

July 21, 2021

### For Immediate Release

### **Real Estate Investment Trust**

Japan Logistics Fund, Inc. (Security Code: 8967) Representative: Naohiro Kameoka, Executive Director

### **Asset Management Company**

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# **Notice Concerning the Amendment of Asset Management Guideline**

Mitsui & Co., Logistics Partners Ltd. (hereinafter referred to as "MLP"), the asset manager of Japan Logistics Fund Inc. (hereafter referred to as "JLF"), announced today that the board of directors of MLP has decided to amend its Asset Management Guideline as described below.

## 1. Main Contents and Rationale for the Change

- (1) In the provisions concerning investment stance, MLP clarifies that JLF may acquire land for development, construct a building on the land as the client, and acquire the building (what is called greenfield development). In addition, MLP makes a new provision regarding points to keep in mind when undertaking greenfield development (For details on the change, refer to Appendix 1. And for MLP's approach to risk management for greenfield development, refer to Appendix 2).
  - In the past, JLF has carried out four cases of redevelopment projects of the properties held by JLF by itself (OBR: Own Book Redevelopment) and has realized an increase in revenue and asset value. In addition, in September 2020, JLF made the decision to implement a redevelopment project for the Urayasu Logistics Center, and this project is currently progressing smoothly. MLP amends its Asset Management Guideline in order to further expand investment opportunities by applying its knowledge of logistics properties development, which it has cultivated through OBR projects, to greenfield development.
- (2) At the 11th General Meeting of Unitholders held on October 21, 2020, JLF made the necessary changes to part of its Articles of Incorporation so that dividends, etc. on investment units of JLF would be subject to the tax exemption system in connection with the introduction of the Nippon Individual Saving Account (NEW NISA), a tax-exempt program for small investments. In accordance with the partial amendment to the Articles of Incorporation, the Asset Management Guideline will be amended. (For details on the change, refer to the Appendix 1.)



2. Date of the Change July 21, 2021

# 3. Future Prospects

There is no impact on the forecast for the fiscal period ending July 2021 (the 32nd period) and the fiscal period ending January 2022 (the 33rd period).

(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.



Appendix 1

# Main contents of the changes (Underlined parts have been changed)

Main contents of the changes (Underlined parts have been	
Before	After
2. Investment policy (Omitted)	2. Investment policy (Omitted)
2) Investment stance	2) Investment stance
(Omitted)	(Omitted)
(A) Acquisition policy	(A) Acquisition policy
(Omitted)	(Omitted)
c. Portfolio construction	c. Portfolio construction
(i) Use of investment target	(i) Use of investment target
The primary investment targets shall be real estate used for logistics facilities.	The primary investment targets shall be real estate used for logistics facilities.
Real estate used for data centers and other	Real estate used for data centers and other
telecommunication facilities and real estate that is not	telecommunication facilities and real estate that is not
being used for logistics facilities at the time of	being used for logistics facilities at the time of
acquisition but may be converted or redeveloped to be	acquisition but may be constructed, converted or
used for logistics facilities (hereinafter referred to as	redeveloped to be used for logistics facilities
"Other Real Estate" ) may become investment	(hereinafter referred to as "Other Real Estate")
targets.	may become investment targets.
(Omitted) e. Investment in development projects	(Omitted) e. Investment in development projects
When investing in real estate that is under development	When investing in real estate that is under development
or scheduled to be developed (hereinafter referred to as	or scheduled to be developed (hereinafter referred to as
"Development Real Estate"), MLP shall make	"Development Real Estate"), MLP shall make
investment decisions comprehensively after carefully	investment decisions comprehensively after carefully
considering risks related to the completion and delivery	considering risks related to the completion and delivery
of the properties, risks related to securing tenants after	of the properties, risks related to securing tenants after
the completion of building, and other risks related to Development Real Estate. <u>In principle, acquisition of</u>	the completion of building, and other risks related to Development Real Estate.
Development Real Estate shall be conditional upon	If JLF invests in the Development Real Estate in
completion of the building.	collaboration with a third party as a business partner
	(including a case where JLF acquires land for
	development and acquires a building that the third party
	builds on the land; hereinafter "Collaborative
	Development Investment"), MLP shall examine the
	degree of difficulty of development, the period and cost
	required for development, the profitability after
	completion of development and the third party's creditworthiness, track record in the development of
	logistics facilities, expertise, and technical capabilities
	(including accuracy in construction, management
	capability, and design capacity), and shall make
	investment decisions comprehensively after carefully
	considering risks related to the completion and delivery
	of the properties, risks related to securing tenants after
	the completion of building, the credit risk of the third party, and other risks related to investment in
	Collaborative Development Investment.
	In addition, in cases JLF acquires land for development,
	constructs a building on the land as the client, and
	acquires the building (hereinafter referred to as
	"Investment in Independent Development"), MLP shall
	examine the degree of difficulty of development, the period and cost required for development, and the
	profitability after completion of development, and shall
	make investment decisions comprehensively after
	carefully considering risks related to the completion and
	delivery of the properties, risks related to securing
	tenants after the completion of building, and other risks
(0;4-1)	related to Investment in Independent Development.
(Omitted)	(Omitted)



	日本ロジスティクスファンド投資法人
Before	After
(C) Portfolio management policy	(C) Portfolio management policy
(Omitted)	(Omitted)
(Added)	g. Investment in independent development
	In the case of implementing the construction of a
	building as independent development investment, MLP
	shall make decision based on comprehensive
	assessments of the schedule from the decision to
	implement the construction of the building to its
	completion, the location of the property, the profitability
	expected to be realized after the completion of the
	building in accordance with the building plan drawings,
	and other factors.
(Omitted)	(Omitted)
(G) Acquisition of Other Real Estate	(G) Acquisition of Other Real Estate
(Omitted)	(Omitted)
JLF shall strategically invest in secondary investment	JLF shall strategically invest in secondary investment
targets that are not being used for logistics facilities at	targets that are not being used for logistics facilities at
the time of acquisition but may be converted or	the time of acquisition but may be constructed,
redeveloped to be used for logistics facilities. In this	converted or redeveloped to be used for logistics
case, MLP shall examine the lease agreements with	facilities. In this case, MLP shall examine the real estate
tenants and the facility management condition at the	condition, the lease agreements with tenants and the
time of acquisition, and shall make an investment	facility management condition at the time of acquisition,
decision after carefully considering the operational risk	and shall make an investment decision after carefully
in the period up to the commencement of operation of	considering the operational risk in the period up to the
the logistics facilities after conversion or rebuilding.	commencement of operation of the logistics facilities
	after construction, conversion or rebuilding.
6. Investment restrictions	6. Investment restrictions
1) Investment restrictions based on the Articles of Incorporation	1) Investment restrictions based on the Articles of Incorporation
The investment restrictions based on the Articles of	The investment restrictions based on the Articles of
Incorporation are as follows.	Incorporation are as follows.
(Omitted)	(Omitted)
(B) Restrictions on derivative transactions	(B) Restrictions on derivative transactions
JLF shall invest in rights related to derivative	JLF shall invest in rights related to derivative
transactions only for the purpose of hedging foreign	transactions <u>listed in "3. Investment targets (i) Types of</u>
exchange risks, interest rate fluctuation risks and other	assets to be invested (c) m." above only for the purpose
risks arising from liabilities of JLF (Article 33,	of reducing risks of price and interest rate fluctuations
Paragraph 2).	related to liabilities of JLF (Article 33, Paragraph 2).
(Omitted)	(Omitted)



(Reference) MLP's approach to risk management for greenfield development

#### Value Chain Major Risk Items Risk Management Methods (Examples) Determine acquisition after boundary confirmation and settle the Risk of fluctuations in land Land land price by actual measurement acquisition costs Acquisition Conduct due diligence on soil contamination, etc., equivalent to Risk of fluctuation in land that for completed properties acquisition date Verify the probability of the land development plan by the seller **Planning** Research on urban planning, etc. and Risk of permits for building Inquire to the government regarding the suitability of the plan. Investment Verify the appropriateness of the plan with external experts such construction Decision as a construction project manager (CM) project Risk of fluctuations in Obtain estimates and process schedules from contractors construction costs OBR Development Verify the estimate and process by external experts such as CM Risk of fluctuations in Secure buffer for project budget and schedule construction period Investigate the contractor's capability and credibility as Construction completion risk Same Research the leasing market and secure profitability at a lower Building rent level compared to the market rent Tenant leasing risk Acquisition Identify specific tenant candidates or formulate leasing plans Financing risk and Set the investment amount considering the maximum commitment Real estate price fluctuation Ownership line amount plus the balance of cash on hand risk Secure a sufficient discount to the appraisal value for the acquisition price of completed properties

Create acquisition opportunities at market-beating yield by being involved from the development phase, while implementing appropriate risk management as in the case of OBR project