

# Impact of the 2011 off Pacific Coast of Tohoku Earthquake and Asset Management Strategy after the Earthquake

April 15, 2011

**Japan Logistics Fund, Inc.**

Mitsui & Co., Logistics Partners Ltd.

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After detailed investigation on our 28 properties, we confirmed that there is no human suffering as well as no devastating damages on our portfolio. We will explain minor damages observed on our properties, and explain the latest operational situation.

## II . Impacts on Financials . . . 14

We will explain the impacts on our financials of 12<sup>th</sup> Period (fiscal period ending July 31, 2011) and 13<sup>th</sup> Period (fiscal period ending January 31, 2012). We will recognize expenses and expenditures associated with the Earthquake as soon as possible in order to eliminate uncertainty in our business as much as possible

## III . Asset Management Strategy after the Earthquake . . . 18

There is no fundamental change in our asset management strategy; Maximize unit holders' value. We will continue to grow with sound financial management, mid to long term leasing activities, and high quality asset acquisitions.

## IV . Prospects of Logistics Properties Market . . . 22

We will explain prospects on logistics properties market after the Earthquake that elevated uncertainty in Japanese economy to unprecedented level.



I . Damages on Properties

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# Portfolio at a Glance (as of 3/2/2011)

	Property Name	Location	Year Built	Acquisition Price		Gross Rentable	PML
				(Mil ¥)	(Ratio)	(m <sup>2</sup> )	
M-1	Funabashi	Funabashi, Chiba	10/27/1993	8,675	6.1%	29,556.79	13.0%
M-2	Urayasu	Urayasu, Chiba	10/08/1986	2,902	2.0%	9,543.72	18.3%
M-3	Hiratsuka	Hiratsuka, Kanagawa	09/21/1990	1,466	1.0%	11,225.72	21.1%*
M-4	Shinkiba	Koto-ku, Tokyo	03/15/1993	2,454	1.7%	10,616.80	17.6%
M-5	Urayasu Chidori	Urayasu, Chiba	01/10/2006	6,000	4.2%	31,790.42	13.8%
M-6	Funabashi Nishiura	Funabashi, Chiba	01/24/2006	5,700	4.0%	35,134.44	7.1%
M-7	Funabashi Nishiura II	Funabashi, Chiba	12/26/1985	9,330	6.5%	73,859.32	11.5%
M-8	Kawasaki	Kawasaki, Kanagawa	07/14/1989	10,905	7.6%	41,630.54	14.6%
M-9	Narashino	Narashino, Chiba	10/05/2005	1,690	1.2%	2,442.87	11.3%
M-10	Yokosuka	Yokosuka, Kanagawa	07/31/1990	3,305	2.3%	21,364.11	22.0%*
M-11	Yachiyo	Yachiyo, Chiba	04/24/1972	2,266	1.6%	17,689.95	9.1%
M-12	Yokohama Fukuura	Yokohama, Kanagawa	02/25/2007	9,800	6.8%	35,882.64	16.3%
M-13	Yachiyo II	Yachiyo, Chiba	08/24/2007	5,300	3.7%	32,389.70	7.6%
M-14	Urayasu Chidori II	Urayasu, Chiba	01/16/2001	1,640	1.1%	6,192.80	13.1%
M-15	Ichikawa	Ichikawa, Chiba	02/25/2008	4,550	3.2%	18,686.12	11.8%
M-16	Shinonome	Koto-ku, Tokyo	02/08/2006	11,800	8.2%	16,175.31	14.4%
M-17	Narashino II	Narashino, Chiba	01/20/2008	7,875	5.5%	43,208.86	11.1%
M-18	Ichikawa II	Ichikawa, Chiba	10/09/2009	17,415	12.2%	66,497.99	4.2%
<b>Metropolitan Area (Bay, Inland) Subtotal</b>				<b>113,073</b>	<b>78.9%</b>	<b>503,888.10</b>	
T-1	Daito	Daito, Osaka	07/31/1989	9,762	6.8%	92,730.14	13.8%
T-2	Osaka Fukuzaki	Osaka, Osaka	10/28/2004	4,096	2.9%	23,726.80	14.1%
T-3	Chubu Haruhi	Kiyosu, Aichi	-	685	0.5%	10,457.02	-
T-4	Kadoma	Kadoma, Osaka	03/26/1993	989	0.7%	7,293.92	13.3%
T-5	Komaki	Komaki, Aichi	08/05/1994	2,100	1.5%	9,486.45	8.7%
T-6	Komaki II	Komaki, Aichi	03/27/1992	1,800	1.3%	10,708.41	8.3%
<b>Kinki Area, Chubu Area and Kyushu Area Subtotal</b>				<b>19,432</b>	<b>13.6%</b>	<b>154,402.74</b>	
O-1	Maebashi	Maebashi, Gunma	02/04/2005	1,230	0.9%	3,455.53	9.0%
O-2	Hanyu	Hanyu, Saitama	10/20/2005	1,705	1.2%	3,518.58	11.6%
O-3	Saitama Kisai	Kazo, Saitama	03/31/2007	4,010	2.8%	24,574.40	10.5%
O-4	Kazo	Kazo, Saitama	03/04/2008	3,790	2.6%	25,130.62	9.5%
<b>Other Area Subtotal</b>				<b>10,735</b>	<b>7.5%</b>	<b>56,679.13</b>	
<b>Portfolio Total</b>				<b>143,240</b>	<b>100.0%</b>	<b>714,969.97</b>	<b>9.3%</b>

\* Earthquake insurance on properties with PML over 20.0%

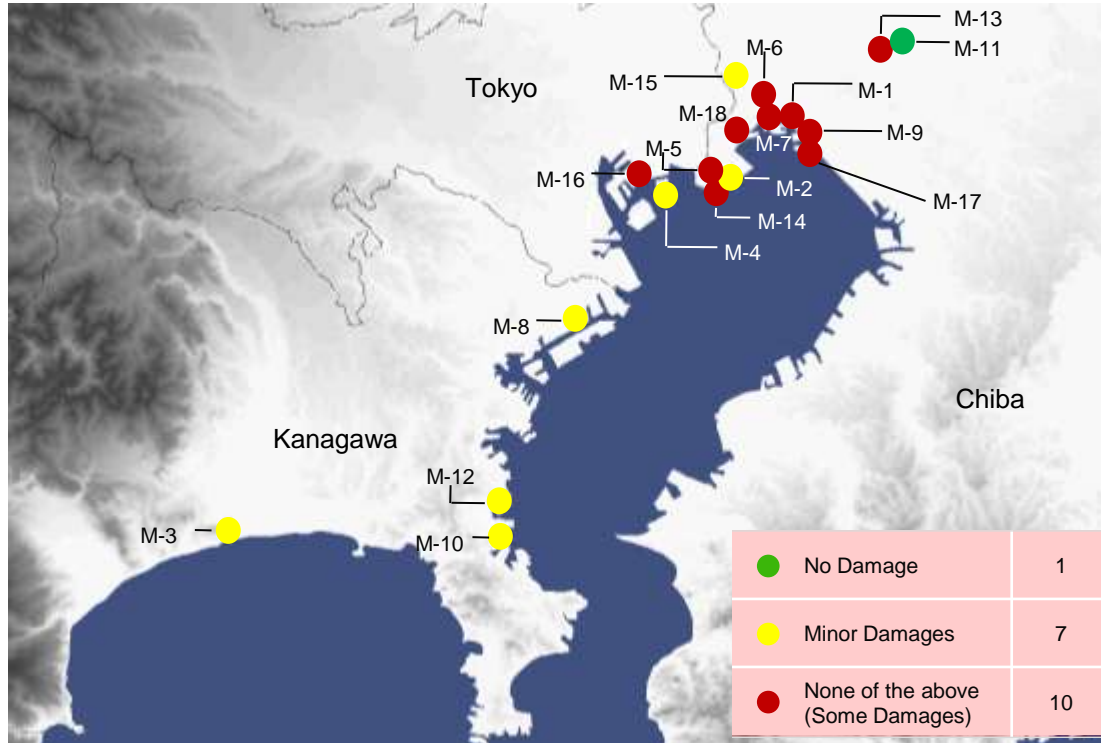
# Damages on Properties and Tenant Operation (Excluding properties in Kinki and Chubu Area)

	Property	Description of Impairment	Tenant Operation
M-1	Funabashi	Partial damages on interior, exterior, and facilities	Operational from 3/16
M-2	Urayasu	Minor damages	Operational
M-3	Hiratsuka	Minor damages	Operational
M-4	Shinkiba	Minor damages	Operational
M-5	Urayasu Chidori	Partial damages on exterior and facilities*	Operational from 3/13
M-6	Funabashi Nishiura	Partial damages on exterior and facilities	Operational from 3/15
M-7	Funabashi Nishiura II	Partial damages on exterior and facilities	Operational from 3/17
M-8	Kawasaki	Minor damages	Operational
M-9	Narashino	Partial damages on exterior and facilities*	Operational from 3/16
M-10	Yokosuka	Minor damages	Operational
M-11	Yachiyo	No damage	New tenant started operation from 3/18
M-12	Yokohama Fukuura	Minor damages	Operational from 3/14
M-13	Yachiyo II	Partial damages on facilities	Operational in March
M-14	Urayasu Chidori II	Partial damages on exterior*	Operational from 3/28
M-15	Ichikawa	Minor damages	Operational
M-16	Shinonome	Partial damages on exterior	Operational
M-17	Narashino II	Partial damages on exterior and facilities*	Operational from 3/16
M-18	Ichikawa II	Partial damages on exterior*	Operational from 3/12
O-1	Maebashi	No damage	Operational
O-2	Hanyu	Minor damages	Operational
O-3	Saitama Kisai	Partial damage on facilities	Operational
O-4	Kazo	Partial damages on interior and facilities, transfiguration of braces	Operational from 3/14

\* Including damages attributed to liquefaction

# Portfolio Map 1

## Tokyo Metropolitan Area



M-1 Funabashi  
(4/5/2011)



M-2 Urayasu  
(3/14/2011)



M-3 Hiratsuka  
(4/12/2011)



M-4 Shinkiba  
(4/13/2011)



M-9 Narashino  
(3/17/2011)



M-14 Urayasu Chidori II  
(3/29/2011)



M-10 Yokosuka  
(4/12/2011)



M-15 Ichikawa  
(4/13/2011)



M-11 Yachiyo  
(4/13/2011)



M-16 Shinonome  
(4/13/2011)



M-12 Yokohama Fukuura  
(4/12/2011)



M-17 Narashino II  
(4/13/2011)



M-5 Urayasu Chidori  
(4/6/2011)



M-6 Funabashi Nishiura  
(4/5/2011)



M-7 Funabashi Nishiura II  
(4/5/2011)



M-8 Kawasaki  
(4/12/2011)



M-13 Yachiyo II  
(4/13/2011)



M-18 Ichikawa II  
(4/6/2011)

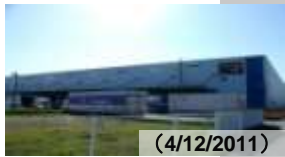
## Other Regions



O-1 Maebashi



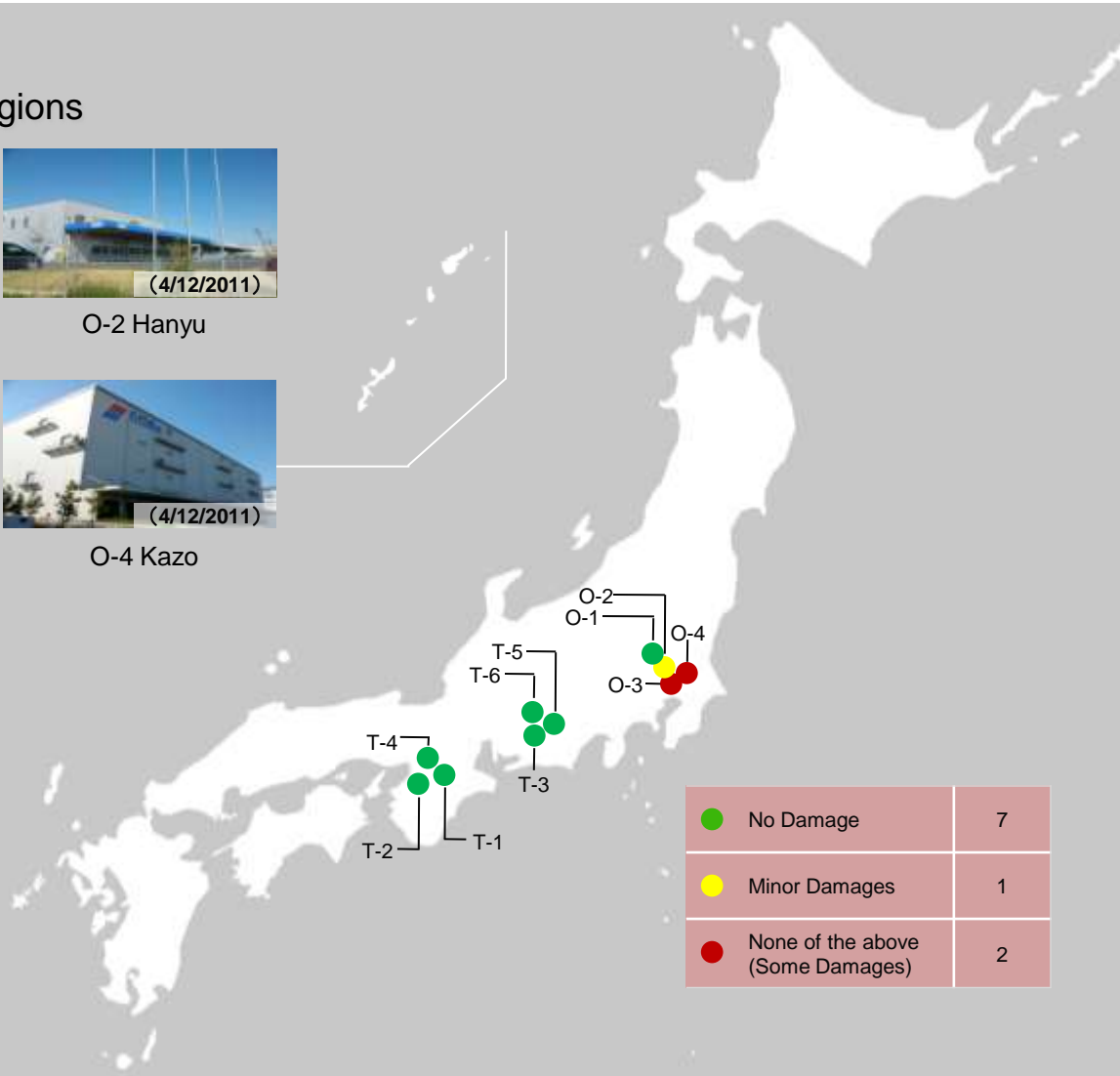
O-2 Hanyu



O-3 Saitama Kisai



O-4 Kazo



● No Damage	7
● Minor Damages	1
● None of the above (Some Damages)	2

# Costs and Expenditures on Portfolio Damages

	Estimated cost of repair	To the total asset*
As of 3/16/2011	480 Million JPY	0.3%

	Renovation and maintenance costs	Loss on retirement of fixed assets	Capital expenditures
As of 4/15/2011	192 million JPY	115 million JPY	311 million JPY

P&L items / costs	To the total asset*
307 million JPY	0.2%

CF items / expenditures	To the total asset*
503 million JPY	0.3%

Recognize the entire amount as extraordinary loss on fiscal period ending July 31, 2011

Impact on DPU : **-2,070 JPY / Unit**

## Major impairment

Property	Description of impairment	Expenditures
Urayasu Chidori	Fixing exterior	396 Million JPY <b>78.6%</b> of the expenditures
Funabashi Nishiura II	Fixing water supply and drainage, and exterior	
Narashino	Fixing exterior and safety check of the building	
Shinonome	Fixing exterior	
Narashino II	Fixing exterior	

\* As of the end of 11<sup>th</sup> Fiscal Period

# Property in Detail: Urayasu Chidori

## 【Exterior(Gate)】

Fixing damages of exterior.

(3/14/2011)



(3/29/2011)



## 【Slope】

Fixing a gap on a slope that connected the ground and the berth.

(3/14/2011)



(3/29/2011)



## 【Tenant Operation】

Operational from 3/13.

(4/6/2011)



(4/6/2011)



# Property in Detail: Funabashi Nishiura II

## 【Water supply & drainage】

Damages on water & sewerage pipes. Conducted temporary treatment.

(4/5/2011)



The comprehensive fix of the pipes has completed.

(4/12/2011)



## 【Shutters】

Some shutters in the building got damaged. Will be fixed in May.

(4/12/2011)



## 【Exterior】

The grounds around the building sank that made cracks. Will be fixed in May.

(4/12/2011)



## 【Tenant Operation】

Operational from 3/17.

(4/12/2011)



# Property in Detail: Narashino

## 【Surroundings】

Damages on the streets around the property. Tilts of power poles and subsidence were observed.

(3/17/2011)



Conducted spile check to evaluate safety of the building. Has confirmed there is no safety problem.

(4/5/2011)



## 【Fences in the property】

Mud floods.

(3/17/2011)



The flooded mud dried, and turned to sand. Covered the sand in order to avoid sand dust.

(4/5/2011)



## 【Tenant Operation】

Operational from 3/16.

(3/17/2011)



(3/17/2011)



# Property in Detail: Shinonome

## 【Asphaltic Pavement】

Observed cracks on the asphaltic pavements around the building. Will be fixed on May.

(4/13/2011)



(4/13/2011)



## 【Curbside】

A part of curbside sank and damaged. Will be fixed on May.

(4/13/2011)



(4/13/2011)



## 【Tenant Operation】

Operational from 3/11.

(4/13/2011)



(4/13/2011)



# Property in Detail: Narashino II

## 【West Side Piloti】

Observed cracks and gaps. Bridge the gaps by steel board as a temporary treatment.

(3/14/2011)



(3/16/2011)



## 【Entrance】

Observed cracks and gaps on the footway. Conducted temporary treatment.

(3/14/2011)



(3/16/2011)



## 【Tenant Operation】

Operational from 3/14.

(4/13/2011)



(4/13/2011)





## II. Impacts on Financials

# Amendments of the Forecasts for 12<sup>th</sup> and 13<sup>th</sup> Period

	12 <sup>th</sup> Forecast From 2/1/2011 To 7/31/2011			13 <sup>th</sup> Forecast From 8/1/2011 To 1/31/2011		
	(Before Amendment)	(After Amendment*1)	Difference	(Before Amendment)	(After Amendment*1)	Difference
Revenue	5,471 Mil. JPY	5,483 Mil. JPY	+12 Mil. JPY	5,360 Mil. JPY	5,360 Mil. JPY	±0
Ordinary Income	2,517 Mil. JPY	2,573 Mil. JPY	+56 Mil. JPY	2,444 Mil. JPY	2,446 Mil. JPY	+2 Mil. JPY
Net Income	2,516 Mil. JPY	2,264 Mil. JPY	-252 Mil. JPY	2,443 Mil. JPY	2,445 Mil. JPY	+2 Mil. JPY
DPU	17,000 JPY	15,300 JPY	-1,700 JPY	16,500 JPY	16,500 JPY	±0
FFO/unit	24,900 JPY	23,200 JPY	-1,700 JPY	24,600 JPY	24,700 JPY	+100 JPY
Payout Ratio	68.3%	65.9%		67.1%	66.8%	
# of units O/S	148,000	148,000		148,000	148,000	
# of Properties	28	28		28	28	
IBD Ratio*2	27.6%	27.6%		27.6%	27.6%	

## 12<sup>th</sup> Factor Analysis

Extraordinary loss on the Earthquake	-307 Mil. JPY
Increase of revenue related to rent business	+12 Mil. JPY
Revision of cost related to rent business	+33 Mil. JPY
Revision of other costs	+9 Mil. JPY
<b>Total</b>	<b>-252 Mil. JPY</b>

## 13<sup>th</sup> Factor Analysis

Increase of depreciation associated with capital expenditures on damages of the Earthquake	-5 Mil. JPY
Revision of cost related to rent business	+6 Mil. JPY
<b>Total</b>	<b>+2 Mil. JPY</b>

\*1 The forecasts are calculated under certain conditions, as of 4/15/2011. the forecast may change due to unexpected lease termination, asset sale/purchase, or financing activities. The forecast do not guarantee any future dividends payment.

\*2 Interest Bearing Debt (IBD) Ratio = IBD / (IBD + Unitholders' Capital)

# Forecasts of Rent Business

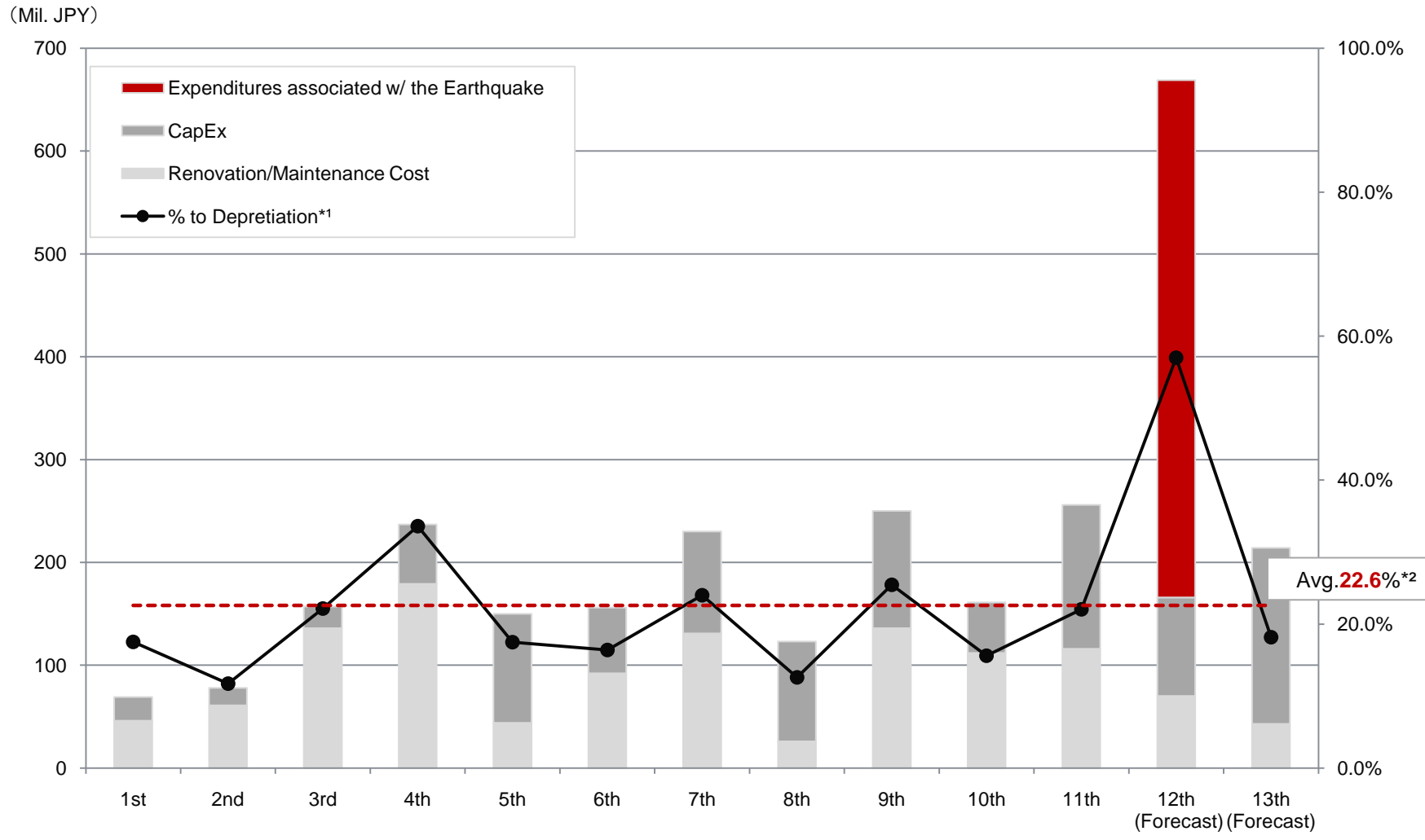
(Millions JPY)

	12 <sup>th</sup> Forecast			13 <sup>th</sup> Forecast		
	From 2/1/2011 To 7/31/2011			From 8/1/2011 To 1/31/2011		
	(Before Amendment)	(After Amendment* <sup>1</sup> )	Difference	(Before Amendment)	(After Amendment* <sup>1</sup> )	Difference
<b>Total Revenues Related to Rent Business</b>	5,471	5,483	+12	5,360	5,360	0
<b>Total Expenses Related to Rent Business</b>	2,111	2,077	-33	2,079	2,078	+7
Fixed Asset tax	496	496	0	496	496	-
Property management fee	123	120	-2	122	120	-2
Utilities expenses	141	141	-	135	135	-
renovations & maintenances	98	70	-27	46	43	-3
Insurance	22	21	-1	22	21	-1
Other expenses	49	49	0	46	46	-
Depreciation and amortization	1,177	1,177	0	1,177	1,182	+5
Loss on retirement of fixed assets	2	0	-2	31	31	-
<b>P/L on rent business</b>	<b>3,360</b>	<b>3,406</b>	+46	<b>3,280</b>	<b>3,281</b>	+1
<b>NOI (A+B+C)</b>	<b>4,540</b>	<b>4,584</b>	+43	<b>4,489</b>	<b>4,495</b>	+6
Capital Expenditures	117	408	+291	300	171	-129
<b>NCF (D-E)</b>	<b>4,423</b>	<b>4,175</b>	-247	<b>4,188</b>	<b>4,324</b>	+136
<b>Total Book Value of Investment Properties</b>	<b>136,737</b>	<b>136,915</b>	+177	<b>135,829</b>	<b>135,872</b>	+43
<b>NOI Yield (Annualized)*<sup>2</sup></b>	<b>6.7%</b>	<b>6.8%</b>		<b>6.6%</b>	<b>6.6%</b>	
<b>Operating Income Yield (Annualized)*<sup>2</sup></b>	<b>5.0%</b>	<b>5.0%</b>		<b>4.8%</b>	<b>4.8%</b>	

\*<sup>1</sup> The forecasts are calculated under certain conditions, as of 4/15/2011. The forecasts may change due to unexpected lease termination, asset sale/purchase or financing activities. The forecasts do not guarantee any future dividends payment.

\*<sup>2</sup> NOI Yield (Annualized) = NOI / Book Value of the Portfolio / Operating Days of the Period × 365; Operating Income Yield (Annualized) = P/L on rent business / Book Value of the Portfolio / Operating Days of the Period × 365

# Renovation/Maintenance Cost and CapEx



\*1 % to Depreciation = (Renovation/Maintenance Cost + CapEx) / Depreciation x 100

\*2 Actual CapEx on the 8<sup>th</sup> was 480 Mil. JPY. However, the graph above excluded 382 Mil. JPY associated w/ reconstruction of Daito Logistics Center.



### III. Asset Management Strategy after the Earthquake

**Basic Policy = Maximize Unit Holders' Value  
(Unchanged)**

## Portfolio Management

Maintain good relationship w/ tenants  
Leverage experienced in-house leasing team  
Yachiyo/Yokosuka

## External Growth

AUM 300 Bn. JPY Target  
Acquisitions for Tenant Diversification

**Sustain Stable Dividend Flow**

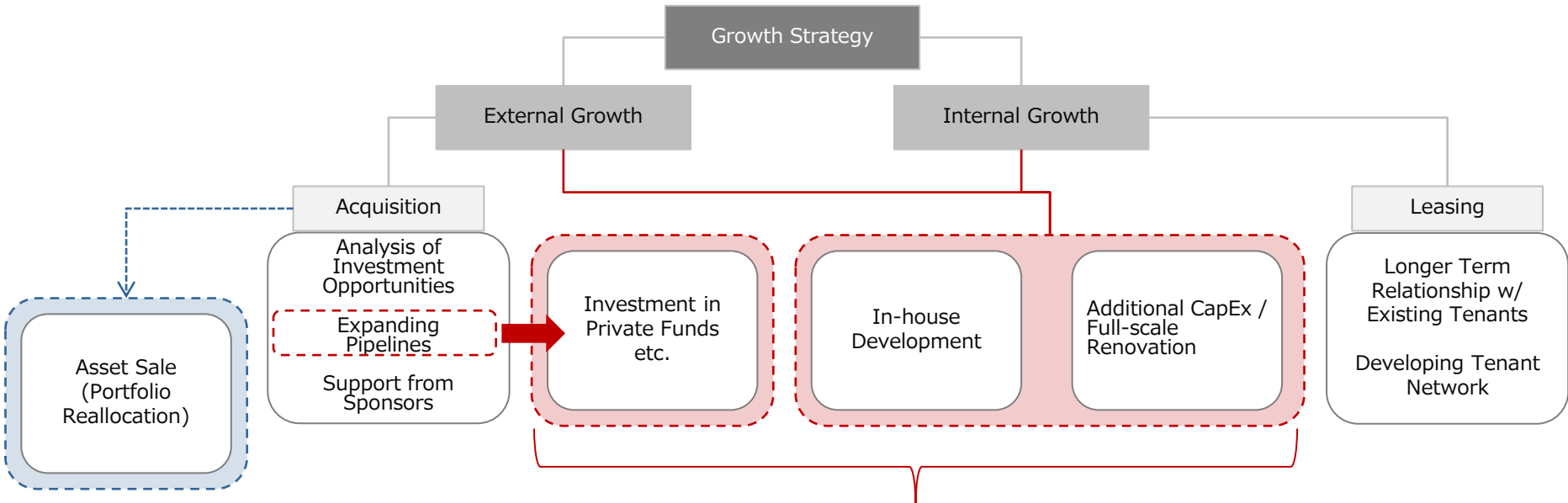
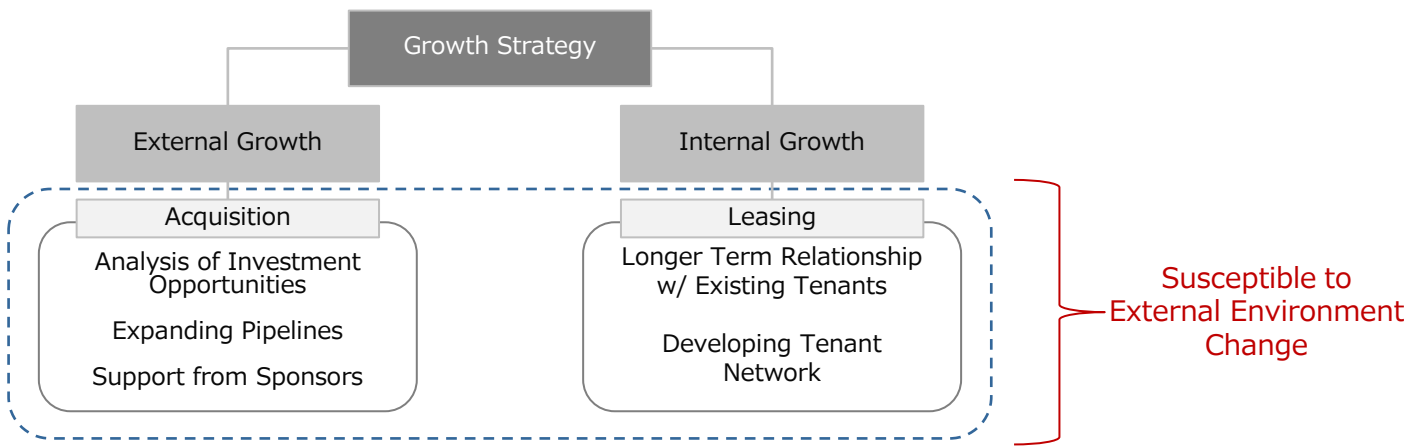
**Expand AUM**

**Maintain Financial Soundness**

## Financial Strategy

No change on B/Ks' lending attitude  
⇒ Utilizing acquisition capability by leverage  
Continuous access to the Capital Market

# Extending Growth Strategy



## Japan Logistics Fund, Inc.

(Ticker : 8967)

Operation

## Mitsui & Co., Logistics Partners Ltd.

Asset Management Company

Brokerage

Ownership

Developments



Mitsui Trust Financial Group

Ownership 29.0%

Support for financial liquidity

Proven asset brokerage capability

Deep understanding of the logistics facilities backed by banking networks



MITSUI & CO.,LTD.

Ownership 51.0%

Raised 2<sup>nd</sup> private fund focusing on logistics assets w/ related AM

Expected future acquisition pipeline

Deep understanding of logistics industry based on its trading business network

Promoting development projects, expecting JLF as a promising exit



Ownership 20.0%

Proven asset brokerage capability

Deep understanding of the logistics facilities backed by real estate business networks

Support for acquisition by leveraging its unparalleled know-hows on arranging real estate investment funds

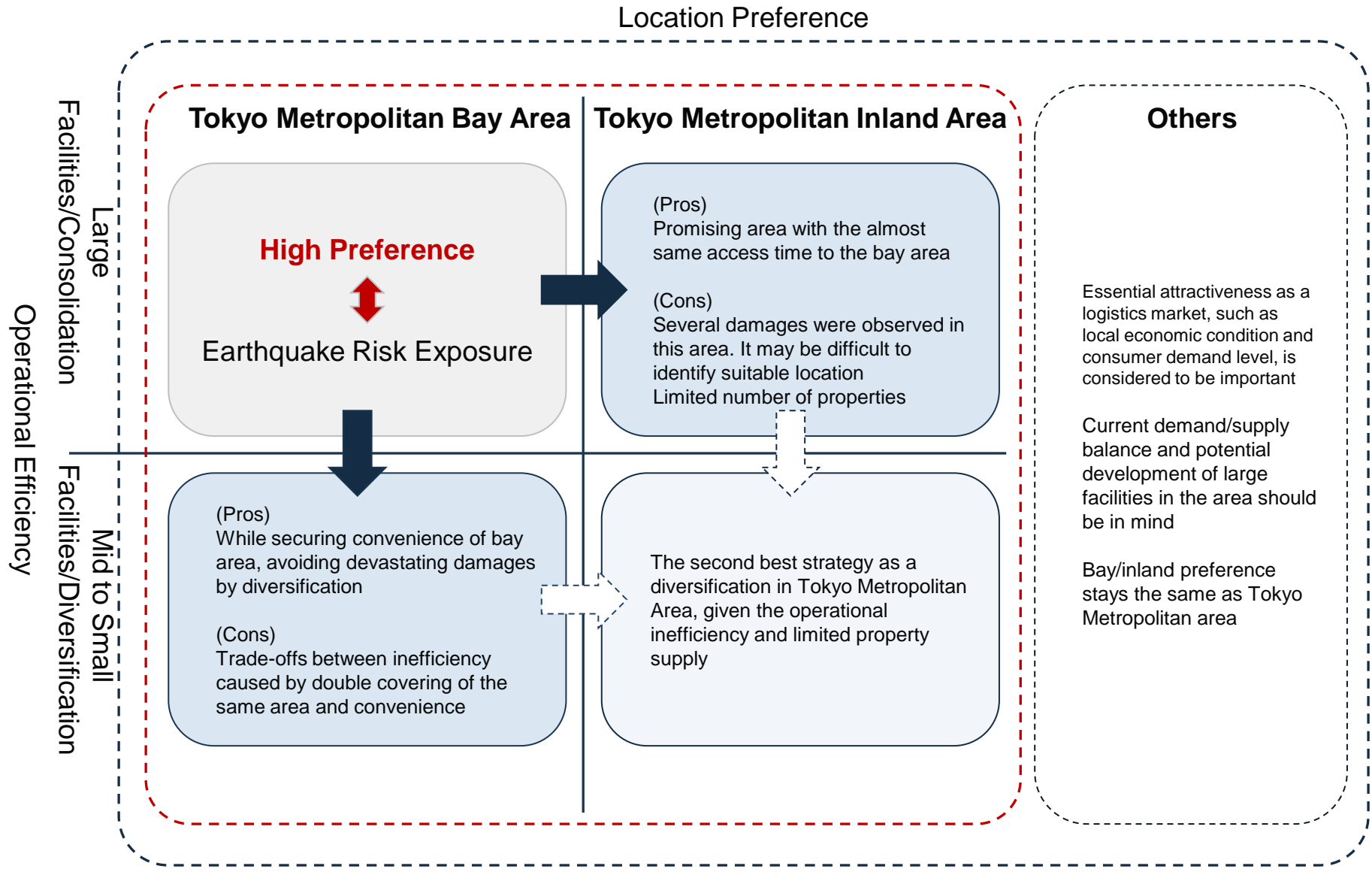


## IV. Prospect of Logistics Properties Market

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# Possible Change of Tenant Needs



# Focuses of Logistics Market

## Macro Economics/Current Environment Surrounding J-REIT

- ✓ Impacts of after quakes and blackouts on Japanese Economy
- ✓ Impacts of Japanese reputation caused by nuclear power plant incident and harmful rumor
- ✓ Reconfirm the importance of the logistics facilities ⇒ Esp. stable logistics is crucial for consumer staples

### Leasing Market

- ✓ Impact of goods movement caused by changes of consumer behavior
- ✓ Impact of location preference by tenants
- ✓ Changes of demand/supply of warehouses and rent trend

### Acquisition Market

- ✓ Transaction Volume
- ✓ Location Preference
- ✓ Impact on Yield
- ✓ Strategic Movement of Global Players

### Financing Market

- ✓ Lending Attitude of B/Ks
- ✓ Change of Credit Ratings
- ✓ Investment Attitude to J-REIT
- ✓ Yield Curve Change (Impact on Yield Spread)

Focus

## Strategy : Improving the “Quality” of the Portfolio, Increasing the Level of Dividends

### Portfolio Management Stabilizing CFs

- ✓ Understanding location preference of tenants after the Earthquake
- ✓ Re-verification of locational advantage and tenant needs of the Bay area
- ✓ Identification of impacts on mid to long term rent trend

### Portfolio Management External Growth

- ✓ Acquisition w/ locational diversification
- ✓ Collaboration w/ sponsors in searching for deals associated w/ CRE strategy
- ✓ Revising DD list

### Financial Management Financial Strategy to Achieve Sustainable Growth

- ✓ Leveraging debt capacity
- ✓ Selecting debt financing instruments considering yield curve change risk
- ✓ Pursuing continuous access to the capital market

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- Percentage figures are rounded off to the first decimal place .
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