

**For Immediate Release****Real Estate Investment Trust**

Japan Logistics Fund, Inc.  
Representative: Takayuki Kawashima  
Executive Director  
(Security Code: 8967)

**Asset Management Company**

Mitsui & Co., Logistics Partners Ltd.  
Representative: Takayuki Kawashima  
President, CEO  
Contact: Ryota Sekiguchi  
Manager, Corporate Planning & Finance Dept.  
TEL +81-3-3238-7171

**Notice Concerning the Establishment of Rules on Cash Distributions in Excess of Earnings by the  
Asset Management Company**

Japan Logistics Fund, Inc. (JLF) announces today that Mitsui & Co., Logistics Partners Ltd. (MLP), the asset management company of JLF, resolved at its Board of Directors' meeting held on March 13, 2013 to establish "Rules on Cash Distributions in Excess of Earnings" (hereinafter "the Rules") as detailed below.

**1. Background behind the establishment of the Rules**

Since logistics properties came to be recognized as income-generating properties as a result of full-fledged market entry by leading Japanese real estate companies and new listings of REITs specialized in logistics facilities following JLF, both domestic and international players have been actively considering investment opportunities in this asset class. Accordingly, JLF decided to carry out "OBR (Own Book Redevelopment)" continuously as a pillar of future growth based on JLF's new growth initiative "stable + Growth", and launched the redevelopment project of Yachiyo Logistics Center as JLF's second OBR, after Daito Logistics Center. As the first full-scale redevelopment of an owned property by an investment corporation in the history of J-REIT, JLF believes that it can maximize the asset value of the property (an increase in unrealized capital gains by 525 million yen) and improve portfolio profitability (an increase in rental revenue by 129 million yen).

While OBR is one way to maximize asset value by avoiding the outflow of profit to external parties, the amount of income distributions may decrease significantly temporarily due to expenses associated with the demolition, etc. of existing buildings such as loss on retirement of noncurrent assets. Therefore, JLF considered distributions in excess of earnings as a means to even out the total amount of cash distributions and decided to establish the Rules as internal rules governing cash distributions in excess of earnings. In establishing the Rules, we obtained the board of directors' approval following deliberations at MLP's internal management committee by carefully considering comprehensive supervisory guidelines for operators of

financial instruments as well as associated risks, etc. in accordance with the provisions of the “Rules concerning real estate investment trusts and real estate investment corporations,” etc. set forth by the Investment Trusts Association, Japan (JITA), while taking into account governance and compliance.

As a leading REIT specialized in logistics properties investment in Japan, JLF will aim to achieve “stable + Growth” based on its unique growth strategies centering on OBR.

(Note) With regard to the redevelopment project of Yachiyo Logistics Center, please refer to the “Notice Concerning Redevelopment Project of Yachiyo Logistics Center” dated March 13, 2013.

## 2. Policies on temporary cash distributions in excess of earnings

JLF will make temporary cash distributions in excess of earnings based on the following policies:

- Cash distributions in excess of earnings by JLF are limited to the following two cases. JLF will not make cash distributions in excess of earnings for other cases in principle.
  - (i) For evening out the total amount of distributions in cases where a significant decrease in the amount of distributions in earnings is expected due to a loss on write-offs of noncurrent assets and other accounting losses related to OBR
  - (ii) For meeting requirements for special measures concerning taxation for investment corporations in cases where the amount of income is less than 90% of the distributable dividend amount of JLF
- Prior to making cash distributions in excess of earnings, JLF aims to minimize the amount of loss through reasonable operational efforts including the acquisition and sale of assets, review of costs, etc. The amount of cash distributions in excess of earnings shall be determined based on the amount of loss minimized through JLF’s operational efforts within the range of up to 60% (Note 1) of the amount of depreciation and amortization incurred during the period.
- In determining the amount of cash distributions in excess of earnings, JLF takes into account the followings: (i) securing necessary funds to maintain the asset value of owned properties, (ii) maintaining the investment corporation LTV (Note 2) level less than 50% after making cash contributions in excess of earnings, and (iii) securing sufficient liquidity of cash in hand after making cash contributions in excess of earnings.

(Note 1) Closed-end investment corporations can make cash distributions in excess of earnings within the range of up to 60% of the amount of depreciation and amortization to be posted at the end of the period (“Rules concerning real estate investment trusts and real estate investment corporations” by JITA).

(Note 2) Investment corporation LTV = (Total amount of interest-bearing debt + Total amount of released lease deposits) / (Total amount of appraisal value of owned properties – Total amount of unreleased lease deposits + Balance of cash and deposits at end of period – Scheduled amount of cash distributions)



### **3. Measures for demolition related to the redevelopment of Yachiyo Logistics Center**

JLF estimates a total of 473 million yen in terms of distributions in excess of earnings (3,200 yen in distributions in excess of earnings per unit) for the 16th fiscal period ending July 2013, during which demolition related to the redevelopment project of Yachiyo Logistics Center is scheduled to be carried out, based on an assumption of expected costs to be incurred during the period (622 million yen in loss on retirement of noncurrent assets). Distributions in excess of earnings per unit are calculated based on the policy defined under the Articles of Incorporation of JLF and the policy defined under the Rules.

### **4. Future Prospects**

With regard to the impact of the redevelopment project of Yachiyo Logistics Center and distributions in excess of earnings on JLF's projected operational performance for the 16th fiscal period ending July 2013 and the 17th fiscal period ending January 2014, please refer to the Financial Report for the 15th fiscal period ended January 2013 announced on March 13, 2013.

### **5. Other**

We will make an announcement on the tax treatment, etc. of distributions in excess of earnings for unitholders upon the finalization of distributions in excess of earnings.

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

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