

November 6, 2008

**For Immediate Release**

**Real Estate Investment Fund Issuer**

Japan Logistics Fund, Inc.  
4-3 Hitotsubashi 2-chome, Chiyoda-ku, Tokyo  
Representative: Executive Director Hitoshi Eisaka  
(Securities Code: 8967)

**Asset Management Company**

Mitsui & Co., Logistics Partners Ltd.  
Representative: President Hitoshi Eisaka  
Contact: General Manager Takashi Ueno  
TEL +81-3-3238-7171

**Notice Concerning Reconstruction Project of Daito Logistics Center (Partial)**

Japan Logistics Fund, Inc. (hereinafter referred to as “the Fund”) announced that a decision was made to reconstruct part of Daito Logistics Center (Property ID T-1), which is owned by the Fund. Details are as follows.

**1. Outline of Reconstruction Project**

Centering on Building 1, which is roughly 18,000 *tsubo* in total floor area, the property consists of four medium-sized warehouses of a scale from 400 to 1,900 *tsubo* (Buildings 2 to 5) and an office building, etc. (please refer to the next page, “Diagram of Facilities”). The rental efficiencies of the medium-sized warehouse buildings on the western side of the site are low since they were converted from small-sized one-story buildings that were originally built as factories. Furthermore, these buildings are becoming old. By reconstructing these buildings into large-scale facilities built according to general specifications for current logistics facilities, the aim is to improve rental efficiency and expand the rentable area. The Fund expects to conclude 20-year lease contracts for the facilities after reconstruction, and is expecting to secure stable revenues in the medium- to long-term.

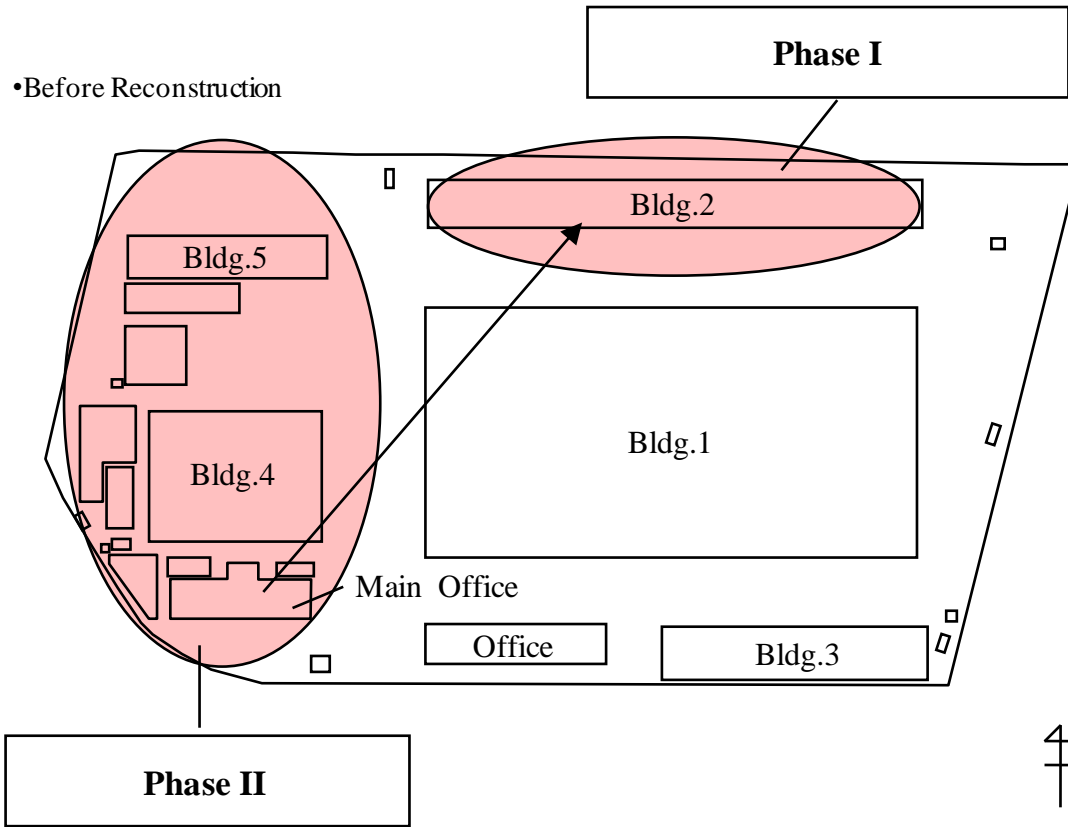
The project is the first large-scale reconstruction project undertaken primarily by an investment corporation, which is a J-REIT. In the leasing market for logistics facilities where a large-scale increase in rents is difficult to expect, we believe that this is an important project for realizing internal growth.

The following are the details of the project.

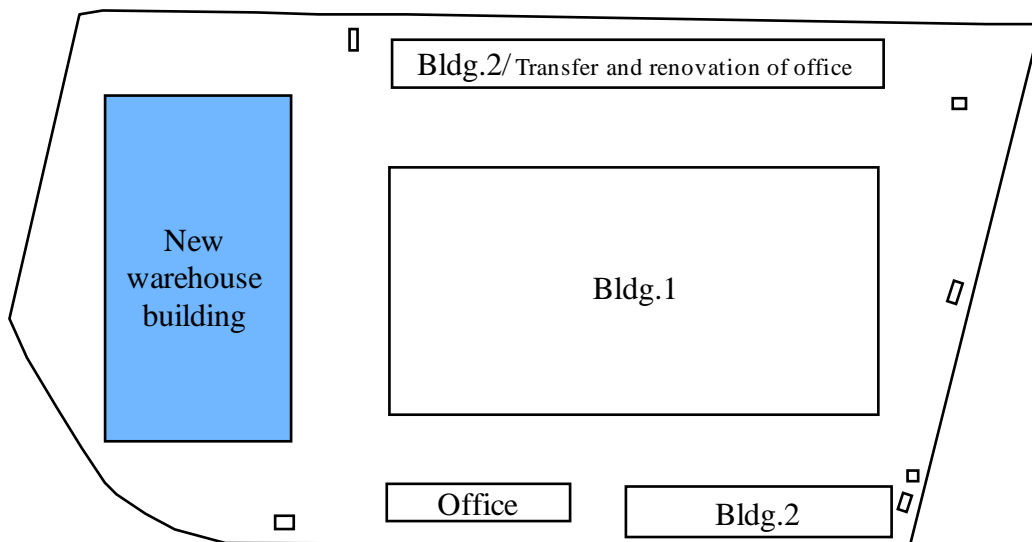
**Phase I:** Implementation of conversion of Building 2 into an office; transfer of main office building that used to be located on the western side of the site.

**Phase II:** Demolition of several medium-sized warehouse buildings located on the western side of the site (Building 4, Building 5 and a tent warehouse) and the main office building; construction of one large-scale warehouse (hereinafter referred to as “the New Warehouse Building”).

[Diagram of Facilities]



•After Reconstruction



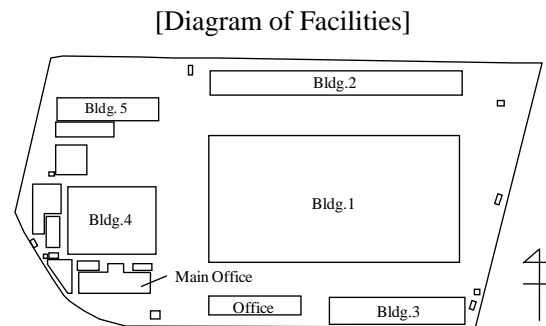
## 2. Outline of Subject Property

[Current Condition]

Property Name		Daito Logistics Center
Asset Type		Trust beneficial interest
Acquisition Date		May 9, 2005
Acquisition Price		7,617,000,000 yen
Land	Location (Address)	1-1 Midorigaoka 2-chome, Daito, Osaka
	Site Area	71,837.28m <sup>2</sup>
	Type of Ownership	Owned
Building	Structure/Floors	Steel-framed structure, galvanized steel sheet roof, 4 stories, etc.
	Total Floor Area	76,283.92m <sup>2</sup>
	Total Rentable Area	76,208.70m <sup>2</sup>
	Use	Warehouse, office
Type of Ownership		Owned

(Note) The property consists of several buildings as described below.

	Time of Construction	Rentable Area
Building 1	August 1989	54,138.36m <sup>2</sup>
Building 2	August 1989	3,597.97m <sup>2</sup>
Building 3	April 1995	6,245.00m <sup>2</sup>
Building 4	October 1971	4,711.50m <sup>2</sup>
Building 5	July 1989	1,342.56m <sup>2</sup>
Office	October 1969	2,537.50m <sup>2</sup>
Others	—	3,635.81m <sup>2</sup>



[New Warehouse Building]

Structure/Floors (Note)	Reinforced concrete, 4 stories
Construction Area (Note)	10,332.00m <sup>2</sup>
Total Floor Area (Note)	24,853.00m <sup>2</sup>
Use	Warehouse, office

(Note) According to the current design.

### 3. Reason for Implementation

The construction of the New Warehouse Building is expected to increase the rentable area of the property by roughly 20%, and the annual rental revenue is expected to grow by roughly 30%. Furthermore, we think that a transition to large-scale logistics facilities that meet specifications currently sought after by logistics customers, such as consolidating logistics bases, will lead to a decrease in leasing risk during times of future tenant replacements.

[Comparison between Rentable Area and Revenues from Property Leasing]

	Before Reconstruction	After Reconstruction	Difference
Rentable Area	76,208.70m <sup>2</sup>	91,371.83m <sup>2</sup> (Note 1)	15,163.13m <sup>2</sup> (+19.9%)
Rental Revenue (Note 2)	915 million yen	1,187 million yen	272 million yen (+29.7%)

(Note 1) The figure is an estimate derived from the total floor area of the New Warehouse Building based on the current design.

(Note 2) The figures for 'Before Reconstruction' are annualized results of the Sixth Fiscal Period, and those for 'After Reconstruction' are annual income/expense forecasts, after eliminating special factors, following completion of the project. Moreover, the rent level is derived from current estimates.

### 4. Effect on Income/Expenses

#### (1) Construction Costs

The Fund expects construction costs in relation to the project to total 2,852.6 million yen (excluding consumption tax). We plan to post the construction costs using their book value and as capital expenditures for each period. We will give notification of financing in correlation with the construction costs as soon as the financing amount and period are finalized.

(Millions of yen)

Payment Period	Seventh Fiscal Period (ending Jan. 2009)	Eighth Fiscal Period (ending July 2009)	Ninth Fiscal Period (ending Jan. 2010)	Tenth Fiscal Period (ending July 2010)	Total
Phase I (Note 1)	133.0	246.4	—	—	379.4
Phase II (Note 1)	—	825.0	833.0	779.3	2,437.3
Project Management Operations (Note 2)	14.7	13.0	3.2	5.0	35.9
Total	147.7	1,084.4	836.2	784.3	2,852.6

(Note 1) The figures are construction prices (excluding consumption tax) listed in the construction contract.

(Note 2) The figures are remuneration/fees and expenses (excluding consumption tax) listed in the business consignment contract.

## (2) Loss on Retirement

The Fund currently estimates a total of 242.9 million yen in terms of loss on retirement from demolitions in relation to the project. We plan to post the loss on retirement as rental expenses in each period. Although the amounts and posting periods of the loss on retirement may fluctuate depending on the progress of the demolitions, we are devising a demolition schedule that spans several fiscal periods in order to even out the effects of the loss on retirement on distribution per unit.

(Millions of yen)

Posting Period	Seventh Fiscal Period (ending Jan. 2009)	Eighth Fiscal Period (ending July 2009)	Ninth Fiscal Period (ending Jan. 2010)	Tenth Fiscal Period (ending July 2010)	Total
Phase I	13.0	—	—	—	13.0
Phase II	—	107.6	122.3	—	229.9
Total	13.0	107.6	122.3	—	242.9

(Note) The above figures are book values for loss on retirement as of the end of the Sixth Fiscal Period and may differ from the actual figures.

## (3) Prospects of Income/Expenses of the Property

As a result of the construction of the New Warehouse Building and office conversion of Building 2, rental revenues may temporarily decrease by up to roughly 6% during the construction period (the Eighth Fiscal Period and the Ninth Fiscal Period). However, in the Tenth Fiscal Period and thereafter, when tenants are expected to start occupying the premises, rental revenues are expected to increase as described below.

	Before Reconstruction	After Reconstruction (forecast)
Rental Revenues (Note 1)	915 million yen	1,187 million yen
NOI (Note 2)	730 million yen	888 million yen
Book Value (Note 3)	7,399 million yen	9,992 million yen
NOI Yield (based on book value)	9.9%	8.9%

(Note 1) The figures for 'Before Reconstruction' are annualized results of the Sixth Fiscal Period, and those for 'After Reconstruction' are annual income/expense forecasts, after eliminating special factors, following completion of the project.

(Note 2) Net operating income = Rental revenues — Rental expenses + Depreciation and amortization + Loss on retirement of fixed assets

(Note 3) The figures for 'Before Reconstruction' assume book values as of the end of the Sixth Fiscal Period, while those for 'After Reconstruction' assume book values as of the end of the Sixth Fiscal Period as well as forecasts of depreciation and amortization, and are calculated by making adjustments for the abovementioned constructions costs and loss on retirement, etc.

## 5. Outline of the Counterparty to the Contract

### (1) Construction Contract

Name of Company	Hazama Corporation
Head Office Address	2-5 Toranomom 2-chome, Minato-ku, Tokyo
Represented by	Toshio Ono, President and Representative Director
Capital	12,000 million yen
Main Line of Business	General civil engineering and construction contractor
Relation with the Fund or the Asset Management Company	None

### (2) Project Management Contract (Note)

Name of Company	Fukuda and Partners Corporation
Head Office Address	7-3 Uchikanda 1-chome, Chiyoda-ku, Tokyo
Represented by	Tetsuya Fukuda, President and CEO
Capital	30 million yen
Main Line of Business	Construction project support, etc.
Relation with the Fund or the Asset Management Company	None

(Note) Pertaining to general supervision and adjustment supplementary business in relation to the construction.

## 6. Project Schedule

Conclusion of all contracts:	November 10, 2008
Office conversion of Building 2:	January 2009 to May 2009
Demolition of existing buildings:	March 2009 to August 2009
Reconstruction of the New Warehouse Building:	July 2009 to May 2010

## 7. Future Prospects

The effect of this project on the operation performance of the Fund in the fiscal period ending January 2009 and the fiscal period ending July 2009 is minor, and there is no plan to revise the operation performance prospects.

(End)

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