

Semi-Annual Report

6th Fiscal Period Report

February 1, 2021 – July 31, 2021

ITOCHU Advance Logistics Investment Corporation

6-5, Koujimachi 3-chome, Chiyoda-ku, Tokyo

Message from The Management

First, I would like to express sincere appreciation to all unitholders for their continued support of IAL.

In the 6th fiscal period (ending July 2021), ITOCHU Advance Logistics Investment Corporation, or IAL (stock symbol: R-IAL; securities code: 3493), acquired two properties, IMP Tokyo-Adachi and IMP Miyoshi in April from the sponsor group as previously planned at the public offering implemented in November last year. As a result, IAL's asset size has expanded to 111.4 billion yen from the previous 98.1 billion yen. I believe that the success of the deal is largely thanks to the generous support we receive from our investors and stakeholders, for which I am truly grateful.

We have announced our distributions per unit (DPU) of 2,492 yen (up from the latest forecast of 2,464 yen). DPU has increased from the initial forecast due to the increase in revenue from property acquisitions and internal growth such as reduction of operating expenses of the Investment Corporation including property management costs and interest expenses. As disclosed, we expect further DPU growth for the 7th fiscal periods (ending January 2022), forecasting 2,724 yen (up from the initial forecast of 2,557 yen) due to the revision of the distribution policy and other factors. We hope that you will understand that this revision of the distribution policy to increase the total amount of distribution is a measure to show our stance of aiming to become a REIT that is evaluated by our investors furthermore while maintaining our conservative cash management policy reflecting the steady expansion of our asset size.

In addition to above external growth and revision of the distribution policy, in terms of internal growth we have achieved the longer-term lease agreements and rent increases with the occupancy rate remaining high at 99.9% (as of September 15th, 2021). We have also worked for improvement of NOI such as income increase from roof rental for solar panels etc. and initiatives for ESG. Please refer the following pages of this presentation material for the details.

The logistics real estate market, although in the middle of the fifth wave of the COVID-19 pandemic, has not suffered any significant impact. Instead, the robust demand for logistics operators is becoming apparent mainly due to the change in consumption structure owing to consumers' increase use of online shopping. As of September 15th, 2021, we have not received any incident reports from our tenants relating to COVID-19 that would have caused damage on their operation, and our business is also going well. However, we will continue forward with external and internal growth, ESG initiatives, solid cash management. Additionally, in furtherance of our commitment to be the J-REIT that is valued by our stakeholders, IAL will continue to work hard for reinforcing governance and other management systems with an awareness of its social responsibilities and public missions.

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



Junichi Shoji, Executive Director
Itochu Advance Logistics Investment Corporation

I Fiscal Period Report

1. Asset Management Performance Summary of Selected Financial Data

	Unit	2nd fiscal period	3rd fiscal period	4th fiscal period	5th fiscal period	6th fiscal period	
		From February 1, 2019 to July 31, 2019	From August 1, 2019 to January 31, 2020	From February 1, 2020 to July 31, 2020	From August 1, 2020 to January 31, 2021	From February 1, 2021 to July 31, 2021	
Operating revenues		Millions of yen	1,718	1,759	2,399	2,606	3,059
(Of which, real estate leasing business revenues)	a	Millions of yen	(1,718)	(1,759)	(2,399)	(2,606)	(3,059)
Operating expenses		Millions of yen	908	920	1,206	1,282	1,570
(Of which, real estate leasing business expenses)	b	Millions of yen	(676)	(683)	(877)	(935)	(1,146)
Operating income		Millions of yen	810	839	1,193	1,323	1,489
Ordinary income	c	Millions of yen	733	760	1,047	1,185	1,353
Net income	d	Millions of yen	732	759	1,046	1,184	1,352
Total assets	e	Millions of yen	62,220	61,739	88,955	103,188	115,747
(Change from previous period-end)		%	4.8	-0.8	44.1	16.0	12.2
Interest-bearing debt	f	Millions of yen	24,580	23,940	36,153	35,370	47,723
Net assets	g	Millions of yen	36,133	36,067	50,728	65,413	65,255
(Change from previous period-end)		%	0.3	-0.2	40.6	28.9	-0.2
Unitholders' capital (net)	h (Note 3)	Millions of yen	35,401	35,308	49,681	64,228	63,902
Total distributions	i	Millions of yen	825	855	1,178	1,510	1,495
Payout ratio	(Note 4)	%	100.0	100.0	99.3	100.0	100.0
Total number of investment units outstanding	j	Unit	357,143	357,143	486,000	600,127	600,127
Net assets per unit	g/j	Yen	101,174	100,989	104,378	108,999	108,736
Net income per unit	(Note 5)	Yen	2,050	2,126	2,161	2,232	2,254
Distributions per unit	i/j	Yen	2,311	2,395	2,425	2,517	2,492
Of which, distributions per unit excluding surplus cash distribution (SCD)		Yen	2,050	2,126	2,138	1,974	2,254
Of which, SCD per unit		Yen	261	269	287	543	238
FFO per unit	(d+k)/j	Yen	3,302	3,421	3,465	3,143	3,558
Ratio of ordinary income to total assets	(Note 6)	%	1.2	1.2	1.4	1.2	1.2
Annualized		%	2.4	2.4	2.8	2.4	2.5
Unitholders' equity ratio	g/e	%	58.1	58.4	57.0	63.4	56.4
(Change from previous period-end)		%	-2.5	0.3	-1.4	6.4	-7.0
Return on unitholders' equity	(Note 7)	%	2.0	2.1	2.4	2.0	2.1
Annualized		%	4.1	4.2	4.8	4.0	4.2
Loan-to-value (LTV) ratio	f/e	%	39.5	38.8	40.6	34.3	41.2
NOI	(Note 8)	Millions of yen	1,488	1,538	2,160	2,372	2,696
Depreciation costs	k (Note 9)	Millions of yen	447	462	637	701	782
Unit price at period-end	l	Yen	103,000	126,200	161,700	129,900	160,100
[Other information]							
Operating days in fiscal period		Days	181	184	182	184	181
Number of investment properties at period-end		Properties	8	8	9	10	12
Occupancy rate at period-end	(Note 10)	%	100.0	100.0	99.9	99.9	99.9
Capital expenditure		Millions of yen	2	8	13	—	23

- (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.
- (Note 2) Operating revenues are net of consumption taxes. Yen values are rounded down to the nearest whole number and percentages are rounded off to the first decimal place (likewise below unless expressly noted otherwise).
- (Note 3) Total unitholders' capital net of deductions from unitholders' capital. Its value factors in changes in unitholders' capital due to SCDs from allowance for temporary difference adjustments.
- (Note 4) Payout ratio = Distributions per unit (excluding SCD) ÷ Net income per unit × 100 The payout ratios for the fourth and fifth fiscal periods were calculated by the formula below as investment units outstanding increased during the period as a result of a public offering of investment units.
Total distributions (excluding SCD) ÷ Net income × 100
- (Note 5) Net income per unit was calculated by dividing net income by the weighted average number of investment units based on the number of days during the period
- (Note 6) Ratio of ordinary income to total assets = Ordinary income ÷ (Sum of total assets' beginning and ending balances ÷ 2) × 100
- (Note 7) Return on unitholders' equity = Net income ÷ (Sum of net assets' beginning and ending balances ÷ 2) × 100
- (Note 8) NOI = Real estate leasing business revenues - Real estate leasing business expenses + Depreciation included in leasing business expenses
- (Note 9) Depreciation is depreciation relating to leasing business expenses.
- (Note 10) Occupancy rate at period-end is the ratio of portfolio properties' total leased area^(Note 12) at period-end to their total leasable area^(Note 11) at period-end, rounded off to the first decimal place. However, if an occupancy rate is 100.0% as a result of being rounded to the first decimal place, it is presented as 99.9%, its value truncated to the first decimal place.
- (Note 11) "Total leasable area" is the total area of space deemed leasable based on the leased area and/or building floor plan specified in the lease agreement(s) of the respective real estate property or trust real estate property in effect at period-end. Lease agreements for rooftop space and/or parking facilities are excluded. In the case of pass-through type master lease agreements (defined as master lease agreements structured such that rent and other charges are collected directly from end-tenants and lessees generally may collect rent only if they have actually sublet space; likewise below), leasable floor area is calculated based on the lease agreement(s) with the end-tenant(s) (likewise below). Leased (leasable) area may exceed total floor area because space not included in total floor area is sometimes included in leased area in lease agreements for portfolio properties. For logistics properties in particular, leased (leasable) area may substantially exceed total floor area if the space under eaves is counted as leased (leasable) area.
- (Note 12) As used herein, "total leased area" means the total leased area specified in the lease agreement(s) of the respective real estate property or trust real estate property in effect at period-end.

2. Portfolio Performance

(1) IAL's Background

IAL 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 IAL'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 IAL 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, IAL 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).

In the fiscal period ended July 2021, IAL acquired i Missions Park Tokyo Adachi and i Missions Park Miyoshi. The acquisition prices^(Note 5) of the two properties, which were acquired on April 1, 2021, totaled ¥13,235 million.

IAL owns 12 properties with an aggregate acquisition price of ¥111,422 million as of July 31, 2021, the end of its sixth fiscal period.

(Note 1) As used herein, "sponsor" means a party that has entered into a sponsor support agreement with IAL and the Asset Management Company. IAL's sponsors as of July 31, 2021, 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) By utilizing the ITOCHU Group's platforms (Realty & Logistics (R/L) Platform and Merchant Channel (M/C) Platform, IAL will be able to steadily grow. Meanwhile, the ITOCHU Group will be able to strengthen its own platforms through management of IAL's assets. Such a virtuous cycle of cooperation between IAL 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, 200 consolidated subsidiaries and 80 equity-method affiliates (as of June 30, 2021).

(Note 5) As used herein, "acquisition price" means IAL-owned properties' respective contractual purchase prices net of consumption tax, local consumption tax and any costs incidental to the acquisition. The purchase price does not include consumption tax, local consumption tax, or expenses relating to acquisition.

(2) Investment Environment and Portfolio Performance

In the fiscal period ended July 31, 2021, economic activity in Japan continued to be depressed by such factors as multiple declarations of states of emergency, prolongations of the same, and expansions in their geographical scope, resulting from the spread of COVID-19 and the diffusion of the highly infectious Delta variant. Economic visibility consequently remained murky.

In the initial stage of the pandemic, the TSE REIT Index plunged to a closing low of 1,145 on March 19, 2020, in response to uncertainty surrounding the severity of the pandemic's economic impact, but the episode was short-lived. As markets subsequently gained clarity on the pandemic's market impacts, the TSE REIT Index recovered, rallying back to 2,160 as of July 30, 2021.

In the logistics real estate property leasing market, demand for logistics real estate as infrastructure essential to daily life is expected to continue to grow in the wake of the e-commerce market's recent growth. The logistics real estate sales market is expected to likewise continue to enjoy buoyant demand amid continued investment by J-REITs, private REITs, private funds and others.

Against this backdrop, on April 1, 2021, IAL acquired i Missions Park Tokyo Adachi and i Missions Park Miyoshi (the acquisition prices of the 2 properties totaled ¥13,235 million). Additionally, IAL maintained a 99.9% occupancy rate (see Note) at January 31, 2021, across its entire 12-property portfolio (aggregate acquisition price: ¥111,422 million) by appropriately operating and managing its properties in coordination with the ITOCHU Group.

(Note) "Occupancy rate" is each property's ratio of leased area to total leasable area, rounded off to the first decimal place, at July 31, 2021. However, if an occupancy rate is 100.0% as a result of being rounded to the first decimal place, it is presented as 99.9%, its value truncated to the first decimal place.

(3) Financing

IAL borrowed ¥13,083 million (¥433 million short-term loan payable and ¥12,650 million long-term loan payable) on April 1, 2021, to fund the acquisition of the two properties and to partially pay expenses related to the acquisitions. On May 31, 2021, IAL repaid ¥730 million of maturing long-term loans using cash on hand and proceeds from a consumption tax refund. This ¥730 million was borrowed on November 20, 2020, the date on which time the properties were acquired. As a result, these financing transactions left IAL with ¥47,723 million of interest-bearing debt and a loan-to-value (LTV^(Note 1)) ratio of 41.2% at July 31, 2021.

IAL's credit rating^(Note 2) at July 31, 2021, is as follows.

Rating agency	Type of rating	Rating	Outlook
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating	A+	Positive

(Note 1) As used herein, LTV ratios are calculated by the following formula.
LTV = Total interest-bearing debt ÷ Total assets × 100

(Note 2) The above rating is a rating of IAL, not its investment units ("the IAL Investment Units"). The IAL Investment Units are not subject to any credit ratings assigned or disclosed, or any pending credit ratings to be assigned or disclosed, by a credit rating agency at IAL's request.

(4) Earnings and Distributions

As a result of the above, IAL earned operating income of ¥1,489 million, ordinary income of ¥1,353 million and net income of ¥1,352 million on operating revenues of ¥3,059 million in the fiscal period ended July 31, 2021.

Applying Article 67-15 of Japan's Act on Special Measures Concerning Taxation (Act 26 of 1957 as amended; referred to below as the "Special Taxation Measures Act"), IAL will distribute ¥1,352,686,258 of unappropriated retained earnings to its unitholders for the fiscal period ended July 31, 2021, in accordance with the distribution policy^(Note 1) set forth in its Articles of Incorporation. Said distribution amount is evenly divisible by 600,127, the total number of investment units outstanding at July 31, 2021. It equates to distributions per unit excluding SCD of ¥2,254.

In addition to earnings distributions, IAL's policy is to pay out SCDs on an ongoing basis as a general rule. IAL will accordingly distribute an additional ¥142 million of surplus cash as a return of capital qualifying as a reduction in capital under Japanese tax law. Said ¥142 million is roughly the difference between ¥1,495 million, which is 70% of IAL's funds from operations (FFO^(Note 2)) for the period, and the aforementioned ¥1,352 million distribution excluding SCD. It equates to an SCD per unit of ¥238.

(Note 1) To maintain a stable distribution level through appropriate cash management, IAL places priority on cash flows from operation of its portfolio properties, excluding gains/losses on the sale of portfolio properties. Its general policy is to pay out, in addition to earnings distributions, SCDs on an ongoing basis ("Ongoing SCDs") in an amount that equates the two distributions' sum to 70% of its FFO (said sum may exceed 70% of FFO in some periods, provided it does not exceed 30% of depreciation), contingent upon maintaining its portfolio properties and financial stability over the long term.

IAL and the Asset Management Company commissioned Tokio Marine dR Co., Ltd. (on July 1, 2021, Tokio Marine & Nichido Risk Consulting Co., Ltd. changed its name to Tokio Marine dR Co., Ltd., which is used here despite Tokio Marine & Nichido Risk Consulting Co., Ltd. being the name of said company at the time the engineering report was obtained), ERS Corporation and ERI Solution Co., Ltd., to prepare engineering reports on IAL's portfolio properties. The semiannual average of the engineering reports' estimates of total urgent/near-term and medium-term repair and upgrade expenses is ¥51 million. IAL decided to pay out such a distribution of cash in excess of earnings after concluding, from the standpoint of effective management of surplus funds, that the distribution is within the range consistent with long-term financial stability and maintenance of portfolio properties, taking into account the current economic environment, real estate property market prices and IAL's LTV ratio, credit rating and financial condition, among other factors. The SCD for the fiscal period ended July 31, 2021, will be deducted from unitholders' capital (gross) upon payment of the SCD.

(Note 2) As used herein, FFO is calculated by adding depreciation relating to leasing business expenses for the applicable fiscal period to net income (excluding gains/losses on the sale of real estate).

3. Changes in Equity Capital

Changes in the total number of investment units outstanding and net unitholders' capital over the past five years are tabulated below.

Date	Event	Total number of investment units outstanding		Unitholders' capital (net) (millions of yen) (Note 1)		Notes
		Change	Unit outstanding	Change	Balance	
May 1, 2018	Private placement for incorporation	1,000	1,000	100	100	(Note 2)
September 6, 2018	Public offering	356,143	357,143	35,398	35,498	(Note 3)
April 15, 2019	SCD	—	357,143	(97)	35,401	(Note 4)
October 23, 2019	SCD	—	357,143	(93)	35,308	(Note 5)
February 3, 2020	Public offering	123,357	480,500	13,852	49,160	(Note 6)
February 19, 2020	Third-party allotment	5,500	486,000	617	49,777	(Note 7)
April 13, 2020	SCD	—	486,000	(96)	49,681	(Note 8)
October 23, 2020	SCD	—	486,000	(132)	49,549	(Note 9)
November 20, 2020	Public offering	111,000	597,000	14,276	63,826	(Note 10)
December 22, 2020	Third-party allotment	3,127	600,127	402	64,228	(Note 11)
April 23, 2021	SCD	—	600,127	(325)	63,902	(Note 12)

(Note 1) Total unitholders' capital net of deductions from unitholders' capital. Its value factors in changes in unitholders' capital due to SCDs from allowance for temporary difference adjustments.

(Note 2) The 1,000 units were issued to ITOCHU Corporation at an offering price of ¥100,000 per unit in conjunction with IAL's establishment.

(Note 3) The 356,143 units were issued to the public at an offering price of ¥103,000 per unit (issue price per unit: ¥99,395), mainly to fund new property acquisitions.

(Note 4) On March 14, 2019, IAL's Board of Directors authorized an SCD of ¥273 per unit (return of capital qualifying as a reduction of capital under Japanese tax law) for the first fiscal period (ended January 31, 2019). The SCD was disbursed from April 15, 2019.

(Note 5) On September 13, 2019, IAL's Board of Directors authorized an SCD of ¥261 per unit (return of capital qualifying as a reduction of capital under Japanese tax law) for the second fiscal period (ended July 31, 2019). The SCD was disbursed from October 23, 2019.

(Note 6) The 123,357 units were issued to the public at an offering price of ¥116,350 per unit (issue price per unit: ¥112,292), mainly to fund new property acquisitions.

(Note 7) The 5,500 units were issued to SMBC Nikko Securities Inc. through a third-party allotment at an issue price of ¥112,292 per unit, mainly to raise capital to fund future property acquisitions.

(Note 8) On March 16, 2020, IAL's Board of Directors authorized an SCD of ¥269 per unit for the third fiscal period (ended January 31, 2020). The SCD was disbursed from April 13, 2020.

(Note 9) On September 14, 2020, IAL's Board of Directors authorized an SCD of ¥287 per unit for the fourth fiscal period (ended July 31, 2020). The SCD was disbursed from October 23, 2020.

(Note 10) The 111,000 units were issued to the public at an offering price of ¥133,344 per unit (issue price per unit: ¥128,621), mainly to fund new property acquisitions.

(Note 11) The 3,127 units were issued to SMBC Nikko Securities Inc. through a third-party allotment at an issue price of ¥128,621 per unit, mainly to raise capital to fund property acquisitions.

(Note 12) On March 17, 2021, IAL's Board of Directors authorized an SCD of ¥543 per unit for the fifth fiscal period (ended January 31, 2021). The SCD was disbursed from April 23, 2021.

(Note 13) Yen values are rounded down to the nearest whole million.

Investment units' price performance

The investment units' high and low closing prices on the TSE's J-REIT Market are tabulated below by fiscal period.

	2nd fiscal period	3rd fiscal period	4th fiscal period	5th fiscal period	6th fiscal period
Closing date	Fiscal period ended July 2019	Fiscal period ended January 2020	Fiscal period ended July 2020	Fiscal period ended January 2021	Fiscal period ended July 2021
High	104,900	130,800	164,800	168,200	165,200
Low	86,600	102,700	73,000	125,600	126,000

4. Matters Concerning Investment Units

IAL's top 10 unitholders ranked by percentage of outstanding investment units owned at July 31, 2021, are listed below.

Name	No. of investment units held (units)	Percentage of outstanding units owned (%)
Custody Bank of Japan, Ltd. (trust account)	96,998	16.16
The Master Trust Bank of Japan, Ltd. (trust account)	78,090	13.01
Custody Bank of Japan, Ltd. (securities investment trust account)	45,372	7.56
ITOCHU Corporation	33,635	5.60
The Nomura Trust and Banking Co., Ltd. (investment trust account)	23,720	3.95
The Shinkumi Federation Bank	12,999	2.16
The Hachijuni Bank, Ltd.	10,568	1.76
The Aichi Bank, Ltd.	10,290	1.71
Custody Bank of Japan, Ltd. (cash in trust taxable account)	9,476	1.57
The Hyakujushi Bank, Ltd.	8,500	1.41
Total	329,648	54.92

(Note) Percentages of outstanding units owned are rounded down to the second decimal place.

5. Directors and Accounting Auditor

(1) Directors and Accounting Auditor as of July 31, 2021

IAL's Executive Director, Supervisory Directors and accounting auditor as of July 31, 2021, are listed below.

Position	Name	Main concurrent position(s)	Total compensation from IAL for the fiscal period ended July 31, 2021 (thousands of yen)
Executive Director (Note 1) (Note 2)	Junichi Shoji	Representative Director, President & CEO ITOCHU REIT Management Co., Ltd.	—
Supervisory Directors (Note 3)	Soichi Toyama	Manager, Toyama Tax & Accounting Office	1,320
	Tsuyoshi Dai	Representative attorney, TSUYOSHI DAI & PARTNERS	1,320
Accounting auditor (Note 4)	PricewaterhouseCoopers Aarata LLC	—	9,000

(Note 1) As of July 31, 2021, the Executive Director owns 15 IAL investment units in his own name.

(Note 2) The Executive Director receives no compensation from IAL.

(Note 3) The Supervisory Directors do not own any IAL investment units in their own names or beneficially. Additionally, the Supervisory Directors may hold other corporate directorships in addition to the concurrent positions listed above but none of their concurrent positions, including those listed above, pose any conflict of interest with IAL.

(Note 4) Audit fees to be paid to the accounting auditor for the fiscal period ended July 31, 2021, include fees related to the audit of English financial statements.

(2) Decision-making Policy of Accounting Auditor Termination/Non-reappointment

Any decision to terminate or not reappoint the accounting auditor shall be made by IAL's Board of Directors. Termination decisions shall be made in accordance with the Investment Trust Act's provisions. Non-reappointment decisions shall be made based on a comprehensive assessment of audit quality, audit fees and other relevant factors.

6. Asset Management Company, Custodian and General Administrative Agents

IAL's asset management company, custodian and general administrative agents as of July 31, 2021, are listed below.

Role		Company
Asset management company		ITOCHU REIT Management Co., Ltd.
Custodian		Sumitomo Mitsui Trust Bank, Limited
General administrative agent	(institutional administration, calculation, accounting, etc.)	Sumitomo Mitsui Trust Bank, Limited
	(tax payment)	Deloitte Tohmatsu Tax Co.
	(administration of unitholder registry, etc.)	Mizuho Trust & Banking Co., Ltd.
	(investment corporation bond matters)	Sumitomo Mitsui Trust Bank, Limited

7. Portfolio

Details of the properties owned by IAL at July 31, 2021, are tabulated below.

Property No. (Note 1)	Property name	Location (address) (Note 2)	Type of ownership	Book value at July 31, 2021 (millions of yen)	Appraisal value at July 31, 2021 (millions of yen) (Note 3)	5th fiscal period From August 1, 2020 to January 31, 2021				6th fiscal period From February 1, 2021 to July 31, 2021			
						Total tenants at period-end (Note 4)	Occupancy rate at period-end (%) (Note 5)	Leasing business revenues (thousands of yen) (Note 6)	Share of total leasing business revenues (%)	Total tenants at period-end (Note 4)	Occupancy rate at period-end (%) (Note 5)	Leasing business revenues (thousands of yen) (Note 6)	Share of total leasing business revenues (%)
L-1	i Missions Park Atsugi	Building A: 1463-3 Shindaibatakeshita, Kaneda, Atsugi-shi, Kanagawa Building B: 1497-1 Shinhakucho, Kaneda, Atsugi-shi, Kanagawa	Trust beneficiary interests	5,180	6,140	2	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	2	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
L-2	i Missions Park Kashiwa	1027-23 Miyagohara Washinoya, Kashiwa-shi, Chiba	Trust beneficiary interests	5,922	6,980	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
L-3	i Missions Park Noda	2-1-1 Izumi, Noda-shi, Chiba	Trust beneficiary interests	12,147	14,500	5	99.5	407,955	15.7	5	99.5	406,579	13.3
L-4	i Missions Park Moriya (Note 8)	4-4 Kinunodai, Tsukubamirai-shi, Ibaraki	Trust beneficiary interests	3,054	3,660	2	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	2	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
L-5	i Missions Park Misato	4-72-1 Sakae, Misato-shi, Saitama	Trust beneficiary interests	5,916	7,100	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
L-6	i Missions Park Chiba-Kita	439-120 Wakamatsucho, Wakabaku, Chiba-shi, Chiba	Trust beneficiary interests	2,531	2,970	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
L-7	i Missions Park Inzai	2-4-3 Matsuzakidai, Inzai-shi, Chiba	Trust beneficiary interests	26,766	31,200	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
L-8	i Missions Park Moriya 2 (Note 9)	4-4 Kinunodai, Tsukubamirai-shi, Ibaraki	Trust beneficiary interests	745	896	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
L-9	i Missions Park Kashiwa 2	7-1 Shintoyofuta, Kashiwa-shi, Chiba	Trust beneficiary interests	28,069	31,400	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
L-10	i Missions Park Inzai 2	2-4-4 Matsuzakidai, Inzai-shi, Chiba	Trust beneficiary interests	5,354	5,820	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
L-11	i Missions Park Tokyo Adachi	6-3222 Iriya, Adachi-ku, Tokyo	Trust beneficiary interests	10,982	11,300	—	—	—	—	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
L-12	i Missions Park Miyoshi	Yoshitaku 428-3, Kamitome Miyoshi-machi, Iruma-Gun, Saitama	Trust beneficiary interests	2,336	2,550	—	—	—	—	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
Total (average)				109,008	124,516	16	99.9	2,606,049	100.0	18	99.9	3,059,926	100.0

(Note 1) As used herein, "Property No." is a number allocated to each property according to property type; "L" stands for logistics real estate.

(Note 2) "Location (address)" is the address of the respective real estate property or trust real estate property or, if the property has no address, its registered building location (or one of its registered building locations if it has more than one).

(Note 3) "Appraisal value at July 31, 2021" represents the appraisal value indicated in the real estate appraisal report as of July 31, 2021. The appraisals of the properties were commissioned to the Tanizawa Sōgō Appraisal Co., Ltd., Japan Real Estate Institute and DAIWA REAL ESTATE APPRAISAL CO., LTD.

(Note 4) "Total tenants at period-end" is the sum of the tenants (end-tenants in the case that a pass-through type master lease agreement is concluded [likewise below]) based on lease agreements of the respective real estate property or trust real estate property in effect at the end of the fiscal period. However, where the same tenant has concluded multiple lease agreements in respect of the properties, such tenant shall be counted as a single tenant when calculating the total number of tenants.

(Note 5) "Occupancy rate at period-end" is each property's ratio of leased area to total leasable area, rounded off to the first decimal place, at July 31, 2021. The occupancy rates in the "Total (average)" row are ratios of the sum total of the properties' respective total leasable areas to the sum total of their respective leased areas, rounded off to the first decimal place. However, if an occupancy rate in the "total (average)" row is 100.0% as a result of being rounded off to the first decimal place, it is presented as 99.9%, its value truncated to the first decimal place.

(Note 6) "Leasing business revenues" are each property's real estate leasing business revenues for the fiscal period.

(Note 7) Undisclosed as IAL was not able to obtain the tenants' consent.

(Note 8) The land value included in i Missions Park Moriya's appraisal value at January 31, 2021, was prorated based on IAL's 70% ownership interest in the land appraised in the property's appraisal report.

(Note 9) The land value included in i Missions Park Moriya2's appraisal value at January 31, 2021, was prorated based on IAL's 30% ownership interest in the land appraised in the property's appraisal report.

8. Capital Expenditures on Portfolio Properties

(1) Planned Capital Expenditures

Major planned capital expenditures for repairs/improvements to IAL's real estate properties or trust real estate properties are tabulated below. Planned construction expenditures include expenditures to be expensed.

Property name	Location	Purpose	Scheduled construction period	Planned construction expenditures (millions of yen)		
				Total	Spent in the fiscal period ended July 31, 2021	Spent prior to Feb. 2021
i Missions Park Moriya 2	Tsukubamirai City, Ibaraki Prefecture	Berth shutter switch replacement work	Start: May 2022 End: June 2022	6	—	—
i Missions Park Atsugi	Atsugi City, Kanagawa Prefecture	Replace Building A freight elevator UPS	Start: June 2022 End: June 2022	1	—	—
i Missions Park Noda	Noda City, Chiba Prefecture	Install water meter on 4th-floor office	Start: November 2021 End: November 2021	1	—	—
i Missions Park Moriya 2	Tsukubamirai City, Ibaraki Prefecture	Caulk offices' window sash	Start: November 2021 End: November 2021	1	—	—

(2) Capital Expenditures during the Fiscal Period Ended July 31, 2021

Capital expenditures during the fiscal period ended July 31, 2021, were spent mainly on the following construction work on IAL's portfolio properties which total amount is ¥23 million, ¥7 million of repairs are expensed as "operating expenses" in addition to capital expenditure.

Property name	Location	Purpose	Month completed	Amount paid to payee (millions of yen)
i Missions Park Noda	Noda City, Chiba Prefecture	Install LED lightings on 1st-floor east wing warehouse and 2nd-floor west wing warehouse and office	February 2021	11
i Missions Park Moriya 2	Tsukubamirai City, Ibaraki Prefecture	Install LED lighting	June 2021	4
i Missions Park Noda	Noda City, Chiba Prefecture	Install LED lighting in common areas	February 2021	3
i Missions Park Atsugi	Atsugi City, Kanagawa Prefecture	Repair freight elevator	May 2021	3
i Missions Park Moriya 2	Tsukubamirai City, Ibaraki Prefecture	Work to prevent ingress by birds, etc.	April 2021	1
Total				23

(3) Reserves for Long-term Repair Plans

IAL has reserved a portion of its surplus cash flow attributable mainly to depreciation (including in conjunction with internal retention of earnings) as tabulated below to fund major repairs in accordance with medium/long-term repair plans formulated on a property-by-property basis.

	(Millions of yen)				
	2nd fiscal period From February 1, 2019 to July 31, 2019	3rd fiscal period From August 1, 2019 to January 31, 2020	4th fiscal period From February 1, 2020 to July 31, 2020	5th fiscal period From August 1, 2020 to January 31, 2021	6th fiscal period From February 1, 2021 to July 31, 2021
Beginning reserve balance	12	40	71	108	152
Additions	28	30	37	43	47
Drawdowns	—	—	—	—	—
Balance carried forward	40	71	108	152	199

(Note) For IAL's distribution policy and overview of distributions for the fiscal period ended July 31, 2021, refer to "I Fiscal Period Report , 2. Portfolio Performance (4) Earnings and Distributions."

9. Transactions during the Fiscal Period Ended July 31, 2021

(1) Transactions Involving Real Estate, Asset-backed Securities, Infrastructure Assets, Infrastructure-related Assets, Etc.

Property No.	Property name	Acquisition		Sale			
		Acquisition date	Acquisition price (millions of yen) (Note 1)	Sale date	Sale price (millions of yen)	Book value (millions of yen)	Gain/loss on sale (millions of yen)
L-11	i Missions Park Tokyo Adachi	April 1, 2021	10,915	—	—	—	—
L-12	i Missions Park Miyoshi (Note 2)	April 1, 2021	2,320	—	—	—	—
Total			13,235		—	—	—

(Note 1) Acquisition price is contractual purchase price io sales and does not include expenses incurred in acquiring the properties such as brokerage commissions, taxes and other public charges

(Note 2) Acquisition price for i Missions Park Miyoshi is the sum total of acquisition prices of quasi-co-ownership interests that IAL acquired from multiple sellers.

(2) Interested-party Transaction

1) Transaction Status

The status of transactions with interested parties is tabulated below.

Category	Purchase/sale amounts (thousands of yen)	
	Purchases	Sales
Total	13,235,000	—
Itemization of transaction status by interested party		
ITOCHU Corporation	12,075,000 (91.2%)	— (—%)
ITOCHU Property Development, Ltd.	1,160,000 (8.8%)	— (—%)
Total	13,235,000(100.0%)	— (—%)

(Note 1) As used herein, "interested party" is defined as a party that is both an interested party of an asset management company with which IAL has entered into an asset management outsourcing agreement and a party specified in Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000 as amended) or Article 26(1) Item 27 of the Investment Trust Association of Japan's Regulations on Asset Management Reports Related to Investment Trusts and Investment Corporations.

(Note 2) Purchase amounts do not include expenses incurred in acquiring properties, property taxes, city planning taxes or national or local consumption taxes.

2) Payments to Interested Parties

Commissions etc. to interested parties are tabulated below.

Category	Total amount (A) (thousands of yen)	Interested-party Transaction		Share of total (B ÷ A) (%)
		Payee	Amount paid to payee (B) (thousands of yen)	
Property management expenses	45,053	ITOCHU Urban Community Ltd.	26,778	59.4
Other operating expenses	43,708	ITOCHU Corporation	21,421	49.0

II Financial Statements

Balance Sheet

(Thousands of yen)

	5th fiscal period (as of January 31, 2021)	6th fiscal period (as of July 31, 2021)
Assets		
Current assets		
Cash and deposits	2,592,377	2,056,841
Cash and deposits in trust	3,378,321	4,158,986
Operating accounts receivable	54,690	47,114
Consumption taxes receivable	522,720	199,436
Prepaid expenses	50,836	62,749
Total current assets	6,598,946	6,525,128
Non-current assets		
Property, plant and equipment		
Buildings in trust	56,142,882	60,371,130
Accumulated depreciation	(2,298,574)	(2,990,335)
Buildings in trust, net	53,844,307	57,380,795
Structures in trust	2,119,976	2,214,959
Accumulated depreciation	(188,508)	(247,992)
Structures in trust, net	1,931,467	1,966,967
Machinery and equipment in trust	1,572,688	1,666,312
Accumulated depreciation	(107,871)	(139,035)
Machinery and equipment in trust, net	1,464,817	1,527,277
Tools, furniture and fixtures in trust	2,084	3,054
Accumulated depreciation	(498)	(738)
Tools, furniture and fixtures in trust, net	1,585	2,315
Land in trust	39,172,735	48,131,041
Total property, plant and equipment	96,414,913	109,008,398
Intangible assets		
Software	3,104	2,547
Total intangible assets	3,104	2,547
Investments and other assets		
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	151,538	192,572
Deferred tax assets	15	17
Total investments and other assets	161,554	202,590
Total non-current assets	96,579,572	109,213,536
Deferred assets		
Investment corporation bond issuance cost	9,785	8,509
Total deferred assets	9,785	8,509
Total assets	103,188,305	115,747,173

(Thousands of yen)

	5th fiscal period (as of January 31, 2021)	6th fiscal period (as of July 31, 2021)
Liabilities		
Current liabilities		
Operating accounts payable	95,842	19,157
Short-term loans payable	—	433,000
Accounts payable - other	47,917	38,152
Accrued expenses	366,267	447,953
Current portion of long-term loans payable	6,030,000	5,300,000
Income taxes payable	931	967
Advances received	521,253	581,699
Other	24,221	5,353
Total current liabilities	7,086,433	6,826,283
Non-current liabilities		
Investment corporation bonds	1,500,000	1,500,000
Long-term loans payable	27,840,000	40,490,000
Tenant leasehold and security deposits in trust	1,346,310	1,674,231
Other	2,182	923
Total non-current liabilities	30,688,493	43,665,155
Total liabilities	37,774,926	50,491,438
Net assets		
Unitholders' equity		
Unitholders' capital	64,647,572	64,647,572
Deductions from unitholders' capital	(419,124)	(744,993)
Unitholders' capital, net	64,228,447	63,902,578
Surplus		
Retained earnings	1,184,930	1,353,156
Total surplus	1,184,930	1,353,156
Total unitholders' equity	65,413,378	65,255,735
Total net assets	※1 65,413,378	※1 65,255,735
Total liabilities and net assets	103,188,305	115,747,173

The accompanying notes are integral part of these financial statements

Statement of Income

(Thousands of yen)

	5th fiscal period (from August 1, 2020 to January 31, 2021)	6th fiscal period (from February 1, 2021 to July 31, 2021)
Operating revenues		
Leasing business revenues	※1 2,578,905	※1 3,031,868
Other leasing business revenues	※1 27,144	※1 28,057
Total operating revenues	2,606,049	3,059,926
Operating expenses		
Expenses related to leasing business	※1 935,491	※1 1,146,040
Asset management fees	297,722	366,779
Asset custody fee and Administrative service fees	9,574	11,128
Directors' compensations	2,640	2,640
Other operating expenses	37,381	43,708
Total operating expenses	1,282,810	1,570,297
Operating income	1,323,238	1,489,628
Non-operating income		
Interest income	19	25
Interest on tax refund	1,363	214
Subsidy income	—	120
Total non-operating income	1,382	360
Non-operating expenses		
Interest expenses	82,959	98,507
Interest expenses on investment corporation bonds	2,274	2,237
Investment unit issuance expenses	17,622	—
Amortization of investment corporation bond issuance cost	1,276	1,276
Borrowing related cost	18,706	33,130
Other	16,092	991
Total non-operating expenses	138,932	136,143
Ordinary income	1,185,688	1,353,846
Income before income taxes	1,185,688	1,353,846
Income taxes - current	934	971
Income taxes - deferred	(3)	(1)
Total income taxes	931	969
Net income	1,184,757	1,352,876
Retained earnings brought forward	172	279
Unappropriated retained earnings	1,184,930	1,353,156

The accompanying notes are integral part of these financial statements

Statement of Changes in Net Assets

5th fiscal period (from August 1, 2020 to January 31, 2021)

(Thousands of yen)

	Unitholders' equity				
	Unitholders' capital				
	Unitholders' capital	Deductions from unitholders' capital			Unitholders' capital, net
		Allowance for temporary difference adjustment	Other deductions from unitholders' capital	Total deductions from unitholders' capital	
Balance at the beginning of period	49,968,443	(7,142)	(279,642)	(286,785)	49,681,657
Changes during the period					
Issuance of new investment units	14,679,128				14,679,128
Reversals of allowance for temporary difference adjustments		7,142		7,142	7,142
Distributions in excess of retained earnings			(139,482)	(139,482)	(139,482)
Distributions of retained earnings					
Net income					
Total changes during the period	14,679,128	7,142	(139,482)	(132,339)	14,546,789
Balance at the end of period	※1 64,647,572	—	(419,124)	(419,124)	64,228,447

	Unitholders' equity			Total net assets
	Surplus		Total unitholders' equity	
	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at the beginning of period	1,046,383	1,046,383	50,728,041	50,728,041
Changes of items during the period				
Issuance of new investment units			14,679,128	14,679,128
Reversals of allowance for temporary difference adjustments	(7,142)	(7,142)	—	—
Distributions in excess of retained earnings			(139,482)	(139,482)
Distributions of retained earnings	(1,039,068)	(1,039,068)	(1,039,068)	(1,039,068)
Net income	1,184,757	1,184,757	1,184,757	1,184,757
Total changes during the period	138,546	138,546	14,685,336	14,685,336
Balance at the end of period	1,184,930	1,184,930	65,413,378	65,413,378

6th fiscal period (from February 1, 2021 to July 31, 2021)

(Thousands of yen)

	Unitholders' equity						Total net assets
	Unitholders' capital			Surplus		Total unitholders' equity	
	Unitholders' capital	Total deductions from unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at the beginning of period	64,647,572	(419,124)	64,228,447	1,184,930	1,184,930	65,413,378	65,413,378
Changes during the period							
Distributions in excess of retained earnings		(325,868)	(325,868)			(325,868)	(325,868)
Distributions of retained earnings				(1,184,650)	(1,184,650)	(1,184,650)	(1,184,650)
Net income				1,352,876	1,352,876	1,352,876	1,352,876
Total changes during the period	—	(325,868)	(325,868)	168,226	168,226	(157,642)	(157,642)
Balance at the end of period	※1 64,647,572	(744,993)	63,902,578	1,353,156	1,353,156	65,255,735	65,255,735

The accompanying notes are integral part of these financial statements

Statement of Cash Distributions

(Yen)

	5th fiscal period From August 1, 2020 to January 31, 2021	6th fiscal period From February 1, 2021 to July 31, 2021
I. Unappropriated retained earnings	1,184,930,589	1,353,156,595
II. Additional distributable amount in excess of retained earnings		
Deductions from unitholders' capital	325,868,961	142,830,226
III Distributions	1,510,519,659	1,495,516,484
[Distributions per unit]	[2,517]	[2,492]
Of which, earnings distributions	1,184,650,698	1,352,686,258
[Earnings distributions per unit]	[1,974]	[2,254]
Of which, Distributions in excess of retained earnings	325,868,961	142,830,226
[Distributions in excess of retained earnings per unit]	[543]	[238]
IV. Retained earnings carried forward	279,891	470,337

Distribution amount calculation method	<p>Under the distribution policy established in Paragraph 1, Article 39 of the certificate of incorporation of IAL, 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. Based on this policy, IAL decided to distribute ¥1,184,650,698, the maximum integral multiple of the total number of investment units outstanding, which does not exceed the unappropriated retained earnings. Based on the cash distribution policy established in Paragraph 2, Article 39 of the certificate of incorporation of IAL, IAL continuously distributes cash in excess of profit (contribution refunds that fall under distributions accompanying a decrease in capital under tax law) in every period.</p> <p>Under this policy, IAL has decided to distribute ¥325,868,961, as distributions in excess of earnings (contribution refunds that fall under distributions accompanying a decrease in capital under tax law).</p>	<p>Under the distribution policy established in Paragraph 1, Article 39 of the certificate of incorporation of IAL, 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. Based on this policy, IAL decided to distribute ¥1,352,686,258, the maximum integral multiple of the total number of investment units outstanding, which does not exceed the unappropriated retained earnings. Based on the cash distribution policy established in Paragraph 2, Article 39 of the certificate of incorporation of IAL, IAL continuously distributes cash in excess of profit (contribution refunds that fall under distributions accompanying a decrease in capital under tax law) in every period.</p> <p>Under this policy, IAL has decided to distribute ¥142,830,226, 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 integral part of these financial statements

Statement of Cash Flows

(Thousands of yen)

	5th fiscal period From August 1, 2020 to January 31, 2021	6th fiscal period From February 1, 2021 to July 31, 2021
Cash flows from operating activities		
Income before income taxes	1,185,688	1,353,846
Depreciation costs	702,516	783,205
Investment unit issuance expenses	17,622	—
Amortization of investment corporation bond issuance expenses	1,276	1,276
Interest income	(19)	(25)
Interest expenses	82,959	98,507
Decrease (increase) in operating accounts receivable	6,289	7,576
Decrease (increase) in consumption taxes refund receivable	916,320	323,283
Decrease (increase) in prepaid expenses	(3,410)	(11,912)
Decrease (increase) in long-term prepaid expenses	6,079	(41,034)
Increase (decrease) in operating accounts payable	79,535	(76,684)
Increase (decrease) in accrued expenses	24,302	81,643
Increase (decrease) in advances received	72,591	60,446
Other	19,271	(21,565)
Subtotal	3,111,024	2,558,561
Interest income received	19	25
Interest expenses paid	(82,579)	(98,464)
Income taxes paid	(866)	(935)
Net cash provided by (used in) operating activities	3,027,597	2,459,186
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(14,202,548)	(13,385,897)
Net cash provided by (used in) investing activities	(14,202,548)	(13,385,897)
Cash flows from financing activities		
Increase in short-term loans payable	—	433,000
Repayments of short-term loans payable	(1,513,000)	—
Proceeds from long-term loans payable	730,000	12,650,000
Repayments of long-term loans payable	—	(730,000)
Proceeds from issuance of investment units	14,661,506	—
Distributions paid	(1,178,133)	(1,509,081)
Net cash provided by (used in) financing activities	12,700,373	10,843,918
Net increase (decrease) in cash and cash equivalents	1,525,422	(82,792)
Cash and cash equivalents at the beginning of period	3,098,966	4,624,388
Cash and cash equivalents at the end of period	※1 4,624,388	※1 4,541,595

The accompanying notes are integral part of these financial statements

III Notes to Financial Statements

1 Organization

IAL 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 IAL’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 IAL 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, IAL 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 IAL and the Asset Management Company. IAL’s sponsors as of July 31, 2021, 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) IAL 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 IAL’s assets. Such a virtuous cycle of cooperation between IAL 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, 200 consolidated subsidiaries and 80 equity-method affiliates (as of June 30, 2021).

2 Basis of Presentation of Financial Statements

The accompanying financial statements are an English translation of the audited financial statements of IAL 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.

IAL 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.

IAL’s six-month fiscal periods end at either the end of January or July.

3 Significant Accounting Policies

<p>1. Non-current asset depreciation and amortization methods</p>	<p>(1) Property, plant and equipment (including assets in trust)</p> <p>Depreciated using the straight-line method</p> <p>Buildings 3 to 62 years</p> <p>Structures 14 to 46 years</p> <p>Machinery and equipment 5 to 29 years</p> <p>Tools, furniture and fixtures 5 to 6 years</p> <p>(2) Intangible assets</p> <p>Intangible assets are amortized by the straight-line method over the following useful lives.</p> <p>Software 5 years</p> <p>(3) Long-term prepaid expenses</p> <p>Long-term prepaid expenses are amortized by the straight-line method.</p>
<p>2. Deferred asset accounting treatment</p>	<p>(1) Investment corporation bond issuance costs</p> <p>Amortized by the straight-line method over the period from issuance to redemption of the bonds.</p> <p>(2) Investment unit issuance costs</p> <p>Fully expensed when paid.</p>
<p>3. Revenue and expense recognition</p>	<p>Treatment of property taxes</p> <p>Property taxes, city planning taxes, depreciable asset taxes and other taxes assessed on IAL's real estate and other asset holdings are expensed as a leasing business expense prorated by fiscal period.</p> <p>Such taxes paid to a seller at settlement in conjunction with a property acquisition are capitalized and added to the property's acquisition costs, not expensed as a leasing business expense.</p> <p>Property taxes, etc. capitalized and added to the property's acquisition costs were 10,413 thousand yen in the previous period , and 41,330 thousand yen in the current fiscal period.</p>
<p>4. Hedge accounting</p>	<p>(1) Hedge accounting method</p> <p>Hedges are accounted for by the deferral method, except that interest rate swaps qualifying for special accounting treatment are accounted for accordingly.</p> <p>(2) Hedging instruments and hedged items</p> <p>Hedging method</p> <p>Interest rate swaps</p> <p>Hedged items:</p> <p>Borrowing rates</p> <p>(3) Hedging policy</p> <p>IAL engages in derivative trades to hedge risks stipulated in its Articles of Incorporation in accordance with its Risk Management Policy.</p> <p>(4) Hedge effectiveness assessment method</p> <p>IAL does not assess hedge effectiveness because its interest rate swaps qualify for special accounting treatment that does not require assessment of hedge effectiveness.</p>
<p>5. Definition of cash (cash and cash equivalents) on the Statement of Cash Flows</p>	<p>Cash on the Statement of Cash Flows comprises cash on hand, cash in trust, demand deposits, demand deposits in trust and short-term investments that mature within three months of their acquisition date, and are readily convertible into cash and entail negligible risk of price changes.</p>
<p>6. Other matters fundamental to preparation of</p>	<p>(1) Accounting treatment of trust beneficiary interests that hold real estate</p>

<p>financial statements</p>	<p>For real estate trust beneficiary interests and other asset holdings held in trust, all asset, liability, revenue and expense accounts associated with said assets are included in the corresponding line item in the Balance Sheet or Statement of Income.</p> <p>Of trust assets presented on the Balance Sheet, the following significant assets are presented as separate line items.</p> <ol style="list-style-type: none"> 1) Cash and deposits in trust 2) Buildings in trust; structures in trust; machinery and equipment in trust; tools, furniture and fixtures in trust; and land in trust 3) Tenant leasehold and security deposits in trust <p>(2) Tax treatment of consumption taxes</p> <p>National and local consumption taxes are recorded separately.</p>
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4 Notes to Accounting standards not yet applied

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) No. 29, issued on March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ No. 30, issued on March 26, 2021)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ No. 19, issued on March 31, 2020)

(1) Overview

The International Accounting Standard Board ("IASB") and the Financial Accounting Standards Board ("FASB") have jointly developed the new and comprehensive accounting standard for revenue recognition, and have published "Revenue from Contracts with Customers" (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. As IFRS 15 shall be adopted in the IFRS-based financial statements for periods beginning on or after January 1, 2018, and in the U.S. GAAP-based financial statements for periods beginning after December 15, 2017, ASBJ has developed and published the comprehensive accounting standard and implementation guidance for revenue recognition accordingly.

As the basic policy of ASBJ for the development of new accounting standard for revenue recognition, from the point of view of the comparability between the financial statements based on IFRS or U.S. GAAP and Japanese GAAP as a benefit for the consistency with IFRS 15, the accounting standard in Japan have been established while adopting the basic principal of IFRS 15, and in the case that there is an item that the actual practice conducted in Japan is considered, the alternate treatment are added within the scope not to fail the comparability.

(2) Scheduled date of application

Application of the standards commenced at the beginning of the fiscal period ending January 2022.

(3) Impact of the adoption of the accounting standards

IAL is currently evaluating the effect of the adoption of these accounting standards and implementation guidance's on its financial statements.

5 Notes to changes in presentation

(Application of Accounting Standard for Disclosure of Accounting Estimates)

IAL adopted Accounting Standard for Disclosure of Accounting Estimates (ASBJ No. 31, issued on March 31, 2020) to the financial statements for the six-month period ended July 2021, and therefore significant accounting estimates are disclosed in the Note to financial statements.

6 Notes to Significant Accounting Estimates

Impairment loss on investment and rental properties

(1) Amounts recorded in the financial statements in the fiscal period ended July 2021

(Thousands of yen)

	Amount
Property, plant and equipment	109,008,398
Intangible assets	2,547
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, IAL 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 IAL are regarded as a single asset group, and judgment is made whether it is required to recognize impairment losses when indications of impairment are deemed to exist for the group due to continuous operating losses, a significant decline in the market value and significant deterioration of the business environment, etc.

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

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

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

7 Notes to Balance Sheet

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

	5th fiscal period As of January 31, 2021	6th fiscal period As of July 31, 2021
	50,000	50,000

2. Breakdown of allowance for temporary difference adjustments

5th fiscal period (from August 1, 2020 to January 31, 2021)

1. Reason for reversal, resultant asset and amount of provision

(Thousands of yen)

Resultant asset	Reason for provision	Initial amount	Balance at the beginning of period	Provisions in 6th fiscal period	Reversals in 6th fiscal period	Balance at the end of period	Reason for reversal
Insurance claim income	Insurance premium net recorded in the net income but recognized as revenue for income tax calculation	7,142	7,142	—	7,142	—	Recognition of insurance claim income
Total		7,142	7,142	—	7,142	—	—

2. Specific reversal method

The provision was reversed upon recognition of insurance claim income.

6th fiscal period (from February 1, 2021 to July 31, 2021)

Not applicable

8 Notes to Statement of Income

*1 Breakdown of real estate leasing business revenues and expenses

(Thousands of yen)

	5th fiscal period		6th fiscal period	
	From August 1, 2020		From February 1, 2021	
	to January 31, 2021		to July 31, 2021	
A. Real estate leasing business revenues				
Leasing business revenues				
Leasing revenues	2,552,441		3,005,404	
Common area charge income	26,463	2,578,905	26,463	3,031,868
Other leasing business revenues				
Utility service revenues	19,833		19,651	
Parking revenues	4,853		5,070	
Other revenues	2,457	27,144	3,334	28,057
Total real estate leasing business revenues		2,606,049		3,059,926
B. Real estate leasing business expenses				
Expenses related to leasing business				
Property management fees	39,367		45,053	
Utility expenses	23,157		23,155	
Repair expenses	792		7,069	
Taxes and public dues	160,274		276,622	
Depreciation costs	701,959		782,647	
Insurance premiums	7,790		8,783	
Trust fees	2,055		2,584	
Other leasing business expenses	94		124	
Total real estate leasing business expenses		935,491		1,146,040
C. Real estate leasing business income (A-B)		1,670,558		1,913,885

9 Notes to Statement of Changes in Net Assets

*1 Total number of investment units authorized and outstanding

	5th fiscal period From August 1, 2020 to January 31, 2021	6th fiscal period From February 1, 2021 to July 31, 2021
Total authorized investment units	10,000,000 units	10,000,000 units
Total investment units outstanding	600,127 units	600,127 units

10 Notes to Statement of Cash Flows

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

	5th fiscal period From August 1, 2020 to January 31, 2021	6th fiscal period From February 1, 2021 to July 31, 2021
		(Thousands of yen)
Cash and deposits	2,592,377	2,056,841
Cash and deposits in trust	3,378,321	4,158,986
Use-restricted deposits in trust (Note)	(1,346,310)	(1,674,231)
Cash and cash equivalents	4,624,388	4,541,595

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

11 Notes to Leases

Operating lease transactions (lessor side)

Future minimum rent

	5th fiscal period As of January 31, 2021	6th fiscal period As of July 31, 2021
		(Thousands of yen)
Within 1 year	5,421,342	6,228,314
More than 1 year	25,608,522	27,106,611
Total	31,029,864	33,334,925

12 Notes to Financial Instruments

1. Matters related to the status of concerning financial instruments

(1) Policy for financial instruments

IAL raises funds through such means as borrowing from financial institutions, issuing investment corporation bonds (including short-term investment corporation bonds) and issuing investment units to ensure stable medium/long-term earnings, steady growth in assets under management and its portfolio properties' operational stability.

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.

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

IAL uses proceeds of borrowings and investment corporation bond issuance 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. IAL 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 an increase in the interest rate payable on them. IAL limits such interest rate risk by using derivatives (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 IAL is obligated to refund them to tenants when the tenants vacate their leased premises. When IAL 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.

(3) Supplemental explanation about matters related to the fair value of financial instruments

The fair value of financial instruments includes value based on market prices or amounts rationally calculated if no market price is available. Certain preconditions apply in the calculation of such values, 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.

5th fiscal period (As of January 31, 2021)

	Book value (thousands of yen)	Fair value (thousands of yen)	Difference (thousands of yen)
(1) Cash and deposits	2,592,377	2,592,377	—
(2) Cash and deposits in trust	3,378,321	3,378,321	—
(3) Short-term loans payable	—	—	—
(4) Current portion of long-term loans payable	(6,030,000)	(6,040,309)	10,309
(5) Investment corporation bonds	(1,500,000)	(1,499,550)	—450
(6) Long-term loans payable	(27,840,000)	(28,380,345)	540,345
(7) Derivatives	—	—	—

6th fiscal period (As of July 31, 2021)

	Book value (thousands of yen)	Fair value (thousands of yen)	Difference (thousands of yen)
(1) Cash and deposits	2,056,841	2,056,841	—
(2) Cash and deposits in trust	4,158,986	4,158,986	—
(3) Short-term loans payable	(433,000)	(433,000)	—
(4) Current portion of long-term loans payable	(5,300,000)	(5,301,318)	1,318
(5) Investment corporation bonds	(1,500,000)	(1,500,150)	150
(6) Long-term loans payable	(40,490,000)	(41,243,145)	753,145
(7) Derivatives	—	—	—

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

(Note 2) Fair value measurement methods for financial instruments

(1) Cash and deposits and (2) Cash and deposits in trust

The book value is used as the fair value of these assets, given that the fair value is equivalent to the amount of the book value, as it is settled in a short time.

(3) Short-term loans payable

The book value is used as the fair value of these assets, given that the fair value is equivalent to the amount of the book value, as it is settled in a short time.

(5) 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 IAL could hypothetically issue the same bonds as of the measurement date.

(4) Current portion of long-term loans payable, (6) 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 IAL 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.

(7) Derivatives

Please refer to "Fair values of Derivatives" below.

(Note 3) Financial instruments whose fair value measurement is deemed extremely difficult to estimate

5th fiscal period (As of January 31, 2021)

(Thousands of yen)

Category	Book value
Tenant leasehold and security deposits in trust	1,346,310

6th fiscal period (As of July 31, 2021)

(Thousands of yen)

Category	Book value
Tenant leasehold and security deposits in trust	1,674,231

IAL does not disclose the fair value of tenant leasehold and security deposits in trust because measurement of their fair value is deemed unfeasible as a result of an absence of market prices and uncertainty surrounding the timing of their prospective refund to tenants, the latter of which precludes rational estimation of their future cash flows' present value.

(Note 4) Redemption schedule for monetary claims after the balance sheet date

5th fiscal period (As of January 31, 2021)

(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
Cash and deposits	2,592,377	—	—	—	—	—
Cash and deposits in trust	3,378,321	—	—	—	—	—
Total	5,970,698	—	—	—	—	—

6th fiscal period (As of July 31, 2021)

(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
Cash and deposits	2,056,841	—	—	—	—	—
Cash and deposits in trust	4,158,986	—	—	—	—	—
Total	6,215,827	—	—	—	—	—

(Note 5) Loans payable and investment corporation bonds debt's maturity schedule as of January 31, 2020

5th fiscal period (As of January 31, 2021)

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Investment corporation bonds	—	—	—	1,500,000	—	—
Long-term loans payable	6,030,000	1,750,000	—	5,120,000	3,950,000	17,020,000
Total	6,030,000	1,750,000	—	6,620,000	3,950,000	17,020,000

6th fiscal period (As of July 31, 2021)

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Investment corporation bonds	—	—	—	1,500,000	—	—
Long-term loans payable	5,300,000	1,750,000	—	9,070,000	5,000,000	24,670,000
Total	5,300,000	1,750,000	—	10,570,000	5,000,000	24,670,000

13 Notes to Securities

5th fiscal period (As of January 31, 2021)

Not applicable

6th fiscal period (As of July 31, 2021)

Not applicable

14 Notes to Derivative Transactions

(1) Derivatives not applying hedge accounting

5th fiscal period (As of January 31, 2021)

Not applicable

6th fiscal period (As of July 31, 2021)

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.

5th fiscal period (As of January 31, 2021)

(Thousands of yen)

Hedge accounting method	Type of derivative transactions	Main hedged item	Contracted value		Fair value	Fair value measurement method
				Of which, maturity more than 1 year		
Interest rate swap special treatment	Interest rate swaps Receive floating, pay fixed	Long-term loans payable	32,140,000	26,840,000	(Note)	—

(Note) Fair value for interest rate swaps with this special treatment is included in the fair value of "Current portion of long-term loans payable and Long-term loans payable" in "12. Financial Instruments, 2 Matters regarding fair value of financial instruments" described above, as it is accounted for as a single unit with the hedged long-term loans payable.

6th fiscal period (As of July 31, 2021)

(Thousands of yen)

Hedge accounting method	Type of derivative transactions	Main hedged item	Contracted value		Fair value	Fair value measurement method
				Of which, maturity more than 1 year		
Interest rate swap special treatment	Interest rate swaps Receive floating, pay fixed	Long-term loans payable	44,790,000	39,490,000	(Note)	—

(Note) Fair value for interest rate swaps with this special treatment is included in the fair value of "Current portion of long-term loans payable and Long-term loans payable" in "12. Financial Instruments, 2 Matters regarding fair value of financial instruments" described above, as it is accounted for as a single unit with the hedged long-term loans payable.

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

5th fiscal period (from August 1, 2020 to January 31, 2021)

Not applicable

6th fiscal period (from February 1, 2021 to July 31, 2021)

Not applicable

16 Notes to Transactions with Related parties

1. Parent company and main corporate unitholders, and other.

5th fiscal period (from August 1, 2020 to January 31, 2021)

Not applicable

6th fiscal period (from February 1, 2021 to July 31, 2021)

Not applicable

2. Affiliated companies, and other.

5th fiscal period (from August 1, 2020 to January 31, 2021)

Not applicable

6th fiscal period (from February 1, 2021 to July 31, 2021)

Not applicable

3. Fellow subsidiary companies and other.

5th fiscal period (from August 1, 2020 to January 31, 2021)

Not applicable

6th fiscal period (from February 1, 2021 to July 31, 2021)

Not applicable

4. Directors and major individual unitholders, and other.

5th fiscal period (from August 1, 2020 to January 31, 2021)

Instrument	Name	Location	Capital or amount invested (Millions of yen)	Nature of business	Percentage of voting rights owned	Relationships with related parties	Nature of transaction(s)	Transaction value (thousands of yen) (Note 2)	Account	Balance at end of period (thousands of yen) (Note 2)
Directors and their immediate relatives	Junichi Shoji	—	—	Executive Director of IAL and the President of ITOCHU REIT Management Co., Ltd.	0.00%	Asset manager	Asset management fees (Note 3) (Note 4)	368,158	Accrued expenses	327,495

Transaction terms and policy for setting transaction terms

(Note 1) Within disclosed transactions with related parties, the table above indicates transactions with related parties that include significant transactions.

(Note 2) The above transaction amounts and balances do not include consumption taxes, but the balance at the end of the period does include consumption taxes

(Note 3) These are transactions conducted by IAL's Executive Director Junichi Shoji acting as the representative of a third party (ITOCHU REIT Management Co., Ltd.), compensation for which complies with the conditions set out in IAL's Articles of Incorporation.

(Note 4) Asset management fees, etc. includes 70,435 thousand yen of management fees related to property acquisitions added to the book value of individual properties.

(Note 5) Transaction terms are set based on market pricing/terms.

6th fiscal period (from February 1, 2021 to July 31, 2021)

Instrument	Name	Location	Capital or amount invested (millions of yen)	Nature of business	Percentage of voting rights owned	Relationships with related parties	Nature of transaction(s)	Transaction value (thousands of yen) (Note 2)	Account	Balance at end of period (thousands of yen) (Note 2)
Directors and their immediate relatives	Junichi Shoji	—	—	Executive Director of IAL and the President of ITOCHU REIT Management Co., Ltd.	0.00%	Asset manager	Asset management fees (Note 3) (Note 4)	432,954	Accrued expenses	403,457

Transaction terms and policy for setting transaction terms

(Note 1) Within disclosed transactions with related parties, indicates transactions with related parties that include significant transactions.

(Note 2) The above transaction amounts and balances do not include consumption taxes, but the balance at the end of the period does include consumption taxes

(Note 3) These are transactions conducted by Executive Director of IAL Junichi Shoji (ITOCHU REIT Management Co., Ltd.) acting as the representative of a third party, compensation for which complies with the conditions set out in IAL's Articles of Incorporation.

(Note 4) Asset management fees, etc. includes 66,175 thousand yen of management fees related to property acquisitions added to the book value of individual properties.

(Note 5) Transaction terms are set based on market pricing/terms.

17 Notes to Tax Effect Accounting

1. Breakdown of deferred tax assets and liabilities

(Thousands of yen)

	5th fiscal period As of January 31, 2021	6th fiscal period As of July 31, 2021
Deferred tax assets		
Accrued business taxes, currently deductible	15	17
Total deferred tax assets	15	17
Net deferred tax assets	15	17

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

(%)

	5th fiscal period As of January 31, 2021	6th fiscal period As of July 31, 2021
Statutory effective tax rate	31.46	31.46
(Adjustments)		
Deductible distributions paid	(31.43)	(31.43)
Other	0.05	0.04
Effective tax rate after application of deferred tax accounting	0.08	0.07

18 Notes to Retirement Benefits

5th fiscal period (from August 1, 2020 to January 31, 2021)
Not applicable

6th fiscal period (from February 1, 2021 to July 31, 2021)
Not applicable

19 Notes to Asset Retirement Obligations

5th fiscal period (from August 1, 2020 to January 31, 2021)
Not applicable

6th fiscal period (from February 1, 2021 to July 31, 2021)
Not applicable

20 Notes to Segment Information

1. Segment Information

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

2. Related information

5th fiscal period (from August 1, 2020 to January 31, 2021)

(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 geographical area

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
Undisclosed (Note)	Undisclosed (Note)	Real estate leasing business
Hitachi Transport System Metropolitan Co., Ltd.	Undisclosed (Note)	Real estate leasing business

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

6th fiscal period (from February 1, 2021 to July 31, 2021)

(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
Undisclosed (Note)	Undisclosed (Note)	Real estate leasing business
Hitachi Transport System Metropolitan Co., Ltd.	Undisclosed (Note)	Real estate leasing business

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

21 Notes to Fair Value of Investment and rental properties

IAL owns rental logistics properties in the Kanto and Kansai areas^(Note 1) to earn rental revenues. Its rental properties' carrying value and fair value at July 31, 2020, and the change in their carrying value over the preceding six months are tabulated below.

(Thousands of yen)

		5th fiscal period From August 1, 2020 to January 31, 2021	6th fiscal period From February 1, 2021 to July 31, 2021
Book value			
(Note 2)	Balance at the beginning of period	82,941,782	96,414,913
	Changes during the period (Note 3)	13,473,131	12,593,484
	Balance at the end of period	96,414,913	109,008,398
Fair value at the end of period (Note 4)		108,412,000	124,516,000

(Note 1) As used herein, "Kanto area" denotes Tokyo Metropolis and Kanagawa, Chiba, Saitama and Ibaraki Prefectures; "Kansai area" denotes Osaka, Kyoto, Hyogo, Nara and Shiga Prefectures.

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

(Note 3) The changes in rental properties' book value during the period was mainly the net result of a 14,175,090 thousand yen increase due to acquisitions of trust beneficiary interests in two properties (one of which was an acquisition of an additional interest in an existing portfolio property) and a 701,959 thousand yen reduction due to depreciation. The change in rental properties' book value during the period was mainly the result of a 13,352,377 thousand yen increase due to acquisitions of trust beneficiary interests in two properties and a 782,647 thousand yen reduction due to depreciation.

(Note 4) Fair value at July 31, 2021, 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.

22 Notes to Per unit Information

(Yen)

	5th fiscal period From August 1, 2020 to January 31, 2021	6th fiscal period From February 1, 2021 to July 31, 2021
Net assets per unit	108,999	108,736
Net income per unit	2,232	2,254

(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.

	5th fiscal period From August 1, 2020 to January 31, 2021	6th fiscal period From February 1, 2021 to July 31, 2021
Net income (thousands of yen)	1,184,757	1,352,876
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income applicable to common units (Thousands of yen)	1,184,757	1,352,876
Average units outstanding during the period (Units)	530,735	600,127

23 Note to Significant Subsequent Events

Not applicable

IV Supplementary schedules

1 Schedule of Securities

Not applicable

2 Schedule of Contract amounts and fair values of derivative transactions

(Thousands of yen)

Category	Type	Contract Amount (Note 1)		Fair value (Note 2) (Note 3)
			Amount over 1 year	
Transactions other than market transactions	Interest rate swap transactions Floating rate receipt, Fixed rate payment	44,790,000	39,490,000	(278,477)
Total		44,790,000	39,490,000	(278,477)

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

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

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

3 Schedule of Property, plant and equipment

(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	56,142,882	4,228,248	—	60,371,130	2,990,335	691,760	57,380,795	(Note)
	Structures in trust	2,119,976	94,982	—	2,214,959	247,992	59,483	1,966,967	
	Machinery and equipment in trust	1,572,688	93,624	—	1,666,312	139,035	31,163	1,527,277	
	Tools, furniture and fixtures in trust	2,084	970	—	3,054	738	239	2,315	
	Land in trust	39,172,735	8,958,306	—	48,131,041	—	—	48,131,041	(Note)
	Total	99,010,366	13,376,132	—	112,386,498	3,378,100	782,647	109,008,398	

(Note) The main component of the increase in property, plant and equipment during the fiscal period ended July 31, 2021 was the acquisition of the following properties:

i Missions Park Tokyo Adachi

i Missions Miyoshi

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

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

(Thousands of yen)

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

6 Schedule of Loans payable

(Thousands of yen)

	Category	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 1)	Maturity date	Purpose of repayment	Remarks
	Lender								
Short-term loans payable	Sumitomo Mitsui Banking Corporation	—	433,000	—	433,000	0.22558% (Floating rate)	March 31, 2022	(Note 3)	Unsecured and non-guaranteed
	Subtotal	—	433,000	—	433,000				
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	2,300,000	—	—	2,300,000	0.23505% (Fixed rate) (Note 4)	September 7, 2021	(Note 3)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	1,600,000	—	—	1,600,000				
	Sumitomo Mitsui Trust Bank, Limited	1,400,000	—	—	1,400,000				
	Sumitomo Mitsui Banking Corporation	730,000	—	730,000	—	0.22937% (Floating rate)	November 22, 2021 (Note 2)	(Note 3)	
	Subtotal	6,030,000	—	730,000	5,300,000				
long-term loans payable	Sumitomo Mitsui Banking Corporation	1,270,000	—	—	1,270,000	0.53660% (Fixed rate) (Note 4)	September 9, 2024	(Note 3)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	650,000	—	—	650,000				
	Sumitomo Mitsui Trust Bank, Limited	1,050,000	—	—	1,050,000				
	MUFG Bank, Ltd.	950,000	—	—	950,000				
	Development Bank of Japan Inc.	600,000	—	—	600,000				
	Mizuho Trust & Banking Co., Ltd.	600,000	—	—	600,000				
	Sumitomo Mitsui Banking Corporation	1,400,000	—	—	1,400,000	0.72645% (Fixed rate) (Note 4)	September 7, 2026	(Note 3)	
	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000				
	Sumitomo Mitsui Trust Bank, Limited	1,500,000	—	—	1,500,000				
	MUFG Bank, Ltd.	1,600,000	—	—	1,600,000				
	Sumitomo Mitsui Banking Corporation	500,000	—	—	500,000	0.91670% (Fixed rate) (Note 4)	September 7, 2028	(Note 3)	
	Mizuho Bank, Ltd.	500,000	—	—	500,000				
	Development Bank of Japan Inc.	500,000	—	—	500,000				
	Sumitomo Mitsui Banking Corporation	1,510,000	—	—	1,510,000	0.55000% (Fixed rate) (Note 4)	March 31, 2027	(Note 3)	
	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000				
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	—	—	1,000,000				
	MUFG Bank, Ltd.	1,000,000	—	—	1,000,000				
	Development Bank of Japan Inc.	300,000	—	—	300,000				
	Mizuho Trust & Banking Co., Ltd.	210,000	—	—	210,000				
	MUFG Bank, Ltd.	540,000	—	—	540,000				
Sumitomo Mitsui Trust Bank, Limited	325,000	—	—	325,000	0.13800% (Fixed rate) (Note 4)	January 31, 2023	(Note 3)		
The Bank of Fukuoka, Ltd.	300,000	—	—	300,000					
Sumitomo Mitsui Banking Corporation	230,000	—	—	230,000					
The Norinchukin Bank	200,000	—	—	200,000					
Mizuho Bank, Ltd.	155,000	—	—	155,000					

	Category	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 1)	Maturity date	Purpose of repayment	Remarks
	Lender								
long-term loans payable	Sumitomo Mitsui Banking Corporation	750,000	—	—	750,000	0.27400% (Fixed rate) (Note 4)	February 3, 2025	(Note 3)	Unsecured and non-guaranteed
	Mizuho Trust & Banking Co., Ltd.	750,000	—	—	750,000				
	Sumitomo Mitsui Trust Bank, Limited	650,000	—	—	650,000				
	Mizuho Bank, Ltd.	500,000	—	—	500,000				
	The Norinchukin Bank	400,000	—	—	400,000				
	The Bank of Fukuoka, Ltd.	400,000	—	—	400,000				
	Shinsei Bank, Limited	300,000	—	—	300,000				
	MUFG Bank, Ltd.	200,000	—	—	200,000				
	Sumitomo Mitsui Banking Corporation	900,000	—	—	900,000	0.52220% (Fixed rate) (Note 4)	March 31, 2028	(Note 3)	
	Sumitomo Mitsui Trust Bank, Limited	900,000	—	—	900,000				
	Mizuho Bank, Ltd.	900,000	—	—	900,000				
	MUFG Bank, Ltd.	800,000	—	—	800,000				
	Mizuho Trust & Banking Co., Ltd.	200,000	—	—	200,000				
	Shinsei Bank, Limited	200,000	—	—	200,000				
	The Norinchukin Bank	100,000	—	—	100,000				
	Nippon Life Insurance Company	1,000,000	—	—	1,000,000	0.70000% (Fixed rate)	January 31, 2030	(Note 3)	
	Sumitomo Mitsui Banking Corporation	—	1,330,000	—	1,330,000	0.28900% (Fixed rate) (Note 4)	September 30, 2025	(Note 3)	
	Sumitomo Mitsui Trust Bank, Limited	—	1,030,000	—	1,030,000				
	Mizuho Bank, Ltd.	—	960,000	—	960,000				
	MUFG Bank, Ltd.	—	800,000	—	800,000				
	Mizuho Trust & Banking Co., Ltd.	—	280,000	—	280,000				
	Shinsei Bank, Limited	—	200,000	—	200,000				
	The Norinchukin Bank	—	200,000	—	200,000				
	The Bank of Fukuoka, Ltd.	—	200,000	—	200,000				
	Sumitomo Mitsui Banking Corporation	—	1,330,000	—	1,330,000	0.43800% (Fixed rate) (Note 4)	September 30, 2027	(Note 3)	
	Sumitomo Mitsui Trust Bank, Limited	—	1,030,000	—	1,030,000				
	Mizuho Bank, Ltd.	—	960,000	—	960,000				
	MUFG Bank, Ltd.	—	800,000	—	800,000				
	Mizuho Trust & Banking Co., Ltd.	—	280,000	—	280,000				
	Shinsei Bank, Limited	—	200,000	—	200,000				
The Norinchukin Bank	—	200,000	—	200,000					
The Bank of Fukuoka, Ltd.	—	200,000	—	200,000					
Sumitomo Mitsui Banking Corporation	—	750,000	—	750,000	0.56000% (Fixed rate) (Note 4)	March 30, 2029	(Note 3)		
Sumitomo Mitsui Trust Bank, Limited	—	560,000	—	560,000					
Mizuho Bank, Ltd.	—	500,000	—	500,000					
MUFG Bank, Ltd.	—	400,000	—	400,000					
Mizuho Trust & Banking Co., Ltd.	—	140,000	—	140,000					
Shinsei Bank, Limited	—	100,000	—	100,000					
The Norinchukin Bank	—	100,000	—	100,000					
The Bank of Fukuoka, Ltd.	—	100,000	—	100,000					
Subtotal		27,840,000	12,650,000	—	40,490,000				
Total		33,870,000	13,083,000	730,000	46,223,000				

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

(Note 2) Repaid before maturity on May 31, 2021.

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

(Note 4) Interest rates on floating-rate borrowings hedged with interest rate swaps to avoid interest-rate risk are shown reflecting the effect of the interest rate swap after converting to fixed rates.

(Note 5) The 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	5,300,000	1,750,000	—	9,070,000	5,000,000



Independent Auditor's Report

To the Board of Directors of ITOCHU Advance Logistics Investment Corporation

Opinion

We have audited the financial statements of ITOCHU Advance Logistics Investment Corporation (the Company), which comprise the balance sheet as at July 31, 2021, and the statement of income, statement of changes in net assets, statement of cash distributions and statement of cash flows for the six months period then ended, and notes to financial statements and supplementary schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2021, 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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



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

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

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

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

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

Mitsuo Tsuruta

Designated Engagement Partner
Certified Public Accountant

Takashi Yabutani

Designated Engagement Partner
Certified Public Accountant

October 22, 2021