

Advance Logistics Investment Corporation

10th Fiscal Period Semi-Annual Report

From March 1 , 2023 to August 31 , 2023



1. Financial Statements

Balance Sheet

(Thousands of yen)

	9th fiscal period As of February 28, 2023	10th fiscal period As of August 31, 2023
Assets		
Current assets		
Cash and deposits	3,031,730	2,731,448
Cash and deposits in trust	5,203,067	4,598,946
Operating accounts receivable	51,610	31,714
Consumption taxes refund receivable	358,446	-
Prepaid expenses	69,489	77,507
Other	1,848	-
Total current assets	8,716,193	7,439,618
Non-current assets		
Property, plant and equipment		
Buildings in trust	64,704,758	66,537,977
Accumulated depreciation	(5,267,350)	(6,044,782)
Buildings in trust, net	59,437,408	60,493,194
Structures in trust	2,320,314	2,365,053
Accumulated depreciation	(441,126)	(505,896)
Structures in trust, net	1,879,187	1,859,157
Machinery and equipment in trust	1,800,548	1,857,632
Accumulated depreciation	(241,932)	(277,377)
Machinery and equipment in trust, net	1,558,616	1,580,254
Tools, furniture and fixtures in trust	5,543	5,543
Accumulated depreciation	(1,936)	(2,457)
Tools, furniture and fixtures in trust, net	3,606	3,085
Construction in progress in trust	302	-
Land in trust	59,010,869	63,677,308
Total property, plant and equipment	121,889,990	127,613,001
Intangible assets		
Software	782	225
Total intangible assets	782	225
Investments and other assets		
Investment securities	11,233	11,233
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	194,516	195,171
Deferred tax assets	16	25
Total investments and other assets	215,766	216,429
Total non-current assets	122,106,540	127,829,656
Deferred assets		
Investment corporation bond issuance cost	19,651	17,523
Total deferred assets	19,651	17,523
Total assets	130,842,385	135,286,798

(Thousands of yen)

	9th fiscal period As of February 28, 2023	10th fiscal period As of August 31, 2023
Liabilities		
Current liabilities		
Operating accounts payable	121,743	51,815
Short-term loans payable	170,000	-
Accounts payable - other	-	13,412
Accrued expenses	548,615	521,091
Income taxes payable	1,041	1,080
Accrued consumption taxes	-	107,204
Advances received	647,056	675,868
Other	173,555	3,878
Total current liabilities	1,662,011	1,374,351
Non-current liabilities		
Investment corporation bonds	3,500,000	3,500,000
Long-term loans payable	48,720,000	53,920,000
Tenant leasehold and security deposits in trust	1,848,388	1,923,191
Derivative liabilities	8,078	20,048
Other	5,216	3,552
Total non-current liabilities	54,081,683	59,366,792
Total liabilities	55,743,695	60,741,143
Net assets		
Unitholders' equity		
Unitholders' capital	74,666,554	74,666,554
Deductions from unitholders' capital	(1,366,725)	(1,744,389)
Unitholders' capital, net	73,299,829	72,922,165
Surplus		
Unappropriated retained earnings (undisposed loss)	1,806,939	1,643,538
Total surplus	1,806,939	1,643,538
Total unitholders' equity	75,106,769	74,565,703
Valuation and translation adjustments		
Deferred gains or losses on hedges	(8,078)	(20,048)
Total valuation and translation adjustments	(8,078)	(20,048)
Total net assets	*1 75,098,690	*1 74,545,654
Total liabilities and net assets	130,842,385	135,286,798

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

Statement of Income

(Thousands of yen)

	9th fiscal period From August 1, 2022 to February 28, 2023	10th fiscal period From March 1, 2023 to August 31, 2023
Operating revenues		
Leasing business revenues	*1 3,927,571	*1 3,624,144
Other leasing business revenues	*1 100,017	*1 65,440
Total operating revenues	4,027,588	3,689,585
Operating expenses		
Expenses related to leasing business	*1 1,468,408	*1 1,355,287
Asset management fees	444,312	410,342
Asset custody fee and Administrative service fees	15,727	14,126
Directors' compensations	3,080	2,640
Other operating expenses	51,309	58,791
Total operating expenses	1,982,837	1,841,188
Operating income	2,044,751	1,848,396
Non-operating income		
Interest income	70	34
Reversal of distributions payable	651	372
Interest on refunds	-	756
Other	8	117
Total non-operating income	730	1,280
Non-operating expenses		
Interest expenses	135,379	164,116
Interest expenses on investment corporation bonds	8,068	7,026
Investment unit issuance expenses	19,711	-
Amortization of investment corporation bond issuance cost	2,482	2,127
Borrowing related expenses	61,553	30,381
Other	10,479	1,607
Total non-operating expenses	237,674	205,259
Ordinary income	1,807,807	1,644,417
Income before income taxes	1,807,807	1,644,417
Income taxes - current	1,052	1,109
Income taxes - deferred	(4)	(8)
Total income taxes	1,048	1,101
Net income	1,806,759	1,643,316
Retained earnings brought forward	180	222
Unappropriated retained earnings (undisposed loss)	1,806,939	1,643,538

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

Statement of Changes in Net Assets

9th fiscal period (from August 1, 2022 to February 28, 2023)

(Thousands of yen)

	Unitholders' equity					
	Unitholders' capital			Surplus		Total unitholders' equity
	Unitholders' capital	Deductions from unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus	
Balance at the beginning of period	64,647,572	(1,127,274)	63,520,297	1,390,075	1,390,075	64,910,372
Changes during the period						
Issuance of new investment units	10,018,982		10,018,982			10,018,982
Distributions in excess of retained earnings		(239,450)	(239,450)			(239,450)
Distributions of retained earnings				(1,389,894)	(1,389,894)	(1,389,894)
Net income				1,806,759	1,806,759	1,806,759
Net changes in items other than unitholders' equity						
Total changes during the period	10,018,982	(239,450)	9,779,531	416,864	416,864	10,196,396
Balance at the end of period	*1 74,666,554	(1,366,725)	73,299,829	1,806,939	1,806,939	75,106,769

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of period	-	-	64,910,372
Changes during the period			
Issuance of new investment units			10,018,982
Distributions in excess of retained earnings			(239,450)
Distributions of retained earnings			(1,389,894)
Net income			1,806,759
Net changes in items other than unitholders' equity	(8,078)	(8,078)	(8,078)
Total changes during the period	(8,078)	(8,078)	10,188,317
Balance at the end of period	(8,078)	(8,078)	75,098,690

10th fiscal period (from March 1, 2023 to August 31, 2023)

(Thousands of yen)

	Unitholders' equity					
	Unitholders' capital			Surplus		Total unitholders' equity
	Unitholders' capital	Deductions from unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus	
Balance at the beginning of period	74,666,554	(1,366,725)	73,299,829	1,806,939	1,806,939	75,106,769
Changes during the period						
Distributions in excess of retained earnings		(377,664)	(377,664)			(377,664)
Distributions of retained earnings				(1,806,717)	(1,806,717)	(1,806,717)
Net income				1,643,316	1,643,316	1,643,316
Net changes in items other than unitholders' equity						
Total changes during the period	-	(377,664)	(377,664)	(163,401)	(163,401)	(541,065)
Balance at the end of period	*1 74,666,554	(1,744,389)	72,922,165	1,643,538	1,643,538	74,565,703

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of period	(8,078)	(8,078)	75,098,690
Changes during the period			
Distributions in excess of retained earnings			(377,664)
Distributions of retained earnings			(1,806,717)
Net income			1,643,316
Net changes in items other than unitholders' equity	(11,970)	(11,970)	(11,970)
Total changes during the period	(11,970)	(11,970)	(553,035)
Balance at the end of period	(20,048)	(20,048)	74,545,654

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

Statement of Cash Distributions

(Yen)

	9th fiscal period From August 1, 2022 to February 28, 2023	10th fiscal period From March 1, 2023 to August 31, 2023
I. Unappropriated retained earnings	1,806,939,978	1,643,538,734
II. Additional distributable amount in excess of retained earnings	377,664,000	282,573,600
Of which, allowance for temporary difference adjustments	-	19,557,600
Of which, other deductions from unitholders' capital	377,664,000	263,016,000
III. Distributions	2,184,381,600	1,905,854,400
(Distributions per unit)	[3,239]	[2,826]
Of which, retained earnings	1,806,717,600	1,623,280,800
(Earnings distributions per unit)	[2,679]	[2,407]
Of which, allowance for temporary difference adjustments	-	19,557,600
(Of which, distributions in excess of retained earnings per unit [from allowance for temporary difference adjustments])	[-]	[29]
Of which, distributions in excess of retained earnings	377,664,000	263,016,000
(Of which, distributions in excess of retained earnings per unit [from other distributions in excess of retained earnings])	[560]	[390]
IV. Retained earnings carried forward	222,378	20,257,934

Distribution amount calculation method	<p>Under the distribution policy established in Paragraph 1, Article 39 of the certificate of incorporation of ADL, the distribution amount shall exceed the amount equivalent to 90% the profit available for distributions provided for in Article 67-15 of the Act on Special Measures Concerning Taxation.</p> <p>Based on this policy, ADL decided to distribute 1,806,717 thousand yen, the maximum integral multiple of the total number of investment units outstanding, which does not exceed the unappropriated retained earnings.</p> <p>Based on the cash distribution policy established in Paragraph 2, Article 39 of the certificate of incorporation of ADL, ADL continuously distributes cash in excess of profit (contribution refunds that fall under distributions accompanying a decrease in capital under tax law) in every period. Under this policy, ADL has decided to distribute 377,664 thousand yen, as distributions in excess of</p>	<p>Under the distribution policy established in Paragraph 1, Article 39 of the certificate of incorporation of ADL, the distribution amount shall exceed the amount equivalent to 90% the profit available for distributions provided for in Article 67-15 of the Act on Special Measures Concerning Taxation.</p> <p>Based on this policy, ADL decided to distribute 1,623,280 thousand yen, the maximum integral multiple of the total number of investment units outstanding, which does not exceed the unappropriated retained earnings.</p> <p>In addition, based on the cash distribution policy established in Paragraph 2, Article 39 of the certificate of incorporation of ADL, ADL decided to distribute a 19,557 thousand yen allowance for temporary difference adjustments in light of the impact on its distribution of a temporary excess of taxable income over book income due to deferred losses on hedges (stipulated by Article 2, paragraph 2, item (30) (b) of the Regulation on Accountings of Investment Corporations) on distributions.</p> <p>Based on the cash distribution</p>
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	earnings (contribution refunds that fall under distributions accompanying a decrease in capital under tax law).	policy established in Paragraph 2, Article 39 of the certificate of incorporation of ADL, ADL continuously distributes cash in excess of profit (contribution refunds that fall under distributions accompanying a decrease in capital under tax law) in every period. Under this policy, ADL has decided to distribute 263,016 thousand yen, as distributions in excess of earnings (contribution refunds that fall under distributions accompanying a decrease in capital under tax law).
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The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

(Thousands of yen)

	9th fiscal period From August 1, 2022 to February 28, 2023	10th fiscal period From March 1, 2023 to August 31, 2023
Cash flows from operating activities		
Income before income taxes	1,807,807	1,644,417
Depreciation	976,111	878,725
Investment unit issuance expenses	19,711	-
Amortization of investment corporation bond issuance cost	2,482	2,127
Interest income	(70)	(34)
Interest expenses	143,447	171,142
Decrease (increase) in operating accounts receivable	(15,069)	19,896
Decrease (increase) in consumption taxes refund receivable	(358,446)	401,932
Decrease (increase) in prepaid expenses	(8,967)	(8,018)
Decrease (increase) in long-term prepaid expenses	(21,695)	(654)
Increase (decrease) in operating accounts payable	19,170	(2,698)
Increase (decrease) in accrued expenses	72,118	(37,725)
Increase (decrease) in accrued consumption taxes	(85,376)	63,719
Increase (decrease) in advances received	68,033	28,812
Other	173,400	(170,045)
Subtotal	2,792,656	2,991,597
Interest income received	70	34
Interest expenses paid	(140,795)	(160,941)
Income taxes paid	(869)	(1,070)
Cash flows from operating activities	2,651,061	2,829,619
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(15,377,360)	(6,654,995)
Purchase of investment securities	(11,233)	-
Other	495	-
Cash flows from investing activities	(15,388,098)	(6,654,995)
Cash flows from financing activities		
Proceeds in short-term loans payable	620,000	-
Repayments of short-term loans payable	(3,740,000)	(170,000)
Proceeds in long-term loans payable	9,980,000	5,200,000
Repayments of long-term loans payable	(1,750,000)	-
Proceeds from issuance of investment units	9,999,270	-
Distributions payments	(1,630,349)	(2,183,830)
Cash flows from financing activities	13,478,921	2,846,169
Net increase (decrease) in cash and cash equivalents	741,884	(979,205)
Cash and cash equivalents at the beginning of period	5,644,525	6,386,409
Cash and cash equivalents at the end of period	*1 6,386,409	*1 5,407,204

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

Notes to Financial Statements

1 Organization

ADL was established on May 1, 2018, by its incorporator, ITOCHU REIT Management Co., Ltd., (the “Asset Management Company”) pursuant to Japan’s Act on Investment Trusts and Investment Corporations (Act 198 of 1951 as amended; referred to below as the “Investment Trust Act”). Its investment units (issuer code: 3493) were listed on the Tokyo Stock Exchange (TSE) Real Estate Investment Trust (REIT) Market (the “J-REIT Market”) on September 7, 2018.

One of ADL’s sponsors^(Note 1) is ITOCHU Corporation, a major general trading company with a strong presence in logistics-intensive consumer-related^(Note 2) businesses such as food and apparel. ITOCHU Corporation sponsored ADL as a publicly traded REIT with a mandate to invest mainly in logistics real estate properties (defined as properties used or usable primarily as logistics facilities). In addition to maximizing unitholder value and contributing to the J-REIT Market’s sound development, ADL aims to benefit society by developing logistics infrastructure, particularly logistics real estate properties, through a collaborative growth relationship^(Note 3) with the ITOCHU Group^(Note 4).

(Note 1) As used herein, “sponsor” means a party that has entered into a sponsor support agreement with ADL and the Asset Management Company. ADL’s sponsors as of the end of current fiscal period, are ITOCHU Corporation and ITOCHU Property Development, Ltd.

(Note 2) As used herein, “consumer-related” refers to ITOCHU Corporation’s textiles, food, general products & realty, ICT & financial businesses, and the 8th Company. The 8th Company is a divisional company established by ITOCHU Corporation in July 2019 with the aim of cultivating new customers and developing new businesses from a market-oriented perspective. This is to be accomplished by maximally leveraging ITOCHU Corporation’s diverse business infrastructure and strengths in consumer-related businesses.

(Note 3) ADL aims to achieve steady growth by utilizing the ITOCHU Group’s platforms (Realty & Logistics (R/L) Platform and Merchant Channel (M/C) Platform. Meanwhile, the ITOCHU Group will work to strengthen its own platforms through management of ADL’s assets. Such a virtuous cycle of cooperation between ADL and the ITOCHU Group is referred to herein as a “collaborative growth relationship.”

(Note 4) As used herein, “ITOCHU Group” refers to the corporate group consisting of ITOCHU Corporation, consolidated subsidiaries and equity-method affiliates.

2 Basis of Presentation of Financial Statements

The accompanying financial statements are an English translation of the financial statements of ADL filed with the appropriate local finance bureau of the Ministry of Finance, prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

ADL does not prepare consolidated financial statements as it has no subsidiaries. Unless otherwise specified, amounts have been less than one thousand yen. As a result, the totals shown in the financial statements do not necessarily agree with the sums of the individual amounts.

ADL’s six-month fiscal periods end at either the end of February or August.

3 Notes to Significant Accounting Policies

1. Method of assessing and accounting for assets	<p>Securities</p> <p>Available-for-sale securities</p> <p>Equity securities without market value</p> <p>Stated at cost using the moving average method.</p> <p>Net gain/loss from tokumei kumiai equity interest is accounted for using the equity method of accounting.</p>										
2. Depreciation method for non-current assets	<p>(1) Property, plant and equipment (including assets in trust)</p> <p>The straight-line method is used.</p> <p>The useful lives of major property, plant and equipment are as stated below.</p> <table> <tr> <td>Buildings</td><td>3 to 62 years</td></tr> <tr> <td>Structures</td><td>14 to 46 years</td></tr> <tr> <td>Machinery and equipment</td><td>5 to 29 years</td></tr> <tr> <td>Tools, furniture and fixtures</td><td>5 to 6 years</td></tr> </table> <p>(2) Intangible assets</p> <p>The straight-line method is used.</p> <p>The useful lives of major intangible assets are as stated below.</p> <table> <tr> <td>Software</td><td>5 years</td></tr> </table> <p>(3) Long-term prepaid expenses</p> <p>The straight-line method is used.</p>	Buildings	3 to 62 years	Structures	14 to 46 years	Machinery and equipment	5 to 29 years	Tools, furniture and fixtures	5 to 6 years	Software	5 years
Buildings	3 to 62 years										
Structures	14 to 46 years										
Machinery and equipment	5 to 29 years										
Tools, furniture and fixtures	5 to 6 years										
Software	5 years										
3. Accounting for deferred assets	<p>(1) Investment corporation bond issuance cost</p> <p>Amortized by the straight-line method over the period from issuance to redemption of the bonds.</p> <p>(2) Investment unit issuance expenses</p> <p>All expenses are expensed when incurred.</p>										
4. Revenue and expense recognition	<p>(1) Revenue recognition</p> <p>The main performance obligations related to revenue arising from ADL's contracts with customers and when it typically satisfies its performance obligations (the ordinary time at which revenue is recognized) are as follows.</p> <p>1) Disposition of real estate</p> <p>Regarding disposition of real estate, ADL recognizes revenue when the buyer, who is a customer, obtains control of the real estate by fulfilling the delivery obligations stipulated in the sales and purchase agreement of real estate.</p> <p>2) Utility service revenues</p> <p>Utility service revenues are recognized based on the supply of electricity, water, etc. to the lessee, who is a customer, in accordance with the real estate lease contract and related agreements. As to utility service revenues in cases where ADL is acting as an agent, the net amount derived by deducting the amount to be paid to other parties supplying the electricity, water, etc. from the amount received by ADL as service revenues from the customer is recognized as revenue.</p> <p>(2) Accounting for property taxes</p> <p>Property taxes, city planning taxes, depreciable asset taxes and other taxes assessed on ADL's real estate and other asset holdings are expensed as a leasing business expense prorated by fiscal period.</p> <p>Such taxes paid to a seller at settlement in conjunction with a property acquisition are capitalized and added to the property's acquisition costs, not expensed as a leasing business expense. Property taxes capitalized and added to the property's acquisition costs was 12,689 thousand yen in the 9th fiscal period and 20,063 thousand yen in the 10th fiscal period.</p>										

5. Method of hedge accounting	<p>(1) Method of hedge accounting</p> <p>Deferral hedge accounting is used. Special treatment is used for interest rate swaps meeting the requirements for special treatment.</p> <p>(2) Hedging instruments and hedged items</p> <p>Hedging instruments</p> <p>Interest rate swap transactions</p> <p>Hedged items:</p> <p>Interest on loans</p> <p>(3) Hedging policy</p> <p>ADL REIT conducts derivative transactions to hedge the risks set forth in its certificate of incorporation based on rules specifying the basic policy for risk management.</p> <p>(4) Methods of assessing hedge effectiveness</p> <p>The effectiveness of the hedge is judged by comparing the cumulative total of the cash flow fluctuations for the hedge coverage and that of the cash flow fluctuations for the means of hedging.</p> <p>However, the evaluation of the effectiveness of interest rate swaps is omitted for those meeting the requirements for special treatment.</p>
6. Scope of cash and cash equivalents in the Statement of Cash Flows	<p>Cash and cash equivalents in the Statements of Cash Flows include cash on hand, entrusted cash, demand deposits, entrusted bank deposits, and highly liquid short-term investments that are readily convertible, bear little risk in price fluctuations, and mature within three months from the date of acquisition.</p>
7. Other matters that serve as the basis for preparation of financial statements	<p>Accounting policy for trust beneficiary interests in real estate</p> <p>For trust beneficiary interests in real estate, all trust assets and liabilities as well as all income generated and expenses incurred for trust properties are recorded in the applicable accounts in the Balance Sheet and the Statement of Income.</p> <p>The following material items among assets in trust posted in the trust accounts are listed separately on the Balance Sheet.</p> <p>1) Cash and deposits in trust</p> <p>2) Buildings in trust; structures in trust; machinery and equipment in trust; tools, furniture and fixtures in trust; construction in progress in trust; and land in trust</p> <p>3) Tenant leasehold and security deposits in trust</p>

(Additional Information)

4 Notes on Provisions to Allowance for Temporary Difference Adjustments and Reversals Thereof

9th fiscal period (from August 1, 2022 to February 28, 2023)

Not applicable

10th fiscal period (from March 1, 2023 to August 31, 2023)

1. Provision amounts, reasons for provisions and resultant asset

(Thousands of yen)

Resultant asset	Reason for provision	Amount of provision to allowance for temporary difference adjustments
Deferred gains or losses on hedges	Loss on valuation of interest rate swap	19,557

2. Specific reversal method

The provision is scheduled to fully reverse corresponding to the fluctuation of fair value of derivative transactions, which are the hedging instruments.

5 Notes to Significant Accounting Estimates

Impairment of non-current assets

(1) Amounts recorded in the financial statements

(Thousands of yen)

	9th fiscal period February 28, 2023	10th fiscal period August 31, 2023
Property, plant and equipment	121,889,990	127,613,001
Intangible assets	782	225
Impairment loss	-	-

(2) Information on the details of the significant accounting estimates for identified items

In accordance with the Accounting Standard for Impairment of Fixed Assets, in cases where a decline in profitability makes it unlikely that an investment will be recovered, ADL has adopted the accounting treatments to reduce the book value of the fixed assets to the recoverable value.

In adopting the accounting treatment, the respective properties owned by ADL are regarded as a single asset group, and judgment is made whether it is required to recognize impairment losses when indications of impairment are deemed to exist for the group due to continuous operating losses, a significant decline in the market value and significant deterioration of the business environment, etc.

Future cash flow estimates are used to determine whether or not to recognize impairment losses. When it is determined that impairment losses should be recognized, the book value is reduced to the recoverable amount based on the real estate appraisal values by external appraisers, and the reduced amount is recorded as impairment losses.

In estimating future cash flows, the certain assumptions such as market rent, occupancy rate and rental expenses, etc., are determined comprehensively based on the market trends and transaction made in the market for similar properties.

Market Rent, occupancy rate and rental expenses for each property are the assumptions and inherently uncertain, those may be affected by current and future real estate leasing market conditions. Accordingly, when changes arise to those assumptions, the financial position and the financial performance of ADL in the following fiscal period may be affected.

6 Notes to Balance Sheet

*1 Minimum net assets under Article 67(4) of the Investment Trust Act

(Thousands of yen)

	9th fiscal period February 28, 2023	10th fiscal period August 31, 2023
	50,000	50,000

7 Notes to Statement of Income

*1 Breakdown of real estate leasing business revenues and expenses

			(Thousands of yen)	
	9th fiscal period (from August 1, 2022 to February 28, 2023)		10th fiscal period (from March 1, 2023 to August 31, 2023)	
A. Real estate leasing business revenues				
Leasing business revenues				
Leasing revenues	3,887,496		3,579,859	
Common area charge income	40,075	3,927,571	44,285	3,624,144
Other leasing business revenues				
Utility service revenues	89,373		55,171	
Parking revenues	7,340		7,286	
Other revenues	3,303	100,017	2,981	65,440
Total real estate leasing business revenues	4,027,588		3,689,585	
B. Real estate leasing business expenses				
Expenses related to leasing business				
Property management fees	66,848		63,674	
Utility expenses	97,531		62,422	
Repair expenses	9,060		2,670	
Taxes and public dues	303,960		336,617	
Depreciation	975,461		878,167	
Insurance premiums	9,487		8,662	
Trust fees	4,676		3,003	
Other leasing business expenses	1,381		69	
Total real estate leasing business expenses	1,468,408		1,355,287	
C. Real estate leasing business income (A-B)	2,559,180		2,334,297	

8 Notes to Statement of Changes in Net Assets

*1 Total number of investment units authorized and outstanding

	9th fiscal period (from August 1, 2022 to February 28, 2023)	10th fiscal period (from March 1, 2023 to August 31, 2023)
Total authorized investment units	10,000,000 units	10,000,000 units
Total investment units outstanding	674,400 units	674,400 units

9 Notes to Statement of Cash Flows

*1 Reconciliation between cash and cash equivalents at end of period and Balance Sheet line-item amounts

			(Thousands of yen)	
	9th fiscal period (from August 1, 2022 to February 28, 2023)		10th fiscal period (from March 1, 2023 to August 31, 2023)	
Cash and deposits	3,031,730		2,731,448	
Cash and deposits in trust	5,203,067		4,598,946	
Use-restricted deposits in trust (Note)	(1,848,388)		(1,923,191)	
Cash and cash equivalents	6,386,409		5,407,204	

(Note) Deposits in trust that are reserved for refunding tenants' security deposits.

10 Notes to Leases

Operating lease transactions (lessor side)

Future minimum rent

(Thousands of yen)

	9th fiscal period February 28, 2023	10th fiscal period August 31, 2023
Within 1 year	6,579,339	6,457,900
More than 1 year	22,064,683	20,761,266
Total	28,644,022	27,219,167

11 Notes to Financial Instruments

1. Matters related to the status of financial instruments

(1) Policy for financial instruments

ADL raises funds through such means as borrowing from financial institutions, issuing investment corporation bonds (including short-term investment corporation bonds; hereinafter, the same shall be applied) and issuing investment units to ensure stable medium/long-term earnings and steady growth and management stability in assets under management. It may invest its surplus funds in marketable securities or deposit instruments. When doing so, it takes into consideration prospective investments' safety and convertibility into cash, the market environment, and liquidity conditions.

ADL trades derivatives solely to hedge risks, mainly interest rate risk posed by floating-rate liabilities.

(2) Details of financial instruments, their risks and risk management system

Deposits are made from ADL's surplus funds, which are exposed to credit risks such as the bankruptcy of the financial institution in which the funds are deposited. ADL controls credit risks by limiting deposit terms to short terms and depositing funds only at financial institutions with high credit ratings.

ADL uses the proceeds of borrowings and investment corporation bond issues mainly to fund property acquisitions, repay pre-existing borrowings and redeem investment corporation bonds. Borrowings and bond issues are subject to liquidity risk in the form of potential inability to refinance borrowings or bond issues at maturity. ADL mitigates liquidity risk by diversifying funding instruments, debt maturities and funding sources and maintaining a cushion of liquidity at hand. It also manages liquidity risk through such means as preparing cash flow schedules.

Additionally, floating-rate borrowings and floating-rate investment corporation bond issues are subject to the risk of increases in the interest rate payable on them. ADL limits such interest rate risks by using derivative trading (interest rate swaps) in addition to maintaining a prudent LTV ratio.

Tenant leasehold and security deposits in trust are deposits received from tenants. They are subject to liquidity risk because ADL is obligated to refund them to tenants when the tenants vacate their leased premises. When ADL invests leasehold and security deposits, it manages liquidity risk mainly by placing priority on safety and convertibility into cash in compliance with its Investment Guidelines and by preparing cash flow schedules.

While investment securities are investments in tokumei kumiai equity interest and are exposed to risks of fluctuations in values of properties and interest rates, ADL has been grasping their real values and the financial position of the issuers on a regular basis.

(3) Supplemental explanation regarding the fair value of financial instruments

Certain preconditions apply in the calculation of fair value of financial instruments, which may vary when different preconditions apply. The amount of derivative trading contracts in the latter section, "Notes to derivative trading," do not directly indicate market risks associated with derivative trading.

2. Matters regarding fair value of financial instruments

Financial instruments' book value and fair values, and differences between the two, are tabulated below. The fair values of cash and deposits, cash and deposits in trust, and short-term loans payable are omitted because their fair value approximates their book value as they are in cash and settled in a short term. Tenant leasehold and security deposits in trust as well as investment securities are omitted due to immateriality.

9th fiscal period (as of February 28, 2023)

	Book value (thousands of yen)	Fair value (thousands of yen)	Difference (thousands of yen)
(1) Investment corporation bonds	(3,500,000)	(3,408,050)	(91,950)
(2) Long-term loans payable	(48,720,000)	(49,112,854)	392,854
(3) Derivatives (Interest rate swap special treatment)	—	507,488	507,488
(4) Derivatives (Interest rate swap principle treatment)	(8,078)	(8,078)	—

10th fiscal period (as of August 31, 2023)

	Book value (thousands of yen)	Fair value (thousands of yen)	Difference (thousands of yen)
(1) Investment corporation bonds	(3,500,000)	(3,409,650)	(90,350)
(2) Long-term loans payable	(53,920,000)	(54,438,429)	518,429
(3) Derivatives (Interest rate swap special treatment)	—	323,546	323,546
(4) Derivatives (Interest rate swap principle treatment)	(20,048)	(20,048)	—

(Note 1) Liabilities' book value and fair values are enclosed in parentheses.

(Note 2) Fair value measurement methods for financial instruments

(1) Investment corporation bonds

Fair value is based on reference quotes published by the Japan Securities Dealers Association unless reference quotes are not available, in which case fair value is measured at principal and interest payments' sum discounted to present value using the interest rate at which ADL could hypothetically issue the same bonds as of the measurement date.

(2) Long-term loans payable

Book value is used as a proxy for fair value because the short-term loans' periodic interest-rate resets render their book and fair values approximately equivalent to each other. However, in the case of long-term loans payable with floating rates hedged by interest rate swaps accounted for by the aforementioned special treatment, fair value is measured at the present value of the sum of the borrowings' principal and interest payments adjusted to reflect the interest rate swap's cash flows. Said sum is discounted to present value at the rationally estimated interest rate at which ADL could hypothetically obtain the same loan as of the measurement date.

The fair value of long-term loans payable at fixed rates is calculated by discounting the sum of principal and interest payments by the interest rate at which it is assumed that new borrowings could be made over the remaining period.

(3) Derivatives (Interest rate swap special treatment), (4) Derivatives (Interest rate swap principle treatment)

Please refer to "Fair values of Derivatives" below.

(Note 3) Loans payable and investment corporation bonds debt's maturity schedule after the closing date

9th fiscal period (as of February 28, 2023)

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Investment corporation bonds	—	1,500,000	—	—	—	2,000,000
Long-term loans payable	—	9,070,000	5,000,000	8,000,000	10,020,000	16,630,000
Total	—	10,570,000	5,000,000	8,000,000	10,020,000	18,630,000

10th fiscal period (as of August 31, 2023)

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Investment corporation bonds	—	1,500,000	—	—	—	2,000,000
Long-term loans payable	—	9,070,000	7,500,000	10,520,000	9,000,000	17,830,000

Total	—	10,570,000	7,500,000	10,520,000	9,000,000	19,830,000
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12 Notes to Securities

9th fiscal period (as of February 28, 2023)

Regarding tokumei kumiai equity interest (11,233 thousand yen on the Balance Sheet), disclosure of matters stipulated by Article 8, paragraph 1, item (2) of Regulation on Terminology, Forms, and Preparation Methods of Financial Statements is omitted based on Article 8-6-2, paragraph (3) of the regulation.

10th fiscal period (as of August 31, 2023)

Regarding tokumei kumiai equity interest (11,233 thousand yen on the Balance Sheet), disclosure of matters stipulated by Article 8, paragraph 1, item (2) of Regulation on Terminology, Forms, and Preparation Methods of Financial Statements is omitted based on Article 8-6-2, paragraph (3) of the regulation.

13 Notes to Derivative Transactions

(1) Derivatives not applying hedge accounting

9th fiscal period (as of February 28, 2023)

Not applicable

10th fiscal period (as of August 31, 2023)

Not applicable

(2) Derivatives applying hedge accounting

The following table shows the contracted amount or principal equivalent amount as set forth in the contract as of the Balance Sheet date for each hedge accounting method.

9th fiscal period (as of February 28, 2023)

(Thousands of yen)

Method of hedge accounting	Type of derivative transactions	Main hedged item	Contracted value (*1)		Fair value (*2)
				Of which, maturity more than 1 year	
Interest rate swap special treatment	Interest rate swap transactions Floating rate receipt, fixed rate payment	Long-term loans payable	43,040,000	43,040,000	507,488 (*3)
Interest rate swap principle method	Interest rate swap transactions Floating rate receipt, fixed rate payment	Long-term loans payable	2,180,000	2,180,000	(8,078)

(*1) The contract amount is based on the notional principals.

(*2) The fair value is based on the estimation made by the interest rate swap counterparty using the prevailing interest rate.

(*3) Special accounting treatment is applied to the interest-rate swaps in accordance with the "Accounting Standard for Financial Instruments" and therefore interest rate swaps are not stated at fair value in the Balance Sheet.

10th fiscal period (as of August 31, 2023)

(Thousands of yen)

Method of hedge accounting	Type of derivative transactions	Main hedged item	Contracted value (*1)		Fair value (*2)
				Of which, maturity more than 1 year	
Interest rate swap special treatment	Interest rate swap transactions Floating rate receipt, fixed rate payment	Long-term loans payable	48,240,000	48,240,000	323,546 (*3)
Interest rate swap principle method	Interest rate swap transactions Floating rate receipt, fixed rate payment	Long-term loans payable	2,180,000	2,180,000	(20,048)

(*1) The contract amount is based on the notional principals.

(*2) The fair value is based on the estimation made by the interest rate swap counterparty using the prevailing interest rate.

(*3) Special accounting treatment is applied to the interest-rate swaps in accordance with the "Accounting Standard for Financial Instruments" and therefore interest rate swaps are not stated at fair value in the Balance Sheet.

14 Notes to Profit or Loss of Affiliates Accounted for Under the Equity Method

9th fiscal period (from August 1, 2022 to February 28, 2023)

Not applicable

10th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable

15 Notes to Transactions with Related Parties

1. Parent company and main corporate unitholders, and other

9th fiscal period (from August 1, 2022 to February 28, 2023)

Not applicable

10th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable

2. Affiliated companies, and other

9th fiscal period (from August 1, 2022 to February 28, 2023)

Not applicable

10th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable

3. Fellow subsidiary companies and other

9th fiscal period (from August 1, 2022 to February 28, 2023)

Not applicable

10th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable

4. Directors and major individual unitholders, and other

9th fiscal period (from August 1, 2022 to February 28, 2023)

Instrument	Name	Location	Capital or amount invested (millions of yen)	Nature of business	Percentage of voting rights owned	Relationships with related parties	Nature of transaction(s)	Transaction value (thousands of yen) (Note 1)	Account	Balance at the end of period (thousands of yen) (Note 1)
Directors and their immediate relatives	Junichi Shoji	—	—	Executive Director of ADL and the President of ITOCHU REIT Management Co., Ltd.	0.00%	Asset manager	Asset management fees (Note 2)	520,612	Accrued expenses	488,743

Transaction terms and policy for setting transaction terms

(Note 1) The above transaction amounts and balances do not include consumption taxes, but the balance at the end of the period does include consumption taxes.

(Note 2) These are transactions conducted by Executive Director of ADL Junichi Shoji (ITOCHU REIT Management Co., Ltd.) acting as the representative of a third party, compensation for which complies with the conditions set out in ADL's Articles of Incorporation.

(Note 3) Transaction terms are set based on market pricing/terms.

10th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable

16 Notes to Tax Effect Accounting

1. Breakdown of deferred tax assets and liabilities

	(Thousands of yen)	
	9th fiscal period February 28, 2023	10th fiscal period August 31, 2023
Deferred tax assets		
Accrued business taxes, not deductible	16	24
Deferred assets, not deductible	—	0
Total deferred tax assets	16	25
Net deferred tax assets	16	25

2. Reconciliation between statutory effective tax rate and actual income tax rate

	9th fiscal period February 28, 2023		10th fiscal period August 31, 2023	
				(%)
Statutory effective tax rate		31.46		31.46
(Adjustments)				
Deductible distributions paid		(31.44)		(31.43)
Other		0.04		0.04
Effective tax rate after application of deferred tax accounting		0.06		0.07

17 Notes to Retirement Benefits

9th fiscal period (from August 1, 2022 to February 28, 2023)

Not applicable

10th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable

18 Notes to Asset Retirement Obligations

9th fiscal period (from August 1, 2022 to February 28, 2023)

Not applicable

10th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable

19 Notes to Segment Information

1. Segment Information

Disclosure is omitted as ADL is comprised of a single reportable segment engaged in the real estate rental business.

2. Related information

9th fiscal period (from August 1, 2022 to February 28, 2023)

(1) Information about products and services

Disclosure is omitted as operating revenues from external customers of products and services within a single segment exceeds 90% of operating revenues on the Statement of Income.

(2) Information about region

1) Operating revenues

Disclosure is omitted since operating revenues from external customers in Japan exceeds 90% of operating revenues on the Statement of Income.

2) Property, plant and equipment

Disclosure is omitted since the amount of property and equipment located in Japan exceeds 90% of property and equipment on the Balance Sheet.

(3) Information about major customer

(Thousands of yen)

Name of customer	Operating revenues	Relevant segment name
Hitachi Transport System Metropolitan Co., Ltd.	Undisclosed (Note)	Real estate leasing business
Undisclosed (Note)	Undisclosed (Note)	Real estate leasing business
e-LogiT co., Ltd.	Undisclosed (Note)	Real estate leasing business

(Note) Undisclosed, as ADL was not able to obtain the tenants' consent to disclose rents.

10th fiscal period (from March 1, 2023 to August 31, 2023)

(1) Information about products and services

Disclosure is omitted as operating revenues from external customers of products and services within a single segment exceeds 90% of operating revenues on the Statement of Income.

(2) Information about region

1) Operating revenues

Disclosure is omitted since operating revenues from external customers in Japan exceeds 90% of operating revenues on the Statement of Income.

2) Property, plant and equipment

Disclosure is omitted since the amount of property and equipment located in Japan exceeds 90% of property and equipment on the Balance Sheet.

(3) Information about major customer

(Thousands of yen)

Name of customer	Operating revenues	Relevant segment name
Logisteed Metropolitan, Ltd.	Undisclosed (Note)	Real estate leasing business
Undisclosed (Note)	Undisclosed (Note)	Real estate leasing business
e-LogiT co., Ltd.	Undisclosed (Note)	Real estate leasing business

(Note) Undisclosed, as ADL was not able to obtain the tenants' consent to disclose rents.

20 Notes to Investment and Rental Properties

ADL holds rental logistics properties in the Kanto and Kansai areas (Note 1) to earn rental revenues. The amounts of these rental properties on the Balance Sheet, changes in the amounts during the period, and their book values are as follows.

(Thousands of yen)

		9th fiscal period (from August 1, 2022 to February 28, 2023)	10th fiscal period (from March 1, 2023 to August 31, 2023)
Book value			
(Note 2)	Balance at the beginning of period	107,420,897	121,889,990
	Changes during the period (Note 3)	14,469,093	5,723,010
	Balance at the end of period	121,889,990	127,613,001
Fair value at the end of period (Note 4) (Note 5)		150,013,000	159,932,000

(Note 1) As used herein, "Kanto area" denotes Tokyo Metropolis and Kanagawa, Chiba, Saitama and Ibaraki prefectures; "Kansai area" denotes Osaka, Kyoto, Hyogo, Nara and Shiga prefectures. Hereinafter, the same shall be applied.

(Note 2) Book value is acquisition costs net of accumulated depreciation.

(Note 3) Of the changes in rental properties' book value during the period, the increase in the previous period is mainly attributable to acquisition of trust beneficiary interests of a property (15,353,896 thousand yen) while the decline is primarily due to depreciation (975,461 thousand yen). The increase in the current period is mainly attributable to acquisition of trust beneficiary interests of a property (6,593,638 thousand yen) while the decline is primarily due to depreciation (878,167 thousand yen).

(Note 4) The fair value as of the end of each period is the properties' appraisal value furnished by independent real estate appraisers.

(Note 5) Regarding the fair value at the end of the previous period of i Missions Park Ichikawa Shiohama, the amount equivalent to its quasi-co-ownership interest (70%) owned by ADL at the end of the previous period was aggregated.

For profit and loss related to rental properties, please refer to "Notes to Statement of Income" above.

21 Notes to Revenue Recognition

9th fiscal period (from August 1, 2022 to February 28, 2023)

Disaggregated information on revenue from contracts with customers

See "**1. Breakdown of real estate leasing business revenues and expenses" of the Notes to Financial Statements (Notes to Statement of Income) for disaggregated information on revenue from contracts with customers.

"**1 Breakdown of real estate leasing business revenues and expenses" includes the revenue based on ASBJ Statement No. 13 "Accounting Standard for Lease Transactions." The main revenue from contracts with customers is utility revenue.

10th fiscal period (from March 1, 2023 to August 31, 2023)

Disaggregated information on revenue from contracts with customers

See "**1. Breakdown of real estate leasing business revenues and expenses" of the Notes to Financial Statements (Notes to Statement of Income) for disaggregated information on revenue from contracts with customers.

"**1 Breakdown of real estate leasing business revenues and expenses" includes the revenue based on ASBJ Statement No. 13 "Accounting Standard for Lease Transactions." The main revenue from contracts with customers is utility revenue.

22 Notes to Per Unit Information

(Yen)

	9th fiscal period (from August 1, 2022 to February 28, 2023)	10th fiscal period (from March 1, 2023 to August 31, 2023)
Net assets per unit	111,356	110,536
Net income per unit	2,794	2,436

(Note 1) Net income per unit is calculated by dividing net income by the day-weighted average number of investment units for the period. Fully diluted net income per investment unit is not presented, as there is no potential dilutive investment unit.

(Note 2) The basis for calculating net income per unit is as follows.

	9th fiscal period (from August 1, 2022 to February 28, 2023)	10th fiscal period (from March 1, 2023 to August 31, 2023)
Net income (Thousands of yen)	1,806,759	1,643,316
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income applicable to common units (Thousands of yen)	1,806,759	1,643,316
Average units outstanding during the period (Units)	646,594	674,400

23 Notes to Significant Subsequent Events

1. Acquisition of assets

Under the investment asset class and policy stipulated by the certificate of incorporation of ADL, ADL decided to purchase the asset below to enhance its portfolio and improve profitability and executed the purchase agreement on October 3, 2023.

Use	Property number	Property name	Location	Planned acquisition (million cost yen) (Note 1)	Planned acquisition date (Note 2)
Logistics property	L-14	LOGITRES Sano	Sano, Tochigi Prefecture	1,670	March 29, 2024, or the day on which the seller and ADL separately agree.

(Note 1) The “planned acquisition cost” is the purchase price of the asset to be acquired listed in the trust beneficiary right purchase agreement of the asset to be acquired (hereinafter referred to as the “Purchase Agreement”). The purchase price does not include the consumption tax, local consumption tax, and charges incurred in the acquisition.

(Note 2) The “planned acquisition date” is the planned acquisition date described in the Purchase Agreement.

(Note 3) ADL paid 167,000 thousand yen as earnest money deposit (the said deposit does not have the nature of the earnest money stipulated by Article 557 of the Civil Code and the seller or ADL cannot cancel the contract based on paragraph 1, Article 557 of the Civil Code) to the seller on the contract date.

(Note 4) If the purchase agreement is canceled due to reasons attributable to ADL, ADL is to pay 20% of the purchase price as penalty for the cancellation to the seller.

Supplementary Schedules

1 Schedule of Securities

(1) Shares

Not applicable

(2) Securities other than shares

(Thousands of yen)

Instrument	Issue	Book value	Appraisal value	Loss/gain on valuation	Remarks
Tokumei kumiai equity interest	CCF2 Godo Kaisha	11,233	11,233	-	(Note)
Total		11,233	11,233	-	

(Note) Book value is used for appraisal value.

2 Schedule of contract amounts and fair values of derivative transactions and exchange contract transactions

(Thousands of yen)

Category	Instrument	Contract amount (Note 1)		Fair value (Note 2) (Note 3)
			Of which, maturity more than 1 year	
Transactions other than market transactions	Interest rate swap transactions Floating rate receipt, fixed rate payment	50,420,000	50,420,000	303,497
Total		50,420,000	50,420,000	303,497

(Note 1) The contract amount of interest rate swap transactions is based on the notional principals.

(Note 2) The fair value is based on the estimation made by the interest rate swap counterparty using the prevailing interest rate.

(Note 3) Special accounting treatment is applied to 323,546 thousand yen of the interest-rate swaps in accordance with the "Accounting Standard for Financial Instruments" (issued by the Accounting Standards Board of Japan (ASBJ) on March 10, 2008; ASBJ Statement No.10) and therefore not stated at fair value in the Balance Sheet.

3 Schedule of real estate

(Thousands of yen)

Asset type		Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Accumulated depreciation or Depreciation for the period		Net balance at the end of period after deductions	Remarks
						accumulated amortization	Depreciation for the period		
Property, plant and equipment	Buildings in trust	64,704,758	1,833,218	-	66,537,977	6,044,782	777,432	60,493,194	(Note)
	Structures in trust	2,320,314	44,739	-	2,365,053	505,896	64,769	1,859,157	
	Machinery and equipment in trust	1,800,548	57,083	-	1,857,632	277,377	35,445	1,580,254	
	Tools, furniture and fixtures in trust	5,543	-	-	5,543	2,457	520	3,085	
	Land in trust	59,010,869	4,666,439	-	63,677,308	-	-	63,677,308	(Note)
	Construction in progress in trust	302	-	302	-	-	-	-	
Total		127,842,336	6,601,480	302	134,443,514	6,830,513	878,167	127,613,001	

(Note) The increase in property, plant and equipment in the current period is mainly due to the acquisition of the following properties.

iMissions Park Ichikawa Shiohama (30% quasi co-ownership)

4 Schedule of other specified assets

Not applicable

5 Schedule of investment corporation bonds

(Thousands of yen)

Issue	Issuance date	Balance at the beginning of period	Decrease during the period	Balance at the end of period	Interest rate	Maturity date	Use	Collateral
1st Unsecured Investment Corporation Bond	December 12, 2019	1,500,000	-	1,500,000	0.300%	December 12, 2024	Repayment of loans	Unsecured and non-guaranteed
2nd Unsecured Investment Corporation Bond	February 18, 2022	2,000,000	-	2,000,000	0.470%	February 18, 2032	Repayment of loans	Unsecured and non-guaranteed

(Note) The schedule of maturities for the redemption of investment corporation bonds for each year, for a period of 5 years from the Balance Sheet date, is as follows.

(Thousands of yen)

	1 year or less	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years
Investment corporation bonds	—	1,500,000	—	—	—

6 Schedule of loans payable

(Thousands of yen)

		yen)								
		Category	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 1)	Maturity date	Use	Remarks
		Lender								
Short-term loans payable		Sumitomo Mitsui Banking Corporation	170,000	-	170,000	-	0.20880% (Floating rate)	May 31, 2023	(Note 2)	Unsecured and non-guaranteed
		Subtotal	170,000	-	170,000	-				
Long-term loans payable		Sumitomo Mitsui Banking Corporation	1,270,000	-	-	1,270,000	0.53660% (Fixed rate) (Note 3)	September 9, 2024	(Note 2)	Unsecured and non-guaranteed
		Mizuho Bank, Ltd.	650,000	-	-	650,000				
		Sumitomo Mitsui Trust Bank, Limited	1,050,000	-	-	1,050,000				
		MUFG Bank, Ltd.	950,000	-	-	950,000				
		Development Bank of Japan Inc.	600,000	-	-	600,000				
		Mizuho Trust & Banking Co., Ltd.	600,000	-	-	600,000				
		Sumitomo Mitsui Banking Corporation	1,400,000	-	-	1,400,000	0.72645% (Fixed rate) (Note 3)	September 7, 2026	(Note 2)	
		Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000				
		Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000				
		MUFG Bank, Ltd.	1,600,000	-	-	1,600,000				
		Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	0.91670% (Fixed rate) (Note 3)	September 7, 2028	(Note 2)	
		Mizuho Bank, Ltd.	500,000	-	-	500,000				
		Development Bank of Japan Inc.	500,000	-	-	500,000				
		Sumitomo Mitsui Banking Corporation	1,510,000	-	-	1,510,000	0.55000% (Fixed rate) (Note 3)	March 31, 2027	(Note 2)	
		Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000				
		Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000				
		MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
		Development Bank of Japan Inc.	300,000	-	-	300,000				
		Mizuho Trust & Banking Co., Ltd.	210,000	-	-	210,000				
		Sumitomo Mitsui Banking Corporation	750,000	-	-	750,000	0.27400% (Fixed rate) (Note 3)	February 3, 2025	(Note 2)	
		Mizuho Trust & Banking Co., Ltd.	750,000	-	-	750,000				
		Sumitomo Mitsui Trust Bank, Limited	650,000	-	-	650,000				
		Mizuho Bank, Ltd.	500,000	-	-	500,000				
		The Norinchukin Bank	400,000	-	-	400,000				
		The Bank of Fukuoka, Ltd.	400,000	-	-	400,000				
		SBI Shinsei Bank, Limited	300,000	-	-	300,000				
		MUFG Bank, Ltd.	200,000	-	-	200,000				
		Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.52220% (Fixed rate) (Note 3)	March 31, 2028	(Note 2)	
		Sumitomo Mitsui Trust Bank, Limited	900,000	-	-	900,000				
		Mizuho Bank, Ltd.	900,000	-	-	900,000				
		MUFG Bank, Ltd.	800,000	-	-	800,000				
		Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000				
		SBI Shinsei Bank, Limited	200,000	-	-	200,000				
		The Norinchukin Bank	100,000	-	-	100,000				
		Nippon Life Insurance Company	1,000,000	-	-	1,000,000	0.70000% (Fixed rate)	January 31, 2030	(Note 2)	
		Sumitomo Mitsui Banking Corporation	1,330,000	-	-	1,330,000	0.28900% (Fixed rate) (Note 3)	September 30, 2025	(Note 2)	
	Sumitomo Mitsui Trust Bank, Limited	1,030,000	-	-	1,030,000					
	Mizuho Bank, Ltd.	960,000	-	-	960,000					
	MUFG Bank, Ltd.	800,000	-	-	800,000					
	Mizuho Trust & Banking Co., Ltd.	280,000	-	-	280,000					

	Category	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 1)	Maturity date	Use	Remarks
	Lender								
	SBI Shinsei Bank, Limited	200,000	-	-	200,000				
	The Norinchukin Bank	200,000	-	-	200,000				
	The Bank of Fukuoka, Ltd.	200,000	-	-	200,000				
	Sumitomo Mitsui Banking Corporation	1,330,000	-	-	1,330,000	0.43800% (Fixed rate) (Note 3)	September 30, 2027	(Note 2)	
	Sumitomo Mitsui Trust Bank, Limited	1,030,000	-	-	1,030,000				
	Mizuho Bank, Ltd.	960,000	-	-	960,000				
	MUFG Bank, Ltd.	800,000	-	-	800,000				
	Mizuho Trust & Banking Co., Ltd.	280,000	-	-	280,000				
	SBI Shinsei Bank, Limited	200,000	-	-	200,000				
	The Norinchukin Bank	200,000	-	-	200,000				
	The Bank of Fukuoka, Ltd.	200,000	-	-	200,000				

	Category	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 1)	Maturity date	Use	Remarks			
	Lender											
Long-term loans payable	Sumitomo Mitsui Banking Corporation	750,000	-	-	750,000	0.56000% (Fixed rate) (Note 3)	March 30, 2029	(Note 2)	Unsecured and non-guaranteed			
	Sumitomo Mitsui Trust Bank, Limited	560,000	-	-	560,000							
	Mizuho Bank, Ltd.	500,000	-	-	500,000							
	MUFG Bank, Ltd.	400,000	-	-	400,000							
	Mizuho Trust & Banking Co., Ltd.	140,000	-	-	140,000							
	SBI Shinsei Bank, Limited	100,000	-	-	100,000							
	The Norinchukin Bank	100,000	-	-	100,000							
	The Bank of Fukuoka, Ltd.	100,000	-	-	100,000							
	Sumitomo Mitsui Banking Corporation	1,090,000	-	-	1,090,000	0.26376% (Floating rate)	August 31, 2026	(Note 4)				
	Sumitomo Mitsui Trust Bank, Limited	660,000	-	-	660,000							
	Mizuho Bank, Ltd.	750,000	-	-	750,000							
	Sumitomo Mitsui Banking Corporation	550,000	-	-	550,000	0.78300% (Fixed rate) (Note 3)	February 28, 2030	(Note 4)				
	Sumitomo Mitsui Trust Bank, Limited	525,000	-	-	525,000							
	Mizuho Bank, Ltd.	385,000	-	-	385,000							
	MUFG Bank, Ltd.	540,000	-	-	540,000							
	The Norinchukin Bank	200,000	-	-	200,000							
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000							
	Sumitomo Mitsui Banking Corporation	450,000	-	-	450,000					0.71600% (Fixed rate) (Note 3)	September 29, 2028	(Note 2)
	Sumitomo Mitsui Trust Bank, Limited	350,000	-	-	350,000							
	Mizuho Bank, Ltd.	300,000	-	-	300,000							
	MUFG Bank, Ltd.	330,000	-	-	330,000							
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000							
	Development Bank of Japan Inc.	150,000	-	-	150,000							
	The Norinchukin Bank	100,000	-	-	100,000							
	The Bank of Fukuoka, Ltd.	100,000	-	-	100,000							
	SBI Shinsei Bank, Limited	100,000	-	-	100,000							
	Resona Bank, Limited	100,000	-	-	100,000							
	Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000	0.85520% (Fixed rate) (Note 3)	April 30, 2030	(Note 2)				
	Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000							
	Mizuho Bank, Ltd.	300,000	-	-	300,000							
	MUFG Bank, Ltd.	300,000	-	-	300,000							
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000							
The Norinchukin Bank	250,000	-	-	250,000								
The Bank of Fukuoka, Ltd.	250,000	-	-	250,000								
SBI Shinsei Bank, Limited	250,000	-	-	250,000								
Resona Bank, Limited	250,000	-	-	250,000								
Sumitomo Mitsui Banking Corporation	-	450,000	-	450,000	0.59900% (Fixed rate) (Note 3)	March 29, 2030	(Note 2)					
Sumitomo Mitsui Trust Bank, Limited	-	400,000	-	400,000								
Mizuho Bank, Ltd.	-	300,000	-	300,000								
MUFG Bank, Ltd.	-	300,000	-	300,000								
Mizuho Trust & Banking Co., Ltd.	-	150,000	-	150,000								
Development Bank of Japan Inc.	-	100,000	-	100,000								
The Norinchukin Bank	-	150,000	-	150,000								
The Bank of Fukuoka, Ltd.	-	150,000	-	150,000								
SBI Shinsei Bank, Limited	-	100,000	-	100,000								
Resona Bank, Limited	-	100,000	-	100,000	0.66300% (Fixed rate) (Note 3)	March 31, 2031	(Note 2)					
Sumitomo Mitsui Banking Corporation	-	650,000	-	650,000								
Sumitomo Mitsui Trust Bank, Limited	-	450,000	-	450,000								
	Mizuho Bank, Ltd.	-	300,000	-	300,000							

Category	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 1)	Maturity date	Use	Remarks
Lender								
MUFG Bank, Ltd.	-	200,000	-	200,000				
Mizuho Trust & Banking Co., Ltd.	-	200,000	-	200,000				
Development Bank of Japan Inc.	-	250,000	-	250,000				
The Norinchukin Bank	-	250,000	-	250,000				
The Bank of Fukuoka, Ltd.	-	250,000	-	250,000				
SBI Shinsei Bank, Limited	-	250,000	-	250,000				
Resona Bank, Limited	-	200,000	-	200,000				
Subtotal	48,720,000	5,200,000	-	53,920,000				
Total	48,890,000	5,200,000	170,000	53,920,000				

(Note 1) Interest rates are the lending rate for each loan agreement, shown rounded off to the fifth decimal place.

(Note 2) The funds were used to acquire real estate trust beneficiary interest(s) and to pay acquisition-related expenses.

(Note 3) Interest rates on floating-rate borrowings hedged with interest rate swaps to avoid interest-rate risk are shown reflecting the effect of the interest rate swap after converting to fixed rates.

(Note 4) The funds were allocated for repayment of loans.

(Note 5) The following is the maturity schedule for each year within five years of the Balance Sheet date.

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years
Long-term loans payable	-	9,070,000	7,500,000	10,520,000	9,000,000



Independent Auditor's Report

To the Board of Directors of Advance Logistics Investment Corporation

THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Advance Logistics Investment Corporation (the Company), which comprise the Balance Sheet as at August 31, 2023, and the Statement of Income, Statement of Changes in Net Assets, Statement of Cash Distributions and Statement of Cash Flows for the six months period then ended, and notes to the financial statements and supplementary schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2023, and its financial performance and its cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Other information comprises information included in a document containing audited financial statements, but does not include the financial statements and our auditor's report thereon. We have determined that there is no other information and thus have not performed any work on other information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

FEE-RELATED INFORMATION

In connection with our audit of the financial statements for the six months period ended August 31, 2023, the amount of fees for the audit charged to Advance Logistics Investment Corporation by



PricewaterhouseCoopers Aarata LLC and other PwC Network firms is ¥8.5 million and there are no fees for other services.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

DocuSigned by:
鶴田 光夫
A1FCBAB206554BB...

Mitsuo Tsuruta

Designated Engagement Partner
Certified Public Accountant

DocuSigned by:
佐藤 孝
951CE7412F6E459...

Takashi Sato

Designated Engagement Partner
Certified Public Accountant

November 29, 2023