

# Advance Logistics Investment Corporation

## 8th Fiscal Period Semi - Annual Report



8

From February 1, 2022  
to July 31, 2022



# Financial Highlights

July 2022 (8th period)

## Operating Results

Operating revenues	<b>3,182</b> MN Yen
Operating income	<b>1,525</b> MN Yen
Ordinary income	<b>1,390</b> MN Yen
Net income	<b>1,389</b> MN Yen
Total assets (based on acquisition price)	<b>111.4</b> bn Yen

## Distributions

Distributions per unit	<b>2,715</b> Yen
Distributions per unit (excluding distributions in excess of retained earnings)	<b>2,316</b> Yen
Distributions in excess of retained earnings per unit	<b>399</b> Yen

## Forecast Distributions

9th fiscal period  
(ending Feb. 2023)

**3,239** Yen

of which, distributions in excess  
of retained earnings per unit  
464 Yen

10th fiscal period  
(ending Aug. 2023)

**2,725** Yen

of which, distributions in excess  
of retained earnings per unit  
401 Yen

Number of properties  
at the end of the period

**12** properties

Occupancy Rate

**99.9%**

Long-term  
issuer rating (JCR)

**AA-** (stable)  
(December 27, 2021)

\* Unless otherwise noted, figures expressed in whole numbers are rounded down to the nearest unit, and figures expressed in decimal numbers are rounded off to the nearest digit.



# President Message

**We would like to express our sincere gratitude to our unitholders for the continued support of Advance Logistics Investment Corporation.**

**Advance Logistics Corporation ("ADL"; Securities code: 3493) has changed its trade name from "ITOCHU Advance Logistics Corporation". I would like to note that the extended cooperative relationship with the sponsor, the ITOCHU Group, remains unchanged.**

Although we were in the midst of the 7th wave of the COVID-19 pandemic, operations went well as in the previous periods, and as of September 14, 2022, we have not received any notification from tenant companies of any incidents that would have a significant impact on facility operations. In addition, the distribution per unit (DPU, including distributions in excess of earnings) for the 8th Fiscal Period (FP) was 2,715 yen, an increase of 26 yen compared to the latest forecast of 2,689 yen, due to internal growth such as reduction of operating expenses including property repair costs, etc. The occupancy rate also remained high at 99.9% (warehouse floor occupancy rate of 100%) as of September 14, 2022. Furthermore, we made diligent efforts to reduce asset management fees (implemented from the following 9th FP) and ESG-related measures.

The change in our fiscal period was approved at the 4th General Meeting of Unitholders held on April 27, 2022 to be changed to

February and August from current January and July which starts from 9th FP (ending August 2022). Therefore, the 9th FP will be an irregular 7-month accounting period (6-month accounting period from the 10th FP), and the DPU is planned to be 3,239 yen, the same amount as the initial forecast.

In the logistics real estate market, although the supply of new properties is on the rise, demand from logistics operators remains strong due to the movement toward economic normalization and the continuous increase of online shopping. We are strongly aware of our responsibility and mission as part of the social infrastructure that supports the daily lives of our customers and the business activities of companies. We are committed to accumulating high-quality assets, proactively addressing internal growth and ESG issues, and ensuring stable financial and cash management, as well as strengthening our governance in order to further enhance the unitholder value for our stakeholders.

We are fully aware of our mission to meet the expectation of our investors and stakeholders. We will remain committed to making aggressive moves after the merger as well in order to be the J-REIT of your choice. We respectfully ask for your continued and long-lasting support.



**Junichi Shoji**

Representative Director,  
President & CEO  
ITOCHU REIT Management Co., Ltd.

September 14, 2022



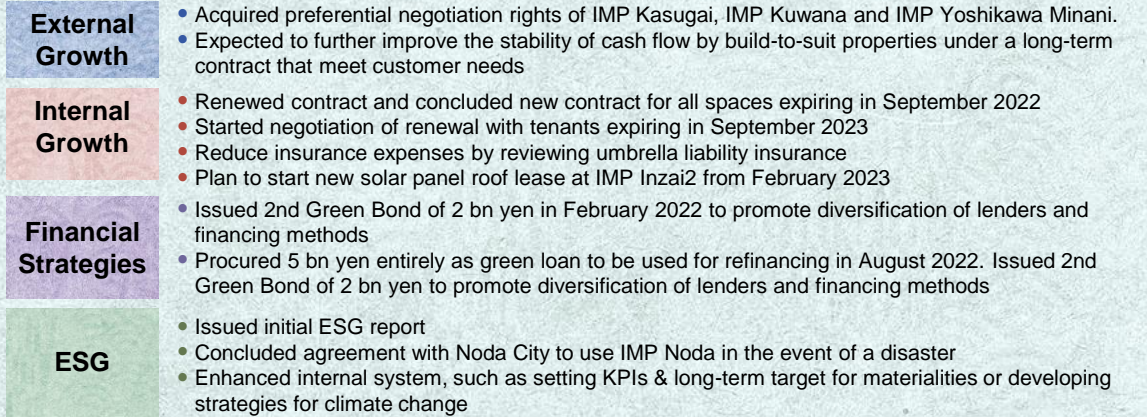
# Highlights

Asset size expanded to 111.4 bn yen. Achieved growth in DPU, NAV per unit, and unrealized gains

## Operational Highlights <as of the end of the 8th Fiscal Period (Jul. 2022)>

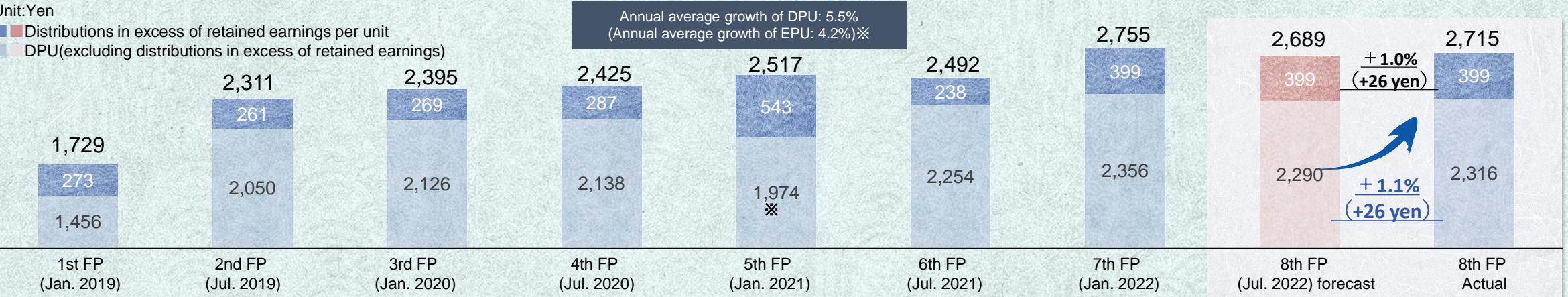


## Measures Highlights



※ IMP is abbreviation for "i Missions Park", logistic facility developed by ITOCHU Group.

## Change of DPU <as of the end of the 8th Fiscal Period (Jul. 2022)>



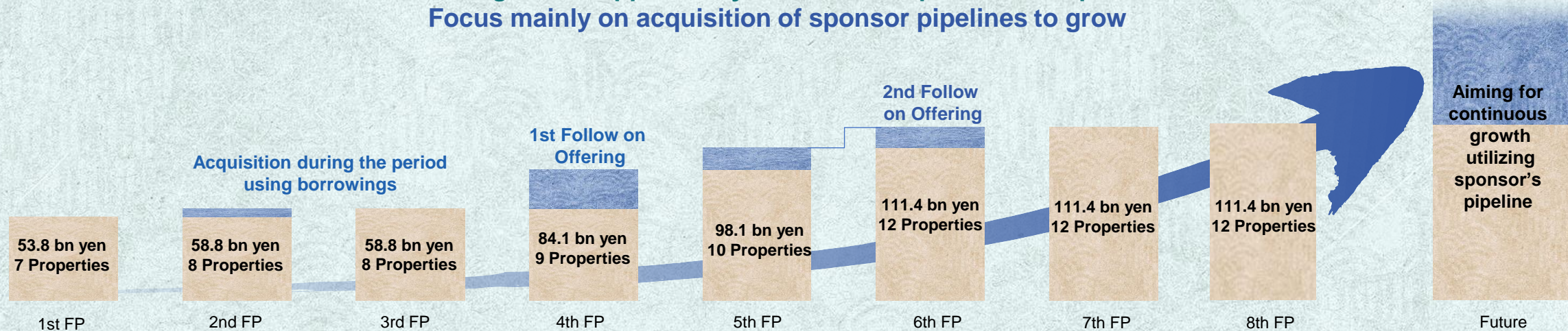


# Basic Strategies – Collaborative Growth Relationships (1) –

Build growth spiral based on Collaborative Growth Relationships with ITOCHU Group  
By taking advantage of extensive experience of development & acquisition of logistics facilities and wide network of 100,000 clients of sponsor group.



Continued growth supported by ITOCHU Group's business platforms  
Focus mainly on acquisition of sponsor pipelines to grow





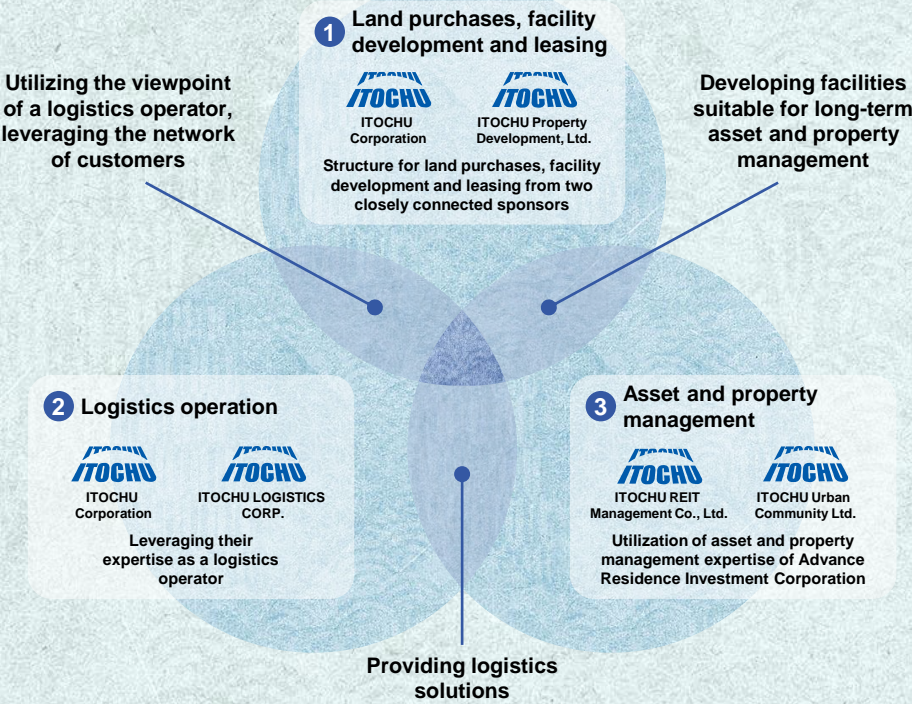
# Basic Strategies – Collaborative Growth Relationships (2) –

Two business platforms that provide the foundation for the Collaborative Growth Relationships

## Realty and Logistics (R/L) Platform

- 1 Strength in land purchase, facility development and leasing experience since FY2004
- 2 Experience as a **logistics operator**
- 3 Utilization of expertise gained in **J-REIT management**

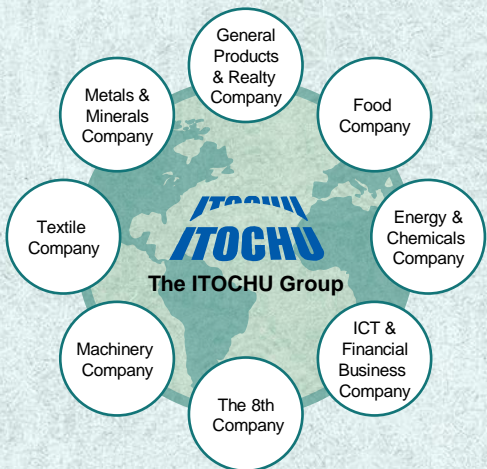
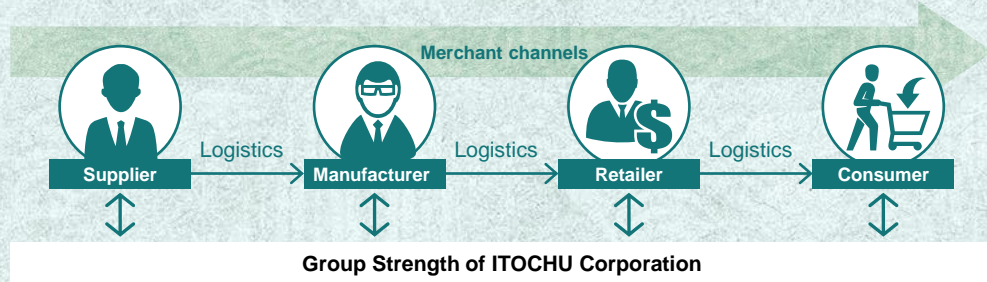
**Real Estate & Logistics function** of General Products & Realty Company of ITOCHU Corporation, which has integrated responsibility for 1, 2 and 3



## Group-wide Merchant Channel (M/C) Platform

- 1 Extensive customer network covering **100,000 companies**
- 2 A wide business domain covering **upstream to downstream merchant channels**
- 3 Strong presence in **consumer-related businesses**

**General trading company** that has transactional relationships at the **management level** encompassing 1, 2 and 3





# External Growth Strategies





## Steady Expansion of Asset Size through Selective Investment in Quality Properties

Acquire selective quality properties to maintain/improve profitability of portfolio at appropriate level of NOI yield in the area.  
Aiming to improve portfolio quality by tenants with stable cash flow and competitive location

### Properties developed by Sponsor

Backed by sponsor support, continue to acquire properties at appropriate level of NOI yield in each area

Properties owned / developed by the ITOCHU Group: 7 properties with total floor area of about 253,982m<sup>2</sup>

<b>IMP Ichikawa-Shiohama</b> Preferential negotiation right  Tokyo Bay area Completed 57,724m <sup>2</sup>	<b>IMP Atsugi 2</b> Preferential negotiation right  Kanto region Completed 15,572m <sup>2</sup>	<b>IMP Kazo</b> Preferential negotiation right  Kanto region Completed About 11,173m <sup>2</sup>	<b>IMP Minoh</b> Preferential negotiation right  Kansai region To be completed in Feb. 2023 About 42,582m <sup>2</sup>	<b>IMP Kasugai</b> Preferential negotiation right  Chubu region To be completed in Mar. 2023 About 15,409m <sup>2</sup>	<b>IMP Kuwana</b> Preferential negotiation right  Chubu region To be completed in May. 2023 About 93,604m <sup>2</sup>	<b>IMP Yoshikawa Minami</b> Preferential negotiation right  Kanto region To be completed in Sep. 2023 About 17,918m <sup>2</sup>
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\*red frame is properties of which preferential negotiation right is newly acquired in 8<sup>th</sup> FP.

### Third party Properties

#### Acquisition of Third-party Properties in Alliance with ITOCHU Corporation and ITOCHU Property Development (IPD)

- 1

Enhance property information gathering capability through merger of asset management companies.
- 2

Create projects utilizing own network of financial institutions or ITOCHU Group.
- 3

Capture liquidation needs of ITOCHU Group.
- 4

Proactively utilize bridge scheme or warehousing by sponsors.



# Portfolio Characteristics

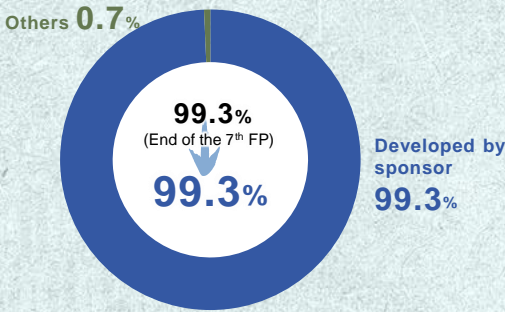
Further improve the stability of portfolio through selective investment, tenant stickiness, and strong sponsor support

(As of Jul. 31, 2022)

## Strong Sponsor Support



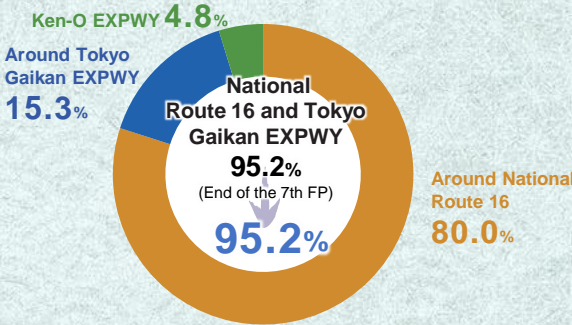
Properties developed by sponsor  
(based on acquisition price)



## Competitive Property



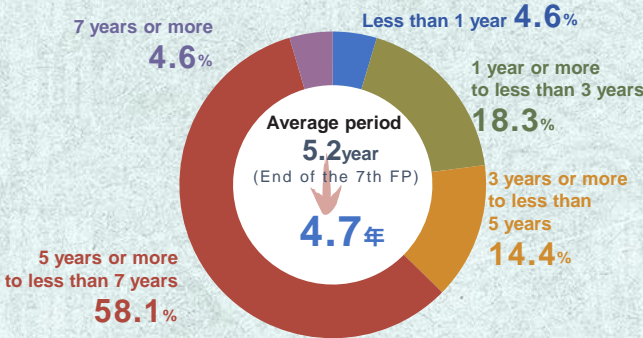
Location  
(based on acquisition price)



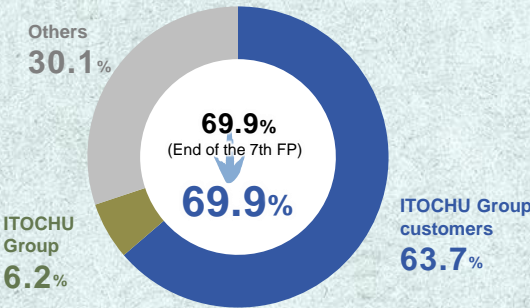
## Quality Contract



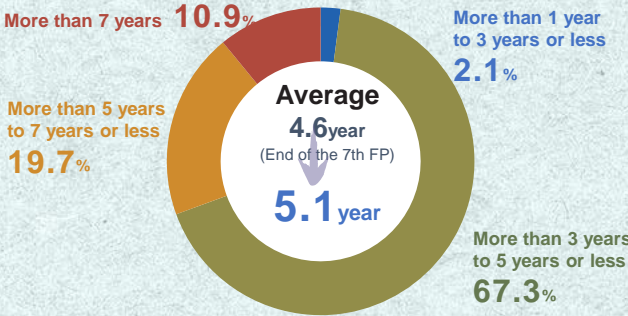
Remaining lease term  
(based on annual rent)



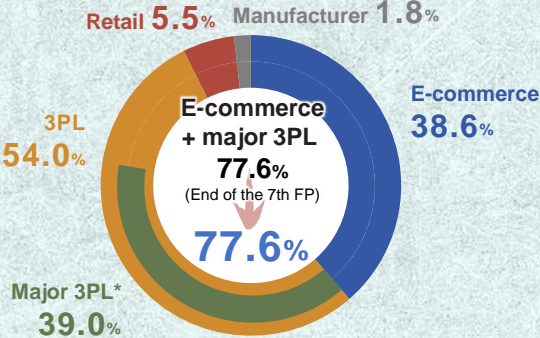
ITOCHU Group and Group customer tenant  
(based on annual rent)



Property age  
(based on acquisition price)



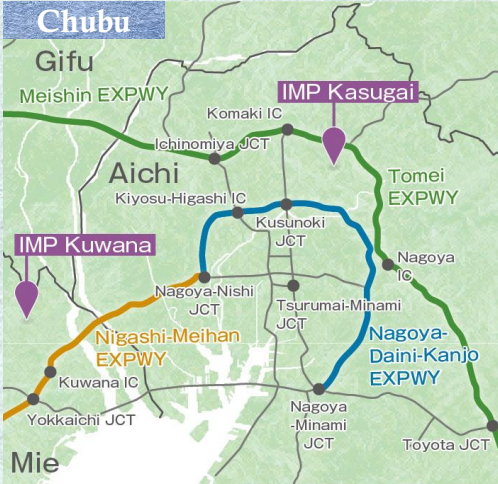
Tenant industry  
(based on annual rent)



\* "Major 3PL" refers to 3PLs with consolidated group sales exceeding 100 billion



# Portfolio Map



## Owned Properties



## IMP Atsugi



IMP Inzai



## IMP Noda



IMP Kashiwa



## Around National



## Around National


**Around**

## Around National



**Around**



### Around Notice



IMP Kashiwa 2



IMP Inzal 2

**Developed by the  
ITOCHU Group**



## Preferential negotiation right MP Ichikawa-Shiohama



## Preferential negotiation right



## Preferential negotiation right



**MP Yoshikawa Minami**



## Preferential negotiation right



## Preferential negotiation right

### IMP Kasugai




## Preferential negotiation right

### IMP Kuwana



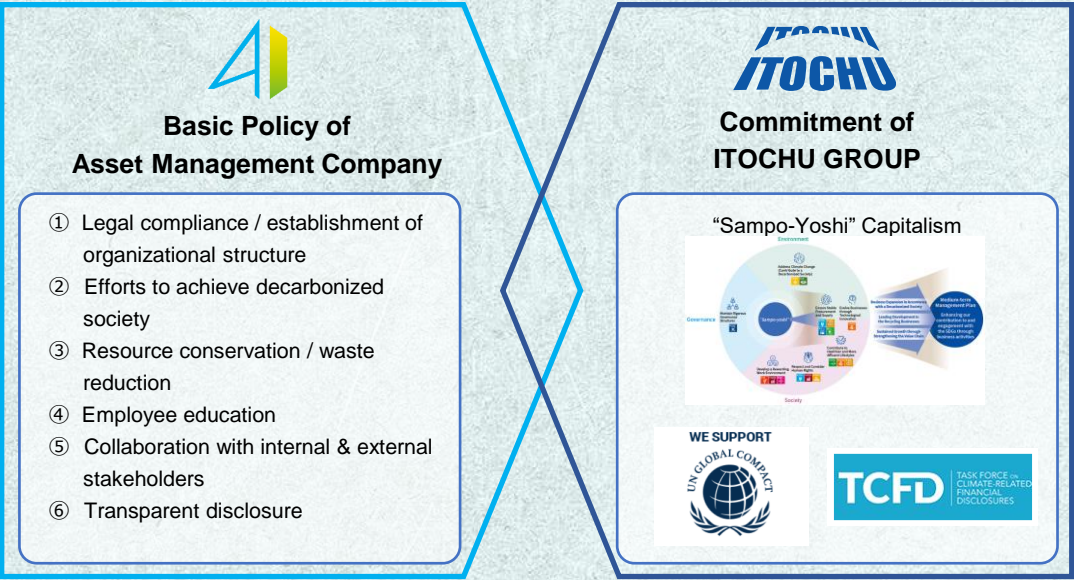
IMP Tokyo-Adachi



IMP Miyoshi



# Initiatives for ESG (E) Environmental Initiatives (1)



## GRESB Real Estate Assessment

Having been highly evaluated by GRESB for its proactive implementation of initiatives, such as disclosure of environmental data, acquisition of certifications, participation in community services etc., ADL was awarded "Green Star" status and granted highest rating of "5-star" in the GRESB Rating.

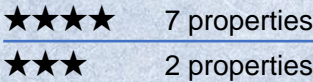
5 スターのロゴ挿入予定（本評価発表時にロゴが入手できる予定）

2018	2019	2020	2021	2022
(Listed in September)	★★★★	★★★★★	★★★★★	★★★★★
	3-star	4-star	4-star	5-star

## E

### Environment

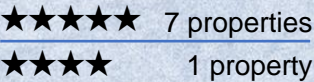
#### Certification Acquisition



※5-star is the highest



IMP Inzai



IMP Kashiwa2

#### Response to climate-related risk

- Expressed support for the recommendations of the TCFD as an asset management company
- Identify climate change risks / opportunities and Planning of strategies



#### Energy consumption reduction



LED lighting

#### Water consumption reduction



Installing water-saving toilet system

#### Renewable energy generation



Solar panels

#### Greening



Greening parking lots

#### CO<sub>2</sub> emissions reduction



Promoting CO<sub>2</sub> emissions reduction in cooperation among tenants based on applicable law

#### Green lease agreements



Installing LED based on green lease agreements



# Initiatives for ESG (S) Social (G)Governance Initiatives(2)

S

## Social Contribution

### Logistics Continuity at Emergencies

#### Emergency Supplies Storehouse

Store water, food, portable toilets for tenants to be built in IMP Noda (Non-occupied office area) and IMP Atsugi 2



#### Emergency Power Generation Equipment

Enables operation continuity at emergency by supplying power for a certain time. Planned in IMP Atsugi 2



### Coexistence with Local Communities

#### Signed Agreement with Noda City in the Event of Disaster

- Signed "Agreement on Acceptance of Evacuees and Relief Supplies in the Event of Disaster" with Noda City, Chiba Prefecture in May 2022
- Provide IMP Noda as a storage and management facility for relief supplies and a temporary evacuation site for disaster victims in the event of a disaster



#### Cleanup Activities

Regular cleanups held around the Asset Management Company's office building (November 10, 2021)



#### Support for education

Participate in donation campaigns by ITOCHU Foundation to foster Health development of children



### Initiatives for Employees

#### TOKYO Work-Style Reform Declaration

Approved as a company committed to "TOKYO Work-Style Reform Declaration," a program promoted by the Tokyo Metropolitan Government

Improve paid holidays

Improve work environment

G

## Governance

### ●Fee structure that is linked to unitholders' profit

Reviewing the current asset management fee structure to enhance unitholder value linked with strengthened revenue base through asset size expansion and by rationalization effect of account closing operations, etc., reducing total fee by nearly 10%(from 9th FP)

### ●Publication of First Edition of ESG Report



### ●ITOCHU Corporation's same-boat investment

### ●Cumulative unit investment program and investment unit ownership program are introduced to full time directors and non-director employees of Asset Management Company, respectively

### ●Appropriate decision-making process

(dealing with interested party transactions)

### ●Expansion of compliance rules

- Analyzing the gap with FSA guidelines, and formulating regulations and manuals, etc to cope with global money laundering and terrorist financing measures (company-wide control / business process control) required by the FSA etc.
- In-house training on money laundering and terrorist financing measures has been completed. Aim for further understanding and penetration within the company

※IMP Atsugi 2 is a property developed by sponsor for which ADL holds preferential negotiation right.



## Balance Sheet

(Thousands of yen)

	7th fiscal period As of January 31, 2022	8th fiscal period As of July 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	2,909,181	3,181,102
Cash and deposits in trust	4,233,581	4,137,678
Operating accounts receivable	44,336	36,541
Prepaid expenses	60,724	60,521
<b>Total current assets</b>	<b>7,247,824</b>	<b>7,415,844</b>
Non-current assets		
Property, plant and equipment		
Buildings in trust	60,372,596	60,379,592
Accumulated depreciation	(3,697,510)	(4,404,509)
Buildings in trust, net	56,675,086	55,975,082
Structures in trust	2,214,959	2,214,959
Accumulated depreciation	(308,197)	(368,403)
Structures in trust, net	1,906,761	1,846,556
Machinery and equipment in trust	1,666,312	1,667,291
Accumulated depreciation	(170,781)	(202,609)
Machinery and equipment in trust, net	1,495,531	1,464,681
Tools, furniture and fixtures in trust	3,054	4,896
Accumulated depreciation	(1,010)	(1,360)
Tools, furniture and fixtures in trust, net	2,043	3,535
Land in trust	48,131,041	48,131,041
<b>Total property, plant and equipment</b>	<b>108,210,465</b>	<b>107,420,897</b>
Intangible assets		
Software	1,990	1,433
Trademark right	-	495
<b>Total intangible assets</b>	<b>1,990</b>	<b>1,928</b>
Investments and other assets		
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	164,505	172,821
Deferred tax assets	7	12
<b>Total investments and other assets</b>	<b>174,513</b>	<b>182,833</b>
<b>Total non-current assets</b>	<b>108,386,968</b>	<b>107,605,660</b>
Deferred assets		
Investment corporation bond issuance cost	7,232	22,134
<b>Total deferred assets</b>	<b>7,232</b>	<b>22,134</b>
<b>Total assets</b>	<b>115,642,026</b>	<b>115,043,638</b>



(Thousands of yen)

	7th fiscal period As of January 31, 2022	8th fiscal period As of July 31, 2022
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	159,814	35,378
Short-term loans payable	5,300,000	3,290,000
Accounts payable - other	13,713	-
Accrued expenses	479,842	473,845
Current portion of long-term loans payable	1,750,000	1,750,000
Income taxes payable	758	859
Accrued consumption taxes	263,316	85,376
Advances received	580,565	579,022
Other	5,605	4,383
Total current liabilities	8,553,616	6,218,865
Non-current liabilities		
Investment corporation bonds	1,500,000	3,500,000
Long-term loans payable	38,740,000	38,740,000
Tenant leasehold and security deposits in trust	1,674,273	1,674,255
Other	257	144
Total non-current liabilities	41,914,531	43,914,400
Total liabilities	50,468,147	50,133,265
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	64,647,572	64,647,572
Deductions from unitholders' capital	(887,824)	(1,127,274)
Unitholders' capital, net	63,759,748	63,520,297
Surplus		
Unappropriated retained earnings (undisposed loss)	1,414,130	1,390,075
Total surplus	1,414,130	1,390,075
Total unitholders' equity	65,173,878	64,910,372
Total net assets	*1 65,173,878	*1 64,910,372
Total liabilities and net assets	115,642,026	115,043,638



## Statement of Income

(Thousands of yen)

	7th fiscal period From August 1, 2021 to January 31, 2022	8th fiscal period From February 1, 2022 to July 31, 2022
Operating revenues		
Leasing business revenues	*1 3,142,715	*1 3,142,694
Other leasing business revenues	*1 35,474	*1 39,581
Total operating revenues	3,178,190	3,182,276
Operating expenses		
Expenses related to leasing business	*1 1,170,645	*1 1,203,747
Asset management fees	395,045	385,224
Asset custody fee and Administrative service fees	12,426	14,005
Directors' compensations	2,640	2,640
Other operating expenses	47,195	51,518
Total operating expenses	1,627,953	1,657,135
Operating income	1,550,237	1,525,140
Non-operating income		
Interest income	27	33
Reversal of distributions payable	-	1,068
Interest on tax refund	81	-
Subsidy income	-	356
Total non-operating income	109	1,458
Non-operating expenses		
Interest expenses	107,838	103,772
Interest expenses on investment corporation bonds	2,286	6,461
Amortization of investment corporation bond issuance cost	1,276	2,127
Borrowing related expenses	23,503	22,542
Other	1,008	991
Total non-operating expenses	135,914	135,896
Ordinary income	1,414,432	1,390,703
Income before income taxes	1,414,432	1,390,703
Income taxes - current	762	864
Income taxes - deferred	10	(4)
Total income taxes	772	859
Net income	1,413,660	1,389,843
Retained earnings brought forward	470	231
Unappropriated retained earnings (undisposed loss)	1,414,130	1,390,075



## Statement of Changes in Net Assets

7th fiscal period (from August 1, 2021 to January 31, 2022)

(Thousands of yen)

	Unitholders' equity						Total net assets
	Unitholders' capital			Surplus		Total Unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at the beginning of period	64,647,572	(744,993)	63,902,578	1,353,156	1,353,156	65,255,735	65,255,735
Changes during the period							
Distributions in excess of retained earnings		(142,830)	(142,830)			(142,830)	(142,830)
Distributions of retained earnings				(1,352,686)	(1,352,686)	(1,352,686)	(1,352,686)
Net income				1,413,660	1,413,660	1,413,660	1,413,660
Total changes during the period	-	(142,830)	(142,830)	60,973	60,973	(81,856)	(81,856)
Balance at the end of period	*1 64,647,572	(887,824)	63,759,748	1,414,130	1,414,130	65,173,878	65,173,878

8th fiscal period (from February 1, 2022 to July 31, 2022)

(Thousands of yen)

	Unitholders' equity						Total net assets
	Unitholders' capital			Surplus		Total Unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at the beginning of period	64,647,572	(887,824)	63,759,748	1,414,130	1,414,130	65,173,878	65,173,878
Changes during the period							
Distributions in excess of retained earnings		(239,450)	(239,450)			(239,450)	(239,450)
Distributions of retained earnings				(1,413,899)	(1,413,899)	(1,413,899)	(1,413,899)
Net income				1,389,843	1,389,843	1,389,843	1,389,843
Total changes during the period	-	(239,450)	(239,450)	(24,055)	(24,055)	(263,506)	(263,506)
Balance at the end of period	*1 64,647,572	(1,127,274)	63,520,297	1,390,075	1,390,075	64,910,372	64,910,372



## Statement of Cash Distributions

(Yen)

	7th fiscal period From August 1, 2021 to January 31, 2022	8th fiscal period From February 1, 2022 to July 31, 2022
I. Unappropriated retained earnings	1,414,130,528	1,390,075,103
II. Additional distributable amount in excess of retained earnings		
Deductions from unitholders' capital	239,450,673	239,450,673
III. Distributions	1,653,349,885	1,629,344,805
(Distributions per unit)	(2,755 )	(2,715 )
Of which, retained earnings	1,413,899,212	1,389,894,132
(Earnings distributions per unit)	(2,356 )	(2,316 )
Of which, distribution in excess of retained earnings	239,450,673	239,450,673
(Distributions in excess of retained earnings per unit)	(399 )	(399 )
IV. Retained earnings carried forward	231,316	180,971

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 ¥1,413,899,212, 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 ¥239,450,673, as distributions in excess of earnings (contribution refunds that fall under distributions accompanying a decrease in capital under tax law).</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 ¥1,389,894,132, 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 ¥239,450,673, as distributions in excess of earnings (contribution refunds that fall under distributions accompanying a decrease in capital under tax law).</p>
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## Statement of Cash Flows

(Thousands of yen)

	7th fiscal period From August 1, 2021 to January 31, 2022	8th fiscal period From February 1, 2022 to July 31, 2022
<b>Cash flows from operating activities</b>		
Income before income taxes	1,414,432	1,390,703
Depreciation	799,956	799,949
Amortization of investment corporation bond issuance expenses	1,276	2,127
Interest income	(27)	(33)
Interest expenses	107,838	103,772
Decrease (increase) in operating accounts receivable	2,777	7,795
Decrease (increase) in consumption taxes refund receivable	199,436	-
Decrease (increase) in prepaid expenses	2,025	202
Decrease (increase) in long-term prepaid expenses	28,067	(8,315)
Increase (decrease) in operating accounts payable	140,656	(125,406)
Increase (decrease) in accrued expenses	32,784	(10,475)
Increase (decrease) in accrued consumption taxes	263,316	(177,939)
Increase (decrease) in advances received	(1,133)	(1,543)
Other	(666)	(112)
Subtotal	2,990,740	1,980,724
Interest income received	27	33
Interest expenses paid	(108,733)	(99,294)
Income taxes paid	(971)	(763)
Net cash provided by (used in) operating activities	2,881,062	1,880,700
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment in trust	(25,904)	(22,560)
Purchase of intangible assets in trust	-	(504)
Net cash provided by (used in) investing activities	(25,904)	(23,064)
<b>Cash flows from financing activities</b>		
Proceeds in short-term loans payable	5,300,000	-
Repayments of short-term loans payable	(433,000)	(2,010,000)
Repayments of long-term loans payable	(5,300,000)	-
Proceeds from issuance of investment corporation bonds	-	1,982,970
Distributions payments	(1,495,264)	(1,654,571)
Net cash provided by (used in) financing activities	(1,928,264)	(1,681,600)
Net increase (decrease) in cash and cash equivalents	926,893	176,035
Cash and cash equivalents at the beginning of period	4,541,595	5,468,489
Cash and cash equivalents at the end of period	*1 5,468,489	*1 5,644,525



## 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<sup>(Note 1)</sup> is ITOCHU Corporation, a major general trading company with a strong presence in logistics-intensive consumer-related<sup>(Note 2)</sup> 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<sup>(Note 3)</sup> with the ITOCHU Group<sup>(Note 4)</sup>.

(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 July 31, 2022, 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 January or July.



### 3 Significant Accounting Policies

<p>1. Depreciation method for non-current assets</p>	<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 border="0"> <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 property, plant and equipment are as stated below.</p> <table border="0"> <tr> <td>Software</td> <td>5 years</td> </tr> <tr> <td>Trademark right</td> <td>10 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	Trademark right	10 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												
Trademark right	10 years												
<p>2. Accounting for deferred assets</p>	<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>3. Revenue and expense recognition</p>	<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.</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 consumption 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.</p>												



4. 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 evaluation of the effectiveness of interest rate swaps is omitted because they meet the requirements for special treatment.</p>
5. 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>
6. 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> <ol style="list-style-type: none"> <li>1) Cash and deposits in trust</li> <li>2) Buildings in trust; structures in trust; machinery and equipment in trust; tools, furniture and fixtures in trust; and land in trust</li> <li>3) Tenant leasehold and security deposits in trust</li> </ol>



## 4 Notes to Significant Accounting Estimates

Impairment loss on investment and rental properties

Impairment of non-current assets

(1) Amounts recorded in the financial statements

(Thousands of yen)

	7th fiscal period January 31, 2022	8th fiscal period July 31, 2022
Property, plant and equipment	108,210,465	107,420,897
Intangible assets	1,990	1,928
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 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 IADL in the following fiscal period may be affected.

## 5 Notes to Balance Sheet

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

(Thousands of yen)

	7th fiscal period January 31, 2022	8th fiscal period July 31, 2022
	50,000	50,000



## 6 Notes to Statement of Income

\*1 Breakdown of real estate leasing business revenues and expenses

(Thousands of yen)

	7th fiscal period From August 1, 2021 to January 31, 2022		8th fiscal period From February 1, 2022 to July 31, 2022	
A. Real estate leasing business revenues				
Leasing business revenues				
Leasing revenues	3,116,251		3,116,230	
Common area charge income	26,463	3,142,715	26,463	3,142,694
Other leasing business revenues				
Utility service revenues	27,499		31,169	
Parking revenues	5,225		5,167	
Other revenues	2,749	35,474	3,244	39,581
Total real estate leasing business revenues		3,178,190		3,182,276
B. Real estate leasing business expenses				
Expenses related to leasing business				
Property management fees	49,339		48,315	
Utility expenses	30,781		35,292	
Repair expenses	2,283		4,740	
Taxes and public dues	276,612		303,961	
Depreciation	799,399		799,384	
Insurance premiums	9,105		9,032	
Trust fees	2,750		2,750	
Other leasing business expenses	373		270	
Total real estate leasing business expenses		1,170,645		1,203,747
C. Real estate leasing business income (A—B)		2,007,544		1,978,528

## 7 Notes to Statement of Changes in Net Assets

\*1 Total number of investment units authorized and outstanding

	7th fiscal period From August 1, 2021 to January 31, 2022	8th fiscal period From February 1, 2022 to July 31, 2022
Total authorized investment units	10,000,000 units	10,000,000 units
Total investment units outstanding	600,127 units	600,127 units

## 8 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)

	7th fiscal period From August 1, 2021 to January 31, 2022	8th fiscal period From February 1, 2022 to July 31, 2022
Cash and deposits	2,909,181	3,181,102
Cash and deposits in trust	4,233,581	4,137,678
Use-restricted deposits in trust (Note)	(1,674,273)	(1,674,255)
Cash and cash equivalents	5,468,489	5,644,525

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



## 9 Notes to Leases

Operating lease transactions (lessor side)

Future minimum rent

(Thousands of yen)

	7th fiscal period January 31, 2022	8th fiscal period July 31, 2022
Within 1 year	6,119,460	5,857,824
More than 1 year	24,354,453	21,471,176
Total	30,473,913	27,329,001

## 10 Notes to Financial Instruments

### 1. Matters related to the status of financial instruments

#### (1) Policy for Financial Instruments

ADL raises funds through borrowing from financial institutions, issuing investment corporation bonds (including short-term investment corporation bonds; the same applies to the following), and issuing investment units to ensure stable earnings in the mid-long term, and steady growth in size of assets under management.

ADL may invest its surplus funds in marketable securities or deposit instruments considering the market environment and cash flow situation in terms of safety and liquidity.

ADL uses derivative trades solely to hedge interest rate risks and other risks arising from its liabilities.

#### (2) Details, Risks, and our Risk Management System of the Financial Instruments

ADL's deposits are composed of its surplus funds, which are subject to credit risk that financial institutions with its funds could become insolvent. Therefore, ADL controls its credit risk by limiting the deposits to short term and limiting the transactions to financial institutions, which maintain favorable credit ratings.

Major uses of the funds raised through the borrowings and issuing bonds include property acquisitions, repayment of the pre-existing borrowings, and redemption of the investment corporation bonds, which are subject to liquidity risk that ADL is unable to refinance them at maturity. Therefore, ADL controls the liquidity risk through diversifying funding instruments, debt maturities, and funding sources, maintaining a liquidity cushion, and preparing cash flow schedules.

Floating-rate borrowings and investment corporation bonds are subject to interest rate risk that interest rates applied to them increase. Therefore, ADL controls the interest rate risk through using derivative trades (interest rate swaps) and maintaining a prudent LTV ratio.

Tenant leasehold and security deposits in trust are deposits received from tenants, which are subject to liquidity risk, because ADL is obligated to repay them when the tenants vacate their leased premises. Therefore, ADL controls the liquidity risk through placing priority on safety and liquidity in compliance with its investment guidelines and by preparing cash flow schedules.

#### (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 are omitted due to immateriality.

7th fiscal period (as of January 31, 2022)

	Book value (thousands of yen)	Fair value (thousands of yen)	Difference (thousands of yen)
(1) Current portion of long-term loans payable	(1,750,000)	(1,751,356)	1,356
(2) Investment corporation bonds	(1,500,000)	(1,497,750)	(2,250)
(3) Long-term loans payable	(38,740,000)	(39,245,449)	505,449
(4) Derivatives (Note 2)	—	—	—

8th fiscal period (as of July 31, 2022)

	Book value (thousands of yen)	Fair value (thousands of yen)	Difference (thousands of yen)
(1) Current portion of long-term loans payable	(1,750,000)	(1,752,098)	2,098
(2) Investment corporation bonds	(3,500,000)	(3,496,350)	(3,650)
(3) Long-term loans payable	(38,740,000)	(39,260,711)	520,711
(4) Derivatives (Note 2)	—	—	—

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

(Note 2) 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.

(Note 3) Fair value measurement methods for financial instruments

### (2) 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.

### (1) Current portion of long-term loans payable, (3) 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.

### (4) Derivatives

Please refer to "Fair values of Derivatives" below.

(Note 4) Loans payable and investment corporation bonds debt's maturity schedule after the closing date



7th fiscal period (as of January 31, 2022)

(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	—	—	—
Long-term loans payable	1,750,000	—	5,120,000	8,950,000	5,500,000	19,170,000
Total	1,750,000	—	6,620,000	8,950,000	5,500,000	19,170,000

8th fiscal period (as of July 31, 2022)

(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	1,750,000	—	9,070,000	5,000,000	10,520,000	14,150,000
Total	1,750,000	—	10,570,000	5,000,000	10,520,000	16,150,000

## 11 Notes to Securities

7th fiscal period (as of January 31, 2022)

Not applicable

8th fiscal period (as of July 31, 2022)

Not applicable



## 12 Notes to Derivative Transactions

### (1) Derivatives not applying hedge accounting

7th fiscal period (as of January 31, 2022)

Not applicable

8th fiscal period (as of July 31, 2022)

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.

7th fiscal period (as of January 31, 2022)

(Thousands of yen)

Method of hedge accounting	Type of derivative transactions	Main hedged item	Contracted value		Fair value	Fair value measurement method
				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	39,490,000	37,740,000	*	—

\*Fair value for interest rate swaps with this special treatment is included in the fair value of (3) "Long-term loans payable" in "2. Matters regarding fair value of financial instruments" of "Notes to Financial Instruments" described above, as it is accounted for as a single unit with the hedged long-term loans payable.

8th fiscal period (as of July 31, 2022)

(Thousands of yen)

Method of hedge accounting	Type of derivative transactions	Main hedged item	Contracted value		Fair value	Fair value measurement method
				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	39,490,000	37,740,000	*	—

\*Fair value for interest rate swaps with this special treatment is included in the fair value of (3) "Long-term loans payable" in "2. Matters regarding fair value of financial instruments" of "Notes to Financial Instruments" described above, as it is accounted for as a single unit with the hedged long-term loans payable.

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

7th fiscal period (from August 1, 2021 to January 31, 2022)

Not applicable

8th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable



## **14 Notes to Transactions with Related parties**

1. Parent company and main corporate unitholders, and other

7th fiscal period (from August 1, 2021 to January 31, 2022)

Not applicable

8th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable

2. Affiliated companies, and other

7th fiscal period (from August 1, 2021 to January 31, 2022)

Not applicable

8th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable

3. Fellow subsidiary companies and other.

7th fiscal period (from August 1, 2021 to January 31, 2022)

Not applicable

8th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable



#### 4. Directors and major individual unitholders, and other

7th fiscal period (from August 1, 2021 to January 31, 2022)

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)	395,045	Accrued expenses	434,550

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.

8th fiscal period (from February 1, 2022 to July 31, 2022)

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)	385,224	Accrued expenses	423,746

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.

## 15 Notes to Tax Effect Accounting

### 1. Breakdown of deferred tax assets and liabilities

(Thousands of yen)

	7th fiscal period January 31, 2022	8th fiscal period July 31, 2022
Deferred tax assets		
Accrued business taxes, currently deductible	7	12
Total deferred tax assets	7	12
Net deferred tax assets	7	12

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

(%)

	7th fiscal period January 31, 2022	8th fiscal period July 31, 2022
Statutory effective tax rate	31.46	31.46
(Adjustments)		
Deductible distributions paid	(31.45)	(31.44)
Other	0.04	0.04
Effective tax rate after application of deferred tax accounting	0.05	0.06

## 16 Notes to Retirement Benefits

7th fiscal period (from August 1, 2021 to January 31, 2022)

Not applicable

8th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable

## 17 Notes to Asset Retirement Obligations

7th fiscal period (from August 1, 2021 to January 31, 2022)

Not applicable

8th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable

## 18 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

7th fiscal period (from August 1, 2021 to January 31, 2022)

#### (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.

8th fiscal period (from February 1, 2022 to July 31, 2022)

(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.

## 19 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)

		7th fiscal period From August 1, 2021 to January 31, 2022	8th fiscal period From February 1, 2022 to July 31, 2022
Book value			
(Note 2)	Balance at the beginning of period	109,008,398	108,210,465
	Changes during the period (Note 3)	(797,932)	(789,567)
	Balance at the end of period	108,210,465	107,420,897
Fair value at the end of period (Note 4)		127,474,000	130,505,000

(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.

(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 was mainly attributable to capital expenditure, while the decline is primarily due to depreciation (799,399 thousand yen). The increase in the current period is mainly attributable to capital expenditure while the decline is primarily due to depreciation (799,384 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.

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

## 20 Notes to Revenue Recognition

7th fiscal period (from August 1, 2021 to January 31, 2022)

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.

8th fiscal period (from February 1, 2022 to July 31, 2022)

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.



## 21 Notes to Per Unit Information

(Thousands of yen)

	7th fiscal period From August 1, 2021 to January 31, 2022	8th fiscal period From February 1, 2022 to July 31, 2022
Net assets per unit	108,600	108,161
Net income per unit	2,355	2,315

(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.

(Thousands of yen)

	7th fiscal period From August 1, 2021 to January 31, 2022	8th fiscal period From February 1, 2022 to July 31, 2022
Net income (thousands of yen)	1,413,660	1,389,843
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income applicable to common units (Thousands of yen)	1,413,660	1,389,843
Average units outstanding during the period (Units)	600,127	600,127

## 22 Note to Significant Subsequent Events

### 1. Issuance of new investment units

ADL at its board meeting held on October 4, 2022, and October 12, 2022, approved the issuance of new investment units, and the payment for the issuance of new investment units through public offering was completed on October 18, 2022, as described below. As a result, unitholders' capital (net) as of October 18, 2022, stood at 72,827 yen with total investment units outstanding of 670,900.

The payment for issuance of new investment units through third-party allotment is scheduled on November 16, 2022.

#### (1) Issuance of new investment units through public offering (public offering)

Number of new investment units issued	: 70,773
Issue price	: 139,620 yen per unit
Total amount of issue price	: 9,881,326,260 yen
Payment amount (issue value)	: 134,894 yen per unit
Total payment amount (issue value)	: 9,546,853,062 yen
Payment date	: October 18, 2022

#### (2) Issuance of new investment units through third-party allotment (third-party allotment)

Number of new investment units issued	: 3,500
Payment amount (issue value)	: 134,894 yen per unit
Total payment amount (issue value)	: 472,129,000 yen
Payment date	: November 16, 2022
Allotted to	: Daiwa Securities Co. Ltd.

#### (Use of funds)

The funds procured in the above issuance of new investment units will be used to pay for part of the trust beneficiary interest(s) described in "2. Acquisition of assets" below. In addition, the maximum proceeds from the issuance of new investment units by third-party allotment, which was resolved on the same day as the primary offering, will be used by the end of April 2023 to partially fund the acquisition of properties to be acquired or to partially repay borrowings. In addition, any remaining funds will be used to partially fund the acquisition of new assets to be acquired in the future.



## 2. Acquisition of assets and execution of a purchase agreement

ADL acquired iMissions Park Ichikawa Shiohama (70% quasi co-ownership interest) on October 19, 2022, after executing a trust beneficiary interest purchase agreement on October 4, 2022, for the acquisition of real estate trust beneficiary interest in iMissions Park Ichikawa Shiohama.

It also plans to make additional acquisition of iMissions Park Ichikawa Shiohama (quasi-co-ownership interest of 30%) as of April 3, 2023. (Total acquisition cost of 21,800 million yen).

Use	Property number	Property name	Location	Acquisition cost (planned) (million yen) (Note 1)	Acquisition date (planned) (Note 2)
Logistics property	L-13	i Missions Park Ichikawa Shiohama (quasi-co-ownership interest of 70%)	Ichikawa, Chiba Prefecture	15,260	October 19, 2022
Logistics property	L-13	i Missions Park Ichikawa Shiohama (quasi-co-ownership interest of 30%)	Ichikawa, Chiba Prefecture	6,540	April 3, 2023

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

(Note 2) ADL plans to acquire the property to be acquired in two separate acquisitions. In the first acquisition, ADL acquired 70% of the quasi co-ownership interest in the trust beneficiary right from ITOCHU Corporation, and in the second acquisition, ADL will acquire 10% of the quasi co-ownership interest from ITOCHU Corporation and 20% of the quasi co-ownership interest from ITOCHU Property Development (30% of total quasi co-ownership interest) In the second acquisition, ITOCHU will acquire a 10% quasi co-ownership interest from ITOCHU and a 20% quasi co-ownership interest (total of 30% quasi co-ownership) from ITOCHU Urban Development. As a result, after the first acquisition, the property will be co-owned by ITOCHU (quasi co-ownership interest: 10%), ITOCHU Property Development (quasi co-ownership interest: 20%) and ADL (quasi co-ownership interest: 70%), and ADL will own all of the trust beneficiary interests in the second acquisition.

### 3. Loans

ADL took the loan described below as part of funds for purchase and associated costs of i Missions Park Ichikawa Shiohama (quasi-co-ownership interest of 70%) it purchased as of October 19, 2022, described in “2. Acquisition of assets” above.

Category (Note 1)	Lender	Loan amount (million yen)	Interest rate	Date of borrowing	Principal repayment date	Method of principal repayment	Collateral
Short term	Sumitomo Mitsui Banking Corporation	170	Base rate + 0.150% (Note 2)	October 19, 2022	May 31, 2023	Lump sum repayment at maturity	Unsecured and non- guaranteed
	Sumitomo Mitsui Banking Corporation	450	Base rate + 0.150% (Note 2)	October 19, 2022	September 29, 2023	Lump sum repayment at maturity	Unsecured and non- guaranteed
	Subtotal	620	—	—	—	—	—
Long term	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd. MUFG Bank, Ltd. Mizuho Trust & Banking Co., Ltd. Development Bank of Japan Inc. The Norinchukin Bank The Bank of Fukuoka, Ltd. Shinsei Bank, Limited Resona Bank, Limited	2,180	Base rate + 0.290% (Note 3)	October 19, 2022	September 29, 2028	Lump sum repayment at maturity	Unsecured and non- guaranteed
	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd. MUFG Bank, Ltd. Mizuho Trust & Banking Co., Ltd. The Norinchukin Bank The Bank of Fukuoka, Ltd. Shinsei Bank, Limited Resona Bank, Limited	2,800	Base rate + 0.365% (Note 3)	October 19, 2022	April 30, 2030	Lump sum repayment at maturity	Unsecured and non- guaranteed
	Subtotal	4,980	—	—	—	—	—
Total		5,600	—	—	—	—	—

(Note 1) “Short term” refers to loans whose principal repayment date is less than one year from the date of borrowing, and “long term” denotes loans whose principal repayment date is longer than one year from the date of borrowing. Hereinafter, the same shall be applied.

(Note 2) Base rate is the one-month Japanese Yen TIBOR announced by General Incorporated Association JBA TIBOR Administration. The JBA Japanese Yen TIBOR can be confirmed on the website of the General Incorporated Association JBA TIBOR Administration (<http://www.jbatibor.or.jp/>).

(Note 3) Base rate is the three-month Japanese Yen TIBOR announced by General Incorporated Association JBA TIBOR Administration. The JBA Japanese Yen TIBOR can be confirmed on the website of the General Incorporated Association JBA TIBOR Administration (<http://www.jbatibor.or.jp/>).



## Supplementary schedules

### 1 Schedule of Securities

Not applicable

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

(Thousands of yen)

Category	Instrument	Contract Amount (Note 1)		Fair value (Note 2) (Note 3)
			Amount over 1 year	
Transactions other than market transactions	Interest rate swap transactions Floating rate receipt, Fixed rate payment	39,490,000	37,740,000	51,210
Total		39,490,000	37,740,000	51,210

(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 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 interest rate swaps are 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		Net balance at the end of period after deductions	Remarks
						or accumulated amortization	8th fiscal period Depreciation for the period		
Property, plant and equipment	Buildings in trust	60,372,596	6,995	-	60,379,592	4,404,509	706,999	55,975,082	
	Structures in trust	2,214,959	-	-	2,214,959	368,403	60,205	1,846,556	
	Machinery and equipment in trust	1,666,312	978	-	1,667,291	202,609	31,828	1,464,681	
	Tools, furniture and fixtures in trust	3,054	1,842	-	4,896	1,360	350	3,535	
	Land in trust	48,131,041	-	-	48,131,041	-	-	48,131,041	
	Total	112,387,965	9,816	-	112,397,781	4,976,883	799,384	107,420,897	

#### 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	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)

Category		Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate	Maturity date	Purpose of repayment	Remarks
	Lender					(Note 1)			
Short-term loans payable	Sumitomo Mitsui Banking Corporation	2,300,000	-	870,000	1,430,000	0.22749% (Floating rate)	August 31, 2022 (Note 2)	(Note 5)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	1,600,000	-	610,000	990,000	0.22749% (Floating rate)	August 31, 2022 (Note 2)	(Note 5)	
	Sumitomo Mitsui Trust Bank, Limited	1,400,000	-	530,000	870,000	0.22749% (Floating rate)	August 31, 2022 (Note 2)	(Note 5)	
Subtotal		5,300,000	-	2,010,000	3,290,000				
Current portion of long-term loans payable	MUFG Bank, Ltd.	540,000	-	-	540,000	0.13800% (Fixed rate) (Note 4)	January 31, 2023	(Note3)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	325,000	-	-	325,000				
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Banking Corporation	230,000	-	-	230,000				
	The Norinchukin Bank	200,000	-	-	200,000				
	Mizuho Bank, Ltd.	155,000	-	-	155,000				
Subtotal		1,750,000	-	-	1,750,000				

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	Purpose of repayment	Remarks
	Lender								
Long-term loans payable	Sumitomo Mitsui Banking Corporation	1,270,000	-	-	1,270,000	0.53660% (Fixed rate) (Note 4)	September 9, 2024	(Note 3)	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 4)	September 7, 2026	(Note 3)	
	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 4)	September 7, 2028	(Note 3)	
	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 4)	March 31, 2027	(Note 3)	
	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 4)	February 3, 2025	(Note 3)	
	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				
	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 4)	March 31, 2028	(Note 3)	
	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				
	Shinsei Bank, Limited	200,000	-	-	200,000				
The Norinchukin Bank	100,000	-	-	100,000	0.70000% (Fixed rate)	January 31, 2030	(Note 3)		
Nippon Life Insurance Company	1,000,000	-	-	1,000,000					
Sumitomo Mitsui Banking Corporation	1,330,000	-	-	1,330,000	0.28900% (Fixed rate) (Note 4)	September 30, 2025	(Note 3)		
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					
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 4)	September 30, 2027	(Note 3)		
Sumitomo Mitsui Trust Bank, Limited	1,030,000	-	-	1,030,000					
Mizuho Bank, Ltd.	960,000	-	-	960,000					



Category		Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate	Maturity date	Purpose of repayment	Remarks	
	Lender					(Note 1)				
	MUFG Bank, Ltd.	800,000	-	-	800,000					
	Mizuho Trust & Banking Co., Ltd.	280,000	-	-	280,000					
	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	750,000	-	-	750,000	0.56000% (Fixed rate) (Note 4)	March 30, 2029	(Note 3)		
	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					
	Shinsei Bank, Limited	100,000	-	-	100,000					
	The Norinchukin Bank	100,000	-	-	100,000					
	The Bank of Fukuoka, Ltd.	100,000	-	-	100,000					
	Subtotal	38,740,000	-	-	38,740,000					
	Total	45,790,000	-	2,010,000	43,780,000					

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

(Note 2) Repaid before maturity on February 28, 2022.

(Note 3) The funds were used to acquire real estate trust beneficiary interest(s) and to pay acquisition-related expenses.

(Note 4) 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 5) The funds were allocated for repayment of loans.

(Note 6) 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	1,750,000	-	9,070,000	5,000,000	10,520,000





## **Independent Auditor's Report**

To the Board of Directors of Advance Logistics Investment Corporation

### **Opinion**

We have audited the financial statements of Advance Logistics Investment Corporation (the Company), which comprise the balance sheet as at July 31, 2022, 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 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 July 31, 2022, 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.

### **Emphasis of Matter**

We draw attention to 22 Note to Significant Subsequent Events, which describes the issuance of new investment units, acquisition of assets and execution of a purchase agreement, and loan arrangements. Our opinion is not qualified in respect of this matter.

### **Other Information**

The other information comprises the information included in the semi-annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



## **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, related safeguards.

**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.

Mitsuo Tsuruta

Designated Engagement Partner  
Certified Public Accountant

Takashi Sato

Designated Engagement Partner  
Certified Public Accountant

October 24, 2022