

# **4th Fiscal Period Asset Management Report**

**Mitsui Fudosan Logistics Park Inc.**

6-8-7 Ginza, Chuo-ku, Tokyo

From: February 1, 2018  
To: July 31, 2018

**I. To Our Unitholders**

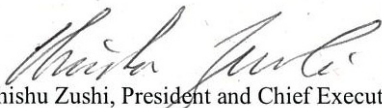
First of all, I would like to convey my sincere appreciation to you, our unitholders, for your continued support of Mitsui Fudosan Logistics Park Inc. (MFLP-REIT).

The Japanese economy has been continuing to grow at rates exceeding its potential growth rate against the backdrop of accommodative financial conditions and support from government cash injection, as overseas economies continue with steady growth rates. In addition, capital investment has increased with corporate profits and business sentiment both maintaining an increasing trend and private consumption has also been gradually increasing backed by improvement in the employment and income situation. In the logistics market, with the 3PL business specializing in outsourced logistics services expanding in market size and the needs of 3PL providers for rental of multifunctional and highly-convenient logistics facilities on the rise, the demand for leading-edge logistics facilities is expected to continue to increase.

Under such circumstances, MFLP-REIT, which listed on the Tokyo Stock Exchange Real Estate Investment Trust (REIT) Market on August 2, 2016, has ended its 4th fiscal period in July 2018 with smooth sailing. In addition, in February 2018, MFLP-REIT carried out its first capital increase through public offering since its listing.

This is entirely due to the support of our unitholders, and for this I would like to express my heartfelt gratitude.

Going forward, I ask our unitholders for their continued support and cooperation, as MFLP-REIT will continue its operation with the aim of boosting unitholder value.



Chishu Zushi, President and Chief Executive Officer  
Mitsui Fudosan Logistics REIT Management Co., Ltd.

## II. Asset Management Report

### 1. Overview of Asset Management

#### (1) Management and other performance highlights of the investment corporation

Fiscal period		4th period (From February 1, 2018 to July 31, 2018)	3rd period (From August 1, 2017 to January 31, 2018)	2nd period (From February 1, 2017 to July 31, 2017)	1st period (From March 4, 2016 to January 31, 2017)
Operating revenues	(millions of yen)	3,148	2,629	2,548	2,383
[Of which: Real estate leasing business revenues]	(millions of yen)	[3,148]	[2,629]	[2,548]	[2,383]
Operating expenses	(millions of yen)	1,650	1,390	1,367	1,075
[Of which: Real estate leasing business expenses]	(millions of yen)	[1,306]	[1,086]	[1,071]	[801]
Operating income	(millions of yen)	1,498	1,239	1,181	1,307
Ordinary income	(millions of yen)	1,445	1,185	1,152	1,111
Net income	(millions of yen)	1,444	1,184	1,151	1,110
Total assets	(millions of yen)	100,250	79,868	78,811	81,698
[Period-on-period change]	(%)	[25.5]	[1.3]	[(3.5)]	[—]
Net assets	(millions of yen)	73,403	59,434	59,447	59,460
[Period-on-period change]	(%)	[23.5]	[(0.0)]	[(0.0)]	[—]
Interest-bearing debt	(millions of yen)	24,000	18,000	17,000	20,000
Unitholders' capital, net (Note 4)	(millions of yen)	71,958	58,250	58,296	58,350
Total number of investment units issued and outstanding	(units)	262,774	224,000	224,000	224,000
Net assets (Net asset value (NAV)) per unit	(yen)	279,340	265,334	265,392	265,449
Net income per unit (Note 5)	(yen)	5,499	5,287	5,141	9,017
Total amount of distribution	(millions of yen)	1,532	1,246	1,197	1,164
Distribution per unit	(yen)	5,832	5,563	5,346	5,198
[Of which: Distribution of earnings per unit]	(yen)	[5,497]	[5,288]	[5,142]	[4,955]
[Of which: Distribution in excess of retained earnings per unit]	(yen)	[335]	[275]	[204]	[243]
Ratio of ordinary income to total assets (Note 6)	(%)	1.6	1.5	1.4	1.5
[Annualized] (Note 7)	(%)	[3.2]	[3.0]	[2.9]	[2.9]
Return on equity (Note 6)	(%)	2.2	2.0	1.9	1.9
[Annualized] (Note 7)	(%)	[4.4]	[4.0]	[3.9]	[3.8]
Equity ratio at end of period (Note 6)	(%)	73.2	74.4	75.4	72.8
[Period-on-period change]	(%)	[(1.2)]	[(1.0)]	[2.7]	[—]
Payout ratio (Note 6)	(%)	100.0	100.0	100.0	100.0
Other reference information					
Number of days of asset management during period (Note 8)	(days)	181	184	181	183
Number of investment properties at end of period	(properties)	12	10	9	9
Occupancy rate at end of period (Note 9)	(%)	100.0	100.0	100.0	100.0
Depreciation and amortization (Note 10)	(millions of yen)	744	595	560	553
Capital expenditures	(millions of yen)	46	10	10	2
Net operating income (NOI) from property leasing (Note 6)	(millions of yen)	2,587	2,138	2,037	2,135
Funds from operations (FFO) (Note 6)	(millions of yen)	2,189	1,780	1,713	1,663
FFO per unit (Note 6)	(yen)	8,331	7,947	7,651	7,426
Ratio of interest-bearing debt to total assets at end of period (LTV ratio) (Note 6)	(%)	23.9	22.5	21.6	24.5

(Note 1) The operating periods of the investment corporation MFLP-REIT are six-month periods every year from February 1 to the last day of July and from August 1 to the last day of January in the following year. However, the first operating period (1st fiscal period) is from MFLP-REIT's establishment date (March 4, 2016) to the last day of January 2017.

(Note 2) Operating revenues, etc. do not include consumption tax, etc.

(Note 3) Unless otherwise specified, any numerical figures are rounded down to the nearest specified unit and percentage figures are rounded to the first decimal place.

(Note 4) "Unitholders' capital, net" is the amount of "Unitholders' capital" less "Deduction from unitholders' capital."

(Note 5) "Net income per unit" is calculated by dividing net income by the daily weighted average number of investment units. Diluted net income per unit is not stated because there are no dilutive investment units.

(Note 6) The following formulas are used in calculations.

Ratio of ordinary income to total assets	$\text{Ordinary income} \div \{(\text{Total assets at beginning of period} + \text{Total assets at end of period}) \div 2\} \times 100$ Total assets at beginning of period for the 1st fiscal period is using total assets as at the starting date of MFLP-REIT's actual asset management period (August 2, 2016).
Return on equity	$\text{Net income} \div \{(\text{Net assets at beginning of period} + \text{Net assets at end of period}) \div 2\} \times 100$ Net assets at beginning of period for the 1st fiscal period is using net assets as at the starting date of MFLP-REIT's actual asset management period (August 2, 2016).
Equity ratio at end of period	$\text{Net assets at end of period} \div \text{Total assets at end of period} \times 100$
Payout ratio	$\text{Distribution per unit (excluding distribution in excess of retained earnings)} \div \text{Net income per unit} \times 100$ (rounded to the first decimal place) Payout ratios for the 1st fiscal period and the 4th fiscal period are calculated by the following formula, because new investment units were issued. $\text{Total amount of distribution (excluding distribution in excess of retained earnings)} \div \text{Net income} \times 100$
Net operating income (NOI) from property leasing	Real estate leasing business revenues - Real estate leasing business expenses + Depreciation and amortization
Funds from operations (FFO)	Net income + Depreciation and amortization of rental real estate + Loss on retirement of non-current assets $\pm$ Gain (Loss) on sales of real estate properties
FFO per unit	$\text{FFO} \div \text{Total number of investment units issued and outstanding}$
Ratio of interest-bearing debt to total assets at end of period (LTV ratio)	$\text{Interest-bearing debt at end of period} \div \text{Total assets at end of period} \times 100$

(Note 7) For the 1st fiscal period (fiscal period ended January 31, 2017), annualized figures are calculated based on the number of days of actual asset management of 183 days (from August 2, 2016 to January 31, 2017).

(Note 8) The calculation period of the 1st fiscal period (fiscal period ended January 31, 2017) of MFLP-REIT is a period of 334 days from March 4, 2016 to January 31, 2017, but the actual asset management period was a period of 183 days from August 2, 2016.

(Note 9) "Occupancy rate at end of period" is leased area of the building expressed as a percentage of leasable area of the building of each real estate in trust on each lease agreement concluded for each property as at the end of the fiscal period, rounded to the first decimal place.

(Note 10) "Depreciation and amortization" is depreciation and amortization of investment and rental property.

## (2) Developments in management of assets in the fiscal period under review

### ① Brief history of the investment corporation

Mitsui Fudosan Logistics Park Inc. (“MFLP-REIT”), a Japanese real estate investment corporation, was established on March 4, 2016 under the Act on Investment Trusts and Investment Corporations of Japan (Act No. 198 of 1951, including subsequent amendments; the “Investment Trust Act”), by Mitsui Fudosan Logistics REIT Management Co., Ltd. (the “Asset Management Company”) as the organizer, and listed on the Real Estate Investment Trust Securities Market (J-REIT section) of Tokyo Stock Exchange, Inc. (“Tokyo Stock Exchange”) on August 2, 2016 (Securities Code: 3471). MFLP-REIT held assets totaling 12 properties amounting to a total acquisition price of 98.3 billion yen as at the end of the fiscal period under review.

### ② Investment environment and management performance

The Japanese economy has been continuing to grow at rates exceeding its potential growth rate against the backdrop of accommodative financial conditions and support from government cash injection, as overseas economies continue with steady growth rates. In addition, capital investment has increased with corporate profits and business sentiment both maintaining an increasing trend and private consumption has also been gradually increasing backed by improvement in the employment and income situation. In the logistics market, with the 3PL business (Note) specializing in outsourced logistics services expanding in market size and the needs of 3PL providers for rental of multifunctional and highly-convenient logistics facilities on the rise, the demand for leading-edge logistics facilities is expected to continue to increase.

Under such circumstances, MFLP-REIT upholds a basic policy of pursuing maximization of unitholder value by achieving sustainable growth through formation of a strategic partnership in the logistics facilities business with Mitsui Fudosan Co., Ltd. (“Mitsui Fudosan”). Based on the policy, MFLP-REIT acquired MFLP Komaki (additional acquisition of 60% quasi co-ownership interest; acquisition price of 5,011 million yen) and MFLP Hino (15% quasi co-ownership interest; acquisition price of 7,520 million yen) in February 2018, and MFLP Hiratsuka (acquisition price of 7,027 million yen) in March 2018.

Furthermore, MFLP-REIT has conducted steady management of 12 properties held (total acquisition price of 98.3 billion yen) to maintain an excellent occupancy rate of 100.0% for the entire portfolio as at the end of the fiscal period under review.

(Note) “3PL business” refers to the third-party logistics business (business of providing logistics services to client companies outsourcing part or all of their supply chain management functions).

### ③ Summary of fund procurement

In the fiscal period under review, MFLP-REIT procured 13,495 million yen from a capital increase through public offering with a payment date of February 1, 2018 and 274 million yen from a capital increase through third-party allotment with a payment date of February 28, 2018, and at the end of the fiscal period under review, the balance of unitholders’ capital, net was 71,958 million yen. Furthermore, in the fiscal period under review, MFLP-REIT executed debt financing of 6,700 million yen (short-term loans payable of 1,400 million yen, long-term loans payable of 5,300 million yen) in March 2018 to fund the acquisition of MFLP Hiratsuka; and 200 million yen (short-term loans payable) in June 2018 and 500 million yen (short-term loans payable) in July 2018 to repay loans, and executed repayments of a total of 1,400 million yen (short-term loans payable) using funds from part of loans procured in the period under review and internal reserve arising from depreciation, etc. As a result, at the end of the fiscal period under review, the balance of interest-bearing debt was 24,000 million yen (short-term loans payable of 700 million yen, long-term loans payable of 23,300 million yen) and the ratio of interest-bearing debt to total assets (LTV ratio) was 23.9%.

The following is the rating obtained by MFLP-REIT as at the end of the fiscal period under review.

Credit rating agency	Rating details	Outlook
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating: AA-	Stable

#### ④ Summary of business performance and distributions

Through the management described above, business performance for the fiscal period under review resulted in operating revenues of 3,148 million yen, operating income of 1,498 million yen, ordinary income of 1,445 million yen, and net income of 1,444 million yen.

In accordance with the distribution policy as defined in the Articles of Incorporation of MFLP-REIT, distributions for the fiscal period under review shall be subject to application of special provisions for taxation of investment corporations (Article 67(15) of the Act on Special Measures Concerning Taxation). Based on this, MFLP-REIT declared the distribution of 1,444,468,678 yen, which is the integral multiple of the total number of investment units issued and outstanding (262,774 units) of unappropriated retained earnings. Accordingly, MFLP-REIT declared distribution of earnings per unit of 5,497 yen.

In addition, in accordance with the distribution policy as defined in the Articles of Incorporation, MFLP-REIT shall execute distributions of cash in excess of retained earnings each fiscal period on a continuous basis in principle (Note 1). Based on this, MFLP-REIT declared the distribution of 88 million yen, which is the amount almost equivalent to the remaining amount after subtracting the distribution of earnings of 1,444 million yen from 1,532 million yen or 70% of FFO (Note 2), as return of capital applicable to distribution reducing unitholders' capital for tax purposes. Accordingly, MFLP-REIT declared distribution in excess of retained earnings per unit of 335 yen.

(Note 1) In addition to the continuous distributions in excess of retained earnings, in cases where the distribution amount for distribution per unit is expected to temporarily decline by a certain degree due to such factors as the procurement of funds through the issuance of new investment units, etc., a temporary distribution in excess of retained earnings may be executed in order to standardize the amount of the distribution per unit.

However, from the perspective of continuing to maintain owned assets for a long period of time, in cases where the above distribution of cash is executed, and where the amount equal to the equivalent of depreciation and amortization for the applicable operating period minus the amount of the distribution in excess of retained earnings for the applicable operating period falls below the standard amount of capital for building maintenance (Note 3), the distribution in excess of retained earnings will be decreased by a maximum amount that the distribution amount does not fall below the total equivalent of the distribution of earnings, and this may lead to cases where distribution in excess of retained earnings will not be executed. In addition, from the perspective of continuing stable financial management, distributions in excess of retained earnings will not be executed in cases where the appraisal LTV ratio (Note 4) exceeds 60% in the event that the above distribution of cash is executed.

(Note 2) "FFO" is an acronym for funds from operations and refers to the figure calculated by adding depreciation and amortization of rental properties for the applicable operating period and loss on retirement of non-current assets to net income (excluding gain (loss) on sales of real estate properties, etc.).

(Note 3) "Standard amount of capital for building maintenance" refers to the "amount equivalent to the capital expenditure amount noted in the Building Condition Evaluation Report averaged over 12 years," from which an amount representing six months of capital expenditure is determined and then multiplied by two.

(Note 4) Appraisal LTV ratio (%) =  $A/B \times 100$  (%)

A = Total interest-bearing debt on the applicable accounts settlement date

B = Total assets as at the balance sheet as at the applicable accounts settlement date – Amount of book value after depreciation and amortization of owned real estate as at the applicable accounts settlement date + Appraisal value of owned real estate as at the applicable accounts settlement date

**(3) Status of capital increase, etc.**

The following are the changes in the total number of investment units issued and outstanding and unitholders' capital, net, since the establishment of MFLP-REIT.

Date	Description	Total number of investment units issued and outstanding (units)		Unitholders' capital, net (Note 1) (millions of yen)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
March 4, 2016	Establishment through private placement	600	600	300	300	(Note 2)
June 15, 2016	Split of investment units	600	1,200	—	300	(Note 3)
August 1, 2016	Capital increase through public offering	212,800	214,000	55,445	55,745	(Note 4)
August 29, 2016	Capital increase through third-party allotment	10,000	224,000	2,605	58,350	(Note 5)
April 21, 2017	Distribution of cash in excess of retained earnings (return of capital)	—	224,000	(54)	58,296	(Note 6)
October 13, 2017	Distribution of cash in excess of retained earnings (return of capital)	—	224,000	(45)	58,250	(Note 7)
February 1, 2018	Capital increase through public offering	38,000	262,000	13,495	71,745	(Note 8)
February 28, 2018	Capital increase through third-party allotment	774	262,774	274	72,020	(Note 9)
April 23, 2018	Distribution of cash in excess of retained earnings (return of capital)	—	262,774	(61)	71,958	(Note 10)
October 19, 2018	Distribution of cash in excess of retained earnings (return of capital)	—	262,774	(88)	71,870	(Note 11)

(Note 1) "Unitholders' capital, net" is the amount of "Unitholders' capital" less "Deduction from unitholders' capital."

(Note 2) MFLP-REIT was established at an issue price of 500,000 yen per unit.

(Note 3) A two-for-one split of investment units was conducted on June 15, 2016 as the effective date.

(Note 4) New investment units were issued through public offering at an issue price of 270,000 yen (paid-in amount of 260,550 yen) per unit for the purpose of procuring funds for acquisition of new properties.

(Note 5) New investment units were issued with Daiwa Securities Co. Ltd. as the allottee at a paid-in amount of 260,550 yen per unit.

(Note 6) By resolution of the Board of Directors of MFLP-REIT at its meeting held on March 16, 2017, distribution of cash in excess of retained earnings (return of capital) of 243 yen per unit was declared as distribution of cash for the 1st fiscal period (fiscal period ended January 31, 2017), the payout of which commenced on April 21, 2017.

(Note 7) By resolution of the Board of Directors of MFLP-REIT at its meeting held on September 13, 2017, distribution of cash in excess of retained earnings (return of capital) of 204 yen per unit was declared as distribution of cash for the 2nd fiscal period (fiscal period ended July 31, 2017), the payout of which commenced on October 13, 2017.

(Note 8) New investment units were issued through public offering at an issue price of 367,581 yen (paid-in amount of 355,139 yen) per unit for the purpose of procuring funds for acquisition of new properties.

(Note 9) New investment units were issued with Daiwa Securities Co. Ltd. as the allottee at a paid-in amount of 355,139 yen per unit.

(Note 10) By resolution of the Board of Directors of MFLP-REIT at its meeting held on March 15, 2018, distribution of cash in excess of retained earnings (return of capital) of 275 yen per unit was declared as distribution of cash for the 3rd fiscal period (fiscal period ended January 31, 2018), the payout of which commenced on April 23, 2018.

(Note 11) By resolution of the Board of Directors of MFLP-REIT at its meeting held on September 14, 2018, distribution of cash in excess of retained earnings (return of capital) of 335 yen per unit was declared as distribution of cash for the 4th fiscal period (fiscal period ended July 31, 2018), the payout of which commenced on October 19, 2018.



**[Historical market price of investment securities]**

The following are the highest and lowest prices (closing price) by fiscal period on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market on which MFLP-REIT investment securities are listed.

Fiscal period	4th period (From February 1, 2018 to July 31, 2018)	3rd period (From August 1, 2017 to January 31, 2018)	2nd period (From February 1, 2017 to July 31, 2017)	1st period (From March 4, 2016 to January 31, 2017)
Highest (yen)	377,500	387,500	339,500	341,500
Lowest (yen)	320,500	309,500	303,000	286,300

(Note) MFLP-REIT investment securities were listed on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market on August 2, 2016.

**(4) Distribution**

The following is the distribution, etc. performance up to the fiscal period under review.

Fiscal period		4th period (From February 1, 2018 to July 31, 2018)	3rd period (From August 1, 2017 to January 31, 2018)	2nd period (From February 1, 2017 to July 31, 2017)	1st period (From March 4, 2016 to January 31, 2017)
Total amount of unappropriated retained earnings	(thousands of yen)	1,444,484	1,184,529	1,151,857	1,110,063
Retained earnings	(thousands of yen)				143
Total amount of distribution of cash	(thousands of yen)	1,532,497	1,246,112	1,197,504	1,164,352
[Distribution per unit]	(yen)	[5,832]	[5,563]	[5,346]	[5,198]
Of which: Total amount of distribution of earnings	(thousands of yen)	1,444,468	1,184,512	1,151,808	1,109,920
[Distribution of earnings per unit]	(yen)	[5,497]	[5,288]	[5,142]	[4,955]
Of which: Total amount of return of capital	(thousands of yen)	88,029	61,600	45,696	54,432
[Return of capital per unit]	(yen)	[335]	[275]	[204]	[243]
Of total amount of return of capital: Total amount of distribution from allowance for temporary difference adjustment	(thousands of yen)	—	—	—	—
[Of return of capital per unit: Distribution from allowance for temporary difference adjustment per unit]	(yen)	—	—	—	—
Of total amount of return of capital: Total amount of distribution from distribution reducing unitholders' capital for tax purposes	(thousands of yen)	88,029	61,600	45,696	54,432
[Of return of capital per unit: Distribution from distribution reducing unitholders' capital for tax purposes]	(yen)	[335]	[275]	[204]	[243]

(Note) For a summary of MFLP-REIT's distribution policy and distributions for the fiscal period under review, please refer to "(2) Developments in management of assets in the fiscal period under review; ④ Summary of business performance and distributions" presented earlier in this document.

**(5) Future management policy**

MFLP-REIT has established a strategic and collaborative partnership in the logistics facilities business with Mitsui Fudosan, under which it seeks to maximize unitholder value by focusing investments primarily in logistics facilities as a basic policy. Based on this policy, in addition to expansion of asset size for the purpose of further stabilizing the revenue base continuing into future periods, MFLP-REIT will perform stable and efficient financial management by addressing changes in the external and internal environment to maximize unitholder value.

**① External growth strategy**

External growth based on the growth potential and extensive pipeline of Mitsui Fudosan’s logistics facilities business  
MFLP-REIT aims for continuous growth by focusing on MFLP facilities (leading-edge logistics facilities with Mitsui Fudosan quality (Note 1)), utilizing the right of first look and preferential negotiation based on “Right of first look and preferential negotiation agreement” that was concluded with Mitsui Fudosan, which boasts high growth in the logistics facilities business, and the Asset Management Company.

(Note 1) Based on the principles of “harmonious coexistence” and “linking diverse values” set by the Mitsui Fudosan Group (Note 2), Mitsui Fudosan’s logistics facilities business keeps up efforts aimed at not only providing logistics facilities space but also creating value beyond conventional boundaries. In order to achieve this, MFLP-REIT incorporates the highly-specialized and advanced management and operational know-how, etc. accumulated in the office building business, retail properties business, etc. and the know-how, etc. accumulated through urban development as a comprehensive real estate company. It also captures the diverse needs that change with the times of the various stakeholders associated with logistics facilities (tenants, people working at the logistics facilities, and local community). MFLP-REIT refers to the quality of logistics facilities realized through these efforts by the name “Mitsui Fudosan quality.”

(Note 2) “Mitsui Fudosan Group” refers to a corporate group comprising Mitsui Fudosan, Mitsui Fudosan’s consolidated subsidiaries, and Mitsui Fudosan’s associates accounted for using the equity method. The same shall apply hereinafter.

**② Internal growth strategy**

Stable management using the Platform (business foundation) and client network of the Mitsui Fudosan Group  
MFLP-REIT aims for stable management by utilizing the Platform (business foundation) and client network that the Mitsui Fudosan Group has developed over years as a comprehensive real estate company.

**③ Financial strategy**

Financial and cash management with an emphasis on stability and efficiency  
MFLP-REIT will manage its finances stably, including funds raised through the issuance of new investment units and borrowings, and at the same time it will aim to secure stable distribution levels and efficient cash management for distributions through continuous distributions in excess of retained earnings (return of capital) based on cash flow (FFO).

**(6) Significant subsequent events**

Not applicable.

(Reference information)

MFLP-REIT entered into a sale and purchase agreement to acquire the following asset on September 14, 2018, and plans for the transfer of ownership to occur on December 3, 2018. “Acquisition price” is the purchase price of trust beneficiary interest as set forth on the agreement for sale and purchase of trust beneficiary interest for the asset to be acquired, rounded down to the nearest million yen. The transaction price does not include consumption tax and local consumption tax or the various costs required in the acquisition. The amount stated is the prorated figure equivalent to the quasi co-ownership interest in this property that MFLP-REIT will acquire (60%).

Category	Property no.	Property name	Location	Acquisition price (millions of yen)
Logistics facilities	L-12	MFLP Tsukuba	Tsukubamirai, Ibaraki	5,268 (60% quasi co-ownership interest)

(Note) The aforementioned sale and purchase agreement falls under the definition of “forward commitments, etc.” (as defined as “a postdated sales contract under which payment and delivery shall be made at least one month after the conclusion of the contract, or any other contract similar thereto” stated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” established by the Financial Services Agency).

## 2. Overview of the Investment Corporation

### (1) Status of investments in capital

Fiscal period	4th period (July 31, 2018)	3rd period (January 31, 2018)	2nd period (July 31, 2017)	1st period (January 31, 2017)
Total number of investment units authorized (units)	8,000,000	8,000,000	8,000,000	8,000,000
Total number of investment units issued and outstanding (units)	262,774	224,000	224,000	224,000
Unitholders' capital, net (Note) (millions of yen)	71,958	58,250	58,296	58,350
Number of unitholders (unitholders)	7,135	5,073	5,698	6,201

(Note) "Unitholders' capital, net" is the amount of "Unitholders' capital" less "Deduction from unitholders' capital."

### (2) Major unitholders

Of the unitholders as of July 31, 2018, the following are the top ten unitholders in terms of investment unit-holding ratio.

Name	Number of investment units owned (units)	Number of investment units owned expressed as a percentage of total number of investment units issued and outstanding (%)
The Master Trust Bank of Japan, Ltd. (trust account)	50,215	19.10
Japan Trustee Services Bank, Ltd. (trust account)	33,401	12.71
Mitsui Fudosan Co., Ltd.	28,900	10.99
The Nomura Trust and Banking Co., Ltd. (investment trust account)	11,987	4.56
Trust & Custody Services Bank, Ltd. (securities investment trust account)	10,545	4.01
JPMorgan Chase Bank 385632	9,450	3.59
The Chugoku Bank, Limited	5,127	1.95
Aozora Bank, Ltd.	5,067	1.92
State Street Bank and Trust Company 505012	4,162	1.58
The Bank of Kyoto, Ltd.	3,700	1.40
Total	162,554	61.86

(Note) "Number of investment units owned expressed as a percentage of total number of investment units issued and outstanding" is rounded down to the second decimal places.

**(3) Matters concerning directors, etc.**

**① Executive director, supervisory directors and independent auditor in the fiscal period under review**

Position	Name	Key concurrently-held position, etc.	Total amount of compensation by position for the applicable operating period (thousands of yen)
Executive director	Masayuki Isobe	—	2,400
Supervisory director	Izuru Goto	Attorney, City-Yuwa Partners Corporate Auditor (part-time), Tobishima Corporation	1,500
	Tadao Toyoshima	Director (Audit & Supervisory Committee Member) (part-time), Square Enix Holdings Co., Ltd.	1,500
Independent auditor	KPMG AZSA LLC	—	9,100

(Note 1) None of the executive director or supervisory directors own MFLP-REIT investment units in their own name or in the name of another.

(Note 2) Supervisory directors may be directors of other corporations other than those stated above, but none of them, including those above, have any interest in MFLP-REIT.

(Note 3) The amount for the independent auditor represents the amount payable as compensation for the audit for the fiscal period under review, plus the compensation for the audit of English financial statements (2,100 thousand yen).

**② Policy for deciding on dismissal and refusal of reappointment of the independent auditor**

Decisions are made at a meeting of the Board of Directors of MFLP-REIT by taking into account the various circumstances in a comprehensive manner.

**(4) Asset management company, custodian, and general administrators**

The following are the asset management company, custodian and general administrators as of July 31, 2018.

Entrustment category	Name
Asset management company	Mitsui Fudosan Logistics REIT Management Co., Ltd.
Custodian	Sumitomo Mitsui Trust Bank, Limited
General administrator (transfer agent)	Sumitomo Mitsui Trust Bank, Limited
General administrator (institutional)	Sumitomo Mitsui Trust Bank, Limited
General administrator (accounting)	Heiseikaikeisha Tax Corporation

### 3. Status of Assets under Management of the Investment Corporation

#### (1) Composition of assets of the investment corporation

Type of asset	Use	Geographic classification (Note 1)	4th period (As of July 31, 2018)		3rd period (As of January 31, 2018)	
			Total amount held (millions of yen) (Note 2)	As a percentage of total assets (%) (Note 3)	Total amount held (millions of yen) (Note 2)	As a percentage of total assets (%) (Note 3)
Real estate in trust (Note 4) (Note 5)	Logistics facilities	Tokyo metropolitan area	81,928	81.7	67,805	84.9
		Kansai area	4,374	4.4	4,405	5.5
		Other areas	8,219	8.2	3,244	4.1
	Subtotal		94,522	94.3	75,454	94.5
	Industrial real estate (Note 6)	Tokyo metropolitan area	2,142	2.1	2,160	2.7
		Kansai area	—	—	—	—
		Other areas	—	—	—	—
	Subtotal		2,142	2.1	2,160	2.7
	Real estate in trust total		96,664	96.4	77,615	97.2
	Deposits and other assets		3,585	3.6	2,252	2.8
Total assets		100,250	100.0	79,868	100.0	

(Note 1) “Tokyo metropolitan area” refers to Tokyo, Kanagawa Prefecture, Chiba Prefecture, Saitama Prefecture and Ibaraki Prefecture.

“Kansai area” refers to Osaka Prefecture, Kyoto Prefecture, Hyogo Prefecture, Nara Prefecture and Shiga Prefecture.

(Note 2) “Total amount held” is based on the carrying amount (for real estate in trust, the book value after depreciation and amortization) as of each accounts settlement date, rounded down to the nearest million yen.

(Note 3) “As a percentage of total assets” is rounded to the first decimal place.

(Note 4) “Real estate in trust” refers to real estate of trust beneficiary interests that have mainly real estate in trust.

(Note 5) For real estate in trust, the amount does not include the amount of construction in progress in trust.

(Note 6) “Industrial real estate” refers to data centers, communications facilities, research facilities, factories, supply and treatment facilities, and other real estate serving as corporate bases. The same shall apply hereinafter.

**(2) Major assets held**

The following summarizes the assets held by MFLP-REIT as of July 31, 2018.

Name of real estate, etc.	Book value (millions of yen)	Leasable area (m <sup>2</sup> ) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	As a percentage of total real estate leasing business revenues (%)	Main use
GLP/MFLP Ichikawa Shiohama (Note 4)	15,283	50,813	50,813	100.0	15.5	Logistics facilities
MFLP Kuki	12,151	67,925	67,925	100.0	15.2	Logistics facilities
MFLP Yokohama Daikoku (Note 4)	9,871	47,929	47,929	100.0	11.1	Logistics facilities
MFLP Yashio	9,456	39,692	39,692	100.0	Not disclosed (Note 5)	Logistics facilities
MFLP Atsugi	7,615	40,958	40,958	100.0	Not disclosed (Note 5)	Logistics facilities
MFLP Funabashi Nishiura	6,807	31,034	31,034	100.0	Not disclosed (Note 5)	Logistics facilities
MFLP Kashiwa	6,149	31,291	31,291	100.0	Not disclosed (Note 5)	Logistics facilities
MFLP Sakai (Note 4)	4,374	22,429	22,429	100.0	5.4	Logistics facilities
MFLP Komaki	8,219	40,605	40,605	100.0	Not disclosed (Note 5)	Logistics facilities
MFLP Hino (Note 4)	7,543	28,080	28,080	100.0	6.9	Logistics facilities
MFLP Hiratsuka	7,049	33,055	33,055	100.0	Not disclosed (Note 5)	Logistics facilities
MFIP Inzai	2,142	Not disclosed (Note 5)	Not disclosed (Note 5)	Not disclosed (Note 5)	Not disclosed (Note 5)	Industrial real estate
Total	96,664	Not disclosed (Note 5)	Not disclosed (Note 5)	100.0	100.0	

(Note 1) “Leasable area” is the floor area available for leasing of the building of each real estate in trust as of July 31, 2018 and is the sum total of the floor area deemed to be leasable based on the lease agreement or building drawing, etc., rounded down to the nearest whole number.

(Note 2) “Leased area” is the sum total of leased area of the building on each lease agreement for each real estate in trust as of July 31, 2018, rounded down to the nearest whole number. If a pass-through master lease agreement has been concluded for the real estate in trust, it is the sum total of the floor area actually contracted for leasing and leased to end-tenants, rounded down to the nearest whole number.

(Note 3) “Occupancy rate” is leased area of the building expressed as a percentage of leasable area of the building of each real estate in trust on each lease agreement concluded for each property as of July 31, 2018, rounded to the first decimal place.

(Note 4) For “GLP/MFLP Ichikawa Shiohama,” “MFLP Yokohama Daikoku,” “MFLP Sakai,” and “MFLP Hino,” “Leasable area” and “Leased area” are the prorated figures equivalent to the quasi co-ownership interest in each property that MFLP-REIT has acquired (50%, 50%, 20%, and 15%, respectively).

(Note 5) Not disclosed, because consent has not been obtained from the lessee.

**(3) Real estate assets in portfolio**

The following summarizes the assets held by MFLP-REIT as of July 31, 2018.

Name of real estate, etc.	Location	Form of ownership	Leasable area (m <sup>2</sup> ) (Note 1)	Appraisal value at end of period (millions of yen) (Note 2)	Book value at end of period (millions of yen)
GLP/MFLP Ichikawa Shiohama (Note 3)	1-6-3 Shiohama, Ichikawa-shi, Chiba	Real estate trust beneficiary interests	50,813	16,750	15,283
MFLP Kuki	1-10 Kiyokuchō, Kuki-shi, Saitama	Real estate trust beneficiary interests	67,925	13,700	12,151
MFLP Yokohama Daikoku (Note 3)	43-1 Daikokuchō, Tsurumi-ku, Yokohama-shi, Kanagawa	Real estate trust beneficiary interests	47,929	10,500	9,871
MFLP Yashio	99-1 Tsubutakita, Minamiushiroya, Yashio-shi, Saitama	Real estate trust beneficiary interests	39,692	10,600	9,456
MFLP Atsugi	4021-1 Sakuradai, Nakatsu, Aikawamachi, Aiko-gun, Kanagawa	Real estate trust beneficiary interests	40,958	8,680	7,615
MFLP Funabashi Nishiura	3-10-13 Nishiura, Funabashi-shi, Chiba	Real estate trust beneficiary interests	31,034	7,520	6,807
MFLP Kashiwa	259-1 Mukaiwari, Aotashindentobichi, Kashiwa-shi, Chiba	Real estate trust beneficiary interests	31,291	6,900	6,149
MFLP Sakai (Note 3)	1-171 Chikkoyawatamachi, Sakai-ku, Sakai-shi, Osaka	Real estate trust beneficiary interests	22,429	4,910	4,374
MFLP Komaki	2020-1, Higashimae, Honjo, Komaki-shi, Aichi	Real estate trust beneficiary interests	40,605	8,520	8,219
MFLP Hino (Note 3)	3-1-2 Asahigaoka, Hino-shi, Tokyo	Real estate trust beneficiary interests	28,080	7,570	7,543
MFLP Hiratsuka	2-1544-5 Nishishindo, Hiratsuka-shi, Kanagawa	Real estate trust beneficiary interests	33,055	7,090	7,049
Logistics facilities subtotal			433,816	102,740	94,522
MFIP Inzai (Note 3)	2-101-14 Izumino, Inzai-shi, Chiba	Real estate trust beneficiary interests	Not disclosed (Note 4)	2,440	2,142
Industrial real estate subtotal			Not disclosed (Note 4)	2,440	2,142
Total			Not disclosed (Note 4)	105,180	96,664

(Note 1) “Leasable area” is the floor area available for leasing of the building of each real estate in trust as of July 31, 2018 and is the sum total of the floor area deemed to be leasable based on the lease agreement or building drawing, etc., rounded down to the nearest whole number.

(Note 2) “Appraisal value at end of period” is the appraisal value as of the valuation date of July 31, 2018 by real estate appraisers based on the asset valuation methods and standards set forth in the Articles of Incorporation of MFLP-REIT and the rules and requirements imposed by The Investment Trusts Association, Japan. The appraisal of each asset held is entrusted to Japan Real Estate Institute, The Tanizawa Sōgō Appraisal Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. and CBRE K.K.

(Note 3) For “GLP/MFLP Ichikawa Shiohama,” “MFLP Yokohama Daikoku,” “MFLP Sakai,” “MFLP Hino” and “MFIP Inzai,” “Leasable area,” “Appraisal value at end of period” and “Book value at end of period” are the prorated figures equivalent to the quasi co-ownership interest in each property that MFLP-REIT has acquired (50%, 50%, 20%, 15% and 20%, respectively).

(Note 4) Not disclosed, because consent has not been obtained from the lessee.



The following is the status of leasing of real estate, etc. held by MFLP-REIT.

Name of real estate, etc.	4th period (From February 1, 2018 to July 31, 2018)				3rd period (From August 1, 2017 to January 31, 2018)			
	Total number of tenants [at end of period] (Note 1)	Occupancy rate [at end of period] (%) (Note 2)	Real estate leasing business revenues [during period] (millions of yen)	As a percentage of total real estate leasing business revenues (%)	Total number of tenants [at end of period] (Note 1)	Occupancy rate [at end of period] (%) (Note 2)	Real estate leasing business revenues [during period] (millions of yen)	As a percentage of total real estate leasing business revenues (%)
GLP/MFLP Ichikawa Shiohama (Note 3)	5	100.0	487	15.5	5	100.0	480	18.3
MFLP Kuki	3	100.0	477	15.2	3	100.0	470	17.9
MFLP Yokohama Daikoku (Note 3)	5	100.0	349	11.1	5	100.0	350	13.3
MFLP Yashio	2	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	2	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)
MFLP Atsugi	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)
MFLP Funabashi Nishiura	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)
MFLP Kashiwa	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)
MFLP Sakai (Note 3)	5	100.0	169	5.4	5	100.0	167	6.4
MFLP Komaki	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)
MFLP Hino (Note 3)	16	100.0	216	6.9	—	—	—	—
MFLP Hiratsuka	Not disclosed (Note 4)	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	—	—	—	—
Logistics facilities subtotal	Not disclosed (Note 4)	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	24	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)
MFIP Inzai	Not disclosed (Note 4)	Not disclosed (Note 4)	Not disclosed (Note 4)	Not disclosed (Note 4)	Not disclosed (Note 4)	Not disclosed (Note 4)	Not disclosed (Note 4)	Not disclosed (Note 4)
Industrial real estate subtotal	Not disclosed (Note 4)	Not disclosed (Note 4)	Not disclosed (Note 4)	Not disclosed (Note 4)	Not disclosed (Note 4)	Not disclosed (Note 4)	Not disclosed (Note 4)	Not disclosed (Note 4)
Total	Not disclosed (Note 4)	100.0	3,148	100.0	Not disclosed (Note 4)	100.0	2,629	100.0

(Note 1) “Total number of tenants” is the number of tenants on each lease agreement concluded for each property as of each accounts settlement date. If a pass-through master lease agreement has been concluded for the property, it is the total number of end-tenants.

(Note 2) “Occupancy rate” is leased area of the building expressed as a percentage of leasable area of the building of each real estate in trust on each lease agreement concluded for each property as of each accounts settlement date, rounded to the first decimal place.

(Note 3) For “GLP/MFLP Ichikawa Shiohama,” “MFLP Yokohama Daikoku,” “MFLP Sakai,” and “MFLP Hino,” “Real estate leasing business revenues” and “As a percentage of total real estate leasing business revenues” are the prorated figures equivalent to the quasi co-ownership interest in each property that MFLP-REIT has acquired (50%, 50%, 20%, and 15%, respectively).

(Note 4) Not disclosed, because consent has not been obtained from the lessee.

**(4) Schedule of renewable energy power generation facilities**

Not applicable.

**(5) Schedule of rights to operate public facilities, etc.**

Not applicable.

**(6) Status of other assets**

Trust beneficiary interests that have real estate as the main assets in trust, etc. are listed all at once in “(3) Real estate assets in portfolio” presented earlier in this document, and there are no main specified assets invested by MFLP-REIT other than those listed there in the portfolio as of July 31, 2018.

**① Itemization of investment securities portfolio assets**

Not applicable.

**② Table of status of contract amount, etc. and fair value of specified transactions**

Not applicable.

**(7) Status of holding of assets by country and region**

Not applicable, because there are none in countries and regions other than Japan.

#### 4. Capital Expenditures of Real Estate Held

##### (1) Schedule of capital expenditures

Of the capital expenditures accompanying renovations, etc. currently planned for real estate and real estate in trust of real estate trust beneficiary interests held by MFLP-REIT, the following are the major planned amounts. There may be cases where the planned construction amount ends up being in part expensed in accounting instead of being capitalized.

Name of real estate, etc.	Location	Purpose	Scheduled time	Planned construction amount (millions of yen) (Note)		
				Total amount	Amount paid during period	Total amount already paid
MFLP Kuki	Kuki, Saitama	Installation of irrigation facilities	From January 2019 to January 2019	4	—	—
MFLP Kuki	Kuki, Saitama	Countermeasure construction for water leaking from positive pressure ventilation fans	From January 2019 to January 2019	4	—	—
MFLP Yokohama Daikoku	Yokohama, Kanagawa	Exterior wall painting (Section 2)	From September 2018 to December 2018	21	—	—
MFLP Yokohama Daikoku	Yokohama, Kanagawa	Exterior wall painting (Section 4)	From March 2019 to June 2019	46	—	—
MFLP Yokohama Daikoku	Yokohama, Kanagawa	Replacement of heads of foam fire extinguishing system	From July 2019 to July 2019	12	—	—
MFLP Sakai	Sakai, Osaka	Switching to LED lighting in center driveway	From December 2018 to December 2018	3	—	—
MFLP Hino	Hino, Tokyo	Construction for expansion of bicycle parking	From June 2019 to July 2019	3	—	—

(Note) For “MFLP Yokohama Daikoku,” “MFLP Sakai” and “MFLP Hino,” “Planned construction amount” are the prorated figures equivalent to the quasi co-ownership interest in each property that MFLP-REIT holds (50%, 20% and 15%, respectively).

##### (2) Capital expenditures during period

The following summarizes the major construction work falling under capital expenditures conducted during the fiscal period under review for real estate, etc. held by MFLP-REIT. Capital expenditures in the fiscal period under review amounted to 46 million yen and, other than this, there was 32 million yen in repair expenses categorized as operating expenses in the fiscal period under review.

Name of real estate, etc.	Location	Purpose	Period	Construction amount (millions of yen) (Note)
MFLP Yokohama Daikoku	Yokohama, Kanagawa	Exterior wall painting	From March 2018 to June 2018	20
MFLP Yokohama Daikoku	Yokohama, Kanagawa	Switching to LED lighting in common areas	From May 2018 to June 2018	3
MFLP Sakai	Sakai, Osaka	Switching to LED lighting in proprietary areas	From April 2018 to April 2018	10
Other capital expenditures				12
Total				46

(Note) For “MFLP Yokohama Daikoku” and “MFLP Sakai,” “Construction amount” are the prorated figures equivalent to the quasi co-ownership interest in each property that MFLP-REIT holds (50% and 20%, respectively).

##### (3) Cash reserves for long-term repair and maintenance plans

Not applicable.

## 5. Status of Expenses and Liabilities

### (1) Details of expenses related to asset management

(Thousands of yen)

Item	4th period (From February 1, 2018 to July 31, 2018)	3rd period (From August 1, 2017 to January 31, 2018)
Asset management fee (Note)	278,845	232,942
Asset custody fee	3,993	3,940
Administrative service fees	13,235	14,058
Directors' compensation	5,400	5,400
Audit fee	9,100	9,100
Other expenses	33,699	38,033
Total	344,272	303,475

(Note) Other than the amount stated above, there is an asset management fee for compensation associated with a property acquisition factored into the book value of the properties (the 3rd fiscal period: 8,122 thousand yen; the 4th fiscal period: 48,895 thousand yen).

### (2) Debt financing status

The following is the status of loans as of July 31, 2018.

Category	Lender	Borrowing date	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%) (Note 1)	Maturity date (Note 2)	Repayment method	Use	Remarks
Short-term loans	Sumitomo Mitsui Trust Bank, Limited	July 17, 2018	—	500	0.0982	Sept. 18, 2018	Bullet repayment	(Note 3)	Unsecured Non-guaranteed
	The Bank of Fukuoka, Ltd.	June 15, 2018	—	200	0.1036	Sept. 18, 2018	Bullet repayment	(Note 3)	
	Subtotal		—	700					
Long-term loans	Sumitomo Mitsui Banking Corporation	Sept. 1, 2016	2,000	2,000	0.2713	Sept. 1, 2022	Bullet repayment	(Note 3)	Unsecured Non-guaranteed
		Sept. 1, 2016	1,500	1,500	0.4213	Sept. 1, 2026	Bullet repayment	(Note 3)	
		Mar. 15, 2018	—	800	0.2400	Mar. 15, 2022	Bullet repayment	(Note 3)	
	Sumitomo Mitsui Trust Bank, Limited	Sept. 1, 2016	2,000	2,000	0.3050	Sept. 1, 2023	Bullet repayment	(Note 3)	
		Sept. 1, 2016	1,500	1,500	0.3813	Sept. 1, 2025	Bullet repayment	(Note 3)	
	Mizuho Bank, Ltd.	Aug. 2, 2016	400	400	0.1425	Aug. 2, 2022	Bullet repayment	(Note 3)	
		Aug. 2, 2016	1,700	1,700	0.2113	Aug. 2, 2024	Bullet repayment	(Note 3)	
		Mar. 15, 2018	—	900	0.4895	Sept. 15, 2027	Bullet repayment	(Note 3)	
	MUFG Bank, Ltd. (Note 4)	Sept. 1, 2016	2,200	2,200	0.1826	Mar. 1, 2023	Bullet repayment	(Note 3)	
Mar. 15, 2018		—	800	0.2400	Mar. 31, 2022	Bullet repayment	(Note 3)		

Category	Lender	Borrowing date	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%) (Note 1)	Maturity date (Note 2)	Repayment method	Use	Remarks
Long-term loans	Mizuho Trust & Banking Co., Ltd.	Sept. 1, 2016	600	600	0.3237	Mar. 1, 2024	Bullet repayment	(Note 3)	Unsecured Non-guaranteed
		Sept. 1, 2016	700	700	0.3425	Sept. 2, 2024	Bullet repayment	(Note 3)	
		Mar. 15, 2018	—	300	0.2188	Mar. 15, 2022	Bullet repayment	(Note 3)	
		Mar. 15, 2018	—	300	0.2613	Mar. 15, 2023	Bullet repayment	(Note 3)	
	Development Bank of Japan Inc.	Aug. 2, 2016	2,100	2,100	0.3125	Aug. 3, 2026	Bullet repayment	(Note 3)	
	The Bank of Fukuoka, Ltd.	Aug. 2, 2016	1,300	1,300	0.2169	Feb. 2, 2024	Bullet repayment	(Note 3)	
		Mar. 15, 2018	—	400	0.3563	Mar. 14, 2025	Bullet repayment	(Note 3)	
	Nippon Life Insurance Company	Aug. 2, 2016	1,000	1,000	0.3125	Aug. 3, 2026	Bullet repayment	(Note 3)	
		Aug. 4, 2017	500	500	0.2575	Aug. 4, 2022	Bullet repayment	(Note 3)	
	The Norinchukin Bank	Aug. 4, 2017	500	500	0.2575	Aug. 4, 2022	Bullet repayment	(Note 3)	
		Mar. 15, 2018	—	600	0.2613	Mar. 15, 2023	Bullet repayment	(Note 3)	
	The Yamaguchi Bank, Ltd.	Mar. 15, 2018	—	600	0.3319	Sept. 13, 2024	Bullet repayment	(Note 3)	
	Mitsui Sumitomo Insurance Company, Limited	Mar. 15, 2018	—	600	0.3563	Mar. 14, 2025	Bullet repayment	(Note 3)	
	Subtotal			18,000	23,300				
Total			18,000	24,000					

(Note 1) "Average interest rate" is the weighted average interest rate during the period, rounded to the fourth decimal places.

(Note 2) If the "Maturity date" is not a business day, it becomes the following business day.

(Note 3) "Use" of funds is for purchase of real estate or real estate trust beneficiary interests, refinancing of loans, working capital, etc.

(Note 4) Concerning the borrowing from Mitsubishi UFJ Trust and Banking Corporation, the relevant rights and authority etc. have been transferred to MUFG Bank, Ltd. as of April 16, 2018.

**(3) Status of investment corporation bonds**

Not applicable.

**(4) Status of short-term investment corporation bonds**

Not applicable.

**(5) Status of subscription rights to investment units**

Not applicable.

## 6. Status of Sale and Purchase during Period

### (1) Status, etc. of sale and purchase of real estate, etc. and asset-backed securities, etc. and infrastructure assets, etc. and infrastructure-related assets

Name of real estate, etc.	Acquisition		Disposition			
	Acquisition date	Acquisition price (millions of yen) (Note 1)	Disposition date	Disposition price (millions of yen)	Book value (millions of yen)	Gain (Loss) on sale (millions of yen)
MFLP Komaki (Note 2)	February 2, 2018	5,011	—	—	—	—
MFLP Hino (Note 3)	February 2, 2018	7,520	—	—	—	—
MFLP Hiratsuka	March 15, 2018	7,027	—	—	—	—
Total	—	19,558	—	—	—	—

(Note 1) “Acquisition price” is the purchase price of trust beneficiary interest as set forth on the agreement for sale and purchase of trust beneficiary interest for the acquired asset, rounded down to the nearest million yen. The transaction price does not include consumption tax and local consumption tax or the various costs required in the acquisition.

(Note 2) For “MFLP Komaki,” “Acquisition price” is the prorated figure equivalent to the quasi co-ownership interest in this property that MFLP-REIT acquired additionally (60%).

(Note 3) For “MFLP Hino,” “Acquisition price” is the prorated figure equivalent to the quasi co-ownership interest in this property that MFLP-REIT acquired (15%).

### (2) Status, etc. of sales and purchases of other assets

Other main assets are generally bank deposits or bank deposits within assets in trust.

### (3) Investigation into value, etc. of specified assets

#### ① Real estate, etc.

Acquisition or disposition	Type of real estate	Name of real estate, etc.	Transaction date	Acquisition price or disposition price (millions of yen) (Note 2)	Appraisal value (millions of yen)	Appraisal company	Date of value
Acquisition	Real estate trust beneficiary interests	MFLP Komaki (Note 3)	February 2, 2018	5,011	5,100	The Tanizawa Sōgō Appraisal Co., Ltd.	November 30, 2017
	Real estate trust beneficiary interests	MFLP Hino (Note 4)	February 2, 2018	7,520	7,570	The Tanizawa Sōgō Appraisal Co., Ltd.	November 30, 2017
	Real estate trust beneficiary interests	MFLP Hiratsuka	March 15, 2018	7,027	7,070	Japan Real Estate Institute	November 30, 2017
Total				19,558	19,740	—	—

(Note 1) For transactions requiring appraisal of real estate, etc. of specified assets pursuant to Article 201, Paragraph 1 of the Investment Trust Act, The Tanizawa Sōgō Appraisal Co., Ltd. and Japan Real Estate Institute have carried out the appraisal pursuant to “Real Estate Appraisal Standards; Particulars; Chapter 3: Appraisal on Value of Real Estate Subject to Securitization” and MFLP-REIT has been notified of the appraisal findings.

(Note 2) “Acquisition price” does not include the various costs required in the acquisition of the real estate, etc., property tax, city planning tax, consumption tax and local consumption tax.

(Note 3) For “MFLP Komaki,” “Acquisition price” and “Appraisal value” are the prorated figures equivalent to the quasi co-ownership interest in this property that MFLP-REIT acquired additionally (60%).

(Note 4) For “MFLP Hino,” “Acquisition price” and “Appraisal value” are the prorated figures equivalent to the quasi co-ownership interest in this property that MFLP-REIT acquired (15%).

#### ② Other

Not applicable.

**(4) Status of interested party transactions, etc.**

**① Status of sale and purchase transactions with interested parties, etc.**

Category	Amount of purchase or sale, etc. (Note 2)	
	Amount of purchase, etc. (thousands of yen)	Amount of sale, etc. (thousands of yen)
Total amount	19,558,000	—
Breakdown of status of transactions with interested parties, etc. (Note 1)		
Mitsui Fudosan Co., Ltd.	12,038,000 (61.6%)	— ( %)
Hino Tokutei Mokuteki Kaisha	7,520,000 (38.4%)	— ( %)
Total	19,558,000 (100.0%)	— ( %)

(Note 1) “Interested parties, etc.” refers to stakeholders, etc. of the asset management company with which MFLP-REIT has concluded an asset management agreement as provided in Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations and Article 26, Paragraph 1, Item 27 of the Rules on Management Reports, etc. of Investment Trusts and Investment Corporations of The Investment Trusts Association, Japan.

(Note 2) “Amount of purchase or sale, etc.” does not include the various costs required in the acquisition of the real estate, etc., property tax, city planning tax, consumption tax and local consumption tax.

**② Amount of commission fee, etc.**

Category	Total amount of commission fee, etc. (A) (thousands of yen)	Breakdown of transactions with interested parties, etc.		As a percentage of total amount (B/A)
		Payee	Amount paid (B) (thousands of yen)	
Logistics management fee	82,565	Mitsui Fudosan Co., Ltd.	69,283	83.9%
Building management fee	95,404	Mitsui Fudosan Facilities Co., Ltd.	66,665	69.9%
		Mitsui Fudosan Facilities West Co., Ltd.	6,242	6.5%

(Note) “Interested parties, etc.” refers to stakeholders, etc. of the asset management company with which MFLP-REIT has concluded an asset management agreement as provided in Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations and Article 26, Paragraph 1, Item 27 of the Rules on Management Reports, etc. of Investment Trusts and Investment Corporations of The Investment Trusts Association, Japan.

**③ Other payments to interested parties, etc.**

Other payments to interested parties, etc. are as follows.

Paid to	Category	Amount (thousands of yen)
Mitsui Fudosan Co., Ltd.	Repairs and related work	1,608
Mitsui Fudosan Building Management Co., Ltd.	Repairs and related work	3,957
Mitsui Fudosan Facilities Co., Ltd.	Repairs and related work	14,154
Mitsui Fudosan Facilities West Co., Ltd.	Repairs and related work	1,367

**④ Leasing transaction, etc.**

Leasing transactions with interested parties, etc. are as follows.

Name of lessee	Category	Rental revenues (thousands of yen)
Mitsui Fudosan Co., Ltd.	Rent income, etc.	141,756

**(5) Status, etc. of transactions with the asset management company pertaining to operations of concurrent business engaged in by the asset management company**

Not applicable, because the asset management company (Mitsui Fudosan Logistics REIT Management Co., Ltd.) does not engage in any type I financial instruments business, type II financial instruments business, real estate brokerage or specified joint real estate venture as a concurrent business.

**7. Accounting**

**(1) Status, etc. of assets, liabilities, principal, and income and loss**

For the status, etc. of assets, liabilities, principal, and income and loss, please refer to “Balance Sheets,” “Statements of Income,” “Statements of Changes in Net Assets,” “Notes to Financial Statements” and “Distributions” presented later in this document.

**(2) Change in method of calculation of depreciation and amortization**

Not applicable.

**(3) Change in method of valuation of real estate, etc. and infrastructure assets, etc.**

Not applicable.

**(4) Status, etc. of beneficiary certificates, etc. of investment trust established by itself**

Not applicable.



**8. Other**

**(1) Notice**

**① General meeting of unitholders**

Not applicable.

**② Board of directors of the investment corporation**

There were no applicable conclusions or changes in major contracts approved by MFLP-REIT's Board of Directors during the fiscal period under review.

**(2) Rounding of monetary and percentage figures**

Unless otherwise specified, monetary figures are rounded down and percentage figures are rounded to the nearest specified unit in this document.

**(3) Disclosure pertaining to corporation holding overseas real estate**

Not applicable.

**(4) Disclosure pertaining to real estate of corporation holding overseas real estate**

Not applicable.

**Mitsui Fudosan Logistics Park Inc.**  
**Balance Sheets**  
**As of July 31, 2018 and January 31, 2018**

(Thousands of yen)

	4th period (As of July 31, 2018)	3rd period (As of January 31, 2018)
Assets		
Current assets		
Cash and deposits (Notes 3 and 4)	¥ 953,525	¥ 344,495
Cash and deposits in trust (Notes 3 and 4)	1,803,520	1,670,429
Operating accounts receivable (Note 12)	132,570	33,267
Prepaid expenses	18,017	21,555
Deferred tax assets (Note 9)	13	13
Consumption taxes receivable	613,050	102,803
Other	5,413	3,846
Total current assets	3,526,112	2,176,410
Non-current assets		
Property and equipment (Note 5)		
Buildings in trust	48,397,235	38,941,693
Structures in trust	1,637,752	1,243,107
Machinery and equipment in trust	2,202,041	1,933,816
Tools, furniture and fixtures in trust	951	951
Land in trust	46,880,845	37,205,414
Construction in progress in trust	-	17,956
Less: accumulated depreciation	(2,454,257)	(1,709,295)
Total property and equipment	96,664,568	77,633,644
Intangible assets		
Software	7,116	8,236
Total intangible assets	7,116	8,236
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	41,555	38,728
Other	1,050	1,050
Total investments and other assets	52,605	49,778
Total non-current assets	96,724,291	77,691,660
Total assets	¥ 100,250,403	¥ 79,868,070

**Mitsui Fudosan Logistics Park Inc.**  
**Balance Sheets**  
**As of July 31, 2018 and January 31, 2018**

(Thousands of yen)

	4th period (As of July 31, 2018)	3rd period (As of January 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable (Note 12)	¥ 92,127	¥ 164,346
Short-term loans payable (Notes 4 and 7)	700,000	-
Accounts payable (Note 12)	322,767	317,532
Accrued expenses	222	140
Income taxes payable	883	870
Advances received	538,269	404,443
Other	1,321	1,166
Total current liabilities	<u>1,655,592</u>	<u>888,500</u>
Non-current liabilities		
Long-term loans payable (Notes 4 and 7)	23,300,000	18,000,000
Tenant leasehold and security deposits in trust (Note 4)	1,891,354	1,544,627
Total non-current liabilities	<u>25,191,354</u>	<u>19,544,627</u>
Total liabilities	<u>26,846,946</u>	<u>20,433,128</u>
Net assets (Notes 6 and 10)		
Unitholders' equity		
Unitholders' capital	72,120,699	58,350,540
Units authorized: 8,000,000 units as of July 31, 2018 and January 31, 2018		
Units issued and outstanding: 262,774 units as of July 31, 2018 and 224,000 units as of January 31, 2018		
Deduction from unitholders' capital	(161,728)	(100,128)
Unitholders' capital (net)	<u>71,958,971</u>	<u>58,250,412</u>
Retained earnings	1,444,484	1,184,529
Total unitholders' equity	<u>73,403,456</u>	<u>59,434,941</u>
Total net assets (Notes 6 and 10)	<u>73,403,456</u>	<u>59,434,941</u>
Total liabilities and net assets	<u>¥ 100,250,403</u>	<u>¥ 79,868,070</u>

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

**Mitsui Fudosan Logistics Park Inc.**  
**Statements of Income**  
**For the Fiscal Periods Ended July 31, 2018 and January 31, 2018**

	(Thousands of yen)			
	4th period (From February 1, 2018 to July 31, 2018)		3rd period (From August 1, 2017 to January 31, 2018)	
Operating revenues (Note 12)				
Property-related revenues (Note 8)	¥	3,037,442	¥	2,523,141
Other property-related revenues (Note 8)		111,226		106,447
Total operating revenues		3,148,668		2,629,588
Operating expenses (Note 12)				
Property-related expenses (Note 8)		1,306,126		1,086,701
Asset management fee		278,845		232,942
Asset custody fee		3,993		3,940
Administrative service fees		13,235		14,058
Directors' compensation		5,400		5,400
Audit fee		9,100		9,100
Other operating expenses		33,699		38,033
Total operating expenses		1,650,398		1,390,176
Operating income		1,498,269		1,239,412
Non-operating income				
Interest income		12		17
Insurance income		373		375
Interest on refund		501		-
Other		0		0
Total non-operating income		887		393
Non-operating expenses				
Interest expense		32,396		26,260
Investment unit issuance expenses		-		23,210
Offering costs associated with issuance of investment units		12,818		-
Borrowing related expenses		4,016		4,983
Other		4,573		-
Total non-operating expenses		53,804		54,454
Income before income taxes		1,445,352		1,185,350
Income taxes - current		885		873
Income taxes - deferred		(0)		(2)
Total income taxes (Note 9)		885		870
Net income (Note 10)	¥	1,444,466	¥	1,184,480
Retained earnings brought forward		17		49
Unappropriated retained earnings (Note 6)	¥	1,444,484	¥	1,184,529

	(Yen)			
	4th period (From February 1, 2018 to July 31, 2018)		3rd period (From August 1, 2017 to January 31, 2018)	
Net income per unit (Note 10)	¥	5,499	¥	5,287

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

**Mitsui Fudosan Logistics Park Inc.**  
**Statements of Changes in Net Assets**  
**For the Fiscal Periods Ended July 31, 2018 and January 31, 2018**

	Number of units	Unitholders' capital (thousands of yen)			Retained earnings (thousands of yen)	Total net assets (thousands of yen)
		Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital (net)		
Balance as of August 1, 2017	224,000	¥ 58,350,540	¥ (54,432)	¥ 58,296,108	¥ 1,151,857	¥ 59,447,965
Distribution in excess of retained earnings	-	-	(45,696)	(45,696)		(45,696)
Dividends of earnings	-	-	-	-	(1,151,808)	(1,151,808)
Net income	-	-	-	-	1,184,480	1,184,480
Balance as of January 31, 2018	224,000	¥ 58,350,540	¥ (100,128)	¥ 58,250,412	¥ 1,184,529	¥ 59,434,941
Issuance of new units through public offering as of February 1, 2018	38,000	13,495,282	-	13,495,282		13,495,282
Issuance of new units through allocation to a third party as of February 28, 2018	774	274,877	-	274,877		274,877
Distribution in excess of retained earnings	-	-	(61,600)	(61,600)		(61,600)
Dividends of earnings	-	-	-	-	(1,184,512)	(1,184,512)
Net income	-	-	-	-	1,444,466	1,444,466
Balance as of July 31, 2018	262,774	¥ 72,120,699	¥ (161,728)	¥ 71,958,971	¥ 1,444,484	¥ 73,403,456

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

**Mitsui Fudosan Logistics Park Inc.**  
**Statements of Cash Flows**  
**For the Fiscal Periods Ended July 31, 2018 and January 31, 2018**

(Thousands of yen)

	4th period (From February 1, 2018 to July 31, 2018)		3rd period (From August 1, 2017 to January 31, 2018)	
Cash flows from operating activities:				
Income before income taxes	¥	1,445,352	¥	1,185,350
Depreciation and amortization		746,082		596,951
Investment unit issuance expenses		-		23,210
Interest income		(12)		(17)
Interest expense		32,396		26,260
Decrease (increase) in operating accounts receivable		(99,303)		37,756
Decrease (increase) in prepaid expenses		3,538		(18,016)
Decrease (increase) in long-term prepaid expenses		(2,826)		(38,728)
Decrease (increase) in consumption taxes receivable		(510,247)		(102,803)
Increase (decrease) in accrued consumption taxes		-		(159,248)
Increase (decrease) in operating accounts payable		(105,961)		107,149
Increase (decrease) in accounts payable		22,606		13,050
Increase (decrease) in advances received		133,825		(17,507)
Other, net		(1,412)		2,253
Subtotal		1,664,037		1,655,661
Interest income received		12		17
Interest expense paid		(32,314)		(26,253)
Income taxes paid		(872)		(825)
Net cash provided by (used in) operating activities		1,630,863		1,628,600
Cash flows from investing activities:				
Purchase of property and equipment in trust		(19,760,087)		(3,291,455)
Repayments of tenant leasehold and security deposits in trust		(1,941)		(440)
Proceeds from tenant leasehold and security deposits in trust		348,667		94,546
Net cash provided by (used in) investing activities		(19,413,361)		(3,197,348)
Cash flows from financing activities:				
Proceeds from short-term loans payable		2,100,000		2,100,000
Repayments of short-term loans payable		(1,400,000)		(2,100,000)
Proceeds from long-term loans payable		5,300,000		1,000,000
Proceeds from issuance of investment units		13,770,159		-
Payment of distribution of earnings		(1,183,977)		(1,151,392)
Payment of distribution in excess of retained earnings		(61,562)		(45,679)
Net cash provided by (used in) financing activities		18,524,619		(197,071)
Net increase (decrease) in cash and cash equivalents		742,121		(1,765,819)
Cash and cash equivalents at beginning of period		2,014,924		3,780,744
Cash and cash equivalents at end of period (Note 3)	¥	2,757,046	¥	2,014,924

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

**Mitsui Fudosan Logistics Park Inc.**  
**Notes to Financial Statements**  
**For the Fiscal Periods Ended July 31, 2018 and January 31, 2018**

**1. Organization and Basis of Presentation**

**a. Organization**

Mitsui Fudosan Logistics Park Inc. (“MFLP-REIT”), a Japanese real estate investment corporation, was established on March 4, 2016 under the Act on Investment Trusts and Investment Corporations of Japan (Act No. 198 of 1951, including subsequent amendments; the “Investment Trust Act”), by Mitsui Fudosan Logistics REIT Management Co., Ltd. (the “Asset Management Company”) as the organizer with investments in capital of 300 million yen (600 investment units). Registration with the Kanto Local Finance Bureau of the Ministry of Finance of Japan was completed on March 25, 2016. The investment units were listed on the Real Estate Investment Trust Securities Market (J-REIT section) of Tokyo Stock Exchange, Inc. on August 2, 2016 (Securities Code: 3471).

MFLP-REIT started acquisition of properties on August 2, 2016. With Mitsui Fudosan Co., Ltd. (“Mitsui Fudosan”) as a sponsor, MFLP-REIT invests primarily in logistics facilities with a particular focus on MFLP facilities, that is, leading-edge logistics facilities with Mitsui Fudosan quality. This focus has been chosen in light of MFLP-REIT’s goal of establishing a portfolio that emphasizes location, quality and balance.

As of July 31, 2018, MFLP-REIT held 12 properties with the total acquisition price of 98.3 billion yen.

**b. Basis of presentation**

The accompanying financial statements of MFLP-REIT have been prepared in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Financial Instruments and Exchange Act of Japan, the Investment Trust Act and the related regulations, which are different in certain respects as to application and disclosure requirements of the International Financial Reporting Standards.

The accompanying financial statements are basically a translation of the financial statements of MFLP-REIT, which were prepared in accordance with Japanese GAAP and were presented in its Asset Management Report published for Japanese investors. In preparing the accompanying 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.

MFLP-REIT’s fiscal period is a six month period, which ends at the end of January and July of each year.

MFLP-REIT does not prepare consolidated financial statements as it has no subsidiaries.

Unless otherwise specified, amounts have been rounded down to the nearest thousand yen in the accompanying financial statements and the notes thereto, as permitted by the Financial Instruments and Exchange Act of Japan. As a result, the totals shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual amounts.

**2. Summary of Significant Accounting Policies**

**a. Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and cash in trust, readily-available bank deposits, readily-available bank deposits in trust and short-term investments that are readily convertible to cash and realizable with a maturity of three months or less when purchased and that are subject to an insignificant risk of changes in value.

#### **b. Property and equipment**

Property and equipment (including those in trust) are stated at cost, which includes the original purchase price and related acquisition costs and expenses. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives. The useful lives of principal property and equipment are as follows:

Buildings:	2 to 59 years
Structures:	9 to 20 years
Machinery and equipment:	14 to 16 years
Tools, furniture and fixtures:	5 to 15 years

#### **c. Intangible assets**

Intangible assets are stated at cost, which includes the original purchase price and related acquisition costs and expenses. Amortization of intangible assets is calculated using the straight-line method over the estimated useful lives. Amortization of software for internal use is calculated using the straight-line method over the estimated useful lives of five years at MFLP-REIT.

#### **d. Investment unit issuance expenses**

Investment unit issuance expenses are recorded as expenses when incurred.

#### **e. Taxes on property and equipment**

With respect to property taxes, city planning taxes and depreciable asset taxes imposed on real estate properties or trust beneficiary interests in real estate, of the tax amount assessed and determined, the amount corresponding to the relevant fiscal period is accounted for as property-related expenses.

Of the amounts paid for the acquisitions of real estate properties or trust beneficiary interests in real estate, the amount equivalent to property-related taxes is capitalized as part of the acquisition cost of the relevant property instead of being charged as expenses. Capitalized property-related taxes amounted to 111,095 thousand yen and 1,107 thousand yen for the fiscal periods ended July 31, 2018 and January 31, 2018, respectively.

#### **f. Trust beneficiary interests in real estate**

As to trust beneficiary interests in real estate that have real estate properties as assets in trust, all accounts of assets and liabilities within assets in trust as well as all income generated and expenses incurred from assets in trust are recorded in the relevant balance sheet and statement of income account items.

The following material items of the assets in trust recorded in the relevant account items are separately presented in the accompanying balance sheets.

- (1) Cash and deposits in trust
- (2) Buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust and land in trust
- (3) Construction in progress in trust
- (4) Tenant leasehold and security deposits in trust

#### **g. Consumption taxes**

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

### **3. Cash and Cash Equivalents**

Reconciliation between cash and cash equivalents and accounts and amounts in the balance sheets is as follows:

	(Thousands of yen)	
	4th period (As of July 31, 2018)	3rd period (As of January 31, 2018)
Cash and deposits	¥ 953,525	¥ 344,495
Cash and deposits in trust	1,803,520	1,670,429
Cash and cash equivalents	¥ 2,757,046	¥ 2,014,924



#### 4. Financial Instruments

##### a. Status of financial instruments

(1) Policy for financial instruments

MFLP-REIT procures funds for acquisition of assets or repayment of debts mainly through issuance of investment units, loans or issuance of investment corporation bonds.

MFLP-REIT generally invests surplus funds in deposits considering safety of the investments although surplus funds could be invested in securities and monetary claims as a matter of policy.

MFLP-REIT enters into derivative transactions to a limited extent for the purpose of avoiding the risk of interest rate fluctuation and other risks. MFLP-REIT does not engage in speculative transactions.

(2) Financial instruments, their associated risks and risk management system

Deposits are used for investment of MFLP-REIT's surplus funds, and are exposed to credit risk such as failure of the financial institutions holding the deposits. MFLP-REIT limits the credit risk by restricting the deposit periods to short terms and selecting financial institutions that have high credit ratings.

Proceeds from loans are used mainly to acquire real estate properties or refinance existing loans. While these loans are exposed to liquidity risk at the time of repayment, MFLP-REIT mitigates the liquidity risk by diversifying its means of fund procurement and lending financial institutions, dispersing repayment dates, establishing commitment lines and securing liquidity on hand, and also controls liquidity risk by preparing monthly fund management plans.

In addition, loans with floating interest rates are exposed to the risk of interest rate rising. MFLP-REIT limits the impact of interest rate rises on its operations by keeping the ratio of interest-bearing debt to total assets at a low level and maintaining the ratio of fixed-rate long-term loans at a high level.

Tenant leasehold and security deposits in trust are deposits from tenants, and are exposed to liquidity risk at the time the tenants vacate the properties. MFLP-REIT controls the liquidity risk by preparing monthly fund management plans.

(3) Supplementary explanation regarding fair values of financial instruments

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

##### b. Estimated fair value of financial instruments

The carrying amounts, fair values and their differences as of July 31, 2018 and January 31, 2018 are as follows. Financial instruments for which it is extremely difficult to determine the fair value are excluded from the following tables (Note 2 below).

(Thousands of yen)

4th period (As of July 31, 2018)	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 953,525	¥ 953,525	-
(2) Cash and deposits in trust	1,803,520	1,803,520	-
Total assets	¥ 2,757,046	¥ 2,757,046	-
(3) Short-term loans payable	700,000	700,000	-
(4) Long-term loans payable	23,300,000	23,189,445	¥ (110,554)
Total liabilities	¥ 24,000,000	¥ 23,889,445	¥ (110,554)

(Thousands of yen)

3rd period (As of January 31, 2018)	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 344,495	¥ 344,495	-
(2) Cash and deposits in trust	1,670,429	1,670,429	-
Total assets	¥ 2,014,924	¥ 2,014,924	-
(3) Long-term loans payable	18,000,000	17,874,337	¥ (125,662)
Total liabilities	¥ 18,000,000	¥ 17,874,337	¥ (125,662)

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

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

Because these are settled in a short period of time, the fair value is approximately the same as the book value and thus stated at that book value.

(3) Short-term loans payable

Because these are settled in a short period of time, the fair value is approximately the same as the book value and thus stated at that book value.

(4) Long-term loans payable

The fair value is determined based on the present value being calculated by discounting the sum of principal and interest by the assumed interest rate which would be applied if a similar new loan were entered into.

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

(Thousands of yen)

	4th period (As of July 31, 2018)	3rd period (As of January 31, 2018)
Tenant leasehold and security deposits in trust	¥ 1,891,354	¥ 1,544,627

Tenant leasehold and security deposits in trust are not subject to fair value disclosure, because a reasonable estimation of future cash flows is difficult as no market price is available and the actual deposit period cannot be determined even when a contract period is set in the lease contract since there is a possibility that the leases may be cancelled, renewed or re-signed.

(Note 3) Redemption schedule for monetary claims

(Thousands of yen)

4th period (As of July 31, 2018)	Due within one year
Cash and deposits	¥ 953,525
Cash and deposits in trust	¥ 1,803,520

(Thousands of yen)

3rd period (As of January 31, 2018)	Due within one year
Cash and deposits	¥ 344,495
Cash and deposits in trust	¥ 1,670,429

(Note 4) Repayment schedule for loans

(Thousands of yen)

4th period (As of July 31, 2018)	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Short-term loans payable	¥ 700,000	-	-	-	-	-
Long-term loans payable	-	-	-	¥ 1,900,000	¥ 6,500,000	¥ 14,900,000

(Thousands of yen)

3rd period (As of January 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	-	-	-	-	¥ 3,400,000	¥ 14,600,000

## 5. Investment and Rental Properties

MFLP-REIT owns logistics facilities and industrial properties for the purpose of earning rental income. The carrying amount, net changes in the carrying amount during the periods and fair value of these investment and rental properties are as follows:

(Thousands of yen)

	4th period (From February 1, 2018 to July 31, 2018)		3rd period (From August 1, 2017 to January 31, 2018)	
Carrying amount				
Balance at the beginning of the period	¥	77,615,688	¥	74,921,573
Changes during the period		19,048,880		2,694,115
Balance at the end of the period		96,664,568		77,615,688
Fair value at the end of the period	¥	105,180,000	¥	84,930,000

(Note 1) The carrying amount represents acquisition cost less accumulated depreciation.

(Note 2) Changes in the carrying amount during the 3rd period consisted of the increase mainly attributable to acquisition of trust beneficiary interests in real estate for one property (3,279,898 thousand yen), and the decrease mainly attributable to depreciation (595,831 thousand yen). Changes in the carrying amount during the 4th period consisted of the increase mainly attributable to acquisition of trust beneficiary interests in real estate for three properties (19,747,009 thousand yen), and the decrease mainly attributable to depreciation (744,962 thousand yen).

(Note 3) The fair value at the end of the period represents the appraisal value or surveyed value by external real estate appraisers.

Information about income and loss from investment and rental properties is stated in Note 8. "Property-related Revenues and Expenses."

## 6. Net Assets

### a. Stated capital

MFLP-REIT issues only non-par value units in accordance with the Investment Trust Act of Japan and all of the issue prices of new units are designated as stated capital. MFLP-REIT maintains at least 50,000 thousand yen as the minimum net assets as required by the Article 67, Paragraph 4 of the Investment Trust Act of Japan.

### b. Distributions

Distributions related to the periods but declared after the balance sheet dates are summarized as follows:

	(Yen)			
	4th period (From February 1, 2018 to July 31, 2018)		3rd period (From August 1, 2017 to January 31, 2018)	
	Total	Per unit	Total	Per unit
I. Unappropriated retained earnings	¥ 1,444,484,929		¥ 1,184,529,947	
II. Distributions in excess of retained earnings				
Deduction from unitholders' capital	88,029,290		61,600,000	
III. Distributions				
Distribution of earnings	1,444,468,678	¥ 5,497	1,184,512,000	¥ 5,288
Distribution in excess of retained earnings	88,029,290	335	61,600,000	275
Total distributions	¥ 1,532,497,968	¥ 5,832	¥ 1,246,112,000	¥ 5,563
IV. Retained earnings carried forward	¥ 16,251		¥ 17,947	

In accordance with the distribution policy as defined in the Article 35, Paragraph 1 of the Articles of Incorporation of MFLP-REIT, distributions shall be in excess of the amount equivalent to 90% of the amount of earnings available for dividends defined in the Article 67-15 of the Act on Special Measures Concerning Taxation.

Based on this policy, for the fiscal periods ended July 31, 2018 and January 31, 2018, MFLP-REIT declared a distribution amount of 1,444,468,678 yen and 1,184,512,000 yen, respectively, which are the maximum value of the integral multiple of the total number of investment units issued and outstanding at the end of each period in amounts not in excess of unappropriated retained earnings.

Furthermore, based on the distribution policy as defined in the Article 35, Paragraph 2 of the Articles of Incorporation, MFLP-REIT executes the distribution of cash in excess of retained earnings (return of capital applicable to distribution reducing unitholders' capital for tax purposes) each fiscal period on a continuous basis.

Based on this policy, for the fiscal period ended July 31, 2018, MFLP-REIT declared the distribution of 88,029,290 yen, which is calculated as being almost equivalent to the remaining amount after subtracting the distribution of earnings of 1,444,468,678 yen from 1,532,600,608 yen or 70% of FFO (funds from operation), as distribution of cash in excess of retained earnings (return of capital applicable to distribution reducing unitholders' capital for tax purposes). For the fiscal period ended January 31, 2018, MFLP-REIT declared the distribution of 61,600,000 yen, which is calculated as being almost equivalent to the remaining amount after subtracting the distribution of earnings of 1,184,512,000 yen from 1,246,218,208 yen or 70% of FFO (funds from operation), as distribution of cash in excess of retained earnings (return of capital applicable to distribution reducing unitholders' capital for tax purposes).

(Note) MFLP-REIT may execute cash distribution in excess of distributable amount, in an amount it determines within a scope not to exceed the limit stipulated in the rules and requirements imposed by the Investment Trusts Association, Japan, when MFLP-REIT considers it appropriate, given such factors as economic environment, trends in the real estate market or leasing market, the situation surrounding owned assets and the financial condition.

In addition, in case that any cash distribution fails to meet the statutory requirements for special tax treatment for investment corporations, MFLP-REIT may execute cash distribution in excess of distributable amount, in an amount it determines to meet the statutory requirements.

## 7. Short-term and Long-term Loans Payable

Short-term and long-term loans payable mainly consisted of bank borrowings under loan agreements. The following table summarizes the short-term and long-term loans payable as of July 31, 2018 and January 31, 2018.

(Thousands of yen)

	4th period (As of July 31, 2018)		3rd period (As of January 31, 2018)	
0.0982% unsecured short-term loans	¥	500,000		-
0.1036% unsecured short-term loans		200,000		-
Total short-term loans payable	¥	700,000		-
0.2713% unsecured long-term loans due 2022	¥	2,000,000	¥	2,000,000
0.4213% unsecured long-term loans due 2026		1,500,000		1,500,000
0.2400% unsecured long-term loans due 2022		1,600,000		-
0.3050% unsecured long-term loans due 2023		2,000,000		2,000,000
0.3813% unsecured long-term loans due 2025		1,500,000		1,500,000
0.1425% unsecured long-term loans due 2022		400,000		400,000
0.2113% unsecured long-term loans due 2024		1,700,000		1,700,000
0.4895% unsecured long-term loans due 2027		900,000		-
0.1826% unsecured long-term loans due 2023		2,200,000		2,200,000
0.3237% unsecured long-term loans due 2024		600,000		600,000
0.3425% unsecured long-term loans due 2024		700,000		700,000
0.2188% unsecured long-term loans due 2022		300,000		-
0.2613% unsecured long-term loans due 2023		900,000		-
0.3125% unsecured long-term loans due 2026		3,100,000		3,100,000
0.2169% unsecured long-term loans due 2024		1,300,000		1,300,000
0.3563% unsecured long-term loans due 2025		1,000,000		-
0.2575% unsecured long-term loans due 2022		1,000,000		1,000,000
0.3319% unsecured long-term loans due 2024		600,000		-
Total long-term loans payable	¥	23,300,000	¥	18,000,000

(Note) The stated interest rates are the weighted average interest rates during the fiscal periods ended July 31, 2018 and January 31, 2018 and rounded to the fourth decimal place.

The repayment schedule for loans is disclosed in Note 4. "Financial Instruments."

MFLP-REIT had the commitment line contracts with two banks as of July 31, 2018 and January 31, 2018.

(Thousands of yen)

	4th period (As of July 31, 2018)		3rd period (As of January 31, 2018)	
Total amount of commitment line contracts	¥	6,000,000	¥	6,000,000
Loans executed		-		-
Unused line of credit	¥	6,000,000	¥	6,000,000

## 8. Property-related Revenues and Expenses

The following table summarizes the revenues and expenses generated from the real estate leasing business for the fiscal periods ended July 31, 2018 and January 31, 2018.

	(Thousands of yen)			
	4th period (From February 1, 2018 to July 31, 2018)		3rd period (From August 1, 2017 to January 31, 2018)	
A. Real estate leasing business revenues				
Property-related revenues				
Rental revenues	¥	2,928,747	¥	2,430,956
Common area charges		108,694		92,185
Total	¥	3,037,442	¥	2,523,141
Other revenues related to property leasing				
Utilities charges	¥	85,310	¥	83,381
Parking lots		9,236		10,882
Others		16,679		12,183
Total	¥	111,226	¥	106,447
Total property-related revenues	¥	3,148,668	¥	2,629,588
B. Real estate leasing business expenses				
Property-related expenses				
Outsourcing service expenses	¥	179,549	¥	146,800
Utilities expenses		78,317		75,940
Repair expenses		32,173		12,615
Taxes and dues		257,614		244,523
Depreciation and amortization		744,962		595,831
Others		13,508		10,989
Total property-related expenses	¥	1,306,126	¥	1,086,701
C. Operating income from property leasing [A-B]	¥	1,842,542	¥	1,542,887

Transactions with major unitholders for the fiscal periods ended July 31, 2018 and January 31, 2018 are as follows:

	(Thousands of yen)			
	4th period (From February 1, 2018 to July 31, 2018)		3rd period (From August 1, 2017 to January 31, 2018)	
Operating transactions:				
Operating revenues	¥	141,756	¥	89,686
Operating expenses	¥	70,891	¥	52,760
Non-operating transactions:				
Purchase of trust beneficiary interests in real estate	¥	12,106,173	¥	3,250,107

## 9. Income Taxes

MFLP-REIT 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 July 31, 2018 and January 31, 2018 as follows:

	(Thousands of yen)			
	4th period (As of July 31, 2018)		3rd period (As of January 31, 2018)	
Deferred tax assets:				
Accrued enterprise tax	¥	13	¥	13
Total deferred tax assets	¥	13	¥	13
Net deferred tax assets	¥	13	¥	13

Reconciliations between the Japanese statutory tax rate and the effective income tax rate with respect to pre-tax income reflected in the accompanying statements of income for the fiscal periods ended July 31, 2018 and January 31, 2018 are as follows.

	4th period (As of July 31, 2018)	3rd period (As of January 31, 2018)
Statutory tax rate	31.74%	31.74%
Adjustments:		
Deductible distributions	(31.72)	(31.72)
Other	0.04	0.05
Effective income tax rate after application of tax-effect accounting	0.06%	0.07%

#### 10. Per Unit Information

The following table summarizes per unit information for the fiscal periods ended July 31, 2018 and January 31, 2018.

	4th period (From February 1, 2018 to July 31, 2018)	3rd period (From August 1, 2017 to January 31, 2018)
Earnings per unit:		
Net income per unit (yen)	¥ 5,499	¥ 5,287
Weighted average number of units outstanding (unit)	262,659	224,000

	4th period (As of July 31, 2018)	3rd period (As of January 31, 2018)
Net assets per unit (yen)	¥ 279,340	¥ 265,334

Net income per unit is calculated by dividing net income by the daily weighted average number of investment units outstanding during the period. Diluted net income per unit is not stated because there are no dilutive investment units.

#### 11. Leases

The future minimum rental revenues from tenants subsequent to July 31, 2018 and January 31, 2018 under non-cancelable operating leases of properties are as follows.

	(Thousands of yen)			
	4th period (As of July 31, 2018)		3rd period (As of January 31, 2018)	
Due within one year	¥	5,494,623	¥	4,668,341
Due after one year		10,934,324		9,848,403
Total	¥	16,428,947	¥	14,516,744

## 12. Transactions with Related Parties

Significant transactions and balances with related parties for the fiscal period ended July 31, 2018 are as follows:

Classification	Name of company	Address	Stated capital (millions of yen)	Type of business	% of voting rights (owned)	Business relationship	Type of transaction (Note 2)	Transaction amount (thousands of yen)	Account	Balance at end of period (thousands of yen)
Major corporate unitholder	Mitsui Fudosan Co., Ltd.	Chuo-ku, Tokyo	¥ 339,766	Real estate business	10.99%	Logistics management outsourcing	Logistics management fee	¥ 69,283	Operating accounts payable	¥ 15,341
							Repairs and related work	607		
							Other property-related expenses	1,000		
							Rent income, etc.	141,756	Operating accounts receivable	58,003
							Purchase of real estate	12,106,173	-	-
Subsidiary of major corporate unitholder	Mitsui Fudosan Logistics REIT Management Co., Ltd.	Chuo-ku, Tokyo	200	Investment management business	-	Asset management outsourcing	Asset management fee (Note 3)	327,740	Accounts payable	302,929
	Mitsui Fudosan Building Management Co., Ltd.	Chuo-ku, Tokyo	490	Property management business	-	Building management outsourcing	Repairs and related work	3,957	Operating accounts payable	1,377
	Mitsui Fudosan Facilities Co., Ltd.	Chuo-ku, Tokyo	490	Property management business	-	Building management outsourcing	Building management fee	66,665	Operating accounts payable	12,835
							Repairs and related work	12,494		
							Other property-related expenses	1,660		
							Other income	214	-	-
	Mitsui Fudosan Facilities West Co., Ltd.	Osaka-shi, Osaka	200	Property management business	-	Building management outsourcing	Building management fee	6,242	Operating accounts payable	1,443
							Repairs and related work	1,278		
							Other property-related expenses	88		
	Daiichi Engei Co., Ltd	Shinagawa-ku, Tokyo	480	Leasing and other businesses	-	Repair and maintenance of real estate held	Repairs and related work	788	Operating accounts payable	527
Hino Tokutei Mokuteki Kaisha	Chuo-ku, Tokyo	3,311	Real estate business	-	-	Purchase of real estate	7,562,921	Operating accounts receivable	53,987	

(Note 1) Consumption taxes are not included in the transaction amounts but included in the balances at the end of the period.

(Note 2) Methods to determine terms and conditions of transactions

(1) Asset management fee is in accordance with terms set forth in the Articles of Incorporation of MFLP-REIT.

(2) Other terms and conditions of these transactions are determined based on the prevailing market price.

(Note 3) The asset management fee above includes 48,895 thousand yen of a management fee for property acquisitions included in the book value of real estate, etc. individually.



Significant transactions and balances with related parties for the fiscal period ended January 31, 2018 are as follows:

Classification	Name of company	Address	Stated capital (millions of yen)	Type of business	% of voting rights (owned)	Business relationship	Type of transaction (Note 2)	Transaction amount (thousands of yen)	Account	Balance at end of period (thousands of yen)						
Major corporate unitholder	Mitsui Fudosan Co., Ltd.	Chuo-ku, Tokyo	¥ 339,766	Real estate business	12.90%	Logistics management outsourcing	Logistics management fee	¥ 51,794	Operating accounts payable	¥ 8,767						
							Repairs and related work	139								
							Other property-related expenses	826								
													Rent income, etc.	89,686	Operating accounts receivable	27,378
													Purchase of real estate	3,250,107	-	-
Subsidiary of major corporate unitholder	Mitsui Fudosan Logistics REIT Management Co., Ltd.	Chuo-ku, Tokyo	200	Investment management business	-	Asset management outsourcing	Asset management fee (Note 3)	241,065	Accounts payable	251,577						
	Mitsui Fudosan Building Management Co., Ltd.	Chuo-ku, Tokyo	490	Property management business	-	Building management outsourcing	Repairs and related work	1,000	-	-						
	Mitsui Fudosan Facilities Co., Ltd.	Chuo-ku, Tokyo	490	Property management business	-	Building management outsourcing	Building management fee	52,528	Operating accounts payable	16,705						
							Repairs and related work	11,851								
							Other property-related expenses	1,338								
							Other income	202	-	-						
	Mitsui Fudosan Facilities West Co., Ltd.	Osaka-shi, Osaka	200	Property management business	-	Building management outsourcing	Building management fee	7,154	Operating accounts payable	1,520						
							Repairs and related work	504								
							Other property-related expenses	134								

(Note 1) Consumption taxes are not included in the transaction amounts but included in the balances at the end of the period.

(Note 2) Methods to determine terms and conditions of transactions

- (1) Asset management fee is in accordance with terms set forth in the Articles of Incorporation of MFLP-REIT.
- (2) Other terms and conditions of these transactions are determined based on the prevailing market price.

(Note 3) The asset management fee above includes 8,122 thousand yen of a management fee for property acquisitions included in the book value of real estate, etc. individually.

### 13. Segment and Related Information

For the fiscal periods ended July 31, 2018 and January 31, 2018

#### a. Segment information

Segment information has been omitted as MFLP-REIT engages in a single segment of the real estate leasing business.

#### b. Related information

(1) Information by product and service

Disclosure of this information has been omitted as revenues from external customers in a single product and service category exceed 90% of the total operating revenues on the statements of income.

(2) Information by geographical area

(i) Operating revenues

Disclosure of this information has been omitted as revenues from external customers in Japan exceed 90% of the total operating revenues on the statements of income.

(ii) Property and equipment

Disclosure of this information has been omitted as the amount of property and equipment located in Japan exceeds 90% of the total amount of property and equipment on the balance sheets.

(3) Information on major tenant

For the fiscal period ended July 31, 2018

Tenant name	Operating revenues	Related segment
Nippon Express Co., Ltd.	(Note)	Real estate leasing business

For the fiscal period ended January 31, 2018

Tenant name	Operating revenues	Related segment
Hitachi Transport System, Ltd.	(Note)	Real estate leasing business

(Note) Figures are not disclosed because consent has not been obtained from the tenants.

### 14. Significant subsequent events

Not applicable.

\* \* \* \* \*



## **Independent Auditor's Report**

To the Board of Directors of  
Mitsui Fudosan Logistics Park Inc. :

We have audited the accompanying financial statements of Mitsui Fudosan Logistics Park Inc. (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at July 31, 2018 and January 31, 2018, and the statements of income, statements of changes in net assets and statements of cash flows for the periods from February 1, 2018 to July 31, 2018 and from August 1, 2017 to January 31, 2018 and a summary of significant accounting policies and other explanatory information.

### **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 such internal control as management determines is necessary to enable the preparation of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control 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, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 present fairly, in all material respects, the financial position of Mitsui Fudosan Logistics Park Inc. as at July 31, 2018 and January 31, 2018 and their financial performance and cash flows for the periods from February 1, 2018 to July 31, 2018 and from August 1, 2017 to January 31, 2018 in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

November 16, 2018  
Tokyo, Japan