

Advance Logistics Investment Corporation

11th Fiscal Period Semi-Annual Report

From September 1 , 2023 to February 29 , 2024



1. Financial Statements

Balance Sheet

(Thousands of yen)

	10th fiscal period As of August 31, 2023	11th fiscal period As of February 29, 2024
Assets		
Current assets		
Cash and deposits	2,731,448	3,539,129
Cash and deposits in trust	4,598,946	4,434,549
Operating accounts receivable	31,714	26,308
Accounts receivable - other	-	326
Prepaid expenses	77,507	72,735
Advance payments	-	167,000
Total current assets	7,439,618	8,240,048
Non-current assets		
Property, plant and equipment		
Buildings in trust	66,537,977	66,544,768
Accumulated depreciation	(6,044,782)	(6,826,074)
Buildings in trust, net	60,493,194	59,718,694
Structures in trust	2,365,053	2,365,053
Accumulated depreciation	(505,896)	(570,904)
Structures in trust, net	1,859,157	1,794,148
Machinery and equipment in trust	1,857,632	1,857,632
Accumulated depreciation	(277,377)	(313,013)
Machinery and equipment in trust, net	1,580,254	1,544,619
Tools, furniture and fixtures in trust	5,543	9,203
Accumulated depreciation	(2,457)	(3,039)
Tools, furniture and fixtures in trust, net	3,085	6,163
Land in trust	63,677,308	63,677,308
Total property, plant and equipment	127,613,001	126,740,934
Intangible assets		
Software	225	-
Total intangible assets	225	-
Investments and other assets		
Investment securities	11,233	11,233
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	195,171	163,315
Deferred tax assets	25	17
Total investments and other assets	216,429	184,566
Total non-current assets	127,829,656	126,925,501
Deferred assets		
Investment corporation bond issuance cost	17,523	15,396
Total deferred assets	17,523	15,396
Total assets	135,286,798	135,180,946

(Thousands of yen)

	10th fiscal period As of August 31, 2023	11th fiscal period As of February 29, 2024
Liabilities		
Current liabilities		
Operating accounts payable	51,815	45,254
Accounts payable - other	13,412	-
Accrued expenses	521,091	534,237
Current portion of long-term loans payable	-	9,070,000
Current portion of investment corporation bonds	-	1,500,000
Income taxes payable	1,080	919
Accrued consumption taxes	107,204	236,827
Advances received	675,868	677,741
Other	3,878	13,365
Total current liabilities	1,374,351	12,078,345
Non-current liabilities		
Investment corporation bonds	3,500,000	2,000,000
Long-term loans payable	53,920,000	44,850,000
Tenant leasehold and security deposits in trust	1,923,191	1,928,914
Derivative liabilities	20,048	14,561
Other	3,552	1,932
Total non-current liabilities	59,366,792	48,795,408
Total liabilities	60,741,143	60,873,753
Net assets		
Unitholders' equity		
Unitholders' capital	74,666,554	74,666,554
Deductions from unitholders' capital		
Amount of provision to allowance for temporary difference adjustments	-	※2 (19,557)
Other deductions from unitholders' capital	(1,744,389)	(2,007,405)
Total deductions from unitholders' capital	(1,744,389)	(2,026,963)
Unitholders' capital, net	72,922,165	72,639,591
Surplus		
Unappropriated retained earnings (undisposed loss)	1,643,538	1,682,162
Total surplus	1,643,538	1,682,162
Total unitholders' equity	74,565,703	74,321,754
Valuation and translation adjustments		
Deferred gains or losses on hedges	(20,048)	(14,561)
Total valuation and translation adjustments	(20,048)	(14,561)
Total net assets	*1 74,545,654	*1 74,307,192
Total liabilities and net assets	135,286,798	135,180,946

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

Statement of Income

(Thousands of yen)

	10th fiscal period From March 1, 2023 to August 31, 2023	11th fiscal period From September 1, 2023 to February 29, 2024
Operating revenues		
Leasing business revenues	*1 3,624,144	*1 3,662,149
Other leasing business revenues	*1 65,440	*1 66,106
Dividend income	-	167
Total operating revenues	3,689,585	3,728,423
Operating expenses		
Expenses related to leasing business	*1 1,355,287	*1 1,365,650
Asset management fees	410,342	417,319
Asset custody fee and Administrative service fees	14,126	14,331
Directors' compensations	2,640	2,640
Other operating expenses	58,791	59,484
Total operating expenses	1,841,188	1,859,426
Operating income	1,848,396	1,868,997
Non-operating income		
Interest income	34	35
Reversal of distributions payable	372	219
Interest on refunds	756	-
Subsidy income	-	326
Other	117	-
Total non-operating income	1,280	580
Non-operating expenses		
Interest expenses	164,116	166,051
Interest expenses on investment corporation bonds	7,026	6,933
Amortization of investment corporation bond issuance cost	2,127	2,127
Borrowing related expenses	30,381	30,599
Other	1,607	994
Total non-operating expenses	205,259	206,707
Ordinary income	1,644,417	1,662,870
Income before income taxes	1,644,417	1,662,870
Income taxes - current	1,109	958
Income taxes - deferred	(8)	7
Total income taxes	1,101	966
Net income	1,643,316	1,661,904
Retained earnings brought forward	222	20,257
Unappropriated retained earnings (undisposed loss)	1,643,538	1,682,162

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

Statement of Changes in Net Assets

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

11th fiscal period (from September 1, 2023 to February 29, 2024)

(Thousands of yen)

	Unitholders' equity				
	Unitholders' capital				
	Unitholders' capital	Deductions from unitholders' capital			Unitholders' capital, net
		Amount of provision to allowance for temporary difference adjustments	Other deductions from unitholders' capital	Total deductions from unitholders' capital	
Balance at the beginning of period	74,666,554	-	(1,744,389)	(1,744,389)	72,922,165
Changes during the period					
Distributions in excess of retained earnings from allowance for temporary difference adjustments		(19,557)		(19,557)	(19,557)
Other distributions in excess of retained earnings			(263,016)	(263,016)	(263,016)
Distributions of retained earnings					
Net income					
Net changes in items other than unitholders' equity					
Total changes during the period	-	(19,557)	(263,016)	(282,573)	(282,573)
Balance at the end of period	※1 74,666,554	(19,557)	(2,007,405)	(2,026,963)	72,639,591

	Unitholders' equity			Valuation and translation adjustments		Total net assets
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Unappropriated retained earnings (undisposed loss)	Total surplus				
Balance at the beginning of period	1,643,538	1,643,538	74,565,703	(20,048)	(20,048)	74,545,654
Changes during the period						
Distributions in excess of retained earnings from allowance for temporary difference adjustments			(19,557)			(19,557)
Other distributions in excess of retained earnings			(263,016)			(263,016)
Distributions of retained earnings	(1,623,280)	(1,623,280)	(1,623,280)			(1,623,280)
Net income	1,661,904	1,661,904	1,661,904			1,661,904
Net changes in items other than unitholders' equity				5,487	5,487	5,487
Total changes during the period	38,624	38,624	(243,949)	5,487	5,487	(238,462)
Balance at the end of period	1,682,162	1,682,162	74,321,754	(14,561)	(14,561)	74,307,192

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

Statement of Cash Distributions

(Yen)

	10th fiscal period From March 1, 2023 to August 31, 2023	11th fiscal period From September 1, 2023 to February 29, 2024
I. Unappropriated retained earnings	1,643,538,734	1,682,162,789
II. Additional distributable amount in excess of retained earnings	282,573,600	264,364,800
Of which, allowance for temporary difference adjustments	19,557,600	-
Of which, other deductions from unitholders' capital	263,016,000	264,364,800
III. Amounts included in unitholders' capital	-	5,487,001
Of which, reversal of allowance for temporary difference adjustments	-	5,487,001
IV. Distributions	1,905,854,400	1,926,086,400
(Distributions per unit)	[2,826]	[2,856]
Of which, retained earnings	1,623,280,800	1,661,721,600
(Earnings distributions per unit)	[2,407]	[2,464]
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	263,016,000	264,364,800
(Of which, distributions in excess of retained earnings per unit [from other distributions in excess of retained earnings])	[390]	[392]
V. Retained earnings carried forward	20,257,934	14,954,188

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 1,623,280 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,</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 has decided to distribute 1,661,721 thousand yen as retained earnings (excluding distributable amount in excess of retained earnings), the integral multiple of the total number of investment units outstanding, which does not exceed the unappropriated retained earnings subtracted by reversal of the amount of provision to allowance for temporary difference adjustments (stipulated by Article 2, paragraph 2, item (30) of Regulation on Accountings of Investment Corporations).</p> <p>Based on the cash distribution policy established in Paragraph 2, Article 39 of the certificate of</p>
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	<p>paragraph 2, item (30) (b) of the Regulation on Accountings of Investment Corporations) on distributions.</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 263,016 thousand yen, as distributions in excess of earnings (contribution refunds that fall under distributions accompanying a decrease in capital under tax law).</p>	<p>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 264,364 thousand yen, 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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The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

(Thousands of yen)

	10th fiscal period From March 1, 2023 to August 31, 2023	11th fiscal period From September 1, 2023 to February, 2024
Cash flows from operating activities		
Income before income taxes	1,644,417	1,662,870
Depreciation	878,725	882,743
Amortization of investment corporation bond issuance cost	2,127	2,127
Interest income	(34)	(35)
Interest expenses	171,142	172,985
Decrease (increase) in operating accounts receivable	19,896	5,406
Decrease (increase) in consumption taxes refund receivable	401,932	-
Decrease (increase) in prepaid expenses	(8,018)	4,771
Decrease (increase) in long-term prepaid expenses	(654)	31,855
Increase (decrease) in operating accounts payable	(2,698)	(12,597)
Increase (decrease) in accrued expenses	(37,725)	14,827
Increase (decrease) in accrued consumption taxes	63,719	129,622
Increase (decrease) in advances received	28,812	1,872
Other	(170,045)	7,614
Subtotal	2,991,597	2,904,066
Interest income received	34	35
Interest expenses paid	(160,941)	(174,667)
Income taxes paid	(1,070)	(1,120)
Net cash provided by (used in) operating activities	2,829,619	2,728,315
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(6,654,995)	(17,827)
Deposit for purchase of property, plant and equipment in trust	-	(167,000)
Net cash provided by (used in) investing activities	(6,654,995)	(184,827)
Cash flows from financing activities		
Repayments of short-term loans payable	(170,000)	-
Proceeds in long-term loans payable	5,200,000	-
Distributions payments	(2,183,830)	(1,905,927)
Net cash provided by (used in) financing activities	2,846,169	(1,905,927)
Net increase (decrease) in cash and cash equivalents	(979,205)	637,559
Cash and cash equivalents at the beginning of period	6,386,409	5,407,204
Cash and cash equivalents at the end of period	*1 5,407,204	*1 6,044,763

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>										
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 were 20,063 thousand yen in the 10th fiscal period and none for the 11th 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; 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

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.

11th fiscal period (from September 1, 2023 to February 29, 2024)

1. Reversal amounts, reasons for reversals and resultant asset

(Thousands of yen)

Resultant asset	Reason for reversals	Amount of reversal of allowance for temporary difference adjustments
Deferred gains or losses on hedges	Fluctuation in fair value of derivative transactions	(5,487)

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)

	10th fiscal period August 31, 2023	11th fiscal period February 29, 2024
Property, plant and equipment	127,613,001	126,740,934
Intangible assets	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)

	10th fiscal period August 31, 2023	11th fiscal period February 29, 2024
	50,000	50,000

*2 Amount of provision to allowance for temporary difference adjustments

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

Not applicable

11th fiscal period (from September 1, 2023 to February 29, 2024)

1. Provision amounts, reasons for provisions and resultant asset

(Thousands of yen)

Resultant asset	Reason for provision	Initial amount incurred	Balance at the beginning of period	Provision amount during the period	Reversal amount during the period	Balance at the end of period	Reason for reversals
Deferred gains or losses on hedges	Loss on valuation of interest rate swap	19,557	-	19,557	-	19,557	-
Total		19,557	-	19,557	-	19,557	-

2. Specific reversal method

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

7 Notes to Statement of Income

*1 Breakdown of real estate leasing business revenues and expenses

			(Thousands of yen)	
	10th fiscal period (from March 1, 2023 to August 31, 2023)		11th fiscal period (from September 1, 2023 to February 29, 2024)	
A. Real estate leasing business revenues				
Leasing business revenues				
Leasing revenues	3,579,859		3,615,853	
Common area charge income	44,285	3,624,144	46,296	3,662,149
Other leasing business revenues				
Utility service revenues	55,171		54,966	
Parking revenues	7,286		7,626	
Other revenues	2,981	65,440	3,513	66,106
Total real estate leasing business revenues	3,689,585		3,728,256	
B. Real estate leasing business expenses				
Expenses related to leasing business				
Property management fees	63,674		63,506	
Utility expenses	62,422		61,756	
Repair expenses	2,670		7,055	
Taxes and public dues	336,617		336,609	
Depreciation	878,167		882,517	
Insurance premiums	8,662		8,574	
Trust fees	3,003		5,500	
Other leasing business expenses	69		130	
Total real estate leasing business expenses	1,355,287		1,365,650	
C. Real estate leasing business income (A–B)	2,334,297		2,362,605	

8 Notes to Statement of Changes in Net Assets

*1 Total number of investment units authorized and outstanding

	10th fiscal period (from March 1, 2023 to August 31, 2023)	11th fiscal period (from September 1, 2023 to February 29, 2024)
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)

	10th fiscal period (from March 1, 2023 to August 31, 2023)	11th fiscal period (from September 1, 2023 to February 29, 2024)
Cash and deposits	2,731,448	3,539,129
Cash and deposits in trust	4,598,946	4,434,549
Use-restricted deposits in trust (Note)	(1,923,191)	(1,928,914)
Cash and cash equivalents	5,407,204	6,044,763

(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)

	10th fiscal period August 31, 2023	11th fiscal period February 29, 2024
Within 1 year	6,457,900	6,409,568
More than 1 year	20,761,266	19,476,890
Total	27,219,167	25,886,458

(Note) Future minimum lease payments to e-Logit Corporation are calculated based on the original contract period, not on the contract termination date as described in the Note on Significant Subsequent Events, 3. Changes in Major Customers (Cancellation of Lease) below.

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 and cash and deposits in trust are omitted because their fair value approximates their book value as they are in cash and settled in the short term. Tenant leasehold and security deposits in trust as well as investment securities are omitted due to immateriality.

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

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

11th fiscal period (as of February 29, 2024)

	Book value (thousands of yen)	Fair value (thousands of yen)	Difference (thousands of yen)
Current portion of investment corporation bonds	(1,500,000)	(1,498,200)	(1,800)
Current portion of long-term loans payable	(9,070,000)	(9,092,852)	22,852
Investment corporation bonds	(2,000,000)	(1,910,400)	(89,600)
Long-term loans payable	(44,850,000)	(45,181,133)	331,133
Derivatives (Interest rate swap special treatment)	—	322,948	322,948
Derivatives (Interest rate swap principle treatment)	(14,561)	(14,561)	—

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

(Note 2) Fair value measurement methods for financial instruments

- Current portion of investment corporation bonds and 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.
- Current portion of long-term loans payable and 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.
- Derivatives (Interest rate swap special treatment), 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

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

11th fiscal period (as of February 29, 2024)

(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	7,680,000	14,150,000
Total	10,570,000	5,000,000	8,000,000	10,020,000	7,680,000	16,150,000

12 Notes to Securities

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.

11th fiscal period (as of February 29, 2024)

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

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

Not applicable

11th fiscal period (as of February 29, 2024)

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.

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.

11th fiscal period (as of February 29, 2024)

(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	39,170,000	322,948 (*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	(14,561)

(*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

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

Not applicable

11th fiscal period (from September 1, 2023 to February 29, 2024)

Not applicable

15 Notes to Transactions with Related Parties

1. Parent company and main corporate unitholders, and other

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

Not applicable

11th fiscal period (from September 1, 2023 to February 29, 2024)

Not applicable

2. Affiliated companies, and other

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

Not applicable

11th fiscal period (from September 1, 2023 to February 29, 2024)

Not applicable

3. Fellow subsidiary companies and other

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

Not applicable

11th fiscal period (from September 1, 2023 to February 29, 2024)

Not applicable

4. Directors and major individual unitholders, and other

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

Not applicable

11th fiscal period (from September 1, 2023 to February 29, 2024)

Not applicable

16 Notes to Tax Effect Accounting

1. Breakdown of deferred tax assets and liabilities

(Thousands of yen)

	10th fiscal period August 31, 2023	11th fiscal period February 29, 2024
Deferred tax assets		
Accrued business taxes, not deductible	24	16
Deferred assets, not deductible	0	0
Total deferred tax assets	25	17
Net deferred tax assets	25	17

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

(%)

	10th fiscal period August 31, 2023	11th fiscal period February 29, 2024
Statutory effective tax rate	31.46	31.46
(Adjustments)		
Deductible distributions paid	(31.43)	(31.44)
Other	0.04	0.04
Effective tax rate after application of deferred tax accounting	0.07	0.06

17 Notes to Retirement Benefits

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

Not applicable

11th fiscal period (from September 1, 2023 to February 29, 2024)

Not applicable

18 Notes to Asset Retirement Obligations

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

Not applicable

11th fiscal period (from September 1, 2023 to February 29, 2024)

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

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.

11th fiscal period (from September 1, 2023 to February 29, 2024)

(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 East Japan, Ltd.	Undisclosed (Note)	Real estate leasing business
Amazon Japan G.K	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)

		10th fiscal period (from March 1, 2023 to August 31, 2023)	11th fiscal period (from September 1, 2023 to February 29, 2024)
Book value			
(Note 2)	Balance at the beginning of period	121,889,990	127,613,001
	Changes during the period (Note 3)	5,723,010	(872,066)
	Balance at the end of period	127,613,001	126,740,934
	Fair value at the end of period (Note 4)	159,932,000	159,737,000

(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 the 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). The increase in the current period is mainly attributable to capital expenditure (10,451 thousand yen) while the decline is primarily due to depreciation (882,517 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.

21 Notes to Revenue Recognition

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.

11th fiscal period (from September 1, 2023 to February 29, 2024)

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)

	10th fiscal period (from March 1, 2023 to August 31, 2023)	11th fiscal period (from September 1, 2023 to February 29, 2024)
Net assets per unit	110,536	110,182
Net income per unit	2,436	2,464

(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.

	10th fiscal period (from March 1, 2023 to August 31, 2023)	11th fiscal period (from September 1, 2023 to February 29, 2024)
Net income (Thousands of yen)	1,643,316	1,661,904
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income applicable to common units (Thousands of yen)	1,643,316	1,661,904
Average units outstanding during the period (Units)	674,400	674,400

23 Notes to Significant Subsequent Events

1. Borrowing of funds

ADL made the following borrowings to partially fund the acquisition of LOGITRES Sano and related expenses.

Category (Note 1)	Lender	Borrowing amount (Millions of yen)	Interest rate	Borrowing date	Repayment date	Repayme nt method	Collateral
Long-term	The Chiba Bank, Ltd.	1,500	Base interest rate +0.280% (Note 2)	April 2, 2024	March 31, 2031	Bullet repayment	Unsecured and non- guaranteed
Total		1,500	—	—	—	—	—

(Note 1) As used herein, “short-term” refers to a borrowing period of no more than one year from the borrowing date to the repayment date, and “long-term” refers to a borrowing period of more than one year from the borrowing date to the repayment date. Hereinafter, the same shall be applied.

(Note 2) The base interest rate is the three-month JPY TIBOR published by the JBA TIBOR Administration on its website (<http://www.jbatibor.or.jp/english/>).

2. Acquisition of assets

ADL signed the trust beneficiary right purchase agreement for acquisition of real estate trust beneficiary interests of LOGITRES Sano on October 3, 2023 and acquired the interests on February 2, 2024.

Use (Note 1)	Property number (Note 2)	Property name	Location	Acquisition cost (Millions of yen) (Note 3)	Acquisition date (Note 4)
Logistics property	L-14	LOGITRES Sano	Sano, Tochigi Prefecture	1,670	April 2, 2024

(Note 1) For the “definition” of use, please refer to “(1) Investment status, (1) Information regarding price of investment assets, etc., 3. Reference information” described in the latter section.

(Note 2) For the definition of the “property number,” please refer to “(b) List of portfolio, 2) Investment status, (1) Information regarding price of investment assets, etc., 3. Reference information” described in the latter section.

(Note 3) The “acquisition cost” is the purchase price of the acquired asset listed in the trust beneficiary right purchase agreement of the acquired asset. The purchase price does not include the consumption tax, local consumption tax, and charges incurred in the acquisition.

(Note 4) The “acquisition date” is the acquisition date described in the Purchase Agreement.

3. Changes to major customers (lease cancellation)

On March 12, 2024, ADL received a notification from e-LogiT co., Ltd., which is a tenant at ADL’s investment assets iMissions Park Misato and iMissions Park Tokyo Adachi, that it would cancel the lease contract prior to the scheduled

lease end date. The midterm cancellation of the said lease contract is expected to have an impact on ADL's financial position and operating results from the next fiscal term onwards and the impact is currently being calculated.

Name of tenant	e-LogiT co., Ltd.
Property name	1) iMissions Park Misato 2) iMissions Park Tokyo Adachi
Leased area	1) 22,664.74 m ² 2) 27,979.20 m ²
Ratio of the leased area to the total leased area of the property	100.0% for both 1) and 2)
Ratio of the leased area to ADL's total leasable area (Note 1)	1) 4.4% 2) 5.4%
Contract cancellation date	June 30, 2024 for both 1) and 2)

(Note 1) The ratio of the area for which the contract is being cancelled to the total leasable area of ADL of 519,171.55 m² as of the end of February 2024.

(Note 2) Rent, security deposits and guarantee deposits are not disclosed as ADL has not obtained the tenant's consent.

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	41,350,000	308,386
Total		50,420,000	41,350,000	308,386

(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 322,948 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 accumulated amortization		Net balance at the end of period after deductions	Remarks
							Depreciation for the period		
Property, plant and equipment	Buildings in trust	66,537,977	6,791	-	66,544,768	6,826,074	781,292	59,718,694	
	Structures in trust	2,365,053	-	-	2,365,053	570,904	65,008	1,794,148	
	Machinery and equipment in trust	1,857,632	-	-	1,857,632	313,013	35,635	1,544,619	
	Tools, furniture and fixtures in trust	5,543	3,660	-	9,203	3,039	581	6,163	
	Land in trust	63,677,308	-	-	63,677,308	-	-	63,677,308	
	Total	134,443,514	10,451	-	134,453,966	7,713,031	882,517	126,740,934	
Intangible assets	Software	5,572	-	-	5,572	5,572	225	-	
	Total	5,572	-	-	5,572	5,572	225	-	
Total		134,449,087	10,451	-	134,459,538	7,718,603	882,743	126,740,934	

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)

	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
Investment corporation bonds	1,500,000	—	—	—	—

6 Schedule of loans payable

(Thousands of yen)

(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 (Note 1)	Maturity date	Use	Remarks
	Lender								
Current portion of 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	0.27400% (Fixed rate) (Note 3)	February 3, 2025	(Note 2)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	-	750,000	-	750,000				
	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				
	Subtotal	-	9,070,000	-	9,070,000				
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	-	0.72645% (Fixed rate) (Note 3)	September 7, 2026	(Note 2)	
	Sumitomo Mitsui Banking Corporation	1,400,000	-	-	1,400,000				
	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	0.91670% (Fixed rate) (Note 3)	September 7, 2028	(Note 2)	
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	500,000	-	-	500,000				
	Development Bank of Japan Inc.	500,000	-	-	500,000	0.55000% (Fixed rate)	March 31, 2027	(Note 2)	
	Sumitomo Mitsui Banking Corporation	1,510,000	-	-	1,510,000				

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) (Note 3)	Maturity date	Use	Remarks
Lender								
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	-	0.52220% (Fixed rate) (Note 3)	March 31, 2028	(Note 2)	
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000				
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	0.70000% (Fixed rate)	January 31, 2030	(Note 2)	
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 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				
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	1,330,000	-	-	1,330,000	0.43800% (Fixed rate) (Note 3)	September 30, 2027	(Note 2)	Unsecured and non-guaranteed
	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				
	Sumitomo Mitsui Banking Corporation	750,000	-	-	750,000	0.56000% (Fixed rate) (Note 3)	March 30, 2029	(Note 2)	
	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	0.26180% (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				
	Sumitomo Mitsui Trust Bank, Limited	350,000	-	-	350,000	1.00600% (Fixed rate) (Note 3)	September 29, 2028	(Note 2)	
	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				
	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	0.93900% (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				

	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								
	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				

	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	650,000	-	-	650,000	1.05300% (Fixed rate) (Note 3)	March 31, 2031	(Note 2)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	450,000	-	-	450,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	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	53,920,000	-	9,070,000	44,850,000				
	Total	53,920,000	9,070,000	9,070,000	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	5,000,000	8,000,000	10,020,000	7,680,000



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 February 29, 2024, 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 February 29, 2024, 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 February 29, 2024, the amount of fees for the audit charged to the Company by PricewaterhouseCoopers Japan 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:
太田 英男
949D61DCC03E4FE...

Hideo Ohta

Designated Engagement Partner
Certified Public Accountant

DocuSigned by:
佐藤 孝
951CE7412F6E459...

Takashi Sato

Designated Engagement Partner
Certified Public Accountant

May 24, 2024