



Japan Logistics Fund

Supplemental material to the press release announced today

Notice Concerning Investment Units Buybacks and Cancellation Program
(Buybacks under the Provisions of Article 80-5 of the Act on
Investment Trust and Investment Corporations, and Cancellation under the
Provisions of Article 80, Paragraph 2 and Paragraph 4 of the Act)

November 22, 2023

About the unit buybacks

Decided to buy back investment units as **one way to improve capital costs**.
Additional capital cost improvement measures are under study.

Our thinking on capital policy

Basic direction

Study various measures depending on the investment unit price

When the unit price remains undervalued

Study capital cost improvement measures
(property sales, unit buybacks, etc.)

See slide 2

When the unit price is at a level where it is possible to grow
DPU and NAVPU

Study follow-on offering in line
with implementation criteria

See slide 3

Environment

JLF's investment unit price has continued to be volatile and remained undervalued
(Changes in P/NAV over the past month 0.90-0.93x)

➔ Study and implement with agility capital cost improvement measures

Overview of the unit buyback program

Approved November 22, 2023

| | | |
|---|---|--------------------------------------|
| 1 | Total (maximum) number of investment units to be acquired | 3,300 units (maximum) |
| 2 | Total (maximum) amount of the unit buybacks | JPY 1 Billion (maximum) |
| 3 | Buy-back period | November 24, 2023 - January 12, 2024 |

Assumed DPU/LTV after the unit buybacks

| | Before buybacks | After buybacks | Change |
|-----------------------------------|-----------------|----------------|--------|
| FP 24/1 Forecast DPU | JPY 5,170 | JPY 5,190 | +0.4% |
| FP 24/7 Forecast DPU | JPY 5,180 | JPY 5,200 | +0.4% |
| Assumed LTV based on total assets | 43.5% | 43.7% | +0.2pt |

About improving capital costs

Study and implement **with agility** capital cost improvement measures when the unit price remains undervalued

Property sale

Sell at or above appraisal value to pursue value to the unit price that is **equal to or greater than NAVPU**
Return profits to unitholders leveraging a top-class unrealized gain as a % of portfolio (58.1%) among J-REITs

Selection of properties to sell

Properties where asset value can be maximized with value-up measures such as rent hikes, etc.

Methods for utilizing capital gains

- 1 Return profits to unitholders
- 2 Internal reserves (leverage to stabilize future operations)

Methods for utilizing sales proceeds

(1) Acquire (replace) properties

Property acquisitions that contribute to greater quality or profitability in the portfolio

Unit buybacks

Pursue DPU growth and unitholder returns

Effects of unit buybacks

| Number of units acquired | Benefits to DPU (Compared to FP 24/1 Forecast DPU) |
|---|---|
| ↓ Maximum number of investment units in this program | |
| 3,300 units | About + JPY 20 |
| 5,000 units | About + JPY 30 |
| 10,000 units | About + JPY 60 |
| 15,000 units | About + JPY 80 |

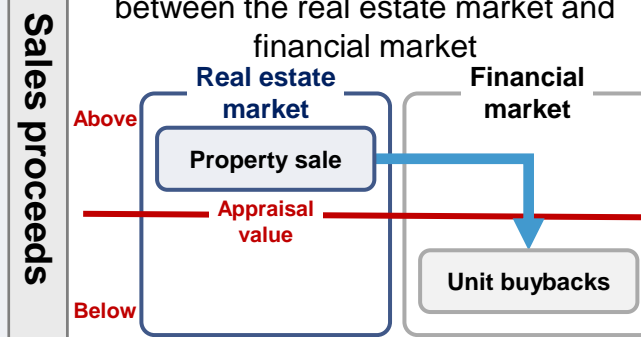
Funding

Cash on hand

Leverage abundant cash on hand
**Cash deposits:
JPY 10,139 Million**

(2) Unit buybacks

Effectively leverage **price arbitrage** between the real estate market and financial market



About external growth associated with a follow-on offering

Aim to enhance investment unit price by executing measures to improve capital costs
Study going forward with a follow-on offering in situations deemed to be **accretive to DPU and NAVPU**

Criteria for executing follow-on offerings

1 DPU growth

2 NAVPU growth

3 Property acquisitions at or above implied cap rate

Yields on pipeline properties and implied cap rate

Build up a pipeline mainly of joint developments that are structurally capable of **securing superior yields**
Leverage bridge schemes to acquire properties while remaining mindful of capital cost

| Property | Amagasaki | Ichinomiya, Ichinomiya II, Fukuoka Tachiarai, Kazo II | Recent J-REIT acquisitions of logistics properties |
|----------------------------|-----------------|---|--|
| Appraisal NOI yield | 4.5 - 4.7% | Average in high 4% range | Average 4.1% |
| Comparison to market yield | About +60-80bps | About +70bps on average | Average +25bps |
| Appraisal discount rate | About 10-15% | About 10% on average | Average 3.1% |

Implied cap rate



P1

- "DPU" means distribution per unit.
- "NAVPU" refers to an estimate regarding the net asset value per unit based on the appraisal value of the assets held as calculated using the following formula and differs from the net asset value per unit based on the net asset value on the balance sheet.
(Net assets on the balance sheet as of the end of the relevant period - Total distributions for the relevant period + Total appraisal value of assets held as of the end of the relevant period - Total book value of assets held as of the end of the relevant period) / Number of investment units issued and outstanding as of the end of the relevant period
- "P/NAV" is calculated by the following formula. The "over the past month" refers to the period from October 20, 2023, to November 20, 2023.
Closing price of investment units on each day / NAVPU
- "LTV based on total assets" is calculated by the following formula. However, the "Assumed LTV based on total assets" for each of the "Before buyback" and "After buyback" periods is an estimated value as of November 22, 2023, calculated under certain conditions, and may differ from the actual "LTV based on total assets".
Total interest-bearing debt / Total assets
- The "forecast DPU" for "before buyback" for each period have been calculated based on the "REIT Financial Report for the six-month period ended July 31, 2023 (The 36th Period)" which was released on September 13, 2023, and are subject to change because of factors including fluctuations in rental revenue resulting from tenant turnover, the purchase or sale of real estate, and the issuance of additional investment units.
- The "forecast DPU" for "after buyback" for each period is an estimate based on the assumption that JLF acquires its own investment units until it reaches the "Total (maximum) number of investment units to be acquired" stated on slide 1 and cancels all acquired investment units during the period ending January 31, 2024. The "forecast DPU" for each period "after buyback" may vary depending on the actual number of investment units acquired and other circumstances.

P2

- "unrealized gain as % of portfolio" is calculated by the following formula.
(Appraisal value as of the end of July 2023 - Book value as of the end of July 2023) / Book value as of the end of July 2023
- The "Benefits to DPU" under "Effects of unit buybacks" is an estimate based on a comparison of the forecast DPU for the period ending January 31, 2024, assuming that JLF buys back its investment units until it reaches the respective number of acquisition units stated and cancels all acquired units during the period ending January 31, 2024, and the "before buyback" "forecast DPU" for the period ending January 31, 2024, as stated on slide 1, and may change depending on future leasing and other operating conditions, financing conditions, the actual number of investment units to be acquired and other circumstances.
- "Cash deposits" is the sum of cash deposits and cash deposits in trust as of the end of July 2023, less the allocation cash distributions for the fiscal period ended July 2023.

P3

- "Implied CR" is the investor's property demand yield, calculated on the basis of unit price, using the following formula.
Total appraised NOI of JLF-owned properties at the end of the period ended January 2023 / [total market value of JLF's units as of February 1, 2023, through July 31, 2023, + total interest-bearing debt + security deposits and guarantee money in trust + long-term deposits - (cash and deposits + cash and deposits in trust)].
Total appraised NOI of JLF-owned properties at the end of the period ended July 2023 / [total market value of JLF's units as August 1, 2023, through October 31, 2023, + total interest-bearing debt + security deposits and guarantee money in trust + long-term deposits - (cash and deposits + cash and deposits in trust)].
- "Joint developments" refers to initiatives where JLF is involved from the initial phases of the development of a logistics facility and thereby aims to acquire the property at a discounted price compared to bidding in the real estate acquisition market.
- "Bridge" means a forward commitment, etc. (FC) by JLF as defined in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." stipulated by the Financial Services Agency, or a mechanism whereby JLF acquires preferential negotiating rights from leasing companies, etc. for properties that JLF wishes to acquire in the future, by holding such properties at the leasing companies, etc. Subject to certain requirements, JLF plans to acquire the subject property by exercising its first right of refusal at a time of its discretion.

P3

- "Appraisal NOI" refers to the net operating income based on the direct capitalization method as stated in the respective real estate appraisal report and is the income before deducting depreciation expenses. "Appraisal NOI Yield" is calculated by dividing the Appraisal NOI by the planned acquisition price as of November 22, 2023. For pipeline properties for which JLF has obtained an appraisal, the calculation is based on the said appraisal, and for properties for which JLF has not obtained an appraisal, the calculation is based on the appraisal obtained by the bridge partner. The same applies hereafter.
- "Comparison to market yield" for pipeline properties is calculated by the following formula.
Appraisal NOI yield as of the most recent appraisal date - Direct capitalization yield based on the appraisal as of the most recent appraisal date
- The "Appraisal discount rate" is calculated using the following formula
(appraisal value of the asset - expected acquisition price of the asset as of November 22, 2023) / appraisal value of the asset
- "Recent J-REIT acquisitions of logistics properties" is calculated by referring to publicly announced materials as of October 31, 2023, regarding logistics facilities acquired or to be acquired by J-REITs after April 1, 2023, and weighting them based on (planned) acquisition price.
- Regarding "Amagasaki", JLF has entered into a purchase agreement with Ricoh Leasing Company. Said purchase agreement falls under a forward commitment (FC) as set forth under the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. JLF's anticipated acquisition date shall be a date falling on or before April 2, 2026, as specified by JLF.
- Regarding Ichinomya, Ichinomiya II, Fukuoka Tachiarai, and Kazo II, JLF has acquired first right of refusal to acquire each said property from each party that plans to acquire the property post-development. However, JLF has not entered into a purchase agreement with the party that plans to acquire the property and there is no guarantee that such a purchase agreement will be executed.
- Regarding Ichinomya, Ichinomiya II, Fukuoka Tachiarai, and Kazo II, as of November 22, 2023, JLF has specific plans to acquire the properties.

Disclaimer

Monetary values have been rounded down.

Percentages have been rounded to the first decimal point.

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