Japan Logistics Fund, Inc.

February 24, 2017

**For Immediate Release**

**Real Estate Investment Trust**
Japan Logistics Fund, Inc.
Representative: Keita Tanahashi
Executive Director
(Security Code: 8967)

**Asset Management Company**
Mitsui & Co., Logistics Partners Ltd.
Representative: Keita Tanahashi
President
Contact: Ryota Sekiguchi
Deputy General Manager,
Corporate Planning & Finance Dept.
TEL: +81-3-3238-7171

# Notice Concerning Completion of Redevelopment Project and Change of Property Name of Kiyosu Logistics Center

Japan Logistics Fund, Inc. (hereinafter "JLF") announced today that the redevelopment project (hereafter "the Project") described in the "Notice Concerning the Redevelopment Project for the Kiyosu Logistics Center (land)" released on September 1, 2015 has completed, and the new building (hereafter "the Building") has been delivered to JLF. Upon completion, JLF changed its property name as well.

## 1. Outline of the building

| Property number | Name of the property | Date of delivery | Builder | Acquisition price (million yen) | Fund source | Payment method |
|---|---|---|---|---|---|---|
| T-3 | Kiyosu Logistics Center (Note 1) | February 24, 2017 | Yano General Construction Co., Ltd. | 2,325 (Building only) | Cash in hand | Installment payment (Note 2) |

(Note 1) JFL acquired the land of the Building on December 25, 2006. Upon completion of the Project, JLF changed the name of the property to "Kiyosu Logistics Center" (hereinafter "the Property") from "Kiyosu Logistics Center (land)" on February 24, 2017.

(Note 2) Payments were made at the beginning and at the halfway point. The remaining balance, including costs for additional works, was paid on the date of delivery.

**<OBR Highlight>**

- **Achieved higher NOI yield compared to the market: NOI yield 8.5% (Market yield 4.7%) (Note 1)**
- **Maximized asset value by avoiding the outflow of development profit to external parties: Unrealized gains 2,094 million yen (Note 2)**
- **100% pre-let before the completion of the Project, taking advantage of the leasing capability of the asset management company.**

(Note 1) Market yield is the direct capitalization rate used for the appraisal value of the Kiyosu Logistics Center, as of February 24, 2017.

(Note 2) For the basis of the calculation, please see "2. Effects of the Project."

## 2. Effects of the Project

JLF promotes the growth of DPU and the increase of unrealized gain based on its mid-term business plan "stable + Growth 2.0" announced on March 2016. JLF sees OBR (Own Book Redevelopment) as vital driver toward achieving stable + Growth 2.0.

The aim of the Project is to construct a new building on the land owned. Unlike our preceding OBRs, we can conduct the redevelopment without generating non-recurring losses pertaining to the demolition of the existing building in this Project. As a result, JLF is able to maximize the asset value by avoiding the outflow of development profit to external parties and able to achieve DPU growth while maintaining the stable profit level. JLF has a track record of making a success of the OBRs, Daito Logistics Center (Daito, Osaka) and Yachiyo Logistics Center (Yachiyo, Chiba) in the past. By leveraging experience and expertise that we have cultivated through the two past OBRs, we achieved the growth of DPU and the increase of unrealized gains through the Project.

As a pioneer of logistics REIT, JLF will continue to seek stability and sustainable growth of DPU by proceeding with the acquisition of prime logistics centers and continuously undertaking the OBRs.

＜Comparison between Pre-OBR and Post-OBR＞

| | Pre-OBR (Land only) (Note 1) | Post-OBR (Building + Land) (Note 2) | Difference |
|---|---|---|---|
| NOI | 26 million yen | 256 million yen | +230 million yen |
| NOI Yield (Acquisition price base) | 3.8% | 8.5% | +4.7% |
| Income from real estate leasing business | 26 million yen | 190 million yen | +164 million yen |
| Acquisition price | 685 million yen | 3,010 million yen | +2,325 million yen |
| Appraisal value | 848 million yen | 5,200 million yen | +4,352 million yen |
| Book value | 731 million yen | 3,105 million yen | +2,374 million yen |
| Unrealized gain (Note 3) | 116 million yen | 2,094 million yen | +1,977 million yen |
| Unrealized gain as % of portfolio (Note 4) | 15.9% | 67.4% | +51.5% |

(Note 1) NOI and rental revenue represent annualized amounts based on the actual figures from the fiscal period ended July 2015 (the 20th fiscal period). Other figures are as of July 31, 2015.

(Note 2) NOI and rental revenue represent an annual income and expense projection excluding special factors during the first year of operations. These are not forecasts for the fiscal period ending July 2017. Other figures are as of the date of delivery (book value is an estimated value).

(Note 3) Unrealized gain = Appraisal value – Book value

(Note 4) Unrealized gain as % of portfolio = Unrealized gain / Book value

### 3. Details of the post-OBR property

(1) Outline of the asset (Building + land)

| Outline of the asset | | | Outline of the appraisal | | |
|---|---|---|---|---|---|
| Asset type | | Real estate | Real estate appraiser | | Tanizawa Sogo Appraisal Co., Ltd. |
| Expected date of delivery | | December 25, 2006 (Land)<br>February 24, 2017 (Building) | Date of the appraisal | | February 24, 2017 |
| Acquisition price | | 3,010 million yen (Note 1) | Appraisal value | | 5,200 million yen |
| Land | Location | 92 Haruhi Gogashima, Kiyosu, Aichi | Income approach | | 5,200 million yen |
| | Site area | 10,457.02 m$^2$ | | Discounted cash flow approach | 5,200 million yen |
| | Zoning | Semi-industrial area | | | |
| | Floor-area ratio | 200% | | Discount rate | 4.5%/4.7% |
| | Building-to-land ratio | 60% | | Terminal cap rate | 4.9% |
| | Type of ownership | Ownership | | | |
| Building | Structure/Story (Note 2) | Steel frame with alloy-plated steel roofing sheet, 4-story building | | Direct capitalization approach | 5,210 million yen |
| | Date of the completion (Note 2) | January 19, 2017 | | | |
| | Total floor area (Note 2) | 20,438.10 m$^2$ | | Cap rate | 4.7% |
| | Total rentable area | 19,761.25 m$^2$ | | | |
| | Usage (Note 2) | Warehouse, office | Cost approach | | 5,220 million yen |
| | Type of ownership | Ownership | | | |
| Property Management Company | | Mitsui Fudosan Building Management Co., Ltd. | | Land (Percentage) | 50.9% |
| Collateral | | None | | Building (Percentage) | 49.1% |

| Outline of the lease contract | | Outline of engineering report | |
|---|---|---|---|
| Number of tenant | 1 | Survey company | Shimizu Corporation |
| Name of tenant | Mitsubishi Electric Logistics Corporation | Issue date of the engineering report | February 24, 2017 |
| Annual rent (excluding consumption tax) | Not disclosed (Note 3) | Urgent repairs | — |
| Lease deposit | Not disclosed (Note 3) | Short-term repairs | — |
| Total rent area (Note 4) | 19,761.25 m$^2$ | Long-term repairs | 23,836 thousand yen |
| Occupancy | 100.0% | PML | 10.0% |
| Expected income/expense (Note 5) | | Design company, construction company and building certification company | |
| Income (including auxiliary income) | Not disclosed (Note 3) | Design company | YANO Senior Registered Architect Office |
| NOI | 256 million yen | Construction company | Yano General Construction Co., Ltd. |
| NOI yield (based on acquisition price) | 8.5% | Building certification company | Japan ERI Co., Ltd. |

Remarks: None

(Note 1) The figure is calculated by adding the amount stated in the construction contract relating to the Building (including the construction contract for additional works) (2,325 million yen) to the sale price stated in the initial sales contract (685 million yen).

(Note 2) The items are stated based on the real estate register and may not correspond to the current status.

(Note 3) Not disclosed, as unable to obtain the tenant's consent.

(Note 4) In general, there are minor differences between the definition of "rentable area" determined by JLF and the definition of

"rent area" determined by lease contracts. It is possible that some of the rent area is not included in rentable area. The total rent area represents the sum of the rentable area included in the rent area.

(Note 5) The figures are not the forecasts for the fiscal period ending January, 2017 or the fiscal period ending July, 2017, but are annual income/expense projections excluding special factors during the first year of operation of the Building.

(2) Characteristics of the property

a. Geographical characteristics

- Kiyosu area is in a suitable location as a logistics base for consumers, given its high traffic convenience located within 10 km from the center of Nagoya. It is also expected to gain popularity as a location for distributions of manufacturers because of its adjacency to one of the largest clusters of industries.
- Locates near National Route 22, the major traffic routs. It is also an appropriate location for wide-area distribution because of the excellent access to expressways, being located only about 500 m from the HaruhiInterchange of Nagoya Expressway Route 16 Ichinomiya Route, and about 2 km from the Kiyosu Junction where several expressways intersect.
- Since it locates in an industrial area where logistics facilities and plants are accumulated, there is little concern that claims related to noise and vibrations will be made. It enables the Property to operate 24 hours a day. It also locates densely populated area, which makes the access to labor market easy. The abundant parking spaces will help securing labors.

b. Facility characteristics

- The facility is a highly versatile, four-story multi-tenant type logistics center (the warehousing part is three-layered), with standard specs such as an effective column interval of 10 m, an effective ceiling height of 5.5 m or higher, and a standard floor load capacity of 1.5 t/m$^2$.
- The installation of a truck berth and a quantity of vertical transport equipment (two freight elevators and two vertical transport devices) offers tenants efficient inflow, outflow, internal flow and storage so that the facility is able to accommodate wide range of tenants' needs.
- The facility provides a worker-friendly environment to its tenants. It secures sufficient parking space and efficient office space. It is also designed in consideration of business continuity plans (BCPs), such as through elevating cubicles by 2 m as a flood control measure in case of flood.

[High accessibility to several expressways]




[Facility that can cope with the needs of a wide range of tenants]



[Interior of the logistics center]



[Truck berth]



**4. Future prospects**

The impacts of the completion of the Project on the financial results forecasts for the fiscal period ended January 2017 (the 23rd period) and for the fiscal period ending July 2017 (the 24th period) are insignificant, and the forecasts remain unchanged at present. We plan to notify forecasts which will take of the entire portfolio into account, once again in the "REIT Financial Report for the 23rd Period" to be announced on March 10, 2017.

## 5. Outline of the appraisal

| | |
|---|---|
| Appraisal value | 5,200 million yen |
| Real estate appraiser | Tanizawa Sogo Appraisal Co., Ltd. |
| Date of appraisal | February 24, 2017 |

| Item | Details | Outline |
|---|---|---|
| Income approach value | 5,200 million yen | Calculated by discounted cash flow approach, supported by direct capitalization approach. |
| Direct capitalization approach | 5,210 million yen | |
| Operating revenues | Not disclosed (Note) | |
| Total potential revenue | Not disclosed (Note) | Assessed levels of receivable rents based on existing lease contracts, etc. |
| Loss such as vacancy | 0 yen | Not assumed. |
| Operating expenses | Not disclosed (Note) | |
| Maintenance | Not disclosed (Note) | Assessed based on documents presented by client. |
| Utilities expenses | 0 yen | Not assumed. |
| Repairs | 2 million yen | Assessed by allocating a defined percentage of the figures according to the engineering report and similar cases. |
| Property management fee | Not disclosed (Note) | Assessed based on documents presented by client. |
| Expenses for recruiting tenants | 0 yen | Not assumed. |
| Real estate taxes | 28 million yen | Land is assessed based on documents on taxes for fiscal 2016 provided by the local public authority. The building is assessed based on the accredited standards list of taxable base prices of new buildings, etc. |
| Casualty insurance premium | Not disclosed (Note) | Assessed based on documents presented by client. Earthquake insurance will not be subscribed. |
| Other expenses | 0 million yen | Assessed based on similar cases. |
| Net operating income | 247 million yen | |
| Profit on the investment of a lump sum | Not disclosed (Note) | |
| Capital expenditure | 4 million yen | Assessed by allocating a defined percentage of the figures according to the engineering report and similar cases. |
| Net cash flow | 244 million yen | |
| Capitalization rate | 4.7% | Assessed by considering the standard capitalization rate of several precedent market transactions in similar area and close area. Future uncertainty risks and relative sensitivity to discount rate are also in mind. |
| DCF approach | 5,200 million yen | |
| Discount rate | 4.5%/4.7% | Assessed by considering the standard capitalization rate of each area and the uniqueness of the property |
| Terminal cap rate | 4.9% | Assessed based on capitalization rate, taking future uncertainties into consideration |
| Cost approach | 5,220 million yen | |
| Land percentage | 50.9% | |
| Building percentage | 49.1% | |

(Note) JLF does not disclose these items because their disclosure may cause disadvantage to investors.

| | |
|---|---|
| Points of attention in the determination of appraisal value | In deciding the appraisal value of this property, the appraiser used an income approach that appropriately reflects investors' investment profitability as a standard, after verifying the value indicated by the cost approach. The appraiser chose this approach by taking into account: 1) the fact that real estate investors tend to use the income approach for real estate evaluation, 2) the reason for JLF as a real estate investor to obtain an appraisal of this property, and 3) the fact that the property is classified as a rental asset for investment.<br>In this appraisal, a price that represents the profitable value of the investment was requested, taking the investment method according to the Certificate of Incorporation of the investment corporation as given. However, because the said price coincides with an appropriate price (normal price) that indicates the market value, the type of price is a normal price. |

[Appendix]
Portfolio list after acquisition of the new asset.

(End)

**(Press Releases for Reference)**
- Notice Concerning the Acquisition of Property (Chubu Haruhi Logistics Center) (*sokochi*) on December 21, 2006
- Notice Concerning Change of Property Name on July 31, 2015
- Notice Concerning the Redevelopment Project for the Kiyosu Logistics Center (land) on September 1, 2015
- Notice Concerning the Redevelopment Project for Kiyosu Logistics Center (land) (Follow-up Report) on November 30, 2015
- Notice Concerning the Redevelopment Project for Kiyosu Logistics Center (land) (Follow-up Report) on March 14, 2016
- Notice Concerning Lease Initiation (Redevelopment Project of Kiyosu Logistics Center (land)) on July 29, 2016
-Notice Concerning the Redevelopment Project for Kiyosu Logistics Center (land) (Follow-up Report) on January 16, 2017

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

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

[Appendix]
Portfolio list after acquisition of the new asset

| Property number | Property name | Location | Acquisition price (Million Yen) | Ratio (Note 1) |
|---|---|---|---|---|
| M-1 | Funabashi | Funabashi, Chiba | 8,675 | 3.6% |
| M-2 | Urayasu | Urayasu, Chiba | 2,902 | 1.2% |
| M-3 | Hiratsuka | Hiratsuka, Kanagawa | 1,466 | 0.6% |
| M-4 | Shinkiba | Koto-ku, Tokyo | 2,454 | 1.0% |
| M-5 | Urayasu Chidori | Urayasu, Chiba | 6,000 | 2.5% |
| M-6 | Funabashi Nishiura | Funabashi, Chiba | 5,700 | 2.4% |
| M-8 | Kawasaki | Kawasaki, Kanagawa | 10,905 | 4.5% |
| M-9 | Narashino | Narashino, Chiba | 1,690 | 0.7% |
| M-11 | Yachiyo | Yachiyo, Chiba | 7,892 (Note 2) | 3.3% |
| M-12 | Yokohama Fukuura | Yokohama, Kanagawa | 9,800 | 4.1% |
| M-13 | Yachiyo II | Yachiyo, Chiba | 5,300 | 2.2% |
| M-14 | Urayasu Chidori II | Urayasu, Chiba | 1,640 | 0.7% |
| M-15 | Ichikawa | Ichikawa, Chiba | 4,550 | 1.9% |
| M-16 | Shinonome | Koto-ku, Tokyo | 11,800 | 4.9% |
| M-17 | Narashino II | Narashino, Chiba | 7,875 | 3.3% |
| M-18 | Ichikawa II | Ichikawa, Chiba | 17,415 | 7.2% |
| M-19 | Souka | Souka, Saitama | 14,440 (Note 3) | 6.0% |
| M-20 | Tatsumi | Koto-ku, Tokyo | 9,000 | 3.7% |
| M-21 | Kashiwa | Kashiwa, Chiba | 3,725 | 1.5% |
| M-22 | Musashimurayama | Musashimurayama, Tokyo | 8,650 | 3.6% |
| M-23 | Kashiwa II (Land) | Kashiwa, Chiba | 2,500 | 1.0% |
| M-24 | Shin-Koyasu | Yokohama, Kanagawa | 9,696 | 4.0% |
| M-25 | Misato | Misato, Saitama | 3,873 | 1.6% |
| M-26 | Sagamihara | Sagamihara, Kanagawa | 8,032 | 3.3% |
| M-27 | Chiba-Kita | Chiba, Chiba | 1,459 | 0.6% |
| M-28 | Chiba-Kita II | Chiba, Chiba | 4,608 | 1.9% |
| M-29 | Urayasu Chidori III | Urayasu, Chiba | 1,053 | 0.4% |
| M-30 | Zama | Zama, Kanagawa | 1,728 | 0.7% |
| Metropolitan Area (Bay, Inland) Subtotal | | | 174,829 | 72.5% |

| Property number | Property name | Location | Acquisition price (Million Yen) | Ratio (Note 1) |
|---|---|---|---|---|
| T-1 | Daito | Daito, Osaka | 9,762 (Note 4) | 4.1% |
| T-2 | Osaka Fukuzaki | Osaka, Osaka | 4,096 | 1.7% |
| T-3 | Kiyosu | Kiyosu, Aichi | 3,010 (Note 5) | 1.2% |
| T-4 | Kadoma | Kadoma, Osaka | 989 | 0.4% |
| T-5 | Komaki | Komaki, Aichi | 2,100 | 0.9% |
| T-6 | Komaki II | Komaki, Aichi | 1,800 | 0.7% |
| T-7 | Fukuoka Hakozaki Futo | Fukuoka, Fukuoka | 2,797 | 1.2% |
| T-8 | Tajimi | Tajimi, Gifu | 9,310 (Note 6) | 3.9% |
| T-9 | Fukuoka Kashiihama | Fukuoka, Fukuoka | 2,750 | 1.1% |
| T-10 | Kasugai Logistics Center (land) | Kasugai, Aichi | 830 | 0.3% |
| Kinki Area, Chubu Area and Kyushu Area Subtotal | | | 37,445 | 15.5% |
| O-1 | Maebashi | Maebashi, Gunma | 1,230 | 0.5% |
| O-2 | Hanyu | Hanyu, Saitama | 1,705 | 0.7% |
| O-3 | Saitama Kisai | Kazo, Saitama | 4,010 | 1.7% |
| O-4 | Kazo | Kazo, Saitama | 3,790 | 1.6% |
| Other Area Subtotal | | | 10,735 | 4.5% |
| Total portfolio after the acquisition of the new asset | | | 223,009 | 92.5% |
| Assets scheduled to be acquired (Assets applicable to forward commitments, etc.) | | | | |
| M-31 | Shinkiba Logistics Center II | Koto-ku, Tokyo | 15,270 | 6.3% |
| T-10 | Kasugai Logistics Center (Building) | Kasugai, Aichi | 2,749 (Note 7) | 1.1% |
| Portfolio Total after acquisition of the new asset | | | 241,029 | 100.0% |

(Note 1) The figures represent the proportion of the acquisition price after the acquisition of the property to the overall portfolio (including assets applicable to forward commitments, etc.), rounded off to the first decimal place. As of today, the date of delivery of Kasugai Logistics Center is not yet decided.

(Note 2) The figure is calculated by deducting the costs associated with write-offs and demolition of the former building in July 2013 (603 million yen), and adding the amount stated in the construction contract relating to the building after redevelopment (including the construction contract for additional works) (6,230 million yen) to the sale price stated in the initial sales contract (2,266 million yen).

(Note 3) The figure is the sum of the acquisition prices on March 27, 2012 and February 6, 2017.

(Note 4) The figure is calculated by deducting the costs associated with write-offs and demolition of the former building in July 2009 (291 million yen), and adding the amount stated in the construction contract relating to the Warehouse III (2,437 million yen) to the sale price stated in the initial sales contract (7,617 million yen).

(Note 5) The figure is calculated by adding the construction price relating to the redevelopment of the building (2,325 million yen) to the sale price stated in the initial sales contract (685 million yen).

(Note 6) The sum of the acquisition price on October 8, 2013 and November 4, 2014.

(Note 7) The sale price stated in the initial sales contract is presented. JLF may be able to deduct some amount from the acquisition price under certain conditions.