

# SEMIANNUAL REPORT

Fiscal Period Ended August 31, 2019





# Financial Highlights

for the Fiscal Period Ended August 31, 2019

Distributions Per Unit  
(JPY)

**5,524**

Operating Revenues  
(JPY millions)

**2,530**

Net Income  
(JPY millions)

**1,211**

Credit Rating

**JCR AA-**  
(Stable)

Portfolio Size  
(JPY millions)

**113,787**

Average Occupancy

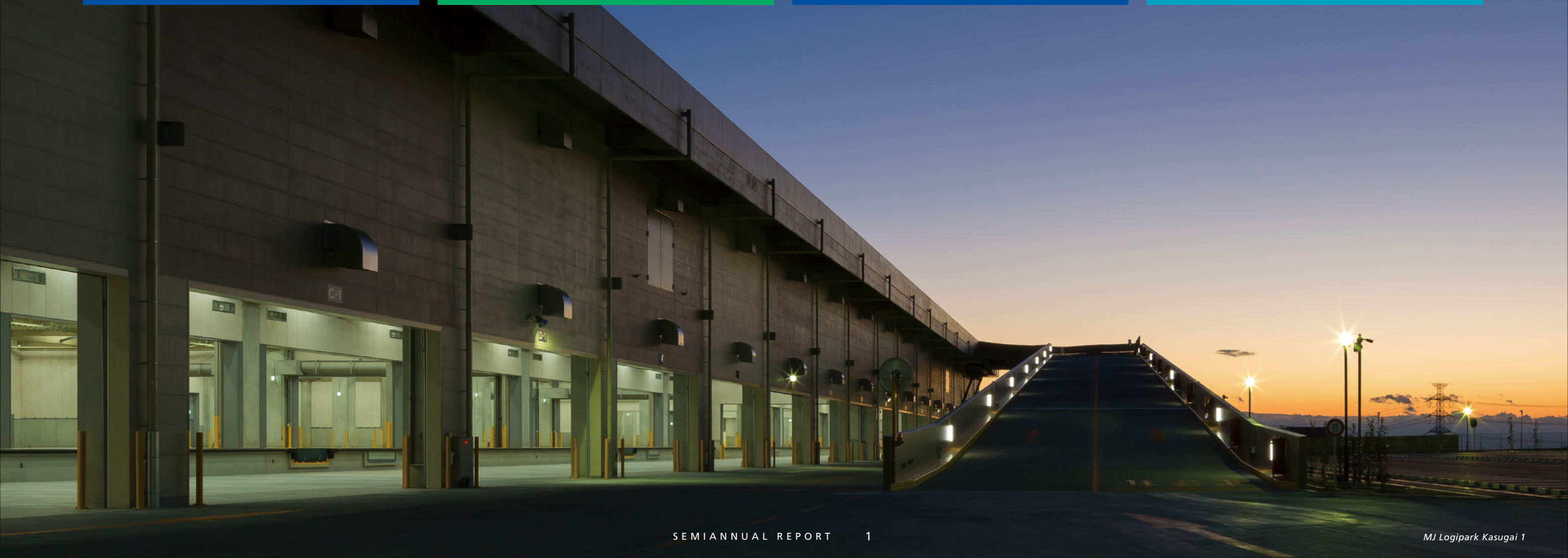
**99.9%**

Loan-to-Value Ratio  
(Forecasted 2020/8)

**29.4%**

Average Debt Cost  
(Long-term Debt)

**0.39%**



## Message from the Management



Dear Fellow Unitholders,

We are pleased to represent our Sixth Fiscal Period Semiannual Report of Mitsubishi Estate Logistics REIT Investment Corporation (MEL).

We would like to take this opportunity to express our heartfelt appreciation to all of our unitholders for supporting MEL.

On August 31, 2019, we concluded our sixth fiscal period. With solid operational performance, MEL reported sound financial results for the fiscal period. Our 2,530 million yen operating revenues and our 1,211 million yen net income were both in line with our original forecast. Accordingly, our distributions per unit, including the surplus cash distributions (SCD), was 5,524 yen, which exceeded the forecast by 0.6 percent. These results were attributable to stable portfolio management. We maintained an extremely high average occupancy of 99.9 percent and our rents continued to grow. For the 40,000 square meters of leases that were renewed or re-tenanted during the fiscal period under review, we achieved an upward rent revision in 40 percent and achieved strong 6.8 percent rent growth in such rent revisions, with a weighted average rent growth of 3.1 percent on a nominal weighted average basis. This marks the third consecutive period of growth since our inception. Also, we have achieved HYBRID internal growth other than rent revisions through distinctive initiatives such as the receipt of green lease fee based on green lease contract, a review electricity suppliers, and a decrease in property tax due to review in asset valuation. Capturing this momentum, we intend to strive to accomplish this HYBRID internal growth.

We have implemented various measures to improve our unitholder value based on our new management policy, “Three Pillars” that are “Alignment,” “Discipline,” and “HYBRID.”

In May 2019, we introduced an asset management fee fully linked to unit price performance to align interest with our unitholders. This initiative is the first among all J-REITs.

In October 2019, we completed our second follow-on offering and successfully raised 20.1 billion yen of capital including third-party allotment. With the proceeds and debt financing, we acquired one sponsor-developed property, LOGIPORT Osaka Taisho, and four properties (MJ Logipark Tsuchiura 1, MJ Logipark Nishinomiya 1, MJ Logipark Kasugai 1 and MJ Industrial Park Sakai (Land)) that were sourced by us the Asset Manager, totaling 30.5 billion yen. These acquisitions embody our HYBRID external growth. As a result, our portfolio size has grown to 113.7 billion yen. With this offering and disciplined acquisition, giving due attention to our existing portfolio yield and an acquisition with NOI yield greater than the implied cap rate, we realized an accretion of 8.0 percent distributions per unit (DPU) growth on a stabilized basis and 3.5 percent growth for net asset value (NAV) per unit.

As for the debt side, as a result of new debt financing at the time of the offering, 94.4 percent of our debt is long-term fixed interest rate debt with diversified maturities. Our remaining debt duration was extended from 4.7 years to 6.1 years and the all in debt cost was reduced from 47 basis point to 39 basis point. Also, MEL obtained new debt financing from two new banks, The Shinkumi Federation Bank and The 77 Bank, which further diversified our bank formation. As of the end of the reporting fiscal period, our loan-to-value (“LTV”) ratio was 27.0 percent, and as a reflection of this offerings and acquisitions, our LTV ratio is forecasted to be 29.4% at the end of the fiscal period ending August 31, 2020. We will continue to maintain the LTV ratio at a conservative level and preserve a stable financial structure going forward.

Looking forward, we will endeavor to maximize our unitholder value by growing both externally and internally through the HYBRID model and follow our new management policy, “Three Pillars.” We will also fully take advantage of the good relationships Mitsubishi Estate Co., Ltd. (“MEC”) has cultivated with corporate customers over many years through office and commercial facilities businesses. Furthermore, we will utilize the strength of our asset management company, Mitsubishi Jisho Investment Advisors, Inc. (MJIA), that dates back to our founding in 2001. MJIA has a proven track record in structuring and managing various types of real estate funds including the largest private REIT in Japan. By combining the strengths of MEC and MJIA, we will continue to pursue both internal and external growth opportunities.

With the expansion in e-commerce and the third-party logistics (3PL) market, the need for logistics facilities continues to grow in Japan. MEL will support logistical platforms in Japan while adapting to changes in the environments that surround logistics facilities and contribute to the development of logistical mechanisms that support people’s livelihoods.

We sincerely appreciate your continued support of MEL and the Mitsubishi Estate Group and look forward to reporting our further progress in the months and years ahead.

**Masaki Sakagawa**

Executive Director

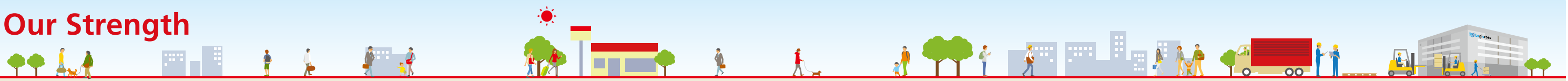
Mitsubishi Estate Logistics REIT Investment Corporation

Executive Vice President, General Manager,

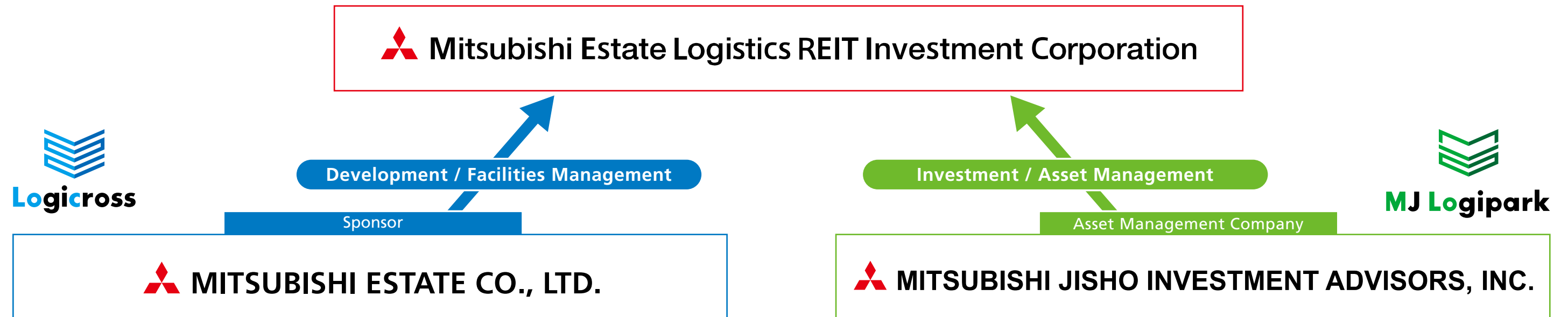
Logistics REIT Management Department of Mitsubishi Jisho Investment Advisors, Inc.



## Our Strength



### "HYBRID" Style and Focus on Sponsor's Pipeline



#### Overview

- Dedicated to city development in the Marunouchi area (Tokyo) for over 120 years
- Contributing to society through a variety of business activities as a comprehensive real estate developer
- Promoting the logistics facility business as a growth area

#### Support

- Constant supply of pipeline properties through development / operation of advanced logistics facilities
- Utilization of MEC group's know-how and corporate customer relations in the leasing activities

#### Overview

- Established in 2001, when the scheme of real estate securitization was emerging in Japan
- Its track record includes structuring and managing various types of real estate funds, such as the largest private REIT in Japan
- Proven track records in a variety of asset types in investment and asset management

#### Support

- Unique property sourcing capacity with discerning judgement
- Flexible acquisition strategy using a wide range of schemes, including bridge funds
- Competitive real estate fund management capability backed by a diverse deal track record



# Our Portfolio



## MEL's Investment Policy

**Property Type**  
(based on acquisition price)

Logistics facilities

**80** % or more

Other logistics related facilities

**20** % or less

**Investment Area**  
(based on acquisition price)

Tokyo metropolitan area

**50** % or more

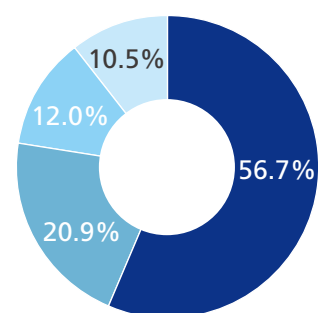
Other areas

**50** % or less

## Portfolio Diversification

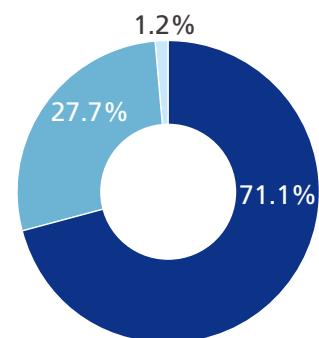
**By Investment Area**  
(Based on acquisition price)

- Tokyo metropolitan area
- Osaka metropolitan area
- Nagoya metropolitan area
- Other



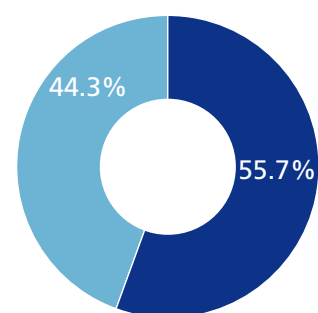
**By Total Floor Space**  
(Based on acquisition price)

- 30,000 m<sup>2</sup> or more
- 10,000 m<sup>2</sup> to less than 30,000 m<sup>2</sup>
- Less than 10,000 m<sup>2</sup>



**By Acquisition Source**  
(Based on acquisition price)

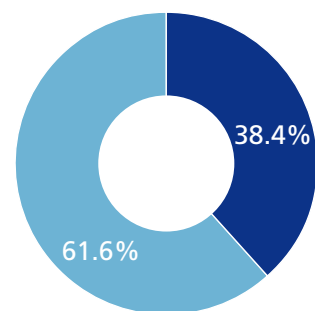
- Developed by the Sponsor
- Sourced by Asset Management Company



**By Access Convenience**  
(Based on acquisition price)

Distance from Nearest Train Station

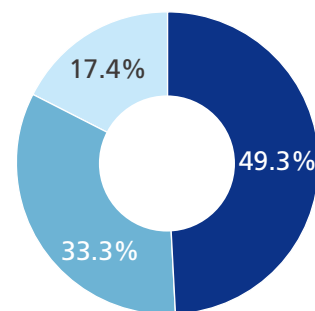
- Less than 1.5 km
- 1.5 km or more



**By Access Convenience**  
(Based on acquisition price)

Distance from Major Trunk Road

- Less than 1 km
- 1 km to less than 3 km
- 3 km or more



### Logicross Fukuoka Hisayama

Acquisition price	JPY 5,770 million
Occupancy rate	100.0%
DBJ Green Building	★★★★



### Logicross Atsugi

Acquisition price	JPY 8,440 million
Occupancy rate	100.0%
BELS	★★★★★
CASBEE	S Rank for Real Estate



### Logicross Kobe Sanda

Acquisition price	JPY 3,900 million
Occupancy rate	100.0%
BELS	★★★★
CASBEE	A Rank for Real Estate



### LOGIPORT Sagamihara

(49% co-ownership interest)

Acquisition price	JPY 21,364 million
Occupancy rate	99.7%
CASBEE	S Rank for Real Estate



### LOGIPORT Hashimoto

(45% co-ownership interest)

Acquisition price	JPY 18,200 million
Occupancy rate	100.0%
BELS	★★
CASBEE	S Rank for Real Estate





# Our Portfolio



## MJ Logipark Funabashi 1

Acquisition price	JPY 5,400 million
Occupancy rate	100.0%



## MJ Logipark Atsugi 1

Acquisition price	JPY 6,653 million
Occupancy rate	100.0%



## MJ Logipark Kazo 1

Acquisition price	JPY 1,272 million
Occupancy rate	100.0%
BELS	★★★★★



## MJ Logipark Osaka 1

Acquisition price	JPY 6,090 million
Occupancy rate	100.0%



## MJ Logipark Fukuoka 1

Acquisition price	JPY 6,130 million
Occupancy rate	100.0%



## Newly Acquired Properties

## MJ Logipark Tsuchiura 1

Acquisition price	JPY 3,133 million
Occupancy rate	100.0%



## LOGIPORT Osaka Taisho (20% co-ownership interest)

Acquisition price	JPY 5,682 million
Occupancy rate	99.9%



## MJ Logipark Nishinomiya 1

Acquisition price	JPY 2,483 million
Occupancy rate	100.0%



## MJ Logipark Kasugai 1

Acquisition price	JPY 13,670 million
Occupancy rate	100.0%
CASBEE	★★★★



## MJ Industrial Park Sakai (Land)

Acquisition price	JPY 5,600 million
Occupancy rate	100.0%





# HYBRID External Growth

## MITSUBISHI ESTATE CO., LTD.

- Capability to develop logistics facilities independently based on extensive land information
- Capability to co-develop facilities backed by MEC's development ability and credibility

Sponsor-developed properties with expected preferential negotiation right

## Mitsubishi Estate Logistics REIT Investment Corporation

### Logicross

Brand of logistics facilities that MEC develops throughout Japan



### MJ Logipark

Properties which MEL acquired or intends to acquire from 3rd parties



## MITSUBISHI JISHO INVESTMENT ADVISORS, INC.

- Capability to assess properties backed by experience in continuously acquiring properties from 2001
- Flexible and diversified property acquisition strategy by leveraging the capability to manage real estate funds

MJIA-sourced and operated properties with expected preferential negotiation right

### MEC Group



Occupancy  
100%

**Osaka Nishi-Yodogawa Logistic Facility Center**  
(38,000 m<sup>2</sup>) Completed in FY2018 (Jointly)



Occupancy  
approx. 95%

**Logicross Nagoya Kasadera**  
(80,000 m<sup>2</sup>) Completed in FY2018 (Independently)



Newly  
announced

**Logicross Hasuda (tentative name)**  
(79,000 m<sup>2</sup>) To be completed in FY2020



Occupancy  
100%

**LOGIPORT Kawasaki Bay**  
(296,000 m<sup>2</sup>) Completed in FY2019 (Jointly)



Pre-leased  
100%

**Logicross Yokohama Kohoku**  
(16,000 m<sup>2</sup>) Completed in FY 2019 (Independently)



Newly  
announced

**Logicross Kasukabe (tentative name)**  
(38,000 m<sup>2</sup>) To be completed in FY2021



Newly  
announced

**Logicross Funabashi (tentative name)**  
(23,000 m<sup>2</sup>) To be completed in FY2021



Occupancy  
100%

**Logicross Atsugi II**  
(34,000 m<sup>2</sup>) Completed in FY2019 (Independently)



**Saitomoegi Logistics Facilities Project (tentative name)**  
(32,000 m<sup>2</sup> / 125,000 m<sup>2</sup>) To be completed in FY2020/FY2021



Newly  
announced

**Logicross Zama (tentative name)**  
(183,000 m<sup>2</sup>) To be completed in FY2023

### Bridge Fund



Occupancy  
99.9%

**LOGIPORT Osaka Taisho**  
(117,000 m<sup>2</sup>) Completed in FY2017 (Jointly)



Occupancy  
100%

**Logicross Narashino**  
(39,000 m<sup>2</sup>) Completed in FY2017 (Independently)



Occupancy  
100%

**MJ Logipark Sendai 1**  
(36,000 m<sup>2</sup>) Completed in FY2008

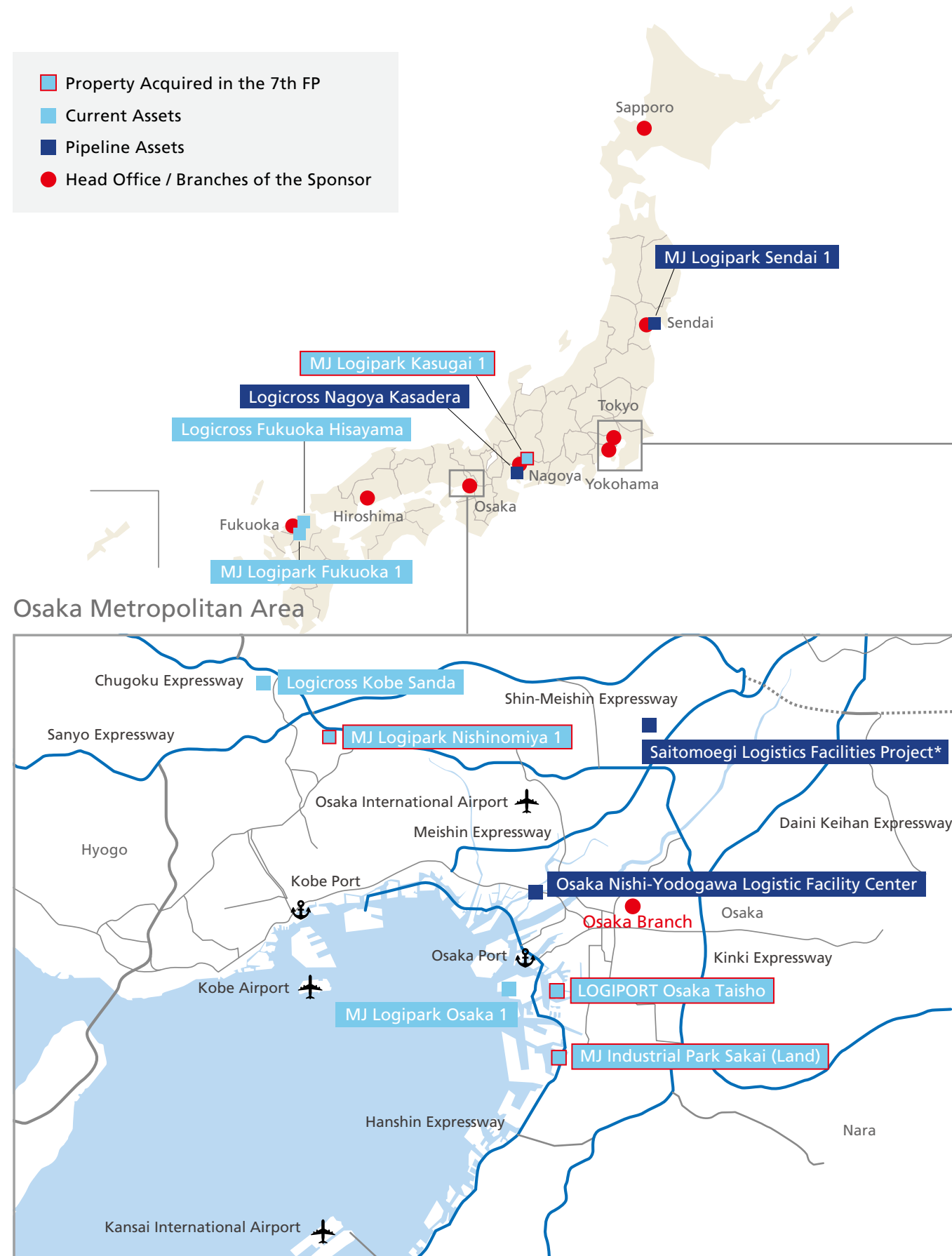
14 properties 1,141,000m<sup>2</sup>

Notes: As of Oct. 18, 2019

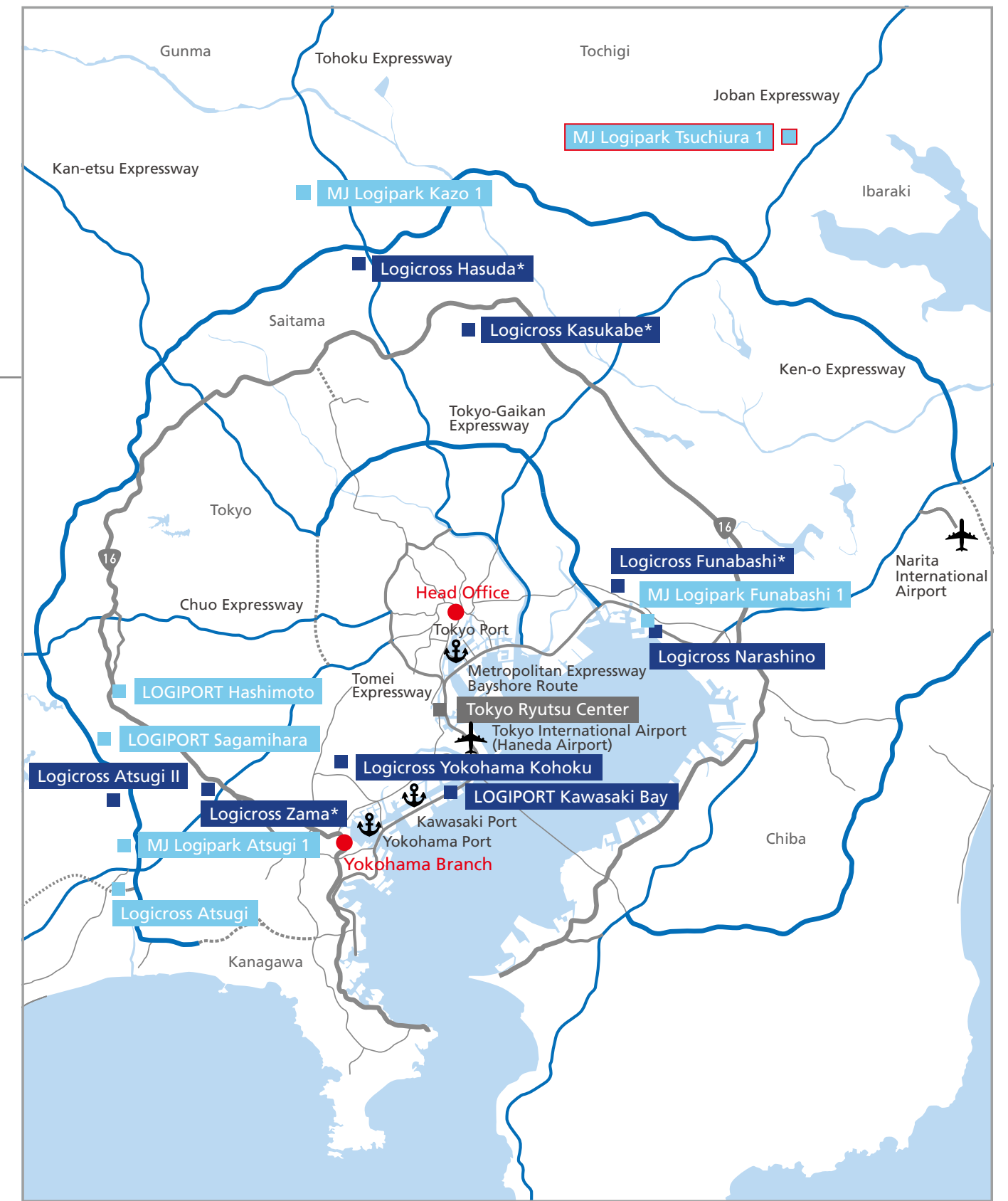


# Our Portfolio and Acquisition Pipelines

- Property Acquired in the 7th FP
- Current Assets
- Pipeline Assets
- Head Office / Branches of the Sponsor



## Tokyo Metropolitan Area



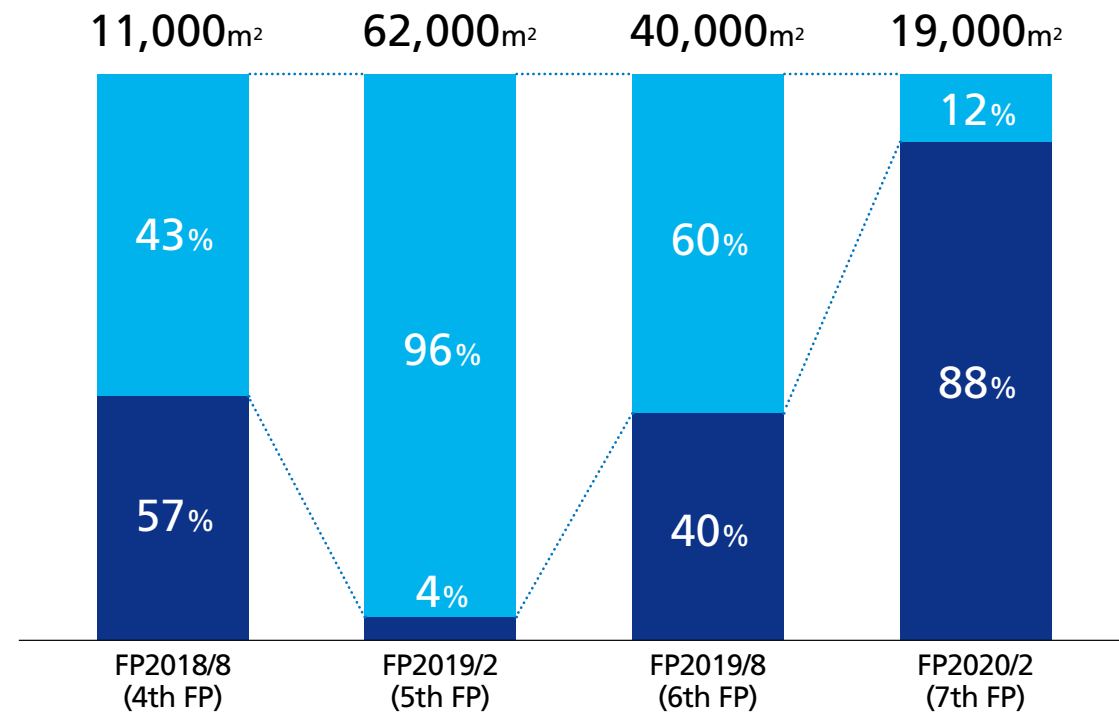
\* Tentative name  
Note: As of Oct. 9, 2019



# HYBRID Internal Growth Strategy

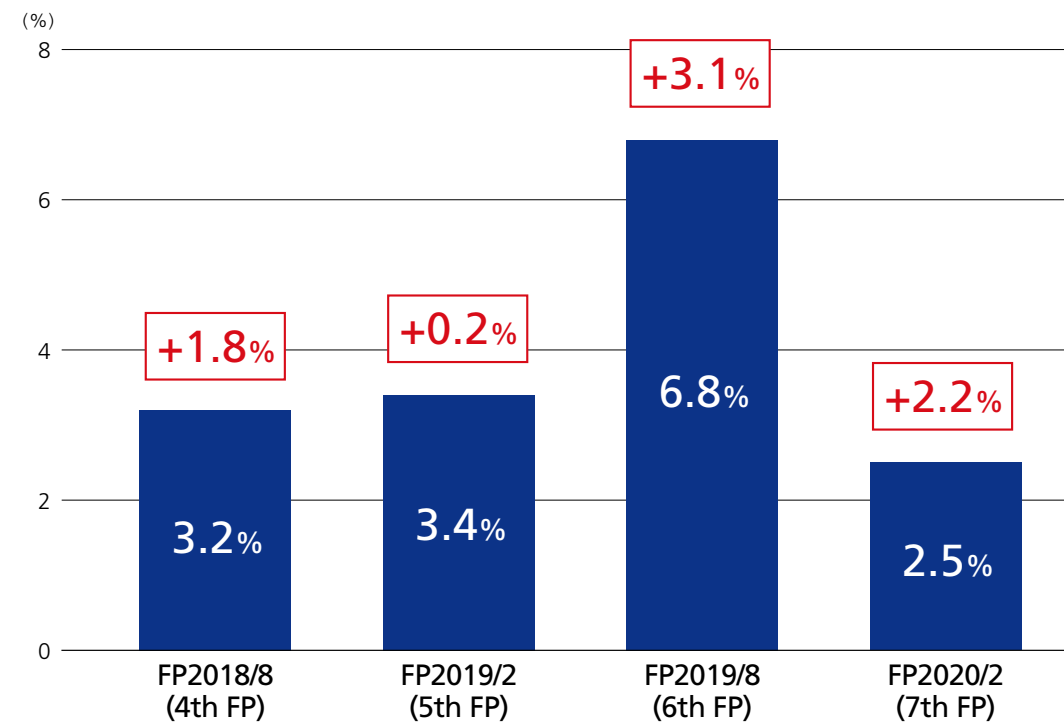
## Rent Revision (Based on Leased Area of Warehouse)

■ Upward rent revision ■ Rent unchanged



## Average Rent Growth

□ Average rent growth ■ Average rent growth of increased portion



Average occupancy rate

**99.9%**

Fixed-term lease rate

**100.0%**

Average remaining expiry

**6.8 years**

## Efforts to improve Tenants' Satisfaction (Example)

Improvement by switching to LED based on green lease contract

Overview
<ul style="list-style-type: none"> <li>Installed LED lighting at the cost of MEL</li> <li>Receipt of half of the reduction in electricity bills and maintenance cost to be borne by tenant as green lease fee</li> </ul>

Effects
<ul style="list-style-type: none"> <li>Income will increase by JPY 1.9 mn per fiscal period due to the receipt of green lease fee</li> <li>Tenants' electricity bills are reduced substantially</li> <li>The latest dimming functions capable of adjusting grouping and brightness improved tenants' convenience</li> </ul>

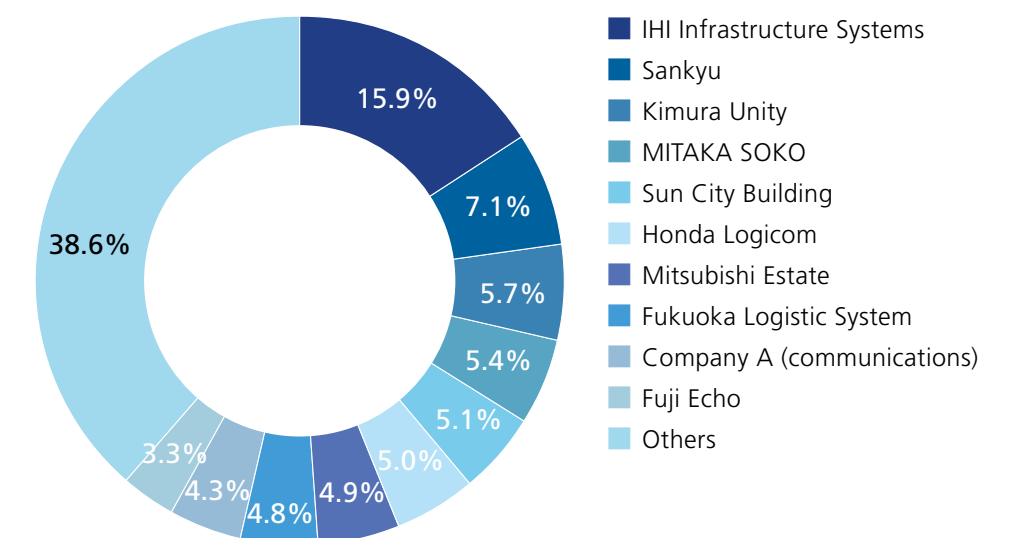
## Efforts to reduce costs borne by Investment Corporation (Example)

Review asset evaluation of the properties

Overview
<ul style="list-style-type: none"> <li>Review asset evaluation of the properties held</li> <li>Negotiation with relevant government office regarding difference from evaluation, if any</li> </ul>

Effects
<ul style="list-style-type: none"> <li>Decreased property tax for two properties (JPY 1.7 mn per fiscal period)</li> <li>Refund of property tax due to review in asset valuation (JPY 12 mn in 6th fiscal period)</li> <li>Negotiation is underway for other properties</li> </ul>

## Tenant Diversification





# Financial Strategy

## Financial Highlights

Long-term Debt Ratio

94.4 %

Fixed Interest Rate  
Debt Ratio

94.4 %

Average Remaining  
Debt Duration  
(Long-term Debt)

6.1 years

Average Debt Cost  
(Long-term Debt)

0.39 %

Credit Rating

JCR: AA-  
(Stable)

Loan-to-Value Ratio  
(Forecasted 2020/8)

29.4 %

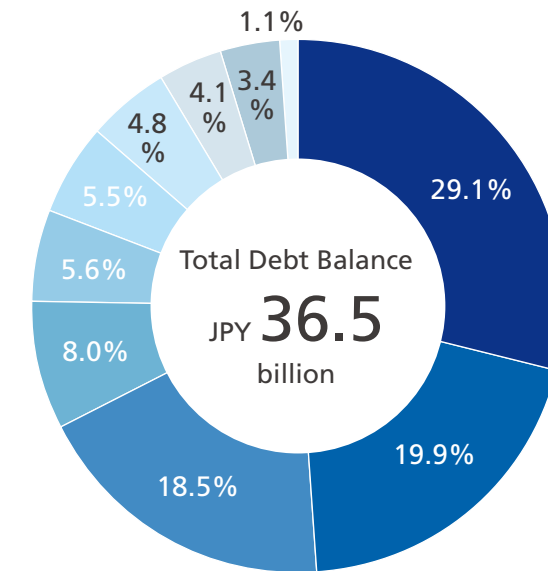
Debt Capacity (up to 40%)

Approx.  
JPY 20.0  
billion

Debt Capacity (up to 50%)

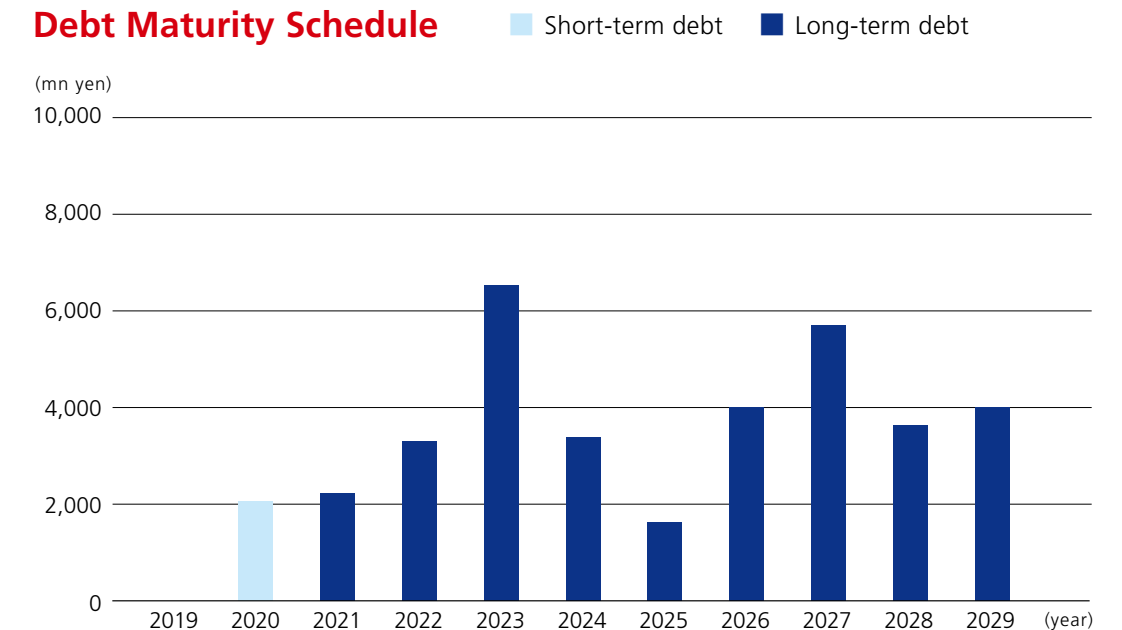
Approx.  
JPY 48.0  
billion

## Our Lenders



- MUFG Bank, Ltd.
- Mizuho Bank, Ltd.
- Sumitomo Mitsui Banking Corporation
- The Bank of Fukuoka, Ltd.
- The Norinchukin Bank
- Shinkin Central Bank
- Shinsei Bank Limited
- Development Bank of Japan
- The Shinkumi Federation Bank
- The 77 Bank, Ltd.

## Debt Maturity Schedule





# ESG Initiatives

## GRESB Survey

- Participated in the 2019 GRESB Real Estate Assessment for the first time
- Awarded the prestigious “Green Star” rating and received “4 Star” rating, the second highest rating out of five
- MEL was the only J-REIT to receive “4 Star” rating among the six J-REITs that participated for the first time



## Environment Initiatives

### Sustainable Building Certifications (As of October 9, 2019)

**7** properties / out of 15 with building certifications

**490,757** m<sup>2</sup> of floor area with building certifications

**64.4** % of the properties in our portfolio have building certifications

## Energy Saving Initiatives



Insulated sandwich panels for exterior walls



Installation of motion-detection sensors



Enhanced greenery

## BCP Initiatives



Installation of private power generators



Seismic isolators



Insulated solar panels

## Proactive Participation in CSR Activities



Cleanup activity after Atsugi Ayu Firework Festival volunteer work near MJ Logipark Atsugi 1

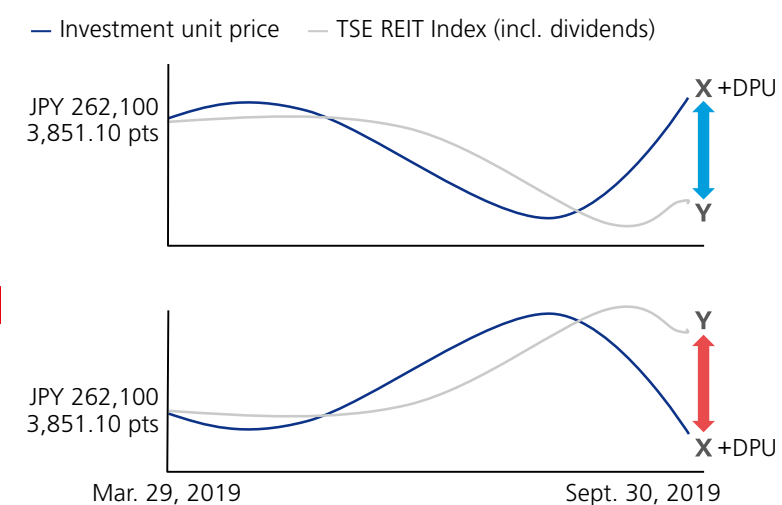


Free beverage service for tenants at LOGIPORT Sagamihara

## MEL's Asset Management Fee Structure

Asset Management Fee I (AUM-linked)	Total assets as of the end of previous fiscal period x 0.2% (upper limit)
Asset Management Fee II (Real estate profit-linked)	Adjusted NOI x 5.0% (upper limit)
Asset Management Fee III (Unitholder interest-linked)	Adjusted net income before tax x net income before tax per unit x 0.001% (upper limit)
	<p>“Investment unit price-linked management fee”</p> <p>Performance against TSE REIT Index ((a) – (b)) x market capitalization (for fiscal period of each term) x 0.1% (upper limit)</p> <p>(a): Fluctuations in MEL's investment unit price (incl. dividends)</p> <p>(b): Fluctuations in the TSE REIT Index (incl. dividends)</p>

**A First for J-REITs**



If MEL's growth rate is greater  
(a) - (b) = positive  
↓  
Increase Fee

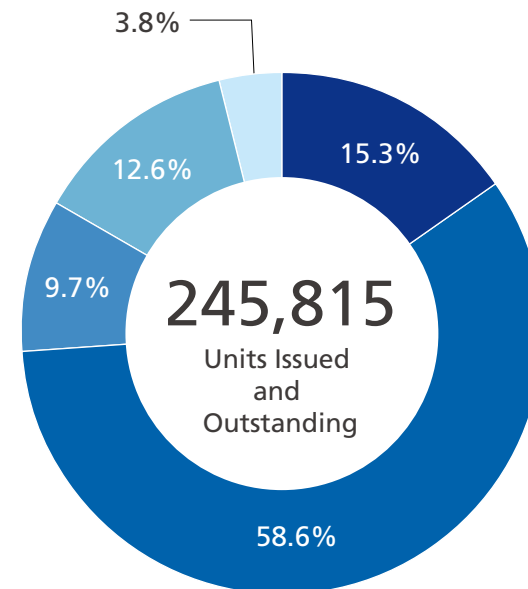
If TSE REIT Index growth rate is greater  
(a) - (b) = negative  
↓  
Decrease Fee



# Unitholder Information (as of Aug. 31, 2019)

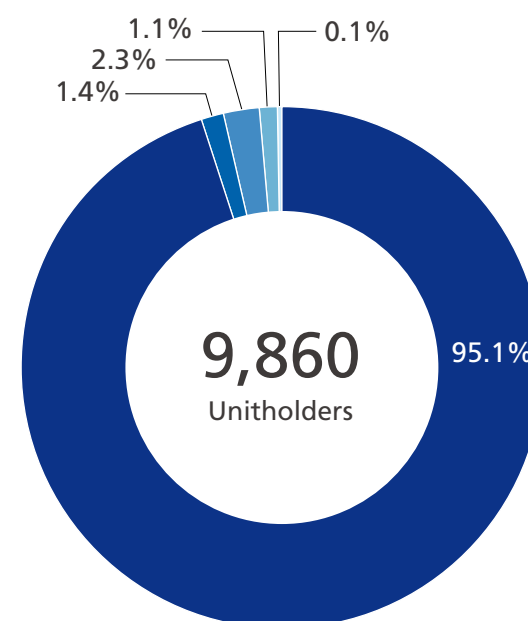
## Breakdown by Units

- Domestic individuals and others: 37,612 unit
- Financial institutions: 144,107 unit
- Other domestic entities: 23,894 units
- Foreign entities: 30,874 unit
- Securities companies: 9,328 unit



## Breakdown by Unitholders

- Domestic individuals and others: 9,372 unitholders
- Financial institutions: 136 unitholders
- Other domestic entities: 229 unitholders
- Foreign entities: 105 unitholders
- Securities companies: 18 unitholders



## Major Unitholders

	Number of Investment Units	Share of Investment Units (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	32,372	13.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,251	11.49
Mitsubishi Estate Co., Ltd.	10,000	4.06
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Account)	8,832	3.59
The Nomura Trust and Banking Company, Ltd. (Trust Account)	7,132	2.90
Tokyo Century Corporation	6,069	2.46
The Chugoku Bank, Limited	5,372	2.18
The Shinkumi Federation Bank	4,806	1.95
The Iyo Bank, Ltd.	3,652	1.48
The Hyakujushi Bank, Ltd.	3,500	1.42
<b>Total</b>	<b>109,986</b>	<b>44.74</b>

## Continuous same-boat investment in MEL by the sponsor

Investment in MEL  
by MEC

**10,000** units  
(4.1%)  
(As of Oct. 18, 2019)



## BALANCE SHEET

	Thousands of yen			
	As of			
	February 28, 2019		August 31, 2019	
<b>ASSETS</b>				
Current assets:				
Cash and deposits (Notes 3, 5)	¥	1,856,912	¥	2,627,266
Cash and deposits in trust (Notes 3, 5)		3,185,098		3,196,426
Operating accounts receivable		18,674		22,102
Prepaid expenses		20,637		10,300
Consumption taxes receivable		312,168		-
Other current assets		-		753
Total current assets		5,393,492		5,856,848
Fixed assets:				
Property and equipment (Notes 4, 6)				
Buildings in trust (Notes 11)		37,515,698		37,535,830
Less: accumulated depreciation		(1,365,361)		(1,839,363)
Buildings in trust, net		36,150,337		35,696,466
Structures in trust (Notes 11)		1,288,743		1,286,857
Less: accumulated depreciation		(35,273)		(48,050)
Structures in trust, net		1,253,469		1,238,807
Machinery and equipment in trust		-		7,372
Less: accumulated depreciation		-		(51)
Machinery and equipment in trust, net		-		7,320
Tools, furniture and fixtures in trust		689		4,806
Less: accumulated depreciation		(28)		(252)
Tools, furniture and fixtures in trust, net		661		4,554
Land in trust		45,603,368		45,603,368
Total property and equipment		83,007,836		82,550,517
Intangible assets (Notes 4)				
Software		6,785		5,835
Other intangible assets		841		791
Total intangible assets		7,626		6,626
Investments and other assets				
Deferred tax assets (Notes 12)		11		13
Long-term prepaid expenses		14,161		11,484
Security deposit		10,000		10,000
Total investments and other assets		24,172		21,498
Total fixed assets		83,039,635		82,578,642
Deferred assets:				
Organization expenses		28,223		22,175
Total deferred assets		28,223		22,175
Total assets	¥	88,461,352	¥	88,457,666

The accompanying notes are an integral part of these financial statements.

## BALANCE SHEET, continued

	Thousands of yen			
	As of			
	February 28, 2019		August 31, 2019	
<b>LIABILITIES</b>				
Current liabilities:				
Operating accounts payable	¥	140,574	¥	97,523
Long-term loans payable due within one year (Notes 5, 10)		4,000,000		4,000,000
Accounts payable		7,075		11,536
Distributions payable		4,984		6,549
Accrued expenses		264,448		286,273
Income taxes payable		837		881
Consumption taxes payable		-		138,971
Advances received		407,446		405,806
Total current liabilities		4,825,367		4,947,542
Non-current liabilities				
Long-term loans payable (Notes 5, 10)		19,924,000		19,924,000
Tenant leasehold and security deposits in trust		1,529,276		1,541,562
Total non-current liabilities		21,453,276		21,465,562
Total liabilities		26,278,644		26,413,105
<b>NET ASSETS</b>				
Unitholders' equity				
Unitholders' capital		61,262,651		61,262,651
Units authorized: 10,000,000 units				
Units issued and outstanding: 245,815 units				
as of August 31, 2019, and February 28, 2019				
Unitholders' capital, gross		61,262,651		61,262,651
Deduction from unitholders' capital		(250,808)		(430,007)
Unitholders' capital, net		61,011,843		60,832,644
Surplus				
Retained earnings		1,170,864		1,211,916
Total surplus		1,170,864		1,211,916
Total unitholders' equity		62,182,708		62,044,560
Total net assets (Notes 9)		62,182,708		62,044,560
Total liabilities and net assets	¥	88,461,352	¥	88,457,666

The accompanying notes are an integral part of these financial statements.



## STATEMENT OF INCOME AND RETAINED EARNINGS

	Thousands of yen			
	For the period ended			
	February 28, 2019		August 31, 2019	
Operating revenues:				
Operating rental revenues (Note 7)	¥	2,358,795	¥	2,399,157
Other rental revenues (Note 7)		134,976		131,229
Total operating revenues		2,493,772		2,530,386
Operating expenses:				
Expenses related to property rental business (Note 7)		940,015		959,140
Asset management fee		190,172		209,632
Asset custody fee		848		850
Administrative service fee		17,869		19,278
Directors' compensation		2,400		2,400
Commission paid		49,544		57,014
Other operating expenses		25,578		28,147
Total operating expenses		1,226,428		1,276,463
Operating income		1,267,344		1,253,922
Non-operating income:				
Interest income		23		25
Interest on refund		-		788
Insurance income		30,210		41,561
Refund of property taxes		-		12,880
Other non-operating income		1		-
Total non-operating income		30,234		55,255
Non-operating expenses:				
Interest expenses		48,378		49,662
Borrowing related expenses		10,516		8,915
Amortization of organization expenses		6,047		6,047
Amortization of investment unit issuance expenses		31,263		-
Losses due to disaster		25,497		1,075
Loss on reduction of tangible fixed assets		4,303		30,725
Total non-operating expenses		126,007		96,427
Ordinary income		1,171,572		1,212,751
Income before income taxes		1,171,572		1,212,751
Income taxes-current (Note 12)		841		885
Income taxes-deferred (Note 12)		1		(2)
Total income taxes		842		883
Net income		1,170,729		1,211,868
Retained earnings brought forward		134		47
Unappropriated retained earnings	¥	1,170,864	¥	1,211,916

	Yen			
	For the fiscal period ended			
	February 28, 2019		August 31, 2019	
Net income per unit (Note 13)	¥	4,798	¥	4,930

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF CHANGES IN NET ASSETS

For the period ended August 31, 2019

	Thousands of yen						
	Unitholders' equity						
	Unitholders' capital		Surplus			Total unitholders' equity	Total net assets
	Unitholders' capital, gross	Deduction of unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings	Total surplus		
Balance as of March 1, 2019 (Note 9)	61,262,651	(250,808)	61,011,843	1,170,864	1,170,864	62,182,708	62,182,708
Change during the period							
Distributions in excess of retained earnings	-	(179,199)	(179,199)	-	-	(179,199)	(179,199)
Surplus cash distributions	-	-	-	(1,170,816)	(1,170,816)	(1,170,816)	(1,170,816)
Net income	-	-	-	1,211,868	1,211,868	1,211,868	1,211,868
Total change during the period	-	(179,199)	(179,199)	41,051	41,051	(138,147)	(138,147)
Balance as of August 31, 2019 (Note 9)	61,262,651	(430,007)	60,832,644	1,211,916	1,211,916	62,044,560	62,044,560

For the period ended February 28, 2019

	Thousands of yen						
	Unitholders' equity						
	Unitholders' capital		Surplus			Total unitholders' equity	Total net assets
	Unitholders' capital, gross	Deduction of unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings	Total surplus		
Balance as of September 1, 2018 (Note 9)	53,685,400	(120,910)	53,564,490	1,002,724	1,002,724	54,567,214	54,567,214
Change during the period							
Issuance of new investment units	7,577,251	-	7,577,251	-	-	7,577,251	7,577,251
Distributions in excess of retained earnings	-	(129,898)	(129,898)	-	-	(129,898)	(129,898)
Surplus cash distributions	-	-	-	(1,002,590)	(1,002,590)	(1,002,590)	(1,002,590)
Net income	-	-	-	1,170,729	1,170,729	1,170,729	1,170,729
Total change during the period	7,577,251	(129,898)	7,447,353	168,139	168,139	7,615,493	7,615,493
Balance as of February 28, 2019 (Note 9)	61,262,651	(250,808)	61,011,843	1,170,864	1,170,864	62,182,708	62,182,708

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

	Thousands of yen			
	For the period ended			
	February 28, 2019		August 31, 2019	
Cash flows from operating activities:				
Income before income taxes	¥	1,171,572	¥	1,212,751
Depreciation		485,904		488,054
Amortization of investment unit issuance		31,263		-
Interest income		(23)		(25)
Interest expenses		48,378		49,662
Insurance income		(30,210)		(41,561)
Loss on reduction of tangible fixed assets		4,303		30,725
Losses due to disaster		25,497		1,075
Decrease (Increase) in operating accounts receivable		8,076		(3,427)
Decrease (Increase) in consumption taxes receivable		(312,168)		312,168
Decrease (Increase) in prepaid expenses		5,504		10,337
Decrease (Increase) in long-term prepaid expenses		766		2,676
Increase (Decrease) in operating accounts payable		45,918		(26,588)
Increase (Decrease) in accounts payable		(5,798)		4,461
Increase (Decrease) in accrued expenses		19,762		21,024
Increase (Decrease) in consumption taxes payable		(108,215)		138,971
Increase (Decrease) in advances received		93,868		(1,639)
Others		9,798		5,294
Subtotal		1,494,200		2,203,961
Interest received		23		25
Interest paid		(47,145)		(48,861)
Insurance income due to disaster		30,210		41,561
Payments due to disaster		(25,497)		(1,075)
Income taxes paid		(865)		(841)
Net cash provided by (used in) operating activities		1,450,925		2,194,769
Cash flows from investing activities:				
Purchases of property and equipment in trust		(12,541,961)		(76,924)
Proceeds from tenant leasehold and security deposits in trust		300,506		16,923
Repayments from tenant leasehold and security deposits in trust		(1,525)		(4,637)
Net cash provided by (used in) investing activities		(12,242,980)		(64,637)
Cash flows from financing activities:				
Proceeds from short-term loans payable		12,961,000		-
Repayments of short-term loans payable		(12,961,000)		-
Proceeds from long-term loans payable		5,023,000		-
Proceeds from issuance of new investment units		7,545,987		-
Payment of distributions of retained earnings		(1,002,300)		(1,169,608)
Payment of distributions in excess of retained earnings		(129,642)		(178,842)
Net cash provided by (used in) financing activities		11,437,044		(1,348,450)
Net increase (decrease) in cash and cash equivalents		644,989		781,681
Cash and cash equivalents at the beginning of period		4,397,022		5,042,011
Cash and cash equivalents at the end of period(Notes 3)	¥	5,042,011	¥	5,823,693

The accompanying notes are an integral part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS

### 1. ORGANIZATION AND BASIS OF PRESENTATION

#### a) Organization

Mitsubishi Estate Logistics REIT Investment Corporation (hereinafter “MEL”) was established on July 6, 2016 under the “Act on Investment Trust and Investment Corporation” (hereinafter the “Investment Trust Law”), and was listed on the REIT Securities Market of the Tokyo Stock Exchange on September 14, 2017, with Mitsubishi Estate Co., Ltd. (hereinafter “MEC”), one of the largest comprehensive developers in Japan, acting as a sponsor. MEL focuses on investing in logistics facilities primarily in the Tokyo Metropolitan Area. MEL is externally managed by a licensed asset management company, Mitsubishi Jisho Investment Advisors, Inc. (hereinafter the “Asset Manager” or “MJIA”). On September 13, 2017, MEL issued 198,000 new units through a public offering and raised approximately 49,678 million yen. Those units are listed on the J-REIT section of the Tokyo Stock Exchange. MEL acquired 8 properties (aggregate acquisition price: 70,879 million yen) on September 14, 2017 following its listing and acquired 2 properties (aggregate acquisition price: 12,340 million yen) on September 3, 2018 during the reporting fiscal period. As of August 31, 2019, MEL held in the form of beneficiary right in trust in 10 properties (aggregate acquisition price: 83,219 million yen). The total leasable area was 355,855.07㎡ and the occupancy rate remained high at 99.9% as of the end of the reporting fiscal period.

#### b) Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Law, the Japanese Financial Instruments and Exchange Act and their related accounting regulations, and in conformity with accounting principles generally accepted in Japan (hereinafter the “Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The accompanying financial statements have been reformatted and translated into English from the financial statements of MEL prepared in accordance with Japanese GAAP, and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. In preparing these financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one thousand yen have been omitted. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts. MEL’s fiscal period is a six-month period that ends at the end of February and August of each year. MEL does not prepare consolidated financial statements as it has no subsidiaries.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and cash in trust, floating deposits, deposits in trust and short-term investments that are very liquid and realizable with a maturity of three months or less when purchased and that are subject to insignificant risks of changes in value.

#### b) Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment, including property and equipment in trust, is calculated by the straight-line method over the estimated useful lives as follows:

Buildings	2-60 years
Structures	10-58 years
Machinery and equipment	12 years
Tools, furniture and fixtures	6-10 years

#### c) Intangible Assets

Intangible assets are stated at cost. Amortization of intangible assets, including intangible assets in trust, is calculated by the straight-line method over the estimated useful lives.

#### d) Long-term Prepaid Expenses

Long-term prepaid expenses are amortized by the straight-line method.

#### e) Organization Expenses

All organization expenses are amortized over five years using straight-line method.



## f) Beneficiary Rights in Trust

As to beneficiary rights in trust, all accounts of assets and liabilities for assets in trust as well as the related income generated and expenses incurred are recorded in the relevant balance sheet and statement of income and retained earnings accounts. Important line items included in accounting for financial assets and liabilities in the MEL's balance sheet are cash and deposits in trust, buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, land in trust and tenant leasehold and security deposits in trust.

## g) Taxes on Property and Equipment

With respect to property taxes, city planning taxes and depreciable asset taxes, of the tax amount assessed and determined, the amount corresponding to the relevant fiscal period is accounted for as rental expenses.

Of the amounts paid for the acquisitions of real estate properties or beneficiary right in trust of real estate, the amount equivalent to property taxes is capitalized as part of the acquisition cost of the relevant property instead of being charged as an expense. Not applicable for the reporting period.

## h) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

## 3. CASH AND CASH EQUIVALENTS

Relationship between cash and cash equivalents in statement of cash flows and accounts and amounts in the accompanying balance sheet are as follows:

	Thousands of yen			
	As of			
	February 28, 2019		August 31, 2019	
Cash and deposits	¥	1,856,912	¥	2,627,266
Cash and deposits in trust		3,185,098		3,196,426
Cash and cash equivalents	¥	5,042,011	¥	5,823,693

## 4. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment and intangible assets as of August 31, 2019 are as follows:

Type of assets		Thousands of yen							
		Balance as of March 1, 2019	Increase during the period	Decrease during the period	Balance as of August 31, 2019	Depreciation		Net balance as of August 31, 2019	Remarks
						Accumulated depreciation	Depreciation for the period		
Property and equipment	Buildings in trust	¥ 37,515,698	¥ 48,151	¥ 28,020	¥ 37,535,830	¥ 1,839,363	¥ 474,002	¥ 35,696,466	—
	Structures in trust	1,288,743	820	2,705	1,286,857	48,050	12,777	1,238,807	—
	Machinery and equipment in trust	—	7,372	—	7,372	51	51	7,320	—
	Tools, furniture and fixtures in trust	689	4,116	—	4,806	252	223	4,554	—
	Land in trust	45,603,368	—	—	45,603,368	—	—	45,603,368	—
Total property and equipment		84,408,499	60,460	30,725	84,438,235	1,887,718	487,054	82,550,517	—
Intangible assets	Software	¥ 9,500	¥ —	¥ —	¥ 9,500	¥ 3,665	¥ 950	¥ 5,835	—
	Other intangible assets	1,000	—	—	1,000	208	50	791	—
Total intangible assets		10,500	—	—	10,500	3,873	1,000	6,626	—

## 5. FINANCIAL INSTRUMENTS

### a) Overview

#### (1) Policy for Financial Instruments

MEL procures funds for the acquisition of assets and repayment of debt mainly through bank loans or the issuance of new investment units.

In borrowing funds, MEL takes consideration in interest rate trend, debt cost, floating or fixed interest rate, borrowing period and repayment date.

In the case of borrowing, the lender shall be limited to qualified institutional investors as stipulated in Article 2, Paragraph 3, Item of the Financial Instruments and Exchange Act of Japan (limited to institutional investors prescribed in Article 67-15 of the Taxation Special Measures Law), with in principle no collateral / no guarantee. However, MEL may provide assets as collateral in consideration of financing environment and economic conditions. In addition, in order to flexibly procure the necessary funds related to MEL's operation such as property acquisition and repayment debt financing, MEL may enter into the overdraft agreements, commitment line agreements or conclude the reserved agreements.

MEL generally invests surplus funds in bank deposits, considering the safety and liquidity of the investment and also reflecting the market environment and cash positions of MEL itself. MEL enters into derivative transactions solely for the purposes of reducing risks of rising interest rates related to financings and other types of risks. MEL does not use derivative transactions for speculative purposes. Not applicable for the reporting period.

#### (2) Type of Financial Instruments, related Risks and Risk Management System

Bank loans are mainly made to procure funds for acquisition of properties, repayment of bank loans. Although MEL is exposed to liquidity risks upon repayment, by diversifying the maturities and lending institutions, securing liquidity of cash in hand and managing such liquidity risks by preparing and monitoring cash flows projection, such risks are maintained under control. In addition, some loans bear floating interest rates and are exposed to potential risks of rising interest rates. MEL attempts to mitigate such risks on its operations by maintaining a conservative loan to value ratio and increasing the ratio of long-term fixed interest rate loans.

The security deposits which MEL has received from the tenants are exposed to liquidity risk due to cancelation of lease agreement before the maturity date. In the case of trust beneficiary interest in real estate, MEL secures safety by accumulating a portion in the trust account, and in the case of real estate, leasehold rights of real estate, and superficies, MEL secures safety by accumulating a portion in bank savings account or bank time deposit account. Moreover, MEL ensures safety by accurately tracking the timing of the tenant move-ins and outs and anticipating the fund demand utilizing historical data.

#### (3) Supplemental Explanation Regarding the Estimated Fair Values of Financial Instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is based on a price that is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different value.

### b) Estimated Fair Value of Financial Instruments

The book value, fair value and differences between the values as of August 31, 2019 and February 28, 2019 are as follows:

Financial instruments for which the fair value is extremely difficult to estimate are excluded from the following table (see Note 2 below).

		Thousands of yen		
		As of August 31, 2019		
		Book value	Fair value	Difference
(1)	Cash and deposits	¥ 2,627,266	¥ 2,627,266	¥ —
(2)	Cash and deposits in trust	3,196,426	3,196,426	—
	Total assets	¥ 5,823,693	¥ 5,823,693	¥ —
(3)	Long-term loans payable due within one year	4,000,000	4,000,000	—
(4)	Long-term loans payable	19,924,000	20,381,283	457,283
	Total liabilities	¥ 23,924,000	¥ 24,381,283	¥ 457,283

	Thousands of yen				
	As of February 28, 2019				
	Book value		Fair value		Difference
(1) Cash and deposits	¥ 1,856,912	¥	1,856,912	¥	-
(2) Cash and deposits in trust	3,185,098		3,185,098		-
Total assets	¥ 5,042,011	¥	5,042,011	¥	-
(3) Long-term loans payable due within one year	4,000,000		4,000,000		-
(4) Long-term loans payable	19,924,000		20,064,009		140,009
Total liabilities	¥ 23,924,000	¥	24,064,009	¥	140,009

(Note 1) Methods to estimate fair values of financial instruments

(1) Cash and deposits and (2) Cash and deposits in trust

Due to the short maturities, the book value of these instruments is deemed a reasonable approximation of the fair value, and therefore, the book value is used as the fair value.

(3) Long-term loans payable due within one year and (4) Long-term loans payable

The fair value of long-term loans payable is determined based on the present value of contractual cash flows which would be applicable to new loans payable under the same terms. In terms of floating interest rate loans payable, since it reflects the market interest rate in a short period of time, the fair value is approximately equal to the book value. Thus, the book value is used.

(Note 2) Financial instruments for which the fair value is extremely difficult to estimate

As tenant leasehold and security deposits in trust has no available quoted market price, and it is impracticable to reasonably estimate their future cash flows, their fair value is not disclosed.

	Thousands of yen	
	As of	
	February 28, 2019	August 31, 2019
Tenant leasehold and security deposits in trust	¥ 1,529,276	¥ 1,541,562

(Note 3) Redemption schedule for monetary claims after August 31, 2019

	Thousands of yen						
	As of August 31, 2019						
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years	
Cash and deposits	¥ 2,627,266	¥ -	¥ -	¥ -	¥ -	¥ -	-
Cash and deposits in trust	3,196,426	-	-	-	-	-	-
Total	¥ 5,823,693	¥ -	¥ -	¥ -	¥ -	¥ -	-

Redemption schedule for monetary claims after February 28, 2019

	Thousands of yen						
	As of February 28, 2019						
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years	
Cash and deposits	¥ 1,856,912	¥ -	¥ -	¥ -	¥ -	¥ -	-
Cash and deposits in trust	3,185,098	-	-	-	-	-	-
Total	¥ 5,042,011	¥ -	¥ -	¥ -	¥ -	¥ -	-

(Note 4) Repayment schedule for debt after August 31, 2019

	Thousands of yen					
	As of August 31, 2019					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Long-term loans payable due within one year	¥ 4,000,000	¥ -	¥ -	¥ -	¥ -	-
Long-term loans payable	-	-	2,211,000	3,310,000	3,540,000	10,863,000
Total	¥ 4,000,000	¥ -	¥ 2,211,000	¥ 3,310,000	¥ 3,540,000	¥10,863,000

Repayment schedule for debt after February 28, 2019

	Thousands of yen					
	As of February 28, 2019					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Long-term loans payable due within one year	¥ 4,000,000	¥ -	¥ -	¥ -	¥ -	-
Long-term loans payable	-	-	2,211,000	3,310,000	3,540,000	10,863,000
Total	¥ 4,000,000	¥ -	¥ 2,211,000	¥ 3,310,000	¥ 3,540,000	¥10,863,000

## 6. INVESTMENT AND RENTAL PROPERTIES

MEL owns logistics facilities for leasing for the purpose of earning rental income. The book value, changes during the reporting fiscal period and fair value of the properties are as follows:

	Thousands of yen	
	For the fiscal period ended	
	February 28, 2019	August 31, 2019
Book value (Note 1)		
Balance at the beginning of the period	¥ 70,931,988	¥ 83,007,836
Changes during the period (Note 2)	12,075,847	(457,319)
Balance at the end of the period	¥ 83,007,836	¥ 82,550,517
Fair value at the end of the period (Note 3)	¥ 88,370,000	¥ 89,375,000

(Note 1) Book value is calculated by deducting accumulated depreciation from acquisition cost.

(Note 2) The increase for the fiscal period ended February 28, 2019 was primarily a result of acquiring two new properties for a total of 12,510,301 thousand yen. The decrease was primarily a result of the recognition of depreciation, which amounted to 484,904 thousand yen. The increase for the fiscal period ended August 31, 2019 was primarily a result of the recognition of CAPEX which amounted 60,460 thousand yen. The decrease was primarily a result of the recognition of depreciation, which amounted to 487,054 thousand yen.

(Note 3) The fair value at the end of the period is determined based on appraised value provided by independent real estate appraisers.

Income and loss in connection with investment and rental properties are disclosed in "7. PROPERTY-RELATED REVENUES AND EXPENSES."



## 7. PROPERTY-RELATED REVENUES AND EXPENSES

The following table summarizes the revenues and expenses generated from property leasing activities for the fiscal periods ended August 31, 2019 and February 28, 2019.

	Thousands of yen			
	For the fiscal period ended			
	February 28, 2019		August 31, 2019	
A. Property-related revenues				
Operating rental revenues				
Rental revenues	¥	2,254,788	¥	2,294,240
Common area charges		104,007		104,916
Total	¥	2,358,795	¥	2,399,157
Other rental revenues				
Received utilities cost	¥	90,601	¥	87,523
Others		44,375		43,705
Total	¥	134,976	¥	131,229
Total property-related revenues	¥	2,493,772	¥	2,530,386
B. Property-related expenses				
Rental expenses				
Facility management fee	¥	123,684	¥	85,207
Property and other taxes		184,581		216,031
Insurance		3,957		4,026
Repair and maintenance		29,427		49,452
Utilities cost		96,523		92,165
Depreciation		484,904		487,054
Custodian fee		1,678		1,682
Others		15,257		23,519
Total rental expenses	¥	940,015	¥	959,140
C. Operating income from property leasing (A-B)	¥	1,553,757	¥	1,571,245

## 8. LEASES

The future minimum rental revenues from tenants subsequent to each fiscal period end under the non-cancelable operating leases of properties are as follows:

	Thousands of yen			
	As of			
	February 28, 2019		August 31, 2019	
Due within one year	¥	4,894,348	¥	4,913,567
Due after one year		20,209,065		18,800,951
Total	¥	25,103,413	¥	23,714,518

## 9. NET ASSETS

### a) Stated Capital

MEL issues only non-par value units in accordance with the Investment Trust Act. The entire amount of the issue price of new units is designated as stated capital. The Investment Corporation is required to maintain net assets of at least 50 million yen as required by the Investment Trust Act.

### b) Distributions

	Yen	
	For the fiscal period ended	
	February 28, 2019	August 31, 2019
I. Unappropriated retained earnings	1,170,864,727	1,211,916,552
II. Distributions in excess of retained earnings		
Deduction from unitholders' capital	179,199,135	146,014,110
III. Distributions	1,350,015,980	1,357,882,060
(Distributions per unit)	(5,492)	(5,524)
Of which, distributions of retained earnings	1,170,816,845	1,211,867,950
(Of which, distributions in retained earnings per unit)	(4,763)	(4,930)
Of which, distributions in excess of retained earnings	179,199,135	146,014,110
(Of which, distributions in excess of retained earnings per unit)	(729)	(594)
IV. Retained earnings carried forward	47,882	48,602

Pursuant to the "Policy on the Distribution of Funds" as defined in Article 35, Paragraph 1 of the Articles of Incorporation, the amount of distributions shall be the amount which does not exceed the amount of profits but exceeds 90% of the distributable profit as defined in Article 67-15 of the Special Taxation Measures Act. Based on the policy, MEL declared distribution amounts of 1,211,867,950 yen and 1,170,816,845 yen for the fiscal periods ended August 31, 2019 and February 28, 2019, respectively. These amounts were equivalent to the maximum integral multiples of number of investment units issued and outstanding as of the end of each fiscal period. Based on the distribution policy as defined in Article 35, Paragraph 2 of the Articles of Incorporation, MEL shall make Surplus Cash Distributions (SCD), defined as distributions in excess of retained earnings, as a return of unitholders' capital, each fiscal period on a continuous basis. In addition, due to temporary decrease in rental revenues for the fiscal period ended February 28, 2019, MEL made One-time Surplus Cash Distributions equivalent to 7 percent of MEL's depreciation expense.

Accordingly, for the fiscal period ended August 31, 2019, MEL declared SCD of 146,014,110 yen, as a return of unitholders' capital, which was the amount equivalent to approximately 30.0% of depreciation expense. For the fiscal period ended February 28, 2019, MEL declared SCD of 145,276,665 yen as a return of unitholders' capital, which was the amount equivalent to approximately 30.0% of depreciation expense and One-time Surplus Cash Distributions of 33,922,470 yen, equivalent to 7 percent of MEL's depreciation expense.

## 10. LONG-TERM LOANS PAYABLE

Long-term loans payable consisted of bank borrowings under loan agreements. The following table summarizes the long-term loans payable as of August 31, 2019 and February 28, 2019.

Classification	Repayment date	Weighted-average interest rate	Thousands of yen	
			As of	
			February 28, 2019	August 31, 2019
Long-term loans payable due within one year	September 29, 2019	0.2436%	¥ 1,400,000	¥ 1,400,000
			1,200,000	1,200,000
			1,400,000	1,400,000
Total long-term loans payable due within one year			¥ 4,000,000	¥ 4,000,000
Long-term loans payable	September 14, 2021	0.3263%	¥ 720,000	¥ 720,000
			1,491,000	1,491,000
	September 14, 2022	0.3575%	430,000	430,000
			2,050,000	2,050,000
	September 14, 2023	0.3913%	1,760,000	1,760,000
			1,330,000	1,330,000
			450,000	450,000
	September 14, 2024	0.4288%	900,000	900,000
	September 14, 2025	0.4675%	620,000	620,000
	September 14, 2026	0.5075%	710,000	710,000
	September 14, 2027	0.5500%	1,340,000	1,340,000
			1,340,000	1,340,000
			880,000	880,000
			880,000	880,000
	September 14, 2022	0.2400%	830,000	830,000
	September 14, 2025	0.3950%	800,000	800,000
	September 14, 2026	0.4538%	500,000	500,000
	September 14, 2028	0.5750%	830,000	830,000
			807,000	807,000
			1,256,000	1,256,000
Total long-term loans payable			¥ 19,924,000	¥ 19,924,000
Total			¥ 23,924,000	¥ 23,924,000

The stated interest rate is the weighted average interest rate during each fiscal period. The redemption schedules for long-term loans subsequent to August 31, 2019 and February 28, 2019 are disclosed in "5. FINANCIAL INSTRUMENTS."

## 11. REDUCTION ENTRY

The amount of reduction entry of property and equipment as of August 31, 2019 and February 28, 2019 are as follows:

	Thousands of yen	
	As of	
	February 28, 2019	August 31, 2019
Buildings in trust	¥ -	¥ 28,020
Structures in trust	¥ 4,303	¥ 7,008

## 12. INCOME TAXES

MEL is subject to Japanese corporate income taxes on its taxable income. The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities as of August 31, 2019 and February 28, 2019 are as follows:

	Thousands of yen	
	As of	
	February 28, 2019	August 31, 2019
Enterprise tax payable	¥ 11	¥ 13
Total deferred tax assets	11	13
Net deferred tax assets	¥ 11	¥ 13

Reconciliations of major items that caused differences between the statutory tax rate and effective tax rate with respect to pre-tax income reflected in the accompanying statements of income for the fiscal periods ended August 31, 2019 and February 28, 2019 are as follows:

	For the fiscal period ended	
	February 28, 2019	August 31, 2019
Statutory tax rate	31.51%	31.51%
Adjustments:		
Deductible cash distributions	(31.49%)	(31.49%)
Other	0.05%	0.05%
Actual effective income tax rate	0.07%	0.07%

MEL has a policy of making cash distributions of earnings in excess of 90% of distributable income as defined in the Special Taxation Measures Act for the fiscal period to qualify for conditions, as set forth in the Special Taxation Measures Act, to achieve a deduction of cash distributions for income tax purposes. Based on this policy, MEL treated the cash distributions of earnings as a tax deductible distribution as defined in the Special Taxation Measures Act.

## 13. PER UNIT INFORMATION

The following table summarizes per unit information for the fiscal periods ended August 31, 2019 and February 28, 2019.

	Yen	
	For the fiscal period ended	
	February 28, 2019	August 31, 2019
Net income per unit		
Basic net income per unit	¥ 4,798	¥ 4,930
Weighted average number of units outstanding	243,973	245,815
Net assets per unit	¥ 252,965	¥ 252,403

(Note) Basic net income per unit is based on the weighted average number of units issued and outstanding during the period. Diluted earnings per unit and related information are not disclosed as no dilutive units were outstanding.

## 14. TRANSACTION WITH RELATED PARTIES

- Transactions and Account Balances with the Parent Company and Major Unitholders  
There were no transactions and account balances for the fiscal periods ended August 31, 2019 and February 28, 2019.
- Transactions and Account Balances with Affiliates  
There were no transactions and account balances for the fiscal periods ended August 31, 2019 and February 28, 2019.
- Transactions and Account Balances with Companies under Common Control  
There were no transactions and account balances for the fiscal periods ended August 31, 2019 and February 28, 2019.
- Transactions and Account Balances with Board of Directors and Individual Unitholders  
There were no transactions and account balances for the fiscal periods ended August 31, 2019 and February 28, 2019.



## 15. SEGMENT AND RELATED INFORMATION

(For the fiscal periods ended August 31, 2019 and February 28, 2019)

### a) Segment Information

Disclosure is omitted because the real estate leasing business is MEL's sole business and it has no reportable segment subject to disclosure.

### b) Related Information

#### (1) Information by Geographic Region

##### (i) Operating Revenues

Disclosure is omitted because net sales to external customers in Japan account for over 90% of the operating revenues on the statement of income and retained earnings.

##### (ii) Property and Equipment

Disclosure is omitted because the amount of property and equipment located in Japan accounts for over 90% of the amount of property and equipment on the balance sheet.

#### (2) Information by Each Major Customer

Disclosure is omitted because net sales to a single external customer account for less than 10% of the operating revenues on the statement of income and retained earnings.

## 16. SIGNIFICANT SUBSEQUENT EVENTS

### Issuance of New Investment Units

The board of directors held on September 19, 2019 and September 30, 2019 approved the issuance of new investment units. Subsequently, the payments were completed on October 7, 2019 and November 7, 2019, respectively, for the issuance of new investment units through public offering and third-party allotment.

#### Issuance of New Investment Units through Public Offering

Number of investment units	: 57,150 units
Issue price (offer price)	: 335,887 yen per unit
Total issue price (total offer price)	: 19,195,942,050 yen
Amount paid in (issue value)	: 324,690 yen per unit
Total amount paid in (total issue value)	: 18,556,033,500 yen
Payment date	: October 7, 2019

#### Issuance of New Investment Units through Third-Party Allotment

Number of investment units	: 2,850 units
Amount paid in (issue value)	: 324,690 yen per unit
Total amount paid in (total issue value)	: 925,366,500 yen
Payment date	: November 7, 2019
Allottee	: SMBC Nikko Securities Inc.



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## Independent Auditor's Report

### The Board of Directors

Mitsubishi Estate Logistics REIT Investment Corporation

We have audited the accompanying financial statements of Mitsubishi Estate Logistics REIT Investment Corporation, which comprise the balance sheet as at August 31, 2019, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mitsubishi Estate Logistics REIT Investment Corporation as at August 31, 2019, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

November 28, 2019  
Tokyo, Japan

A member firm of Ernst & Young Global Limited