

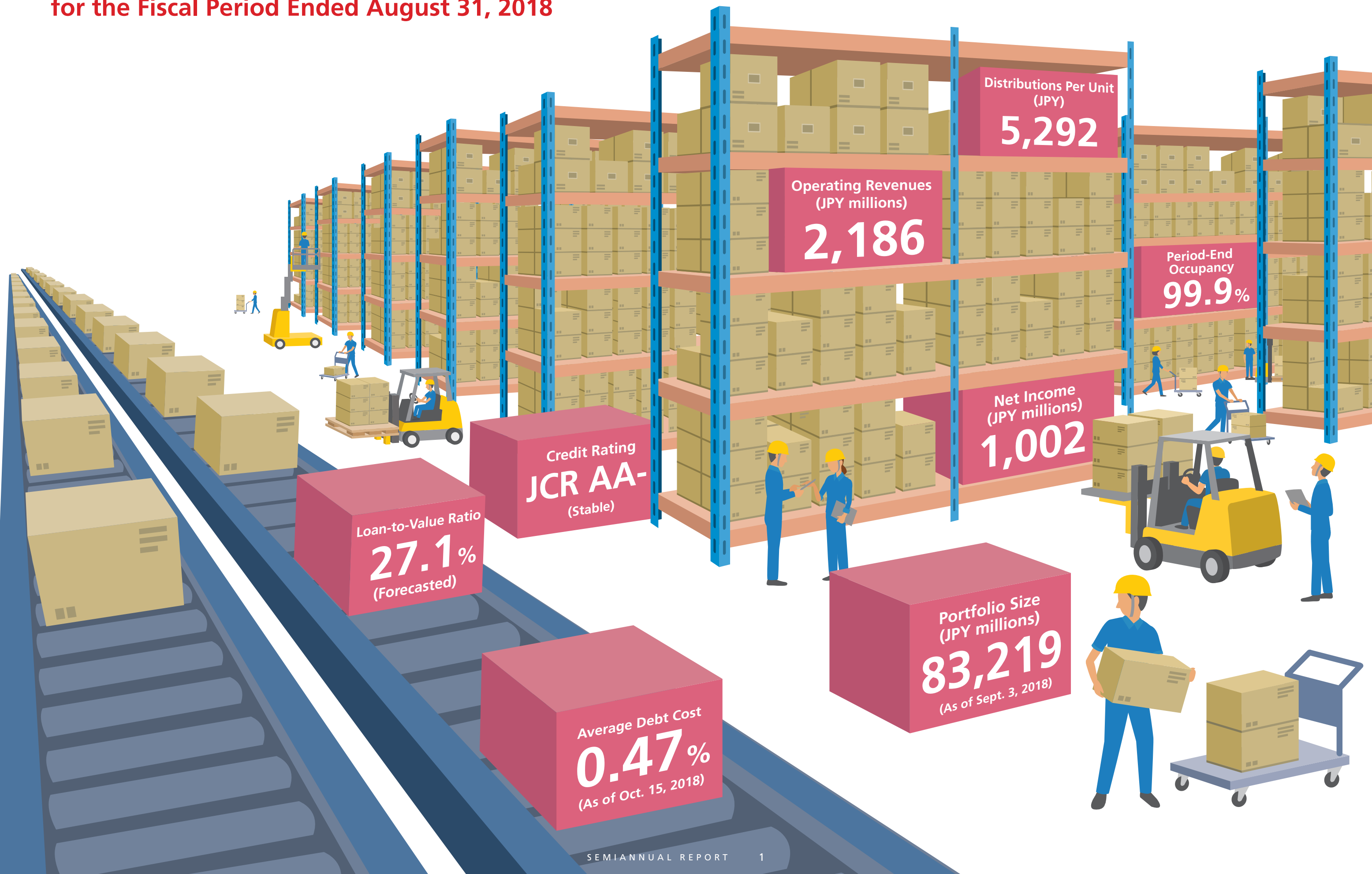
# SEMIANNUAL REPORT

Fiscal Period Ended August 31, 2018



# Financial Highlights

for the Fiscal Period Ended August 31, 2018







Dear Fellow Unitholders,

We are pleased to present our Fourth 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, 2018, we concluded our fourth fiscal period (from March 1, 2018 to August 31, 2018). With the solid operational performance, MEL reported sound financial results for the fiscal period. Our 2,186 million yen operating revenues and our 1,002 million yen net income were both in line with our original forecast. Accordingly, our distributions per unit, including the surplus cash distributions (SCD), was 5,292 yen, which exceeded the forecast by 0.8 percent. These results were attributable to stable portfolio management. We maintained an extremely high average occupancy of more than 99 percent and our rents grew as well. For the 11,000 square meters of leases that were renewed or re-tenanted during the fiscal period under review, we achieved weighted average rent growth of 1.8 percent on a nominal weighted average basis. As of August 31, 2018, we have a well-diversified debt maturity schedule, with an average remaining debt duration of 5.6 years with loan-to-value (LTV) ratio of 25.0 percent, which reserves MEL's additional borrowing capacity for our further external growth in the future.

On September 10, 2018, we have concluded our first follow-on offering with a total amount of 7.2 billion yen. Within one year since our IPO, and with the proceeds from the offering, MEL acquired 2 advanced logistics facilities (Logicross Atsugi and Logicross Kobe Sanda, acquisition price of 12.3 billion yen), both developed by our sponsor, Mitsubishi Estate Co., Ltd. (MEC). With this offering and acquisition, we increased our portfolio size by approximately 17% and grew our distributions per unit by approximately 3%. MEL currently owns 10 properties totaling 83.2 billion yen. As for the debt side, MEL obtained new debt financing from three banks, Shinkin Central Bank, The Norinchukin Bank and Shinsei Bank. We were able to achieve lowering our borrowing spread than at the time of our IPO back in September 2017. After this debt financing, LTV ratio is forecasted to be 27.1% at the end of the fiscal period ending February 28, 2019. We will continue to maintain the LTV ratio at conservative level and preserve a stable financial structure going forward.

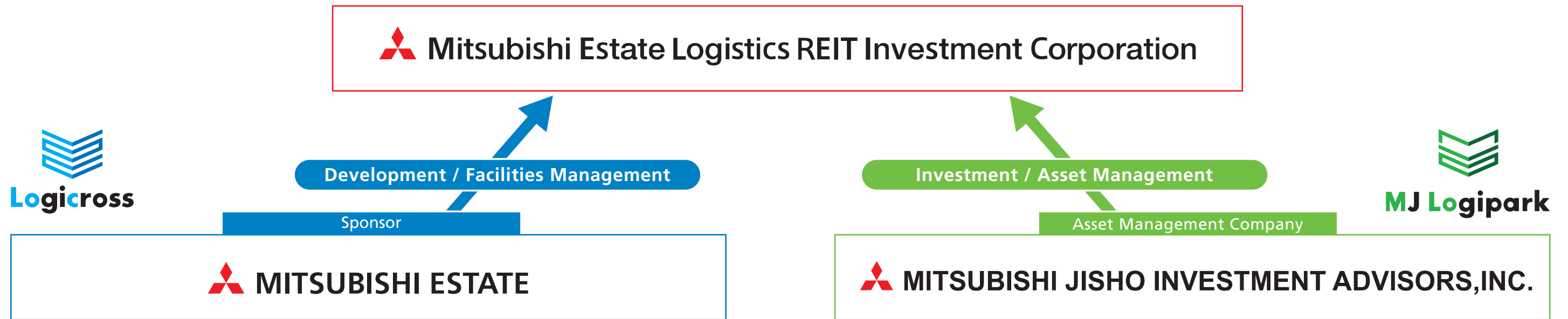
Looking forward, we will aim to maximize unitholder value by liberally utilizing our sponsor pipeline. We will also fully take advantage of the good relationships MEC have cultivated with corporate customers over many years through office and commercial facilities businesses. Furthermore, we will utilize the strength of our asset management company, Mitsubishi Jisho Investment Advisors, Inc. (MJIA), which boasts an extensive track record that dates back to our founding in 2001. MJIA has the 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 towards 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

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



### Overview

- Has dedicated to city development in the Marunouchi area (Tokyo) for over 120 years
- Contributing to the 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 as the sponsor through its business of developing and managing advanced types of logistics facilities
- Utilization of MEC group's know-how and corporate customer relations in the leasing business

### 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, including 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  
**20** % or less

Investment Area  
(based on acquisition price)

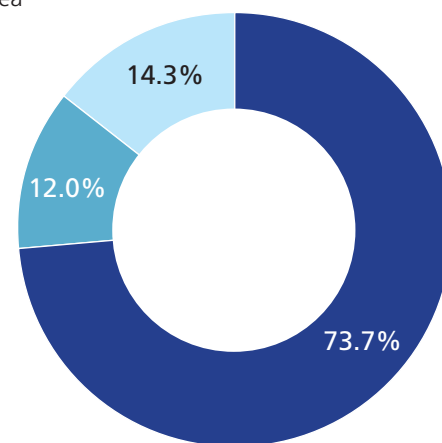
Tokyo metropolitan area  
**50** % or more

Other areas  
**50** % or less

## Portfolio Diversification

By Investment Area (Based on acquisition price)

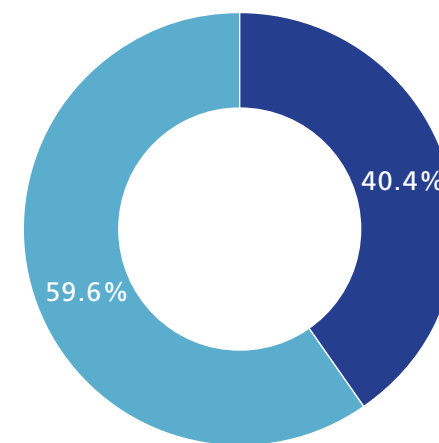
■ Tokyo metropolitan area  
■ Kansai area  
■ Other



By Access Convenience (Based on acquisition price)

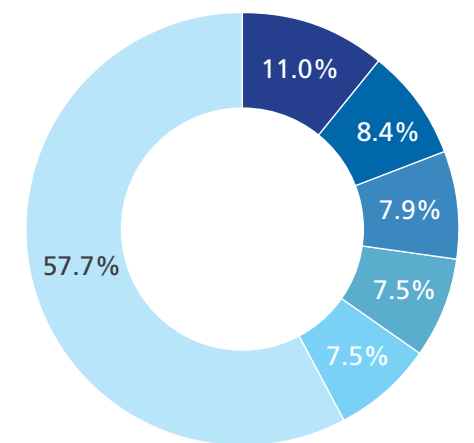
Distance from Nearest Train Station

■ Less than 1.5 km  
■ 1.5 km to less than 3 km



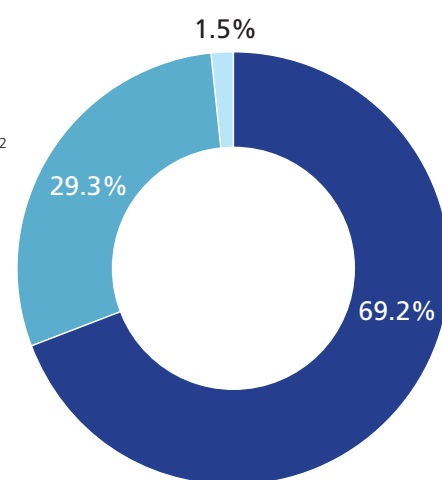
Tenant Diversification (Based on leased area)

■ Sankyu Inc.  
■ MITAKA SOKO Co., Ltd.  
■ Sun Toshi Tatemono K.K.  
■ Mitsubishi Estate Co., Ltd.  
■ Fukuoka Logistic Systems Corp.  
■ Others



By Total Floor Space (Based on acquisition price)

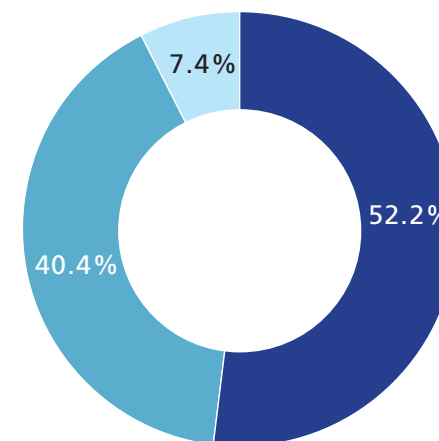
■ 30,000 m<sup>2</sup> or more  
■ 10,000 m<sup>2</sup> to less than 30,000 m<sup>2</sup>  
■ Less than 10,000 m<sup>2</sup>



By Access Convenience (Based on acquisition price)

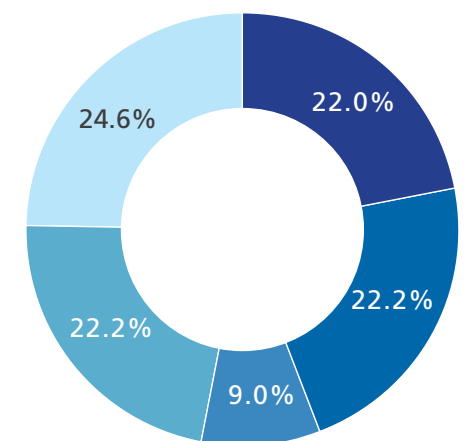
Distance from Major Trunk Road

■ Less than 1 km  
■ 1 km to less than 3 km  
■ 3 km to less than 5 km



Remaining Lease Period (Based on annual rent)

■ 7 years or more  
■ 5 to less than 7 years  
■ 3 to less than 5 years  
■ 1 to less than 3 years  
■ Less than 1 year



Note: As of Sept. 3, 2018

# Portfolio Summary

## Logicross Fukuoka Hisayama

Acquisition price	5,770 million yen
Occupancy rate	100.0%



## MJ Logipark Funabashi 1

Acquisition price	5,400 million yen
Occupancy rate	100.0%



## Logicross Atsugi

Acquisition price	8,440 million yen
Occupancy rate	100.0%



## MJ Logipark Atsugi 1

Acquisition price	6,653 million yen
Occupancy rate	100.0%



## Logicross Kobe Sanda

Acquisition price	3,900 million yen
Occupancy rate	100.0%



## MJ Logipark Kazo 1

Acquisition price	1,272 million yen
Occupancy rate	100.0%



## LOGIPORT Sagamihara (Beneficiary interest 49%)

Acquisition price	21,364 million yen
Occupancy rate	99.7%



## MJ Logipark Osaka 1

Acquisition price	6,090 million yen
Occupancy rate	100.0%



## LOGIPORT Hashimoto (Beneficiary interest 45%)

Acquisition price	18,200 million yen
Occupancy rate	100.0%



## MJ Logipark Fukuoka 1

Acquisition price	6,130 million yen
Occupancy rate	100.0%



Note: As of Sept. 3, 2018



# Potential Acquisition Pipeline

## Properties with Preferential Negotiation Right <sup>(Note 1)</sup>

Fiscal Year (Planned) of Completion	Property Name	Location	Total Floor Area	Development
2017	LOGIPORT Osaka Taisho	Osaka, Osaka	121 thousand m <sup>2</sup>	Joint
	Logicross Narashino	Narashino, Chiba	39 thousand m <sup>2</sup>	Independently
2018	Osaka Nishi-Yodogawa Logistic Facility Center	Osaka, Osaka	38 thousand m <sup>2</sup>	Joint
	Logicross Nagoya Kasadera	Nagoya, Aichi	80 thousand m <sup>2</sup>	Independently
2019	Logicross Yokohama Kohoku	Yokohama, Kanagawa	16 thousand m <sup>2</sup>	Independently
	LOGIPORT Kawasaki Bay	Kawasaki, Kanagawa	296 thousand m <sup>2</sup>	Joint
	Logicross Atsugi II	Atsugi, Kanagawa	34 thousand m <sup>2</sup>	Independently
2020 / 2021	Plan of Saito Moegi Logistic Facility	Ibaraki, Osaka	32 thousand m <sup>2</sup> / 125 thousand m <sup>2</sup>	Joint
Total			781 thousand m <sup>2</sup>	



LOGIPORT Osaka Taisho



Logicross Narashino



Osaka Nishi-Yodogawa Logistic Facility Center



Logicross Nagoya Kasadera



Logicross Yokohama Kohoku



LOGIPORT Kawasaki Bay



Logicross Atsugi II



Plan of Saito Moegi Logistic Facility

## Properties with Preferential Negotiation Right through Bridge Fund Scheme <sup>(Note 2)</sup>

Acquisition Year of the Bridge Funds	Property Name	Type	Total Floor Area
2016	IHI Group Sakai Factory (Land)	Land of Factory	87 thousand m <sup>2</sup> <sup>(Note 3)</sup>
	MJ Logipark Kasugai 1	Logistics facility	58 thousand m <sup>2</sup>
2017	MJ Logipark Sendai 1	Logistics facility	36 thousand m <sup>2</sup>
Total			181 thousand m <sup>2</sup>



IHI Group Sakai Factory (Land)



MJ Logipark Kasugai 1



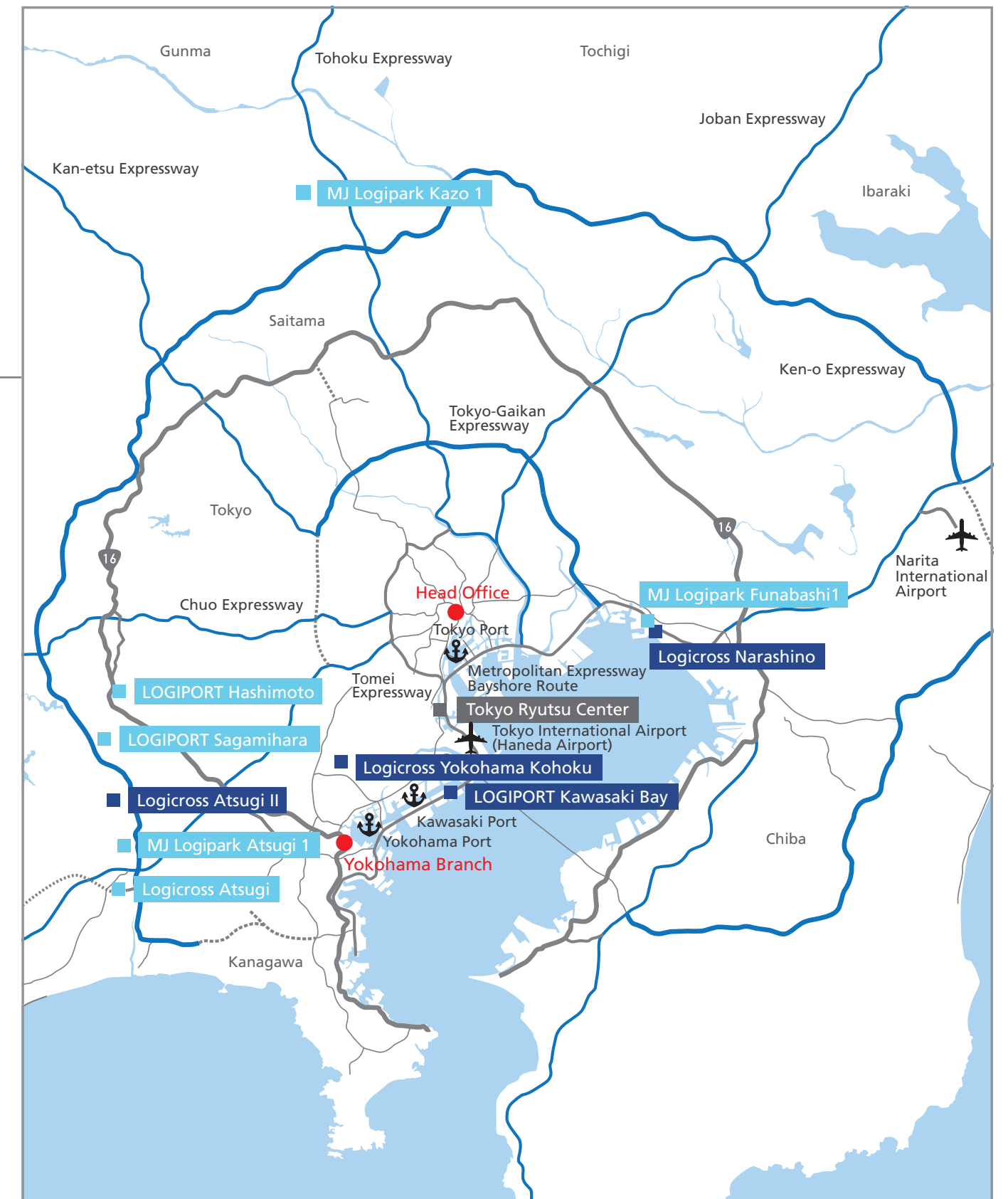
MJ Logipark Sendai 1

### Notes:

1. There may be cases where MEL is not granted the preferential negotiation right based on the sponsor support agreement, such as cases where consent for the grant of the preferential negotiation right or the sale has not been obtained from co-owners, quasi-co-owners or joint business partners, if there are any such parties.

2. Fund scheme means a method to acquire properties from development funds to which MJIA provides investment advisory services, a flexible method to acquire properties, etc. by utilizing bridge funds depending on the capital market environment and the timing of property acquisition.

3. The data for IHI Group Sakai Factory (Land) shows that of "site area".





## Financial Highlights

Long-Term Debt Ratio

**100.0** %

Fixed Interest Rate

**83.3** %

Average Remaining  
Debt Duration

**5.6** years

Average Debt Cost

**0.47** %

Credit Rating

JCR: **AA-**  
(Stable)

Forecasted  
Loan-to-Value Ratio  
(5th FP)

**27.1** %

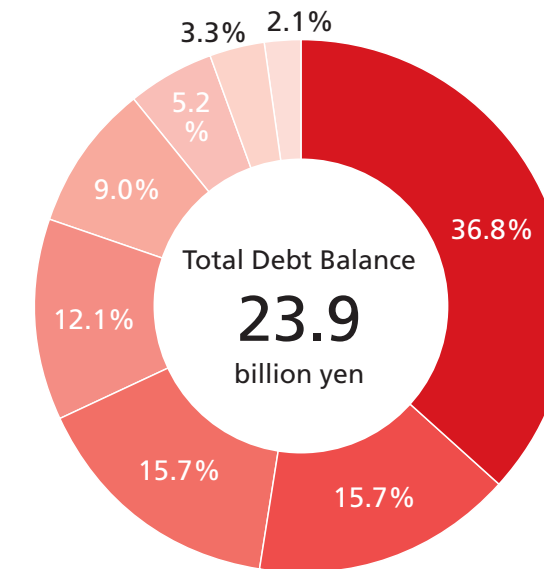
Debt Capacity (up to 40%)

Approx.  
**18.5**  
billion yen

Debt Capacity (up to 50%)

Approx.  
**40.0**  
billion yen

## Our Lenders



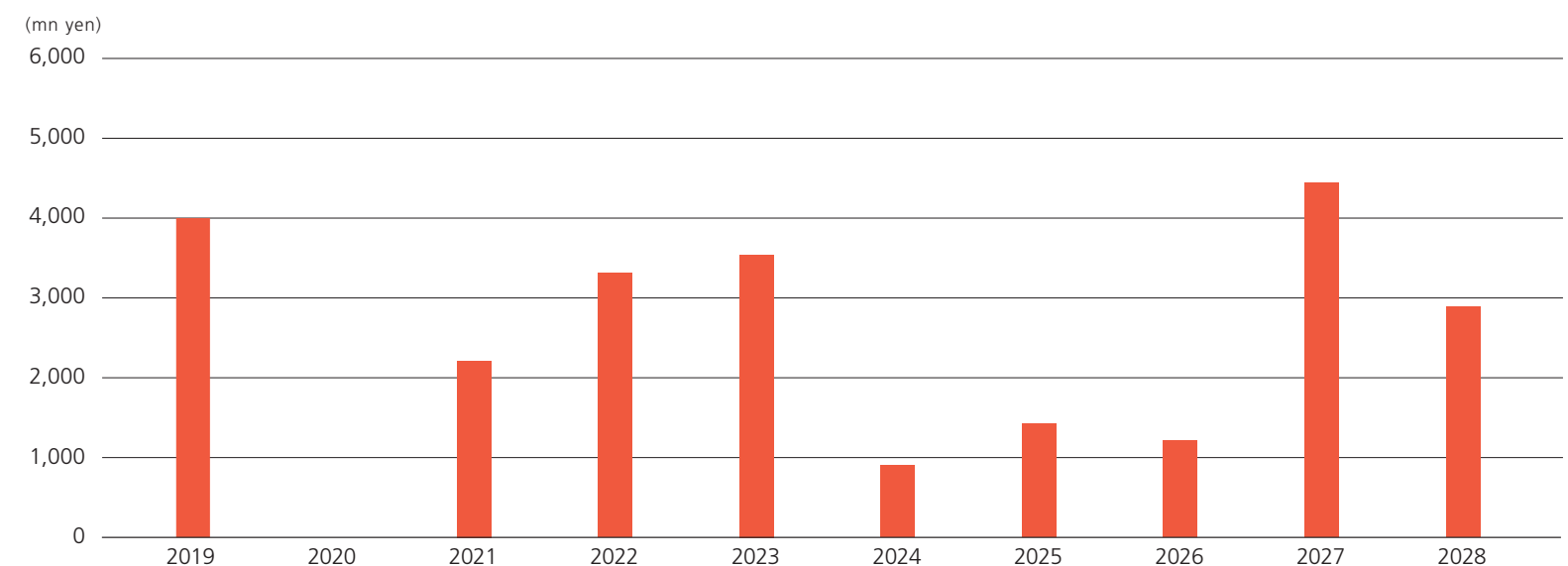
- MUFG Bank, Ltd.
- Sumitomo Mitsui Banking Corporation
- Mizuho Bank, Ltd.
- Development Bank of Japan Inc.
- THE BANK OF FUKUOKA, LTD.

### New Lenders

- Shinkin Central Bank
- The Norinchukin Bank
- Shinsei Bank, Limited

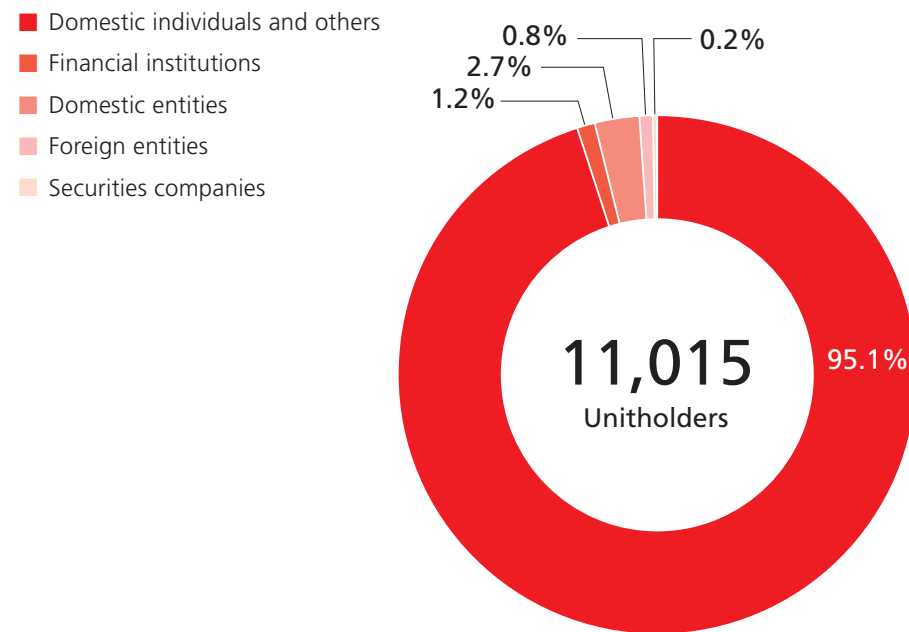
## Debt Maturity Schedule

Long-term debt Short-term debt

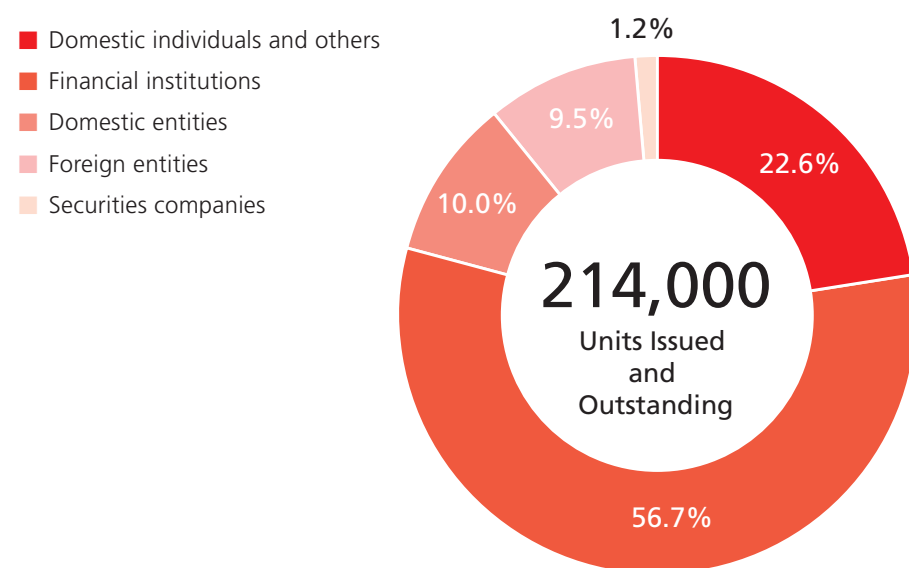


Note: As of Oct. 15, 2018

## Breakdown by Unitholder



## Breakdown by Unit



Note: As of Aug. 31, 2018

## Major Unitholders

	Number of Investment Units	Share of Investment Units (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,236	12.72
Japan Trustee Services Bank, Ltd. (Trust Account)	21,035	9.82
Mitsubishi Estate Co., Ltd.	8,000	3.73
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Account)	6,508	3.04
NORTHERN TRUST CO. (AVFC) RE COLONIAL FIRST STATE INVESTMENTS LIMITED	5,008	2.34
The Hyakujushi Bank, Ltd.	4,324	2.02
The Nomura Trust and Banking Company, Ltd. (Trust Account)	4,243	1.98
The Chugoku Bank, Limited	3,826	1.78
THE IYO BANK, Ltd.	3,652	1.70
JA-Bank SAGA	3,424	1.60
<b>Total</b>	<b>87,256</b>	<b>40.77</b>

## Continuous sameboat investment in MEL by the sponsor

Investment in MEL  
by MEC

**10,000** units  
(4.1%)  
(As of Sept. 10, 2018)



## Environment Initiatives

The Mitsubishi Estate Group has established an environmental management system and strives to protect the environment by promoting environmental initiatives and reducing environmental impact, while also complying with environmental laws and regulations. The Mitsubishi Estate Group also proposes cutting-edge environmental initiatives to ensure that its business activities play a leading role in the development of sustainable communities.

MEL strives to invest in environmentally friendly logistics facilities, and will continue to focus on maximizing the energy efficiency of our properties and is committed to minimizing environmental impact through various sustainable features and initiatives.



Installation of solar panels  
(Logicross Fukuoka Hisayama)



Installment of LED lightings  
(LOGIPORT Sagamihara)



Enhanced greenery  
(Logicross Atsugi)

## Supporting Local Communities

The Mitsubishi Estate Group has adopted as its fundamental mission the goal of creating a truly meaningful society by building attractive, environmentally sound communities where people can live, work and relax with contentment. By putting this mission into practice, MEL will actively play a role in the CSR initiatives conducted by Mitsubishi Jisho Investment Advisors, Inc., MEL's asset management company.



Cleanup activity after Firework Festival  
Volunteer work near MJ LogiPark Atsugi 1



Free beverage service for tenants at  
LOGIPORT Sagamihara

## Sound Corporate Governance

MEL is composed of one Executive Director, two Supervisory Directors, and the Board of Directors, on which all MEL's directors serve as members, plus an accounting auditor as well as the General Meeting of Unitholders.

MEL is prohibited from having any employees under the Japanese Act on Investment Trusts and Investment Corporations, and therefore commissions business operations to its asset management company, Mitsubishi Jisho Investment Advisors, Inc.

## BALANCE SHEET

	Thousands of yen			
	As of			
	February 28, 2018		August 31, 2018	
<b>ASSETS</b>				
Current assets:				
Cash and deposits (Notes 3, 5)	¥	1,500,868	¥	1,869,456
Cash and deposits in trust (Notes 3, 5)		2,665,332		2,527,566
Operating accounts receivable		19,701		26,751
Prepaid expenses		27,509		26,142
Deferred tax assets (Note 11)		-		12
Consumption taxes receivable		2,517,417		-
Other current assets		2		3,834
Total current assets		6,730,832		4,453,762
Fixed assets:				
Property and equipment (Notes 4, 6)				
Buildings in trust		33,007,595		33,073,864
Less: accumulated depreciation		(471,462)		(893,213)
Buildings in trust, net		32,536,132		32,180,650
Structures in trust		1,115,119		1,118,406
Less: accumulated depreciation		(11,272)		(22,533)
Structures in trust, net		1,103,847		1,095,873
Tools, furniture and fixtures in trust		144		144
Less: accumulated depreciation		(4)		(12)
Tools, furniture and fixtures in trust, net		139		132
Land in trust		37,655,333		37,655,333
Total property and equipment		71,295,451		70,931,988
Intangible assets (Note 4)				
Software		8,685		7,735
Other intangible assets		941		891
Total intangible assets		9,626		8,626
Investments and other assets				
Long-term prepaid expenses		26,417		14,928
Security deposit		10,000		10,000
Total investments and other assets		36,417		24,928
Total fixed assets		71,341,495		70,965,543
Deferred assets:				
Organization expenses		40,319		34,271
Total deferred assets		40,319		34,271
<b>Total assets</b>	¥	78,112,648	¥	75,453,578

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

## BALANCE SHEET, continued

	Thousands of yen			
	As of			
	February 28, 2018		August 31, 2018	
<b>LIABILITIES</b>				
Current liabilities:				
Operating accounts payable	¥	77,945	¥	71,563
Short-term loans payable (Notes 5,10)		2,618,000		-
Accounts payable		8,926		12,873
Distributions payable		-		4,439
Accrued expenses		169,092		243,452
Income taxes payable		605		861
Consumption taxes payable		-		108,215
Advances received		342,967		313,578
Deposits received		83		83
Other current liabilities		63		-
Total current liabilities		3,217,683		755,068
Non-current liabilities				
Long-term loans payable (Notes 5, 10)		18,901,000		18,901,000
Tenant leasehold and security deposits in trust (Note 5)		1,235,148		1,230,295
Total non-current liabilities		20,136,148		20,131,295
Total liabilities		23,353,832		20,886,363
<b>NET ASSETS</b>				
Unitholders' equity				
Unitholders' capital		53,685,400		53,564,490
Units authorized: 10,000,000 units				
Units issued and outstanding: 214,000units				
As of August 31, 2018 and February 28, 2018, respectively				
Unitholders' capital, gross		53,685,400		53,685,400
Deduction from unitholders' capital		-		(120,910)
Unitholders' capital, net		53,685,400		53,564,490
Surplus				
Retained earnings		1,073,416		1,002,724
Total surplus		1,073,416		1,002,724
Total unitholders' equity		54,758,816		54,567,214
Total net assets (Note 9)		54,758,816		54,567,214
Total liabilities and net assets	¥	78,112,648	¥	75,453,578

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



## STATEMENT OF CHANGES IN NET ASSETS

For the period ended February 28, 2018

	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, 2018 (Note 9)	53,685,400	-	53,685,400	1,073,416	1,073,416	54,758,816	54,758,816
Change during the period							
distributions in excess of retained earnings	-	(120,910)	(120,910)	-	-	(120,910)	(120,910)
Surplus cash distributions	-	-	-	(1,073,210)	(1,073,210)	(1,073,210)	(1,073,210)
Net income	-	-	-	1,002,518	1,002,518	1,002,518	1,002,518
Total change during the period	-	(120,910)	(120,910)	(70,691)	(70,691)	(191,601)	(191,601)
Balance as of August 31, 2018 (Note 9)	53,685,400	(120,910)	53,564,490	1,002,724	1,002,724	54,567,214	54,567,214

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

## STATEMENT OF CASH FLOWS

	Thousands of yen			
	For the period ended			
	February 28, 2018		August 31, 2018	
Cash flows from operating activities:				
Income before income taxes	¥	1,074,015	¥	1,003,371
Depreciation		404,146		434,019
Amortization of organization expenses		117,715		-
Interest income		(16)		(21)
Interest expenses		36,083		38,490
Decrease (Increase) in operating accounts receivable		(19,701)		(7,049)
Decrease (Increase) in consumption taxes receivable		(2,517,417)		2,517,417
Decrease (Increase) in prepaid expenses		(10,791)		1,367
Decrease (Increase) in long-term prepaid expenses		(7,327)		11,489
Increase (Decrease) in operating accounts payable		57,835		(546)
Increase (Decrease) in accounts payable		(1,517)		3,947
Increase (Decrease) in accrued expenses		140,098		73,873
Increase (Decrease) in consumption taxes payable		(5,093)		108,215
Increase (Decrease) in advances received		309,379		(29,388)
Others		10,391		2,153
Subtotal		(412,200)		4,157,339
Interest received		16		21
Interest paid		(31,032)		(38,004)
Income taxes paid		(24,830)		(608)
Net cash provided by (used in) operating activities		(468,046)		4,118,748
Cash flows from investing activities:				
Purchases of property and equipment in trust		(66,292,554)		(75,392)
Purchases of intangible assets		(10,500)		-
Proceeds from tenant leasehold and security deposits in trust		1,154,359		13,282
Repayments from tenant leasehold and security deposits in trust		(15,174)		(18,135)
Net cash provided by investing activities		(65,163,870)		(80,246)
Cash flows from financing activities:				
Proceeds from short-term loans payable		4,548,000		-
Repayments of short-term loans payable		(1,930,000)		(2,618,000)
Proceeds from long-term loans payable		14,901,000		-
Proceeds from issuance of new investment units		51,567,684		-
Payment of distributions of retained earnings		(43,528)		(1,069,453)
Payment of distributions in excess of retained earnings		-		(120,226)
Net cash provided by (used in) financing activities		69,043,156		(3,807,680)
Net increase (decrease) in cash and cash equivalents		3,411,239		230,821
Cash and cash equivalents at the beginning of period		754,961		4,166,201
Cash and cash equivalents at the end of period (Note 3)	¥	4,166,201	¥	4,397,022

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 ("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. ("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. As of August 31, 2018, MEL held in the form of beneficiary right in trust in 8 properties (aggregate acquisition price: 70,879 million yen). The total leasable area was 313,164.65m<sup>2</sup> 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	2-57 years
Structures	10-57 years
Tools, furniture and fixtures	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, 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, 2018		August 31, 2018	
Cash and deposits	¥	1,500,868	¥	1,869,456
Cash and deposits in trust		2,665,332		2,527,566
Cash and cash equivalents	¥	4,166,201	¥	4,397,022

### 4. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment and intangible assets as of August 31, 2018 are as follows:

Type of assets		Thousands of yen								Remarks
		Balance as of March 1, 2018	Increase during the period	Decrease during the period	Balance as of August 31, 2018	Depreciation		Net balance as of August 31, 2018		
						Accumulated depreciation	Depreciation for the period			
Property and equipment	Buildings in trust	¥ 33,007,595	¥ 66,269	¥ -	¥ 33,073,864	¥ 893,213	¥ 421,751	¥ 32,180,650	(Note)	
	Structures in trust	1,115,119	3,287	-	1,118,406	22,533	11,261	1,095,873	(Note)	
	Tools, furniture and fixtures in trust	144	-	-	144	12	7	132		
	Land in trust	37,655,333	-	-	37,655,333	—	—	37,655,333		
Total property and equipment		71,778,191	69,556	-	71,847,748	915,759	433,019	70,931,988		
Intangible assets	Software	¥ 9,500	¥ -	¥ -	¥ 9,500	¥ 1,765	¥ 950	¥ 7,735		
	Other intangible assets	1,000	-	-	1,000	108	50	891		
Total intangible assets		10,500	-	-	10,500	1,873	1,000	8,626		

(Note) The amount of increase during the period is primarily attributable to capital expenditure.

### 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, 2018 and February 28, 2018 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, 2018				
	Book value	Fair value	Difference	
(1) Cash and deposits	¥ 1,869,456	¥ 1,869,456	¥	-
(2) Cash and deposits in trust	2,527,566	2,527,566		-
Total assets	¥ 4,397,022	¥ 4,397,022	¥	-
(3) Short-term loans payable	-	-		-
(4) Long-term loans payable	18,901,000	18,887,140		(13,859)
Total liabilities	¥ 18,901,000	¥ 18,887,140	¥	(13,859)

Thousands of yen				
As of February 28, 2018				
	Book value	Fair value	Difference	
(1) Cash and deposits	¥ 1,500,868	¥ 1,500,868	¥	-
(2) Cash and deposits in trust	2,665,332	2,665,332		-
Total assets	¥ 4,166,201	¥ 4,166,201	¥	-
(3) Short-term loans payable	2,618,000	2,618,000		-
(4) Long-term loans payable	18,901,000	18,855,391		(45,608)
Total liabilities	¥ 21,519,000	¥ 21,473,391	¥	(45,608)

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

(1) Cash and deposits and (2) Cash and deposits in trust (3) Short-term loans payable

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.



## (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, 2018		August 31, 2018	
Tenant leasehold and security deposits in trust	¥	1,235,148	¥	1,230,295

## (Note 3) Redemption schedule for monetary claims after August 31, 2018

	Thousands of yen							
	As of August 31, 2018							
	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	¥ 1,869,456	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	-
Cash and deposits in trust	2,527,566	-	-	-	-	-	-	-
Total	¥ 4,397,022	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	-

## Redemption schedule for monetary claims after February 28, 2018

	Thousands of yen							
	As of February 28, 2018							
	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	¥ 1,500,868	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	-
Cash and deposits in trust	2,665,332	-	-	-	-	-	-	-
Total	¥ 4,166,201	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	-

## (Note 4) Repayment schedule for debt after August 31, 2018

	Thousands of yen							
	As of August 31, 2018							
	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		
Short-term loans payable	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	-
Long-term loans payable	-	¥ 4,000,000	-	2,211,000	2,480,000	10,210,000		
Total	¥ -	¥ 4,000,000	¥ -	¥ 2,211,000	¥ 2,480,000	¥10,210,000		

## Repayment schedule for debt after February 28, 2018

	Thousands of yen							
	As of February 28, 2018							
	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		
Short-term loans payable	¥ 2,618,000	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	-
Long-term loans payable	-	¥ 4,000,000	-	2,211,000	2,480,000	10,210,000		
Total	¥ 2,618,000	¥ 4,000,000	¥ -	¥ 2,211,000	¥ 2,480,000	¥10,210,000		

## 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, 2018		August 31, 2018	
Book value (Note 1)				
Balance at the beginning of the period	¥	5,389,730	¥	71,295,451
Changes during the period (Note 2)		65,905,721		(363,463)
Balance at the end of the period	¥	71,295,451	¥	70,931,988
Fair value at the end of the period (Note 3)	¥	74,700,000	¥	74,980,000

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

(Note 2) The increase for the fiscal period ended August 31, 2018 was primarily a result of CAPEX for a total of 69,556 thousand yen. The decrease was primarily a result of the recognition of depreciation, which amounted to 433,019 thousand yen. The increase for the fiscal period ended February 28, 2018 was primarily a result of acquiring properties for a total of 66,282,079 thousand yen. The decrease was primarily a result of the recognition of depreciation, which amounted to 403,281 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, 2018 and February 28, 2018.

	Thousands of yen			
	For the fiscal period ended			
	February 28, 2018		August 31, 2018	
A. Property-related revenues				
Operating rental revenues				
Rental revenues	¥	1,827,408	¥	1,940,907
Common area charges		95,764		102,783
Total	¥	1,923,172	¥	2,043,691
Other rental revenues				
Received utilities cost	¥	82,062	¥	99,064
Others		37,205		44,099
Total	¥	119,267	¥	143,164
Total property-related revenues	¥	2,042,440	¥	2,186,855
B. Property-related expenses				
Rental expenses				
Facility management fee	¥	76,157	¥	87,649
Property and other taxes		6,356		185,803
Insurance		3,262		3,547
Repair and maintenance		31,382		30,163
Utilities cost		87,651		104,285
Depreciation		403,281		433,019
Custodian fee		1,298		1,382
Others		13,500		14,404
Total rental expenses	¥	622,889	¥	860,255
C. Operating income from property leasing (A-B)	¥	1,419,550	¥	1,326,599

## 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, 2018		August 31, 2018	
Due within one year	¥	3,767,422	¥	3,412,347
Due after one year		11,126,683		9,981,099
Total	¥	14,894,106	¥	13,393,446

## 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, 2018	August 31, 2018
I. Unappropriated retained earnings	1,073,416,180	1,002,724,829
II. Distributions in excess of retained earnings		
Deduction from unitholders' capital	120,910,000	129,898,000
III. Distributions	1,194,120,000	1,132,488,000
(Distributions per unit)	(5,580)	(5,292)
Of which, distributions of retained earnings	1,073,210,000	1,002,590,000
(Of which, distributions in retained earnings per unit)	(5,015)	(4,685)
Of which, distributions in excess of retained earnings	120,910,000	129,898,000
(Of which, distributions in excess of retained earnings per unit)	(565)	(607)
IV. Retained earnings carried forward	206,180	134,829

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 1,002,590,000 yen and 1,073,210,000 yen for the fiscal periods ended August 31, 2018 and February 28, 2018, 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. Accordingly, MEL declared SCD of 129,898,000 yen and 120,910,000 yen, as a return of unitholders' capital, which was the amount equivalent to approximately 30.0% of depreciation expense for the period ended August 31, 2018 and February 28, 2018, respectively.

## 10. SHORT-TERM AND LONG-TERM LOANS PAYABLE

Short-term and long-term loans payable consisted of bank borrowings under loan agreements. The following table summarizes the long-term loans payable as of August 31, 2018 and February 28, 2018.

Classification	Repayment date	Weighted-average interest rate	Thousands of yen	
			As of	
			February 28, 2018	August 31, 2018
Short-term loans payable	September 14, 2018 (Note)	0.1244%	¥ 873,000 872,000 873,000	¥ - - -
Total short-term loans payable			¥ 2,618,000	¥ -
Long-term loans payable			¥ 1,400,000	¥ 1,400,000
	September 29, 2019	0.2441%	1,200,000	1,200,000
			1,400,000	1,400,000
			720,000	720,000
	September 14, 2021	0.3263%	1,491,000	1,491,000
			430,000	430,000
	September 14, 2022	0.3575%	2,050,000	2,050,000
			1,760,000	1,760,000
	September 14, 2023	0.3913%	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
			1,340,000	1,340,000
			1,340,000	1,340,000
	September 14, 2027	0.5500%	880,000	880,000
			880,000	880,000
Total long-term loans payable			¥ 18,901,000	¥ 18,901,000
Total			¥ 21,519,000	¥ 18,901,000

Note: MEL prepaid the short-term loans payable on June 14, 2018.

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, 2018 and February 28, 2018 are disclosed in "4. FINANCIAL INSTRUMENTS."



## 11. 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, 2018 and February 28, 2018 are as follows:

	Thousands of yen			
	As of			
	February 28, 2018		August 31, 2018	
Enterprise tax payable	¥	-	¥	12
Total deferred tax assets		-		12
Net deferred tax assets	¥	-	¥	12

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, 2018 and February 28, 2018 are as follows:

	For the fiscal period ended	
	February 28, 2018	August 31, 2018
Statutory tax rate	31.74%	31.74%
Adjustments:		
Deductible cash distributions	(31.55%)	(31.72%)
Valuation allowance for deferred tax assets	(0.19%)	-%
Other	0.06%	0.06%
Actual effective income tax rate	0.06%	0.08%

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.

## 12. PER UNIT INFORMATION

The following table summarizes per unit information for the fiscal periods ended August 31, 2018 and February 28, 2018.

	Yen	
	For the fiscal period ended	
	February 28, 2018	August 31, 2018
Net income per unit		
Basic net income per unit	¥ 5,389	¥ 4,684
Weighted average number of units outstanding	199,149	214,000
Net assets per unit	¥ 255,882	¥ 254,986

(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.

## 13. TRANSACTION WITH RELATED PARTIES

### a) Transactions and Account Balances with the Parent Company and Major Unitholders

There were no transactions and account balances for both periods presented.

### b) Transactions and Account Balances with Affiliates

There were no transactions and account balances for both periods presented.

### c) Transactions and Account Balances with Companies under Common Control

There were no transactions and account balances for both periods presented.

### d) Transactions and Account Balances with Board of Directors and Individual Unitholders

There were no transactions and account balances for both periods presented.

## 14. SEGMENT AND RELATED INFORMATION

(For the fiscal periods ended August 31, 2018 and February 28, 2018)

### 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.

## SIGNIFICANT SUBSEQUENT EVENTS

MEL issued new investment units with terms and conditions described below based on a resolution made by the board of directors on August 23, 2018, and September 3, 2018. Subsequently, the payment for the public offering and the third-party allotment was completed on September 10, 2018 and October 11, 2018, respectively.

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

Number of investment units issued	:	30,300 units
Issue price (offer price)	:	246,772 yen per unit
Total amount issued	:	7,477,191,600 yen
Issue amount (amount to be paid)	:	238,166 yen per unit
Net proceeds	:	7,216,429,800 yen
Payment Date	:	September 10, 2018

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

Number of investment units issued	:	1,515 units
Issue amount (amount to be paid)	:	238,166 yen per unit
Net proceeds	:	360,821,490 yen
Payment Date	:	October 11, 2018
Purchaser	:	SMBC Nikko Securities Inc.

## 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, 2018, 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, 2018, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

November 28, 2018  
Tokyo, Japan