Mitsubishi Estate Logistics REIT Investment Corporation

SEMIANNUAL REPORT

Fiscal Period Ended February 28, 2021

Financial Highlights

for the Fiscal Period Ended February 28, 2021

Distributions Per Unit (JPY)
6,619

Operating Revenues (JPY millions)
4,203

Net Income (JPY millions)
2,073

Credit Rating
JCR AA-
(Stable)

Portfolio Size (JPY millions)
170,404
As of Mar. 19, 2021

Average Occupancy
99.8%
Includes 5 properties acquired in 10th FP

Loan-to-Value Ratio
32.4%
Forecasted Feb. 2022

Average Debt Cost
0.40%
As of Apr. 15, 2021

Logicross Narashino

Message from the Management

Joined Mitsubishi Estate Co. Ltd. in 1997

Has extensive experience in Investment Management business in Mitsubishi Estate Group, including;

2015 – 2012: Core/ core+ fund management business in New York-based Rockefeller Group, Boston-based TA Realty, and Mitsubishi Estate New York

2012 – 2007: Private fund business in Mitsubishi Jisho Investment Advisors, the Asset Management Company

Dear Fellow Unitholders,

We are pleased to represent our Ninth Fiscal Period Semiannual Report of Mitsubishi Estate Logistics REIT Investment Corporation (MEL).
We would like to take this opportunity to express our heartfelt appreciation to all of our unitholders for supporting MEL.

During the fiscal period ended February 28, 2021, despite the global uncertainties caused by COVID-19 pandemic, we continued to maximize our unitholder value through disciplined acquisitions. In September 2020, we completed our third follow-on offering and successfully raised 18.3 billion yen of capital including overallotment. With the proceeds and debt financing, we acquired three sponsor-developed properties (Logicross Osaka (initial 60% co-beneficiary interest), Logicross Nagoya Kasadera (initial 60% co-beneficiary interest) and LOGIPORT Osaka Taisho) (remaining 17.5% co-beneficiary interest) and two properties (MJ Logipark Kazo 2 and MJ Logipark Sendai 1) that were sourced by us the Asset Manager, totaling 28.4 billion yen. As a result, our portfolio size has grown to 142.1 billion yen.

With these steady growth, MEL's operating revenues was 4,203 million yen, net income was 2,073 million yen and distributions per unit, including the surplus cash distributions (SCD), was 6,619 yen, which strongly exceeded our original forecast of 5,968 yen.

We maintained an extremely high average occupancy of more than 99 percent and our rents continued to grow. Despite the current COVID-19 pandemic, our rent growth was high 8.5% on a weighted average nominal basis, and have achieved rent growth for six consecutive periods. Also, we have achieved HYBRID internal growth other than rent revisions through distinctive initiatives such as receipt of Green Lease fee based on Green Lease contract, increasing parking space and installation of solar panels on the rooftop. Capturing this momentum, we intend to strive to accomplish this HYBRID internal growth.

In terms of HYBRID external growth, we completed our fourth follow-on offering continued by the previous offering in August last year. With the proceeds and debt financing, we acquired three sponsor-developed properties (Logicross Narashino, Logicross Osaka (remaining 40% co-beneficiary interest) and Logicross Nagoya Kasadera (remaining 40% co-beneficiary interest)) and two properties (MJ Industrial Park Kobe (Land) and MJ Industrial Park Chiba-Kita (Land)) that were sourced by us the Asset Manager, totaling 28.2 billion yen. These acquisitions embody our HYBRID external growth. As a result, our portfolio size has grown to 170.4 billion yen. Accordingly, combing our previous offering, we realized accretion of 16.2 percent distributions per unit (DPU) growth on a stabilized basis and 10.7 percent growth for net asset value (NAV) per unit annually.

We further strengthened our balance sheet backed by our high credibility of our sponsor, Mitsubishi Estate.

In April 2021, we have issued our first bond as a Green bond at a favorable condition with a term of 15 years where it is difficult to borrow from banks. Our remaining debt duration is 5.6 years and all in debt cost is 40 basis point. As of the end of the reporting fiscal period, our loan-to-value ("LTV") ratio was 31.4 percent, and as a reflection of the offerings and acquisitions, our LTV ratio is forecasted to be 32.4 percent at the end of the fiscal period ending February 28, 2022 which gives us enough room to further grow.

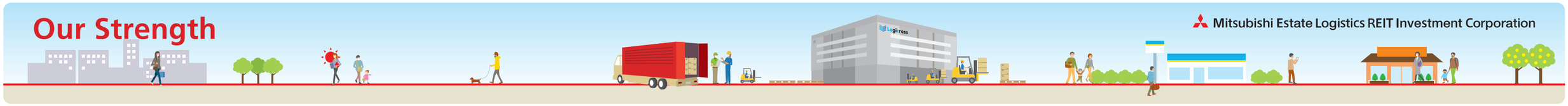
As for the ESG, we have participated in the 2020 GRESB Real Estate and have been awarded the highest "5-star" rating and the prestigious "Green Star" rating. MEL was also recognized as the "Global Listed Industrial Sector Leader," ranked No. 1 globally, demonstrating its outstanding performance in ESG. MEL strives to invest in environmentally friendly logistics facilities, and will continue to focus on maximizing the energy efficiency of our properties, as well as contribution actions to the local communities.

Looking forward, we will endeavor to maximize our unitholder value by growing both externally and internally through HYBRID model and follow our management policy, "Three Pillars."

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

Ken Takanashi

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



“HYBRID” Style and Focus on Sponsor’s Pipeline

Mitsubishi Estate Logistics REIT Investment Corporation

Logicross

Development / Facilities Management

Sponsor

MITSUBISHI ESTATE CO., LTD.

Investment / Asset Management

Asset Management Company

MITSUBISHI JISHO INVESTMENT ADVISORS, INC.

MJ Logipark

Overview

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

Support

- Constant supply of pipeline properties from sponsor through development / operation of advanced logistics facilities
- Utilization of the Sponsor's know-how and corporate customer relations in the leasing activities
- Formulation of capital market-oriented long-term management plan to promote recycling business in domestic asset business and to expand AUM consistently in non-asset businesses

Overview

- Established in 2001, when the scheme of real estate securitization was emerging in Japan
- Its track record includes structuring and managing various types of real estate funds, such as the larger 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 judgment
- Flexible and diverse acquisition strategy, using a wide range of schemes, including bridge funds
- Competitive real estate fund management capability backed by a diverse deal track record

Progress of Management Policy based on "Three Pillars"

	Execution of Growth Strategy based on "Three Pillars" (Since April 2019)					Measures for the Future
Alignment **Align interests with unitholders**	Asset management fee fully linked to unit price performance	Inclusion in the FTSE EPRA Nareit Global Real Estate Index Series	Support from Sponsor and continued same-boat investment	Acquisition of highest rating from GRESB Real Estate and greening of the portfolio	Introducing cumulative investment for employees of Sponsor and Asset Management Company	○ Aim for further inclusion in major indices and improve liquidity by steadily increasing market capitalization
Discipline **Achieve disciplined growth**	External growth utilizing LTV	Flexible property acquisition strategy utilizing bridge funds	External growth with attention to portfolio yield and implied cap rate	Flexible financing carefully watching the market conditions	Issuance of Green Bond to diversify financing methods	○ Maximize unitholder value through disciplined acquisitions and utilizing low LTV
Hybrid **Enhance MEL's unique strategy Hybrid Model**	Enhanced collaboration with Tokyo Ryutsu Center (TRC)		Internal growth utilizing management capability of Asset Management Company and leasing capacity of the Sponsor	Expanding pipelines from both the Sponsor and Asset Management Company	Introducing new pipeline method of "PDP" by Asset Management Company	○ Continue "Hybrid" external and internal growth ○ Secure pipelines continuously from the Sponsor ○ Secure pipelines through utilizing Asset Management Company's various sourcing methods, such as CRE proposals

Note: Executed measures after Apr. 2020 are highlighted in red.

HYBRID External Growth

MITSUBISHI ESTATE CO., LTD.

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

Sponsor-developed properties with expected preferential negotiation right

Mitsubishi Estate Logistics REIT Investment Corporation

Logicross
Brand of logistics facilities that MEC develops throughout Japan

Logicross

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

MJ Logipark

MITSUBISHI JISHO INVESTMENT ADVISORS, INC.

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

MJIA-sourced and operated properties with expected preferential negotiation right

Mitsubishi Estate

Logicross Yokohama Kohoku
(16,000 m²)
Completed in 2019

Logicross Hasuda
(79,000 m²)
Completed in 2021

Logista·Logicross Ibaraki Saito (B)
(31,000 m²)
To be completed in 2021

Logista·Logicross Ibaraki Saito (A)
(115,000 m²)
To be completed in 2021

Logicross Kasukabe
(39,000 m²)
To be completed in 2021

Logicross Funabashi
(23,000 m²)
To be completed in 2021

Logicross Zama Komatsubara
(44,000 m²)
To be completed in 2022

Logicross Zama (tentative name)
(183,000 m²)
To be completed in 2023

Sagamihara Chuo Fuchinobe Project (tentative name)
(173,000 m²)
To be completed in 2023

Bridge Fund / 3rd Party Bridge

LOGIPORT Kawasaki Bay
(296,000 m²)
Completed in 2019

Logicross Atsugi II
(35,000 m²)
Completed in 2019

MJ Logipark Takatsuki 1 (tentative name)
(19,000 m²)
Completed in 2021

MJ Logipark Kakogawa 1 (tentative name)
(33,000 m²)
To be completed in 2022

New Pipeline Method by the Asset Management Company

PDP (Partnership Development Program) refers to a unique development initiative by the Asset Management Company to incorporate properties developed by partners outside MEC group into the pipeline

13 properties 1,091,000 m²

Other multiple projects

Note: As of Apr. 15, 2021

Our Portfolio (as of Mar. 19, 2021)

Logicross Fukuoka Hisayama

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

Logicross Atsugi

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

Logicross Kobe Sanda

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

Logicross Osaka

Acquisition price	JPY 9,743 million
Occupancy rate	100.0%
BELS	★★★★★
CASBEE	S Rank for Real Estate

Logicross Nagoya Kasadera

Acquisition price	JPY 14,424 million
Occupancy rate	100.0%
BELS	★★★★★
CASBEE	S Rank for Real Estate

Logicross Narashino

Acquisition price	JPY 11,851 million
Occupancy rate	100.0%

LOGIPORT Sagamihara
(49% beneficiary interest ratio)

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

LOGIPORT Hashimoto
(45% beneficiary interest ratio)

Acquisition price	JPY 18,200 million
Occupancy rate	99.9%
BELS	★★
CASBEE	S Rank for Real Estate

LOGIPORT Osaka Taisho
(37.5% beneficiary interest ratio)

Acquisition price	JPY 10,484 million
Occupancy rate	96.0%
BELS	★★★★★ (ZEB Ready)
CASBEE	S Rank for Real Estate

MJ Logipark Funabashi 1

Acquisition price	JPY 5,400 million
Occupancy rate	100.0%

MJ Logipark Atsugi 1

Acquisition price	JPY 6,653 million
Occupancy rate	100.0%

MJ Logipark Kazo 1

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

MJ Logipark Osaka 1

Acquisition price	JPY 6,090 million
Occupancy rate	100.0%

MJ Logipark Fukuoka 1

Acquisition price	JPY 6,130 million
Occupancy rate	100.0%

MJ Logipark Tsuchiura 1

Acquisition price	JPY 3,133 million
Occupancy rate	100.0%

MJ Logipark Nishinomiya 1

Acquisition price	JPY 2,483 million
Occupancy rate	100.0%

MJ Logipark Kasugai 1

Acquisition price	JPY 13,670 million
Occupancy rate	100.0%
CASBEE	A Rank for New Construction Aichi

MJ Logipark Kazo 2

Acquisition price	JPY 1,637 million
Occupancy rate	100.0%

MJ Logipark Sendai 1

Acquisition price	JPY 7,388 million
Occupancy rate	100.0%

MJ Industrial Park Sakai (Land)

Acquisition price	JPY 5,600 million
Occupancy rate	100.0%

MJ Industrial Park Kobe (Land)

Acquisition price	JPY 4,970 million
Occupancy rate	100.0%

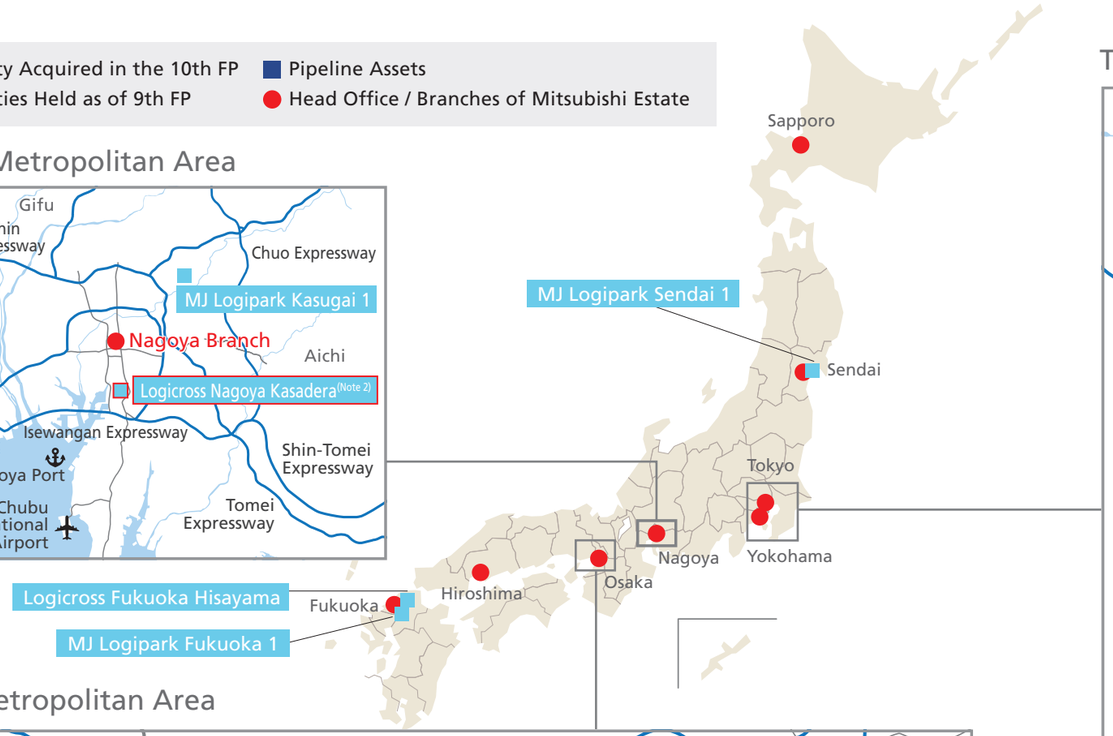
MJ Industrial Park Chiba-Kita (Land)

Acquisition price	JPY 1,800 million
Occupancy rate	100.0%

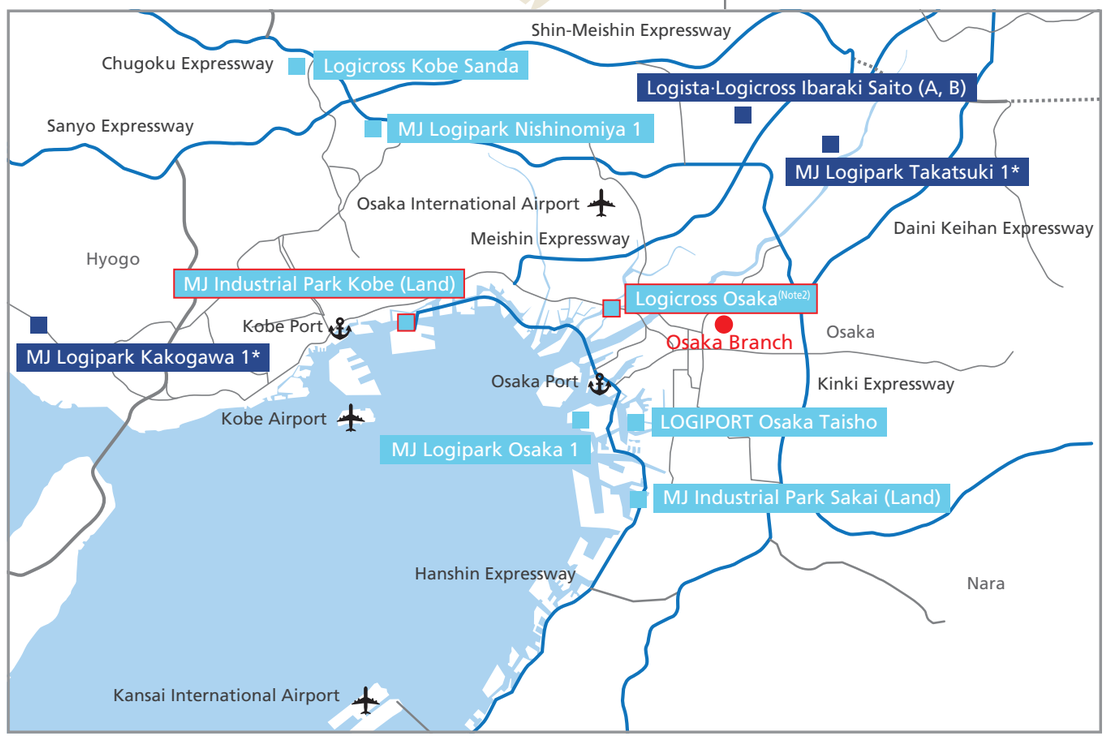
Our Portfolio and Acquisition Pipelines

Property Acquired in the 10th FP
Properties Held as of 9th FP
Pipeline Assets
Head Office / Branches of Mitsubishi Estate

Nagoya Metropolitan Area



Osaka Metropolitan Area

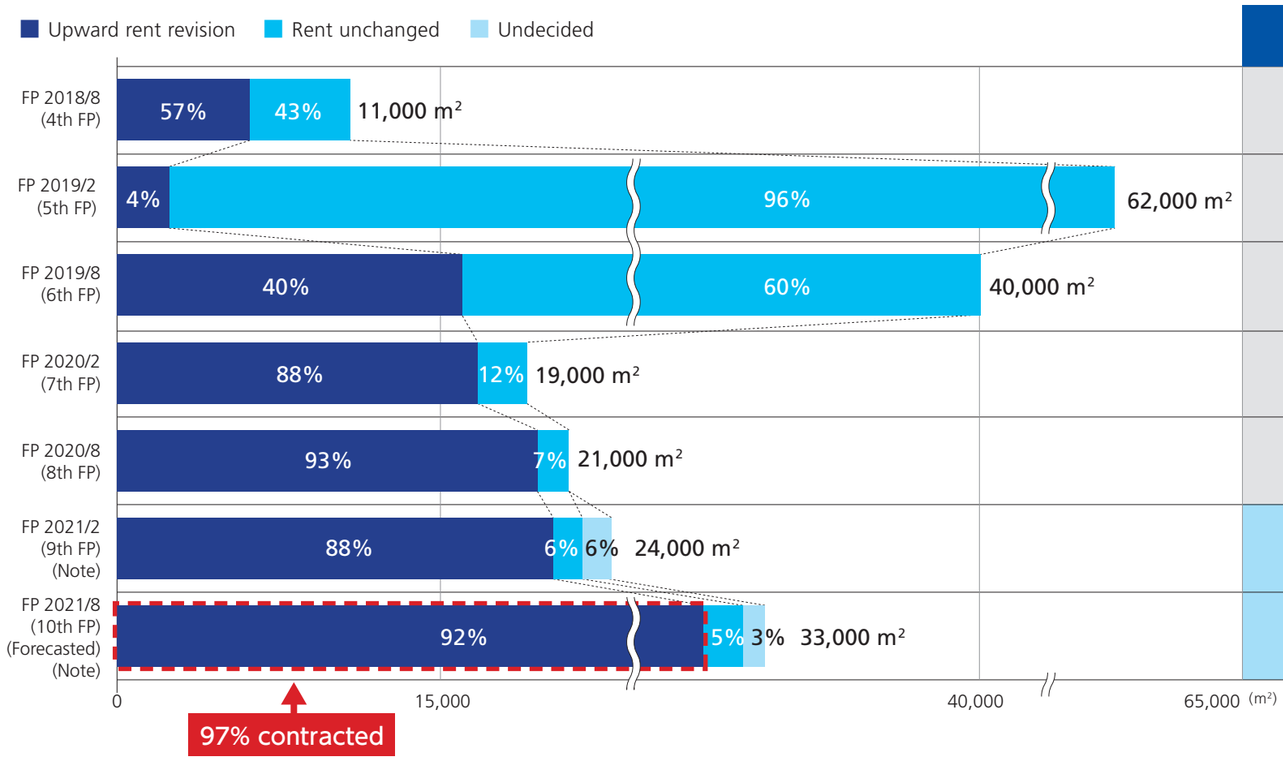


Tokyo Metropolitan Area

* Tentative name
Note 1: As of Apr. 15, 2021
Note 2: For Logicross Osaka and Logicross Nagoya Kasadera, 60% co-beneficiary interest were acquired on Sept. 1, 2020, and the remaining 40% co-beneficiary interest were acquired on Mar. 9, 2021, respectively

HYBRID Internal Growth Strategy

Rent Revision



	Average Rent Growth	Average Rent Growth of Increased Portion
FP 2018/8 (4th FP)	+1.8%	+3.0%
FP 2019/2 (5th FP)	+0.2%	+3.4%
FP 2019/8 (6th FP)	+3.1%	+6.8%
FP 2020/2 (7th FP)	+2.2%	+2.5%
FP 2020/8 (8th FP)	+9.5%	+10.4%
FP 2021/2 (9th FP) (Note)	+8.5%	+9.7%
FP 2021/8 (10th FP) (Forecasted) (Note)	+13.4%	+15.0%

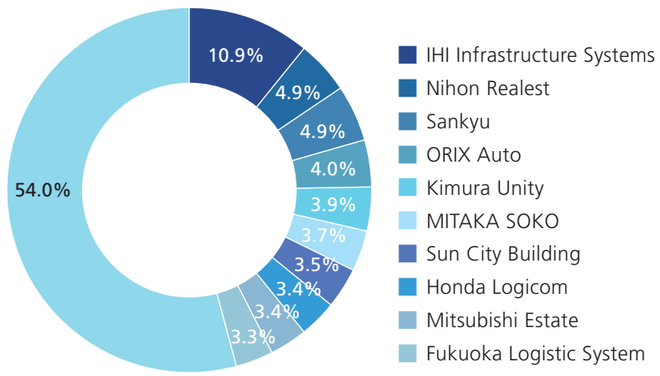
Average Occupancy
99.8%

Fixed-term Lease Rate
100.0%

Weighted Average Lease Expiry
7.4 years

Tenant Data

Tenant Diversification (Based on leased area)

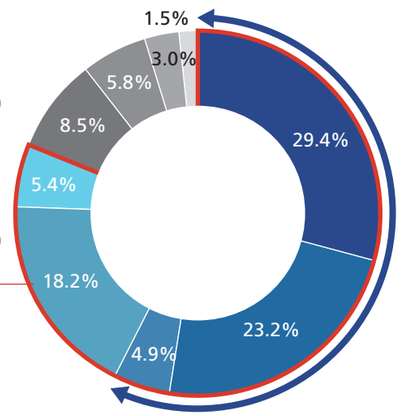


Type of Cargo (Based on leased area)

Cargo for EC
23.0%

B to C
83.0%

Cargo with Strong Demand
81.2%

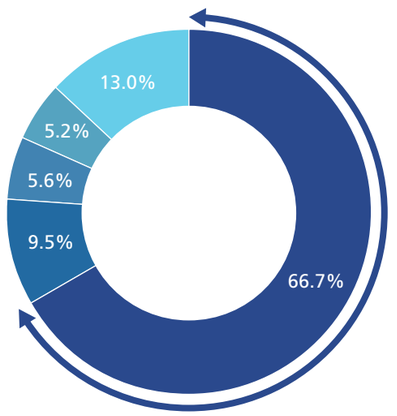


Daily Necessities
57.5%

- Household Goods
- Food and Beverage
- Pharmaceuticals and Medical Devices
- PC/Communications, Home Appliance etc
- Casual Clothing
- Raw/Component Materials
- Furniture and Home Goods
- Electronic devices and Components for Business use
- Others

Delivery Destination (Based on leased area)

3PL
66.7%



Note: As of Apr.5, 2021. Lease contracts that are not yet contracted are assumed to be unchanged for the calculation

Financial Strategy (as of Apr. 15, 2021)

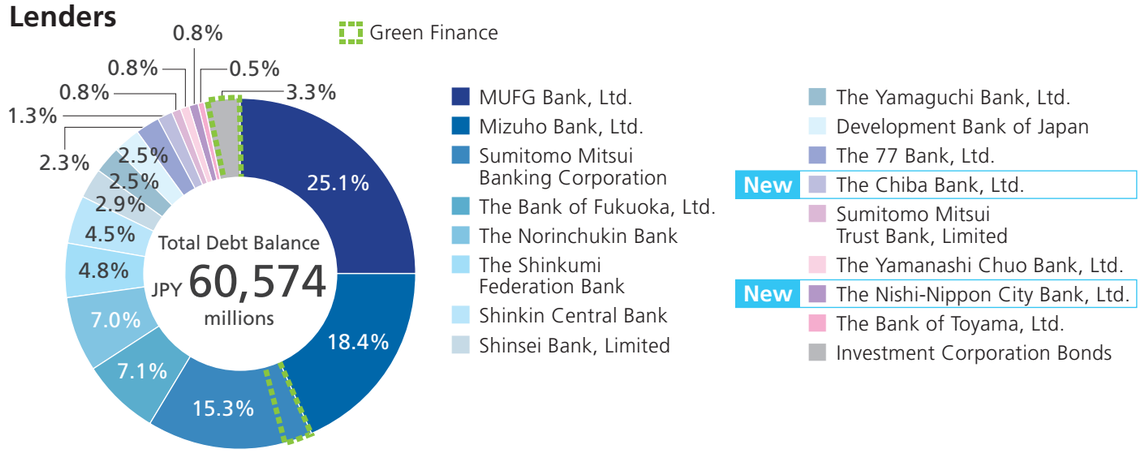
Financial Highlights

Long-term Debt Ratio	Fixed Interest Rate Ratio	Average Remaining Debt Duration
95.5 %	95.5 %	5.6 years

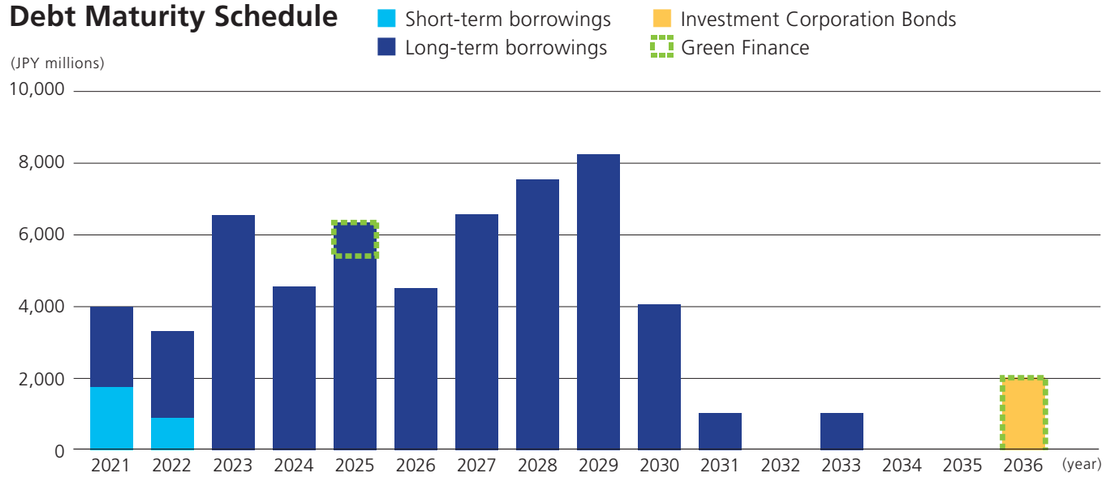
Average Debt Cost	Credit Rating	Loan-to-Value Ratio (Forecasted 2022/2)
0.40%	JCR: AA- (Stable)	32.4%

Debt Capacity (up to 40%)	Debt Capacity (up to 50%)
Approx. JPY 22.0 billion	Approx. JPY 63.0 billion

Lenders



Debt Maturity Schedule



Green Loan

- MEL borrowed 1,350 mnyen through the SDGs Green Loan financed by Sumitomo Mitsui Banking Corporation on Mar. 9, 2021, based on the above third-party evaluation institution's "Green Finance Framework"
- First case in J-REIT financed by MUFG Bank with "ESG Loan for J REIT" and SMBC with "Funding to promote SDG's"

SMBC SDGs PROMOTION LOAN

Upper Limit of Green Finance

	Funds (mn yen)	Procurement Date	Repayment / Redemption Date	Allocation Status
Green Loans	1,350	Mar. 9, 2021	Mar. 9, 2025	Allocated
Green Bonds	2,000	Apr. 14, 2021	Apr. 14, 2036	Allocated
Total Green Finance	3,350	—	—	—
Upperlimit of Green Finance (Note)	33,682	—	—	—

Note: The Upper Limit of Green Finance = Total Acquisition Price of Green Eligible Assets ×Total Asset. LTV is calculated based on Feb. 28, 2021

GRESB Assessment

For 2020 GRESB Real Estate Assessment, MEL as awarded the prestigious "5 Stars" for the first time based on a relative evaluation by overall score, and "Green Star" for 2 consecutive years. Furthermore, MEL ranked 1st among 22 companies in industrial-listed sector in global, and was selected as "Global Listed Industrial Sector Leader". In addition, in the "GRESB Public Disclosure" (5-level rating) that measures the level of ESG information disclosure, MEL's effort to disclose ESG information was highly evaluated, and for the first time, was awarded the highest rank "A Level".

GRESB 2020 ★★★★★

GRESB REAL ESTATE Sector Leader 2020

GRESB Public Disclosure 2020

Signing of PRI

Asset Management Company became a signatory of PRI, the Principles for Reasonable Investment in March 2020.

PRI encourages the incorporation of Environment, Social and Governance issues into investment decision-making processes, with the aim to help companies enhance long-term investment performance and better fulfill their fiduciary duty.

Signatory of: PRI Principles for Responsible Investment

Participate in United Nations Global Compact (UNGC)

UNGC is a voluntary, global initiative supporting a global framework for sustainable growth through the demonstration of creative, responsible leadership by the respective corporations and organizations as principled members of society.

Mitsubishi Estate became a signatory of the UNGC and Mitsubishi Estate Group was registered as participants in April 2018. Along with this, the Asset Management Company has participated in this initiative as a member of Mitsubishi Estate Group.

WE SUPPORT UN GLOBAL COMPACT

Mitsubishi Estate Group's Initiatives for ESG

Mitsubishi Estate Group's Sustainable Development Goals 2030
(Long-term Business Plan)

1. Environment

Sustainable urban development that proactively addresses climate change and environmental issues

2. Diversity & Inclusion

Urban development that responds to lifestyle and human resources trends and facilitates active participation for all

3. Innovation

Innovative urban development that continuously renews society

4. Resilience

Dynamic, flexible urban development that builds disaster-resilient communities and prioritizes safety and security

Environment

Sustainable Building Certifications

Ratio of Green Properties in Portfolio (GFA basis) **75.3%**

Certification System		No. of Properties
BELS	Building-Housing Energy-Efficiency Labeling System (BELS)	8
CASBEE	Comprehensive Assessment System for Built Environment Efficiency (CASBEE) for Real Estate	8
DBJ Green Building	DBJ Green Building Certification	1

Property Name	Evaluation	Property Name	Evaluation
Logicross Fukuoka Hisayama	DBJ Green Building Certification: ★★★★ (2018/3/30)	LOGIPORT Sagamihara	BELS: ★★★★ (2020/12/22) CASBEE S Rank for Real Estate (2019/8/21)
Logicross Atsugi	BELS: ★★★★★ (2019/2/20) CASBEE S Rank for Real Estate (2019/3/29)	LOGIPORT Hashimoto	BELS: ★★ (2018/2/15) CASBEE S Rank for Real Estate (2019/8/21)
Logicross Kobe Sanda	BELS: ★★★★ (2019/2/20) CASBEE A Rank for RealEstate (2019/3/29)	LOGIPORT Osaka Taisho	BELS: ★★★★★/ZEB Ready (2020/12/22) CASBEE S Rank for Real Estate (2020/7/10)
Logicross Osaka	BELS: ★★★★★ (2021/1/27) CASBEE S Rank for Real Estate (2021/2/26)	MJ Logipark Kasugai 1	CASBEE A Rank for New Construction Aichi (2015/9/1)
Logicross Nagoya Kasadera	BELS: ★★★★★ (2021/1/27) CASBEE S Rank for Real Estate (2021/2/26)	MJ Logipark Kazo 1	BELS: ★★★★★ (2019/2/20)

Examples

Energy Saving Initiatives

Insulated sandwich panels for exterior walls

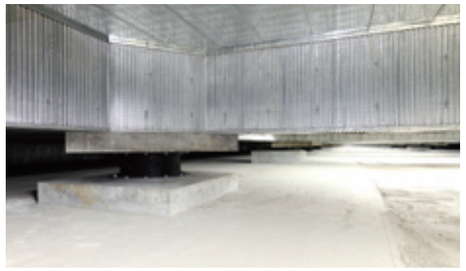
Installation of motion-detection sensors

Reuse of OA floor panels of office buildings in Marunouchi

Renovation with LED installed based on green lease contract

Use of Renewable Energy / BCP Initiatives

Insulated solar panels


Seismic isolators

Installation of private power generators

Measures against infectious diseases (use of hand sanitizers)

Social

Proactive Participation in CSR Activities

Participation in flower bed maintenance activities of community near Logicross Atsugi

Register for Disaster Cooperation Building (LOGIPORT Sagamihara, LOGIPORT Hashimoto)

Lawn-mowing at greenery areas (MJ Logipark Atsugi 1)

Secure reserves in case of emergency
(Food, beverage & portable toilet)

As a heatstroke measure, free salt candy Service for tenants in properties (for all properties held as of Aug. 2020)

Offering Comfortable Working Environment

Examplesin the Asset Management Company

- Introduction of flexible working hour
- Installation of community spaces within office area
- Invitation of personnel from group companies and outside professionals
- Specialized training for skill improvement
- Employee satisfaction survey

These initiatives are intended to maximize asset management performance by improving productivity, skills and motivation of employees

Donated 1,900 unused surge masks stored to the Chiyoda Ward Health Center

Donated unused calendars as a substitute for notebooks to elementary schools in developing countries through a supporting organization

Collaboration with Local Educational Institute and Improvement in Tenant Satisfaction

Conducted a survey to employees and reflected result on the renovation of employee lounge. Also, A wall design contest involving local universities and vocational schools was done, and the design of the winner is used at lounge's wall design of MJ Logipark Fukuoka 1

Governance

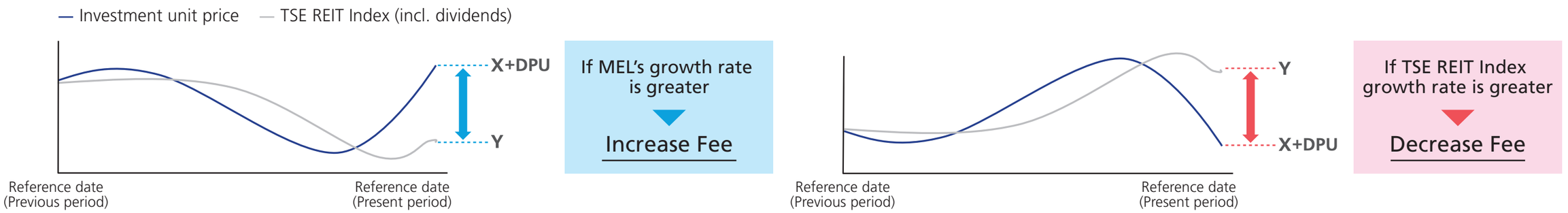
Cumulative Investment for Employees

Introduced a program for employees of the Sponsor and the Asset Management Company to invest in MEL to align interest with unitholders

Asset Management Fee Structure

MEL introduced an asset management fee structure reflecting the performance of investment unit price for the purpose of aligning interest with unitholders.

Asset Management Fee Ⅰ (AUM-linked)	Total assets as of the end of previous period × 0.2% (upper limit)
Asset Management Fee Ⅱ (Real estate profit-linked)	Adjusted NOI x 5.0% (upper limit)
Asset Management Fee Ⅲ (Unitholder interest-linked)	Adjusted net income before tax × net income before tax per unit × 0.001% (upper limit) 1st in J-REIT "**Fee linked to investment unit price**" Performance against TSE REIT Index ((a) - (b)) × market capitalization (for fiscal period of each term) × 0.1% (upper limit) (a): Fluctuations in MEL's investment unit price (incl. dividends) (b): Fluctuations in the TSE REIT Index (incl. dividends)



Same-boat investment by Mitsubishi Estate as of Apr. 15, 2021 **4.1%**

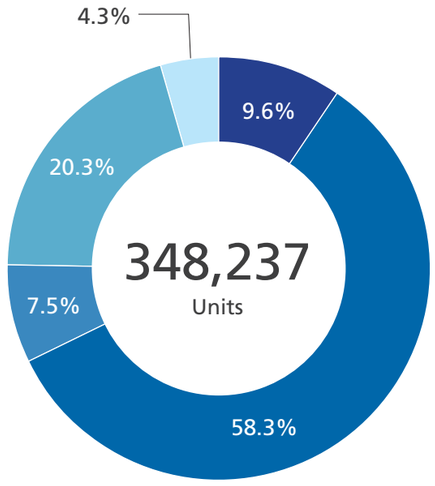
Employee Hotlines (Whistleblower Protection)

We have established a consultation desk for legal violations, violations of internal rules, harassment, and other matters that are widely contrary to ethical and social standards, and all persons engaged in our business, including retirees and temporary employees, can report and consult with us. We strictly observe privacy in whistleblowing and consulting, confirm and investigate the facts, and take appropriate action. The Mitsubishi Estate Group Help Line and the Mitsubishi Estate Group Whistleblower System may also be used as necessary. This system complies with the Whistleblower Protection Act.

Unitholder Information (As of Feb. 28, 2021)

Breakdown by Units

- Domestic individuals and others : 33,372 units
- Financial institutions : 203,105 units
- Domestic entities : 25,997 units
- Foreign entities : 70,650 units
- Securities Companies : 15,113 units

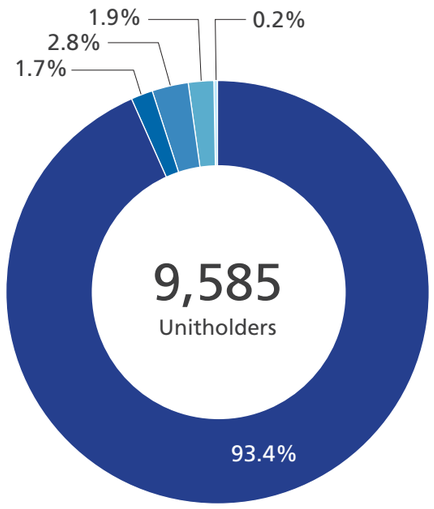


Major Unitholders

	Number of Investment Units	Share of Investment Units (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	53,105	15.24
Custody Bank of Japan, Ltd. (Trust Account)	46,559	13.36
Mitsubishi Estate Co., Ltd.	14,200	4.07
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	13,755	3.94
The Nomura Trust and Banking Company, Ltd. (Trust Account)	10,859	3.11
SMBC Nikko Securities Inc.	9,270	2.66
The Chugoku Bank, Limited	6,194	1.77
The Shinkumi Federation Bank	5,748	1.65
Mitsubishi UFJ Trust and Banking Corporation	5,413	1.55
STATE STREET BANK WEST CLIENT–TREATY 505234	4,632	1.33
Total	169,735	48.74

Breakdown by Unitholders

- Domestic individuals and others : 8,956 unitholders
- Financial institutions : 160 unitholders
- Domestic entities : 266 unitholders
- Foreign entities : 185 unitholders
- Securities companies : 18 unitholders



Continuous Same-Boat Investment in MEL by the Sponsor

Investment in MEL by MEC
(As of Apr. 15, 2021)

15,950 units
(4.1%)

BALANCE SHEET

	Thousands of yen	
	As of	
	August 31, 2020	February 28, 2021
ASSETS		
Current assets:		
Cash and deposits (Notes 4, 6)	¥ 3,504,701	¥ 3,787,095
Cash and deposits in trust (Notes 4, 6)	4,389,936	5,685,115
Operating accounts receivable	27,459	28,579
Prepaid expenses	14,807	21,350
Consumption taxes receivable	-	1,209,689
Other current assets	15,845	-
Total current assets	7,952,750	10,731,829
Fixed assets:		
Property and equipment (Notes 5, 7)		
Buildings in trust (Note 12)	48,174,980	60,814,082
Less: accumulated depreciation	(2,987,424)	(3,727,731)
Buildings in trust, net	45,187,555	57,086,350
Structures in trust (Note 12)	1,760,155	2,132,358
Less: accumulated depreciation	(81,973)	(103,076)
Structures in trust, net	1,678,181	2,029,281
Machinery and equipment in trust	41,356	197,114
Less: accumulated depreciation	(1,989)	(12,939)
Machinery and equipment in trust, net	39,367	184,175
Tools, furniture and fixtures in trust	11,091	16,694
Less: accumulated depreciation	(1,515)	(2,652)
Tools, furniture and fixtures in trust, net	9,576	14,042
Land in trust	65,551,550	81,361,574
Total property and equipment	112,466,230	140,675,424
Intangible assets (Note 5)		
Software	3,935	2,985
Other intangible assets	691	641
Total intangible assets	4,626	3,626
Investments and other assets		
Deferred tax assets (Note 13)	11	15
Long-term prepaid expenses	33,078	42,714
Security deposit	10,000	10,000
Total investments and other assets	43,090	52,730
Total fixed assets	112,513,946	140,731,780
Deferred assets:		
Organization expenses	10,079	4,032
Total deferred assets	10,079	4,032
Total assets	¥ 120,476,777	¥ 151,467,642

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

BALANCE SHEET, continued

	Thousands of yen	
	As of	
	August 31, 2020	February 28, 2021
LIABILITIES		
Current liabilities:		
Operating accounts payable	¥ 90,602	¥ 257,699
Short-term loans payable (Notes 6,11)	950,000	2,000,000
Long-term loans payable due within one year	-	2,211,000
Accounts payable	8,322	21,350
Distributions payable	6,017	6,862
Accrued expenses	419,864	488,817
Income taxes payable	837	916
Consumption taxes payable	204,777	-
Advances received	528,045	715,556
Deposits received	-	96
Total current liabilities	2,208,467	5,702,299
Non-current liabilities		
Long-term loans payable (Notes 6, 11)	34,424,000	43,363,000
Tenant leasehold and security deposits in trust (Note 6)	2,195,412	2,816,129
Total non-current liabilities	36,619,412	46,179,129
Total liabilities	38,827,879	51,881,429
NET ASSETS		
Unitholders' equity		
Unitholders' capital		
Units authorized: 10,000,000 units as of February 28, 2021 and August 31, 2020		
Units issued and outstanding: 348,237 units as of February 28, 2021 and 305,815 units as of August 31, 2020		
Unitholders' capital, gross	80,744,051	98,444,036
Deduction from unitholders' capital	(750,029)	(931,072)
Unitholders' capital, net	79,994,021	97,512,964
Surplus		
Retained earnings	1,654,877	2,073,248
Total surplus	1,654,877	2,073,248
Total unitholders' equity	81,648,898	99,586,213
Total net assets (Note 10)	81,648,898	99,586,213
Total liabilities and net assets	¥ 120,476,777	¥ 151,467,642

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, 2020	February 28, 2021
Operating revenues:		
Operating rental revenues (Note 8)	¥ 3,179,904	¥ 4,002,266
Other rental revenues (Note 8)	162,864	201,145
Total operating revenues	3,342,769	4,203,412
Operating expenses:		
Expenses related to property rental business (Note 8)	1,187,243	1,497,479
Asset management fee	307,446	352,247
Asset custody fee	1,150	1,390
Administrative service fee	16,784	19,156
Directors' compensation	2,400	2,400
Commission paid	66,880	94,815
Other operating expenses	30,886	31,182
Total operating expenses	1,612,790	1,998,671
Operating income	1,729,978	2,204,740
Non-operating income:		
Interest income	36	44
Interest on refund	2,174	-
Refund of property taxes	-	726
Total non-operating income	2,211	770
Non-operating expenses:		
Interest expenses	68,880	87,433
Borrowing related expenses	1,723	3,290
Amortization of organization expenses	6,047	6,047
Amortization of investment unit issuance expenses	-	34,682
Total non-operating expenses	76,651	131,455
Ordinary income	1,655,538	2,074,055
Income before income taxes	1,655,538	2,074,055
Income taxes-current (Note 13)	842	923
Income taxes-deferred (Note 13)	5	(3)
Total income taxes	848	919
Net income	1,654,690	2,073,136
Retained earnings brought forward	187	112
Unappropriated retained earnings	¥ 1,654,877	¥ 2,073,248

	Yen	
	For the period ended	
	August 31, 2020	February 28, 2021
Net income per unit (Note 14)	¥ 5,410	¥ 5,958

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

STATEMENT OF CHANGES IN NET ASSETS

For the period ended February 28, 2021

	Thousands of yen						
	Unitholders' equity						
	Unitholders' capital			Surplus		Total unitholders' equity	Total net assets
	Unitholders' capital, gross	Deduction of unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings	Total surplus		
Balance as of September 1, 2020 (Note 10)	¥80,744,051	¥(750,029)	¥79,994,021	¥1,654,877	¥1,654,877	¥81,648,898	¥81,648,898
Change during the period							
Issuance of new investment units	17,699,985	-	17,699,985	-	-	17,699,985	17,699,985
Distributions in excess of retained earnings	-	(181,042)	(181,042)	-	-	(181,042)	(181,042)
Surplus cash distributions	-	-	-	(1,654,764)	(1,654,764)	(1,654,764)	(1,654,764)
Net income	-	-	-	2,073,136	2,073,136	2,073,136	2,073,136
Total change during the period	17,699,985	(181,042)	17,518,943	418,371	418,371	17,937,314	17,937,314
Balance as of February 28, 2021 (Note 10)	¥98,444,036	¥(931,072)	¥97,512,964	¥2,073,248	¥2,073,248	¥99,586,213	¥99,586,213

For the period ended August 31, 2020

	Thousands of yen						
	Unitholders' equity						
	Unitholders' capital			Surplus		Total unitholders' equity	Total net assets
	Unitholders' capital, gross	Deduction of unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings	Total surplus		
Balance as of March 1, 2020 (Note 10)	¥ 80,744,051	¥ (576,021)	¥ 80,168,030	¥ 1,632,627	¥ 1,632,627	¥ 81,800,657	¥ 81,800,657
Change during the period							
Distributions in excess of retained earnings	-	(174,008)	(174,008)	-	-	(174,008)	(174,008)
Surplus cash distributions	-	-	-	(1,632,440)	(1,632,440)	(1,632,440)	(1,632,440)
Net income	-	-	-	1,654,690	1,654,690	1,654,690	1,654,690
Total change during the period	-	(174,008)	(174,008)	22,249	22,249	(151,759)	(151,759)
Balance as of August 31, 2020 (Note 10)	¥ 80,744,051	¥ (750,029)	¥ 79,994,021	¥ 1,654,877	¥ 1,654,877	¥ 81,648,898	¥ 81,648,898

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

STATEMENT OF CASH FLOWS

	Thousands of yen	
	For the period ended	
	August 31, 2020	February 28, 2021
Cash flows from operating activities:		
Income before income taxes	¥ 1,655,538	¥ 2,074,055
Depreciation	605,448	774,496
Amortization of investment unit issuance	-	34,682
Interest income	(36)	(44)
Interest expenses	68,880	87,433
Decrease (Increase) in operating accounts receivable	(6,010)	(1,120)
Decrease (Increase) in consumption taxes receivable	1,005,408	(1,209,689)
Decrease (Increase) in prepaid expenses	1,159	(6,542)
Decrease (Increase) in long-term prepaid expenses	5,617	(9,636)
Increase (Decrease) in operating accounts payable	11,159	85,211
Increase (Decrease) in accounts payable	(1,432)	13,028
Increase (Decrease) in accrued expenses	64,162	65,951
Increase (Decrease) in consumption taxes payable	204,777	(204,777)
Increase (Decrease) in advances received	(30,446)	187,511
Others	(8,803)	21,990
Subtotal	3,575,421	1,912,552
Interest received	36	44
Interest paid	(68,232)	(84,432)
Payments due to disaster	(9,635)	-
Income taxes paid	(949)	(843)
Net cash provided by (used in) operating activities	3,496,640	1,827,319
Cash flows from investing activities:		
Purchases of property and equipment in trust	(47,866)	(28,900,804)
Proceeds from tenant leasehold and security deposits in trust	78,145	676,278
Repayments from tenant leasehold and security deposits in trust	(12,650)	(55,560)
Net cash provided by (used in) investing activities	17,628	(28,280,087)
Cash flows from financing activities:		
Proceeds from short-term loans payable	-	2,800,000
Repayments of short-term loans payable	(1,100,000)	(1,750,000)
Proceeds from long-term loans payable	-	11,150,000
Proceeds from issuance of new investment units	-	17,665,302
Payment of distributions of retained earnings	(1,632,883)	(1,654,114)
Payment of distributions in excess of retained earnings	(173,942)	(180,847)
Net cash provided by (used in) financing activities	(2,906,826)	28,030,340
Net increase (decrease) in cash and cash equivalents	607,443	1,577,572
Cash and cash equivalents at the beginning of the period	7,287,195	7,894,638
Cash and cash equivalents at the end of the period (Note4)	¥ 7,894,638	¥ 9,472,211

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 14, 2016 under the "Act on Investment Trust and Investment Corporation" (hereinafter the "Investment Trust Law"), and acquired 1 property worth 5,400 million yen on September 29, 2016, 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 7 properties (aggregate acquisition price: 65,479 million yen) on September 14, 2017 following its listing and acquired 2 properties (aggregate acquisition price: 12,340 million yen) on September 3, 2018. Furthermore, MEL acquired one additional property on September 2, 2019, and additional four properties on October 9, 2019, total of five properties worth aggregate acquisition price of 30,568 million yen. In addition, MEL acquired five properties worth aggregate acquisition price of 28,407 million yen during the reporting fiscal period. As of February 28, 2021, MEL held in the form of beneficiary right in trust in 19 properties (aggregate acquisition price: 142,194 million yen), and the occupancy rate remained high at 99.7% 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	2-63 years
Structures	10-58 years
Machinery and equipment	8-12 years
Tools, furniture and fixtures	4-15 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, machinery and equipment 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.

i) Consumption Taxes

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

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued on March 31, 2020)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States have jointly developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 (IASB) and Topic 606 (FASB)) in May 2014. Given the situation where IFRS 15 will be applied from fiscal years beginning on or after January 1, 2018 and that Topic 606 will be applied from fiscal years beginning after December 15, 2017, the ASBJ has developed comprehensive accounting standards for revenue recognition and issued them together with the implementation guidance. The basic policy of the ASBJ when it developed the accounting standards for revenue recognition was to specify the accounting standards, incorporating the basic principles of IFRS 15 as a starting point, from the perspective of comparability between financial statements, which is one of the benefits of maintaining compatibility with IFRS 15. The basic policy also stipulates that if there is an item to which consideration should be given, such as practices that have been conducted thus far in Japan, alternative treatments will be added to the extent to which comparability is not impaired.

(2) Scheduled date of application

The accounting standards will be applied from the beginning of the fiscal period ending February 28, 2022.

(3) Impact of applying the accounting standards

The impact of applying "Accounting Standard for Revenue Recognition" and its guidance on the financial statements is currently under evaluation.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 issued on July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued on July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 31, 2020)

(1) Overview

The IASB and the FASB have established detailed guidance regarding fair value measurement (IFRS 13 "Fair Value Measurement" (IASB) and Topic 820 "Fair Value Measurement" (FASB)). The ASBJ repeatedly considered the guidance regarding fair value of financial instruments and disclosure in order to improve the comparability with such international accounting standards, and issued "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement."

As the basic policy of the ASBJ for the development of accounting standard for fair value measurement, the ASBJ basically adopted all provisions of IFRS 13 by using the unified measurement method, from the point of view of improving the comparability of financial statements among domestic and foreign companies. In addition, considering the actual practices that have been executed in Japan, other treatments for individual items are established within the scope not to impair comparability between the financial statements.

(2) Scheduled date of application

The accounting standards will be applied from the beginning of the fiscal period ending February 28, 2022.

(3) Impact of applying the accounting standards

The impact of applying the "Accounting Standard for Fair Value Measurement" and its guidance on the financial statements is currently under evaluation.

- "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31 issued on March 31, 2020)

(1) Overview

Paragraph 125 of International Accounting Standard 1 (IAS 1), "Presentation of Financial Statements," (issued by the IASB in 2003) requires disclosure of information about the "assumptions the entity makes about the future, and other major sources of estimation uncertainty." In this regard, there has been a request that the major sources of estimation uncertainty should be disclosed in the notes to financial statements under Japanese GAAP to provide useful information to users of financial statements. In response to this request, the ASBJ developed and issued "Accounting Standard for Disclosure of Accounting Estimates."

The Accounting Standards Committee's basic policy for the development of this standard is not to expand individual notes, but to indicate the principles (disclosure purposes). Specific disclosures are to be determined by corporates based on the purpose of disclosure, and are to be developed based on the rules set forth in IAS No. 1, Item 125.

(2) Scheduled date of application

The accounting standard will be applied from the end of the fiscal period ending August 31, 2021.

- "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on March 31, 2020)

(1) Overview

The ASBJ's Standards Advisory Council recommended that the ASBJ consider enhancing disclosures for notes relating to "accounting policies and methods adopted in the cases where the relevant accounting standards were not clear." In response to such recommendations, the ASBJ issued the revised "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections."

To improve the note information concerning "The accounting policies and methods which have been adopted in the cases where the relevant accounting standards are not available", the provision of Financial Accounting Principles (note 1-2) will be followed to ensure consistency with actual practices when the relevant accounting standards exist.

(2) Scheduled date of application

The accounting standard will be applied from the end of the fiscal period ending August 31, 2021.

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, 2020	February 28, 2021
Cash and deposits	¥ 3,504,701	¥ 3,787,095
Cash and deposits in trust	4,389,936	5,685,115
Cash and cash equivalents	¥ 7,894,638	¥ 9,472,211

5. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment and intangible assets as of February 28, 2021 are as follows:

Type of assets		Thousands of yen							
		Balance as of September 1, 2020	Increase during the period	Decrease during the period	Balance as of February 28, 2021	Depreciation		Net balance as of February 28, 2021	Remarks
						Accumulated depreciation	Depreciation for the period		
Property and equipment	Buildings in trust	¥ 48,174,980	¥12,639,102	¥ -	¥ 60,814,082	¥3,727,731	¥ 740,306	¥ 57,086,350	-
	Structures in trust	1,760,155	372,203	-	2,132,358	103,076	21,102	2,029,281	-
	Machinery and equipment in trust	41,356	155,757	-	197,114	12,939	10,949	184,175	-
	Tools, furniture and fixtures in trust	11,091	5,603	-	16,694	2,652	1,137	14,042	-
	Land in trust	65,551,550	15,810,023	-	81,361,574	-	-	81,361,574	-
Total property and equipment		¥115,539,133	¥28,982,690	¥ -	¥144,521,823	¥3,846,399	¥ 773,496	¥ 140,675,424	-
Intangible assets	Software	¥ 9,500	¥ -	¥ -	¥ 9,500	¥ 6,515	¥ 950	¥ 2,985	-
	Other intangible assets	1,000	-	-	1,000	358	50	641	-
Total intangible assets		¥ 10,500	¥ -	¥ -	¥ 10,500	¥ 6,873	¥ 1,000	¥ 3,626	-

(Note) The amount of increase during the period is primarily attributable to the acquisition of 4 properties and the additional acquisition of 1 property.

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, 2021 and August 31, 2020 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, 2021		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 3,787,095	¥ 3,787,095	¥ -
(2) Cash and deposits in trust	5,685,115	5,685,115	-
Total assets	¥ 9,472,211	¥ 9,472,211	¥ -
(3) Short -term loans payable	¥ 2,000,000	¥ 2,000,000	¥ -
(4) Long-term loans payable due within one year	2,211,000	2,212,967	1,967
(5) Long-term loans payable	43,363,000	43,473,011	110,011
Total liabilities	¥ 47,574,000	¥ 47,685,978	¥ 111,978

	Thousands of yen		
	As of August 31, 2020		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 3,504,701	¥ 3,504,701	¥ -
(2) Cash and deposits in trust	4,389,936	4,389,936	-
Total assets	¥ 7,894,638	¥ 7,894,638	¥ -
(3) Short -term loans payable	¥ 950,000	¥ 950,000	¥ -
(4) Long-term loans payable due within one year	-	-	-
(5) Long-term loans payable	34,424,000	34,648,574	224,574
Total liabilities	¥ 35,374,000	¥ 35,598,574	¥ 224,574

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

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

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

(4) Long-term loans payable due within one year and (5) 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, 2020	February 28, 2021
Tenant leasehold and security deposits in trust	¥ 2,195,412	¥ 2,816,129

(Note 3) Redemption schedule for monetary claims after February 28, 2021

	Thousands of yen					
	As of February 28, 2021					
	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	¥ 3,787,095	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	5,685,115	-	-	-	-	-
Total	¥ 9,472,211	¥ -	¥ -	¥ -	¥ -	¥ -

Redemption schedule for monetary claims after August 31, 2020

	Thousands of yen					
	As of August 31, 2020					
	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	¥ 3,504,701	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	4,389,936	-	-	-	-	-
Total	¥ 7,894,638	¥ -	¥ -	¥ -	¥ -	¥ -

(Note 4) Repayment schedule for debt after February 28, 2021

	Thousands of yen					
	As of February 28, 2021					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Short-term loans payable	¥ 2,000,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable due within one year	2,211,000	-	-	-	-	-
Long-term loans payable	-	3,310,000	6,540,000	4,550,000	4,970,000	23,993,000
Total	¥ 4,211,000	¥ 3,310,000	¥ 6,540,000	¥ 4,550,000	¥ 4,970,000	¥23,993,000

Repayment schedule for debt after August 31, 2020

	Thousands of yen					
	As of August 31, 2020					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Short-term loans payable	¥ 950,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	-	2,211,000	3,310,000	6,540,000	3,400,000	18,963,000
Total	¥ 950,000	¥ 2,211,000	¥ 3,310,000	¥ 6,540,000	¥ 3,400,000	¥18,963,000

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 period ended			
	August 31, 2020		February 28, 2021	
Book value (Note 1)				
Balance at the beginning of the period	¥	113,023,624	¥	112,466,230
Changes during the period (Note 2)		(557,394)		28,209,193
Balance at the end of the period	¥	112,466,230	¥	140,675,424
Fair value at the end of the period (Note 3)	¥	123,615,000	¥	155,900,000

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

(Note 2) The increase for the fiscal period ended August 31, 2020 was primarily a result of the recognition of CAPEX which amounted 47,053 thousand yen. The decrease was primarily a result of the recognition of depreciation, which amounted to 604,448 thousand yen. The increase for the fiscal period ended February 28, 2021 was primarily a result of acquiring new properties for a total of 28,865,490 thousand yen. The decrease was primarily a result of the recognition of depreciation, which amounted to 773,496 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, 2021 and August 31, 2020.

	Thousands of yen			
	For the period ended			
	August 31, 2020		February 28, 2021	
A. Property-related revenues				
Operating rental revenues				
Rental revenues	¥	3,035,383	¥	3,825,893
Common area charges		144,521		176,373
Total	¥	3,179,904	¥	4,002,266
Other rental revenues				
Received utilities cost	¥	111,023	¥	124,108
Others		51,841		77,037
Total	¥	162,864	¥	201,145
Total property-related revenues	¥	3,342,769	¥	4,203,412
B. Property-related expenses				
Rental expenses				
Facility management fee	¥	104,652	¥	185,972
Property and other taxes		313,996		313,276
Insurance		4,957		6,412
Repair and maintenance		41,406		75,570
Utilities cost		99,083		115,299
Depreciation		604,448		773,496
Custodian fee		2,427		3,140
Others		16,272		24,312
Total rental expenses	¥	1,187,243	¥	1,497,479
C. Operating income from property leasing (A-B)	¥	2,155,525	¥	2,705,932

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, 2020	February 28, 2021
Due within one year	¥ 5,853,529	¥ 8,139,356
Due after one year	34,518,339	39,466,864
Total	¥ 40,371,869	¥ 47,606,221

10. NET ASSETS

a) Stated Capital

MEL issues only non-par value units in accordance with the Investment Trust Law. 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 Law.

b) Distributions

	Yen	
	For the period ended	
	August 31, 2020	February 28, 2021
I. Unappropriated retained earnings	¥ 1,654,877,226	¥ 2,073,248,856
II. Distributions in excess of retained earnings		
Deduction from unitholders' capital	181,042,480	231,925,842
III. Distributions	1,835,807,445	2,304,980,703
(Distributions per unit)	(6,003)	(6,619)
Of which, distributions of retained earnings	1,654,764,965	2,073,054,861
(Of which, distributions in retained earnings per unit)	(5,411)	(5,953)
Of which, distributions in excess of retained earnings	181,042,480	231,925,842
(Of which, distributions in excess of retained earnings per unit)	(592)	(666)
IV. Retained earnings carried forward	¥ 112,261	¥ 193,995

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 2,073,054,861 yen and 1,654,764,965 yen for the fiscal periods ended February 28, 2021 and August 31, 2020, respectively. These amounts were equivalent to the maximum integral multiples of number of investment units issued and outstanding as of the end of each fiscal period. Based on the distribution policy as defined in Article 35, Paragraph 2 of the Articles of Incorporation, MEL shall make Surplus Cash Distributions (SCD), defined as distributions in excess of retained earnings, as a return of unitholders' capital, each fiscal period on a continuous basis.

Accordingly, for the fiscal period ended February 28, 2021, MEL declared SCD of 231,925,842 yen, as a return of unitholders' capital, which was the amount equivalent to approximately 30.0% of depreciation expense. For the fiscal period ended August 31, 2020, MEL declared SCD of 181,042,480 yen, as a return of unitholders' capital, which was the amount equivalent to approximately 30.0% of depreciation expense.

11. SHORT-TERM AND LONG-TERM LOANS PAYABLE

Short-term and long-term loans payable consisted of bank borrowings under loan agreements. The following table summarizes the short-term and long-term loans payable as of February 28, 2021 and August 31, 2020.

			Thousands of yen	
			As of	
Classification	Repayment date	Weighted-average interest rate	August 31, 2020	February 28, 2021
	October 9, 2020	0.1424%	¥ 200,000	¥ -
		0.1424%	750,000	-
Short-term loans payable	September 1, 2021	0.1440%	-	1,300,000
		0.1640%	-	500,000
	October 9, 2021	0.1619%	-	200,000
Total short-term loans payable			¥ 950,000	¥ 2,000,000
Long-term loans payable	September 14, 2021	0.3263%	¥ 720,000	¥ 720,000
due within one year			1,491,000	1,491,000
Total Long-term loans payable due within one year			¥ 2,211,000	¥ 2,211,000
Long-term loans payable	September 14, 2022	0.3575%	¥ 430,000	¥ 430,000
			2,050,000	2,050,000
		0.2400%	830,000	830,000
	September 2, 2023	0.2500%	3,000,000	3,000,000
	September 14, 2023	0.3913%	1,760,000	1,760,000
			1,330,000	1,330,000
			450,000	450,000
	September 1, 2024	0.2000%	-	1,150,000
	September 14, 2024	0.4288%	900,000	900,000
	October 9, 2024	0.1800%	1,250,000	1,250,000
			1,250,000	1,250,000
	September 1, 2025	0.2000%	-	1,500,000
		0.2663%	-	800,000
		0.2000%	-	300,000
	September 14, 2025	0.4675%	620,000	620,000
		0.3950%	800,000	800,000
	October 9, 2025	0.2160%	200,000	200,000
		0.2413%	-	750,000
	September 1, 2026	0.3125%	-	500,000
	September 14, 2026	0.5075%	710,000	710,000
		0.4538%	500,000	500,000
	October 9, 2026	0.2600%	2,400,000	2,400,000
			400,000	400,000
	September 14, 2027	0.5500%	1,340,000	1,340,000
			1,340,000	1,340,000
			880,000	880,000
			880,000	880,000
	October 9, 2027	0.2400%	1,250,000	1,250,000
	September 1, 2028	0.4238%	-	900,000
			-	500,000
	September 14, 2028	0.5750%	830,000	830,000
			807,000	807,000
			1,256,000	1,256,000
	October 10, 2028	0.4200%	750,000	750,000
	September 1, 2029	0.4182%	-	1,750,000
	September 30, 2029	0.4900%	4,000,000	4,000,000
	August 30, 2030	0.4683%	-	2,000,000
		0.5000%	-	500,000
			-	500,000
Total long-term loans payable			¥ 32,213,000	¥ 43,363,000
Total			¥ 35,374,000	¥ 47,574,000

The stated interest rate is the weighted average interest rate during each fiscal period. The redemption schedules for long-term loans payable subsequent to February 28, 2021 and August 31, 2020 are disclosed in "6. FINANCIAL INSTRUMENTS".

12. REDUCTION ENTRY

The amount of reduction entry of property and equipment as of February 28, 2021 and August 31, 2020 are as follows:

	Thousands of yen			
	As of			
	August 31, 2020		February 28, 2021	
Buildings in trust	¥	31,220	¥	31,220
Structures in trust	¥	7,008	¥	7,008

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, 2021 and August 31, 2020 are as follows:

	Thousands of yen			
	As of			
	August 31, 2020		February 28, 2021	
Enterprise tax payable	¥	11	¥	15
Total deferred tax assets		11		15
Net deferred tax assets	¥	11	¥	15

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, 2021 and August 31, 2020 are as follows:

	For the period ended	
	August 31, 2020	February 28, 2021
Statutory tax rate	31.46%	31.46%
Adjustments:		
Deductible cash distributions	(31.45%)	(31.44%)
Other	0.04%	0.03%
Actual effective income tax rate	0.05%	0.04%

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, 2021 and August 31, 2020.

	Yen			
	For the period ended			
	August 31, 2020		February 28, 2021	
Net income per unit				
Basic net income per unit	¥	5,410	¥	5,958
Weighted average number of units outstanding		305,815		347,929
Net assets per unit	¥	266,987	¥	285,972

(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

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

There were no transactions and account balances for the fiscal periods ended February 28, 2021 and August 31, 2020.

b) Transactions and Account Balances with Affiliates

There were no transactions and account balances for the fiscal periods ended February 28, 2021 and August 31, 2020.

c) Transactions and Account Balances with Companies under Common Control

There were no transactions and account balances for the fiscal periods ended February 28, 2021 and August 31, 2020.

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

There were no transactions and account balances for the fiscal periods ended February 28, 2021 and August 31, 2020.

16. SEGMENT AND RELATED INFORMATION

(For the fiscal periods ended February 28, 2021 and August 31, 2020)

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

a) Issuance of New Investment Units

MEL issued new investment units based on the resolution made by the board of directors on February 18, 2021 and March 1, 2021 and the payment was completed on March 5, 2021 and April 6, 2021 for the issuance of new investment units through public offering and third-party allotment, respectively.

<Issuance of New Investment Units through Public Offering>

Number of units issued and outstanding	: 41,000 units
Issue price	: 403,650 yen per unit
Total amount issued	: 16,549,650,000 yen
Issue amount	: 390,402 yen per unit
Net proceeds	: 16,006,482,000 yen
Payment date	: Mar. 5, 2021

<Issuance of New Investments Units through the Third-Party Allotment>

Number of units issued and outstanding	: 1,898 units
Issue amount	: 390,402 yen per unit
Net proceeds	: 740,982,996 yen
Payment date	: Apr. 6, 2021
Allotee	: SMBC Nikko Securities Inc.

b) Issuance of Investment Corporation Bonds

MEL decided to issue Green Bonds on April 8, 2021 (payment date: April 14, 2021) based on an amendment of shelf registration statement announced in the press release "MEL Files Amendment to Shelf Registration Statement for Issuance of Green Bonds" dated January 18, 2021 and per the blanket resolution approved at the board of directors' meeting held on April 7, 2021.

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Name	Mitsubishi Estate Logistics REIT Investment Corporation 1st Series Unsecured Bonds (Ranking pari passu among Specified investment corporation bonds) (Green Bonds)
Total Issue Amount	2,000 million yen
Interest Rate	0.700% per annum
Redemption Date	Apr. 14, 2036
Credit Rating	AA- (JCR)
Collateral and guarantee	Neither collateral nor guarantee is provided for Green Bonds, and no asset has been particularly secured for the Green Bonds.
Use of Proceeds	The proceeds were allocated to the prepayment of a portion of the short-term loans (total amount 2,000 million yen)