

Advance Logistics Investment Corporation
Summary of Financial Results (Unaudited)
For the Eighth Fiscal Period Ended July 31, 2022
(For the Reporting Period from February 1, 2022 to July 31, 2022)
(Translated from the Japanese original)

Corporate Information

Code: 3493 Listing: Tokyo Stock Exchange

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

Representative: Junichi Shoji, Executive Director

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

Representative: Junichi Shoji, Representative Director, President & CEO

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Scheduled date to file securities report (Japanese only): October 27, 2022

Scheduled date to commence payment of distributions: October 17, 2022

Preparation of supplementary material on financial results: Yes

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

1. Financial Results and Forecasts

(Amounts rounded to the nearest million yen)

1. Financial Results for the Fiscal Period Ended July 2022 (from February 1, 2022 to July 31, 2022)

(1) Operating conditions (Percentages represent changes from the previous period (Note1))

	Operating revenues		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Fiscal period ended July 2022	3,182	0.1	1,525	(1.6)	1,390	(1.7)	1,389	(1.7)
Fiscal period ended January 2022	3,178	3.9	1,550	4.1	1,414	4.5	1,413	4.5

	Net income per unit (Note2)	Return on unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
	(Yen)	%	%	%
Fiscal period ended July 2022	2,315	2.1	1.2	43.7
Fiscal period ended January 2022	2,355	2.2	1.2	44.5

(Note1) Percentage changes from the previous period are rounded to the first decimal place. The same shall apply hereinafter.

(Note2) Net income per unit is calculated by dividing net income by the weighted average number of investment units based on the number of days during the period.

(2) Distributions

	Distributions per unit (excluding surplus cash distribution (SCD))	Total distributions (excluding SCD)	SCD per unit	Total SCD	Distributions per unit (including SCD)	Payout ratio	Distributions-to-net assets ratio
	(Yen)	(Millions of yen)	(Yen)	(Millions of yen)	(Yen)	%	%
Fiscal period ended July 2022	2,316	1,389	399	239	2,715	100.0	2.1
Fiscal period ended January 2022	2,356	1,413	399	239	2,755	100.0	2.2

(Note 1) Payout ratio = Distributions per unit (excluding SCD) ÷ Net income per unit × 100

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

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

(Note 3) The entire amount of SCD for the fiscal period ended January 2022 and July 2022 is considered to be a refund of investment, which, for tax purposes, falls under a category of distribution as a reduction in unitholders' capital.

(Note 4) The ratio of (i) reduced retained earnings to (ii) net asset value as of the end of the immediately preceding fiscal period, as a result of SCD (a refund of investment which, for tax purposes, falls under the category of distribution as a reduction in the unitholders' capital), is 0.004 for the fiscal period ended January 2022 and 0.004 for the fiscal period ended July 2022, respectively. The ratio was calculated in accordance with Article 23, Paragraph 1, Item 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965, as amended).

(3) Financial position

	Total assets	Net assets	Unitholders' equity ratio	Net assets per unit
	(Millions of yen)	(Millions of yen)	%	(Yen)
Fiscal period ended July 2022	115,043	64,910	56.4	108,161
Fiscal period ended January 2022	115,642	65,173	56.4	108,600

(4) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal period ended July 2022	1,880	(23)	(1,681)	5,644
Fiscal period ended January 2022	2,881	(25)	(1,928)	5,468

2. Forecast of Financial Results for the Fiscal Period ended February 28, 2023 (August 1, 2022 to February 28, 2023) and the Fiscal Period ended August 31, 2023 (March 1, 2023 to August 31, 2023).

(Percentages represent changes from the previous period)

	Operating revenues		Operating income		Ordinary income		Net income		Distributions per unit (excluding SCD)	SCD per unit	Distributions per unit (including SCD)
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)	(Yen)	(Yen)
Fiscal period ended February 2023	3,735	—	1,846	—	1,666	—	1,665	—	2,775	464	3,239
Fiscal period ended August 2023	3,200	—	1,544	—	1,395	—	1,394	—	2,324	401	2,725

(Reference) Expected net income per unit (Forecast net income ÷ Expected number of investment units at end of period) is 2,775 yen for the fiscal period ended February 2023 and 2,324 yen for the fiscal period ended August 2023.

(Note1) As described in the "Notice Concerning Amendments to the Articles of Incorporation and Election of Directors" released on March 17, 2022, the Investment Corporation will change its fiscal period from January end and July end every year to February end and August end every year, and will also change its operating period (however, the operating period for the 9th fiscal period will be from August 1, 2022 to February 28 2023). The resolution was adopted at the Investment Corporation's 4th general meeting of unitholders held on April 27, 2022 (the "Partial Amendments to the Articles of Incorporation"). Accordingly, the accounting period for the fiscal period ended February 28, 2023 will be seven months.

(Note 2) Since the 9th fiscal period is assumed to be the seven-month period from August 1, 2022 to February 28, 2023, and the 10th fiscal period is assumed to be the six-month period from March 1, 2023 to August 31, 2023, the percentage change from the previous fiscal period for the fiscal periods ended February 2023 and August 31, 2023 is not shown.

3. Others

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

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

(2) Total number of investment units issued and outstanding

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

Fiscal period ended July 2022	600,127 unit	Fiscal period ended January 2022	600,127 unit
Fiscal period ended July 2022	0 unit	Fiscal period ended January 2022	0 unit

(b) Total number of treasury investment units at the end of the fiscal period

Summaries of Financial Results are not audited by a certified public accountant or other independent auditor.

Other special instructions

(Note on forward-looking statements)

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

Assumptions Underlying the Forecast for the Fiscal Periods ended February 2023 and August 2023

Item	Assumption																																	
Calculation period	<ul style="list-style-type: none"> The Ninth fiscal period ended February 2023 (August 1, 2022 to February 28, 2023) (212 days) The Tenth fiscal period ended August 2023 (March 1, 2023 to August 31, 2023) (184 days) 																																	
Investment assets	<ul style="list-style-type: none"> The trust beneficiary interests in real estate owned by ADL as of the end of July 2022 (12 properties in total) ("Currently Owned Assets") is assumed that there will be no acquisition of new assets or disposal of owned assets by the end of the fiscal period ended August 31, 2023. Despite the assumption above, however, there may be changes in assets under management due to acquisition of new properties or disposition of existing properties. 																																	
Operating revenues	<ul style="list-style-type: none"> Forecasted leasing business revenues for the Currently Owned Assets were calculated taking into consideration the content of lease agreements which have been executed and are effective as of July 31, 2022, or are scheduled to take effect by August 31 2023, as well as tenant and market trends, among other things. It is assumed that no rent defaults or unpaid leases on the part of tenants will occur during the period of these forecasts. These forecasts are made based on the assumptions that there will be no profit or loss from the sale of real estate or other assets. 																																	
Operating expenses	<ul style="list-style-type: none"> Main items included under operating expenses are as follows: (Millions of yen) <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Fiscal period ended February 2023</th> <th style="text-align: center;">Fiscal period ended August 2023</th> </tr> </thead> <tbody> <tr> <td>Expenses related to rent business</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Facility management expenses</td> <td style="text-align: center;">38</td> <td style="text-align: center;">34</td> </tr> <tr> <td style="padding-left: 20px;">Property management contract expenses</td> <td style="text-align: center;">18</td> <td style="text-align: center;">15</td> </tr> <tr> <td style="padding-left: 20px;">Utility expenses</td> <td style="text-align: center;">67</td> <td style="text-align: center;">54</td> </tr> <tr> <td style="padding-left: 20px;">Repair expenses</td> <td style="text-align: center;">9</td> <td style="text-align: center;">7</td> </tr> <tr> <td style="padding-left: 20px;">Taxes and public dues</td> <td style="text-align: center;">303</td> <td style="text-align: center;">305</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation costs</td> <td style="text-align: center;">928</td> <td style="text-align: center;">802</td> </tr> <tr> <td>General and administrative expenses</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Asset management fees</td> <td style="text-align: center;">428</td> <td style="text-align: center;">340</td> </tr> <tr> <td style="padding-left: 20px;">Sponsor support agreement expenses</td> <td style="text-align: center;">26</td> <td style="text-align: center;">22</td> </tr> </tbody> </table> <ul style="list-style-type: none"> With the exception of depreciation costs, the forecast of real estate leasing business expenses, which are to be ADL's main operating expenses, are calculated based on historical data of the Currently Owned Assets and factors that may cause expenses to fluctuate. Forecast repair expenses for buildings are estimated based on medium- to long-term repair plans developed by the asset management company, ITOCHU REIT Management Co., Ltd. ("IRM"). Repair expenses could suddenly increase, however, due to property damage caused by factors that are difficult to predict. Furthermore, repair expenses generally differ in amount over a fiscal year and are not incurred at regular intervals. Due to these and other factors, the forecast amounts of repair expenses may differ substantially from results. Forecast depreciation costs are calculated using the straight-line method, and include ancillary and other expenses. 		Fiscal period ended February 2023	Fiscal period ended August 2023	Expenses related to rent business			Facility management expenses	38	34	Property management contract expenses	18	15	Utility expenses	67	54	Repair expenses	9	7	Taxes and public dues	303	305	Depreciation costs	928	802	General and administrative expenses			Asset management fees	428	340	Sponsor support agreement expenses	26	22
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Sponsor support agreement expenses	26	22																																
Non-operating expenses	<ul style="list-style-type: none"> The forecast of non-operating expenses is ¥180 million for the fiscal period ended February 2023, and ¥148 million for the fiscal period ended August 2023. The forecast of interest expenses and other borrowing-related expenses is ¥176 million for the fiscal period ended February 2023 and ¥145 million for the fiscal period ended August 2023. 																																	
Interest-bearing debt	<ul style="list-style-type: none"> It is assumed that total interest-bearing debt will amount to ¥47,240 million at the end of the fiscal period ended February 2023, and ¥47,240 million at the end of the fiscal period ended August 2023. The loan-to-value (LTV) ratio is expected to be around 41.0% at the end of the fiscal period ended February 2023, and 41.3% at the end of the fiscal period ended August 2023. The LTV ratio is calculated by the following formula and is rounded to the first decimal place: $\text{LTV} = \text{total interest-bearing debt} \div \text{total assets} \times 100$ 																																	
Total number of investment units outstanding	<ul style="list-style-type: none"> It is assumed that the total number of investment units issued and outstanding as of the date hereof (i.e., 600,127 units) remains the same until the end of the period ended August 2023. Distributions per unit (excluding SCD) and SCD per unit were calculated based on the expected total number of investment units issued and outstanding at the end of the fiscal period ended February 2023 and at the end of the fiscal period ended August 2023 (i.e., 600,127 units). 																																	

Item	Assumption
Distributions per unit (excluding SCD)	<ul style="list-style-type: none"> The forecast distributions per unit (excluding SCD) was calculated according to ADL's distribution policy described in its Articles of Incorporation, assuming that the entire amount of profits will be distributed. Despite the above, actual distributions per unit (excluding SCD) may differ for a variety of reasons, such as changes in assets under management, fluctuations in leasing business revenues due to tenant movements or other factors, or unforeseen events requiring repairs and maintenance.
SCD per unit	<ul style="list-style-type: none"> SCD per unit was calculated based on the policies stipulated in ADL's Articles of Incorporation and the asset management guidelines contained in the internal rules of IRM. Total SCD are estimated at ¥278 million in the fiscal period ended February 2023, and ¥240 million in the fiscal period ended August 2023. It is assumed that general economic conditions, trends in the real estate market in Japan, and ADL's financial position will not deteriorate substantially during the periods of these forecasts. From the perspective of ensuring the long-term maintenance of assets held and financial stability, ADL plans, in principle, to pay SCD continuously every fiscal period at an amount equivalent to 30% of depreciation expenses for the applicable fiscal period, taking into account past results related to capital expenditures, etc. and future prospects based on engineering reports, etc. In addition to the payment of SCD each successive fiscal period, additional SCD may be paid in order to even out the amount of distributions per unit if such distributions are expected to be temporarily reduced at a significant rate due to funds procurement through the issuance of new investment units or other factors. ADL may decide against distributing cash distributions in excess of realizable amounts if it deems such distributions to be unwise in light of economic conditions, trends in Japan's real estate and leasing markets, or the status of its property portfolio and financial position. If appraised LTV (Note) is expected to exceed 60% after cash distribution, ADL does not distribute SCD in order to ensure stable finances. (Note) Appraised LTV = $A/B \times 100$ A = Total interest-bearing debt as of the closing date of the applicable fiscal period B = Total assets on the balance sheet as of the closing date of the applicable fiscal period – amount of book value of owned real estate after depreciation, as of the closing date of the applicable fiscal period + appraised value of owned real estate as of the closing date of the applicable fiscal period
Other	<ul style="list-style-type: none"> Financial calculations and operating forecasts are based on the assumption that there will be no changes in legislation, taxation, accounting standards, regulations imposed on publicly listed companies by the Tokyo Stock Exchange, or rules or requirements imposed by the Investment Trusts Association, Japan, in any way that would impact the aforementioned forecasts. Financial calculations and operating forecasts are also based on the assumption that there will be no substantial changes in general economic and real estate market conditions in Japan. It is assumed that the COVID-19 pandemic will not adversely affect the performance of ADL's property portfolio.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

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

(Thousands of yen)

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

(2) Consolidated Statement of Income

(Thousands of yen)

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

(3) Consolidated Statement of Unitholders' Equity
 Seventh fiscal period (from August 1, 2021 to January 31, 2022)

(Thousands of yen)

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

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

(Thousands of yen)

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

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

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