August 26, 2024

For Immediate Release

Real Estate Investment Trust
Japan Logistics Fund, Inc. (Security Code: 8967)
Representative: Seiichi Suzuki, Executive Director

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Notice Concerning the Disposition of Real Estate Asset (Komaki Logistics Center II)

Mitsui & Co., Logistics Partners Ltd. (hereinafter referred to as "MLP"), the asset management company of Japan Logistics Fund, Inc. (hereinafter referred to as "JLF"), announces today that MLP has decided to dispose an existing asset (hereinafter referred to as the "Disposition") as detailed below:

1. Outline of the Disposition

(1) Asset disposed (Hereinafter referred to as the "Asset Disposed".)

Property number	T-6
Name of the property	Komaki Logistics Center II
Date of contract	August 26, 2024
Planned date of delivery	October 1, 2024
Planned disposition price (Note 1)	2,250 million yen
Book value (Note 2)	1,642 million yen
Difference between the planned disposition price and book value (Note 3)	607 million yen
Appraisal value (as of January 31, 2024)	1,660 million yen
Premium to the appraisal value (Note 4)	35.5%
NOI yield (Note 5)	4.5%
Buyer	CREAL Inc.
Brokerage	Not applicable

(Note 1) Excludes disposition expenses, settlement of property and city planning taxes, and consumption tax.
(Note 2) The amount provided is as of the planned disposition date.
(Note 3) This does not represent the capital gain or loss; rather, it is a reference value calculated as the difference between the planned disposition price and the book value.
(Note 4) Premium to the appraisal value = (Planned disposition price – appraisal value) ÷ appraisal value X 100

(Note 5) NOI yield = Appraisal NOI ÷ planned disposition price X 100 (rounded to the first decimal point)
NOI is the amount of net operating income that serves as the basis for pricing using the direct capitalization approach as stated in the appraisal report.

(2) Funds from the disposition

・Funds from the disposition: Allocated to funds on hand and cash distributions

・Payment method: Lump-sum payment on the date of delivery

2. Rationale for the Disposition

Under its growth strategy, “Develop the Value”, JLF has implemented strategies that leverages its unique competitive strengths and flexibility to changes in the external environment to pursue its forward-looking target of reaching a DPU of 5,600 to 5,700 yen.

Amid inflation, interest rate hikes, and a variety of other changes to the external environment, JLF’s investment unit price has shown weakness of late, causing JLF's capital cost to rise. Amid this environment, JLF implemented investment unit buybacks and cancellation November 2023 and January 2024. In March 2024, JLF also carried out assets reshuffling, acquiring Ishikari Logistics Center (55% quasi co-ownership interest) and selling Urayasu Chidori Logistics Center II. While JLF believes that these implementations will contribute to the improvement of capital cost and lead to the enhancement of unitholder value over the medium to long term, we recognize that a recovery in JLF’s investment unit price, which continues to be weak, is an important issue and believe that JLF’s cost of capital continues to have significant room to improvement. Therefore, we have decided the Disposition.

The Disposition is positioned as assets reshuffling, together with the acquisition of Settsu Logistics Center (hereinafter, the “Asset Acquired”) (Note 1) in June 2024. In the assets reshuffling, the Asset Acquired was acquired at a price below the appraisal value, while the Asset Disposed will be sold at a price above the appraisal value, thereby appealing for a unit value of more than NAV per unit (Note 2), which we believe is an initiative to improve the capital costs.

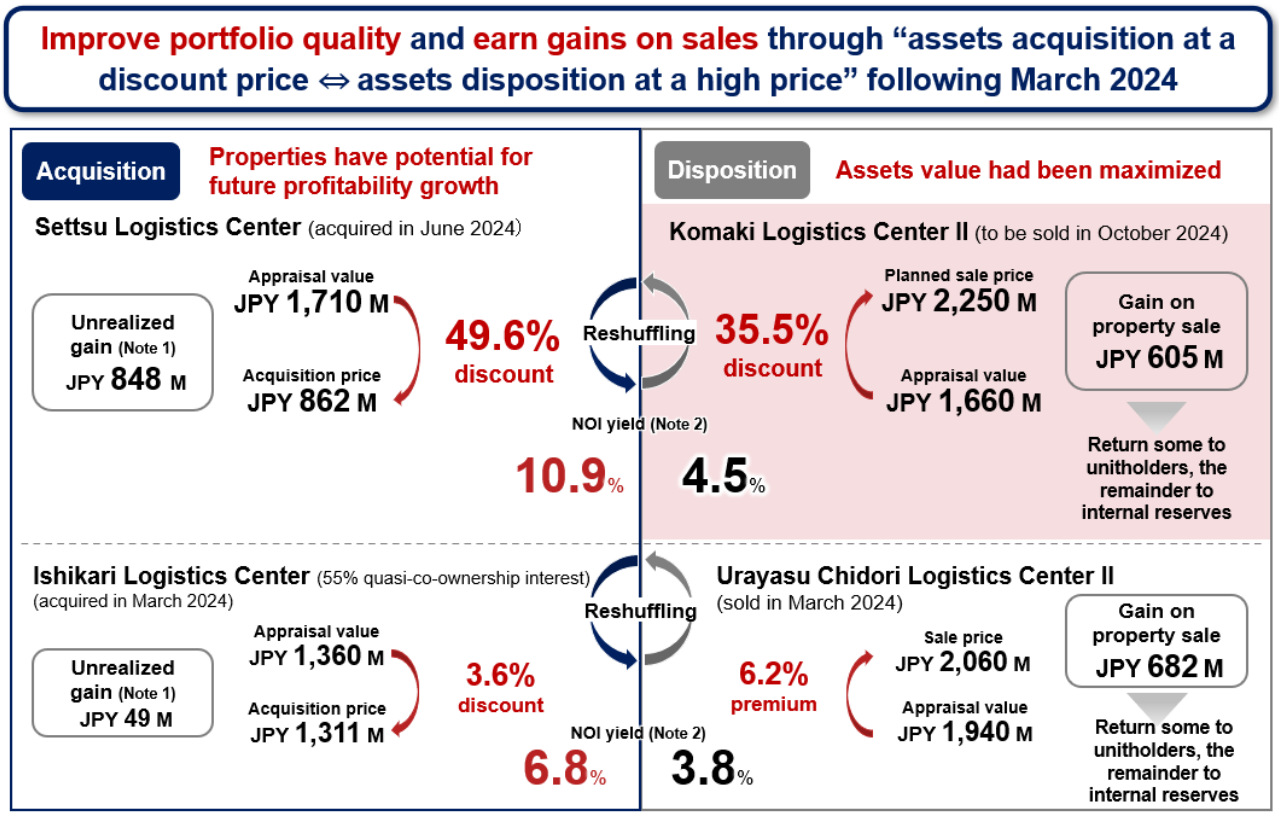
Furthermore, For the Asset Disposed JLF was able to conclude a lease contract for the new tenant at the targeted rent level and, over the medium to long term, large-scale maintenance and repair work should be expected; therefore, the Asset Disposed is assessed to have currently maximized its value. The Asset Acquired, however, has the potential for future profitability growth due to a rent gap, and acquiring the Asset Acquired at a NOI yield higher than that of the Asset Disposed should enhance the quality of JLF's portfolio. Moreover, a portion of the capital gain realized by the Disposition will be allocated to cash distributions to enhance unitholder returns while another portion will be allocated to retained earnings under the reserve for reduction entry for future returns to unitholders (Note 3).

JLF believes the Disposition will lead to improved capital cost, increased unitholder returns through enhanced DPU, and increased unitholder value over the medium to long term. Following the execution of the Disposition, JLF will continue to study implementing appropriate investment strategies and financial strategies with flexibility and agility depending on its investment unit price and capital cost, among other factors.

(Note 1) Please refer to “Notice Concerning the Acquisition of Real Estate Asset (Settsu Logistics Center)” (hereafter referred to as the “Notice”) announced on April 22, 2024 and “Notice Concerning the Completion of Acquisition of Real Estate Asset (Settsu Logistics Center)” announced on June 28, 2024, for more details of Settu Logistics Center.

(Note 2) Net Asset Value per unit is a measure of net asset value per unit that divides the net asset value reflecting difference between the book value and appraisal value of portfolio assets by the total number of investment units issued and outstanding.

(Note 3) The allocation of such gain on sale to distributions is based on assumptions as of the date of this document, and there is no guarantee that such distribution will actually be made.



(Note 1) Unrealized gain = Appraisal value – acquisition price
Unrealized gains may rise or fall in the future due to changes in the real estate market and other factors.

(Note 2) For Settsu Logistics Center and Ishikari Logistics Center, which are acquisition cases, the NOI yield is calculated by the following formula.
NOI yield = Appraisal NOI ÷ Acquisition price × 100
For Komaki Logistics Center II and Urayasu Chidori Logistics Center II, which are disposition cases, the NOI yield is calculated by the following formula.
NOI yield = Appraisal NOI ÷ (planned) disposition price × 100
The appraisal NOI is based on the appraisal at the time of acquisition for acquired properties and the end of January 2024 for disposed properties.

(Note 3) "Gain on property sale" of Komaki Logistics Center and Urayasu Chidori Logistics Center II represents the difference between the estimated sale price and the estimated book value as of the scheduled sale date, which may differ from the actual gain on sale of real estate.

3. Details of the Asset Disposed

[T-6 Komaki Logistics Center II]

Overview of the asset					
Asset type		Real estate	Planned date of delivery		October 1, 2024
Trustee		-	Planned disposition price		2,250 million yen
Winding up of the trust		-	Book value (Note 1)		1,642 million yen
Acquisition date		October 10, 2008	Difference between planned disposition price and book value		607 million yen
Acquisition price		1,800 million yen			
Land	Location	548-1, Kakinokijima, Nishinoshima, Komaki, Aichi and others	Building	Structure/Floors	2-story steel flame structure with an alloy-plated steel sheet roof, and others
	Area	9,740.44m²		Timing of construction	March 27, 1992 and others
	Zoning	Semi-industrial zoning area		Gross floor area	11,109.20m²
	Plot ratio	200%		Gross leasable area (GLA)	11,104.45m²
	Building-to-land ratio	60%		Use	Warehouse and office
	Form of ownership	Ownership rights		Form of ownership	Ownership rights
Property management company		HankyuHanshin Building Management Co., Ltd	Collateral		None
Outline of the appraisal report					
Appraiser		JLL Morii Valuation & Advisory K.K.	Timing of pricing		January 31, 2024
			Appraisal value		1,660 million yen
Outline of the lease					
Number of tenant(s)		1	Deposits and guarantees		Not disclosed (Note 3)
Name of tenant		ARATA CORPORATION (Note 2)	Space leased		11,104.45m²
Annual rent (excluding consumption tax, etc.)		Not disclosed (Note 3)			
Occupancy rate	July 31, 2020	July 31, 2021	July 31, 2022	July 31, 2023	Current date
	100.0%	100.0%	100.0%	100.0%	100.0%
Remarks:					
Not applicable					
(Note 1) The figures are estimated values as of the scheduled transfer date. (Note 2) As of the date of this press release. (Note 3) Not disclosed as consent could not be obtained from the tenant and the buyer.					

4. Outline of the Buyer

Name	CREAL Inc.
Location	2-12-11 Shinbashi, Minato-ku, Tokyo
Representative	Daizo Yokota, Representative Director
Main business	Asset Management Platform Business
Capital	JPY 1,250 million（as of July 1, 2024）
Established	May 11, 2011
Equity	JPY 3,720 million（as of March 31, 2024）
Total assets	JPY 35,247 million（as of March 31, 2024）
Major Shareholders (ownership stake)	Akinari Tokuyama (Standing proxy: Mizuho Securities Co., Ltd.) (22.9%) SBI Holdings, Inc. (19.9%) The Custody Bank of Japan, Ltd. (Trust Account) (9.4%) （as of March 31, 2024）
Relationship to JLF and MLP	
Capital relationship	None
Personnel relationship	None

	Business relationship	There was no business relationship between the Counterparties and JLF or MLP in the fiscal period ended July 2024.
	Related party status	None

5. Status of the Counterparty

The buyer in the Disposition is not interested party in JLF or MLP.

6. Outline of the broker

The disposition does not use a broker.

7. Transaction with an interested party

The Disposition is not a transaction with an interested party.

8. Future outlook

Part of the gain on sale (605 million yen) to be booked in the fiscal period ending January 2025 (August 1, 2024 to January 31, 2025) from the Disposition may be kept as internal reserves for future returns to unitholders, per the “special exception for taxation in the case of replacement of certain assets” provided for in Article 65-7 of the Special Taxation Measures Law (Act No. 26 of 1957, including revisions enforced thereafter). In addition, we are considering allocating the remainder of the gain on sale to distributions.

The impact of the sale on the forecasts for the fiscal period ending January 31, 2025 (August 1, 2024 to January 31, 2025) is negligible, and there is no change in the forecasts.

9. Outline of the appraisal report

[T-6 Komaki Chidori Logistics Center II]

Outline of the appraisal report	
Appraisal value	1,660 million yen
Appraiser	JLL Morii Valuation & Advisory K.K.
Timing of pricing	January 31, 2024

Category	Details	Overview
Income approach	1,660 million yen	
Direct capitalization approach	1,670 million yen	
Operating revenues	Not disclosed (Note)	
Total potential revenue	Not disclosed (Note)	
Vacancies and other losses	0 yen	
Operating expenses	Not disclosed (Note)	
Maintenance expenses	Not disclosed (Note)	
Utilities	0 million yen	
Maintenance and repairs	2 million yen	
PM fee	Not disclosed (Note)	
Tenant recruitment costs	Not disclosed (Note)	
Real estate taxes	7 million yen	
Property insurance premium	Not disclosed (Note)	
Other expenses	0 million yen	
Net operating revenues	100 million yen	
Investment gain on lump-sum payment	Not disclosed (Note)	
Capital expenditures	Not disclosed (Note)	
Net revenues	73 million yen	
Cap rate	4.4%	
DCF approach	1,640 million yen	
Discount rate	4.2%	
Terminal cap rate	4.6%	
Cumulative price	1,030 million yen	
Land (ratio)	80.2%	
Building (ratio)	19.8%	
Matters taken into consideration in deciding the appraisal value	There is no applicable matter.	

(Note) The information as to these items are not disclosed because disclosure of such information may lead to speculation about the leasing conditions and the level of outsourcing costs, which may adversely affect the efficient management of JLF and thus harm the interests of unitholders.

Attachments

Post-disposition portfolio list

End

* JLF's website: https://8967.jp/en/

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.

Attachments

Post-disposition portfolio list

Property number	Name of the Property	Location	Acquisition price (Millions of yen)	% of portfolio (Note 1)
M-2	Urayasu	Urayasu, Chiba	8,745 (Note 2)	3.0%
M-3	Hiratsuka	Hiratsuka, Kanagawa	1,466	0.5%
M-4	ShinKiba	Koto-ku, Tokyo	2,454	0.8%
M-5	Urayasu Chidori	Urayasu, Chiba	6,000	2.1%
M-6	Funabashi Nishiura	Funabashi, Chiba	5,700	2.0%
M-8	Kawasaki	Kawasaki, Kanagawa	10,905	3.8%
M-9	Narashino	Narashino, Chiba	1,690	0.6%
M-11	Yachiyo	Yachiyo, Chiba	7,892 (Note 3)	2.7%
M-12	Yokohama Fukuura	Yokohama, Kanagawa	9,800	3.4%
M-13	Yachiyo II	Yachiyo, Chiba	5,300	1.8%
M-15	Ichikawa	Ichikawa, Chiba	4,550	1.6%
M-16	Shinonome	Koto-ku, Tokyo	11,800 (Note 4)	4.1%
M-17	Narashino II	Narashino, Chiba	7,875 (Note 4)	2.7%
M-18	Ichikawa II	Ichikawa, Chiba	17,415 (Note 4)	6.0%
M-19	Souka	Souka, Saitama	14,440 (Note 5)	5.0%
M-20	Tatsumi	Koto-ku, Tokyo	9,000	3.1%
M-21	Kashiwa	Kashiwa, Chiba	3,725	1.3%
M-22	Musashimurayama	Musashimurayama, Tokyo	8,650	3.0%
M-23	Kashiwa II	Kashiwa, Chiba	3,795 (Note 6)	1.3%
M-24	Shin-Koyasu	Yokohama, Kanagawa	9,696 (Note 4)	3.4%
M-25	Misato	Misato, Saitama	3,873	1.3%
M-26	Sagamihara	Sagamihara, Kanagawa	8,032	2.8%
M-27	Chiba Kita	Chiba, Chiba	1,459	0.5%
M-28	Chiba Kita II	Chiba, Chiba	4,608	1.6%
M-29	Urayasu Chidori III	Urayasu, Chiba	1,053	0.4%
M-30	Zama	Zama, Kanagawa	1,728	0.6%
M-31	ShinKiba II	Koto-ku, Tokyo	15,270	5.3%
M-32	Yokohama Machida	Machida, Tokyo	25,452	8.8%
M-34	Shiroi	Shiroi, Chiba	3,875	1.3%
M-35	Toda	Toda, Saitama	2,052	0.7%

Property number	Name of the Property	Location	Acquisition price (Millions of yen)	% of portfolio (Note 1)
M-36	Ichikawa III	Ichikawa, Chiba	3,850	1.3%
M-37	Fujisawa	Fujisawa, Kanagawa	4,305	1.5%
M-38	Hanyu	Hanyu, Saitama	1,705	0.6%
M-39	Saitama Kisai	Kazo, Saitama	4,010	1.4%
M-40	Kazo	Kazo, Saitama	3,790	1.3%
M-41	Kuki	Kuki, Saitama	8,577 (Note 4)	3.0%
M-42	Itabashi	Itabashi-ku, Tokyo	4,105	1.4%
Tokyo Metropolitan Area subtotal			248,644	85.9%
T-1	Daito	Daito, Osaka	9,762 (Note 7)	3.4%
T-2	Osaka Fukuzaki	Osaka, Osaka	4,096	1.4%
T-3	Kiyosu	Kiyosu, Aichi	3,010 (Note 8)	1.0%
T-4	Kadoma	Kadoma, Osaka	989	0.3%
T-5	Komaki	Komaki, Aichi	2,100	0.7%
T-7	Fukuoka Hakozaki Futo	Fukuoka, Fukuoka	2,797	1.0%
T-9	Fukuoka Kashiihama	Fukuoka, Fukuoka	2,750	1.0%
T-10	Kasugai	Kasugai, Aichi	3,500 (Note 9)	1.2%
T-11	Takatsuki	Takatsuki, Osaka	1,560 (Note 10)	0.5%
T-12	Aisai	Aisai, Aichi	2,510	0.9%
T-13	Osaka Nishiyodogawa	Osaka, Osaka	2,600	0.9%
T-15	Settsu	Settsu, Osaka	862	0.3%
Osaka, Nagoya, Fukuoka Areas subtotal			36,537	12.6%
O-1	Maebashi	Maebashi, Gunma	1,230	0.4%
O-5	Sendaiko-kita	Sendai, Miyagi	1,600	0.6%
O-6	Ishikari	Ishikari, Hokkaido	1,311 (Note 4)	0.5%
Other subtotal			4,141	1.4%
Portfolio total			289,323	100.0%
Forward commitment assets				
T-14	Amagasaki	Amagasaki, Hyogo	TBD (Note 11)	-

(Note 1) Portfolio percentages are rounded to the first decimal point. The planned acquisition date of T-14 Amagasaki Logistics Center is undetermined as of today. (For details, see the Notice Concerning Acquisition of New Assets dated December 22, 2021, and the Notice Concerning Change of the Seller and the Like of a New Asset dated January 19, 2023.

(Note 2) The figure is calculated by subtracting the amount corresponding to the building demolished in December 2020, which is 432 million yen, from the purchase price of 2,902 million yen stated in the original purchase agreement, and adding the construction price of 6,275 million yen for the redevelopment of the building.

(Note 3) The figure is calculated by subtracting the amount corresponding to the building demolished in July 2013, which is 603 million yen, from the purchase price of 2,266 million yen stated in the original purchase agreement, and adding the construction price of 6,230 million yen for the redevelopment of the building.

(Note 4) The figures provided correspond to the respective quasi-co-ownership interests. Shinonome Logistics Center: 47%. Narashino Logistics Center II: 90%. Ichikawa Logistics Center II: 90%. Shin-Koyasu Logistics Center: 51%. Kuki Logistics Center: 44.5%. Ishikari Logistics Center: 55%.

(Note 5) The amount provided here is the sum of the acquisition prices from March 27, 2012, and February 6, 2017.

(Note 6) The amount provided here is the sum of the acquisition prices from September 20, 2013, and March 1, 2018.

(Note 7) The figure is calculated by subtracting the amount corresponding to the building demolished in July 2009, which is 291 million yen, from the purchase price of 7,617 million yen stated in the original purchase agreement, and adding the construction price of 2,437 million yen for the redevelopment of the building.

(Note 8) The figure is calculated by adding the construction price of 2,325 million yen for the redevelopment of the building to the purchase price of 685 million yen stated in the original purchase agreement.

(Note 9) The figure is calculated by adding the purchase price of 2,670 million yen for the newly constructed building resulting from the redevelopment project to the purchase price of 830 million yen stated in the original purchase agreement.

(Note 10) The amount provided here is the sum of the acquisition prices from October 2, 2017 and October 31, 2019.

(Note 11) The trust beneficiary right purchase agreement entered into between JLF and Ricoh Leasing Company, Ltd. related to the acquisition of the Amagasaki Logistics Center assumes the following depending on whether the planned date of delivery falls under the following scenarios (1) through (3).

(1) Any day between the day that Ricoh Leasing acquired the trust beneficiary interest in the property to the day before the first anniversary of Ricoh Leasing’s acquisition date (assumed to be between April 3, 2023 and April 2, 2024 as of the date of this document)

4,384 million yen

However, Ricoh Leasing's holding period for the property will be decided based on a price that achieves a predetermined IRR.

(2) Any day between the first anniversary of the day that Ricoh Leasing acquired the trust beneficiary interest in the property to the day before the second anniversary of Ricoh Leasing’s acquisition date (assumed to be between April 3, 2024 and April 2, 2025 as of the date of this document)

4,302 million yen

However, Ricoh Leasing's holding period for the property will be decided based on a price that achieves a predetermined IRR.

(3) Any day between the second anniversary of the day that Ricoh Leasing acquired the trust beneficiary interest in the property to the day before the third anniversary of Ricoh Leasing’s acquisition date
(assumed to be between April 3, 2025 and April 2, 2026 as of the date of this document)

4,222 million yen

However, Ricoh Leasing's holding period for the property will be decided based on a price that achieves a predetermined IRR.