

**ITOCHU Advance Logistics Investment Corporation**  
**Summary of Financial Results (Unaudited)**  
**For the First Fiscal Period Ended January 31, 2019**  
**(For the Reporting Period from May 1, 2018 to January 31, 2019)**  
**(Translated from the Japanese original)**

## Corporate Information

Code: 3493 Listing: Tokyo Stock Exchange

(URL: <https://www.ial-reit.com/en/>)

Representative: Junichi Shoji, Executive Director

Asset management company: ITOCHU REIT Management Co., Ltd.

Representative: Junichi Shoji, President

Inquiries: Naoki Sato, General Manager Corporate Management Department

Tel: +81-3-3556-3901

Scheduled date to file securities report: April 25, 2019

Scheduled date to commence payment of distributions: April 15, 2019

Preparation of supplementary material on financial results: Yes

Financial report presentation meeting: Yes (for institutional investors and analysts)

(Amounts rounded to the nearest million yen)

## 1. Financial Results for the First Fiscal Period (from May 1, 2018 to January 31, 2019)

(1) Operating conditions (Percentages represent changes from the previous period)

	Operating revenues		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
1st fiscal period	1,300	—	736	—	521	—	520	—

	Net income per unit	Return on unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
	(Yen)	%	%	%
1st fiscal period	2,708	1.5	0.9	40.1

(Note 1) Fiscal periods of ITOCHU Advance Logistics Investment Corporation ("IAL") are from February 1 to July 31 and from August 1 to January 31. The first fiscal period, however, commenced on May 1, 2018, the date of IAL's establishment, and ends on January 31, 2019. The effective operating period for the first fiscal period was from September 7, 2018, the actual start date of asset management, to January 31, 2019 (147 days).

(Note 2) Percentage changes from the previous period have not been included since the fiscal period ended January 2019 was the first fiscal period.

(Note 3) Net income per unit for the first fiscal period is calculated by dividing net income by the weighted average number of investment units (191,975 units) based on the number of days during the period. Net income per unit based on day-weighted average number of investment units (357,143 units) is 1,456 yen based on an assumption that the fiscal period started on September 7, 2018, the actual start date of asset management.

(Note 4) Return on unitholders' equity and ratio of ordinary income to total assets for the first fiscal period were calculated using average amount of unitholders' equity and total assets, respectively, as of September 7, 2018, the actual start date of asset management, and as of January 31, 2019.

## (2) Distributions

	Distributions per unit (excluding surplus cash distribution (SCD))	Total distributions (excluding SCD)	SCD per unit	Total SCD	Distributions per unit (including SCD)	Payout ratio	Distributions to-net assets ratio
	(Yen)	(Millions of yen)	(Yen)	(Millions of yen)	(Yen)	%	%
1st fiscal period	1,456	520	273	97	1,729	100.0	1.5

(Note 1) As there was the issuance of new investment units during the period, the payout ratio was calculated using the following formula:

$$\text{Payout ratio} = \text{Total distributions (excluding SCD)} \div \text{Net income} \times 100$$

(Note 2) The ratio of distributions to net assets was calculated using the following formula:

$$\text{Distributions per unit (excluding SCD)} \div [(\text{Net assets per unit at beginning of period} + \text{Net assets per unit at end of period}) \div 2] \times 100$$

(Note 3) The entire amount of SCD for the first fiscal period is a return of contribution, which, for tax purposes, falls under distributions through reduction of the unitholders' capital.

(Note 4) The ratio of (i) reduced surplus to (ii) net asset value as of the end of the immediately preceding period, as a result of SCD (a return of contribution which, for tax purposes, falls under the distributions through reduction of the unitholders' capital), is 0.003 in the first fiscal period. The ratio was calculated in accordance with Article 23, Paragraph 1, Item 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965, as amended).

(3) Financial position

	Total assets	Net assets	Unitholders' equity ratio	Net assets per unit
	(Millions of yen)	(Millions of yen)	%	(Yen)
1st fiscal period	59,378	36,018	60.7	100,852

(4) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
1st fiscal period	(1,481)	(54,207)	57,436	1,747

2. Forecast of Financial Results for the Second Fiscal Period Ending July 31, 2019 and the Third Fiscal Period Ending January 31, 2020

(Percentages represent changes from the previous period)

	Operating revenues		Operating income		Ordinary income		Net income		Distributions per unit (excluding SCD)	SCD per unit	Distributions per unit (including SCD)
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)	(Yen)	(Yen)
2nd fiscal period	1,723	32.6	798	8.3	707	35.6	706	35.8	1,977	285	2,262
3rd fiscal period	1,775	3.0	821	2.9	733	3.7	732	3.7	2,051	292	2,343

(Reference) Expected net income per unit (Forecast net income ÷ Expected number of investment units at end of period) is 1,977 yen for the second fiscal period and 2,050 yen for the third fiscal period.

3. Other

(1) Changes in accounting policies, changes in accounting estimates, and retrospective statements

- (a) Changes in accounting policies associated with revision of accounting standards, etc.: None
- (b) Changes in accounting policies associated with other than (a): None
- (c) Changes in accounting estimates: None
- (d) Restatements: None

(2) Total number of investment units issued and outstanding

- (a) Total number of investment units issued and outstanding at the end of the fiscal period (including treasury investment units)
- (b) Total number of treasury investment units at the end of the fiscal period

1st fiscal period	357,143
1st fiscal period	0

Audit status

This Summary of Financial Results is not subject to the auditing procedures under the Financial Instruments and Exchange Act (Act of 1948, as amended; hereinafter, the “Financial Instruments and Exchange Act”). As of the time of disclosure of this financial results report, auditing procedures under the Financial Instruments and Exchange Act have not been completed.

Remarks on appropriate use of forecasts of financial results, and other special instructions

(Note on forward-looking statements)

Forward-looking statements presented in this document are based on information currently available to IAL and on certain assumptions deemed by management to be reasonable. As such, actual operating and other results may differ materially from these forecasts as a consequence of various factors. The above forecast does not guarantee the amount of the distribution.

Assumptions Underlying the Forecast for the Fiscal Periods Ending July 2019 and January 2020

Item	Assumption																																	
Calculation period	<ul style="list-style-type: none"><li>• The second fiscal period ending July 2019 (February 1, 2019 to July 31, 2019) (181 days)</li><li>• The third fiscal period ending January 2020 (August 1, 2019 to January 31, 2020) (184 days)</li></ul>																																	
Investment assets	<ul style="list-style-type: none"><li>• It is assumed that, in addition to the real estate trust beneficiary interests held by IAL as of January 31, 2019 (total of seven (7) properties) (“Currently Owned Assets”), IAL will acquire “Assets for Acquisition” on April 1, 2019 pursuant to a resolution of its Board of Directors meeting held on March 14, 2019, and that there will be no changes (such as acquisition of new properties, sale of existing properties) to other investment assets during the period ending January 2020.</li><li>• Despite the assumption above, however, it is possible that one or more new properties will be acquired or one or more of the Assets for Acquisition will be sold off during the periods stated above.</li></ul>																																	
Operating revenues	<ul style="list-style-type: none"><li>• Forecasted leasing business revenues from additional acquisitions of quasi-co-ownership of real estate trust beneficiary interests in “i Missions Park Inzai,” which is included in the Currently Owned Assets and Assets for Acquisition, were calculated taking into consideration the content of lease agreements for Currently Owned Assets effective as of January 31, 2019, as well as tenant and market trends, among other things.</li><li>• Forecasted leasing business revenues from additional acquisitions of quasi-co-ownership of real estate trust beneficiary interests in “i Missions Park Moriya 2,” which is included in the Assets for Acquisition, were calculated taking into consideration the projected occupancy rates and changes in rental rates, which is estimated based on projected tenant turnover and level of expected rental rates following the acquisition, in consideration of the contents of the lease agreement provided by the current property owners, the history of previous tenants, and market trends, as well as the contents of leasing agreements effective from the date of the acquisition.</li><li>• It is assumed that no rent defaults or unpaid leases on the part of tenants will occur during the period of these forecasts.</li><li>• As for revenues other than leasing revenues from tenants, such as those derived from use of utilities, they are also calculated taking into consideration the forecast made based on the history of previous tenants (in the case of additionally acquired quasi-co-ownership of real estate trust beneficiary interests in “i Missions Park Inzai,” which is included in the Currently Owned Assets and Assets for Acquisition), or the usage of the properties by previous tenants, as provided by the current property owners (in the case of the quasi-co-ownership portion of real estate trust beneficiary interests in “i Missions Park Moriya 2,” which is included in the Assets for Acquisition).</li><li>• These forecasts are made based on the assumptions that there will be no profit or loss from the sale of real estate or other assets.</li></ul>																																	
Operating expenses	<ul style="list-style-type: none"><li>• Main items included under operating expenses are as follows:<table><tr><td></td><td>2nd fiscal period</td><td>3rd fiscal period</td></tr><tr><td>Expenses related to rent business</td><td></td><td></td></tr><tr><td>Facility management expenses</td><td>24</td><td>25</td></tr><tr><td>Property management contract expenses</td><td>10</td><td>10</td></tr><tr><td>Utility expenses</td><td>41</td><td>42</td></tr><tr><td>Repair expenses</td><td>6</td><td>6</td></tr><tr><td>Taxes and public dues</td><td>149</td><td>149</td></tr><tr><td>Depreciation costs</td><td>447</td><td>463</td></tr><tr><td>General and administrative expenses</td><td></td><td></td></tr><tr><td>Asset management fees</td><td>189</td><td>196</td></tr><tr><td>Sponsor support agreement expenses</td><td>5</td><td>5</td></tr></table></li><li>• With the exception of depreciation costs, the forecast of real estate leasing business expenses, which are to be IAL’s main operating expenses, were calculated taking into consideration the variable factors of expenses estimated based on leasing agreements already executed (in case of additionally acquired quasi-co-ownership of real estate trust beneficiary interests in “i Mission Park Inzai,” which is included in the Currently Owned Assets, and Assets for Acquisition); or variable factors of expenses based on historical data provided by the current owners (in the case of quasi-co-ownership of real estate trust beneficiary interests in “i Mission Park Moriya 2,” which is included in the Assets for Acquisition).</li><li>As a general rule, the amount of fixed property tax and city planning tax for the purchased real estate is calculated on a pro-rata basis based on the relevant period, and shared with the current owners at the time of acquisition. However, in case of the Assets for Acquisition, such amount will be included in the acquisition cost and therefore will not be recorded as expenses in the fiscal period ending July 2019, in which the acquisition occurs. In addition, fixed property tax and city planning tax for fiscal 2020 will be recorded as expenses from the fiscal period ending July 2020 and onward. Therefore, fixed property tax</li></ul>		2nd fiscal period	3rd fiscal period	Expenses related to rent business			Facility management expenses	24	25	Property management contract expenses	10	10	Utility expenses	41	42	Repair expenses	6	6	Taxes and public dues	149	149	Depreciation costs	447	463	General and administrative expenses			Asset management fees	189	196	Sponsor support agreement expenses	5	5
	2nd fiscal period	3rd fiscal period																																
Expenses related to rent business																																		
Facility management expenses	24	25																																
Property management contract expenses	10	10																																
Utility expenses	41	42																																
Repair expenses	6	6																																
Taxes and public dues	149	149																																
Depreciation costs	447	463																																
General and administrative expenses																																		
Asset management fees	189	196																																
Sponsor support agreement expenses	5	5																																

Item	Assumption
	<p>and city planning tax for fiscal year 2019 on Assets for Acquisition will also not be recorded in the fiscal period ending January 2020. Total estimated amount of the fixed property tax and city planning tax, which is to be added to the cost, is ¥20 million.</p> <ul style="list-style-type: none"> <li>• Forecast repair expenses for buildings of Assets for Acquisition were estimated based on medium- to long-term repair plans provided by IRM. Repair expenses could suddenly increase, however, due to property damage caused by factors that are difficult to predict. Furthermore, repair expenses generally differ in amount over a fiscal year and are not incurred at regular intervals. Due to these and other factors, the forecast amounts of repair expenses may differ substantially from results.</li> <li>• Forecast depreciation costs were calculated using the straight-line method, and include ancillary and other expenses.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• The forecast of non-operating expenses is ¥90 million in the second fiscal period and ¥88 million in the third fiscal period.</li> </ul>
Interest-bearing debt	<ul style="list-style-type: none"> <li>• It is assumed that total interest-bearing debt will amount to ¥24,580 million at the end of the second fiscal period and ¥24,320 million at the end of the third fiscal period.</li> <li>• IAL expects to receive a refund of consumption taxes accumulated in the first fiscal period, and plans to use those funds to repay borrowings amounting to ¥2,690 million in the second fiscal period.</li> <li>• In April 2019, IAL plans to borrow a total of ¥5,280 million from qualified institutional investment firms as defined in Article 2, Paragraph 3, Item 1 of the Financial Instruments and Exchange Act. IAL expects to receive a refund of consumption taxes accumulated in the first fiscal period, and plans to use those funds to repay another portion of the loan amounting to ¥260 million in the second fiscal period.</li> <li>• The loan-to-value ratio (LTV) is forecast to be 39.9% at the end of the second fiscal period and 39.6% at the end of the third fiscal period.</li> </ul>
Total number of investment units outstanding	<ul style="list-style-type: none"> <li>• It is assumed that there will be no change to the total number of investment units issued and outstanding as of the date of this document (357,143 units) during the period ending January 2020.</li> <li>• Distributions per unit (excluding SCD) and SCD per unit were calculated based on 357,143 units, which is the expected total number of investment units issued and outstanding at the end of the second and third fiscal periods.</li> </ul>
Distributions per unit	<ul style="list-style-type: none"> <li>• The forecast distributions per unit (excluding SCD) was calculated according to IAL's distribution policy described in its Articles of Incorporation and assumes that all profits will be distributed.</li> <li>• Despite the above, the forecast distributions per unit (excluding SCD) may differ from results for a variety of reasons, including changes in IAL's Investment Assets, fluctuations in leasing business revenues due to tenant movements or other factors, or unforeseen repairs and maintenance.</li> </ul>
SCD per unit	<ul style="list-style-type: none"> <li>• SCD per unit was calculated based on the policies stipulated in IAL's Articles of Incorporation and the asset management guidelines contained in the internal rules of IRM. Total SCD are forecast to amount to ¥101 million in the second fiscal period and ¥104 million in the third fiscal period.</li> <li>• It is assumed that general economic conditions, trends in the real estate market in Japan, and IAL's financial position will not deteriorate substantially during the periods of these forecasts.</li> <li>• In principle, IAL plans to pay SCD every fiscal period, and will aim to set the total amount of distributions including SCD at approximately the same amount as 70% of funds from operations (FFO). SCD to be distributed in each successive fiscal period, however, shall be capped at an amount equivalent to 30% of depreciation costs in the applicable fiscal period. It may be the case that 30% of depreciation costs will exceed 70% of FFO for some time.</li> <li>• In addition to the payment of SCD each successive fiscal period, additional SCD may be paid in order to even out the amount of distributions per unit if such distributions are expected to be temporarily reduced at a significant rate due to funds procurement through the issuance of new investment units or other factors.</li> <li>• IAL may decide against distributing cash distributions in excess of realizable amounts if it deems such distributions to be unwise in light of economic conditions, trends in Japan's real estate and leasing markets, or the status of its property portfolio and financial position.</li> <li>• If appraised LTV exceeds 60% at the time of executing a cash distribution, IAL assumes it will not include SCD in order to maintain stable finances.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• Financial calculations and operating forecasts are based on the assumption that there will be no significant changes in legislation, taxation, accounting standards, regulations applying to publicly listed companies, or rules and requirements imposed by the Investment Trusts Association, Japan that would impact the aforementioned forecasts.</li> <li>• Financial calculations and operating forecasts are also based on the assumption that there will be no substantial changes in general economic and real estate market conditions in Japan.</li> </ul>

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(Thousands of yen)

	1st fiscal period (as of January 31, 2019)
<b>Assets</b>	
Current assets	
Cash and deposits	630,462
Cash and deposits in trust	1,972,127
Operating accounts receivable	76,664
Consumption taxes receivable	2,651,536
Prepaid expenses	30,382
Total current assets	5,361,172
Non-current assets	
Property, plant and equipment	
Buildings in trust	31,794,600
Accumulated depreciation	(306,601)
Buildings in trust, net	31,487,999
Structures in trust	1,122,229
Accumulated depreciation	(24,790)
Structures in trust, net	1,097,438
Machinery and equipment in trust	921,887
Accumulated depreciation	(14,594)
Machinery and equipment in trust, net	907,292
Land in trust	20,396,914
Total property, plant and equipment	53,889,645
Intangible assets	
Software	5,333
Total intangible assets	5,333
Investments and other assets	
Leasehold and guarantee deposits	10,000
Long-term prepaid expenses	112,127
Deferred tax assets	28
Total investments and other assets	122,156
Total non-current assets	54,017,135
Total assets	59,378,308
<b>Liabilities</b>	
Current liabilities	
Operating accounts payable	17,633
Short-term loans payable	4,570,000
Accounts payable - other	44,291
Accrued expenses	164,104
Income taxes payable	1,500
Advances received	286,500
Other areas	485
Total current liabilities	5,084,515
Non-current liabilities	
Long-term loans payable	17,420,000
Tenant leasehold and security deposits in trust	854,919
Total non-current liabilities	18,274,919
Total liabilities	23,359,435

(Thousands of yen)

1st fiscal period  
(as of January 31, 2019)

Net assets	
Unitholders' equity	
Unitholders' capital	35,498,833
Surplus	
Unappropriated retained earnings (undisposed loss)	520,040
Total surplus	520,040
Total unitholders' equity	36,018,873
Total net assets	36,018,873
Total liabilities and net assets	59,378,308

## (2) Consolidated Statement of Income

(Thousands of yen)

	1st fiscal period (from May 1, 2018 to January 31, 2019)
Operating revenues	
Leasing business revenues	1,268,143
Other leasing business revenues	31,939
Total operating revenues	1,300,083
Operating expenses	
Expenses related to rent business	408,700
Asset management fees	137,976
Asset custody fee and Administrative service fees	2,140
Directors' compensations	3,960
Other operating expenses	10,560
Total operating expenses	563,338
Operating income	736,744
Non-operating income	
Interest income	0
Total non-operating income	0
Non-operating expenses	
Interest expenses	41,644
Organization expenses	74,701
Investment unit issuance expenses	12,017
Investment unit public offering expenses	40,710
Borrowing related expenses	38,419
Other	7,740
Total non-operating expenses	215,233
Ordinary income	521,511
Income before income taxes	521,511
Income taxes - current	1,500
Income taxes - deferred	(28)
Total income taxes	1,471
Net income	520,040
Unappropriated retained earnings (undisposed loss)	520,040



## (3) Consolidated Statement of Unitholders' Equity

First fiscal period (from May 1, 2018 to January 31, 2019)

(Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Unitholders' equity Total	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	—	—	—	—	—
Changes of items during period					
Issuance of new investment units	35,498,833			35,498,833	35,498,833
Net income		520,040	520,040	520,040	520,040
Total changes of items during period	35,498,833	520,040	520,040	36,018,873	36,018,873
Balance at end of current period	35,498,833	520,040	520,040	36,018,873	36,018,873

## (4) Consolidated Statement of Cash Flows

(Thousands of yen)

	1st fiscal period (from May 1, 2018 to January 31, 2019)
Cash flows from operating activities	
Profit before income taxes	521,511
Depreciation costs	346,225
Investment unit issuance expenses	12,017
Other offering costs associated with the issuance of investment units	40,710
Interest income	(0)
Interest expenses	41,644
Decrease (increase) in operating accounts receivable	(76,664)
Decrease (increase) in consumption taxes refund receivable	(2,651,536)
Decrease (increase) in prepaid expenses	(30,382)
Decrease (increase) in long-term prepaid expenses	(112,127)
Increase (decrease) in operating accounts payable	17,633
Increase (decrease) in accounts payable - other	432
Increase (decrease) in accrued expenses	157,025
Increase (decrease) in advances received	286,500
Other	485
Subtotal	(1,446,525)
Interest income received	0
Interest expenses paid	(34,564)
Net cash used in operating activities	(1,481,089)
Cash flows from investing activities	
Purchase of property, plant and equipment in trust	(54,191,772)
Purchase of intangible assets	(5,572)
Payments for leasehold and guarantee deposits	(10,000)
Net cash used in investing activities	(54,207,345)
Cash flows from financing activities	
Increase in short-term loans payable	4,570,000
Proceeds from long-term loans payable	17,420,000
Proceeds from issuance of investment units	35,446,105
Net cash provided by financing activities	57,436,105
Net increase (decrease) in cash and cash equivalents	1,747,670
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period	1,747,670