



September 12, 2018

For immediate release

Real Estate Investment Trust Securities Issuer:
ITOCHU Advance Logistics Investment Corporation
3-6-5 Kojimachi, Chiyoda-ku, Tokyo, Japan
Representative: Junichi Shoji, Executive Director
(Securities Code: 3493)

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

**Notice Concerning Revisions to Forecasts of Financial Results for
the Fiscal Periods Ending January 2019 and July 2019**

ITOCHU Advance Logistics Investment Corporation (“IAL”) hereby announces that it has revised its forecasts of the financial results for the first fiscal period from May 1, 2018 to January 31, 2019, and the second fiscal period from February 1, 2019 to July 31, 2019, which were previously announced on September 7, 2018. Details are as follows.

1. Revised Forecasts of Financial Results for the First Fiscal Period

	Operating revenues	Operating income	Ordinary income	Net income	Distributions per unit including surplus cash distribution (SCD)	Distributions per unit excluding SCD	SCD per unit
Previous forecast (A)	¥1,282 million	¥741 million	¥496 million	¥495 million	¥1,589	¥1,328	¥261
Revised forecast (B)	¥1,282 million	¥740 million	¥495 million	¥494 million	¥1,658	¥1,385	¥273
Difference (B) – (A)	—	¥(1) million	¥(0) million	¥(0) million	¥69	¥57	¥12
Percentage difference	—	–0.2%	–0.1%	–0.1%	4.3%	4.3%	4.6%

Disclaimer: This press release is a document for making a public announcement concerning revisions to forecast of financial results for the fiscal periods ending January 2019 and July 2019, and has not been prepared for the purpose of solicitation for investment.



2. Revised Forecasts of Financial Results for the Second Fiscal Period

	Operating revenues	Operating income	Ordinary income	Net income	Distributions per unit including SCD	Distributions per unit excluding SCD	SCD per unit
Previous forecast (A)	¥1,597 million	¥743 million	¥675 million	¥674 million	¥2,089	¥1,809	¥280
Revised forecast (B)	¥1,597 million	¥741 million	¥672 million	¥671 million	¥2,174	¥1,880	¥294
Difference (B) – (A)	—	¥(1) million	¥(3) million	¥(3) million	¥85	¥71	¥14
Percentage difference	—	–0.2%	–0.5%	–0.5%	4.1%	3.9%	5.0%

(Reference): Expected number of investment units issued and outstanding at the end of the first fiscal period: 357,143 units

Expected net income per unit excluding SCD: ¥1,385

Expected number of investment units issued and outstanding at the end of the second fiscal period: 357,143 units

Expected net income per unit excluding SCD: ¥1,880

(Note 1) IAL's fiscal periods 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. Within the first fiscal period, IAL plans to carry out operations of its business for 147 days from September 7, 2018, the effective date of its first property acquisitions.

(Note 2) Financial forecasts for the first and second fiscal periods are calculated as of today based on the assumptions listed in the Attachment "Assumptions Underlying the Forecast for the Fiscal Periods Ending January 2019 and July 2019." Accordingly, the forecast amounts of operating revenues, operating income, ordinary income, net income, distributions per unit (excluding SCD), and SCD per unit may differ from results due to various reasons, including the future acquisition or sale of properties, fluctuations in leasing revenues resulting from changes of lessees and other reasons, unforeseen property repairs or other operating problems, interest rate fluctuations, or an additional issuance of investment units in the future. Furthermore, IAL does not guarantee the amounts of distributions per unit or SCD per unit stated in the above forecast.

(Note 3) The above forecasts may be revised if a noticeable discrepancy with results is expected.

(Note 4) All figures in the forecast have been rounded down and percentages have been rounded to one decimal place.

3. Reasons for Revisions to Forecasts

As announced today in the press release, "Notice Concerning the Results of the Issuance of New Investment Units through Third-Party Allotment," IAL was notified that the anticipated issuance of new investment units through third-party allotment will not take place by SMBC Nikko Securities Inc., the designated allottee. Consequently, while it was previously assumed that net proceeds from the issuance of the new investment units through the third-party allotment would be used for the repayment of borrowings before their maturity date in the first fiscal period, this is no longer the case. Furthermore, the expected number of investment units issued and outstanding at the end of the first and second fiscal periods is different than previously forecast. Accordingly, IAL has revised its forecasts of financial results.

This document is released to media organizations through the Kabuto Club (the press club of the Tokyo Stock Exchange), the Ministry of Land, Infrastructure and Transport Press Club, and the Press Club for the Ministry of Land, Infrastructure and Transport Construction Paper.

IAL's corporate website: <https://www.ial-reit.com/en/>

Disclaimer: This press release is a document for making a public announcement concerning revisions to forecast of financial results for the fiscal periods ending January 2019 and July 2019, and has not been prepared for the purpose of solicitation for investment.



Attachment

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

Item	Assumption																																	
Calculation period	<ul style="list-style-type: none">➤ The first fiscal period ending January 2019 (May 1, 2018 to January 31, 2019) (276 days)➤ The second fiscal period ending July 2019 (February 1, 2019 to July 31, 2019) (181 days)																																	
Investment assets	<ul style="list-style-type: none">➤ It is assumed that IAL will make no changes to the real estate trust beneficiary interests in seven (7) properties in its possession as of today (the “Investment Assets”) during the first and second fiscal periods, such as a sale of any of the Investment Assets or a new acquisition of properties.➤ Despite the assumption above, however, it is possible that one or more new properties will be acquired or one or more of the Investment Assets will be sold off during the periods stated above.																																	
Operating revenues	<ul style="list-style-type: none">➤ Forecast leasing business revenues from the Investment Assets were calculated using projected occupancy rates and estimated changes in rental rates based on projected entries and departures of tenants as well as the level of rental rates. These calculations also took into account the contents of leasing agreements provided by the former property owners, the history of previous tenants, market trends, and the contents of leasing agreements effective at the current time.➤ It is assumed that no rent defaults or unpaid leases on the part of tenants will occur during the period of this forecast.➤ This forecast also assumes that there will be no profit or loss from the sale of real estate or other assets.																																	
Operating expenses	<ul style="list-style-type: none">➤ Main items included under operating expenses are as follows.<div>(Millions of yen)</div><table><tr><th></th><th>1st fiscal period</th><th>2nd fiscal period</th></tr><tr><td>Real estate leasing business expenses</td><td>487</td><td>636</td></tr><tr><td>Facility management expenses</td><td>18</td><td>25</td></tr><tr><td>Property management contract expenses</td><td>7</td><td>9</td></tr><tr><td>Utility expenses</td><td>17</td><td>22</td></tr><tr><td>Repair expenses</td><td>4</td><td>5</td></tr><tr><td>Taxes and public dues</td><td>0</td><td>161</td></tr><tr><td>Depreciation cost</td><td>325</td><td>400</td></tr><tr><td>Total general and administrative expenses</td><td>157</td><td>218</td></tr><tr><td>Asset management fees</td><td>133</td><td>174</td></tr><tr><td>Sponsor support agreement expenses</td><td>4</td><td>5</td></tr></table>➤ 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 based on building performance data provided by the former owners of the Investment Assets, while taking into account fluctuations of expenses. Generally, property taxes and city planning taxes on real estate that has been purchased or sold are calculated on a pro-rata basis and settled with the former owners at the time of acquisition; however, these taxes are included in the acquisition cost and have not been included in the forecast of expenses for the first fiscal period, during which the Investment Assets were acquired. Instead, these taxes will be included as expenses in the second fiscal period during the fiscal 2019 tax year. In the second period, property taxes and city planning taxes are		1st fiscal period	2nd fiscal period	Real estate leasing business expenses	487	636	Facility management expenses	18	25	Property management contract expenses	7	9	Utility expenses	17	22	Repair expenses	4	5	Taxes and public dues	0	161	Depreciation cost	325	400	Total general and administrative expenses	157	218	Asset management fees	133	174	Sponsor support agreement expenses	4	5
	1st fiscal period	2nd fiscal period																																
Real estate leasing business expenses	487	636																																
Facility management expenses	18	25																																
Property management contract expenses	7	9																																
Utility expenses	17	22																																
Repair expenses	4	5																																
Taxes and public dues	0	161																																
Depreciation cost	325	400																																
Total general and administrative expenses	157	218																																
Asset management fees	133	174																																
Sponsor support agreement expenses	4	5																																

Disclaimer: This press release is a document for making a public announcement concerning revisions to forecast of financial results for the fiscal periods ending January 2019 and July 2019, and has not been prepared for the purpose of solicitation for investment.



	<p>forecast to total ¥161 million, and of that amount, ¥102 million is expected to be incurred for the cost of acquiring the Investment Assets.</p> <ul style="list-style-type: none"> ➤ Forecast repair expenses for buildings were estimated based on medium- to long-term repair plans provided by ITOCHU REIT Management Co., Ltd. (“IRM”), IAL’s asset management company. 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. ➤ Forecast depreciation costs were calculated using the straight-line method, and include ancillary and other expenses.
Non-operating expenses	<ul style="list-style-type: none"> ➤ The forecast of non-operating expenses is ¥245 million in the first fiscal period and ¥69 million in the second fiscal period. ➤ Of that amount, interest expenses and other borrowing-related expenses are forecast to total ¥89 million in the first fiscal period and ¥69 million in the second fiscal period. ➤ The cost of establishing IAL is expected to total ¥75 million, and of that amount, it is assumed that all allowable financing- and taxation-related expenses will be appropriated as a lump sum in the first fiscal period. Expenses associated with the issuance, listing, and public offering of new investment units is forecast to total ¥80 million, and that total is expected to be amortized as a lump sum in the first fiscal period.
Interest-bearing debt	<ul style="list-style-type: none"> ➤ It is assumed that total interest-bearing debt will amount to ¥21,990 million at the end of the first fiscal period and ¥19,300 million at the end of the second fiscal period. ➤ 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. ➤ The loan-to-value ratio (LTV) is forecast to be 37.4% at the end of the first fiscal period and 34.3% at the end of the second fiscal period. The following formula is used to calculate LTV (figures are rounded to the first decimal place). $LTV = \text{Total interest-bearing debt} \div \text{Total assets} \times 100$
Investment units issued and outstanding	<ul style="list-style-type: none"> ➤ Forecasts were calculated based on the assumption that 357,143 investment units would be issued and outstanding as of today. ➤ It is assumed there will be no additional issuance of investment units during the first and second fiscal periods.
Distributions per unit (excluding SCD)	<ul style="list-style-type: none"> ➤ 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. ➤ 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 revenues due to tenant movements or other factors, or unforeseen repairs and maintenance.
SCD per unit	<ul style="list-style-type: none"> ➤ 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 ¥97 million in the first fiscal period and ¥105 million in the second fiscal period. ➤ 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. ➤ 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) ^(Note 1). 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. ➤ 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. ➤ IAL may decide against distributing cash distributions in excess of realizable amounts if

Disclaimer: This press release is a document for making a public announcement concerning revisions to forecast of financial results for the fiscal periods ending January 2019 and July 2019, and has not been prepared for the purpose of solicitation for investment.



	<p>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.</p> <p>➤ If appraised LTV ^(Note 2) exceeds 60% at the time of executing a cash distribution, IAL assumes it will not include SCD in order to maintain stable finances.</p> <p>(Note 1) It is calculated by adding depreciation costs for the applicable fiscal period to net income (excluding gain or loss on the sale of real estate).</p> <p>(Note 2) Appraised LTV (%) = $A/B \times 100$</p> <p>A = Total interest-bearing debt on the applicable accounts settlement date</p> <p>B = Total assets on the balance sheet on the applicable accounts settlement date — Amount of book value after depreciation of owned assets on the applicable accounts settlement date + Appraisal value of owned assets on the applicable accounts settlement date</p>
Other	<p>➤ 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 stipulated by the Tokyo Stock Exchange, Inc., or rules and requirements imposed by the Investment Trusts Association, Japan that would impact the aforementioned forecasts.</p> <p>➤ 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.</p>

Disclaimer: This press release is a document for making a public announcement concerning revisions to forecast of financial results for the fiscal periods ending January 2019 and July 2019, and has not been prepared for the purpose of solicitation for investment.