

September 20, 2006

FINANCIAL REPORT FOR THE SECOND FISCAL PERIOD ENDED JULY 31, 2006

JAPAN LOGISTICS FUND, Inc. is listed on the Tokyo Stock Exchange with the securities code number 8967. URL: <http://8967.jp>
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Board of Directors meeting for approving financial results: September 20, 2006
 Scheduled date for commencing dividend payments: October 17, 2006

The financial report has been prepared in accordance with Japanese accounting standards and Japanese law. Figures have been rounded down to eliminate amounts of less than one million yen.

1. PERFORMANCE FOR THE SECOND FISCAL PERIOD (FEB. 1, 2006 – JUL. 31, 2006)

(1) Business Results

(Millions in Yen)

	Revenues	Rate of Change	Operating Income	Rate of Change	Ordinary Income	Rate of Change	Net Income	Rate of Change
2nd Period	2,859	35.5%	1,568	22.1%	1,545	49.5%	1,544	49.6%
1st Period	2,110	-	1,284	-	1,033	-	1,031	-

	Net Income per Unit (Yen)	ROE	(Ref.) Annualized	ROA	(Ref.) Annualized	Ordinary Income to Revenues
2nd Period	14,505	3.0%	6.0%	2.8%	5.6%	54.0%
1st Period	17,414	3.3%	4.5%	3.1%	4.2%	49.0%

Notes:

- Net income per units calculated by dividing net income by the weighted average number of units (2nd period: 106,460 units; 1st period 59,259 units) for each period.
- Changes in accounting policies: No
- Percentage change shows the increase and decrease ratio to the previous period. Figures are rounded to the nearest first decimal place.
- ROE and ROA are calculated using the average of unitholders' equity and total assets as of the beginning of each fiscal period and each term-end.
- Annualized percentage figures for the 2nd period = Percentage figures for 2nd period ÷ Number of days in 2nd period (181days) × 365days (days during the year)
 Annualized percentage figures for the 1st period = Percentage figures for 1st period ÷ Number of days in 1st period (268days) × 365days (days during the year)

(2) Distributions

(Millions in Yen unless otherwise stated)

	Distributions per Unit(Yen)	Total Distributions	Distribution in Excess of Earnings per Unit (Yen)	Total Distributions in Excess of Earnings	Payout Ratio	Distribution Ratio to Unitholders' Equity
2nd Period	14,194	1,544	—	—	100.0%	2.2%
1st Period	17,344	1,031	—	—	99.9%	3.2%

Note: The payout ratio is rounded down to the nearest first decimal place.

(3) Financial Position

(Millions in Yen unless otherwise stated)

	Total Asset	Unitholders' Equity	Unitholders' Equity to Total Assets	Unitholders' Equity per Unit (Yen)
2nd Period	75,776	70,909	93.6%	651,743
1st Period	35,126	32,580	92.8%	547,577

Note: The number of units outstanding totaled 108,800 units as of Jul. 31, 2006, and 59,500 units as of Jan. 31, 2006.

2. FORECASTS OF RESULTS FOR 3RD AND 4TH PERIOD

(Millions in Yen unless otherwise stated)

	Revenues	Ordinary Income	Net Income	Distributions per Unit(Yen)	Distribution in Excess of Earnings per Unit (Yen)
3rd Period	3,126	1,578	1,577	14,500	-
4th Period	3,069	1,415	1,414	13,000	-

Note: Forecasts for operating revenues, income before TAX, net income, distribution per unit and distribution in excess of earnings per unit may differ significantly from actual results due to changes in operating conditions and a variety of factors. Accordingly, Japan Logistics Fund, Inc. does not guarantee any distribution amount.

Japan Logistics Fund, Inc.
Announcement of 2nd Fiscal Period Results

Investment Policies and Investment Situation

A. Investment Policies

As a real estate investment trust specializing in logistics centers, Japan Logistics Fund, Inc., is committed to achieving sustained portfolio growth through selective investments in quality logistics center properties. It will manage assets with the view of achieving stable returns over the medium and long term through diversified investments and optimum management.

B. Investment Situation

1. Current Situation for the Period under Review

a) Major trends

Japan Logistics Fund is Japan's first real estate investment trust (REIT) specializing in investments in logistics centers, with a focus on properties in the greater Tokyo area and in the Kinki, Chubu, and Kyushu regions. JLF was established on February 22, 2005, under the Securities Investment Trust Law, with Mitsui & Co., Logistics Partners Ltd. as its founder and asset manager, and was listed on the Tokyo Stock Exchange's REIT section on May 9 of the same year (securities code: 8967).

During the six months ended July 31, 2006, JLF raised new funds through a public offering and acquired the Urayasu-Chidori Logistics Center, the Funabashi-Nishiura Logistics Center, and five other logistics centers. As of the end of July 31, 2006, JLF held 15 properties at a total acquisition value of ¥69,341 million, had total assets of ¥75,776 million, and had 108,800 investment units outstanding.

b) Investment environment and investment results

With the recovery of Japan's economy, financial institutions have been reducing their disposal of real estate as part of their efforts to decrease non-performing loans. At the same time, the investment environment has not been very favorable, with not many opportunities for good investments, and investments in real estate have increased as revenues from real estate are expected to be stable. As a result, competition has intensified over the acquisition of real estate in the secondary market. Logistics center properties promise higher yields than office buildings and residential houses, and private funds have become increasingly interested in such acquisitions. This has made the acquisition of logistics center properties as difficult as other type of real estate properties.

JLF works together with Mitsui & Co., Ltd., The Chuo Mitsui Trust and Banking Co., Ltd., and Kenedix, Inc., the shareholders of JLF's asset management company, and utilizes their broad network to collect information on properties and to acquire assets. Such efforts and the benefit of being the first to promote logistics center REITs enabled JLF to acquire its current portfolio of 15 properties at relatively advantageous terms. JLF's tenants include such major logistics companies as the Sagawa Express Group, Yamato Transport Co., Ltd., and Ricoh Logistics System Co., Ltd., as well as group companies of Mitsui & Co., Ltd., like Kyogi Warehouse Co., Ltd., and Nitto Logistics Co., Ltd. All the properties owned are currently fully occupied.

c) Fund raising

During the period under review, JLF issued additional investment units in February to raise funds for acquiring new properties. As of July 31, 2006, investment units outstanding totaled 108,000 units, up 49,300 units from the previous term-end, and unit holders' paid-in capital totaled ¥69.3 billion, up ¥37.8 billion from the previous term-end.

JLF has not relied on debt financing as of the end of the current period under review. However, to allow for flexible fund raising for the acquisition of properties, the company has established short-term uncommitted credit lines of ¥5.0 billion each with Mizuho Corporate Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Sumitomo Mitsui Banking Corporation, The Chuo Mitsui Trust and Banking Co., Ltd., and The Sumitomo Trust and Banking for a combined total of ¥25.0 billion. In addition, JLF acquired issuer credit ratings of “A1” from Moody’s Investors Service and “AA” from Rating and Investment Information, Inc. in preparation for future issuance of straight bond in order to diversify fund raising sources and methods.

d) Business results and cash dividend

As a result, JLF recorded operating revenues of ¥2,859 million and operating income of ¥1,568 million in 2nd fiscal period. Ordinary profit after deducting such expenses as the cost of the new investment unit issuance was ¥1,545 million, and net income came to ¥1,544 million.

In order to take advantage of a special measure of the tax code (Article 67 Section 15 of the Special Taxation Measures Law) and to allow for the maximum amount of profit distribution to be treated as a tax-deductible loss, the full amount of unappropriated retained earnings at the end of the current period is to be distributed to unit holders, rounding down the fraction of ¥1 per unit. The resulting cash dividend will be ¥14,194 per unit.

2. Outlook for 3rd Fiscal Period (August 1, 2006 – January 31, 2007)

a) Operating environment

Japan’s economy is expected to continue moderate expansion, supported by the steady growth of corporate profits and an upturn in capital spending and personal consumption. Soaring crude oil prices will mean higher costs for the logistics industry, but a favorable environment for international trade is causing freight rates to trend upward for both sea and air transport. Therefore, basic demand for leasing logistics centers will improve gradually in line with the recovery of the economy.

Logistics companies continue to work vigorously at optimizing overall logistics, and the reengineering, consolidation, and liquidation of domestic logistics infrastructure is giving rise to growing instances of consolidating dispersed regional inventories at large urban logistics centers. The idea of separating ownership from use and management of logistics center properties has become widely accepted, and a growing number of companies are expected to lease new facilities in order to reduce the risk of owning real estate, a non-core asset. Moreover, the growth of third-party logistics companies that provide high-quality full-line logistics services without owning assets is generating new demand for logistics centers. Such changes in the operating environment should increase the value of entities like JLF that own logistics centers on a long-term basis.

Turning to the immediate climate for acquiring logistics centers, demand is foreseen to remain high for real estate investments due to the difficult investment environment, and competition with private funds over the acquisition of logistics center properties is expected to increase.

b) Future investment policies and pending issues

Under such an investment climate, JLF will aim to achieve stable revenues over the medium to long term based on the following policies:

(1) Management of portfolio properties

- Renewal of lease contracts

Regarding the renewal of lease contracts, JLF will adhere to the basic policy of the management of properties to provide medium- to long-term leases to existing tenants. JLF will also seek to stabilize revenues by converting current leases to long-term contracts. When an existing tenant decides to leave a property, JLF will engage in leasing activities to maintain occupancy without interruption with the view of upholding profitability.

Lease contracts held by JLF for logistics center properties have an average length of 5.7 years when weighted by annual rent receipts, a figure that promises stable revenues.

- Strengthen tenant relations

By maintaining close contacts with existing tenants, JLF will work to increase their overall satisfaction. More specifically, the company will respond to needs for greater floor area in existing logistics centers, and will also increase their functionality and otherwise renovate them as appropriate in line with tenant needs and industry trends.

- Appropriate maintenance of portfolio properties

JLF will maintain and renovate portfolio properties so that the construct-related expenses remain relatively unchanged over time. Appropriate property management companies will be selected to provide efficient management suited to the characteristics of each property. In addition, JLF will work to optimize the maintenance of portfolio properties by improving the maintenance quality of the asset management company and by standardizing various procedures.

(2) Acquisition of new properties

- Gathering of property information

To avoid as much as possible, excessive price and acquisition competition with private funds, JLF will make use of the extensive networks of Mitsui & Co., Ltd., The Chuo Mitsui Trust and Banking Co., Ltd., and Kenedix, Inc., the shareholders of JLF's asset management company, to pursue the early acquisition of property information and direct transactions. In addition, the company will endeavor to secure independent ways for information gathering to establish a framework for acquiring properties with even more favorable terms.

- Specifications for new properties

In the acquisition of properties, JLF will base investment decisions on the location and all-purposeness of facilities, which are essential factors for the stable and long-term management of logistics centers. Specifically, the company will avoid acquisitions of specialized structures and facilities suited only to tenants in certain industries. Specifications that satisfy broad-based logistics demand will be the most important decision-making criterion.

- Portfolio diversification

To minimize fluctuations in revenues arising from local events, such as local economic changes or earthquakes, JLF will acquire properties so as to maintain geographical diversification of its portfolio. In order to minimize fluctuations in revenues resulting from tenants leaving properties, the company will work to build a portfolio that is diversified in terms of tenants, tenant industries, and the remaining periods of lease contracts.

(3) Financial strategies

In carrying out financial activities by borrowing from financial institutions and by making public offerings, JLF will give maximum priority to the sustained growth of per investment unit profit, and will maintain a conservative debt ratio. Regarding debt financing, the company will seek to diversify funding sources and methods to reduce refinancing risks and will consider the possibility of issuing bonds or commercial paper. Furthermore, JLF will undertake efficient cash management, by having the lease deposits and security deposits received from trustee banks released in full, for instance, to help fund the acquisition of properties.

Japan Logistics Fund, Inc.
Balance Sheets
As of July 31, 2006 and January 31, 2006

	July 31, 2006 (JPY in thousands)	January 31, 2006 (JPY in thousands)
Assets		
Current Assets:		
Cash and cash equivalents	5,431,291	4,119,986
Tenant receivables	89,482	84,063
Advance payments	27,922	6,708
Deferred tax assets	18	38
Consumption tax refund receivables	949,540	706,771
Other current assets	33	533
Total Current Assets	<u>6,498,288</u>	<u>4,918,101</u>
Investment Properties:		
Land	33,477,682	15,039,776
Building	35,653,043	14,744,947
Building improvements	1,212,205	815,884
Machinery and equipment	1,280	1,280
	<u>70,344,211</u>	<u>30,601,888</u>
Less: accumulated depreciation	<u>(1,076,989)</u>	<u>(403,341)</u>
Total Investment Properties, net	<u>69,267,222</u>	<u>30,198,546</u>
Intangible Assets:		
Other intangible assets	<u>562</u>	<u>—</u>
Total Intangible Assets	<u>562</u>	<u>—</u>
Other Assets:		
Deposit	<u>10,000</u>	<u>10,000</u>
Total Other Assets	<u>10,000</u>	<u>10,000</u>
Total Assets	<u><u>75,776,073</u></u>	<u><u>35,126,648</u></u>

Note: The Sum may not equal the total due to rounding.

Japan Logistics Fund, Inc.
Balance Sheets
As of July 31, 2006 and January 31, 2006

	July 31, 2006 (JPY in thousands)	January 31, 2006 (JPY in thousands)
Liabilities		
Current Liabilities:		
Accounts payable	122,310	55,092
Rent received in advance	462,606	174,247
Accrued expenses and other liabilities	<u>250,940</u>	<u>209,442</u>
Total Current liabilities	835,856	438,782
Non-current liabilities:		
Tenant leasehold and security deposit	<u>4,030,480</u>	<u>2,107,011</u>
Total Non-Current Liabilities	4,030,480	2,107,011
Total Liabilities	<u>4,866,336</u>	<u>2,545,793</u>
Unitholders' Equity		
Unitholders' capital 2,000,000 units authorized 59,500 units (as of January 31, 2006) and 108,800 units (as of July 31, 2006) issued and outstanding	69,365,426	31,548,875
Retained earnings	<u>1,544,310</u>	<u>1,031,980</u>
Total Unitholders' Equity	<u>70,909,736</u>	<u>32,580,855</u>
Total Liabilities and Unitholders Equity	<u><u>75,776,073</u></u>	<u><u>35,126,648</u></u>

Note: The Sum may not equal the total due to rounding.

Japan Logistics Fund, Inc.
Statements of Income and Retained Earnings
For the Six Months Ended July 31
And for 268 days Ended January 31, 2006

	February 1, 2006 to July 31, 2006 (JPY in thousands)	February 22, 2005 to January 31, 2006 (JPY in thousands)
Revenues:		
Rental revenue	2,775,310	2,000,285
Other income	84,497	109,896
	2,859,808	2,110,181
Operating Expenses:		
Property-related management expenses	1,020,602	633,058
Asset management fees	184,579	137,685
Custodian fees	7,341	5,054
General administration fees	48,682	34,693
Other	30,330	15,094
	1,291,536	825,585
Operating Income	1,568,271	1,284,596
Non-Operating Revenues:		
Interest income	421	5
Non-Operating revenues	26,071	1,410
Non-Operating Revenues:		
New investment unit issue costs	48,276	150,094
Amortization of organization costs	—	95,500
Other non-operating expenses	1,200	6,599
	1,545,289	1,033,818
Income before Income Taxes	1,545,289	1,033,818
Current and Deferred Income Taxes	991	1,837
Net Income	1,544,297	1,031,980
Distribution per Unit (Yen)	14,194	17,344

Note: The Sum may not equal the total due to rounding.

Japan Logistics Fund, Inc.
Statements Cash Flows
For the Six Months Ended July 31
And for 268 days Ended January 31, 2006

	February 1, 2006 to July 31, 2006 (JPY in thousands)	February 22, 2005 to January 31, 2006 (JPY in thousands)
Cash Flows from Operating Activities:		
Income before income taxes	1,545,289	1,033,818
Depreciation and amortization	673,672	403,341
Offering Cost	48,276	101,933
Others, net	174,584	(407,717)
Net Cash Provided by Operating Activities	2,441,822	1,131,379
Cash Flows from Investing Activities:		
Purchase of property and equipment	(39,742,323)	(30,601,888)
Purchase of intangible assets	(587)	—
Proceeds from tenant security deposits	700,685	2,207,089
Payments for tenant security deposits	1,222,783	(100,078)
Payment for deposit	—	(10,000)
Net Cash Used in Investing Activities	(37,819,441)	(28,504,877)
Cash Flows from Financing Activities		
Proceeds from issuance of investment units	37,816,551	31,548,875
Offering cost	(97,145)	(55,391)
Distribution payment	(1,030,480)	—
Net Cash Provided by Financing Activities	36,688,924	31,493,483
Net Change in Cash and Cash Equivalent	1,311,305	4,119,986
Cash and cash equivalent at the beginning of the period	4,119,986	—
Cash and Cash Equivalent at the end of the period	5,431,291	4,119,986

Note: The Sum may not equal the total due to rounding.

Portfolio Information I

No.	Property Name	Location	Year Built	Property Age (Year)	Land Area (㎡)	Gross Rentable Area (㎡)	Occupancy Rate (%)	PML (%)
M-1	Funabashi	Funabashi, Chiba	10/27/93	12	16,718.00	29,556.79	100.0	13.0
M-2	Urayasu	Urayasu, Chiba	10/08/86	19	19,136.00	9,543.72	100.0	18.0
M-3	Hiratsuka	Hiratsuka, Kanagawa	09/21/90	15	12,795.97	11,225.72	100.0	21.0
M-4	Tokyo Shinkiba	Shinkiba, Tokyo	03/15/93	13	5,798.90	10,616.80	100.0	18.0
M-5	Urayasu Chidori	Urayasu, Chiba	01/30/06	0	16,421.00	31,829.55	100.0	14.0
M-6	Funabashi Nishiura	Funabashi, Chiba	01/31/06	0	18,192.07	35,322.18	100.0	7.0
M-7	Funabashi Nishiura II	Funabashi, Chiba	12/26/85	20	39,686.00	73,859.32	100.0	11.0
M-8	Kawasaki	Kawasaki, Kanagawa	07/14/89	17	21,622.41	41,630.54	100.0	14.6
M-9	Narashino	Narashino, Chiba	10/05/05	0	14,027.60	2,442.87	100.0	11.0
M-10	Yokosuka	Yokosuka, Kanagawa	07/31/90	16	11,790.09	21,364.11	100.0	22.0
M-11	Yachiyo	Yachiyo, Chiba	04/24/72	34	29,106.40	17,689.95	100.0	9.0
T-1	Daito	Daito, Osaka	07/31/89	17	71,837.28	76,208.70	100.0	16.0
T-2	Osaka Fukuzaki	Osaka, Osaka	10/28/04	1	16,576.21	23,726.80	100.0	14.0
O-1	Maebashi	Maebashi, Gunma	02/04/05	1	16,241.43	3,455.53	100.0	9.0
O-2	Hanyu	Hanyu, Saitama	10/20/05	0	20,988.43	3,518.58	100.0	12.0
				12.7*	330,937.79	391,991.16	100.0	10.6

*Note: Weighted average property age by acquisition price

Portfolio Information II

No.	Property Name	Acquisition Price (million yen)	Share (%)	Appraisal Value (million yen)	Direct Method Cap Rate(%)	DCF Method Cap Rate(%)	Terminal Cap Rate(%)	Annual Rental Revenue (million yen)	Share (%)	Number of Tenant(s)	Major Tenant(s)
M-1	Funabashi	8,675	12.5	9,770	N.A.	5.7	6.0	953.6	15.6	4	Yamato Transport, Sojitz
M-2	Urayasu	2,902	4.2	3,440	N.A.	5.7	N.A.	242.4	4.0	1	Nippon Steel Trading
M-3	Hiratsuka	1,466	2.1	1,770	6.4	6.3	6.7	150.9	2.5	1	Nissho Shipping
M-4	Tokyo Shinkiba	2,454	3.5	2,910	5.6	1-5 years:5.4 6-11 years:5.6	5.9	180.6	3.0	1	Tokyo System Transportation
M-5	Urayasu Chidori	6,000	8.7	6,710	5.5	1-7 years:5.5 8- years:5.7	5.8	494.9	8.1	1	Nitto Logistics
M-6	Funabashi Nishiura	5,700	8.2	6,750	5.8	1-5 years:5.5 6- years:5.7	6.1	435.9	7.2	2	Kyogi Warehouse, Chubu Transport
M-7	Funabashi Nishiura II	9,330	13.5	10,800	6.0	1-10 years:5.5 10- years:5.7	6.3	780.3	12.8	1	Kyogi Warehouse
M-8	Kawasaki	10,905	15.7	11,900	5.4	5.6	5.7	N.A.	N.A.	1	Sagawa Grobal Logistics
M-9	Narashino	1,690	2.4	1,870	5.7	1-5 years:5.8 6-11 years:6.0	6.0	121.2	2.0	1	Sagawa Express
M-10	Yokosuka	3,305	4.8	3,840	6.4	6.2	6.7	296.8	4.9	1	Paltac Corporation
M-11	Yachiyo	2,266	3.3	2,380	6.5	6.1	6.8	181.2	3.0	1	Hitachi Transport System
T-1	Daito	7,617	11.0	8,790	6.3	6.5	6.6	866.1	14.2	2	Settu Warehouse, Nippon Conveyor
T-2	Osaka Fukuzaki	4,096	5.9	4,550	6.1	6.3	6.4	339.8	5.6	1	Ricoh Logistics Systems
O-1	Maebashi	1,230	1.8	1,270	5.7	1-5 years:5.8 6-11 years:6.0	6.0	87.6	1.4	1	Sagawa Express
O-2	Hanyu	1,705	2.4	1,790	5.7	1-5 years:5.8 6-11 years:6.0	6.0	118.8	1.9	1	Sagawa Express
		69,341	100.0	78,540				6,094.4	100.0	20	

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