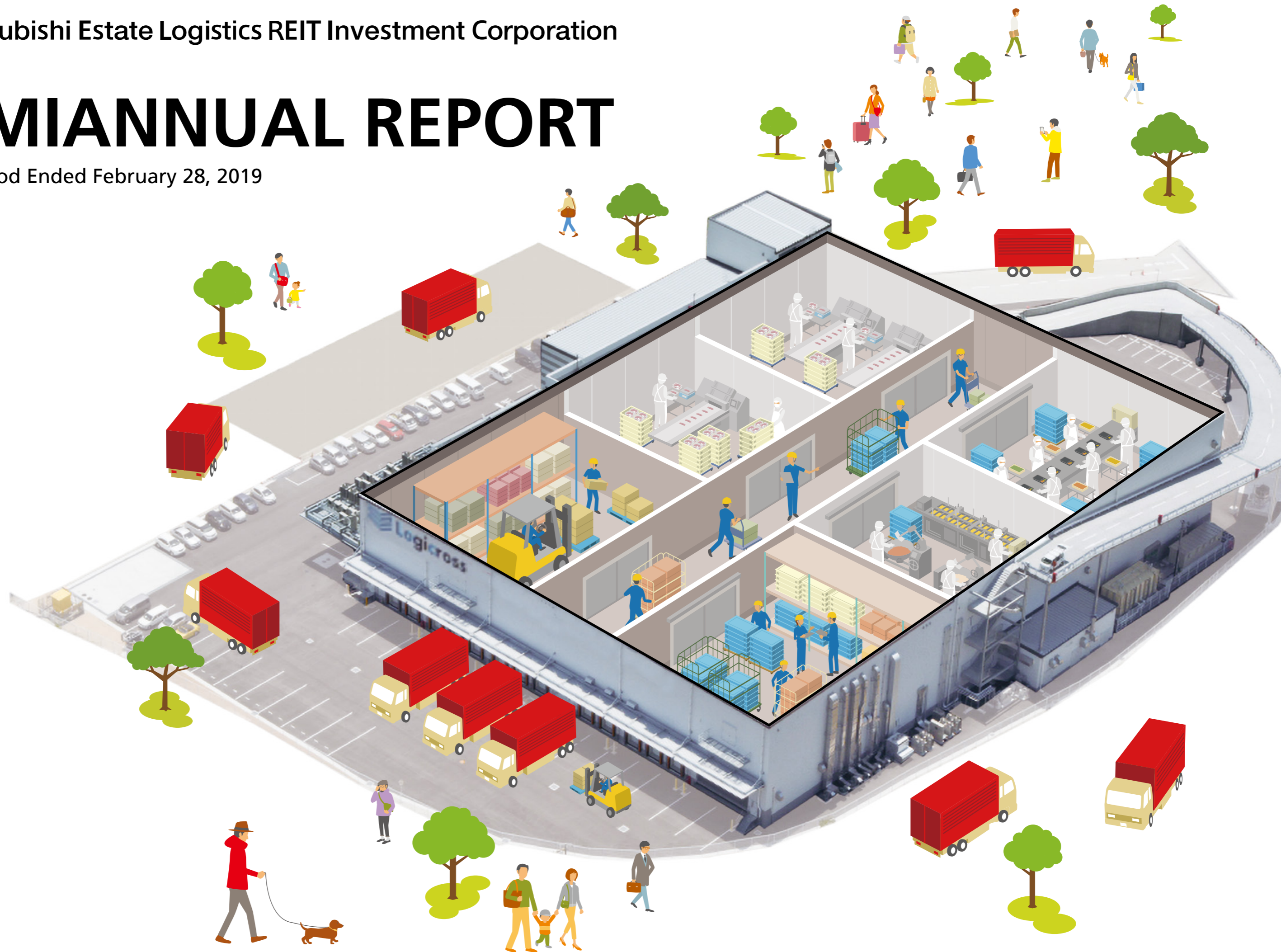


# SEMIANNUAL REPORT

Fiscal Period Ended February 28, 2019



# Financial Highlights

for the Fiscal Period Ended February 28, 2019

Distributions Per Unit  
(JPY)

**5,492**

Operating Revenues  
(JPY millions)

**2,493**

Net Income  
(JPY millions)

**1,170**

Credit Rating

**JCR AA-**  
(Stable)

Portfolio Size  
(JPY millions)

**83,219**

Period-Average Occupancy

**99.9%**

Loan-to-Value Ratio

**27.0%**

Average Debt Cost

**0.47%**



## Message from the Management



Haruhiko Araki

Masaki Sakagawa

I would like to take this opportunity to thank our unitholders for their support towards Mitsubishi Estate Logistics REIT Investment Corporation (MEL).

In April 2019, I was appointed president of the asset management company Mitsubishi Jisho Investment Advisors Inc. (“MJIA”).

Thanks to the continued support of its numerous stakeholders, including unitholders, we have the honor of being able to announce MEL’s financial results for its fifth fiscal period, ended February 28, 2019.

From 2001, I spent seven years handling investor relations at Japan Real Estate Asset Management, which was the first J-REIT asset management company in Japan to be publicly listed and, like ourselves, was sponsored by Mitsubishi Estate Co., Ltd. (“MEC”). My numerous exchanges of opinion with unitholders at the time played a major role in shaping the “customer-first” orientation I have carried forward since that time. I am delighted to return again to the real estate investment management business.

As in the past, we will continue to engage closely in dialogue with unitholders as we strive to enhance unitholder value by fulfilling our mission as an investment company to provide steady and stable growth.

**Haruhiko Araki**

President & CEO  
Mitsubishi Jisho Investment Advisors, Inc.

Thank you for your support of Mitsubishi Estate Logistics REIT Investment Corporation.

During the fiscal period under review, we acquired two properties (Logicross Atsugi and Logicross Kobe Sanda) from our sponsor, MEC, through a follow-on offering at the beginning of the period. This move has allowed us to expand our scale of assets and increase distributions. We also grew steadily, thanks to an increase in rents for the second consecutive period since our IPO and to the implementation of a series of measures to promote internal growth.

Along with our results for the period, we announced our new investment plans with the aim of clarifying our policy directions going forward. Unit investment prices have been bearish since the follow-on offering announced in August 2018. We are well aware of the concern unitholders have felt during this period. After considering a variety of measures, we have decided to embark on a “Three Pillars” (note) policy comprising a growth-oriented stance and immediate measures.

In line with the first of these three pillars, we will engage in dialogue, prioritizing common interests with our unitholders.

I ask for your ongoing support.

**Masaki Sakagawa**

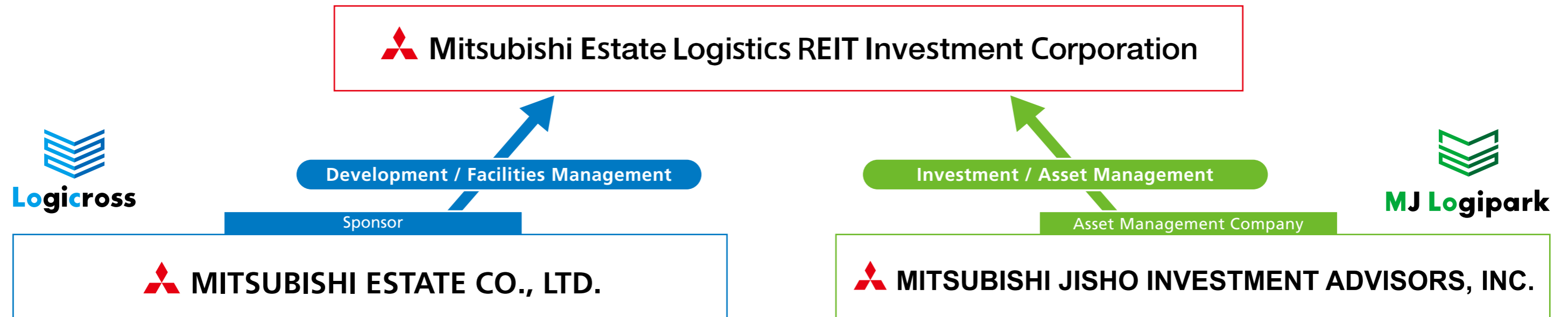
Executive Director  
Mitsubishi Estate Logistics REIT Investment Corporation  
Executive Vice President, General Manager,  
Logistics REIT Management Department of Mitsubishi Jisho Investment Advisors, Inc.

Note: Please see p.4 for details.

## Our Strength

Mitsubishi Estate Logistics REIT Investment Corporation

### "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 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 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, including the largest private REIT in Japan
- Proven track records in a variety of asset types in investment and asset management

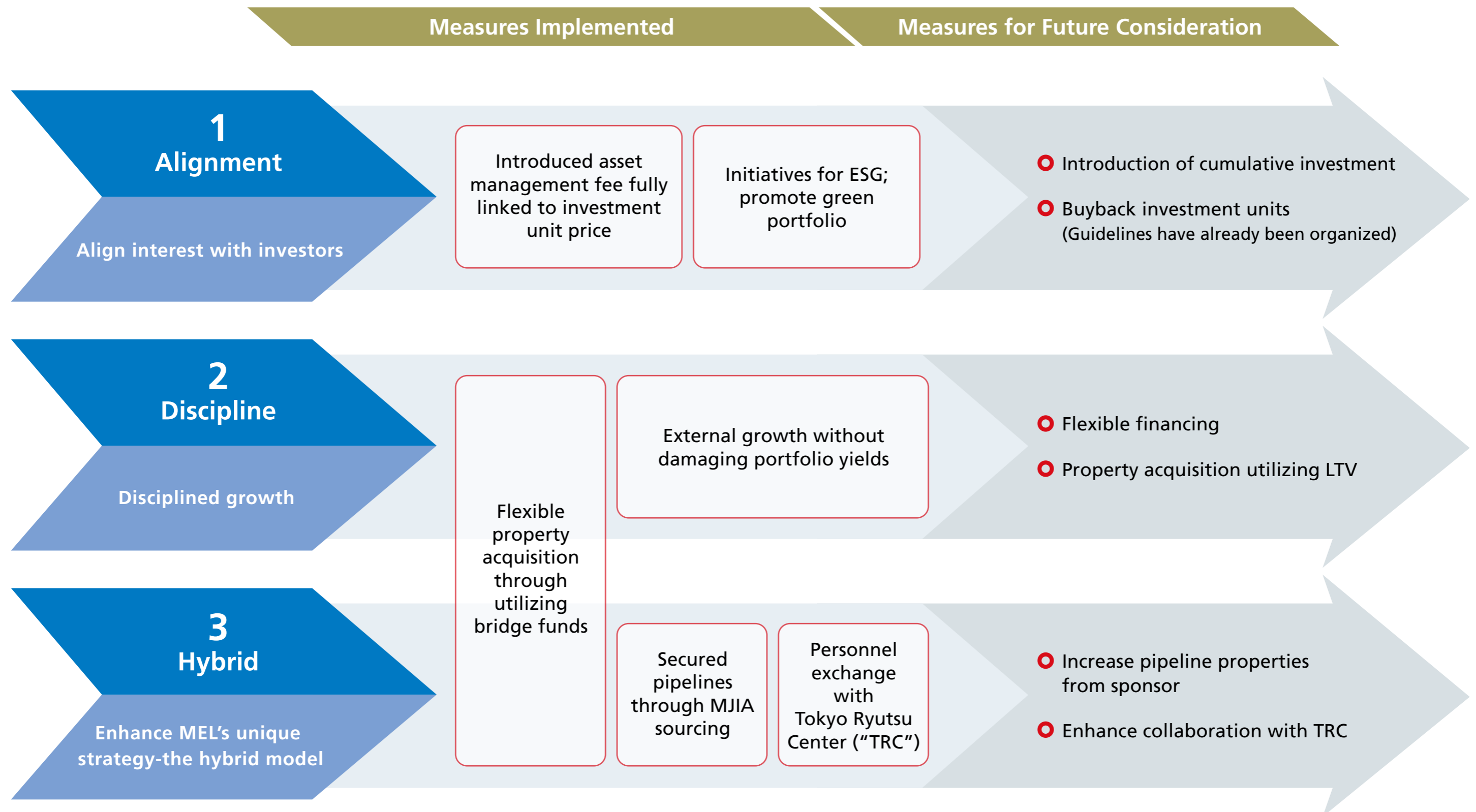
#### Support

- 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

# Management Plan Designed to Maximize Unitholders' Value in Med- to -Long Term

Mitsubishi Estate Logistics REIT Investment Corporation

## New Management Policy based on "Three Pillars"



# Asset Management Fee Fully Linked to Investment Unit Price

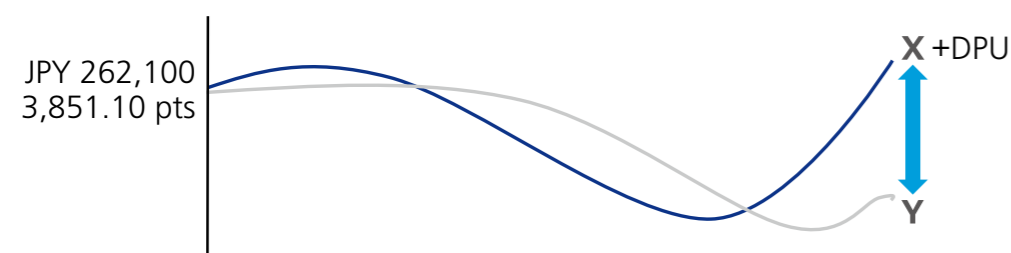
## MEL's Asset Management Fee Structure

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

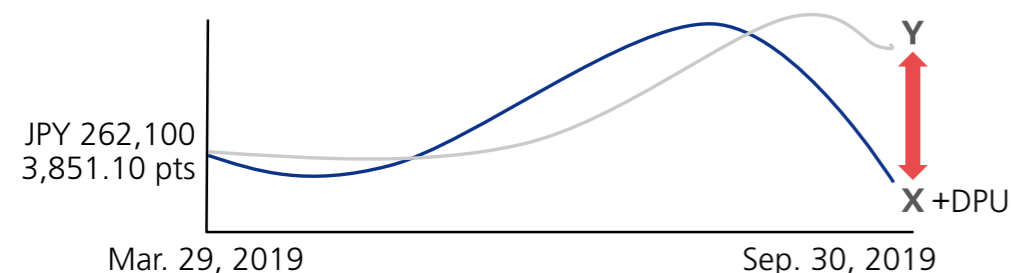
## First J-REIT to Introduce Asset Management Fee Fully Linked to Investment Unit Performance

Strengthen the linkage between the Asset Management Company and unitholder interest by giving incentives to Asset Management Company for improving unitholder interest. Align both parties interest by introducing an asset management fee reflecting above performance.

— Investment unit price — TSE REIT Index (incl. dividends)



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

| Calculation Period  | Reference date<br>(Previous period) | Reference date<br>(Present period) | DPU to include      |
|---------------------|-------------------------------------|------------------------------------|---------------------|
| FP Ending Feb. 2020 | Last business day<br>of Mar. 2019   | Last business day<br>of Sept. 2019 | FP Ending Aug. 2019 |
| FP Ending Aug. 2020 | Last business day<br>of Sept. 2019  | Last business day<br>of Mar. 2020  | FP Ending Feb. 2020 |

### For the period ending February 2020

< Example >

- Closing price of MEL's investment unit as of Mar. 29, 2019 : JPY 262,100
  - TSE REIT Index (incl. dividends) as of Mar. 29, 2019 : 3,851.10pt
  - Closing price of MEL's investment unit as of Sept. 30, 2019 : X
  - TSE REIT Index (incl. dividends) as of Sept. 30, 2019 : Y
- (a) = ( [X] -JPY 262,100+JPY 5,492 (Forecast) / JPY 262,100  
(b) = ( [Y] - 3,851.10pt ) / 3,851.10pt

# External Growth Strategy

Mitsubishi Estate Logistics REIT Investment Corporation

## 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

## 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

Properties with preferential negotiation right developed by Mitsubishi Estate Group

1,181,000 m<sup>2</sup>

Properties with a preferential negotiation right through MJIA Sourcing

213,000 m<sup>2</sup>

### Mitsubishi Estate Group



Occupancy Rate  
100%

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



Occupancy Rate  
Approx.70%

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



**Logicross Yokohama Kohoku**  
(16,000 m<sup>2</sup>)  
Complete in FY2019 (Independently)



Pre-leased  
Approx.90%

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



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



**Saito Moegi Logistics Facilities Project**  
(32,000 m<sup>2</sup>/125,000 m<sup>2</sup>)  
Complete FY2020/2021 (Jointly)

Other  
multiple projects  
400,000 m<sup>2</sup>

### Bridge Fund



Occupancy Rate  
100%

**LOGIPORT Osaka Taisho**  
(121,000 m<sup>2</sup>)  
Completed in FY2017 (Jointly)



Sponsor relation

**IHI Group Sakai Factory (land)**  
(87,000 m<sup>2</sup>)



Occupancy Rate  
100%

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



Improved occupancy rate

Occupancy Rate  
100%

**MJ Logipark Kasugai 1**  
(58,000 m<sup>2</sup>)  
Completed in FY2016



Occupancy Rate  
100%

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

### Third-Party Bridge



Occupancy Rate  
100%

**MJ Logipark Tsuchiura 1**  
(15,000 m<sup>2</sup>)  
Completed in FY2014



Occupancy Rate  
100%

**MJ Logipark Nishinomiya 1**  
(17,000 m<sup>2</sup>)  
Completed in FY1990

Notes: As of Apr. 15, 2019.

## Efforts to improve Tenants' Satisfaction (Example)

### Improvement by switching to LED based on Green Lease contract

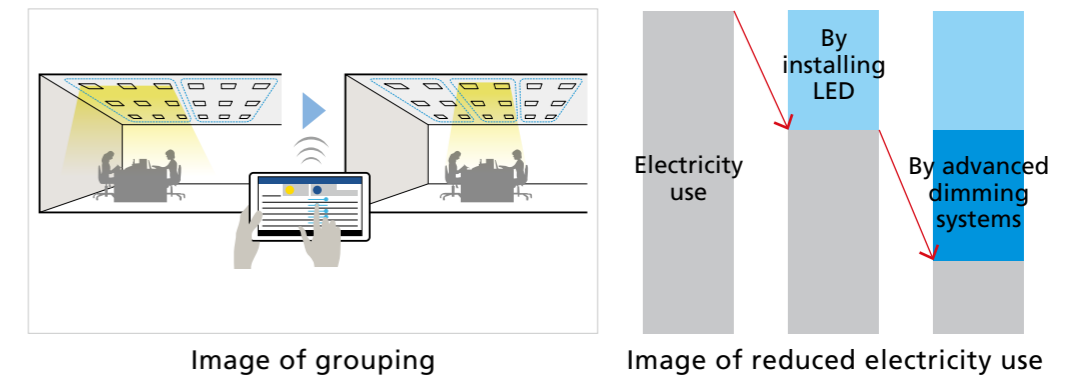
#### Overview

- Installed LED lighting at the cost of MEL
- Receipt of a half of the reduction in electricity bills and maintenance cost to be borne by tenant as Green Lease fee

#### Effects

- Income will increase by JPY 1.9 mn per fiscal period due to the receipt of green lease fee
- Tenants' electricity bills are reduced substantially
- The latest dimming functions capable of adjusting grouping and brightness improved tenants' convenience

#### Advanced LED with tablet-controlled and time-controlled dimming systems



### Review of contract with electricity supplier (Logicross Fukuoka Hisayama, MJ Logipark Fukuoka 1)

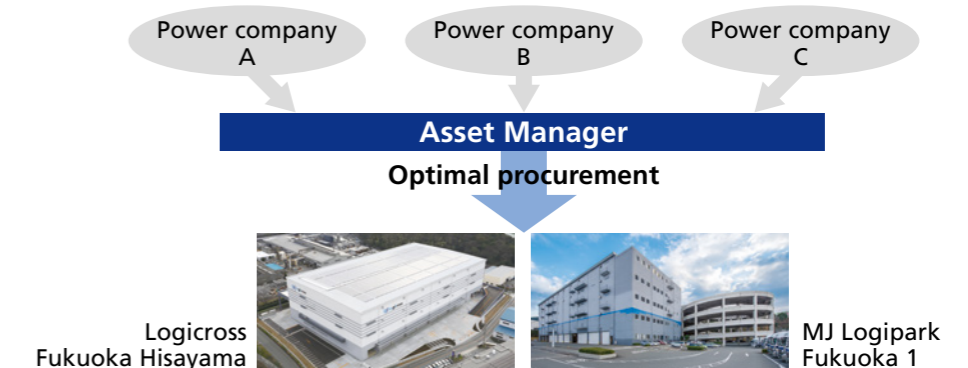
#### Overview

- Reviewed the contract with electricity suppliers and changed the supplier for two properties
- The contract will be reviewed once every year

#### Effects

- Saved on tenants' electricity bills and improved their satisfaction

#### Review of contract with electricity supplier



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

### Review asset evaluation of the properties (MJ Logipark Funabashi 1, LOGIPORT Sagamihara)

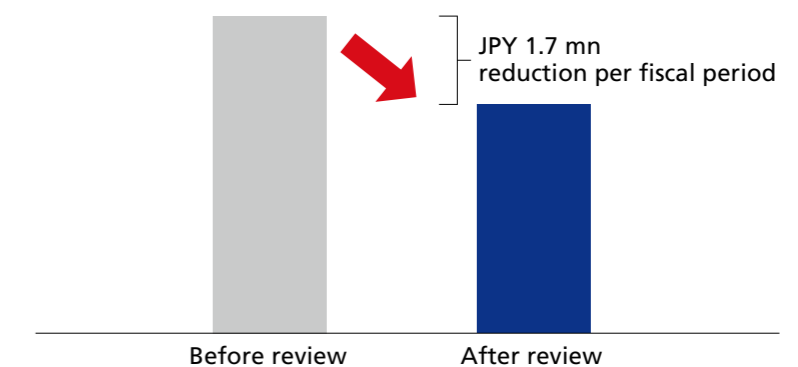
#### Overview

- Review asset evaluation of the properties held
- Negotiation with relevant government office regarding difference from evaluation, if any

#### Effects

- Decreased property tax for two properties (JPY 1.7 mn reduction per fiscal period)
- Refund of property tax due to review in asset valuation (+JPY 12 mn during the 6th fiscal period)
- Negotiation is underway for other properties

#### Property tax



# Portfolio Summary

## Logicross Fukuoka Hisayama

|                   |                   |
|-------------------|-------------------|
| Acquisition price | JPY 5,770 million |
| Occupancy rate    | 100.0%            |



## MJ Logipark Funabashi 1

|                   |                   |
|-------------------|-------------------|
| Acquisition price | JPY 5,400 million |
| Occupancy rate    | 100.0%            |



## Logicross Atsugi

|                   |                   |
|-------------------|-------------------|
| Acquisition price | JPY 8,440 million |
| Occupancy rate    | 100.0%            |



## MJ Logipark Atsugi 1

|                   |                   |
|-------------------|-------------------|
| Acquisition price | JPY 6,653 million |
| Occupancy rate    | 100.0%            |



## Logicross Kobe Sanda

|                   |                   |
|-------------------|-------------------|
| Acquisition price | JPY 3,900 million |
| Occupancy rate    | 100.0%            |



## MJ Logipark Kazo 1

|                   |                   |
|-------------------|-------------------|
| Acquisition price | JPY 1,272 million |
| Occupancy rate    | 100.0%            |



## LOGIPORT Sagamihara (Beneficiary interest 49%)

|                   |                    |
|-------------------|--------------------|
| Acquisition price | JPY 21,364 million |
| Occupancy rate    | 99.7%              |



## MJ Logipark Osaka 1

|                   |                   |
|-------------------|-------------------|
| Acquisition price | JPY 6,090 million |
| Occupancy rate    | 100.0%            |



## LOGIPORT Hashimoto (Beneficiary interest 45%)

|                   |                    |
|-------------------|--------------------|
| Acquisition price | JPY 18,200 million |
| Occupancy rate    | 100.0%             |



## MJ Logipark Fukuoka 1

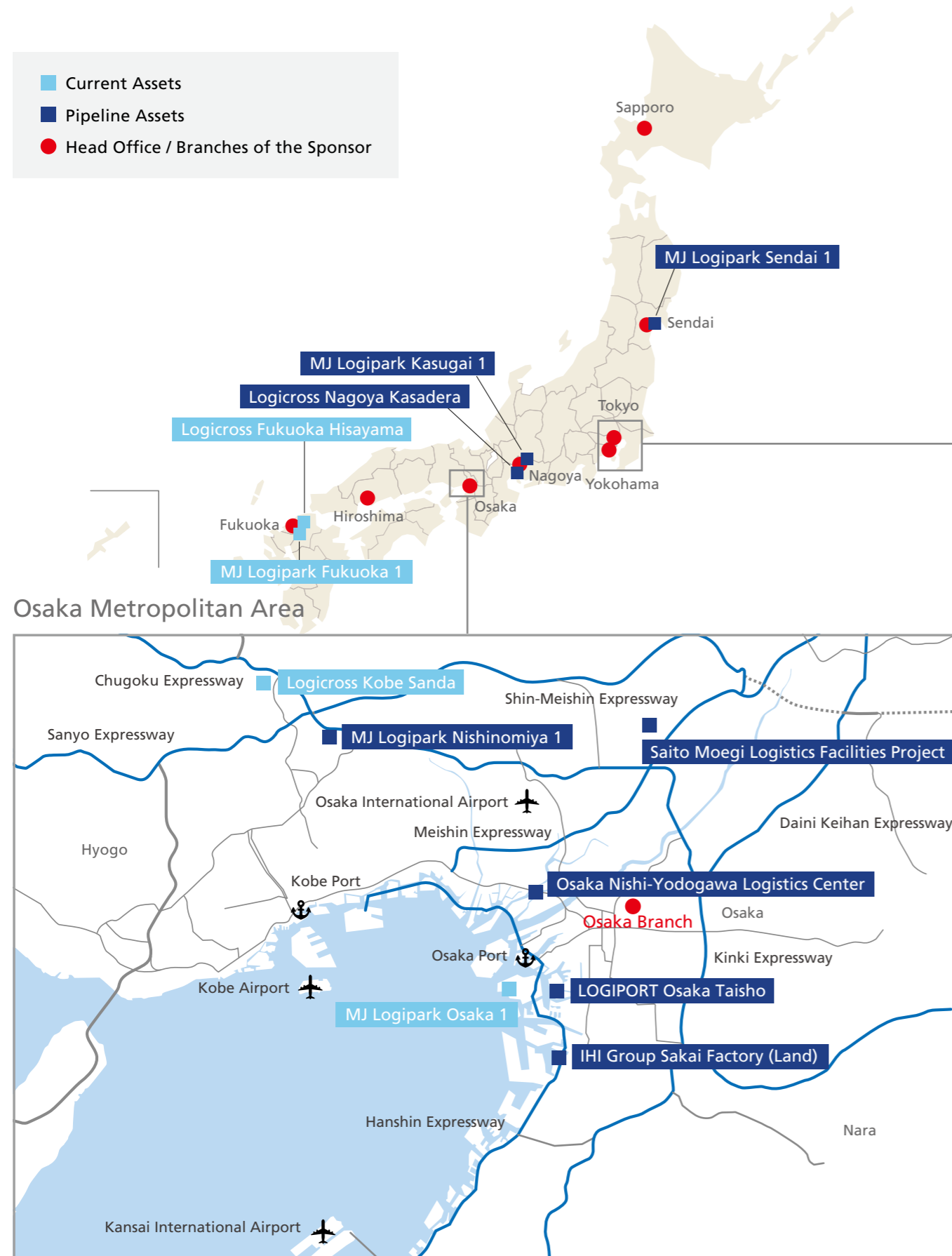
|                   |                   |
|-------------------|-------------------|
| Acquisition price | JPY 6,130 million |
| Occupancy rate    | 100.0%            |



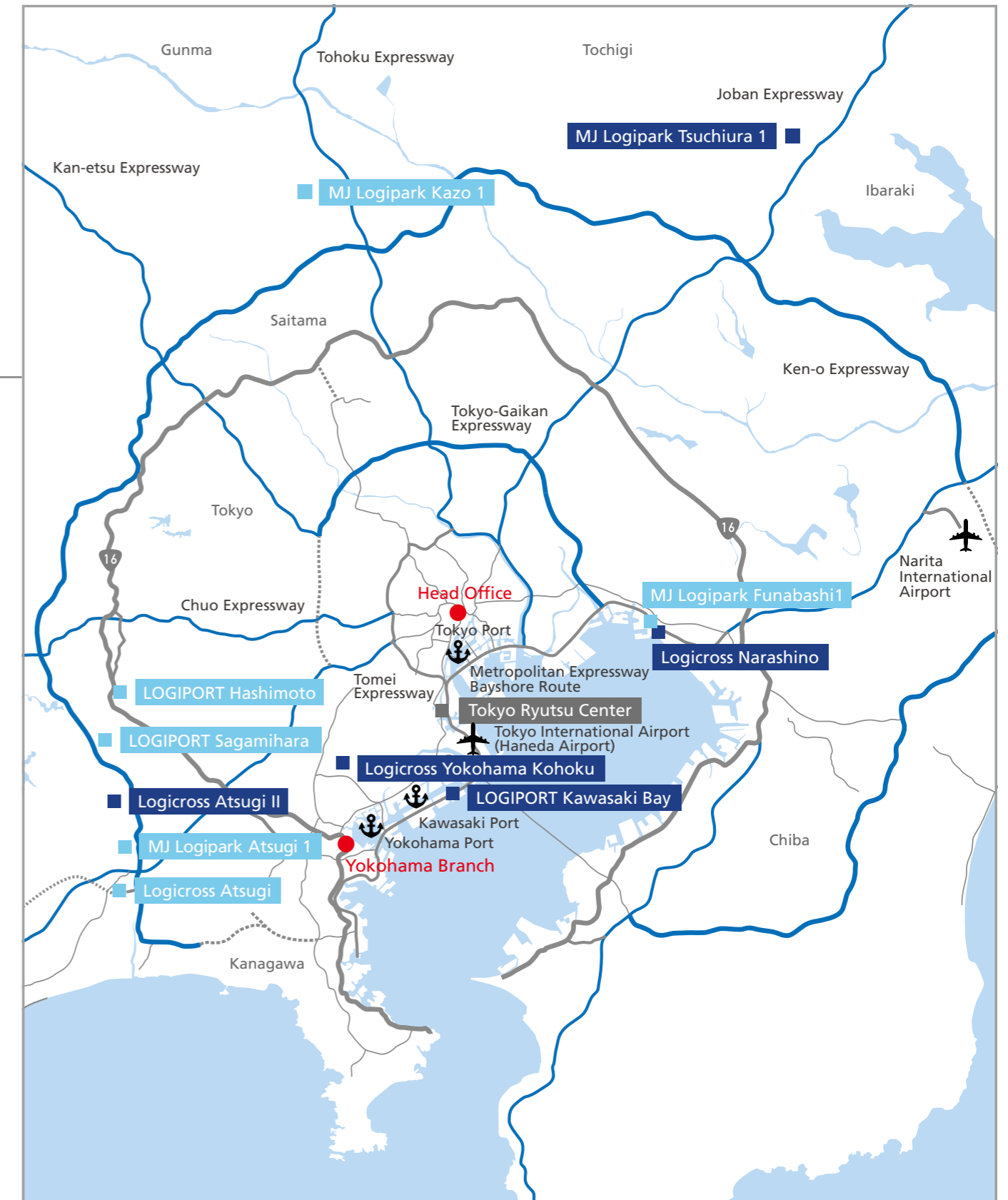
Note: As of Feb. 28, 2019

# Our Portfolio and Acquisition Pipelines

- Current Assets
- Pipeline Assets
- Head Office / Branches of the Sponsor



## Tokyo Metropolitan Area



Note: As of Apr. 15, 2019. Properties noted "other multiple projects" on p.6 are not included in the map since it has not been disclosed by the sponsor.

# 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)

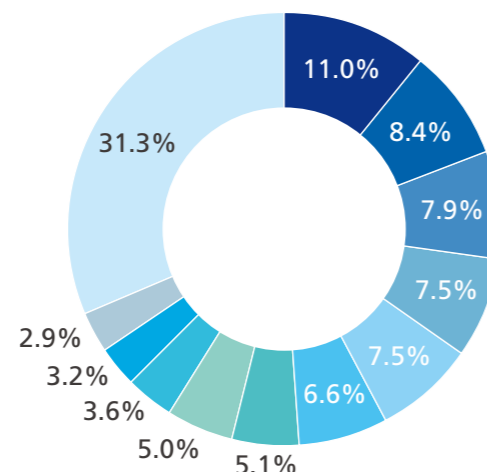
Tokyo metropolitan area  
**50** % or more

Other areas  
**50** % or less

## Portfolio Diversification

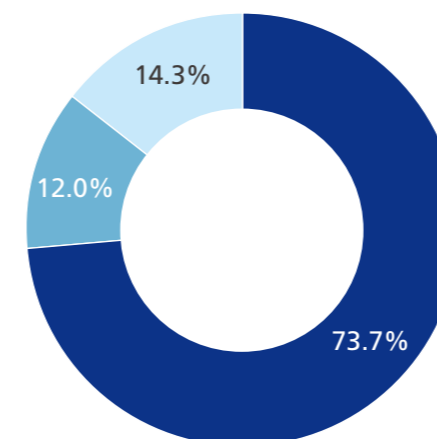
**Tenant Diversification** (Based on leased area)

- Sankyu Inc.
- MITAKA SOKO Co., Ltd.
- Sun Toshi Tatemono K.K.
- Mitsubishi Estate Co., Ltd.
- Fukuoka Logistic Systems Corp.
- Company A (communications)
- Fuji Echo Co., Ltd.
- Company B (wholesale)
- Fresh Creator Co., Ltd.
- Company C (warehousing)
- Company D (e-commerce)
- Others



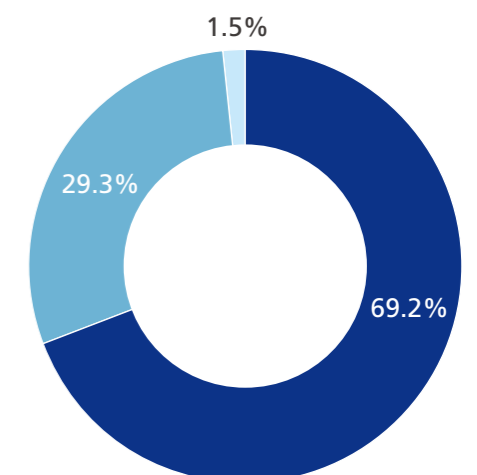
**By Investment Area** (Based on acquisition price)

- Tokyo metropolitan area
- Osaka metropolitan area
- Other



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

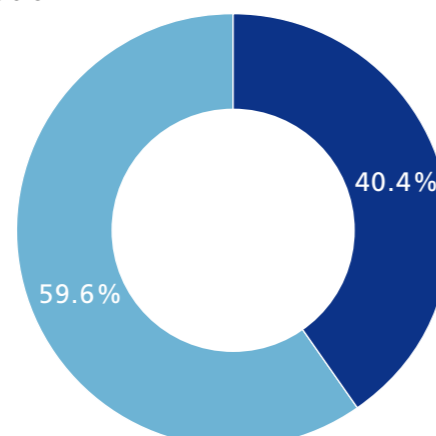
- 30,000 m<sup>2</sup> or more
- 10,000 m<sup>2</sup> to less than 30,000 m<sup>2</sup>
- Less than 10,000 m<sup>2</sup>



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

**Distance from Nearest Train Station**

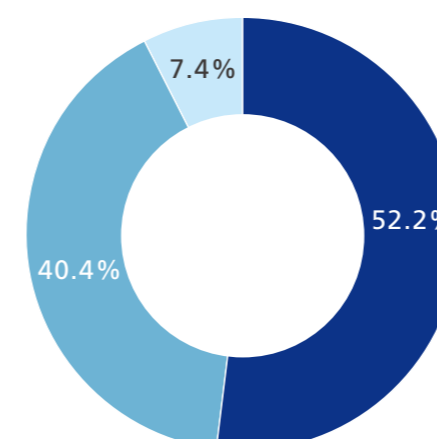
- 1.5 km or less
- More than 1.5 km



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

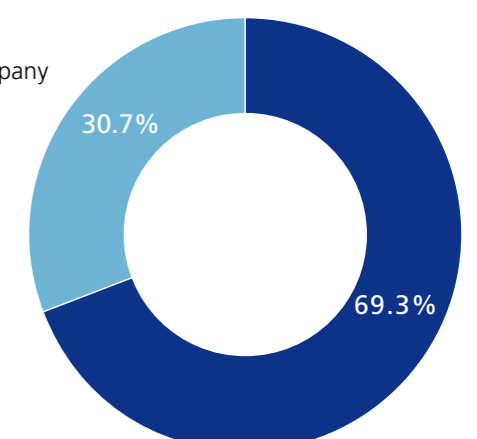
**Distance from Major Trunk Road**

- 1 km or less
- More than 1 km to 3 km
- More than 3 km



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

- Developed by the Sponsor
- Sourced by Asset Management Company



## Financial Highlights

Long-Term Debt Ratio

100.0 %

Fixed Interest Rate  
Debt Ratio

83.3 %

Average Remaining  
Debt Duration

5.2 years

Average Debt Cost

0.47 %

Credit Rating

JCR: AA-  
(Stable)

Loan-to-Value Ratio

27.0 %

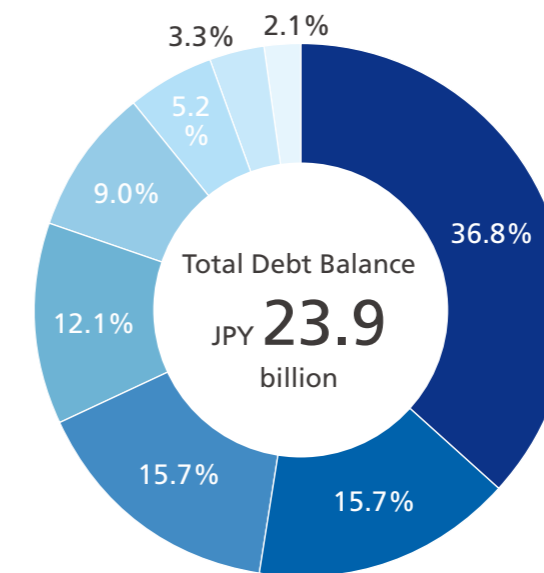
Debt Capacity (up to 40%)

Approx.  
JPY 19.0  
billion

Debt Capacity (up to 50%)

Approx.  
JPY 40.0  
billion

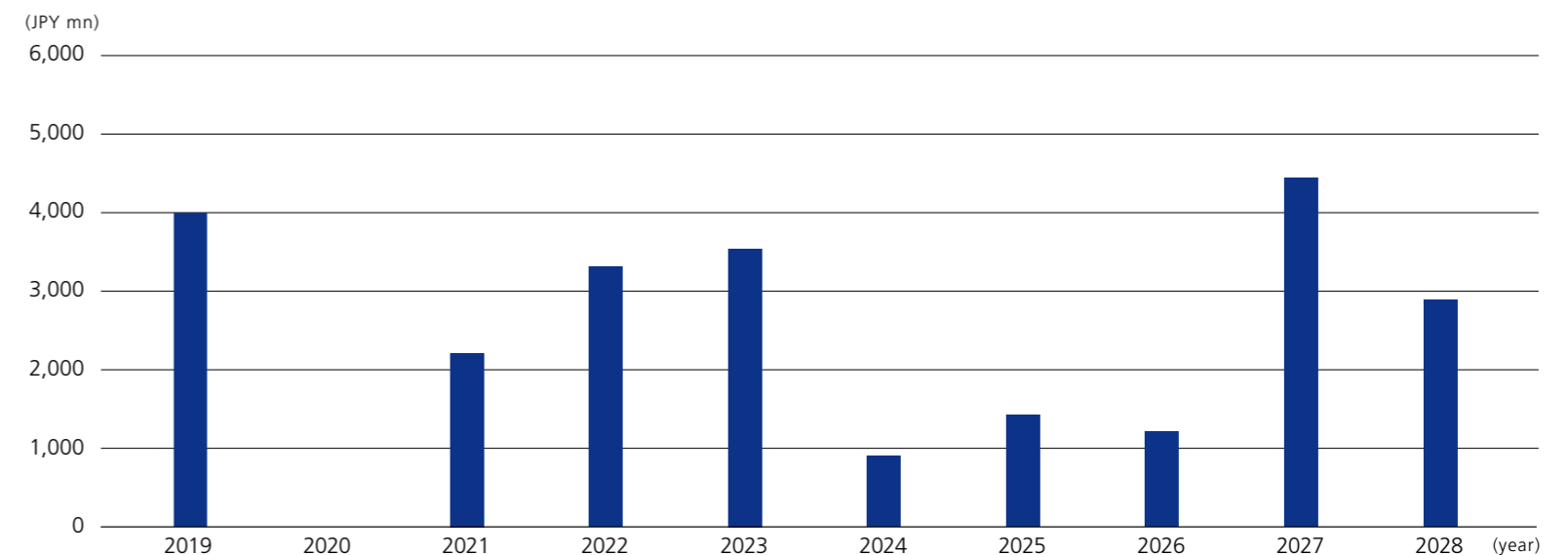
## Our Lenders



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

## Debt Maturity Schedule

■ Long-term debt



Note: As of Feb. 28, 2019

# ESG Initiatives

## Formulation of Sustainability Policy (February 1, 2019)

- 1 Initiative for achieving energy saving at properties under management and low-carbon society
- 2 Initiative for improved water resources management and waste management
- 3 Improving tenants' safety/security and satisfaction
- 4 Initiative towards officers and employees
- 5 Collaboration with external stakeholders
- 6 Disclosure of ESG information and use of external evaluation
- 7 Compliance and risk management

## Environment Initiatives

### Sustainable Building Certifications (As of February 28, 2019)



| Building Certifications | Properties | Total Floor Area (m <sup>2</sup> ) | Ratio (%) |
|-------------------------|------------|------------------------------------|-----------|
| CASBEE                  | 4          | 206,513                            | 55        |
| BELS                    | 4          | 115,992                            | 31        |
| DBJ Green Building      | 1          | 36,082                             | 10        |

## GRESB Assessment



"Global Real Estate Sustainability Benchmark (GRESB)" is a benchmark developed by a group of leading European pension funds. It evaluates the ESG performance of real estate companies and funds, and is becoming a de facto standard among major institutional investors utilized in their investment decision-making processes. MEL aims to obtain a "Green Star" rating in future GRESB real estate assessments.

## Use of Renewable Energy



Logicross Fukuoka Hisayama



Logicross Atsugi

## 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

## Proactive Participation in CSR Activities



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



Free beverage service for tenants at  
LOGIPORT Sagamihara

## Sound Corporate Governance

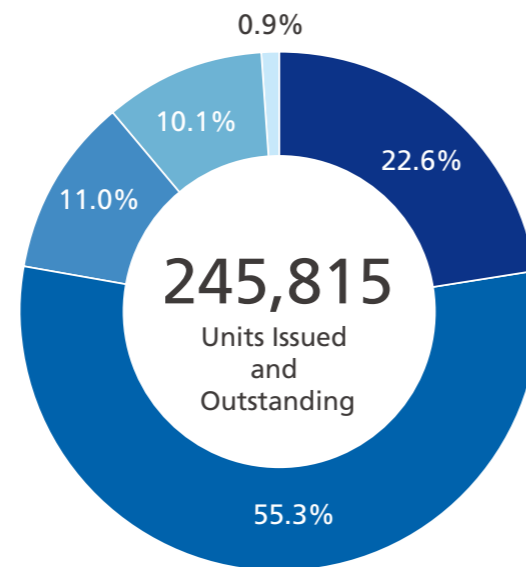
MEL is composed of one Executive Director, two Supervisory Directors, and the Board of Directors, on which all MEL's directors serve as members, plus an accounting auditor as well as the General Meeting of Unitholders.

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, MJIA.

# Unitholder Information

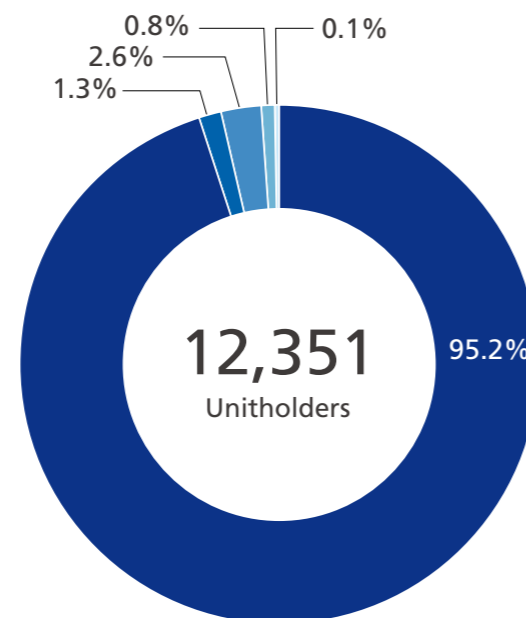
## Breakdown by Units

- Domestic individuals and others : 55,527 unit
- Financial institutions : 135,917 unit
- Other domestic entities : 27,159 units
- Foreign entities : 24,886 unit
- Securities companies : 2,326 unit



## Breakdown by Unitholders

- Domestic individuals and others : 11,761 unitholders
- Financial institutions : 157 unitholders
- Other domestic entities : 318 unitholders
- Foreign entities : 98 unitholders
- Securities companies : 17 unitholders



## Major Unitholders

|   | Number of Investment Units | Share of Investment Units (%) |
|---|----------------------------|-------------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account)                        | 26,732                     | 10.87                         |
| Japan Trustee Services Bank, Ltd. (Trust Account)                           | 21,126                     | 8.59                          |
| Mitsubishi Estate Co., Ltd.   | 10,000                     | 4.06                          |
| The Nomura Trust and Banking Company, Ltd. (Trust Account)                  | 6,992                      | 2.84                          |
| Tokyo Century Corporation   | 6,654                      | 2.70                          |
| The Chugoku Bank, Limited   | 5,372                      | 2.18                          |
| The Shinkumi Federation Bank  | 4,806                      | 1.95                          |
| The Hyakujushi Bank, Ltd  | 4,324                      | 1.75                          |
| Trust and Custody Services Bank, Ltd. (Securities Investment Trust Account) | 4,107                      | 1.67                          |
| The Iyo Bank, Ltd.  | 3,652                      | 1.48                          |
| <b>Total</b>  | <b>93,765</b>              | <b>38.14</b>                  |

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

Investment in MEL  
by MEC

**10,000** units  
(4.1%)  
(As of Feb. 28, 2019)

Note: As of Feb. 28, 2019

## BALANCE SHEET

|   | Thousands of yen |            |                   |             |
|---|------------------|------------|-------------------|-------------|
|   | As of            |            |                   |             |
|   | August 31, 2018  |            | February 28, 2019 |             |
| <b>ASSETS</b>                               |                  |            |                   |             |
| Current assets:                             |                  |            |                   |             |
| Cash and deposits (Notes 4, 6)              | ¥                | 1,869,456  | ¥                 | 1,856,912   |
| Cash and deposits in trust (Notes 4, 6)     |                  | 2,527,566  |                   | 3,185,098   |
| Operating accounts receivable               |                  | 26,751     |                   | 18,674      |
| Prepaid expenses                            |                  | 26,142     |                   | 20,637      |
| Consumption taxes receivable                |                  | -          |                   | 312,168     |
| Other current assets                        |                  | 3,834      |                   | -           |
| Total current assets                        |                  | 4,453,750  |                   | 5,393,492   |
| Fixed assets:                               |                  |            |                   |             |
| Property and equipment (Notes 5, 7)         |                  |            |                   |             |
| Buildings in trust                          |                  | 33,073,864 |                   | 37,515,698  |
| Less: accumulated depreciation              |                  | (893,213)  |                   | (1,365,361) |
| Buildings in trust, net                     |                  | 32,180,650 |                   | 36,150,337  |
| Structures in trust (Note 12)               |                  | 1,118,406  |                   | 1,288,743   |
| Less: accumulated depreciation              |                  | (22,533)   |                   | (35,273)    |
| Structures in trust, net                    |                  | 1,095,873  |                   | 1,253,469   |
| Tools, furniture and fixtures in trust      |                  | 144        |                   | 689         |
| Less: accumulated depreciation              |                  | (12)       |                   | (28)        |
| Tools, furniture and fixtures in trust, net |                  | 132        |                   | 661         |
| Land in trust                               |                  | 37,655,333 |                   | 45,603,368  |
| Total property and equipment                |                  | 70,931,988 |                   | 83,007,836  |
| Intangible assets (Note 5)                  |                  |            |                   |             |
| Software                                    |                  | 7,735      |                   | 6,785       |
| Other intangible assets                     |                  | 891        |                   | 841         |
| Total intangible assets                     |                  | 8,626      |                   | 7,626       |
| Investments and other assets                |                  |            |                   |             |
| Deferred tax assets (Note 13)               |                  | 12         |                   | 11          |
| Long-term prepaid expenses                  |                  | 14,928     |                   | 14,161      |
| Security deposit                            |                  | 10,000     |                   | 10,000      |
| Total investments and other assets          |                  | 24,940     |                   | 24,172      |
| Total fixed assets                          |                  | 70,965,555 |                   | 83,039,635  |
| Deferred assets:                            |                  |            |                   |             |
| Organization expenses                       |                  | 34,271     |                   | 28,223      |
| Total deferred assets                       |                  | 34,271     |                   | 28,223      |
| <b>Total assets</b>                         | ¥                | 75,453,578 | ¥                 | 88,461,352  |

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

## BALANCE SHEET, continued

|   | Thousands of yen |            |                   |            |
|---|------------------|------------|-------------------|------------|
|   | As of            |            |                   |            |
|   | August 31, 2018  |            | February 28, 2019 |            |
| <b>LIABILITIES</b>  |                  |            |                   |            |
| Current liabilities:  |                  |            |                   |            |
| Operating accounts payable  | ¥                | 71,563     | ¥                 | 140,574    |
| Long term loans payable   |                  | -          |                   | 4,000,000  |
| due within one year (Notes 6,11)  |                  |            |                   |            |
| Accounts payable  |                  | 12,873     |                   | 7,075      |
| Distributions payable   |                  | 4,439      |                   | 4,984      |
| Accrued expenses  |                  | 243,452    |                   | 264,448    |
| Income taxes payable  |                  | 861        |                   | 837        |
| Consumption taxes payable   |                  | 108,215    |                   | -          |
| Advances received   |                  | 313,578    |                   | 407,446    |
| Deposits received   |                  | 83         |                   | -          |
| Total current liabilities   |                  | 755,068    |                   | 4,825,367  |
| Non-current liabilities   |                  |            |                   |            |
| Long-term loans payable (Notes 6, 11)   |                  | 18,901,000 |                   | 19,924,000 |
| Tenant leasehold and security deposits in trust (Note 6)  |                  | 1,230,295  |                   | 1,529,276  |
| Total non-current liabilities   |                  | 20,131,295 |                   | 21,453,276 |
| Total liabilities   |                  | 20,886,363 |                   | 26,278,644 |
| <b>NET ASSETS</b>   |                  |            |                   |            |
| Unitholders' equity   |                  |            |                   |            |
| Unitholders' capital  |                  | 53,564,490 |                   | 61,011,843 |
| Units authorized: 10,000,000 units  |                  |            |                   |            |
| Units issued and outstanding: 245,815units as of February 28, 2019, and 214,000 units as of August 31, 2018 |                  |            |                   |            |
| Unitholders' capital, gross   |                  | 53,685,400 |                   | 61,262,651 |
| Deduction from unitholders' capital   |                  | (120,910)  |                   | (250,808)  |
| Unitholders' capital, net   |                  | 53,564,490 |                   | 61,011,843 |
| Surplus   |                  |            |                   |            |
| Retained earnings   |                  | 1,002,724  |                   | 1,170,864  |
| Total surplus   |                  | 1,002,724  |                   | 1,170,864  |
| Total unitholders' equity   |                  | 54,567,214 |                   | 62,182,708 |
| Total net assets (Note 10)  |                  | 54,567,214 |                   | 62,182,708 |
| Total liabilities and net assets  | ¥                | 75,453,578 | ¥                 | 88,461,352 |

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

## STATEMENT OF INCOME AND RETAINED EARNINGS

|   | Thousands of yen     |           |                   |           |
|---|----------------------|-----------|-------------------|-----------|
|   | For the period ended |           |                   |           |
|   | August 31, 2018      |           | February 28, 2019 |           |
| Operating revenues:                                   |                      |           |                   |           |
| Operating rental revenues (Note 8)                    | ¥                    | 2,043,691 | ¥                 | 2,358,795 |
| Other rental revenues (Note 8)                        |                      | 143,164   |                   | 134,976   |
| Total operating revenues                              |                      | 2,186,855 |                   | 2,493,772 |
| Operating expenses:                                   |                      |           |                   |           |
| Expenses related to property rental business (Note 8) |                      | 860,255   |                   | 940,015   |
| Asset management fee                                  |                      | 178,404   |                   | 190,172   |
| Asset custody fee                                     |                      | 730       |                   | 848       |
| Administrative service fee                            |                      | 16,756    |                   | 17,869    |
| Directors' compensation                               |                      | 2,400     |                   | 2,400     |
| Commission paid                                       |                      | 46,768    |                   | 49,544    |
| Other operating expenses                              |                      | 27,580    |                   | 25,578    |
| Total operating expenses                              |                      | 1,132,896 |                   | 1,226,428 |
| Operating income                                      |                      | 1,053,959 |                   | 1,267,344 |
| Non-operating income:                                 |                      |           |                   |           |
| Interest income                                       |                      | 21        |                   | 23        |
| Interest on refund                                    |                      | 3,320     |                   | -         |
| Insurance income                                      |                      | -         |                   | 30,210    |
| Other non-operating income                            |                      | -         |                   | 1         |
| Total non-operating income                            |                      | 3,342     |                   | 30,234    |
| Non-operating expenses:                               |                      |           |                   |           |
| Interest expenses                                     |                      | 38,490    |                   | 48,378    |
| Borrowing related expenses                            |                      | 9,391     |                   | 10,516    |
| Amortization of organization expenses                 |                      | 6,047     |                   | 6,047     |
| Amortization of investment unit issuance expenses     |                      | -         |                   | 31,263    |
| Losses due to disaster                                |                      | -         |                   | 25,497    |
| Loss on reduction of tangible fixed assets            |                      | -         |                   | 4,303     |
| Total non-operating expenses                          |                      | 53,930    |                   | 126,007   |
| Ordinary income                                       |                      | 1,003,371 |                   | 1,171,572 |
| Income before income taxes                            |                      | 1,003,371 |                   | 1,171,572 |
| Income taxes-current (Note 13)                        |                      | 865       |                   | 841       |
| Income taxes-deferred (Note 13)                       |                      | (12)      |                   | 1         |
| Total income taxes                                    |                      | 852       |                   | 842       |
| Net income  |                      | 1,002,518 |                   | 1,170,729 |
| Retained earnings brought forward                     |                      | 206       |                   | 134       |
| Unappropriated retained earnings                      | ¥                    | 1,002,724 | ¥                 | 1,170,864 |

|                               | Yen                         |       |                   |       |
|-------------------------------|-----------------------------|-------|-------------------|-------|
|                               | For the fiscal period ended |       |                   |       |
|                               | August 31, 2018             |       | February 28, 2019 |       |
| Net income per unit (Note 14) | ¥                           | 4,684 | ¥                 | 4,798 |

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

## STATEMENT OF CHANGES IN NET ASSETS

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 |                           |                  |  |
| Balance as of September 1, 2018 (Note 10)    | 53,685,400                  | (120,910)                         | 53,564,490                | 1,002,724                        | 54,567,214                | 54,567,214       |  |
| Change during the period                     |                             |                                   |                           |                                  |                           |                  |  |
| Issuance of new investments                  | 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)      |  |
| Net income                                   | -                           | -                                 | -                         | 1,170,729                        | 1,170,729                 | 1,170,729        |  |
| Total change during the period               | 7,577,251                   | (129,898)                         | 7,447,353                 | 168,139                          | 7,615,493                 | 7,615,493        |  |
| Balance as of February 28, 2019 (Note 10)    | 61,262,651                  | (250,808)                         | 61,011,843                | 1,170,864                        | 62,182,708                | 62,182,708       |  |

For the period ended August 31, 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 |                           |                  |  |
| Balance as of March 1, 2018 (Note 10)        | 53,685,400                  | -                                 | 53,685,400                | 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)      |  |
| Net income                                   | -                           | -                                 | -                         | 1,002,518                        | 1,002,518                 | 1,002,518        |  |
| Total change during the period               | -                           | (120,910)                         | (120,910)                 | (70,691)                         | (191,601)                 | (191,601)        |  |
| Balance as of August 31, 2018 (Note 10)      | 53,685,400                  | (120,910)                         | 53,564,490                | 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 |             |                   |              |
|   | August 31, 2018      |             | February 28, 2019 |              |
| Cash flows from operating activities:                           |                      |             |                   |              |
| Income before income taxes                                      | ¥                    | 1,003,371   | ¥                 | 1,171,572    |
| Depreciation  |                      | 434,019     |                   | 485,904      |
| Amortization of investment unit issuance                        |                      | -           |                   | 31,263       |
| Interest income   |                      | (21)        |                   | (23)         |
| Interest expenses   |                      | 38,490      |                   | 48,378       |
| Insurance income  |                      | -           |                   | (30,210)     |
| Loss on reduction of tangible fixed assets                      |                      | -           |                   | 4,303        |
| Losses due to disaster  |                      | -           |                   | 25,497       |
| Decrease (Increase) in operating accounts receivable            |                      | (7,049)     |                   | 8,076        |
| Decrease (Increase) in consumption taxes receivable             |                      | 2,517,417   |                   | (312,168)    |
| Decrease (Increase) in prepaid expenses                         |                      | 1,367       |                   | 5,504        |
| Decrease (Increase) in long-term prepaid expenses               |                      | 11,489      |                   | 766          |
| Increase (Decrease) in operating accounts payable               |                      | (546)       |                   | 45,918       |
| Increase (Decrease) in accounts payable                         |                      | 3,947       |                   | (5,798)      |
| Increase (Decrease) in accrued expenses                         |                      | 73,873      |                   | 19,762       |
| Increase (Decrease) in consumption taxes payable                |                      | 108,215     |                   | (108,215)    |
| Increase (Decrease) in advances received                        |                      | (29,388)    |                   | 93,868       |
| Others  |                      | 2,153       |                   | 9,798        |
| Subtotal  |                      | 4,157,339   |                   | 1,494,200    |
| Interest received   |                      | 21          |                   | 23           |
| Interest paid   |                      | (38,004)    |                   | (47,145)     |
| Insurance income due to disaster                                |                      | -           |                   | 30,210       |
| Payments due to disaster  |                      | -           |                   | (25,497)     |
| Income taxes paid   |                      | (608)       |                   | (865)        |
| Net cash provided by (used in) operating activities             |                      | 4,118,748   |                   | 1,450,925    |
| Cash flows from investing activities:                           |                      |             |                   |              |
| Purchases of property and equipment in trust                    |                      | (75,392)    |                   | (12,541,961) |
| Proceeds from tenant leasehold and security deposits in trust   |                      | 13,282      |                   | 300,506      |
| Repayments from tenant leasehold and security deposits in trust |                      | (18,135)    |                   | (1,525)      |
| Net cash provided by investing activities                       |                      | (80,246)    |                   | (12,242,980) |
| Cash flows from financing activities:                           |                      |             |                   |              |
| Proceeds from short-term loans payable                          |                      | -           |                   | 12,961,000   |
| Repayments of short-term loans payable                          |                      | (2,618,000) |                   | (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                   |                      | (1,069,453) |                   | (1,002,300)  |
| Payment of distributions in excess of retained earnings         |                      | (120,226)   |                   | (129,642)    |
| Net cash provided by (used in) financing activities             |                      | (3,807,680) |                   | 11,437,044   |
| Net increase (decrease) in cash and cash equivalents            |                      | 230,821     |                   | 644,989      |
| Cash and cash equivalents at the beginning of period            |                      | 4,166,201   |                   | 4,397,022    |
| Cash and cash equivalents at the end of period (Note 4)         | ¥                    | 4,397,022   | ¥                 | 5,042,011    |

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 February 28, 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 355,904.80㎡ 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 |
| 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) Investment Unit Issuance Expenses

The full amount of investment unit issuance expenses is recorded as expense when incurred.

g) 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.

h) 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.

i) Consumption Taxes

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

### 3. CHANGES IN PRESENTATION

MEL adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the fiscal period ended February 28, 2019, changes are made to present deferred tax assets under investments and other assets and deferred tax liabilities under noncurrent liabilities. As a result, 12 thousand yen of deferred tax assets which was under "current assets" in the balance sheets of the previous fiscal period is under "investments and other assets."

### 4. 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            |           |                   |           |
|                            | August 31, 2018  |           | February 28, 2019 |           |
| Cash and deposits          | ¥                | 1,869,456 | ¥                 | 1,856,912 |
| Cash and deposits in trust |                  | 2,527,566 |                   | 3,185,098 |
| Cash and cash equivalents  | ¥                | 4,397,022 | ¥                 | 5,042,011 |

### 5. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment and intangible assets as of February 28, 2019 are as follows:

| Type of assets               |  | Thousands of yen                      |                                  |                                  |                                       |                             |                                   |  |        | Remarks |
|------------------------------|--|---------------------------------------|----------------------------------|----------------------------------|---------------------------------------|-----------------------------|-----------------------------------|--|--------|---------|
|                              |  | Balance as of<br>September 1,<br>2018 | Increase<br>during the<br>period | Decrease<br>during the<br>period | Balance as of<br>February 28,<br>2019 | Depreciation                |                                   | Net balance<br>as of<br>February 28,<br>2019 |        |         |
|                              |  |                                       |                                  |                                  |                                       | Accumulated<br>depreciation | Depreciation<br>for the<br>period |  |        |         |
| Property<br>and<br>equipment | Buildings in trust                     | ¥ 33,073,864                          | ¥ 4,441,834                      | ¥ -                              | ¥ 37,515,698                          | ¥ 1,365,361                 | ¥ 472,147                         | ¥ 36,150,337                                 | (Note) |         |
|                              | Structures in trust                    | 1,118,406                             | 174,639                          | 4,303                            | 1,288,743                             | 35,273                      | 12,740                            | 1,253,469                                    | (Note) |         |
|                              | Tools, furniture and fixtures in trust | 144                                   | 545                              | —                                | 689                                   | 28                          | 16                                | 661  |        |         |
|                              | Land in trust                          | 37,655,333                            | 7,948,035                        | —                                | 45,603,368                            | —                           | —                                 | 45,603,368                                   | (Note) |         |
| Total property and equipment |  | 71,847,748                            | 12,565,055                       | 4,303                            | 84,408,499                            | 1,400,663                   | 484,904                           | 83,007,836                                   |        |         |
| Intangible<br>assets         | Software                               | ¥ 9,500                               | ¥ -                              | ¥ -                              | ¥ 9,500                               | ¥ 2,715                     | ¥ 950                             | ¥ 6,785                                      |        |         |
|                              | Other intangible assets                | 1,000                                 | -                                | -                                | 1,000                                 | 158                         | 50                                | 841  |        |         |
| Total intangible assets      |  | 10,500                                | —                                | —                                | 10,500                                | 2,873                       | 1,000                             | 7,626  |        |         |

(Note) The amount of increase during the period is primarily attributable to the acquisition of properties.

### 6. 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 February 28, 2019 and August 31, 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 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 |

|   | 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) Long-term loans payable due within one year | -                     |   | -          |   | -          |
| (4) Long-term loans payable                     | 18,901,000            |   | 18,887,140 |   | (13,859)   |
| Total liabilities                               | ¥ 18,901,000          | ¥ | 18,887,140 | ¥ | (13,859)   |

(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            |                   |
|   | August 31, 2018  | February 28, 2019 |
| Tenant leasehold and security deposits in trust | ¥ 1,230,295      | ¥ 1,529,276       |

(Note 3) 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             | ¥ -                        | ¥ -                          | ¥ -                           | ¥ -                          | ¥ -                  | - |

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           | ¥ -                        | ¥ -                          | ¥ -                           | ¥ -                          | ¥ -                  | - |

(Note 4) 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          |

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 |
| 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          |

## 7. 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 |                   |
|  | August 31, 2018             | February 28, 2019 |
| Book value (Note 1)                          |                             |                   |
| Balance at the beginning of the period       | ¥ 71,295,451                | ¥ 70,931,988      |
| Changes during the period (Note 2)           | (363,463)                   | 12,075,847        |
| Balance at the end of the period             | ¥ 70,931,988                | ¥ 83,007,836      |
| Fair value at the end of the period (Note 3) | ¥ 74,980,000                | ¥ 88,370,000      |

(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, 2019 was primarily a result of acquiring 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.

(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 "8. PROPERTY-RELATED REVENUES AND EXPENSES."

## 8. PROPERTY-RELATED REVENUES AND EXPENSES

The following table summarizes the revenues and expenses generated from property leasing activities for the fiscal periods ended February 28, 2019 and August 31, 2018.

|   | Thousands of yen            |           |                   |           |
|---|-----------------------------|-----------|-------------------|-----------|
|   | For the fiscal period ended |           |                   |           |
|   | August 31, 2018             |           | February 28, 2019 |           |
| A. Property-related revenues                    |                             |           |                   |           |
| Operating rental revenues                       |                             |           |                   |           |
| Rental revenues                                 | ¥                           | 1,940,907 | ¥                 | 2,254,788 |
| Common area charges                             |                             | 102,783   |                   | 104,007   |
| Total   | ¥                           | 2,043,691 | ¥                 | 2,358,795 |
| Other rental revenues                           |                             |           |                   |           |
| Received utilities cost                         | ¥                           | 99,064    | ¥                 | 90,601    |
| Others  |                             | 44,099    |                   | 44,375    |
| Total   | ¥                           | 143,164   | ¥                 | 134,976   |
| Total property-related revenues                 | ¥                           | 2,186,855 | ¥                 | 2,493,772 |
| B. Property-related expenses                    |                             |           |                   |           |
| Rental expenses                                 |                             |           |                   |           |
| Facility management fee                         | ¥                           | 87,649    | ¥                 | 123,684   |
| Property and other taxes                        |                             | 185,803   |                   | 184,581   |
| Insurance                                       |                             | 3,547     |                   | 3,957     |
| Repair and maintenance                          |                             | 30,163    |                   | 29,427    |
| Utilities cost                                  |                             | 104,285   |                   | 96,523    |
| Depreciation                                    |                             | 433,019   |                   | 484,904   |
| Custodian fee                                   |                             | 1,382     |                   | 1,678     |
| Others  |                             | 14,404    |                   | 15,257    |
| Total rental expenses                           | ¥                           | 860,255   | ¥                 | 940,015   |
| C. Operating income from property leasing (A-B) | ¥                           | 1,326,599 | ¥                 | 1,553,757 |

## 9. 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            |            |                   |            |
|                     | August 31, 2018  |            | February 28, 2019 |            |
| Due within one year | ¥                | 3,412,347  | ¥                 | 4,894,348  |
| Due after one year  |                  | 9,981,099  |                   | 20,209,065 |
| Total               | ¥                | 13,393,446 | ¥                 | 25,103,413 |

## 10. 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 |                   |
|   | August 31, 2018             | February 28, 2019 |
| I. Unappropriated retained earnings                               | 1,002,724,829               | 1,170,864,727     |
| II. Distributions in excess of retained earnings                  |                             |                   |
| Deduction from unitholders' capital                               | 129,898,000                 | 179,199,135       |
| III. Distributions  | 1,132,488,000               | 1,350,015,980     |
| (Distributions per unit)  | (5,292)                     | (5,492)           |
| Of which, distributions of retained earnings                      | 1,002,590,000               | 1,170,816,845     |
| (Of which, distributions in retained earnings per unit)           | (4,685)                     | (4,763)           |
| Of which, distributions in excess of retained earnings            | 129,898,000                 | 179,199,135       |
| (Of which, distributions in excess of retained earnings per unit) | (607)                       | (729)             |
| IV. Retained earnings carried forward                             | 134,829                     | 47,882            |

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 1,170,816,845 yen and 1,002,590,000 yen for the fiscal periods ended February 28, 2019 and August 31, 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. 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, 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. For the fiscal period ended August 31, 2018, MEL declared SCD of 129,898,000 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.

## 11. 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 February 28, 2019 and August 31, 2018.

| Classification                                    | Repayment date     | Weighted-average interest rate | Thousands of yen |                   |
|---|--------------------|--------------------------------|------------------|-------------------|
|   |                    |                                | As of            |                   |
|   |                    |                                | August 31, 2018  | February 28, 2019 |
| Long-term loans payable due within one year       | September 29, 2019 | 0.2441%                        | ¥ -              | ¥ 1,400,000       |
|   |                    |                                | -                | 1,200,000         |
|   |                    |                                | -                | 1,400,000         |
| Total long-term loans payable due within one year |                    |                                | ¥ -              | ¥ 4,000,000       |
|   |                    |                                | ¥ 1,400,000      | ¥ -               |
|   | September 29, 2019 | 0.2441%                        | 1,200,000        | -                 |
|   |                    |                                | 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           |
| Long-term loans payable                           | 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           |
|   | September 14, 2022 | 0.2400%                        | -                | 830,000           |
|   | September 14, 2025 | 0.3950%                        | -                | 800,000           |
|   | September 14, 2026 | 0.4538%                        | -                | 500,000           |
|   |                    |                                | -                | 830,000           |
|   | September 14, 2028 | 0.5750%                        | -                | 807,000           |
|   |                    |                                | -                | 1,256,000         |
| Total long-term loans payable                     |                    |                                | ¥ 18,901,000     | ¥ 19,924,000      |
| Total   |                    |                                | ¥ 18,901,000     | ¥ 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 February 28, 2019 and August 31, 2018 are disclosed in "6. FINANCIAL INSTRUMENTS."

## 12. REDUCTION ENTRY

The amount of reduction entry of property and equipment as of February 28, 2019 and August 31, 2018 are as follows:

|                     | Thousands of yen |                   |
|---------------------|------------------|-------------------|
|                     | As of            |                   |
|                     | August 31, 2018  | February 28, 2019 |
| Structures in trust | ¥ -              | ¥ 4,303           |

## 13. 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 February 28, 2019 and August 31, 2018 are as follows:

|                           | Thousands of yen |                   |
|---------------------------|------------------|-------------------|
|                           | As of            |                   |
|                           | August 31, 2018  | February 28, 2019 |
| Enterprise tax payable    | ¥ 12             | ¥ 11              |
| Total deferred tax assets | 12               | 11                |
| Net deferred tax assets   | ¥ 12             | ¥ 11              |

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 February 28, 2019 and August 31, 2018 are as follows:

|                                  | For the fiscal period ended |                   |
|----------------------------------|-----------------------------|-------------------|
|                                  | August 31, 2018             | February 28, 2019 |
| Statutory tax rate               | 31.74%                      | 31.51%            |
| Adjustments:                     |                             |                   |
| Deductible cash distributions    | (31.72%)                    | (31.49%)          |
| Other                            | 0.06%                       | 0.05%             |
| Actual effective income tax rate | 0.08%                       | 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.

## 14. PER UNIT INFORMATION

The following table summarizes per unit information for the fiscal periods ended February 28, 2019 and August 31, 2018.

|  | Yen                         |                   |
|--|-----------------------------|-------------------|
|  | For the fiscal period ended |                   |
|  | August 31, 2018             | February 28, 2019 |
| Net income per unit                          |                             |                   |
| Basic net income per unit                    | ¥ 4,684                     | ¥ 4,798           |
| Weighted average number of units outstanding | 214,000                     | 243,973           |
| Net assets per unit                          | ¥ 254,986                   | ¥ 252,965         |

(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.

## 15. TRANSACTION WITH RELATED PARTIES

- Transactions and Account Balances with the Parent Company and Major Unitholders  
There were no transactions and account balances for both periods presented.
- Transactions and Account Balances with Affiliates  
There were no transactions and account balances for both periods presented.
- Transactions and Account Balances with Companies under Common Control  
There were no transactions and account balances for both periods presented.
- Transactions and Account Balances with Board of Directors and Individual Unitholders  
There were no transactions and account balances for both periods presented.

## 16. SEGMENT AND RELATED INFORMATION

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

## 17. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable



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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 February 28, 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 February 28, 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*

May 30, 2019  
Tokyo, Japan

A member firm of Ernst & Young Global Limited