



For Immediate Release

Real Estate Investment Trust

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Notice Concerning Completion of Redevelopment Project of Yachiyo Logistics Center

Japan Logistics Fund, Inc. (“JLF”) announced today that JLF took delivery of a newly completed building (“the Building”) of Yachiyo Logistics Center in a redevelopment project (“the OBR”(Note)), which was announced through “Notice Concerning Redevelopment Project of Yachiyo Logistics Center” dated March 13, 2013, as detailed below. This delivery marks the completion of the OBR.

(Note) OBR (Own Book Redevelopment) refers to internal redevelopment of a property owned by JLF.

1. Outline of the Building

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|---|---|
| (1) Asset to be acquired | : Trust beneficiary right of real estate (Note) |
| (2) Property name | : Yachiyo Logistics Center |
| (3) Date of delivery
(date of acquisition) | : December 15, 2014 |
| (4) Acquisition price | : 6,230 million yen (building only) |
| (5) Construction company | : Kitano Construction Corp. |
| (6) Fund source | : Cash in hand |
| (7) Payment method | : Payment in installments |
- * One third of the amount stated in the construction contract is paid at the starting point, and one third at the halfway point of the OBR. The remaining amount including costs for additional works is paid at the day of delivery.

(Note) After taking delivery of the Building in the form of real estate, JLF plans to entrust and add the Building to the land that it has already held in the form of trust beneficial right.

<Highlights of the OBR>

- **Completed the first full-scale OBR in J-REIT history successfully through detailed risk management**
- **Increased distributions per unit (DPU) at full operation: +165 yen (Note)**
- **Maximized asset value by avoiding the outflow of development profit to external parties: Unrealized gains 1,879 million yen; expected NOI yield 6.7%**
- **Contracted long-term lease with leading Japanese companies, TOTO Ltd. and Hitachi Transport System, Ltd.**

(Note) The number is an estimate calculated based on certain conditions. The estimate does not guarantee any future DPU payment. For the basis of the calculation, please see “3. Effects of the Project.”



2. Details of the Property and Lease Contract after the completion of the Project

(1) Outline of the Property after the completion of the Project (land and building)

Outline of the asset			Outline of the appraisal			
Asset type		Trust beneficiary right of real estate (Note 1)	Real estate appraiser		The Tanizawa Sogo Appraisal Co., Ltd.	
Date of the acquisition		February 9, 2006	Date of the appraisal		December 15, 2014	
Acquisition price		7,892 million yen (Note 2)				
Trustee		Mizuho Trust & Banking Co., Ltd.	Appraisal value		10,100 million yen	
End of the trust		July 27, 2015				
Land	Location		1734-4, Kamikoya, Yachiyo-shi, Chiba		Income approach	10,100 million yen
	Site area		29,103.38 m ²			
	Zoning		Restricted industrial zone		Discounted cash flow approach	10,000 million yen
	Floor-area ratio		200%			
	Building-to-land ratio		60%			
	Type of ownership		Ownership			
Building	Structure/Story (Note 3)		Steel-frame reinforced concrete construction with alloy coating, steel sheet roof, 4 stories		Direct capitalization approach	10,300 million yen
	Date of the completion (Note 3)		December 5, 2014			
	Total floor area (Note 3)		58,150.82m ²			
	Total rentable area		56,882.98m ²			
	Usage (Note 3)		Warehouse and office		Cost approach	10,500 million yen
	Type of ownership		Ownership			
Property management company		XYMAX Properties Corporation	Land (Percentage)		29.6%	
Collateral		None				
Outline of the lease contract			Outline of the engineering report			
Number of tenants		2	Survey company		Shimizu Corporation	
Annual rent (excluding consumption tax)		Not disclosed (Note 4)	Issue date of engineering report		December 10, 2014	
Lease deposit		Not disclosed (Note 4)	Urgent repairs		—	
Total rent area (Note 5)		56,882.98m ²	Short-term repairs		—	
			Long-term repairs		61,568 thousand yen	
Occupancy (Note 6)		100.0%	PML		1.7%	
Expected income/expense (Note 7)			Design company, construction company and building certification company			
Income (including auxiliary income)		Not disclosed (Note 4)	Design company		Kitano Construction Corp.	
NOI		525 million yen	Construction company		Kitano Construction Corp.	
NOI yield (based on acquisition price)		6.7 %	Building certification company		Saitama Housing Inspection Center	

**Remarks:**

A survey revealed that hazardous substances, which exceed their permitted level by the Environmental Quality Standards (EQS) for Soil Pollution, exist in some part of the land. JLF received a report that the contaminated soils, where the characteristics of the land were changed associated with the demolition of the former building, were excavated, removed, carried out from the site and disposed. JLF has obtained a confirmation from Shimizu Corporation that there is no chance that hazardous substances will spread outside the site, because contaminated soils remaining in the site are covered with pavements; and as the site does not fall under the conditions of “Land with Suspected Threat of Health Hazard by Soil Contamination”, using the property as it is will not cause any problem.

(Note 1) After taking delivery of the Building in the form of real estate, JLF plans to entrust and add the Building to the land that it has already held in the form of trust beneficial interests.

(Note 2) The figure is calculated by adding the amount stated in the construction contract relating to the Building (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), and deducting the costs associated with write-offs and demolition of the former building in July 2013 (603 million yen).

(Note 3) These figures are stated according to the application for registration.

(Note 4) Not disclosed, for unable to obtain the tenants' consent.

(Note 5) The leased area represents the total area as part of the total leasable area of the area of the building indicated in the lease contract of the Building (including a lease reservation contract, the same hereinafter). It is possible in the lease contract that the portion not included in the leasable area is part of the area for rent concerning the building provided in the lease contract.

(Note 6) The occupancy rate is calculated according to the lease contract. It is not the occupancy rate at time of the delivery. The occupancy rate is 24.3% at the time of the delivery and is expected to be 100% in about half a year from the delivery.

(Note 7) The figures are not the forecasts for the fiscal period ending January 31, 2015 or the fiscal period ending July 31, 2015, but are annual income/expense projection excluding special factors during the first year of operations.

(2) Characteristics of the property**a. Geographical characteristics**

Yachiyo area is expected to gain popularity as a location for wide-area distribution bases covering the entire Tokyo metropolitan area as well as regional (mainly in Chiba Prefecture) delivery. The property has high accessibility to the heart of Tokyo Metropolitan area. It locates just 2 km from National Route 16, a major arterial route in Tokyo metropolitan area, and just 8 km from the Chiba-Kita Interchange of the Higashi-Kanto Expressway.

Furthermore, since the property is situated in Kamikoya Industrial Park, allowing the tenants to operate 24 hours a day. In the meantime, the site setting qualifies as the first class logistic center because it is easier for the tenants to secure sufficient part-time labor force from a nearby residential area.

b. Facility characteristics

The facility is a highly versatile, large-scale multi-tenant logistic center, with standard specs such as an effective column interval of 10.0m x 12.0m, an effective ceiling height of 6.0m or higher, and a standard floor load capacity of 1.5t/m². The rampway that allows accessing each floor (except the 4th floor) directly and vertical transport equipment (4 freight elevators and 4 vertical transport devices) enables tenants efficient inflow, outflow, internal flow and storage so that the facility is able to accommodate wide-ranging tenants' needs.

The building has a PC seismic isolated structure to maintain the function of a distribution base in the event of disasters. Thus, tenants can use the facility as their business continuity plan (BCP) site. Furthermore, in light of increasing environment awareness in recent years, JLF obtained an 'A' rating of CASBEE for New Construction. (Note)

(Note) CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a tool for assessing and rating the environmental performance of buildings and built environment. In addition to the aspects of environmental load reduction, such as energy and resource saving and recycling functionality, the system provides a comprehensive

assessment of the environmental efficiency of buildings including the comfort of the indoor environment and considerations for the surrounding landscape.

c. Tenants

JLF has concluded a 7-year lease contract with TOTO Ltd., a sanitary ware manufacturer with a leading market share in Japan, for the 1st floor of the property. TOTO Ltd. plans to use the property and their Chiba Logistic Center located in the neighboring land as a logistics base for covering the Kanto and Tohoku region. Meanwhile, JLF has concluded a 10-year lease contract with Hitachi Transport System, Ltd., a leading company in the third party logistic business in Japan, for the second floor to the fourth floor of the property. Hitachi Transport System, Ltd. plans to use the property as a central logistics base for nationwide cargo owners.

[Facility with a seismic isolated structure that can cope with needs of wide-ranging tenants]



[Interior of the logistics center]



[Truck Berth]



[Seismic isolation equipment]



[High accessibility to the Tokyo metropolitan area]



(3) Outline of the Tenant (Lease Contract)

Tenant name	Type of business	Total rent area	Percentage of total rentable area	Annual rent (excluding consumption tax)	Lease period	Lease deposit
TOTO Ltd.	Manufacture of sanitary ware	13,850.38m ²	24.3%	Not disclosed (Note 1)	7 years	Not disclosed (Note 1)
Hitachi Transport System, Ltd.	General motor truck transportation business	43,032.60m ²	75.7%		10 years (Note 2)	
Total		56,882.98m ²	100.0%	Not disclosed (Note 1)		Not disclosed (Note 1)
Contract renewal/revision						
TOTO Ltd.						
Type of contract	Fixed-term lease contract					
Rent revision	No revision					
Contract renewal	The contract will not be renewed. However, the lessor and lessee may conclude a new lease contract that begins on the day directly following the termination date of the current contract after deliberation.					
Lease cancellation	The contract cannot be cancelled during the lease contract period, unless the lessee pays an amount equivalent to the rent payable from the cancellation date to the expiry date of the lease contract period as a penalty.					
Hitachi Transport System, Ltd.						
Type of contract	Fixed-term lease contract					
Rent revision	No revision					
Contract renewal	The contract will not be renewed. However, the lessor and lessee may conclude a new lease contract that begins on the day directly following the termination date of the current contract after deliberation.					
Lease cancellation	The contract cannot be cancelled during the lease contract period, unless the lessee pays an amount equivalent to the rent payable from the cancellation date to the expiry date of the lease contract period as a penalty.					
Major items	Household equipment, daily staples					

(Note 1) Not disclosed, for unable to obtain tenants' consent.

(Note 2) The lease period will start about half a year from the date of delivery of the Building.

3. Effects of the Project

	Before redevelopment (Note 1)	After redevelopment (Note 2)	Difference
Total rentable area	17,689.95 m ²	56,882.98m ²	39,193.03m ² (+221.6%)
Net operating income (NOI)	124 million yen	525 million yen	400 million yen (+320.8%)
Rental revenue	89 million yen	364 million yen	275 million yen (+307.5%)
Impact on DPU (Note 3)	—	—	165 yen
Acquisition price	2,266 million yen	7,892 million yen	5,626 million yen (+248.3%)
Book value	2,053 million yen	8,220 million yen	6,167 million yen (+300.4%)
Appraisal value	2,410 million yen	10,100 million yen	7,690 million yen (+319.1%)
Unrealized gain (Note 4)	356 million yen	1,879 million yen	1,522 million yen (+426.8%)
Unrealized gain margin (Note 5)	17.4%	22.9%	5.5%

(Note 1) NOI and rental revenue represent annualized figures based on amounts gained by deducting temporary expenses, such as soil survey costs, from the results for FY January 2013 (15th fiscal period). Other figures are as of January 31, 2013.

(Note 2) NOI and rental revenue represent an annual income and expense projection excluding special factors during the first year of operations. Other figures are as of the date of delivery (book values are estimated values).

(Note 3) Impact on DPU = Difference in rental revenue / Total units outstanding as of now (830,000 units) / 2

(Note 4) Unrealized gain = Appraisal value – book value

(Note 5) Unrealized gain margin = Unrealized gain / book value ×100

4. Acquisition price (construction cost) of the Building

The acquisition price of the Building is 6,230 million yen, 248 million yen (4.2%) increase from 5,982 million yen, the acquisition price of the Building announced through “Notice Concerning Redevelopment Project of Yachiyo Logistics Center (Follow-up Report)” dated July 25, 2013. This is mainly due to the occurrence of additional works associated with a change to the plan and soaring construction costs. However, JLF made efforts to maintain profitability by passing the increased costs for additional works, which JLF conducted in response to requests of some tenants, on to the rents. Consequently, projected NOI yield (on an acquisition price basis) and unrealized gain margin turn out to be 6.7% and 22.9%, respectively. JLF considers that it has sufficiently achieved the purpose of OBR, the maximization of asset value by avoiding the outflow of profit to external parties. Using the experiences of the OBR, JLF intends to promote OBR further as one of the most important growth strategies in the future.

5. Future prospects

Since the completion of the Project will have a limited impact on the financial results for the fiscal period ending January 31, 2015 (19th fiscal period) and July 31, 2015 (20th fiscal period), JLF has not changed the forecasts.

6. Outline of the appraisal

Appraisal value	10,100 million yen
Real estate appraiser	The Tanizawa Sogo Appraisal Co., Ltd.
Date of appraisal	December 15, 2014

Item	Details	Outline
Income approach value	10,100 million yen	Calculated based on the DCF method as a standard, after verifying the value with the direct capitalization approach
Direct capitalization approach	10,300 million yen	
Operating revenues	Not disclosed (Note)	
Total potential revenue	Not disclosed (Note)	Assessed reasonable rent level based on the current lease contracts
Loss such as vacancy	Not disclosed (Note)	
Operating expenses	Not disclosed (Note)	
Maintenance	Not disclosed (Note)	Assessed based on the documents provided by JLF
Utilities expenses	40 million yen	Assessed based on figures from other similar cases
Repairs	6 million yen	Assessed by prorating figures from Engineering Report and other similar cases
Property management fee	Not disclosed (Note)	Assessed based on the documents provided by JLF
Expenses for recruiting tenants	0 yen	Not assumed
Real estate taxes	79 million yen	Assessed based on the documents on taxes provided by local public authority
Casualty insurance premium	Not disclosed (Note)	Assessed based on the documents provided by JLF No earthquake insurance policy will be subscribed
Other expenses	3 million yen	Assessed based on figures from other similar cases
Net operating income	544 million yen	
Profit on the investment of a lump sum	Not disclosed (Note)	
Capital expenditure	9 million yen	Assessed by prorating figures from Engineering Report and other similar cases
Net cash flow	537 million yen	
Capitalization rate	5.2%	Assessed mainly based on capitalization rate of logistics facilities in precedent market transactions, supported by regional characteristics and uniqueness as well as stability of net operating income of the property
DCF method	10,000 million yen	
Discount rate	4.8%/5.0%	Assessed by considering regional characteristics and uniqueness of the property
Terminal cap rate	5.4%	Assessed based on capitalization rate adjusted by future uncertainty risks etc.
Cost approach	10,500 million yen	
Land percentage	29.6%	
Building percentage	70.4%	

(Note) JLF has not disclosed these items because it has judged the 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 the following factors; 1) the fact that the real estate investors tend to use income approach for real estate valuation, 2) the reason for JLF as a real estate investor to obtain the appraisal of this property, and 3) the fact that the property is classified as a rental asset for investment.
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(End)

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

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【Reference materials】

Portfolio list after acquisition of the newly acquired assets.

#	Property Name	Location	Acquisition Price (Million Yen)	Ratio (Note 1)
M-1	Funabashi	Funabashi, Chiba	8,675	4.3%
M-2	Urayasu	Urayasu, Chiba	2,902	1.4%
M-3	Hiratsuka	Hiratsuka, Kanagawa	1,466	0.7%
M-4	Shinkiba	Koto-ku, Tokyo	2,454	1.2%
M-5	Urayasu Chidori	Urayasu, Chiba	6,000	3.0%
M-6	Funabashi Nishiura	Funabashi, Chiba	5,700	2.8%
M-8	Kawasaki	Kawasaki, Kanagawa	10,905	5.4%
M-9	Narashino	Narashino, Chiba	1,690	0.8%
M-11	Yachiyo	Yachiyo, Chiba	7,892	3.9%
M-12	Yokohama Fukuura	Yokohama, Kanagawa	9,800	4.8%
M-13	Yachiyo II	Yachiyo, Chiba	5,300	2.6%
M-14	Urayasu Chidori II	Urayasu, Chiba	1,640	0.8%
M-15	Ichikawa	Ichikawa, Chiba	4,550	2.2%
M-16	Shinonome	Koto-ku, Tokyo	11,800	5.8%
M-17	Narashino II	Narashino, Chiba	7,875	3.9%
M-18	Ichikawa II	Ichikawa, Chiba	17,415	8.6%
M-19	Souka	Souka, Saitama	6,360	3.1%
M-20	Tatsumi	Koto-ku, Tokyo	9,000	4.4%
M-21	Kashiwa	Kashiwa, Chiba	3,725	1.8%
M-22	Musashimurayama	Musashimurayama, Tokyo	8,650	4.3%
M-23	Kashiwa II (Land)	Kashiwa, Chiba	2,500	1.2%
M-24	Shin-Koyasu	Yokohama, Kanagawa	9,696	4.8%
M-25	Misato	Misato, Saitama	3,873	1.9%
M-26	Sagamihara (Note 2)	Sagamihara Kanagawa	8,032	4.0%
Metropolitan Area (Bay, Inland) Subtotal			157,901	77.8%
T-1	Daito	Daito, Osaka	9,762	4.8%
T-2	Osaka Fukuzaki	Osaka, Osaka	4,096	2.0%
T-3	Chubu Haruhi (Land)	Kiyosu, Aichi	685	0.3%
T-4	Kadoma	Kadoma, Osaka	989	0.5%
T-5	Komaki	Komaki, Aichi	2,100	1.0%



#	Property Name	Location	Acquisition Price (Million Yen)	Ratio (Note 1)
T-6	Komaki II	Komaki, Aichi	1,800	0.9%
T-7	Fukuoka Hakozaki Futo	Fukuoka, Fukuoka	2,797	1.4%
T-8	Tajimi	Tajimi, Gifu	9,310	4.6%
T-9	Fukuoka Kashiihama	Fukuoka, Fukuoka	2,750	1.4%
Kinki Area, Chubu Area and Kyushu Area Subtotal			34,289	16.9%
O-1	Maebashi	Maebashi, Gunma	1,230	0.6%
O-2	Hanyu	Hanyu, Saitama	1,705	0.8%
O-3	Saitama Kisai	Kazo, Saitama	4,010	2.0%
O-4	Kazo	Kazo, Saitama	3,790	1.9%
Other Area Subtotal			10,735	5.3%
Portfolio Total			202,925	100.0%

(Note 1) The figures represent the proportion of the acquisition price to the overall portfolio.

(Note 2) The asset is to be acquired on March 3, 2015 and corresponds to the Forward Commitment, etc. stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” by the Financial Services Agency.