

July 28, 2016

**For Immediate Release**

**Real Estate Investment Trust**

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**Notice Concerning Acquisition of a New Asset (Shinkiba Logistics Center II)**

Mitsui & Co., Logistics Partners Ltd. (hereinafter “MLP”), the asset management company of Japan Logistics Fund, Inc. (hereinafter “JLF”), announced today that MLP has decided the acquisition of a new asset, Shinkiba Logistics Center II (hereinafter “the property”) as detailed below:

**1. Outline of the acquisition**

(1) New asset (Trust beneficiary right of real estate)

Property number	Name of the property	Date of contract	Expected date of delivery	Seller	Acquisition price (million yen)	Appraisal value (million yen)
M-31	Shinkiba Logistics Center II	July 29, 2016	March 16, 2017 (Note)	Limited Liability Company IK Investment Three	15,270	17,000

(Note) If it becomes clear that the transfer cannot be made on the expected date of delivery as described above, the expected date of delivery will be changed to a date that is separately agreed to in writing by the seller and JLF (up to March 31, 2017). In addition, if the seller and JLF reach a separate agreement in writing, the expected date of delivery will be able to be changed to a date before March 16, 2017.

(2) Fund source: Cash in hand and loans (expected).

In regards to the fund source, JLF will announce once the funding method has been determined. In regards to the acquisition of the property, JLF expects to establish commitment lines whose funds are used as the fund source of the property. Please refer to the following press release for details about the establishment of the commitment lines.

“Notice Concerning the Conclusion of New Commitment Line Agreements” dated July 28, 2016.

(3) Payment method: Lump-sum payment on the date of delivery.

The acquisition contract of the property (hereafter “the acquisition contract”) corresponds to the Forward Commitment, etc. (Note) stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” by the Financial Services Agency. Please refer to “8. Financial impact on JLF when the forward commitment cannot be fulfilled” regarding the contents of the termination clause.

(Note) A post-dated acquisition agreement, in which the actual transaction or closing takes place in one month or later.

## 2. Rationale and highlights for the acquisition

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 decided this acquisition as a big step toward achieving stable + Growth 2.0. Kenedix, Inc., one of the sponsors of JLF, has developed the property. Under the rising competition in the acquisition of logistics properties, JLF acquires this prime property through off-market transaction by leveraging the pipeline of the sponsor.

Currently, the occupancy of the property stands at 47.3%. JLF intends to improve the occupancy and secure steady earning capabilities as soon as possible by using the extensive tenant network of sponsors and MLP as well as by taking advantage of the superior location and the versatility of the property.

[Reference] Actual NOI and appraisal NOI of the property

Acquisition price (million yen)	Actual NOI (million yen) (Note 1)	NOI yield (acquisition price base)	Appraisal NOI (million yen) (Note 2)	Appraisal NOI yield (acquisition price base)
15,270	362	2.4%	764	5.0%

(Note 1) The figure is a normalized estimate based on annual income/expense projections, which are calculated on a provisional basis by MLP in accordance with the existing lease contract (premising occupancy rate to be 47.3%). These are not forecasts for the fiscal period ending January 2017 or the fiscal period ending July 2017.

(Note 2) Net operating income, a precondition for the amount based on the direct capitalization approach stated on the appraisal, is stated.

### Acquisition Highlight

- **Locates on the rare coastal area of Tokyo Bay with superior access to central Tokyo, the largest consumption area in Japan**
- **Acquired a prime property through off-market transaction by leveraging the pipeline of the sponsor**
- **Concluded a long-term lease contract with DHL Japan, Inc. as its strategic logistics center**

### 3. Details of the new asset

#### (1) Outline of the new asset

Outline of the asset			Outline of the appraisal	
Asset type	Trust beneficiary right of real estate		Real estate appraiser	Japan Real Estate Institute
Expected date of delivery	March 16, 2017		Date of the appraisal	July 25, 2016
Acquisition price	15,270 million yen			
Trustee	Mitsubishi UFJ Trust and Banking Corporation		Appraisal value	17,000 million yen
End of the trust	September 30, 2023			
Land	Location	2-13-10 Shin-kiba, Koto-ku, Tokyo	Income approach	17,000 million yen
	Site area (Note 1)	19,877.99 m <sup>2</sup>	Discounted cash flow approach	16,800 million yen
	Zoning	Semi-industrial area		
	Floor-area ratio	200%		
	Building-to-land ratio	60%	Discount rate	4.0%
	Type of ownership	Ownership	Terminal cap rate	4.4%
Building	Structure/Story (Note 1)	Steel frame with alloy-plated steel roofing sheet, 5-story building	Direct capitalization approach	17,200 million yen
	Date of the completion (Note 1)	August 5, 2015		
	Total floor area (Note 1)	42,782.27 m <sup>2</sup>		
	Total rentable area	38,512.20 m <sup>2</sup>	Cap rate	4.4%
	Usage (Note 1)	Warehouse, office	Cost approach	16,100 million yen
	Type of ownership	Ownership		
Property Management Company	Itochu Urban Community Ltd.		Land (Percentage)	64.5%
Collateral	None		Building (Percentage)	35.5%
Outline of the lease contract			Outline of engineering report	
Number of tenant	1		Survey company	Shimizu Corporation
Annual rent (excluding consumption tax)	Not disclosed (Note 2)		Issue date of the engineering report	July 7, 2016
Lease deposit	Not disclosed (Note 2)		Urgent repairs	—
Total rent area (Note 3)	18,221.97 m <sup>2</sup>		Short-term repairs	—
			Long-term repairs	53,071 thousand yen
Occupancy	47.3%		PML	11.3%

Expected income/expense (Note 4)		Design company, construction company and building certification company	
Income (including auxiliary income)	Not disclosed (Note 2)	Design company	Nippon Steel & Sumikin Engineering Co., Ltd.
NOI	362 million yen	Construction company	Nippon Steel & Sumikin Engineering Co., Ltd.
NOI yield (based on acquisition price)	2.4%	Building certification company	The Building Center of Japan

Remarks:

- On the same date with the date of contract, JFL concluded a loan for use contract (hereinafter “the loan for use”) with the trustee of the 4<sup>th</sup> and the 5<sup>th</sup> floor of the property in order to conduct section creation work (hereinafter “the work”), a precondition to attract tenants to the property. In addition, JFL concluded the construction contract regarding the work (hereinafter “the construction work contract”) with NIPPON STEEL & SUMIKIN ENGINEERING CO., LTD. (hereinafter “the contractor”) (contract price: 300 million yen). The main details of the loan for use are as follows.
  - Validity period: The validity period starts from the date when the loan for use is concluded to the date when the work is completed and JLF receives the delivery (scheduled to be March 16, 2017). However, even if a delay or any other event occurs during the work, JLF will have no responsibility to provide compensation for damage to the trustee.
  - Rent: No rent incurs during the validity period
  - In case the seller transferred the property to JLF based on the acquisition contract, all of the rights, obligations, and status of JLF based on the construction work contract will be transferred to the trustee, upon completion of the work and before the contractor transfers the work to JLF.
  - If for any reason the acquisition contract is rescinded, the loan for use will be terminated. If for any reason the acquisition contract is rescinded, all of the rights, obligations and status of JLF based on the construction work contract will be transferred to the seller with no compensation.
- As a result of the survey, the fact that there are toxic materials that exceed the standard of Soil Contamination Countermeasures Act in certain parts of the land has been confirmed, and thus the land has been designated as the area for which the Tokyo Metropolitan Government requires notification to be submitted when the nature of the land is changed. Although notification must be submitted to the Tokyo Metropolitan Governor when the nature of the land is changed by construction work that involve drilling and other work, measures to contain contaminated soil and other steps have been already carried out. JLF has confirmed with SHIMIZU CORPORATION that there are no problems with using the land the way it is used now. In case JLF tries to take the contaminated soil out from the site, JLF has to dispose the soil by following Soil Contamination Countermeasures Act. However JLF received the opinion from SHIMIZU CORPORATION that JLF is able to conduct measures to contain contaminated soil within the site and has no need to carry the soil out from the site even if JLF tries to reconstruct the building in future. Therefore, JLF decided not to expect any cost associated with disposition of contaminated soil.

(Note 1) The outline shown here is according to the real estate registry and may differ from the present state.

(Note 2) Not disclosed, for unable to obtain tenants' consent.

(Note 3) In general, there are minor differences between the definition of “rentable area” as determined by JLF and the definition of “rent area” as determined by the lease contracts. The total rent area represents the sum of the rent area included in the rentable area. It is possible that some of the rent area is not included in the rentable area.

(Note 4) The figures are not forecasts for the fiscal period ending January 2017 or the fiscal period ending July 2017, but normalized estimations based on annual income and expense projections (premising occupancy rate to be 47.3%).

## (2) Characteristics of the property

### a. Location

- Shinkiba is close to central Tokyo, the largest consumption area in Japan. The location on the rare coastal area of Tokyo Bay where logistics centers are gathered provides the property extremely convenient access to Tokyo Port and Haneda Airport.
- The site conveniently situates within 1.8 km of the Shinkiba Interchange of the Metropolitan Expressway Bay Shore Route. It is in an area popular with wide-area distribution centers that cover the entire Metropolitan area and with logistics centers for mail orders, e-commerce, and other services that target consumption areas.
- The area is zoned as semi-industrial area where the tenants can operate for 24 hours without concerning about complaints from local residents. The site is close to Shinkiba Station of the JR Keiyo Line, the Tokyo Metro Yurakucho Line, and the Rinkai Line. People can commute by foot or bus from the station to the site that makes tenants easy for securing labor force.

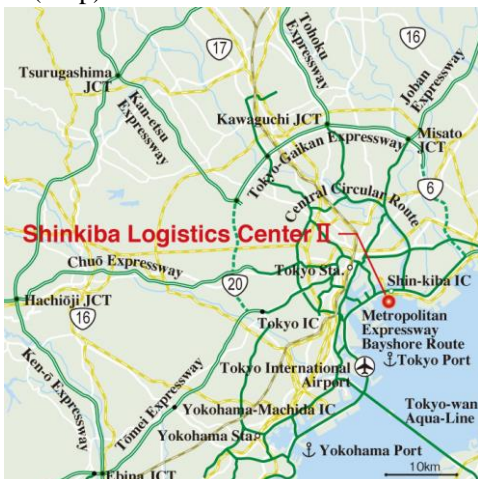
### b. Specification

- The Property is an extremely versatile, 5-story (4-story warehouse) large-scale multi-tenant-type logistics center. It has standard specifications with an effective column interval of 11.7m x 9.5m, an effective ceiling height of 5.5m, and a floor load capacity of 1.5 t/m<sup>2</sup>.
- The lower floors (1~3 floors) are home to the center that has been developed specifically as the main center of a major logistics company. The facility specifications of the center focus on providing greater convenience for the tenant company.
- On the higher floors (4~5 floors), a slope that enables trucks accessing in the truck berth on the 4<sup>th</sup> floor has been installed. This allows for the efficient loading and unloading of cargo, meeting the needs of a wide range of tenants.

### c. Tenant

- DHL Japan, Inc., a global leader of international express transportation, has signed a long-term fixed-term lease contract.
- DHL Japan, Inc. operates a variety of import and export services and pickup and delivery services, with the property positioned as its strategic center or “Tokyo Gateway”.

(Map)



(View of the facility)



#### 4. Outline of the seller

Name	Limited Liability Company IK Investment Three
Address	6-5 Nihonbashi Kabutocho, Chuo-ku, Tokyo
Date of establishment	June 3, 2013
Representative	Representative Partner: IK Investment Functional Manager: Tadatsugu Ishimoto
Capital	1,000,000 yen (as of June 30, 2016)
Shareholders	IK Investment
Principal business lines	1. Acquisition, holding, disposition, leasing and management of real estate 2. Acquisition, holding and disposition of trust beneficiary rights of real estate 3. All other operations incidental to or associated with each of the above items
Relation to JLF or MLP	No capital or human relations. No transactions during the fiscal period ended January 2016. Limited Liability Company IK Investment Three commissions asset management to Kenedix, Inc., a major shareholder of MLP. Therefore, Limited Liability Company IK Investment Three corresponds to an “interested party” defined in MLP’s Anti-Conflict-of-Interest Rule.

#### 5. Current condition of the seller

Current condition of the seller is shown below:

	Previous owner/beneficiary of the trust	Before the previous owner/beneficially of the trust
Name of company	Limited Liability Company IK Investment Three	Not interested parties
Special interest in JLF and the asset management company	See above “4. Outline of the seller”	—
Reason for acquisition	Development	—
Acquisition price	Description of the land is omitted because the previous owner/beneficiary of the trust has possessed the land for more than one year. Description of the building is omitted because the building was developed by the previous owner/beneficiary of the trust.	—
Date of acquisition	September 2013 (Land) August 2015 (Completion of the building)	—

#### 6. Outline of the broker

There is no broker in the acquisition.

## **7. Transaction with an interested party**

The seller of the property, Limited Liability Company IK Investment Three, corresponds to the interested party that is defined in MLP's Anti-Conflict-of-Interest Rule. For this reason, when JLF decided to acquire the property, JLF obtained the approval of the Board of Directors of MLP after deliberating MLP's compliance committee in accordance with the Anti-Conflict-of-Interest Rule.

## **8. Financial impact on JLF when forward commitment cannot be fulfilled**

The termination clauses stipulated in the acquisition contract are as follows. The total amount of penalty that JLF has to pay in case JLF cannot fulfill the forward commitment does not exceed the ceiling of the penalty stipulated in MLP's internal rule regarding forward commitment. Therefore, JLF considers that the failure to complete fund procurement and to implement forward commitment will be unlikely to cause a serious impact on JLF's financial position.

- (1) When either the seller or JLF breaches the acquisition contract, and if the party in breach does not fulfill the obligation within a reasonable time period after receiving repeat notification from the other party, the party not in breach may cancel the contract. However, this shall not apply to violations of obligations other than violations of the statement or guarantee if there are no reasons attributable to the party in breach.
- (2) When the seller as a party with the right to cancel the acquisition contract decides to cancel the contract in accordance with (1) above, in addition to cancellation, the seller may demand for JLF to pay a penalty of the amount calculated by adding the amount equal to 10% of the transaction price, excluding consumption tax and local consumption tax, and the amount agreed between the seller and JLF (Note).
- (3) When JLF as a party with the right to cancel the acquisition contract decides to cancel the contract in accordance with (1) above, in addition to cancellation, JLF may demand for the seller to pay a penalty of the amount equivalent to 10% of the transaction price, excluding consumption tax and local consumption tax. In addition, if JLF expenses any cash (including, but not limited to, payment for the construction work contract) associated with the construction work contract, JLF may demand for the seller to pay a penalty, in addition to the above mentioned penalty, equal to the amount that JLF has paid in relation to the construction work contract with the ceiling which is agreed between the seller and JLF (Note).

(Note) The amount does not exceed 300 million yen stated in the construction work contract. However, the actual amount is not disclosed, for unable to obtain the seller's consent.

## **9. Future prospects**

The acquisition of the property is expected in the fiscal period ending July 2017 (the 24<sup>th</sup> Period), and does not affect the financial results for the fiscal period ending July 2016 (the 22<sup>nd</sup> Period) and for the fiscal period ending January 2017 (the 23<sup>rd</sup> Period). Thus, the forecasts for the periods remain unchanged.



## 10. Outline of the appraisal

Appraisal value	17,000 million yen
Real estate appraiser	Japan Real Estate Institute
Date of appraisal	July 25, 2016

Item	Details	Outline
Income approach value	17,000 million yen	Calculated by associating the direct capitalization approach value and the discounted cash flow approach value.
Direct capitalization approach	17,200 million yen	
Operating revenues	Not disclosed (Note)	
Total potential revenue	Not disclosed (Note)	Assessed levels of rents that are possible to receive reliably for medium- to long-term based on existing lease contracts, etc.
Loss such as vacancy	Not disclosed (Note)	
Operating expenses	Not disclosed (Note)	
Maintenance	10 million yen	Recorded by referring to the actual results for the previous years and maintenance expenses of other similar properties, and by taking into consideration the uniqueness of the subject property.
Utilities expenses	1 million yen	Calculated based on the actual results for the previous years.
Repairs	4 million yen	Recorded by referring to the actual results for the previous years, and by taking into consideration the future maintenance management plan, the expense level of similar properties, and the average annual repair and renewal expenses in engineering report.
Property management fee	Not disclosed (Note)	Recorded by referring to fees based on the existing contract conditions, and by taking into consideration the fee rate of similar properties and the uniqueness of the subject property.
Expenses for recruiting tenants	0 yen	Not assumed
Real estate taxes	86 million yen	Recorded based on tax documents for fiscal 2016.
Casualty insurance premium	Not disclosed (Note)	Assessed by taking into consideration the insurance premium rates of other similar buildings. Earthquake insurance is not covered.
Other expenses	0 million yen	Recorded by taking into consideration the workpiece installation expenses in the land owned by Tokyo Metropolitan Government.
Net operating income	764 million yen	
Profit on the investment of a lump sum	Not disclosed (Note)	
Capital expenditure	11 million yen	Assessed by considering the capital expense levels of other similar properties, the age, and the annual average repair and renewal expenses in engineering report.
Net cash flow	755 million yen	
Capitalization rate	4.4%	Assessed by considering the standard capitalization rate of each area, the uniqueness of the property, future uncertainty risks, and the capitalization rate of similar properties in precedent market transactions.



	DCF approach	16,800 million yen	
	Discount rate	4.0%	Assessed by reference to the investment yield in transactions of similar properties and by comprehensively considering the uniqueness of the property, etc.
	Terminal cap rate	4.4%	Assessed by reference to the capitalization rate of similar properties in precedent market transactions and by comprehensively considering future uncertainty risks, etc.
	Cost approach	16,100 million yen	
	Land percentage	64.5%	
	Building percentage	35.5%	
Points of attention in the determination of appraisal value		Not applicable	

(Note) JLF has not disclosed these items because their disclosure may enable the lease terms and level of outsourcing fees to be estimated, which could have a negative impact on the efficient operations of JLF and cause disadvantage to investors.

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

(End)

**(Press Releases for Reference)**

- Notice Concerning the Conclusion of New Commitment Line Agreements on July 28, 2016

\*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	3.8%
M-2	Urayasu	Urayasu, Chiba	2,902	1.3%
M-3	Hiratsuka	Hiratsuka, Kanagawa	1,466	0.6%
M-4	Shinkiba	Koto-ku, Tokyo	2,454	1.1%
M-5	Urayasu Chidori	Urayasu, Chiba	6,000	2.6%
M-6	Funabashi Nishiura	Funabashi, Chiba	5,700	2.5%
M-8	Kawasaki	Kawasaki, Kanagawa	10,905	4.7%
M-9	Narashino	Narashino, Chiba	1,690	0.7%
M-11	Yachiyo	Yachiyo, Chiba	7,892 (Note 2)	3.4%
M-12	Yokohama Fukuura	Yokohama, Kanagawa	9,800	4.2%
M-13	Yachiyo II	Yachiyo, Chiba	5,300	2.3%
M-14	Urayasu Chidori II	Urayasu, Chiba	1,640	0.7%
M-15	Ichikawa	Ichikawa, Chiba	4,550	2.0%
M-16	Shinonome	Koto-ku, Tokyo	11,800	5.1%
M-17	Narashino II	Narashino, Chiba	7,875	3.4%
M-18	Ichikawa II	Ichikawa, Chiba	17,415	7.6%
M-19	Souka	Souka, Saitama	6,360	2.8%
M-20	Tatsumi	Koto-ku, Tokyo	9,000	3.9%
M-21	Kashiwa	Kashiwa, Chiba	3,725	1.6%
M-22	Musashimurayama	Musashimurayama, Tokyo	8,650	3.8%
M-23	Kashiwa II (Land)	Kashiwa, Chiba	2,500	1.1%
M-24	Shin-Koyasu	Yokohama, Kanagawa	9,696	4.2%
M-25	Misato	Misato, Saitama	3,873	1.7%
M-26	Sagamihara	Sagamihara, Kanagawa	8,032	3.5%
M-27	Chiba-Kita	Chiba, Chiba	1,459	0.6%
M-28	Chiba-Kita II	Chiba, Chiba	4,608	2.0%
M-29	Urayasu Chidori III	Urayasu, Chiba	1,053	0.5%
M-30	Zama	Zama, Kanagawa	1,728	0.7%

Property number	Property name	Location	Acquisition price (Million Yen)	Ratio (Note 1)
Metropolitan Area (Bay, Inland) Subtotal			166,749	72.3%
T-1	Daito	Daito, Osaka	9,762 (Note 3)	4.2%
T-2	Osaka Fukuzaki	Osaka, Osaka	4,096	1.8%
T-3	Kiyosu (Land)	Kiyosu, Aichi	685	0.3%
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	0.8%
T-7	Fukuoka Hakozaki Futo	Fukuoka, Fukuoka	2,797	1.2%
T-8	Tajimi	Tajimi, Gifu	9,310 (Note 4)	4.0%
T-9	Fukuoka Kashiihama	Fukuoka, Fukuoka	2,750	1.2%
T-10	Kasugai Logistics Center (land)	Kasugai, Aichi	830	0.4%
Kinki Area, Chubu Area and Kyushu Area Subtotal			35,119	15.2%
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	4.7%
Total portfolio after the acquisition of the new asset			212,603	92.2%
Assets scheduled to be acquired (Assets applicable to forward commitments, etc.)				
M-31	Shinkiba Logistics Center II	Koto-ku, Tokyo	15,270	6.6%
T-10	Kasugai Logistics Center (Building)	Kasugai, Aichi	2,749 (Note 5)	1.2%
Portfolio Total after acquisition of the new asset			230,623	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 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 4) The sum of the acquisition price on October 8, 2013 and November 4, 2014.

(Note 5) 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.