | 1,250  | 1,860  |
| Shinkiba Logistics Center   | 2-5-2 Shin-kiba, Koto-ku, Tokyo                            | Trust beneficiary<br>right of real estate | 2,153  | 3,710  |
| Urayasu Chidori Logistics<br>Center                               | 12-2 Chidori, Urayasu, Chiba                               | Trust beneficiary<br>right of real estate | 4,923  | 9,730  |
| Funabashi Nishiura<br>Logistics Center                            | 3-4-1 Nishiura, Funabashi,<br>Chiba                        | Trust beneficiary<br>right of real estate | 4,140  | 7,830  |
| Kawasaki Logistics Center   | 2-32-1 Sakuramoto, Kawasaki,<br>Kawasaki, Kanagawa         | Trust beneficiary<br>right of real estate | 9,471  | 12,600   |
| Narashino Logistics Center  | 3-2-2 Akanehama, Narashino,<br>Chiba                       | Trust beneficiary<br>right of real estate | 1,430  | 2,380  |
| Yachiyo Logistics Center  | 1734-4 Kamikouya, Yachiyo,<br>Chiba                        | Trust beneficiary<br>right of real estate | 7,204  | 12,600   |
| Yokohama Fukuura<br>Logistics Center                              | 2-3-1 Fukuura, Kanazawa-ku,<br>Yokohama, Kanagawa          | Trust beneficiary<br>right of real estate | 7,745  | 12,100   |
| Yachiyo Logistics Center II                                       | 2039-1, Kamikouya, Yachiyo,<br>Chiba                       | Trust beneficiary<br>right of real estate | 3,815  | 7,990  |
| Urayasu Chidori<br>Logistics Center II                            | 10-1 Chidori, Urayasu, Chiba                               | Real estate                               | 1,409  | 1,850  |
| Ichikawa Logistics Center   | 1-8-36 Tajiri, Ichikawa, Chiba                             | Real estate                               | 4,078  | 6,020  |
| Shinonome Logistics Center  | 2-13-32 Shinonome, Koto-ku,<br>Tokyo                       | Trust beneficiary<br>right of real estate | 11,071   | 15,100   |
| Narashino Logistics Center<br>II                                  | 3-6-3 Akanehama, Narashino,<br>Chiba                       | Trust beneficiary<br>right of real estate | 6,224  | 10,500   |
| Ichikawa Logistics Center II                                      | 1 Takahama-machi, Ichikawa,<br>Chiba                       | Trust beneficiary<br>right of real estate | 15,198   | 23,900   |
| Souka Logistics Center  | 1-6-39, Aoyagi, Souka, Saitama                             | Trust beneficiary<br>right of real estate | 13,473   | 17,500   |
| Tatsumi Logistics Center  | 3-8-5, Tatsumi, Koto-ku, Tokyo                             | Trust beneficiary<br>right of real estate | 8,241  | 12,300   |
| Kashiwa Logistics Center  | 6 Kashiwa Inter-Minami,<br>Kashiwa, Chiba                  | Trust beneficiary<br>right of real estate | 3,328  | 4,640  |
| Musashimurayama Logistics<br>Center                               | 1-26-1 Inadaira,<br>Musashimurayama, Tokyo                 | Trust beneficiary<br>right of real estate | 7,845  | 10,900   |
| Kashiwa Logistics Center II                                       | 1823-1, Fujigaya, Kashiwa, Chiba                           | Trust beneficiary<br>right of real estate | 3,677  | 4,440  |
| Shin-Koyasu Logistics<br>Center                                   | 3-12 Moriyacho, Kanagawa-ku,<br>Yokohama, Kanagawa         | Trust beneficiary<br>right of real estate | 8,887  | 12,300   |
| Misato Logistics Center   | 480-1 Aza Fukata, Nizo, Misato,<br>Saitama                 | Trust beneficiary<br>right of real estate | 3,491  | 4,920  |
| Sagamihara Logistics<br>Center                                    | 5-9-1 Nishi-Hashimoto, Midori-<br>ku, Sagamihara, Kanagawa | Trust beneficiary<br>right of real estate | 7,273  | 11,400   |
| Chiba Kita Logistics Center                                       | 1004 Yokodocho, Hanamigawa-ku,<br>Chiba, Chiba             | Real estate                               | 1,375  | 2,050  |
| Chiba Kita Logistics Center<br>II                                 | 55-1 Naganumacho, Inage-ku,<br>Chiba, Chiba                | Trust beneficiary<br>right of real estate | 4,484  | 6,080  |
| Urayasu Chidori<br>Logistics Center III                           | 15-19 Chidori, Urayasu, Chiba                              | Trust beneficiary<br>right of real estate | 1,041  | 1,550  |

| Name of real estate, etc.<br>(properties to be acquired,<br>etc.) | Location   | Type of<br>ownership                      | Book<br>value<br>(Note1)<br>(Millions of<br>yen) | Appraised<br>value at end<br>of period<br>(Note 2)<br>(Millions of<br>yen) |
|---|--|---|--|--|
| Zama Logistics Center   | 1-1-43 Komatsubara, Zama,<br>Kanagawa                    | Trust beneficiary<br>right of real estate | 1,738  | 2,430  |
| Shinkiba Logistics Center II                                      | 2-13-10 Shin-kiba, Koto-ku, Tokyo                        | Trust beneficiary<br>right of real estate | 15,098   | 19,100   |
| Yokohama Machida Logistics<br>Center                              | 7-30-1 Tsuruma, Machida, Tokyo                           | Trust beneficiary<br>right of real estate | 25,004   | 27,100   |
| Shiroi Logistics Center   | 98 Naka Shiroi, Chiba and Others                         | Real estate                               | 4,021  | 4,980  |
| Toda Logistics Center   | 974, Mukoda, Bijogi, Toda city,<br>Saitama and Others    | Trust beneficiary<br>right of real estate | 2,044  | 2,360  |
| Ichikawa Logistics Center III                                     | 17-18 Futamata-shinmachi,<br>Ichikawa, Chiba             | Trust beneficiary<br>right of real estate | 3,843  | 5,260  |
| Fujisawa Logistics Center   | 9 Kiriharacho, Fujisawa, Kanagawa                        | Trust beneficiary<br>right of real estate | 4,259  | 4,470  |
| Hanyu Logistics Center  | 1-371-8 Kawasaki, Hanyu,<br>Saitama                      | Trust beneficiary<br>right of real estate | 1,350  | 1,990  |
| Saitama Kisai Logistics<br>Center                                 | 802-2 Nishinoya, Kazo, Saitama                           | Trust beneficiary<br>right of real estate | 3,166  | 4,970  |
| Kazo Logistics Center   | 1-2-1 Minami Shinozaki, Kazo,<br>Saitama                 | Trust beneficiary<br>right of real estate | 3,057  | 4,990  |
| Daito Logistics Center  | 2-1-1, Midorigaoka, Daito,<br>Osaka                      | Trust beneficiary<br>right of real estate | 8,789  | 19,500   |
| Osaka Fukuzaki<br>Logistics Center                                | 2-1-36 Fukuzaki, Minato-ku,<br>Osaka, Osaka              | Trust beneficiary<br>right of real estate | 3,301  | 6,810  |
| Kiyosu Logistics Center   | 92 Haruhi-gogashima, Kiyosu,<br>Aichi                    | Real estate                               | 2,869  | 5,600  |
| Kadoma Logistics Center   | 9-7 Tonoshima-cho, Kadoma,<br>Osaka                      | Real estate                               | 1,010  | 1,600  |
| Komaki Logistics Center   | 790-1 Nagata, Shimozue,<br>Komaki, Aichi                 | Real estate                               | 1,810  | 2,070  |
| Komaki Logistics Center II  | 548-1, Kakinokijima,<br>Nishinoshima Komaki, Aichi       | Real estate                               | 1,646  | 1,610  |
| Fukuoka Hakozaki Futo<br>Logistics Center                         | 4-2-6 Hakozaki Futo, Higashi-<br>ku, Fukuoka, Fukuoka    | Trust beneficiary<br>right of real estate | 2,647  | 3,730  |
| Fukuoka Kashiihama<br>Logistics Center                            | 2-1-10 Kashiihama Futo, Higashi-<br>ku, Fukuoka, Fukuoka | Trust beneficiary<br>right of real estate | 2,508  | 3,530  |
| Kasugai Logistics Center  | 5-1-3 Takamori-dai, Kasugai, Aichi                       | Real estate                               | 3,473  | 4,850  |
| Takatsuki Logistics Center  | 3-21-1 Zushi, Takatsuki, Osaka                           | Real estate                               | 1,577  | 1,800  |
| Osaka Nishiyodogawa<br>Logistics Center                           | 2-9-133 Nakajima, Nishiyodogawa-ku,<br>Osaka, Osaka      | Real estate                               | 2,590  | 2,790  |
| Maebashi Logistics Center   | 258-14 Kamimasuda-machi,<br>Maebashi, Gunma              | Trust beneficiary<br>right of real estate | 937  | 1,330  |
| Sendaiko-kita Logistics<br>Center                                 | 4-15-12 Minato Miyagino-ku,<br>Sendai, Miyagino          | Real estate                               | 1,597  | 1,920  |
| Total   |  |   | 244,081  | 356,630  |

| Name of the Logistics Center<br>(Assets for which a post-dated acquisition contract has been signed.)<br>(Note 3) | Location  | Type of ownership | Book value<br>(Millions of yen) | Appraised value at end of period<br>(Millions of yen) |
|---|---|-------------------|---------------------------------|---|
| Aisai Logistics Center<br>(Note 4)  | 32-6 Eda, Minami-Gota-cho, Aisai, Aichi, and Others | Real estate       | -                               | 2,790   |

(Note 1) The book value does not include construction in progress.

(Note 2) The appraised value at end of period is based on the value appraised by a real estate appraiser as of the end of the fiscal period in accordance with the method and criteria of asset appraisal provided for by the Articles of Incorporation of JLF and the regulations specified by The Investment Trusts Association, Japan.

(Note 3) The Purchase Agreement regarding the properties to be acquired, (as for Ichikawa Logistics Center III, Fixed-term Lease Contract with a Termination Clause with the grants to JLF an option to purchase the property) corresponds to the forward commitment, etc. stipulated in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." set by the Financial Services Agency.

(Note 4) The acquisition of this property was completed on March 1, 2021.

The status of leasing of real estate properties, etc. held by JLF is as follows:

| Name of real estate, etc.            | For the six-month period ended January 31, 2021         |   |   |  | For the six-month period ended July 31, 2020            |   |   |  |
|--------------------------------------|---|---|---|--|---|---|---|--|
|                                      | Total number of tenants [as of end of period] (tenants) | Occupancy rate [as of end of period] (%) (Note 1) | Real estate leasing business revenue [during the period] (Millions of yen) (Note 2) | Portion of real estate leasing business revenue (%) (Note 1) | Total number of tenants [as of end of period] (tenants) | Occupancy rate [as of end of period] (%) (Note 1) | Real estate leasing business revenue [during the period] (Millions of yen) (Note 2) | Portion of real estate leasing business revenue (%) (Note 1) |
| Urayasu Logistics Center             | -   | 0.0   | - (Note 2)  | - (Note 2)   | 3   | 57.6  | - (Note 2)  | - (Note 2)   |
| Hiratsuka Logistics Center           | 1   | 100.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |
| Shinkiba Logistics Center            | 1   | 100.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |
| Urayasu Chidori Logistics Center     | 1   | 100.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |
| Funabashi Nishiura Logistics Center  | 3   | 100.0   | - (Note 2)  | - (Note 2)   | 3   | 100.0   | - (Note 2)  | - (Note 2)   |
| Kawasaki Logistics Center            | 1   | 100.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |
| Narashino Logistics Center           | 1   | 100.0   | 60  | 0.7  | 1   | 100.0   | 65  | 0.7  |
| Yachiyo Logistics Center             | 2   | 100.0   | - (Note 2)  | - (Note 2)   | 2   | 100.0   | - (Note 2)  | - (Note 2)   |
| Yokohama Fukuura Logistics Center    | 3   | 100.0   | - (Note 2)  | - (Note 2)   | 3   | 100.0   | - (Note 2)  | - (Note 2)   |
| Yachiyo Logistics Center II          | 1   | 100.0   | 193   | 2.1  | 1   | 100.0   | 199   | 2.1  |
| Urayasu Chidori Logistics Center II  | 1   | 100.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |
| Ichikawa Logistics Center            | 1   | 100.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |
| Shinonome Logistics Center           | 1   | 100.0   | 355   | 3.9  | 1   | 100.0   | 354   | 3.8  |
| Narashino Logistics Center II        | 2   | 100.0   | - (Note 2)  | - (Note 2)   | 2   | 100.0   | - (Note 2)  | - (Note 2)   |
| Ichikawa Logistics Center II         | 2   | 100.0   | - (Note 2)  | - (Note 2)   | 2   | 100.0   | - (Note 2)  | - (Note 2)   |
| Souka Logistics Center               | 3   | 100.0   | - (Note 2)  | - (Note 2)   | 3   | 100.0   | - (Note 2)  | - (Note 2)   |
| Tatsumi Logistics Center             | 1   | 100.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |
| Kashiwa Logistics Center             | 1   | 100.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |
| Musashimurayama Logistics Center     | 1   | 100.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |
| Kashiwa Logistics Center II          | 1   | 100.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |
| Shin-Koyasu Logistics Center         | 2   | 100.0   | - (Note 2)  | - (Note 2)   | 2   | 100.0   | - (Note 2)  | - (Note 2)   |
| Misato Logistics Center              | 1   | 100.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |
| Sagamihara Logistics Center          | 1   | 100.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |
| Chiba Kita Logistics Center          | 0   | 0.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |
| Chiba Kita Logistics Center II       | 1   | 100.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |
| Urayasu Chidori Logistics Center III | 1   | 100.0   | - (Note 2)  | - (Note 2)   | 1   | 100.0   | - (Note 2)  | - (Note 2)   |

| Name of real estate, etc.              | For the six-month period ended January 31, 2021         |   |  |  | For the six-month period ended July 31, 2020            |   |  |  |
|--|---|---|--|--|---|---|--|--|
|  | Total number of tenants [as of end of period] (tenants) | Occupancy rate [as of end of period] (%) (Note 1) | Real estate leasing business revenue [during the period] (Millions of yen) | Portion of real estate leasing business revenue (%) (Note 1) | Total number of tenants [as of end of period] (tenants) | Occupancy rate [as of end of period] (%) (Note 1) | Real estate leasing business revenue [during the period] (Millions of yen) | Portion of real estate leasing business revenue (%) (Note 1) |
| Zama Logistics Center                  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Shinkiba Logistics Center II           | 3   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 3   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Yokohama Machida Logistics Center      | 6   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 6   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Yachiyo Logistics Center III (Note 3)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Shiroi Logistics Center                | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 2   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Toda Logistics Center                  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Ichikawa Logistics Center III          | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Fujisawa Logistics Center              | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Hanyu Logistics Center                 | 1   | 100.0   | 59   | 0.7  | 1   | 100.0   | 59   | 0.6  |
| Saitama Kisai Logistics Center         | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Kazo Logistics Center                  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Daito Logistics Center                 | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Osaka Fukuzaki Logistics Center        | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Kiyosu Logistics Center                | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Kadoma Logistics Center                | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Komaki Logistics Center                | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Komaki Logistics Center II             | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Fukuoka Hakozaki Futo Logistics Center | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Fukuoka Kashiihama Logistics Center    | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 2   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Kasugai Logistics Center               | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Takatsuki Logistics Center             | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Osaka Nishiyodogawa Logistics Center   | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Maebashi Logistics Center              | 1   | 100.0   | 43   | 0.5  | 1   | 100.0   | 43   | 0.5  |
| Sendaiko-kita Logistics Center         | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  | 1   | 100.0   | -<br>(Note 2)  | -<br>(Note 2)  |
| Total                                  | 65  | 98.8  | 9,120  | 100.0  | 70  | 99.7  | 9,370  | 100.0  |

(Note 1) The occupancy rate and the portion of real estate leasing business revenue are indicated with figures rounded off to the nearest one decimal place.

(Note 2) Not disclosed as the tenant did not agree to disclosure.

[Statements of Renewable Energy Power Generation Facilities, etc.]

Not applicable.

[Statements of Rights to Operate a Public Facility, etc.]

Not applicable.

[Details of securities Portfolio Property]

Not applicable.

(4) Outstanding Contract Amounts, etc. and Current Prices of Specified Transactions

The Outstanding contract amounts, etc. and current prices of specified transactions as of January 31, 2021 is as follows:

(Thousands of yen)

| Division         | Type of derivative transactions                                | Contract amount, etc. (Note 1) |                                 | Market value<br>(Note 2) (Note 3) |
|------------------|--|--------------------------------|---------------------------------|-----------------------------------|
|                  |  |                                | Amount that exceeds<br>one year |                                   |
| Over-the-counter | Interest rate swap transactions<br>Receive variable, pay fixed | 16,500,000                     | 14,500,000                      | (95,189)                          |
| Total            |  | 16,500,000                     | 14,500,000                      | (95,189)                          |

(Note 1) Contract amount, etc. is measured at the amount calculated by the counter party to the interest rate swaps contracts based on the prevailing market interest rates and other assumptions.

(Note 2) The fair value is calculated based on prices and other conditions presented by counterparty of the agreement.

(Note 3) Because the interest rate swap transactions qualify special treatment stipulated in the financial instruments accounting standard, market value of the swaps are omitted.

(5) Status of Other Assets

Trust beneficiary rights with real estate, etc. as trust assets are all included in the table in (3) Details of Portfolio Properties above. There are no other significant investment assets that were specified assets as of January 31, 2021.

(6) Status of Asset Holding by Country and Region

Not applicable for countries and regions other than Japan.

**4. Capital Expenditure for Properties**

(1) Scheduled Capital Expenditure

Major scheduled capital expenditures associated with the planned repair work for real estate, etc. owned by JLF are listed below. The following scheduled expenditures include those accounted for as expenses.

| Name of real estate, etc.<br>(Location)                  | Purpose   | Scheduled period                         | Estimated construction cost<br>(Millions of yen) (Note) |                              |                         |
|--|---|--|---|------------------------------|-------------------------|
|  |   |  | Total<br>amount   | Payment<br>for the<br>period | Total<br>amount<br>paid |
| Shinonome Logistics Center<br>(Koto, Tokyo)              | Rooftop and outer<br>wall waterproofing,<br>and greening work | From October,<br>2020 to August,<br>2022 | 186   | -                            | -                       |
| Daito Logistics Center<br>(Daito, Osaka)                 | Remodeling work of<br>Warehouse I                             | From April, 2020<br>to August, 2022      | 734   | 110                          | 110                     |
| Chiba-kita Logistics Center<br>(Chiba, Chiba)            | Full-scale renewal  | From November,<br>2020 to May,<br>2021   | 301   | -                            | -                       |
| Chiba-kita Logistics Center<br>(Chiba, Chiba)            | Elevator renewal work   | May, 2021                                | 37  | -                            | -                       |
| Chiba-kita Logistics Center<br>(Chiba, Chiba)            | Vertical carrier<br>renewal work                              | May, 2021                                | 47  | -                            | -                       |
| Urayasu Chidori Logistics Center III<br>(Urayasu, Chiba) | High-voltage power<br>receiving and<br>transforming           | January, 2022                            | 18  | -                            | -                       |

|  |                              |                |    |   |   |
|--|------------------------------|----------------|----|---|---|
|  | equipment renewal work       |                |    |   |   |
| Osaka Fukuzaki Logistics Center (Osaka, Osaka) | LED lighting installation    | July, 2021     | 33 | - | - |
| Komaki Logistics Center II (Komaki, Aichi)     | Elevator renewal work        | March, 2021    | 26 | - | - |
| Maebashi Logistics Center (Maebashi, Gunma)    | Air conditioner renewal work | December, 2021 | 11 | - | - |

(Note) Figures are rounded down to the nearest million yen.

## (2) Capital Expenditure during the Fiscal Period

The following provides a summary of major construction work applicable to capital expenditure performed during the fiscal period in connection with the real estate, etc. owned by JLF.

| Name of real estate, etc. (Location)           | Purpose                                 | Period        | Amount of expenditure (Millions of yen) (Note 1) |
|--|---|---------------|--|
| Kawasaki Logistics Center (Kawasaki, Kanagawa) | Rooftop waterproofing                   | January, 2021 | 191  |
| Daito Logistics Center (Daito, Osaka)          | Remodeling work of Warehouse I (Note 2) | January, 2021 | 178  |

(Note 1) Figures are rounded down to the nearest million yen.

(Note 2) Of the total amount of construction work scheduled to be carried out over the period from April 2020 to August 2022, the amount of work completed in the fiscal period ending January 2021 is shown.

## (3) Reserve for Long-Term Repair Plan (Reserve for Repairs)

Not applicable.

## 5. Expenses and Liabilities

### (1) Expenses Related to Asset Management, etc.

| Item                            | (Thousands of yen)                              |  |
|---------------------------------|---|--|
|                                 | For the six-month period ended January 31, 2021 | For the six-month period ended July 31, 2020 |
| (a) Asset management fee        | 764,365   | 739,039                                      |
| of which Management Fee I       | 536,411   | 518,011                                      |
| Management Fee II               | 227,954   | 221,028                                      |
| (b) Asset custody fee           | 25,340  | 27,204                                       |
| (c) Administrative service fees | 40,150  | 35,779                                       |
| (d) Directors' compensations    | 5,700   | 5,400  |
| (e) Other expenses              | 77,489  | 93,671                                       |
| Total                           | 913,045   | 901,094                                      |

(Note) In addition to the above, there are asset management fees which were capitalized as acquisition costs; 27,128 thousand yen and asset management fees which were capitalized as disposition costs; 88,000 thousand yen in the six-month periods ended July 31, 2020.

## (2) Status of Borrowings

The status of borrowings from each financial institution as of January 31, 2021 is as follows:

| Classification (Lender)                 |                                     | Borrowing date     | Balance at beginning of period (Millions of yen) | Balance at end of period (Millions of yen) | Average interest rate (Note 1) | Repayment due date | Use      | Remarks                   |
|---|-------------------------------------|--------------------|--|--|--------------------------------|--------------------|----------|---------------------------|
| Current portion of long-term borrowings | Mizuho Bank, Ltd.                   | September 18, 2012 | 4,000  | -  | 0.93375%                       | August 31, 2020    | (Note 2) | Unsecured/ Non-guaranteed |
|   | Mizuho Bank, Ltd.                   | December 27, 2013  | 1,500  | -  | 0.93375%                       | December 25, 2020  | (Note 2) | Unsecured/ Non-guaranteed |
|   | MUFG Bank, Ltd.                     |                    | 1,000  | -  |                                |                    |          |                           |
|   | The 77 Bank, Ltd.                   |                    | 500  | -  |                                |                    |          |                           |
|   | Nippon Life Insurance Company       | February 3, 2017   | 3,000  | 3,000                                      | 0.15000%                       | February 26, 2021  | (Note 2) | Unsecured/ Non-guaranteed |
|   | Shinkin Central Bank                | February 3, 2017   | -  | 1,000                                      | 0.21935%                       | August 31, 2021    | (Note 2) | Unsecured/ Non-guaranteed |
|   | The Norinchukin Bank                | February 3, 2017   | -  | 1,000                                      | 0.21935%                       | August 31, 2021    | (Note 2) | Unsecured/ Non-guaranteed |
|   | Sumitomo Mitsui Banking Corporation | February 28, 2017  | -  | 1,000                                      | 0.28678%                       | September 30, 2021 | (Note 2) | Unsecured/ Non-guaranteed |
|   | Sumitomo Mitsui Banking Corporation | March 15, 2017     | -  | 3,000                                      | 0.29642%                       | September 30, 2021 | (Note 2) | Unsecured/ Non-guaranteed |
|   | Sumitomo Mitsui Banking Corporation | March 27, 2017     | -  | 1,000                                      | 0.27461%                       | September 30, 2021 | (Note 2) | Unsecured/ Non-guaranteed |
|   | Sumitomo Mitsui Banking Corporation | August 31, 2017    | 6,000  | 6,000                                      | 0.22375%                       | February 26, 2021  | (Note 2) | Unsecured/ Non-guaranteed |
|   | Nippon Life Insurance Company       | August 31, 2017    | -  | 2,000                                      | 0.25000%                       | August 31, 2021    | (Note 2) | Unsecured/ Non-guaranteed |
|   | Subtotal                            |                    | 16,000   | 18,000                                     |                                |                    |          |                           |
| Long-term borrowings                    | Sumitomo Mitsui Trust Bank, Limited | August 31, 2012    | 2,000  | 2,000                                      | 1.13000%                       | August 31, 2022    | (Note 2) | Unsecured/ Non-guaranteed |
|   | Sumitomo Mitsui Banking Corporation | February 28, 2013  | 2,000  | 2,000                                      | 1.11125%                       | February 28, 2023  | (Note 2) | Unsecured/ Non-guaranteed |
|   | Nippon Life Insurance Company       | February 28, 2013  | 500  | 500  | 1.18125%                       | February 28, 2023  | (Note 2) | Unsecured/ Non-guaranteed |
|   | Development Bank of Japan Inc.      | March 11, 2013     | 2,000  | 2,000                                      | 0.93625%                       | February 28, 2022  | (Note 2) | Unsecured/ Non-guaranteed |

| Classification (Lender) |  | Borrowing date     | Balance at beginning of period (Millions of yen) | Balance at end of period (Millions of yen) | Average interest rate (Note 1) | Repayment due date | Use      | Remarks                   |
|-------------------------|--|--------------------|--|--|--------------------------------|--------------------|----------|---------------------------|
|                         | Development Bank of Japan Inc.             | March 11, 2013     | 2,000  | 2,000                                      | 1.25000%                       | February 29, 2024  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Banking Corporation        | December 27, 2013  | 3,000  | 3,000                                      | 1.29625%                       | December 27, 2023  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Trust Bank, Limited        |                    | 1,500  | 1,500                                      |                                |                    |          |                           |
|                         | Development Bank of Japan Inc.             |                    | 1,000  | 1,000                                      |                                |                    |          |                           |
|                         | Nippon Life Insurance Company              |                    | 500  | 500  |                                |                    |          |                           |
| Long-term borrowings    | Sumitomo Mitsui Banking Corporation        | February 25, 2014  | 2,000  | 2,000                                      | 0.93375%                       | February 28, 2022  | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Banking Corporation        | February 25, 2014  | 3,000  | 3,000                                      | 1.04875%                       | February 28, 2023  | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Nippon Life Insurance Company              | March 24, 2014     | 2,500  | 2,500                                      | 1.04000%                       | February 29, 2024  | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Trust Bank, Limited        | March 31, 2015     | 1,000  | 1,000                                      | 0.59000%                       | March 29, 2024     | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Banking Corporation        | March 31, 2015     | 1,000  | 1,000                                      | 0.77240%                       | March 31, 2025     | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Shinkin Central Bank                       | December 4, 2015   | 500  | 500  | 0.40600%                       | November 30, 2022  | (Note 3) | Unsecured/ Non-guaranteed |
|                         | The Norinchukin Bank                       | December 4, 2015   | 1,000  | 1,000                                      | 0.40600%                       | November 30, 2022  | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Trust Bank, Limited        | December 4, 2015   | 2,000  | 2,000                                      | 0.45075%                       | November 30, 2023  | (Note 3) | Unsecured/ Non-guaranteed |
|                         | The Bank of Fukuoka                        | December 4, 2015   | 500  | 500  | 0.52800%                       | November 28, 2025  | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Mizuho Trust & Banking Co., Ltd.           | December 4, 2015   | 2,000  | 2,000                                      | 0.60250%                       | November 28, 2025  | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Mitsui Sumitomo Insurance Company, Limited | September 30, 2016 | 1,000  | 1,000                                      | 0.20000%                       | September 29, 2023 | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Shinkin Central Bank                       | February 3, 2017   | 1,000  | -  | 0.21935%                       | August 31, 2021    | (Note 3) | Unsecured/ Non-guaranteed |

| Classification (Lender) |   | Borrowing date    | Balance at beginning of period (Millions of yen) | Balance at end of period (Millions of yen) | Average interest rate (Note 1) | Repayment due date | Use      | Remarks                   |
|-------------------------|---|-------------------|--|--|--------------------------------|--------------------|----------|---------------------------|
|                         | The Norinchukin Bank                            | February 3, 2017  | 1,000  | -  | 0.21935%                       | August 31, 2021    | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Mitsui Sumitomo Insurance Company, Limited      | February 3, 2017  | 1,000  | 1,000                                      | 0.25875%                       | February 29, 2024  | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Resona Bank, Ltd.                               | February 3, 2017  | 2,000  | 2,000                                      | 0.46600%                       | February 3, 2027   | (Note 3) | Unsecured/ Non-guaranteed |
|                         | MUFG Bank, Ltd.                                 | February 27, 2017 | 2,000  | 2,000                                      | 0.30000%                       | March 31, 2022     | (Note 3) | Unsecured/ Non-guaranteed |
| Long-term borrowings    | Sumitomo Mitsui Banking Corporation             | February 28, 2017 | 1,000  | -  | 0.28678%                       | September 30, 2021 | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Banking Corporation             | March 15, 2017    | 3,000  | -  | 0.29642%                       | September 30, 2021 | (Note 3) | Unsecured/ Non-guaranteed |
|                         | The Bank of Fukuoka                             | March 15, 2017    | 2,000  | 2,000                                      | 0.38000%                       | March 31, 2027     | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Development Bank of Japan Inc.                  | March 15, 2017    | 2,500  | 2,500                                      | 0.55375%                       | March 31, 2028     | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Development Bank of Japan Inc.                  | March 15, 2017    | 2,500  | 2,500                                      | 0.60750%                       | March 30, 2029     | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Banking Corporation             | March 27, 2017    | 1,000  | -  | 0.27461%                       | September 30, 2021 | (Note 3) | Unsecured/ Non-guaranteed |
|                         | MUFG Bank, Ltd.                                 | March 27, 2017    | 1,000  | 1,000                                      | 0.27500%                       | March 31, 2022     | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Nippon Life Insurance Company                   | August 31, 2017   | 2,000  | -  | 0.25000%                       | August 31, 2021    | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Tokio Marine & Nichido Fire Insurance Co., Ltd. | August 31, 2017   | 2,000  | 2,000                                      | 0.24380%                       | August 31, 2022    | (Note 3) | Unsecured/ Non-guaranteed |
|                         | MUFG Bank, Ltd.                                 | August 31, 2017   | 2,000  | 2,000                                      | 0.30000%                       | February 28, 2023  | (Note 3) | Unsecured/ Non-guaranteed |
|                         | Resona Bank, Ltd.                               | August 31, 2017   | 2,000  | 2,000                                      | 0.48205%                       | August 31, 2027    | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Trust Bank, Limited             | August 31, 2017   | 3,000  | 3,000                                      | 0.48205%                       | August 31, 2027    | (Note 2) | Unsecured/ Non-guaranteed |

| Classification (Lender) |                                     | Borrowing date     | Balance at beginning of period (Millions of yen) | Balance at end of period (Millions of yen) | Average interest rate (Note 1) | Repayment due date | Use      | Remarks                   |
|-------------------------|-------------------------------------|--------------------|--|--|--------------------------------|--------------------|----------|---------------------------|
| Long-term borrowings    | Development Bank of Japan Inc.      | August 31, 2017    | 4,500  | 4,500                                      | 0.49313%                       | August 31 2028     | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Development Bank of Japan Inc.      | August 31, 2017    | 4,500  | 4,500                                      | 0.54375%                       | August 31 2029     | (Note 2) | Unsecured/ Non-guaranteed |
|                         | MUFG Bank, Ltd.                     | February 27, 2018  | 2,500  | 2,500                                      | 0.29000%                       | February 28, 2022  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | MUFG Bank, Ltd.                     | September 28, 2018 | 5,000  | 5,000                                      | 0.65000%                       | September 30, 2027 | (Note 2) | Unsecured/ Non-guaranteed |
|                         | MUFG Bank, Ltd.                     | September 28, 2018 | 4,000  | 4,000                                      | 0.31000%                       | September 30, 2022 | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Trust Bank, Limited | March 26, 2019     | 3,500  | 3,500                                      | 0.36750%                       | March 26 2025      | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Mizuho Bank, Ltd.                   | March 26, 2019     | 1,000  | 1,000                                      | 0.46005%                       | March 26, 2027     | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Mizuho Bank, Ltd.                   | August 31, 2020    | -  | 2,000                                      | 0.47255%                       | August 31, 2028    | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Mizuho Bank, Ltd.                   | August 31, 2020    | -  | 2,000                                      | 0.55875%                       | August 31, 2030    | (Note 2) | Unsecured/ Non-guaranteed |
|                         | The 77 Bank, Ltd.                   | December 25, 2020  | -  | 500  | 0.39255%                       | December 25, 2028  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | MUFG Bank, Ltd.                     | December 25, 2020  | -  | 1,000                                      | 0.55000%                       | December 25, 2029  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Mizuho Bank, Ltd.                   | December 25, 2020  | -  | 1,500                                      | 0.48625%                       | December 25, 2030  | (Note 2) | Unsecured/ Non-guaranteed |
|                         |                                     | Subtotal           |  | 87,000                                     | 85,000                         |                    |          |                           |
| Total                   |                                     |                    | 103,000  | 103,000                                    |                                |                    |          |                           |

(Note 1) The average interest rate indicates a weighted average of interest rates for the period. Regarding the borrowings hedged by interest rate swaps to avoid interest rate fluctuation risk, the average interest rate indicates a weighted average of interest rates adjusted by considering the effect of the interest rate swaps.

(Note 2) All the funds were used for the purchase of real estate properties or trust beneficiary rights of real estate, repayment of borrowings.

(3) Status of Investment Corporation Bonds

The status of investment corporation bonds issued as of January 31, 2019 is as follows:

| Issue  | Issue date        | Balance at beginning of period (Millions of yen) | Balance at end of period (Millions of yen) | Interest rate | Maturity date     | Repayment method                      | Purpose  | Note     |
|--|-------------------|--|--|---------------|-------------------|---------------------------------------|----------|----------|
| #2 <sup>nd</sup> Unsecured Investment Corporation Bond   | December 27, 2013 | 3,000  | 3,000                                      | 1.28000%      | December 26, 2025 | Lump-sum payment on the maturity date | (Note 1) | (Note 2) |
| #3 <sup>rd</sup> Unsecured Investment Corporation Bond   | March 12, 2014    | 3,000  | 3,000                                      | 1.62000%      | March 12, 2029    | Lump-sum payment on the maturity date | (Note 1) | (Note 2) |
| #4 <sup>th</sup> Unsecured Investment Corporation Bond (private offering to qualified institutional investors) | February 8, 2016  | 1,700  | 1,700                                      | 0.53500%      | February 8, 2028  | Lump-sum payment on the maturity date | (Note 1) | (Note 2) |
| #5 <sup>th</sup> Unsecured Investment Corporation Bond   | April 20, 2017    | 2,000  | 2,000                                      | 0.48000%      | April 20, 2027    | Lump-sum payment on the maturity date | (Note 1) | (Note 2) |
| #6 <sup>th</sup> Unsecured Investment Corporation Bond   | November 18, 2019 | 2,000  | 2,000                                      | 0.53000%      | November 16, 2029 | Lump-sum payment on the maturity date | (Note 1) | (Note 2) |
| Total  |                   | 11,700   | 11,700                                     |               |                   |                                       |          |          |

(Note 1) The funds are used for the repayment of borrowings.

(Note 2) This investment corporation bond is equipped with the same rank rider limited among certain investment corporation bonds.

(4) Status of Short-Term Investment Corporation Bonds

Not applicable.

(5) Status of Investment unit warrants

Not applicable.

**6. Trading For the six-month period ended January 31, 2021**

(1) Status, etc. of Real Estate Properties and Asset-Backed Securities Trading

Not applicable.

(2) Status, etc. of Another Assets Trading

Not applicable.

(3) Valuation of Specified Assets, etc.  
 A. Real Estate Properties Not applicable.

B. Others  
 Not applicable.

(4) Status of Transactions with Interested Parties, etc. and Major Shareholders  
 A. Transactions Not applicable.

B. Fees, etc. Paid to Interested Parties, etc. and Major Shareholders

(Thousands of yen)

| Classification              | Total amount paid (A) | Details of transactions with interested parties, etc. and major shareholders |                 | Portion (B) / (A) |
|-----------------------------|-----------------------|--|-----------------|-------------------|
|                             |                       | Name of party to which fees were paid  | Amount paid (B) |                   |
| Insurance expenses          | 25,110                | Mitsuibussan Insurance Co., Ltd.   | 23,859          | 95.0%             |
| Asset custody fee           | 25,340                | Sumitomo Mitsui Trust Bank, Limited  | 25,340          | 100.0%            |
| Administrative service fees | 40,150                | Sumitomo Mitsui Trust Bank, Limited  | 40,150          | 100.0%            |
| Other expenses              | 30,444                | Sumitomo Mitsui Trust Bank, Limited  | 16,623          | 54.6%             |

(Note 1) Interested parties, etc. are comprised of interested parties, etc. of an asset management company with which JLF has an asset management consignment contract as defined in Article 123 of the Order for Enforcement of the Investment Trust Act.

(Note 2) other than above fees, etc., JLF paid brokerage fee to interested parties in the six-month periods ended January 31, 2021, details below;  
 Mitsui & Co., Asset Management Holdings Ltd. 18,715 thousand yen

- (5) Status, etc. of Transactions with the Asset Management Company Pertaining to Its Business Other than Asset Management  
As of January 31, 2021, MLP does not follow any side business. Therefore, there is not applicable in this item.

## 7. Financial Information

### (1) Financial Position and Operating Results

For the financial position and operating results, please refer to the accompanying documents: Balance Sheets, Statements of Income, Statements of Unitholders' Equity, Notes to Financial Statements and Statements of Cash Distribution.

### (2) Changes in Calculation Method for Depreciation

Not applicable.

### (3) Changes in Valuation Method of Real Estate Properties, etc.

Not applicable.

### (4) Status, etc. of Beneficiary Certificates of Investment Trusts Established by JLF

Not applicable.

## 8. Other Information

### (1) Notice

#### A. General Meeting of Shareholders

The 11th General Meeting of Unitholders of United Urban was held on October 21, 2020. A summary of the matters approved at the general meeting of unitholders is as follows.

| agenda item       |   | Overview   |
|-------------------|---|--|
| Agenda Item No. 1 | Partial Amendments of the Articles of Incorporation | The Articles of Incorporation were amended with regard to the following matters, etc., as originally proposed.<br>In order to enhance the linkage between the amount of asset management fees paid to the asset management company and unitholder profits, changes were made to the asset management fee system, including the introduction of management fees linked to distributions per unit.<br>In addition, the deadline for payment of asset management fees was changed.<br>In connection with the introduction of the tax exemption system for specified tax-exempt cumulative investment contracts (New NISA), necessary changes were made so that dividends related to the investment units of the Investment Corporation would be subject to the said tax exemption system.<br>In addition, the number of clauses has been changed and the necessary phrases have been changed. |
| Agenda Item No. 2 | Election of one Executive Officer                   | Naohiro Kameoka (reappointed) was elected as Executive Officer as originally proposed.   |
| Agenda Item No. 3 | Election of one substitute executive officer        | Yasushi Ogaku (reappointed) was elected as a substitute Executive Officer as proposed.   |
| Agenda Item No. 4 | Election of three supervisory directors             | Toshima Araki (reappointed), Tetsuya Azuma (reappointed) and Yumiko Kikuchi (newly appointed) were elected as Supervisory Directors as proposed.   |

#### B. Investment Corporation Board of Directors

The following is a summary of the major agreements and amendments approved by the Board of Directors of the Investment Corporation during the fiscal period under review.

| Recognition Day    | Item  | Overview  |
|--------------------|---|---|
| September 14, 2020 | Conclusion of Memorandum of Understanding for Amendment to the Asset Management Agreement | In accordance with the partial amendment to the Articles of Incorporation of the Investment Corporation at the 11th General Meeting of Unitholders, the Investment Corporation has executed a memorandum of understanding for the amendment to the asset management agreement with Mitsui & Co. Logistics Partners Ltd. |

### (2) Disclosure relating to overseas real estate investment corporation

Not applicable.

(3) Disclosure relating to property held by overseas real estate investment corporation  
Not applicable.

(4) Others

For the purpose of this report, amounts that are below one unit are rounded down to one unit and percentages are rounded off to the nearest unit unless otherwise specified.

## Independent Auditor's Report

The Board of Directors  
Japan Logistics Fund, Inc.

### Opinion

We have audited the accompanying financial statements of Japan Logistics Fund, Inc.(the “Company”), which comprise the balance sheet as at July 31, 2020, and the statements of income and retained earnings, changes in net assets, cash distributions and cash flows for the six-month period then ended a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2020, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Supervisory Directors are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Ernst & Young ShinNihon LLC  
Tokyo, Japan  
October 19, 2020

柴田 憲一



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Kenichi Shibata  
Designated Engagement Partner  
Certified Public Accountant

寺岡 久仁子



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Kuniko Teraoka  
Designated Engagement Partner  
Certified Public Accountant

**Financial Statements**  
**Balance Sheet**

(Thousands of yen)

|   | As of January 31, 2021 | As of July 31, 2020 |
|---|------------------------|---------------------|
| <b>Assets</b>                               |                        |                     |
| Current assets                              |                        |                     |
| Cash and deposits                           | 10,082,918             | 15,528,650          |
| Cash and deposits in trust                  | 4,268,938              | 4,178,384           |
| Operating accounts receivable               | 574,595                | 512,553             |
| Prepaid expenses                            | 7,179                  | 5,292               |
| Consumption taxes receivable                | 421,645                | -                   |
| Other                                       | 45                     | 69                  |
| Total current assets                        | 15,355,323             | 20,224,950          |
| Non-current assets                          |                        |                     |
| Property, plant and equipment               |                        |                     |
| Buildings                                   | 17,461,216             | 17,333,482          |
| Accumulated depreciation                    | (3,071,075)            | (2,836,366)         |
| Buildings, net                              | 14,390,141             | 14,497,116          |
| Structures                                  | 509,194                | 508,918             |
| Accumulated depreciation                    | (130,061)              | (118,655)           |
| Structures, net                             | 379,132                | 390,263             |
| Tools, furniture and fixtures               | 1,570                  | 1,570               |
| Accumulated depreciation                    | (753)                  | (708)               |
| Tools, furniture and fixtures, net          | 816                    | 861                 |
| Land  | 12,689,952             | 12,689,952          |
| Construction in progress                    | 35,842                 | -                   |
| Buildings in trust                          | 122,578,679            | 122,416,908         |
| Accumulated depreciation                    | (30,412,456)           | (29,066,063)        |
| Buildings in trust, net                     | 92,166,222             | 93,350,845          |
| Structures in trust                         | 3,484,786              | 3,444,285           |
| Accumulated depreciation                    | (1,401,455)            | (1,357,512)         |
| Structures in trust, net                    | 2,083,331              | 2,086,772           |
| Tools, furniture and fixtures in trust      | 36,022                 | 36,593              |
| Accumulated depreciation                    | (22,327)               | (21,786)            |
| Tools, furniture and fixtures in trust, net | 13,695                 | 14,807              |
| Land in trust                               | 122,358,070            | 122,358,070         |
| Construction in progress in trust           | -                      | 37,240              |
| Total property, plant and equipment         | 244,117,204            | 245,425,929         |
| Intangible assets                           |                        |                     |
| Other                                       | 8,223                  | 410                 |
| Total intangible assets                     | 8,223                  | 410                 |
| Investments and other assets                |                        |                     |
| Long-term prepaid expenses                  | 306,323                | 303,379             |
| Deferred tax assets                         | 13                     | 11                  |
| Guarantee deposits                          | 10,020                 | 10,020              |
| Other                                       | 2,000                  | 2,000               |
| Total investments and other assets          | 318,356                | 315,410             |
| Total non-current assets                    | 244,443,784            | 245,741,751         |
| Deferred assets                             |                        |                     |
| Investment corporation bond issuance costs  | 49,051                 | 52,622              |
| Total deferred assets                       | 49,051                 | 52,622              |
| Total assets                                | 259,848,159            | 266,019,324         |

(Thousands of yen)

|  | As of January 31, 2021 | As of July 31, 2020 |
|--|------------------------|---------------------|
| <b>Liabilities</b>   |                        |                     |
| Current liabilities  |                        |                     |
| Operating accounts payable   | 1,019,398              | 932,507             |
| Current portion of long-term borrowings  | 18,000,000             | 16,000,000          |
| Distributions payable  | 9,254                  | 6,745               |
| Accrued expenses   | 835,284                | 825,388             |
| Income taxes payable   | 876                    | 842                 |
| Accrued consumption taxes  | -                      | 1,352,231           |
| Advances received  | 1,629,110              | 1,642,643           |
| Deposits received  | -                      | 43                  |
| Other  | 80                     | 80                  |
| Total current liabilities  | 21,494,004             | 20,760,482          |
| Non-current liabilities  |                        |                     |
| Investment corporation bonds   | 11,700,000             | 11,700,000          |
| Long-term borrowings   | 85,000,000             | 87,000,000          |
| Leasehold and guarantee deposits received  | 1,191,920              | 1,299,861           |
| Leasehold and guarantee deposits received in trust                                 | 5,311,898              | 5,333,148           |
| Long-term deposits received  | 244,393                | 243,098             |
| Derivatives liabilities  | 95,189                 | 82,533              |
| Total non-current liabilities  | 103,543,403            | 105,658,641         |
| <b>Total liabilities</b>   | <b>125,037,407</b>     | <b>126,419,124</b>  |
| <b>Net assets</b>  |                        |                     |
| Unitholders' equity  |                        |                     |
| Unitholders' capital   |                        |                     |
| Unitholders' capital, gross  | 132,245,145            | 132,245,145         |
| Deduction from unitholders' capital (Note 4(2))                                    | (4,900,686)            | (4,900,686)         |
| Unitholders' capital, net  | 127,344,458            | 127,344,458         |
| Surplus  |                        |                     |
| Voluntary retained earnings  |                        |                     |
| Reserve for reduction entry of special provisions of replaced property (Note 4(3)) | 2,219,363              | 2,219,363           |
| Reserve for tax purpose reduction entry  | 1,222,036              | 366,036             |
| Total voluntary retained earnings  | 3,441,399              | 2,585,399           |
| Unappropriated retained earnings (undisposed loss)                                 | 4,120,082              | 9,752,874           |
| Total surplus  | 7,561,482              | 12,338,274          |
| Total unitholders' equity  | 134,905,941            | 139,682,733         |
| Valuation and translation adjustments  |                        |                     |
| Deferred gains or losses on hedges   | (95,189)               | (82,533)            |
| Total valuation and translation adjustments  | (95,189)               | (82,533)            |
| <b>Total net assets (Note 4(4))</b>  | <b>134,810,751</b>     | <b>139,600,200</b>  |
| <b>Total liabilities and net assets</b>  | <b>259,848,159</b>     | <b>266,019,324</b>  |

## Statement of Income and Retained Earnings

(Thousands of yen)

|   | For the six-month period<br>ended January 31, 2021 | For the six-month period<br>ended July 31, 2020 |
|---|--|---|
| Operating revenue   |  |   |
| Lease business revenue (Note 5(1))                            | 8,874,502  | 9,071,318                                       |
| Other lease business revenue (Note 5(1))                      | 245,694  | 299,657   |
| Gain on sales of real estate properties (Note 5(2))           | -  | 5,665,087                                       |
| <b>Total operating revenue</b>                                | <b>9,120,197</b>                                   | <b>15,036,063</b>                               |
| Operating expenses  |  |   |
| Expenses related to rent business (Note 5(1))                 | 3,692,768  | 3,983,926                                       |
| Asset management fee  | 764,365  | 739,039   |
| Asset custody fee   | 25,340   | 27,204  |
| Administrative service fees                                   | 40,150   | 35,779  |
| Directors' compensations                                      | 5,700  | 5,400   |
| Other operating expenses                                      | 77,489   | 93,671  |
| <b>Total operating expenses</b>                               | <b>4,605,814</b>                                   | <b>4,885,021</b>                                |
| Operating profit  | 4,514,383  | 10,151,042                                      |
| Non-operating income  |  |   |
| Interest income   | 22   | 22  |
| Interest on refund  | 65   | 32  |
| Reversal of distribution payable                              | 489  | 390   |
| Other   | 90   | 0   |
| <b>Total non-operating income</b>                             | <b>668</b>   | <b>446</b>                                      |
| Non-operating expenses  |  |   |
| Interest expenses   | 298,822  | 306,394   |
| Borrowing related expenses                                    | 31,104   | 29,572  |
| Interest expenses on investment corporation bonds             | 58,599   | 57,382  |
| Amortization of investment corporation bond<br>issuance costs | 3,570  | 3,532   |
| Other   | 2,000  | 1,000   |
| <b>Total non-operating expenses</b>                           | <b>394,097</b>                                     | <b>397,881</b>                                  |
| Ordinary profit   | 4,120,954  | 9,753,606                                       |
| Profit before income taxes                                    | 4,120,954  | 9,753,606                                       |
| Income taxes – current  | 880  | 846   |
| Income taxes – deferred                                       | (1)  | (9)   |
| <b>Total income taxes</b>                                     | <b>878</b>   | <b>837</b>                                      |
| <b>Profit</b>   | <b>4,120,075</b>                                   | <b>9,752,769</b>                                |
| Retained earnings brought forward                             | 7  | 105   |
| <b>Unappropriated retained earnings (undisposed loss)</b>     | <b>4,120,082</b>                                   | <b>9,752,874</b>                                |

## Statement of Changes in Net Assets

For the six-month period ended January 31, 2021

(Thousands of yen)

|  | Unitholders' equity         |                                     |                           |  |   |                             |  |               |                           |
|--|-----------------------------|-------------------------------------|---------------------------|--|---|-----------------------------|--|---------------|---------------------------|
|  | Unitholders' capital        |                                     |                           | Surplus  |   |                             |  |               | Total unitholders' equity |
|  | Unitholders' capital, gross | Deduction from unitholders' capital | Unitholders' capital, net | Voluntary retained earnings  |   |                             | Unappropriated retained earnings (undisposed loss) | Total surplus |                           |
|  |                             |                                     |                           | Reserve for reduction entry of special provisions of replaced property | Reserve for tax purpose reduction entry | Voluntary retained earnings |  |               |                           |
|  |                             |                                     |                           |  |   |                             |  |               |                           |
| Balance at beginning of period                       | 132,245,145                 | (4,900,686)                         | 127,344,458               | 2,219,363  | 366,036                                 | 2,585,399                   | 9,752,874  | 12,338,274    | 139,682,733               |
| Changes of items during period                       |                             |                                     |                           |  |   |                             |  |               |                           |
| Provision of reserve for tax purpose reduction entry |                             |                                     |                           |  | 856,000                                 | 856,000                     | (856,000)  | -             | -                         |
| Dividends of surplus                                 |                             |                                     |                           |  |   |                             | (8,896,867)  | (8,896,867)   | (8,896,867)               |
| Profit   |                             |                                     |                           |  |   |                             | 4,120,075  | 4,120,075     | 4,120,075                 |
| Net changes of items other than unitholders' equity  |                             |                                     |                           |  |   |                             |  |               |                           |
| Total changes of items during period                 | -                           | -                                   | -                         | -  | 856,000                                 | 856,000                     | (5,632,791)  | (4,776,791)   | (4,776,791)               |
| Balance at end of period                             | 132,245,145                 | (4,900,686)                         | 127,344,458               | 2,219,363  | 1,222,036                               | 3,441,399                   | 4,120,082  | 7,561,482     | 134,905,941               |

|  | Valuation and translation adjustments |   | Total net assets |
|--|---------------------------------------|---|------------------|
|  | Deferred gains or losses on hedges    | Total valuation and translation adjustments |                  |
| Balance at beginning of period                       | (82,533)                              | (82,533)                                    | 139,600,200      |
| Changes of items during period                       |                                       |   |                  |
| Provision of reserve for tax purpose reduction entry |                                       |   | -                |
| Dividends of surplus                                 |                                       |   | (8,896,867)      |
| Profit   |                                       |   | 4,120,075        |
| Net changes of items other than unitholders' equity  | (12,656)                              | (12,656)                                    | (12,656)         |
| Total changes of items during period                 | (12,656)                              | (12,656)                                    | (4,789,448)      |
| Balance at end of period                             | (95,189)                              | (95,189)                                    | 134,810,751      |

For the six-month period ended July 31, 2020

(Thousands of yen)

|   | Unitholders' equity         |                                     |                           |  |   |                             |  |               |                           |
|---|-----------------------------|-------------------------------------|---------------------------|--|---|-----------------------------|--|---------------|---------------------------|
|   | Unitholders' capital        |                                     |                           | Surplus  |   |                             |  |               | Total unitholders' equity |
|   | Unitholders' capital, gross | Deduction from unitholders' capital | Unitholders' capital, net | Voluntary retained earnings  |   |                             | Unappropriated retained earnings (undisposed loss) | Total surplus |                           |
|   |                             |                                     |                           | Reserve for reduction entry of special provisions of replaced property | Reserve for tax purpose reduction entry | Voluntary retained earnings |  |               |                           |
| Balance at beginning of period                      | 132,245,145                 | (4,900,686)                         | 127,344,458               | 2,219,363  | 366,036                                 | 2,585,399                   | 4,556,242  | 7,141,642     | 134,486,101               |
| Changes of items during period                      |                             |                                     |                           |  |   |                             |  |               |                           |
| Dividends of surplus                                |                             |                                     |                           |  |   |                             | (4,556,137)  | (4,556,137)   | (4,556,137)               |
| Profit  |                             |                                     |                           |  |   |                             | 9,752,769  | 9,752,769     | 9,752,769                 |
| Net changes of items other than unitholders' equity |                             |                                     |                           |  |   |                             |  |               |                           |
| Total changes of items during period                | -                           | -                                   | -                         | -  | -                                       | -                           | 5,196,632  | 5,196,632     | 5,196,632                 |
| Balance at end of period                            | 132,245,145                 | (4,900,686)                         | 127,344,458               | 2,219,363  | 366,036                                 | 2,585,399                   | 9,752,874  | 12,338,274    | 139,682,733               |

|   | Valuation and translation adjustments |   | Total net assets |
|---|---------------------------------------|---|------------------|
|   | Deferred gains or losses on hedges    | Total valuation and translation adjustments |                  |
| Balance at beginning of period                      | (94,204)                              | (94,204)                                    | 134,391,896      |
| Changes of items during period                      |                                       |   |                  |
| Dividends of surplus                                |                                       |   | (4,556,137)      |
| Profit  |                                       |   | 9,752,769        |
| Net changes of items other than unitholders' equity | 11,671                                | 11,671                                      | 11,671           |
| Total changes of items during period                | 11,671                                | 11,671                                      | 5,208,303        |
| Balance at end of period                            | (82,533)                              | (82,533)                                    | 139,600,200      |

## Statement of Cash Flows

(Thousands of yen)

|   | For the six-month period<br>ended January 31, 2021 | For the six-month period<br>ended July 31, 2020 |
|---|--|---|
| <b>Cash flows from operating activities</b>                         |  |   |
| Profit before income taxes  | 4,120,954  | 9,753,606                                       |
| Depreciation  | 1,887,616  | 1,928,063                                       |
| Amortization of investment corporation bond<br>issuance costs       | 3,570  | 3,532   |
| Interest income   | (22)   | (22)  |
| Interest expenses   | 357,422  | 363,777   |
| Loss on retirement of non-current assets                            | 284,039  | 52,538  |
| Decrease (increase) in operating accounts<br>receivable             | (62,041)   | 18,238  |
| Decrease (increase) in consumption taxes refund<br>receivable       | (421,645)  | -   |
| Increase (decrease) in accrued consumption taxes                    | (1,352,231)  | 1,317,572                                       |
| Decrease (increase) in prepaid expenses                             | (1,886)  | 1,843   |
| Decrease (increase) in long-term prepaid expenses                   | (2,943)  | 54,227  |
| Increase (decrease) in operating accounts payable                   | 69,077   | (149,408)                                       |
| Increase (decrease) in accrued expenses                             | 19,524   | (27,453)  |
| Increase (decrease) in advances received                            | (13,532)   | (27,071)  |
| Decrease in property, plant and equipment due to<br>sale            | -  | 3,345,619                                       |
| Decrease in property, plant and equipment in trust<br>due to sale   | -  | 8,346,646                                       |
| Other, net  | (508)  | (6,307)   |
| <b>Subtotal</b>   | <b>4,887,391</b>                                   | <b>24,975,401</b>                               |
| Interest income received  | 22   | 22  |
| Interest expenses paid  | (367,051)  | (364,577)                                       |
| Income taxes (paid) refund  | (846)  | (657)   |
| <b>Net cash provided by (used in) operating activities</b>          | <b>4,519,516</b>                                   | <b>24,610,188</b>                               |
| <b>Cash flows from investing activities</b>                         |  |   |
| Purchase of property, plant and equipment                           | (251,166)  | (3,938,046)                                     |
| Purchase of property, plant and equipment in trust                  | (593,343)  | (482,673)                                       |
| Purchase of intangible assets                                       | (8,420)  | -   |
| Proceeds from leasehold and guarantee deposits<br>received          | 44,089   | 144,569   |
| Repayments of leasehold and guarantee deposits<br>received          | (152,029)  | (84,322)  |
| Proceeds from leasehold and guarantee deposits<br>received in trust | 2,320  | 517   |
| Repayments of leasehold and guarantee deposits<br>received in trust | (23,569)   | (250,861)                                       |
| <b>Net cash provided by (used in) investing activities</b>          | <b>(982,120)</b>                                   | <b>(4,610,817)</b>                              |
| <b>Cash flows from financing activities</b>                         |  |   |
| Proceeds from short-term borrowings                                 | -  | 4,000,000                                       |
| Repayments of short-term borrowings                                 | -  | (10,000,000)                                    |
| Proceeds from long-term borrowings                                  | 7,000,000  | -   |
| Repayments of long-term borrowings                                  | (7,000,000)  | -   |
| Distributions paid  | (8,893,868)  | (4,555,164)                                     |
| <b>Net cash provided by (used in) financing activities</b>          | <b>(8,893,868)</b>                                 | <b>(10,555,164)</b>                             |
| Net increase (decrease) in cash and cash equivalents                | (5,356,472)  | 9,444,205                                       |
| Cash and cash equivalents at beginning of period                    | 19,518,559   | 10,074,354                                      |
| Cash and cash equivalents at end of period (Note 7)                 | 14,162,087   | 19,518,559                                      |

## Notes to Financial Statements

### 1. Organization

JLF is the first logistics properties focused J-REIT, with target area of Tokyo Metropolitan area, Osaka, Nagoya and Fukuoka Area. Based on the AITIC, JLF was founded on February 22, 2005 by MLP as the asset management company and was listed on the REIT section of the Tokyo Stock Exchange on May 9 of the same year (securities code: 8967).

As of January 31, 2021, JLF owns 49 properties under management with total acquisition price of 269,121 million yen and total assets of 259,848 million yen.

### 2. Basis of Presenting Financial Statements

JLF maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan (Japanese GAAP), including provisions set forth in the Financial Instrument and Exchange Act of Japan, the AITIC, the Companies Act of Japan and the related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are prepared from the Japanese financial statements of JLF, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of JLF filed with the Kanto Local Finance Bureau of the Ministry of Finance. The amounts in the financial statements originally prepared in Japanese have been rounded off to the nearest thousand in the accompanying financial statements unless otherwise specified. JLF does not prepare consolidated financial statements, as JLF has no subsidiaries.

### 3. Summary of Significant Accounting Policies

(1) Depreciation method for non-current assets

(i) Property, plant, and equipment (including trust assets)

The straight-line method is used.

The useful lives of property, plant and equipment are listed below.

|                                |               |
|--------------------------------|---------------|
| Buildings                      | 2 to 64 years |
| Structures                     | 2 to 48 years |
| Tools, furniture, and fixtures | 2 to 15 years |

(ii) Intangible assets

The straight-line method is used.

(2) Accounting for deferred assets

Investment corporation bond issuance costs

Investment corporation bond issuance costs are amortized by the straight-line method over the period through redemption.

(3) Accounting for income and expenses

Accounting for property taxes

Property tax, city planning tax, depreciable asset tax, and the like levied on real estate assets and other properties are accounted for as expenses related to rent business at the amounts corresponding to the fiscal period.

The amount of property tax, etc. paid to the seller as part of settlement for acquisition of real estate and real estate in trust is not accounted for as expenses but included in acquisition cost of the respective real estate, etc. In the six-month periods ended January 31, 2021, the property tax, etc. included in the acquisition cost of real estate was 12,365 thousand yen. In the six-month periods ended July 31, 2020, the property tax, etc. included in the acquisition cost of real estate was not applicable.

(4) Hedge accounting method

(i) Hedge accounting method

Deferred hedge accounting is applied.

However, specially designated accounting is applied to transactions that meet the requirements for specially designated accounting for interest swaps.

(ii) Hedging instruments and hedged items

Hedging instruments: Interest rate swap transactions

Hedged items: Interest on borrowings

(iii) Hedging policy

JLF utilizes derivative transactions to hedge the risks specified in the Articles of Incorporation of the Investment Corporation based on its risk management policy.

(iv) Method of assessing hedge effectiveness

Hedge effectiveness is assessed by making a comparison between the cumulative total of cash flow fluctuations attributable to hedged items and the cumulative total of cash flow fluctuations attributable to the means of hedging, and examining the ratio of these totals of fluctuations. However, the assessment of effectiveness is not conducted for transactions that meet the requirements for specially designated accounting for interest swaps.

(5) Scope of cash and cash equivalents in the statement of cash flows

Cash and cash equivalents consist of cash on hand, cash in trust, deposits and deposits in trust withdrawable on demand,

and short-term investments, which are easily convertible into cash, with low risk of price fluctuation and with a maturity of less than three months.

(6) Other significant basis for preparation of financial statements

(i) Accounting for trust beneficiary right for real estate, etc. as trust asset

With regard to trust beneficiary right for real estate, etc. held as trust asset, all assets and liabilities as well as all revenue and expense items associated with trust assets are accounted for under the respective account items of the Balance Sheet and Statement of Income and Retained Earnings.

Of the trust assets accounted for under the respective account items, the following items with significance are separately indicated on the Balance Sheet.

(a) Cash and deposits in trust

(b) Buildings in trust, Structures in trust, Tools, furniture and fixtures in trust and Land in trust

(c) Leasehold and guarantee deposits received in trust

(ii) Method of accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(Accounting standards not yet applied)

- Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, Accounting Standard for Revenue Recognition, revised on March 31, 2020
- ASBJ Guidance No. 30, Implementation Guidance on Accounting Standard for Revenue Recognition, revised on March 31, 2020
- ASBJ Guidance No. 19, Implementation Guidance on Disclosures about Fair Value of Financial Instruments, revised on March 31, 2020

(1) Overview

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) have jointly developed the new and comprehensive accounting standard for revenue recognition, and have published “Revenue from Contracts with Customers” (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. As IFRS 15 shall be adopted in the IFRS-based financial statements for periods beginning on or after January 1, 2018, and in the U.S. GAAP-based financial statements for periods beginning after December 15, 2017, ASBJ has developed and published the comprehensive accounting standard and implementation guidance for revenue recognition accordingly.

As the basic policy of ASBJ for the development of new accounting standard for revenue recognition, from the point of view of the comparability between the financial statements based on IFRS or U.S. GAAP and Japanese GAAP as a benefit for the consistency with IFRS 15, the accounting standard in Japan has been established while adopting the basic principle of IFRS 15, and in the case that there is an item that the actual practice conducted in Japan is considered, the alternate treatments are added within the scope not to fail the comparability.

(2) Scheduled date of application

The above standards will be applied from the beginning of the fiscal period ending January 31, 2022.

(3) Impact of applying the accounting standards

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its financial statements.

- ASBJ Statement No. 30, Accounting Standard for Fair Value Measurement, issued on July 4, 2019
- ASBJ Statement No. 10, Accounting Standard for Financial Instruments, revised on July 4, 2019
- ASBJ Guidance No. 31, Implementation Guidance on Accounting Standard for Fair Value Measurement, issued on July 4, 2019
- ASBJ Guidance No. 19, Implementation Guidance on Disclosures about Fair Value of Financial Instruments, revised on March 31, 2020

(1) Overview

IASB and FASB have established similar contents and detailed guidance regarding fair value measurement (IFRS 13 “Fair Value Measurement” in IFRS and Accounting Standards Codification Topic 820 “Fair Value Measurement” in U.S. GAAP). In light of this establishment, ASBJ has worked on the consistency of Japanese GAAP with such international accounting standards regarding the guidance on fair value of financial instruments and disclosures, and issued these standards and implementation guidance listed above.

As the basic policy of ASBJ for the development of accounting standards for fair value measurement, by using the unified measurement method, from the view point of improvement of the comparability of financial statements among domestic

and foreign companies, ASBJ decided to adopt all the provisions of IFRS 13 basically. In addition, considering the practices that have been executed in our country, within the scope not to significantly impair the comparability between the financial statements, the other treatments to the individual items are defined.

(2) Scheduled date of application

The standard will be effective from the beginning of the fiscal period ending January 31, 2022.

(3) Impact of applying the accounting standards

The Company is in the process of evaluating the monetary impacts on financial statements attributable to the application of the Accounting Standard for Fair Value Measurement, etc.

- ASBJ Statement No. 31, Accounting Standard for Disclosure of Accounting Estimates, issued on March 31, 2020

(1) Overview

IASB issued a revised International Accounting Standard No.1 (“IAS 1”), “Presentation of Financial Statements” in 2003. The disclosure of “Sources of estimation uncertainty” is required in paragraph 125 of IAS 1, as highly useful information to the users of financial statements, and the disclosure as notes information has been requested to be considered under Japanese GAAP as well. Accordingly, ASBJ developed and issued Accounting Standard for Disclosure of Accounting Estimates.

As the basic policy of ASBJ for the development of the Accounting Standard, by showing the principle (disclosure purpose) rather than expanding individual notes, a company should judge its own specific disclosure content in light of the disclosure purpose. For the development, the provisions in the paragraph 125 of IAS 1 were used as a reference.

(2) Scheduled date of application

The standard will be effective from the end of the fiscal period ending July 31, 2021.

- ASBJ Statement No.24, Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections, revised on March 31, 2020

(1) Overview

In response to the recommendation considering the enhancement of note information in regards to “Principles and Procedures of Accounting Treatment Adopted When Related Accounting Standards Are Uncertain”, ASBJ revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.

Working to improve the note information related to “Principles and Procedures of Accounting Treatment Adopted When Related Accounting Standards Are Uncertain”, the provision of Financial Accounting Principles (note 1-2) will be followed to avoid influencing actual practice when the relevant accounting standards exist.

(2) Scheduled date of application

The standard will be effective from the end of the fiscal period ending July 31, 2021.

#### 4. Notes to Balance Sheet

(1) Commitment line contracts

The Company has the commitment line contracts with the banks.

|   | (Thousands of yen)     |                     |
|---|------------------------|---------------------|
|   | As of January 31, 2021 | As of July 31, 2020 |
| Total amount specified in the commitment line contracts | 17,500,000             | 17,500,000          |
| Borrowing balance at end of period                      | -                      | -                   |
| Outstanding borrowing commitments at end of period      | 17,500,000             | 17,500,000          |

(2) Status of cancellation of own investment units

|   | As of January 31, 2021 | As of July 31, 2020    |
|---|------------------------|------------------------|
| Total number own investment units cancelled | 19,927 units           | 19,927 units           |
| Total amount of cancellation                | 4,436,262 thousand yen | 4,436,262 thousand yen |

(Note) There are no cancelled buybacks during the fiscal period under review.

(3) The breakdown of reserve for reduction entry of special provisions of replaced property prescribed in Article 2, Paragraph 2, Item 28 of the Ordinance on Accounting of Investment Corporations is as follows.

| Items   | Breakdown   |                        |
|---|---|------------------------|
|   | As of January 31, 2021  | As of July 31, 2020    |
| Corresponding property                                    | Ichikawa Logistics Center II / land   |                        |
| Reason for recognition and amount                         | Gain on sales of real estate properties of 2,618,320 thousand yen due to sales of Funabashi Nishiura Logistics Center II and Yokosuka Logistics Center. |                        |
| Policy for reversal                                       | Reversal into retained earnings is made in accordance with tax regulations.   |                        |
| Description of reversal in the period                     | Not applicable.   |                        |
|   | As of January 31, 2021  | As of July 31, 2020    |
| Balance before provision and reversal in the period       | 2,219,363 thousand yen  | 2,219,363 thousand yen |
| Reversal in the statement of income and retained earnings | -   | -                      |
| Amount on the balance sheet                               | 2,219,363 thousand yen  | 2,219,363 thousand yen |
| Provision as disclosed in 22. Distribution Information    | -   | -                      |
| Reversal as disclosed in 22. Distribution Information     | -   | -                      |
| Balance after provision and reversal in the period        | 2,219,363 thousand yen  | 2,219,363 thousand yen |

(4) Minimum amount of net assets prescribed in Article 67, Item 4 of the Investment Trusts Act

|  | (Thousands of yen)     |                     |
|--|------------------------|---------------------|
|  | As of January 31, 2021 | As of July 31, 2020 |
|  | 50,000                 | 50,000              |

## 5. Notes to Statement of Income and Retained Earnings

### (1) Breakdown of income from real estate leasing business

|   | (Thousands of yen)                                 |                  |   |                  |
|---|--|------------------|---|------------------|
|   | For the six-month period ended<br>January 31, 2021 |                  | For the six-month period ended July<br>31, 2020 |                  |
| <b>(i) Real estate leasing business revenue</b>       |  |                  |   |                  |
| Rent revenue-real estate                              |  |                  |   |                  |
| Rent income   | 8,640,791  |                  | 8,839,165                                       |                  |
| Land rents received                                   | 600  |                  | 600   |                  |
| Facility charges                                      | 233,110  | 8,874,502        | 231,553   | 9,071,318        |
| Other lease business revenue                          |  |                  |   |                  |
| Parking charges                                       | 24,544   |                  | 25,163  |                  |
| Utilities charges                                     | 204,433  |                  | 203,436   |                  |
| Other operating income                                | 16,716   | 245,694          | 71,058  | 299,657          |
| <b>Total real estate leasing business revenue</b>     |  | <b>9,120,197</b> |   | <b>9,370,976</b> |
| <b>(ii) Real estate leasing business expenses</b>     |  |                  |   |                  |
| Expenses related to rent business                     |  |                  |   |                  |
| Taxes and dues  | 804,713  |                  | 832,808   |                  |
| Outsourcing service expenses                          | 261,325  |                  | 263,804   |                  |
| Utilities expenses                                    | 197,039  |                  | 205,484   |                  |
| Repair expenses                                       | 186,897  |                  | 549,210   |                  |
| Insurance expenses                                    | 24,203   |                  | 25,770  |                  |
| Other expenses related to rent business               | 47,540   |                  | 126,292   |                  |
| Depreciation  | 1,887,008  |                  | 1,928,016                                       |                  |
| Loss on retirement of non-current assets              | 284,039  |                  | 52,538  |                  |
| <b>Total real estate leasing business expenses</b>    |  | <b>3,692,768</b> |   | <b>3,983,926</b> |
| <b>(iii) Income from real estate leasing business</b> |  |                  |   |                  |
| <b>((i) - (ii))</b>                                   |  | <b>5,427,429</b> |   | <b>5,387,049</b> |

### (2) Breakdown of gain on sales of real estate properties

For the six-month period ended January 31, 2021

Not applicable.

For the six-month period ended July 31, 2020

Tajimi Logistics center

(Thousands of yen)

|  |                  |
|--|------------------|
| Sales proceeds                                 | 13,900,000       |
| Book value of property sold                    | 8,346,646        |
| Other sales expenses                           | 204,418          |
| <b>Gain on sales of real estate properties</b> | <b>5,348,935</b> |

Yachiyo Logistics center III

(Thousands of yen)

|  |                |
|--|----------------|
| Sales proceeds                                 | 3,700,000      |
| Book value of property sold                    | 3,345,619      |
| Other sales expenses                           | 38,228         |
| <b>Gain on sales of real estate properties</b> | <b>316,152</b> |

## 6. Notes to Statement of Changes in Net Assets

Total number of investment units authorized and total number of investment units issued and outstanding

|   | For the six-month period ended<br>January 31, 2021 | For the six-month period ended<br>July 31, 2020 |
|---|--|---|
| Total number of investment units authorized             | 10,000,000 units                                   | 10,000,000 units                                |
| Total number of investment units issued and outstanding | 905,073 units                                      | 905,073 units                                   |

## 7. Notes to Statement of Cash Flows

Relationship between cash and cash equivalents at end of period and the amount on the balance sheet

|                                    | (Thousands of yen)                                 |   |
|------------------------------------|--|---|
|                                    | For the six-month period<br>ended January 31, 2021 | For the six-month period<br>ended July 31, 2020 |
| Cash and deposits                  | 10,082,918   | 15,528,650                                      |
| Cash and deposits in trust         | 4,268,938  | 4,178,384                                       |
| Long-term deposits received (Note) | (189,770)  | (188,475)                                       |
| Cash and cash equivalents          | 14,162,087   | 19,518,559                                      |

(Note) "Long-term deposits received" means the deposits for which the withdrawal is restricted based on the co-ownership agreement for the property in trust.

## 8. Lease Transactions

Operating lease transactions (as a lessor)

|                                  | (Thousands of yen)                                 |   |
|----------------------------------|--|---|
|                                  | For the six-month period ended<br>January 31, 2021 | For the six-month period<br>ended July 31, 2020 |
| Future lease payments receivable |  |   |
| Due within one year              | 15,863,519   | 16,074,686                                      |
| Due after one year               | 49,605,164   | 57,497,014                                      |
| Total                            | 65,468,683   | 73,571,701                                      |

## 9. Financial Instruments

### (1) Matters concerning the status of financial instruments

#### (i) Policies on financial instruments

JLF procures funds mainly by additionally issuing investment units, borrowing funds, or issuing investment corporation bonds for the purpose of securing funds required for acquisition of assets and repair of assets, payments of dividends, and operation of JLF or repayment of debts.

When procuring funds through interest-bearing debt, JLF comprehensively takes into account the conditions in the capital market and the financial environment, the capital structure of JLF and lease terms with tenants, impact on the existing unitholders, and other factors, expects the future changes in economic and social conditions, and selects an effective means of procuring funds in terms of long or short borrowing periods and fixed or variable interest rates.

JLF uses derivative transactions for the purpose of hedging interest rate fluctuation risk and other risks and does not enter into derivative transactions for speculative or trading purpose.

JLF invests surplus funds in securities and monetary claims with a focus on safety and liquidity, and does not engage into speculative investment.

#### (ii) Description of financial instruments and associated risks, and the risk management system

Deposits are one means of investing the surplus funds of JLF and are exposed to credit risk such as the bankruptcy of deposit financial institutions. JLF works to mitigate credit risk by shortening the period of deposits and dealing with deposit financial institutions with high credit ratings.

Borrowings and investment corporation bonds are used primarily for acquisition of assets and repayments of debts, and are exposed to liquidity risk at the time of repayment/redemption. JLF strives to mitigate liquidity risk by diversifying lenders, repayment periods, and means of funds procurement and by securing liquidity on hand by setting commitment lines and manages liquidity risk by preparing cash flow management sheets and other methods.

Variable interest rate borrowings are exposed to the risk of interest rate fluctuations. Derivative transactions are utilized for certain borrowings as hedges by JLF to mitigate this risk. See "(5) Hedge accounting method" above under "Summary of Significant Accounting Policies" for details about the hedging instruments, hedged items, hedging policy, and method of assessing hedge effectiveness, etc. in hedge accounting.

#### (iii) Description of financial instruments

Fair value of financial instruments comprises value based on market prices or rationally calculated value in the case the market prices are not available. As certain assumptions are applied in performing calculations of such value, the value may differ if different assumptions are used. In addition, the contract amount of derivative transactions, which is presented in the following section entitled "Derivatives," is not indicative of the market risk attributable to derivative transactions.

### (2) Matters concerning fair value, etc. of financial instruments

Amounts on the Balance Sheet, fair value and their difference as of January 31, 2021 are as follows;

(Thousands of yen)

|   | Amount<br>on the balance sheet | Fair value  | Difference |
|---|--------------------------------|-------------|------------|
| (1) Cash and deposits                       | 10,082,918                     | 10,082,918  | -          |
| (2) Cash and deposits in trust              | 4,268,938                      | 4,268,938   | -          |
| Total assets                                | 14,351,857                     | 14,351,857  | -          |
| (1) Current portion of long-term borrowings | 18,000,000                     | 18,023,068  | 23,068     |
| (2) Investment corporation bond             | 11,700,000                     | 11,877,791  | 177,791    |
| (3) Long-term borrowings                    | 85,000,000                     | 86,281,185  | 1,281,185  |
| Total liabilities                           | 114,700,000                    | 116,182,046 | 1,482,046  |
| Derivative transactions *                   | (95,189)                       | (95,189)    | -          |

\*Net amounts are shown for credits and liabilities attributable to derivative transactions, and the total of the items that constitute net liabilities is shown in parentheses.

Amounts on the Balance Sheet, fair value and their difference as of July 31, 2020 are as follows;

(Thousands of yen)

|   | Amount<br>on the balance sheet | Fair value  | Difference |
|---|--------------------------------|-------------|------------|
| (1) Cash and deposits                       | 15,528,650                     | 15,528,650  | -          |
| (2) Cash and deposits in trust              | 4,178,384                      | 4,178,384   | -          |
| Total assets                                | 19,707,035                     | 19,707,035  | -          |
| (1) Current portion of long-term borrowings | 16,000,000                     | 16,050,748  | 50,748     |
| (2) Investment corporation bond             | 11,700,000                     | 11,850,428  | 150,428    |
| (3) Long-term borrowings                    | 87,000,000                     | 88,311,488  | 1,311,488  |
| Total liabilities                           | 114,700,000                    | 116,212,665 | 1,512,665  |
| Derivative transactions *                   | (82,533)                       | (82,533)    | -          |

\*Net amounts are shown for credits and liabilities attributable to derivative transactions, and the total of the items that constitute net liabilities is shown in parentheses.

(Note 1) Matters concerning the method of calculating the market value of financial instruments and derivative transactions.

Assets

(1) Cash and deposits, (2) Cash and deposits in trust

The fair value of these is presented same as the book value, as they are settled in the short-term period and accordingly fair value is almost equal to book value.

Liabilities

(1) Current portion of long-term borrowings, (3) Long-term borrowings

The fair value of long-term borrowings with fixed interest rates is calculated by discounting such borrowings at rates that would be applied if new borrowings with the same amount are borrowed under similar terms and conditions. (However, long-term borrowings that are subject to specially designated accounting for interest swaps are calculated by discounting such borrowings at reasonably estimated rates that would be applied if new borrowings with the same amount are borrowed under similar terms and conditions.

(2) Investment corporation bond

When quoted market prices are available, the fair value is determined based on the reference value issued by the Japan Securities Dealers Association.

When quoted market prices are not available, the fair value is determined based on the present value calculated by discounting the total amount of principal and interest using a discount rate that reflects the remaining period and credit risk of the corresponding investment corporation bond.

Derivative transactions

See "Derivatives" below.

(Note 2) Financial instruments for which fair value is difficult to determine.

Not applicable For the six-month period ended January 31, 2021 and ended July 31, 2020.

(Note 3) Scheduled redemption amount of financial claims after the closing date.

As of January 31, 2021

(Thousands of yen)

|                            | Within<br>1 year | 1~2 years | 2~3 years | 3~4 years | 4~5 years | After<br>5 years |
|----------------------------|------------------|-----------|-----------|-----------|-----------|------------------|
| Cash and deposits          | 10,082,918       | -         | -         | -         | -         | -                |
| Cash and deposits in trust | 4,268,938        | -         | -         | -         | -         | -                |
| Total                      | 14,351,857       | -         | -         | -         | -         | -                |

As of July 31, 2020

(Thousands of yen)

|                            | Within<br>1 year | 1~2 years | 2~3 years | 3~4 years | 4~5 years | After<br>5 years |
|----------------------------|------------------|-----------|-----------|-----------|-----------|------------------|
| Cash and deposits          | 15,528,650       | -         | -         | -         | -         | -                |
| Cash and deposits in trust | 4,178,384        | -         | -         | -         | -         | -                |
| Total                      | 19,707,035       | -         | -         | -         | -         | -                |

(Note 4) Scheduled repayment amount of long-term borrowings and other interest-bearing debt after the closing date

As of January 31, 2021

(Thousands of yen)

|                             | Within<br>1 year | 1~2 years  | 2~3 years  | 3~4 years | 4~5 years  | After<br>5 years |
|-----------------------------|------------------|------------|------------|-----------|------------|------------------|
| Long-term borrowings        | 18,000,000       | 19,000,000 | 16,500,000 | 6,500,000 | 7,000,000  | 36,000,000       |
| Investment corporation bond | -                | -          | -          | -         | 3,000,000  | 8,700,000        |
| Total                       | 18,000,000       | 19,000,000 | 16,500,000 | 6,500,000 | 10,000,000 | 44,700,000       |

As of July 31, 2020

(Thousands of yen)

|                             | Within<br>1 year | 1~2 years  | 2~3 years  | 3~4 years  | 4~5 years | After<br>5 years |
|-----------------------------|------------------|------------|------------|------------|-----------|------------------|
| Long-term borrowings        | 16,000,000       | 18,500,000 | 17,000,000 | 15,500,000 | 4,500,000 | 31,500,000       |
| Investment corporation bond | -                | -          | -          | -          | -         | 11,700,000       |
| Total                       | 16,000,000       | 18,500,000 | 17,000,000 | 15,500,000 | 4,500,000 | 43,200,000       |

## 10. Derivatives

### (1) Transactions not subject to hedge accounting

Not applicable For the six-month period ended January 31, 2021 and ended July 31, 2020.

### (2) Transactions subject to hedge accounting

For the six-month period ended January 31, 2021

The following table shows the contract amount on the closing date for derivative transactions, or the amount corresponding to the principal specified in the contract.

| Hedge accounting method                                       | Type of derivative transactions                                | Primary hedged items | Contract amount (Thousands of yen) |                      | Fair value (Thousands of yen) | Method used to calculate the fair value                                  |
|---|--|----------------------|------------------------------------|----------------------|-------------------------------|--|
|   |  |                      |                                    | Amount over one year |                               |  |
| Deferred hedge accounting                                     | Interest rate swap transactions<br>Receive variable, pay fixed | Long-term borrowings | 9,000,000                          | 7,000,000            | (95,189)                      | Based on prices and other conditions presented by financial institutions |
| Special treatment for hedge accounting of interest rate swaps | Interest rate swap transactions<br>Receive variable, pay fixed | Long-term borrowings | 7,500,000                          | 7,500,000            | *                             | -  |

\* Because the interest rate swaps accounted for using the special treatment are treated together with the hedged long-term borrowings, their fair value is included in that of the long-term borrowings.

For the six-month period ended July 31, 2020

The following table shows the contract amount on the closing date for derivative transactions, or the amount corresponding to the principal specified in the contract.

| Hedge accounting method                                       | Type of derivative transactions                                | Primary hedged items | Contract amount (Thousands of yen) |                      | Fair value (Thousands of yen) | Method used to calculate the fair value                                  |
|---|--|----------------------|------------------------------------|----------------------|-------------------------------|--|
|   |  |                      |                                    | Amount over one year |                               |  |
| Deferred hedge accounting                                     | Interest rate swap transactions<br>Receive variable, pay fixed | Long-term borrowings | 9,000,000                          | 9,000,000            | (82,533)                      | Based on prices and other conditions presented by financial institutions |
| Special treatment for hedge accounting of interest rate swaps | Interest rate swap transactions<br>Receive variable, pay fixed | Long-term borrowings | 7,500,000                          | 7,500,000            | *                             | -  |

\* Because the interest rate swaps accounted for using the special treatment are treated together with the hedged long-term borrowings, their fair value is included in that of the long-term borrowings.

## 11. Tax Effect Accounting

### (1) Breakdown of major causes of deferred tax assets and deferred tax liabilities

|                                    | (Thousands of yen)     |                     |
|------------------------------------|------------------------|---------------------|
|                                    | As of January 31, 2021 | As of July 31, 2020 |
| Deferred tax assets, current       |                        |                     |
| Enterprise tax not deductible      | 13                     | 11                  |
| Deferred gains or losses on hedges | 29,946                 | 25,964              |
| Subtotal deferred tax, current     | 29,959                 | 25,976              |
| Valuation Allowance                | (29,946)               | (25,964)            |
| Total deferred tax assets, current | 13                     | 11                  |
| Deferred tax assets, net, current  | 13                     | 11                  |

### (2) Breakdown by major cause of material difference between the effective statutory tax rate and the effective tax rate after applying tax effect accounting

|   | As of January 31, 2021 | As of July 31, 2020 |
|---|------------------------|---------------------|
| Effective statutory tax rate                            | 31.46%                 | 31.46%              |
| Adjustments   |                        |                     |
| Deductible cash distributions                           | (33.17) %              | (28.70) %           |
| Provision of reserve for reduction entry                | -                      | (2.76) %            |
| Reversal of reserve for reduction entry                 | 1.71%                  | -                   |
| Other   | 0.01%                  | 0.01%               |
| Effective tax rate after applying tax effect accounting | 0.02%                  | 0.01%               |

## 12. Transactions with Related Parties

### (1) Parent company and principal corporate unitholders

Not applicable For the six-month period ended January 31, 2021 and ended July 31, 2020.

### (2) Subsidiaries and affiliates

Not applicable For the six-month period ended January 31, 2021 and ended July 31, 2020.

### (3) Sister companies

Not applicable For the six-month period ended January 31, 2021 and ended July 31, 2020.

### (4) Directors and principal individual unitholders

For the six-month period ended January 31, 2021

| Classification                 | Name of company or individual | Address | Paid-in capital or investment | Business description or occupation  | Voting rights holding ratio | Nature of transaction   | Transaction amount (Thousands of yen) | Account          | Balance at end of period (Thousands of yen) |
|--------------------------------|-------------------------------|---------|-------------------------------|---|-----------------------------|---|---------------------------------------|------------------|---|
| Director or the close relative | Naohiro Kameoka               | -       | -                             | Executive Director of Japan Logistics Fund, Inc. and President of Mitsui & Co., Logistics Partners Ltd. | -                           | Payment of asset management fee to Mitsui & Co., Logistics Partners Ltd. (Note 1) | 764,365 (Note 2)                      | Accrued expenses | 545,776 (Note 2)                            |

(Note 1) This is a transaction executed by Naohiro Kameoka as President of a third party (Mitsui & Co., Logistics Partners Ltd.), and the fee is in line with the Articles of Incorporation of JLF.

(Note 2) Of the above amounts, the transaction amount does not include consumption taxes while the balance at the end of fiscal period does.

For the six-month period ended July 31, 2020

| Classification                 | Name of company or individual | Address | Paid-in capital or investment | Business description or occupation  | Voting rights holding ratio | Nature of transaction   | Transaction amount (Thousands of yen) | Account          | Balance at end of period (Thousands of yen) |
|--------------------------------|-------------------------------|---------|-------------------------------|---|-----------------------------|---|---------------------------------------|------------------|---|
| Director or the close relative | Naohiro Kameoka               | -       | -                             | Executive Director of Japan Logistics Fund, Inc. and President of Mitsui & Co., Logistics Partners Ltd. | -                           | Payment of asset management fee to Mitsui & Co., Logistics Partners Ltd. (Note 1) | 854,167 (Note 2) (Note 3)             | Accrued expenses | 524,740 (Note 3)                            |

(Note 1) This is a transaction executed by Naohiro Kameoka as President of a third party (Mitsui & Co., Logistics Partners Ltd.), and the fee is in line with the Articles of Incorporation of JLF.

(Note 2) Asset management fee includes disposition fee of 88,000 thousand yen, and acquisition fee of 27,128 thousand yen, which were capitalized on the book value of the acquired properties.

(Note 3) Of the above amounts, the transaction amount does not include consumption taxes while the balance at the end of fiscal period does.

### 13. Lease Properties

JLF holds logistics properties for lease in the Tokyo Metropolitan area and other areas. The amounts on the Balance Sheet changes during the fiscal period, and fair value of lease properties are as follows

(Thousands of yen)

|  | For the six-month period ended January 31, 2021 | For the six-month period ended July 31, 2020 |
|--|---|--|
| Amount on the balance sheet            |   |  |
| Balance at the beginning of the period | 245,388,688                                     | 254,415,529                                  |
| Changes during the period              | (1,307,326)                                     | (9,026,840)                                  |
| Balance at the end of the period       | 244,081,362                                     | 245,388,688                                  |
| Fair value at the end of the period    | 356,630,000                                     | 349,850,000                                  |

(Note 1) The amount on the balance sheet is acquisition cost less accumulated depreciation. The amount on the balance sheet does not include the amount of the construction in progress.

(Note 2) The decrease of the lease properties For the six-month period ended July 31, 2020 is mainly due to the increase by the acquisition of Shiroy Logistics Center (3,962,219 thousand yen) and the decrease by the disposition of Tajimi Logistics Center (8,346,646 thousand yen) and Yachiyo Logistics Center III

(3,345,619 thousand yen) .

(Note 3) The fair value at the end of the fiscal period is the appraisal value provided by an outside real estate appraiser.

The income concerning lease properties, etc. For the six-month period ended January 31, 2021 and ended July 31, 2020 is indicated under "Notes to Statement of Income and Retained Earnings" above.

#### 14. Segment Information

(1) Segment information

Description is omitted as JLF engages in a single segment of the real estate leasing business.

(2) Related information

For the six-month period ended January 31, 2021

A. Information by product and service

Description is omitted as net sales for external customers in a single product/service category exceed 90% of the operating revenue on Statement of Income and Retained Earnings.

B. Information by region

(a) Net sales

Description is omitted as net sales for external customers in Japan exceed 90% of the operating revenue on the Statement of Income and Retained Earnings.

(b) Property, plant, and equipment

Description is omitted as the amount of property, plant, and equipment located in Japan exceeds 90% of the property, plant, and equipment on the Balance Sheet.

C. Information by major tenant

Description is omitted as net sales for all single external customers are less than 10% of the operating revenue on the Statement of Income and Retained Earnings.

For the six-month period ended July 31, 2020

A. Information by product and service

Description is omitted as net sales for external customers in a single product/service category exceed 90% of the operating revenue on Statement of Income and Retained Earnings.

B. Information by region

(a) Net sales

Description is omitted as net sales for external customers in Japan exceed 90% of the operating revenue on the Statement of Income and Retained Earnings.

(b) Property, plant, and equipment

Description is omitted as the amount of property, plant, and equipment located in Japan exceeds 90% of the property, plant, and equipment on the Balance Sheet.

C. Information by major tenant

Description is omitted as net sales for all single external customers are less than 10% of the operating revenue on the Statement of Income and Retained Earnings.

## 15. Per Unit Information

|                     | For the six-month period ended<br>January 31, 2021 | For the six-month period ended<br>July 31, 2020 |
|---------------------|--|---|
| Net assets per unit | 148,950 yen  | 154,241 yen                                     |
| Profit per unit     | 4,552 yen  | 10,775 yen                                      |

(Note 1) Profit per unit was calculated by dividing profit by average number of investment units during period.

Diluted profit per unit is not stated as there are no dilutive investment units.

(Note 2) The calculation of profit per unit is based on the following.

(Thousands of yen)

|  | For the six-month period ended<br>January 31, 2021 | For the six-month period ended<br>July 31, 2020 |
|--|--|---|
| Profit   | 4,120,075  | 9,752,769                                       |
| Amount not attributable to common unitholders    | -  | -   |
| Profit pertaining to common investment units     | 4,120,075  | 9,752,769                                       |
| Average number of investment units during period | 905,073 units                                      | 905,073 units                                   |

## 16. Significant Subsequent Events

Not applicable

## 17. Securities

(1) Stocks

Not applicable

(2) Securities other than stocks

Not applicable

## 18. Contract Amounts and Fair Value of Derivative Transactions

(Thousands of yen)

| Classification   | Type of derivative transactions                                | Contract amount (Note 1) |                         | Fair value<br>(Note 2)<br>(Note 3) |
|------------------|--|--------------------------|-------------------------|------------------------------------|
|                  |  |                          | Amount over<br>one year |                                    |
| Over-the-counter | Interest rate swap transactions<br>Receive variable, pay fixed | 16,500,000               | 14,500,000              | (95,189)                           |
|                  | Total  | 16,500,000               | 14,500,000              | (95,189)                           |

(Note 1) The contract amount represents the notional principal amount of the interest rate swaps.

(Note 2) The fair value is calculated based on prices and other conditions presented by counterparty of the agreement.

(Note 3) In the amount of fair value, the transactions for which special treatment for interest rate swaps is applied in accordance with Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on March 10, 2008) are not carried at fair value in the Balance Sheet.

## 19. Property, Plant and Equipment, and Intangible Assets

(Thousands of yen)

| Type of asset                       |  | Balance at<br>beginning<br>of<br>the period | Amount of<br>increase<br>during the<br>period | Amount of<br>decrease<br>during the<br>period | Balance at<br>end of the<br>period | Accumulated<br>depreciation /<br>Accumulated<br>amortization |                                     | Net balance<br>at end of the<br>period | Remarks |
|-------------------------------------|--|---|---|---|------------------------------------|--|-------------------------------------|--|---------|
|                                     |  |   |   |   |                                    |  | Depreciation<br>and<br>amortization |  |         |
| Property,<br>plant and<br>equipment | Buildings<br>(including<br>accompanying<br>facilities) | 17,333,482                                  | 129,168                                       | 1,435   | 17,461,216                         | 3,071,075  | 235,579                             | 14,390,141                             |         |
|                                     | Structures   | 508,918                                     | 276   | -   | 509,194                            | 130,061  | 11,406                              | 379,132                                |         |
|                                     | Tools, furniture<br>and fixtures                       | 1,570                                       | -   | -   | 1,570                              | 753  | 45                                  | 816                                    |         |
|                                     | Land   | 12,689,952                                  | -   | -   | 12,689,952                         | -  | -                                   | 12,689,952                             |         |

|   |             |         |         |             |            |           |             |          |
|---|-------------|---------|---------|-------------|------------|-----------|-------------|----------|
| Construction in progress  | -           | 35,842  | -       | 35,842      | -          | -         | 35,842      | (Note 1) |
| Buildings in trust (including accompanying facilities in trust) | 122,416,908 | 673,644 | 511,873 | 122,578,679 | 30,412,456 | 1,578,891 | 92,166,222  | (Note 2) |
| Structures in trust   | 3,444,285   | 60,632  | 20,131  | 3,484,786   | 1,401,455  | 60,031    | 2,083,331   | (Note 2) |
| Tools, furniture and fixtures in trust                          | 36,593      | -       | 571     | 36,022      | 22,327     | 1,054     | 13,695      | (Note 2) |
| Land in trust   | 122,358,070 | -       | -       | 122,358,070 | -          | -         | 122,358,070 |          |
| Construction in progress in trust                               | 37,240      | 88,220  | 125,460 | -           | -          | -         | -           |          |
| Subtotal  | 278,827,021 | 987,784 | 659,472 | 279,155,334 | 35,038,129 | 1,887,008 | 244,117,204 |          |
| Intangible assets   | 924         | 8,420   | -       | 9,344       | 1,120      | 607       | 8,223       |          |
| Total   | 278,827,946 | 996,204 | 659,472 | 279,164,678 | 35,039,250 | 1,887,616 | 244,125,428 |          |

(Note 1) The amount of increase is primarily due to expenditures associated with the Urayasu Logistics Center redevelopment project.

(Note 2) The amount of decrease is primarily due to the retirement of a building associated with the redevelopment project of the Urayasu Logistics Center.

## 20. Investment Corporation Bond

|  | Issue date        | Balance at beginning of the period (Thousands of yen) | Amount of increase during the period (Thousands of yen) | Amount of decrease during the period (Thousands of yen) | Balance at end of the period (Thousands of yen) | Interest rate | Redemption maturity date | Use      | Collateral |
|--|-------------------|---|---|---|---|---------------|--------------------------|----------|------------|
| #2 <sup>nd</sup> Unsecured Investment Corporation Bond | December 27, 2013 | 3,000,000   | -   | -   | 3,000,000                                       | 1.28000%      | December 26, 2025        | (Note 1) | (Note 2)   |
| #3 <sup>rd</sup> Unsecured Investment Corporation Bond | March 12, 2014    | 3,000,000   | -   | -   | 3,000,000                                       | 1.62000%      | March 12, 2029           | (Note 1) | (Note 2)   |
| #4 <sup>th</sup> Unsecured Investment Corporation Bond | February 8, 2016  | 1,700,000   | -   | -   | 1,700,000                                       | 0.53500%      | February 8, 2028         | (Note 1) | (Note 2)   |
| #5 <sup>th</sup> Unsecured Investment Corporation Bond | April 20, 2017    | 2,000,000   | -   | -   | 2,000,000                                       | 0.48000%      | April 20, 2027           | (Note 1) | (Note 2)   |
| #6 <sup>th</sup> Unsecured Investment Corporation Bond | November 18, 2019 | 2,000,000   | -   | -   | 2,000,000                                       | 0.53000%      | November 16, 2029        | (Note 1) | (Note 2)   |
| Total  |                   | 11,700,000  | -   | -   | 11,700,000                                      |               |                          |          |            |

(Note 1) The funds are used for the repayment of borrowings.

(Note 2) This investment corporation bond is equipped with the same rank rider limited among certain investment corporation bonds.

(Note 3) The redemption schedule of investment corporation bond for each of the five years after the balance sheet date is as follows:

(Thousands of yen)

|                             | Within 1 year | Due after 1 year, but within 2 years | Due after 2 years, but within 3 years | Due after 3 years, but within 4 years | Due after 4 years, but within 5 years |
|-----------------------------|---------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Investment corporation bond | -             | -                                    | -                                     | -                                     | 3,000,000                             |

## 21. Borrowings

| Classification (Lender)                 |                                     | Borrowing date     | Balance at beginning of period (Thousands of yen) | Amount of increase during the period (Thousands of yen) | Amount of decrease during the period (Thousands of yen) | Balance at end of period (Thousands of yen) | Average interest rate (Note 1) | Repayment due date | Use      | Remarks                   |
|---|-------------------------------------|--------------------|---|---|---|---|--------------------------------|--------------------|----------|---------------------------|
| Current portion of long-term borrowings | Mizuho Bank, Ltd.                   | September 18, 2012 | 4,000,000   | -   | 4,000,000   | -   | 0.93375%                       | August 31, 2020    | (Note 2) | Unsecured/ Non-guaranteed |
|   | Mizuho Bank, Ltd.                   | December 27, 2013  | 1,500,000   | -   | 1,500,000   | -   | 0.93375%                       | December 25, 2020  | (Note 2) | Unsecured/ Non-guaranteed |
|   | MUFG Bank, Ltd.                     |                    | 1,000,000   | -   | 1,000,000   | -   |                                |                    |          |                           |
|   | The 77 Bank, Ltd.                   |                    | 500,000   | -   | 500,000   | -   |                                |                    |          |                           |
|   | Nippon Life Insurance Company       | February 3, 2017   | 3,000,000   | -   | -   | 3,000,000                                   | 0.15000%                       | February 26, 2021  | (Note 2) | Unsecured/ Non-guaranteed |
|   | Shinkin Central Bank                | February 3, 2017   | -   | 1,000,000   | -   | 1,000,000                                   | 0.21935%                       | August 31, 2021    | (Note 2) | Unsecured/ Non-guaranteed |
|   | The Norinchukin Bank                | February 3, 2017   | -   | 1,000,000   | -   | 1,000,000                                   | 0.21935%                       | August 31, 2021    | (Note 2) | Unsecured/ Non-guaranteed |
|   | Sumitomo Mitsui Banking Corporation | February 28, 2017  | -   | 1,000,000   | -   | 1,000,000                                   | 0.28678%                       | September 30, 2021 | (Note 2) | Unsecured/ Non-guaranteed |
|   | Sumitomo Mitsui Banking Corporation | March 15, 2017     | -   | 3,000,000   | -   | 3,000,000                                   | 0.29642%                       | September 30, 2021 | (Note 2) | Unsecured/ Non-guaranteed |
|   | Sumitomo Mitsui Banking Corporation | March 27, 2017     | -   | 1,000,000   | -   | 1,000,000                                   | 0.27461%                       | September 30, 2021 | (Note 2) | Unsecured/ Non-guaranteed |
|   | Sumitomo Mitsui Banking Corporation | August 31, 2017    | 6,000,000   | -   | -   | 6,000,000                                   | 0.22375%                       | February 26, 2021  | (Note 2) | Unsecured/ Non-guaranteed |
|   | Nippon Life Insurance Company       | August 31, 2017    | -   | 2,000,000   | -   | 2,000,000                                   | 0.25000%                       | August 31, 2021    | (Note 2) | Unsecured/ Non-guaranteed |
|   | Subtotal                            |                    | 16,000,000  | 9,000,000   | 7,000,000   | 18,000,000                                  |                                |                    |          |                           |
| Long-term borrowings                    | Sumitomo Mitsui Trust Bank, Limited | August 31, 2012    | 2,000,000   | -   | -   | 2,000,000                                   | 1.13000%                       | August 31, 2022    | (Note 2) | Unsecured/ Non-guaranteed |
|   | Sumitomo Mitsui Banking Corporation | February 28, 2013  | 2,000,000   | -   | -   | 2,000,000                                   | 1.11125%                       | February 28, 2023  | (Note 2) | Unsecured/ Non-guaranteed |
|   | Nippon Life Insurance Company       | February 28, 2013  | 500,000   | -   | -   | 500,000                                     | 1.18125%                       | February 28, 2023  | (Note 2) | Unsecured/ Non-guaranteed |
|   | Development Bank of Japan Inc.      | March 11, 2013     | 2,000,000   | -   | -   | 2,000,000                                   | 0.93625%                       | February 28, 2022  | (Note 2) | Unsecured/ Non-guaranteed |
|   | Development Bank of Japan Inc.      | March 11, 2013     | 2,000,000   | -   | -   | 2,000,000                                   | 1.25000%                       | February 29, 2024  | (Note 2) | Unsecured/ Non-guaranteed |

| Classification (Lender) |  | Borrowing date     | Balance at beginning of period (Thousands of yen) | Amount of increase during the period (Thousands of yen) | Amount of decrease during the period (Thousands of yen) | Balance at end of period (Thousands of yen) | Average interest rate (Note 1) | Repayment due date | Use      | Remarks                   |
|-------------------------|--|--------------------|---|---|---|---|--------------------------------|--------------------|----------|---------------------------|
| Long-term borrowings    | Sumitomo Mitsui Banking Corporation        | December 27, 2013  | 3,000,000   | -   | -   | 3,000,000                                   | 1.29625%                       | December 27, 2023  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Trust Bank, Limited        |                    | 1,500,000   | -   | -   | 1,500,000                                   |                                |                    |          |                           |
|                         | Development Bank of Japan Inc.             |                    | 1,000,000   | -   | -   | 1,000,000                                   |                                |                    |          |                           |
|                         | Nippon Life Insurance Company              |                    | 500,000   | -   | -   | 500,000                                     |                                |                    |          |                           |
|                         | Sumitomo Mitsui Banking Corporation        | February 25, 2014  | 2,000,000   | -   | -   | 2,000,000                                   | 0.93375%                       | February 28, 2022  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Banking Corporation        | February 25, 2014  | 3,000,000   | -   | -   | 3,000,000                                   | 1.04875%                       | February 28, 2023  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Nippon Life Insurance Company              | March 24, 2014     | 2,500,000   | -   | -   | 2,500,000                                   | 1.04000%                       | February 29, 2024  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Trust Bank, Limited        | March 31, 2015     | 1,000,000   | -   | -   | 1,000,000                                   | 0.59000%                       | March 29, 2024     | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Banking Corporation        | March 31, 2015     | 1,000,000   | -   | -   | 1,000,000                                   | 0.77240%                       | March 31, 2025     | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Shinkin Central Bank                       | December 4, 2015   | 500,000   | -   | -   | 500,000                                     | 0.40600%                       | November 30, 2022  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | The Norinchukin Bank                       | December 4, 2015   | 1,000,000   | -   | -   | 1,000,000                                   | 0.40600%                       | November 30, 2022  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Trust Bank, Limited        | December 4, 2015   | 2,000,000   | -   | -   | 2,000,000                                   | 0.45075%                       | November 30, 2023  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | The Bank of Fukuoka                        | December 4, 2015   | 500,000   | -   | -   | 500,000                                     | 0.52800%                       | November 28, 2025  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Mizuho Trust & Banking Co., Ltd.           | December 4, 2015   | 2,000,000   | -   | -   | 2,000,000                                   | 0.60250%                       | November 28, 2025  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Mitsui Sumitomo Insurance Company, Limited | September 30, 2016 | 1,000,000   | -   | -   | 1,000,000                                   | 0.20000%                       | September 29, 2023 | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Shinkin Central Bank                       | February 3, 2017   | 1,000,000   | -   | 1,000,000   | -   | 0.21935%                       | August 31, 2021    | (Note 2) | Unsecured/ Non-guaranteed |
|                         | The Norinchukin Bank                       | February 3, 2017   | 1,000,000   | -   | 1,000,000   | -   | 0.21935%                       | August 31, 2021    | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Mitsui Sumitomo Insurance Company, Limited | February 3, 2017   | 1,000,000   | -   | -   | 1,000,000                                   | 0.25875%                       | February 29, 2024  | (Note 2) | Unsecured/ Non-guaranteed |

| Classification (Lender) | Borrowing date                                  | Balance at beginning of period (Thousands of yen) | Amount of increase during the period (Thousands of yen) | Amount of decrease during the period (Thousands of yen) | Balance at end of period (Thousands of yen) | Average interest rate (Note 1) | Repayment due date | Use                | Remarks                   |                           |
|-------------------------|---|---|---|---|---|--------------------------------|--------------------|--------------------|---------------------------|---------------------------|
| Long-term borrowings    | Resona Bank, Ltd.                               | February 3, 2017                                  | 2,000,000   | -   | -   | 2,000,000                      | 0.46600%           | February 3, 2027   | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | MUFG Bank, Ltd.                                 | February 27, 2017                                 | 2,000,000   | -   | -   | 2,000,000                      | 0.30000%           | March 31, 2022     | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Banking Corporation             | February 28, 2017                                 | 1,000,000   | -   | 1,000,000                                   | -                              | 0.28678%           | September 30, 2021 | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Banking Corporation             | March 15, 2017                                    | 3,000,000   | -   | 3,000,000                                   | -                              | 0.29642%           | September 30, 2021 | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | The Bank of Fukuoka                             | March 15, 2017                                    | 2,000,000   | -   | -   | 2,000,000                      | 0.38000%           | March 31, 2027     | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | Development Bank of Japan Inc.                  | March 15, 2017                                    | 2,500,000   | -   | -   | 2,500,000                      | 0.55375%           | March 31, 2028     | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | Development Bank of Japan Inc.                  | March 15, 2017                                    | 2,500,000   | -   | -   | 2,500,000                      | 0.60750%           | March 30, 2029     | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Banking Corporation             | March 27, 2017                                    | 1,000,000   | -   | 1,000,000                                   | -                              | 0.27461%           | September 30, 2021 | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | MUFG Bank, Ltd.                                 | March 27, 2017                                    | 1,000,000   | -   | -   | 1,000,000                      | 0.27500%           | March 31, 2022     | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | Nippon Life Insurance Company                   | August 31, 2017                                   | 2,000,000   | -   | 2,000,000                                   | -                              | 0.25000%           | August 31, 2021    | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | Tokio Marine & Nichido Fire Insurance Co., Ltd. | August 31, 2017                                   | 2,000,000   | -   | -   | 2,000,000                      | 0.24380%           | August 31, 2022    | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | MUFG Bank, Ltd.                                 | August 31, 2017                                   | 2,000,000   | -   | -   | 2,000,000                      | 0.30000%           | February 28, 2023  | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | Resona Bank, Ltd.                               | August 31, 2017                                   | 2,000,000   | -   | -   | 2,000,000                      | 0.48205%           | August 31, 2027    | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | Sumitomo Mitsui Trust Bank, Limited             | August 31, 2017                                   | 3,000,000   | -   | -   | 3,000,000                      | 0.48205%           | August 31, 2027    | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | Development Bank of Japan Inc.                  | August 31, 2017                                   | 4,500,000   | -   | -   | 4,500,000                      | 0.49313%           | August 31, 2028    | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | Development Bank of Japan Inc.                  | August 31, 2017                                   | 4,500,000   | -   | -   | 4,500,000                      | 0.54375%           | August 31, 2029    | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | MUFG Bank, Ltd.                                 | February 27, 2018                                 | 2,500,000   | -   | -   | 2,500,000                      | 0.29000%           | February 28, 2022  | (Note 2)                  | Unsecured/ Non-guaranteed |
|                         | MUFG Bank, Ltd.                                 | September 28, 2018                                | 5,000,000   | -   | -   | 5,000,000                      | 0.65000%           | September 30, 2027 | (Note 2)                  | Unsecured/ Non-guaranteed |
| MUFG Bank, Ltd.         | September 28, 2018                              | 4,000,000   | -   | -   | 4,000,000                                   | 0.31000%                       | September 30, 2022 | (Note 2)           | Unsecured/ Non-guaranteed |                           |

| Classification (Lender) |                                     | Borrowing date    | Balance at beginning of period (Thousands of yen) | Amount of increase during the period (Thousands of yen) | Amount of decrease during the period (Thousands of yen) | Balance at end of period (Thousands of yen) | Average interest rate (Note 1) | Repayment due date | Use      | Remarks                   |
|-------------------------|-------------------------------------|-------------------|---|---|---|---|--------------------------------|--------------------|----------|---------------------------|
| Long-term borrowings    | Sumitomo Mitsui Trust Bank, Limited | March 26, 2019    | 3,500,000   | -   | -   | 3,500,000                                   | 0.36750%                       | March 26, 2025     | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Mizuho Bank, Ltd.                   | March 26, 2019    | 1,000,000   | -   | -   | 1,000,000                                   | 0.46005%                       | March 26, 2027     | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Mizuho Bank, Ltd.                   | August 31, 2020   | -   | 2,000,000   | -   | 2,000,000                                   | 0.47255%                       | August 31, 2028    | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Mizuho Bank, Ltd.                   | August 31, 2020   | -   | 2,000,000   | -   | 2,000,000                                   | 0.55875%                       | August 31, 2030    | (Note 2) | Unsecured/ Non-guaranteed |
|                         | The 77 Bank, Ltd.                   | December 25, 2020 | -   | 500,000   | -   | 500,000                                     | 0.39255%                       | December 25, 2028  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | MUFG Bank, Ltd.                     | December 25, 2020 | -   | 1,000,000   | -   | 1,000,000                                   | 0.55000%                       | December 25, 2029  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Mizuho Bank, Ltd.                   | December 25, 2020 | -   | 1,500,000   | -   | 1,500,000                                   | 0.48625%                       | December 25, 2030  | (Note 2) | Unsecured/ Non-guaranteed |
|                         | Subtotal                            |                   | 87,000,000  | 7,000,000   | 9,000,000   | 85,000,000                                  |                                |                    |          |                           |
| Total                   |                                     |                   | 103,000,000                                       | 16,000,000  | 16,000,000  | 103,000,000                                 |                                |                    |          |                           |

- (Note 1) The average interest rate indicates a weighted average of interest rates for the period. Regarding the borrowings hedged by interest rate swaps to avoid interest rate fluctuation risk, the average interest rate indicates a weighted average of interest rates adjusted by considering the effect of the interest rate swaps.
- (Note 2) All the funds were used for the purchase of real estate properties or trust beneficiary rights of real estate, or repayment of borrowings.
- (Note 3) Annual repayments of long-term borrowings (except for the current portion) scheduled for the next five years after the balance sheet date are as follows:

(Thousands of yen)

|                      | Due after 1 year, but within 2 years | Due after 2 years, but within 3 years | Due after 3 years, but within 4 years | Due after 4 years, but within 5 years |
|----------------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Long-term borrowings | 19,000,000                           | 16,500,000                            | 6,500,000                             | 7,000,000                             |

## 22. Distribution Information

|   | (Yen)   |   |
|---|---|---|
|   | For the six-month period ended<br>January 31, 2021  | For the six-month period ended<br>July 31, 2020   |
| I. Unappropriated retained earnings         | 4,120,082,763   | 9,752,874,739   |
| II. Reversal of voluntary retained earnings |   |   |
| Reversal of reserve for reduction entry     | 224,267,637   | -   |
| III. Distributions                          | 4,344,350,400   | 8,896,867,590   |
| (Distributions per unit)                    | (4,800)   | (9,830)   |
| IV. Voluntary retained earnings             |   |   |
| Provision for reserve for reduction entry   | -   | 856,000,000   |
| V. Retained earnings to be carried forward  | -   | 7,149   |
| Method of calculation of distributions      | <p>The amount of distribution is limited to the amount of income in accordance with the cash distribution policy stipulated in Article 39 (1) of the Articles of Incorporation of JLF, and shall exceed the amount equivalent to 90% of the distributable dividend amount of JLF provided in Article 67.15 of the Act on Special Measures Concerning Taxation. Based on this policy, JLF decided to distribute 4,344,350,400 yen, which is the maximum integral multiple of the total number of investment units issued and outstanding (905,073 units) and does not exceed the amount obtained by adding the reversal amount of the reserve for reduction entry to unappropriated retained earnings.</p> <p>JLF does not make distributions in excess of earnings as stipulated in Article 39 (2) of the Articles of Incorporation of JLF.</p> | <p>The amount of distribution is limited to the amount of income in accordance with the cash distribution policy stipulated in Article 39 (1) of the Articles of Incorporation of JLF, and shall exceed the amount equivalent to 90% of the distributable dividend amount of JLF provided in Article 67.15 of the Act on Special Measures Concerning Taxation. Based on these policies, JLF decided to distribute 8,896,867,590 yen, the amount remaining after deducting 856,000,000 yen which is within the limit of the reserve for reduction entry stipulated in Article 66-2 of the Act from the current unappropriated retained earnings, as a profit distribution.</p> <p>JLF does not make distributions in excess of earnings as stipulated in Article 39 (2) of the Articles of Incorporation of JLF.</p> |