

Summary of Asset Management

1. Trends in Key Indicators

		Unit	1st fiscal period	2nd fiscal period	3rd fiscal period	4th fiscal period	5th fiscal period
			From May 1, 2018 to January 31, 2019	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
Operating revenues (Of which, real estate leasing business revenues)	a	Millions of yen Millions of yen	1,300 (1,300)	1,718 (1,718)	1,759 (1,759)	2,399 (2,399)	2,606 (2,606)
Operating expenses (Of which, real estate leasing business expenses)	b	Millions of yen Millions of yen	563 (408)	908 (676)	920 (683)	1,206 (877)	1,282 (935)
Operating income		Millions of yen	736	810	839	1,193	1,323
Ordinary income	c	Millions of yen	521	733	760	1,047	1,185
Net income	d	Millions of yen	520	732	759	1,046	1,184
Total assets	e	Millions of yen	59,378	62,220	61,739	88,955	103,188
(Change from previous period-end)		%	—	4.8	−0.8	44.1	16.0
Interest-bearing debt	f	Millions of yen	21,990	24,580	23,940	36,153	35,370
Net assets	g	Millions of yen	36,018	36,133	36,067	50,728	65,413
(Change from previous period-end)		%	—	0.3	−0.2	40.6	28.9
Unitholders' capital (net)	h (Note 3)	Millions of yen	35,498	35,401	35,308	49,681	64,228
Total distributions	i	Millions of yen	617	825	855	1,178	1,510
Payout ratio	(Note 4)	%	100.0	100.0	100.0	99.3	100.0
Total number of investment units outstanding	j	Unit	357,143	357,143	357,143	486,000	600,127
Net assets per unit	g/j	Yen	100,852	101,174	100,989	104,378	108,999
Net income per unit	(Note 5)	Yen	2,708	2,050	2,126	2,161	2,232
Distributions per unit	i/j	Yen	1,729	2,311	2,395	2,425	2,517
Of which, distributions per unit excluding surplus cash distribution (SCD)		Yen	1,456	2,050	2,126	2,138	1,974
Of which, SCD per unit		Yen	273	261	269	287	543
FFO per unit	(d+k)/j	Yen	2,425	3,302	3,421	3,465	3,143
Ratio of ordinary income to total assets	(Note 6)	%	0.9	1.2	1.2	1.4	1.2
Annualized	(Note 7)	%	2.2	2.4	2.4	2.8	2.4
Unitholders' equity ratio	g/e	%	60.7	58.1	58.4	57.0	63.4
(Change from previous period-end)		%	—	−2.5	0.3	−1.4	6.4
Return on unitholders' equity	(Note 8)	%	1.5	2.0	2.1	2.4	2.0
Annualized	(Note 7)	%	3.6	4.1	4.2	4.8	4.0
Loan-to-value (LTV) ratio	f/e	%	37.0	39.5	38.8	40.6	34.3
NOI	(Note 9)	Millions of yen	1,237	1,488	1,538	2,160	2,372
Depreciation costs	k (Note 10)	Millions of yen	345	447	462	637	701
Unit price at period-end	l	Yen	87,500	103,000	126,200	161,700	129,900
[Other information]							
Operating days in fiscal period	(Note 11)	Days	276	181	184	182	184
Number of investment properties at period-end		Properties	7	8	8	9	10
Occupancy rate at period-end	(Note 12)	%	100.0	100.0	100.0	99.9	99.9
Capital expenditure		Millions of yen	—	2	8	13	—

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

(Note 2) 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 first, fourth and fifth fiscal periods were calculated by the formula below because 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. For the first fiscal period, net income per unit based on day-weighted average number of investment units (357,143 units) is ¥1,456 based on an assumption that the fiscal period started on September 7, 2018, the actual start date of asset management.
- (Note 6) Ratio of ordinary income to total assets = Ordinary income ÷ (Sum of total assets' beginning and ending balances ÷ 2) × 100
Total assets' beginning balance used to calculate return on assets for the first fiscal period was total assets as of September 7, 2018, the actual start date of asset management.
- (Note 7) The ratio for the first fiscal period was annualized based on the 147-day period from the actual start date of asset management (September 7, 2018) through January 31, 2019.
- (Note 8) Return on unitholders' equity = Net income ÷ (Sum of net assets' beginning and ending balances ÷ 2) × 100
Net assets' beginning balance used to calculate return on unitholders' equity for the first fiscal period was net assets as of September 7, 2018, the actual start date of asset management.
- (Note 9) NOI = Real estate leasing business revenues - Real estate leasing business expenses + Depreciation included in leasing business expenses
- (Note 10) Depreciation is depreciation relating to leasing business expenses. The method by which the depreciation add-back to NOI is calculated was revised effective from the second fiscal period. Depreciation for the first fiscal period was retrospectively recalculated by the revised method.
- (Note 11) Although the first fiscal period was 276 days from May 1, 2018, through January 31, 2019, IAL did not commence operations until September 7, 2018, and therefore was in operation for only the latter 147 days of the 276-day period.
- (Note 12) Occupancy rate at period-end is the ratio of portfolio properties' total leased area^(Note 14) at period-end to their total leasable area^(Note 13) 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 13) "Total leasable area" is the total area of vacant 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 14) 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 during the Fiscal Period Ended January 31, 2021

(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 January 2021, IAL acquired i Missions Park Kashiwa 2 (additional 30% quasi-co-ownership interest) and i Missions Park Inzai 2 on November 20, 2020 (the two properties' acquisition prices totaled ¥14,087 million).

IAL owns 10 properties with an aggregate acquisition price of ¥98,187 million as of January 31, 2021, the end of its fifth 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 January 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 (both defined below in "a) External Growth Strategies" under "5. Portfolio Management Policies" under "2) Outlook for Next Fiscal Period")), 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, 202 consolidated subsidiaries and 81 equity-method affiliates (as of December 31, 2020).

(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 January 31, 2021, Japanese economic activity was depressed by a resurgence in the COVID-19 pandemic from July 2020 and a second state of emergency declared in response thereto on January 7, 2021. 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 1,929 as of February 26, 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 such a backdrop, IAL acquired i Missions Park Kashiwa 2 (additional 30% quasi-co-ownership interest) and i Missions Park Inzai 2 on November 20, 2020 (the two properties' acquisition prices totaled ¥14,087 million). Additionally, IAL maintained a 99.9% occupancy rate (see Note) at January 31, 2021, across its entire 10-property portfolio (aggregate acquisition price: ¥98,187 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 January 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

In the fiscal period ended January 31, 2021, IAL raised ¥14,276 million through a public equity offering with a payment date of November 20, 2020, and ¥402 million through a third-party allotment with a payment date of December 22, 2020. The two offerings increased net unitholders' capital to ¥64,228 million ^(Note 1) at January 31, 2021.

Additionally, IAL borrowed ¥730 million (long-term loans payable) on November 20, 2020, to partially fund the acquisition of two properties (one of which was an additional quasi-co-ownership interest in a property already quasi-co-owned by IAL) and expenses related thereto. On October 16, 2020, IAL repaid ¥1,513 million of maturing short-term loans with cash on hand and proceeds from a consumption tax refund. Said ¥1,513 million was borrowed on April 1, 2020, the date on which IAL acquired two properties. All told, these financing transactions left IAL with ¥35,370 million of interest-bearing debt and a loan-to-value (LTV^(Note 2)) ratio of 34.3% at January 31, 2021.

IAL's credit rating ^(Note 3) at February 1, 2021, was as follows as a result of a change in outlook.

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

(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) As used herein, LTV ratios are calculated by the following formula.

$LTV = \text{Total interest-bearing debt} \div \text{Total assets} \times 100$

(Note 3) IAL's credit rating at January 31, 2021 was A+ (Stable). It was changed to A+ (Positive) on February 1, 2021. 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 ¥1,323 million, ordinary income of ¥1,185 million and net income of ¥1,184 million on operating revenues of ¥2,606 million in the fiscal period ended January 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 ¥1,184,650,698 of unappropriated retained earnings to its unitholders for the fiscal period ended January 31, 2021, in accord 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 January 31, 2021. It equates to distributions per unit excluding SCD of ¥1,974.

In addition to earnings distributions, IAL's policy is to pay out SCDs on an ongoing basis as a general rule. It aims to pay out total distributions (earnings distribution plus SCD) of 70% of its FFO^(Note 2), with the SCD capped at the equivalent of 30% of depreciation expense in the fiscal period to which the distributions pertain. If its distribution per unit is expected to temporarily decrease as a result of, e.g., issuance of new investment units or major repairs, IAL may pay out a one-time SCD in addition to an ongoing SCD to keep its per-share distributions stable.

Distribution per unit (excluding SCD) for the fiscal period ended January 31, 2021, is set to temporarily decrease substantially as a result of issuance of new investment units and property acquisitions during the period and forward commitments to acquire additional properties. IAL has therefore decided to distribute 80.1% of its FFO for the fiscal period ended January 31, 2021, to maintain a stable distribution per unit (inclusive of SCD). It will distribute ¥325 million, equivalent to 46.4% of depreciation expense, as a return of capital qualifying as a reduction in capital under Japanese tax law. The return of capital will increase SCD per unit to ¥543.

(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 & Nichido Risk Consulting Co., Ltd., 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 January 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	Units 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)

(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) 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.

	1st fiscal period	2nd fiscal period	3rd fiscal period	4th fiscal period	5th fiscal period
Closing date	1st fiscal period	2nd fiscal period	3rd fiscal period	4th fiscal period	5th fiscal period
High	95,300	104,900	130,800	164,800	168,200
Low	81,200	86,600	102,700	73,000	125,600

(Note) IAL's investment units began trading on the TSE's J-REIT Market on September 7, 2018.

4. Distributions

For the fiscal period ended January 31, 2021, IAL plans to distribute its unappropriated retained earnings in their entirety, excluding the fractional yen-per-unit remainder resulting from dividing investment units outstanding into unappropriated retained earnings, to maximize the tax-deductibility of its total distributions excluding SCD by applying a special tax treatment pursuant to Article 67-15 of the Special Taxation Measures Act.

	1st fiscal period From May 1, 2018 to January 31, 2019	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
Unappropriated retained earnings	520,040	732,274	759,482	1,046,383	1,184,930
Retained earnings balance after distribution	40	131	196	172	279
Total distributions (per unit) (yen)	617,500 1,729	825,357 2,311	855,357 2,395	1,178,550 2,425	1,510,519 2,517
Of which, total distributions excluding SCD (per unit) (yen)	520,000 1,456	732,143 2,050	759,286 2,126	1,039,068 2,138	1,184,650 1,974
Of which, total return of capital (per unit) (yen)	97,500 273	93,214 261	96,071 269	139,482 287	325,868 543
Of total return of capital, total distributions from allowance for temporary difference adjustments (per unit) (yen)	— —	— —	7,142 20	— —	— —
Of total return of capital, total distributions qualifying as a reduction of capital under Japanese tax law (per unit) (yen)	97,500 273	93,214 261	88,928 249	139,482 287	325,868 543

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

5. Portfolio Management Policies and Issues to Be Addressed Going Forward

IAL aims to steadily grow its net income per unit by consistently executing the following strategies that leverage its collaborative growth relationship with the ITOCHU Group, the nucleus of which is ITOCHU Corporation, a major general trading company with a strong presence in consumer-related businesses.

a) External Growth Strategies

IAL will place priority on investing in prime logistics real estate properties developed or acquired by the ITOCHU Group, taking advantage of preferential negotiating rights conferred by its sponsor support agreements with both ITOCHU Corporation and ITOCHU Property Development, Ltd.

IAL aims to continuously grow by investing in prime logistics real estate properties and proactively utilizing the following two ITOCHU Group platforms.

i. Utilization of Realty and Logistics (R/L) Platform^(Note 1)

ITOCHU Corporation, one of IAL's sponsors, is both a logistics service provider^(Note 2) and seasoned real estate developer. Its General Products & Realty Company is involved in logistics businesses and has been developing logistics real estate properties in earnest since 2004, when rental logistics real estate properties were just starting to be developed in Japan. Through its experience in these businesses, ITOCHU Corporation has developed tenant-centric expertise. It capitalizes on such expertise to develop highly versatile, user-friendly facilities conducive to long-term tenancies. ITOCHU Property Development, IAL's other sponsor, specializes in real estate development. It also actively develops logistics real estate properties, having established a business unit dedicated exclusively to logistics real estate property development in April 2017. IAL aims to achieve stable external growth driven by its relationships with both of its sponsors.

(Note 1) As used herein, "Realty and Logistics (R/L) Platform" refers to the organization assembled by ITOCHU Corporation's General Products & Realty Company^(Note 3) to acquire land, develop and lease properties, and run and manage logistics operations^(Note 4).

(Note 2) As used herein, "logistics service provider" means a business that conducts logistics operations.

(Note 3) As used herein, "General Products & Realty Company" refers to one of the eight divisional companies through which the ITOCHU Group conducts business activities. It comprises two divisions: Forest Products, General Merchandise & Logistics and Construction & Real Estate. The former operates paper pulp, rubber, tire and logistics (3PL^(Note 5), international transport) businesses; the latter deals in lumber and other homebuilding materials.

(Note 4) As used herein, "logistics operations" refers to operations within the logistics industry including distribution of materials or products between suppliers, manufacturers, retailers, and consumers, and product storage and other activities within the distribution process.

(Note 5) As used herein, "3PL" refers to outsourcing services that provide turnkey logistics solutions to companies. By utilizing 3PL, companies (customers) with no direct involvement in logistics can gain access to logistics capabilities optimized to their own needs by hiring an external logistics provider to handle all functions from goods sourcing to inventory management and delivery.

ii. Utilization of Group-wide Merchant Channel (M/C) Platform^(Note 1)

The ITOCHU Group's strong presence in consumer-related businesses encompasses a customer network comprising some 100,000 companies^(Note 2), mainly in domains with logistics-intensive product distribution^(Note 3). By leveraging customer relationships deeply rooted in customers' core businesses, the ITOCHU Group can recruit prime tenants and acquire development sites (CRE strategy^(Note 4)).

(Note 1) As used herein, "Group-wide Merchant Channel (M/L) Platform" refers to the broad customer network of ITOCHU Corporation—a leading general trading company with particular strengths in consumer-related businesses—encompassing some 100,000 companies across its wide-ranging business fields, and the management level business relations it has built up with each of its customers. The same shall apply hereafter.

(Note 2) As used herein, this figure represents the number of companies in ITOCHU Corporation's database with which it has had transactions in the past, and includes companies that currently have no ongoing transactions with ITOCHU Corporation as of February 28, 2021. It also includes organizations other than companies such as public-service corporations, as well as unincorporated businesses.

(Note 3) As used herein, "product distribution" is a concept referring to the whole of the channel from suppliers through manufacturers and retailers to consumers, a chain of transactions in which raw materials are processed into products and consumed.

(Note 4) "CRE" is an acronym for "corporate real estate," which means real estate owned by companies and strategic utilization thereof.

b) Internal Growth Strategies

IAL aims for steady internal growth based on a leasing management agreement with ITOCHU Corporation, by reducing borrowing costs and its properties' operating expenses, including utilities

and insurance, and by leveraging ITOCHU Corporation's leasing expertise as a trading company, which makes full use of the two business platforms below, established.

i. Utilization of Realty and Logistics (R/L) Platform

IAL aims to achieve long-term earnings stability by capitalizing on ITOCHU Corporation's leasing expertise amassed over 15 years of developing logistics real estate properties, the ITOCHU Group's experience in logistics operations, and network of logistics companies and freight enterprises with which the Group has business relationships.

ii. Utilization of Group-wide Merchant Channel (M/C) Platform

ITOCHU Corporation will lease properties by effectively tapping into its 100,000-strong customer network, its roughly 300 Group companies and their respective customer networks. Additionally, ITOCHU Corporation offers a wide variety of management and logistics solutions to tenant companies via its Group companies as part of its core business as a trading company. This so-called "Goyo-kiki"^(Note) service incentivizes tenants to sign long-term leases or renew existing leases, thereby helping to retain tenants and maintain uninterrupted rental revenue streams.

(Note) ITOCHU Group companies endeavor to ascertain the needs/wants of customers and prospective customers (including tenants of IAL-owned properties and other logistics real estate properties developed by the ITOCHU Group) and provide appropriate solutions to those needs/wants by capitalizing on the Group's wide-ranging capabilities. This process is called "Goyo-kiki" within the ITOCHU Group.

c) Financial Strategies

IAL aims to grow unitholder value based on conservative financial management, with LTV ratio controlled to stimulate growth potential while also exercising efficient cash management. Specifically, IAL will endeavor to control its LTV ratio to preserve borrowing capacity while stabilizing its financial foundations by lengthening and diversifying debt maturities and refinancing variable-rate loans at fixed rates. IAL will also seek to maximize unitholder value by distributing ongoing SCDs and effectively utilizing funds through appropriate cash management, including paying down interest-bearing debt and allocating funds to impactful capital expenditures and new property acquisitions.

6. Significant Subsequent Events

Borrowings

On February 26, 2021, IAL's Board of Directors authorized the following borrowings to partially fund the acquisition of i Missions Park Tokyo Adachi and i Missions Park Miyoshi (see "(Reference Information)" below) and expenses related thereto. Said borrowings are scheduled to be funded on April 1, 2021.

Category (Note 1)	Lender	Borrowing amount (Millions of yen)	Interest rate	Borrowing date	Repayment date	Repayment method	Collateral
Short-term	Sumitomo Mitsui Banking Corporation	433	Base interest rate +0.150% (Note 2)	April 1, 2021	March 31, 2022	Bullet repayment	Unsecured and non- guaranteed
	Subtotal	433	—	—	—	—	—
Long-term	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd. MUFG Bank, Ltd. Mizuho Trust & Banking Co., Ltd. Shinsei Bank, Limited The Norinchukin Bank The Bank of Fukuoka, Ltd.	5,000	Base interest rate +0.215% (Note 3) (Note 4)	April 1, 2021	September 30, 2025	Bullet repayment	Unsecured and non- guaranteed
	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd. MUFG Bank, Ltd. Mizuho Trust & Banking Co., Ltd. Shinsei Bank, Limited The Norinchukin Bank The Bank of Fukuoka, Ltd. (green loan) (Note 5)	5,000	Base interest rate +0.315% (Note 3) (Note 4)	April 1, 2021	September 30, 2027		
	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd. MUFG Bank, Ltd. Mizuho Trust & Banking Co., Ltd. Shinsei Bank, Limited The Norinchukin Bank The Bank of Fukuoka, Ltd.	2,650	Base interest rate +0.390% (Note 3) (Note 4)	April 1, 2021	March 30, 2029		
	Subtotal	12,650	—	—	—	—	—
Total		13,083	—	—	—	—	—

(Note 1) As used herein, "short-term" refers to a borrowing period of no more than one year from the borrowing date to the repayment date, and "long-term" refers to a borrowing period of more than one year from the borrowing date to the repayment date.

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

(Note 3) The base interest rate is three-month JPY TIBOR published by the JBA TIBOR Administration on its website (<http://www.jbatibor.or.jp/english/>).

(Note 4) IAL plans to convert the floating rate to a fixed rate by entering into an interest rate swap, the details of which will be disclosed once determined.

(Note 5) Of the loans tabulated above, the ¥5 billion loan due September 30, 2027 (the "Green Loan"), will be a green loan. "Green loan" generally denotes a loan that conforms with the Green Loan Principles (GLP), a set of guidelines formulated by the Loan Market Association and Asia Pacific Loan Market Association. GLP restrict use of loan proceeds to "green projects." IAL plans to use the entire proceeds from the Green Loan to acquire i Missions Park Kashiwa 2, a property that meets its green financing framework's green-eligible asset criteria.

(Reference Information)

Property acquisitions

On November 9, 2020, IAL entered into an agreement to acquire real estate trust beneficiary interests in i Missions Park Tokyo Adachi and i Missions Park Miyoshi. The acquisitions are scheduled to close on April 1, 2021 (the two properties' planned acquisition prices total ¥13,325 million).

Property type (Note 1)	Property No. (Note 2)	Property name	Location	Planned acquisition price (millions of yen) (Note 3)	Planned acquisition date (Note 4)
Logistics real estate	L-11	i Missions Park Tokyo Adachi	Adachi Ward, Tokyo Metropolis	10,915	April 1, 2021
	L-12	i Missions Park Miyoshi	Miyoshi Town, Iruma County, Saitama Prefecture	2,320	April 1, 2021

(Note 1) For property type definitions, see "1. IAL's Asset Allocation" under "IAL's Portfolio" below.

(Note 2) For property number definitions, see "3. Details of Portfolio Properties" under "IAL's Portfolio" below.

(Note 3) The "planned acquisition price" is the purchase price of the relevant assets for acquisition as indicated in the agreement for the sale and purchase of the trust beneficiary interest (the "Sale Agreement") for the relevant asset. The purchase price does not include consumption tax, local consumption tax, or expenses relating to acquisition. The planned acquisition price for i Missions Park Miyoshi is the sum total of planned acquisition prices of quasi-co-ownership interests that IAL plans to acquire from multiple sellers.

(Note 4) "Planned acquisition date" is the planned acquisition date as indicated in the Sale Agreement. Note that the planned acquisition date is subject to change as agreed upon between IAL and the seller.

Overview of IAL

1. Unitholders' Capital

The total number of investment units authorized and outstanding, net unitholders' capital and the number of unitholders at January 31, 2021, are tabulated below.

	1st fiscal period As of January 31, 2019	2nd fiscal period As of July 31, 2019	3rd fiscal period As of January 31, 2020	4th fiscal period As of July 31, 2020	5th fiscal period As of January 31, 2021
Total number of investment units authorized	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units
Total number of investment units outstanding	357,143 units	357,143 units	357,143 units	486,000	600,127 units
Unitholders' capital (net) (Note)	¥35,498 million	¥35,401 million	¥35,308 million	¥49,681 million	¥64,228 million
Number of unitholders	13,300	12,348	10,329	11,090	14,286

(Note) 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.

2. Matters Concerning Investment Units

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

Name	No. of investment units held (units)	Percentage of outstanding units owned (%)
Custody Bank of Japan, Ltd. (trust account)	98,337	16.38
The Master Trust Bank of Japan, Ltd. (trust account)	80,442	13.40
Custody Bank of Japan, Ltd. (securities investment trust account)	43,167	7.19
ITOCHU Corporation	33,635	5.60
The Nomura Trust and Banking Co., Ltd. (investment trust account)	26,933	4.48
The Shinkumi Federation Bank	12,999	2.16
Custody Bank of Japan, Ltd. (cash in trust taxable account)	11,153	1.85
The Hachijuni Bank, Ltd.	9,782	1.62
The Hyakujushi Bank, Ltd.	9,628	1.60
The Aichi Bank, Ltd.	8,510	1.41
Total	334,586	55.75

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

3. Matters Concerning Directors and Accounting Auditor

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

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

Position	Name	Main concurrent position(s)	Total compensation from IAL for the fiscal period ended January 31, 2021 (thousands of yen)
Executive Director (Note 1) (Note 2)	Junichi Shoji	Representative Director and President 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	PricewaterhouseCoopers Aarata LLC	—	8,000 (Note 4)

(Note 1) As of January 31, 2021, the Executive Director owns nine 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) The accounting auditor's compensation includes compensation for services outside of the purview of Article 2(1) of Japan's Certified Public Accountants Act (comfort letter preparation services).

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

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 accord 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.

4. Asset Management Company, Custodian and General Administrative Agents

IAL's asset management company, custodian and general administrative agents as of January 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

IAL's Portfolio

1. IAL's Asset Allocation

IAL's asset allocation at January 31, 2021, is tabulated below.

Asset type	Property type (Note 1)	Location	4th fiscal period As of July 31, 2020		5th fiscal period As of January 31, 2021	
			Asset holdings (millions of yen) (Note 2)	Share of total assets (%) (Note 3)	Asset holdings (millions of yen) (Note 2)	Share of total assets (%) (Note 3)
Trust real estate	Logistics real estate	Kanto and Kansai areas (Note 4)	82,941	93.2	96,414	93.4
		Other areas (Note 5)	—	—	—	—
		Subtotal	82,941	93.2	96,414	93.4
	Other real estate (Note 6)	Kanto and Kansai areas (Note 4)	—	—	—	—
		Other areas (Note 5)	—	—	—	—
		Subtotal	—	—	—	—
Deposits/other assets			6,013	6.8	6,773	6.6
Total assets			88,955	100.0	103,188	100.0

(Note 1) As used herein, "property type" means IAL's investment policy's property-type classification.

(Note 2) "Asset holdings" are valued at their respective period-end carrying values on the balance sheet (total book value net of accumulated depreciation in the case of trust real estate properties) rounded down to the nearest whole million yen.

(Note 3) "Share of total assets" is the ratio of the given asset holdings' carrying value on the balance sheet to total assets, rounded off to the first decimal place.

(Note 4) 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 5) As used herein, "other areas" mean Japan excluding Kanto and Kansai areas.

(Note 6) "Other real estate" means property primarily used or usable as a site for commercial infrastructure, including factories other than logistics real estate, data centers, and telecommunications, research, processing and renewable energy facilities.

(Note 7) Because yen values are rounded down and percentages are rounded off, they may not sum exactly to their respective totals (likewise below unless expressly noted otherwise).

2. Major Property Holdings

IAL's major property holdings as of January 31, 2021, are profiled below.

Property name	Book value (millions of yen)	Total leasable area (m ²) (Note 1)	Total leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Share of total leasing business revenues (%) (Note 4)	Property type
i Missions Park Kashiwa 2	28,272	116,883.23	116,883.23	100.0	Undisclosed (Note 5)	Logistics real estate
i Missions Park Inzai	27,015	110,516.00	110,516.00	100.0	Undisclosed (Note 5)	Logistics real estate
i Missions Park Noda	12,231	61,278.97	60,956.41	99.5	15.7	Logistics real estate
i Missions Park Kashiwa	5,967	31,999.12	31,999.12	100.0	Undisclosed (Note 5)	Logistics real estate
i Missions Park Misato	5,955	22,664.74	22,664.74	100.0	Undisclosed (Note 5)	Logistics real estate
i Missions Park Inzai 2	5,386	27,007.68	27,007.68	100.0	Undisclosed (Note 5)	Logistics real estate
i Missions Park Atsugi	5,205	20,576.45	20,576.45	100.0	Undisclosed (Note 5)	Logistics real estate
i Missions Park Moriya	3,084	18,111.58	18,111.58	100.0	Undisclosed (Note 5)	Logistics real estate
i Missions Park Chiba-Kita	2,548	10,478.12	10,478.12	100.0	Undisclosed (Note 5)	Logistics real estate
i Missions Park Moriya 2	747	7,043.95	7,043.95	100.0	Undisclosed (Note 5)	Logistics real estate

(Note 1) "Total leasable area" is the total area of vacant 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

January 31, 2021. 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).

- (Note 2) 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 January 31, 2021.
- (Note 3) "Occupancy rate" is each property's ratio of leased area to total leasable area, rounded off to the first decimal place, at January 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.
- (Note 4) "Share of total leasing business revenues" is the ratio of each property's real estate leasing business revenues to all properties' aggregate real estate leasing business revenues.
- (Note 5) Undisclosed as IAL was not able to obtain the tenants' consent.

3. Details of Portfolio Properties

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

Property No. (Note 1)	Property name	Location (address) (Note 2)	Type of ownership	Book value at Jan. 31, 2021 (millions of yen)	Appraisal value at Jan. 31, 2021 (millions of yen) (Note 3)	4th fiscal period From February 1, 2020 to July 31, 2020				5th fiscal period From August 1, 2020 to January 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 (%) (Note 7)	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 (%) (Note 7)
L-1	i Missions Park Atsugi	Building A: 1463-3 Shindaibatake shita, Kaneda, Atsugi-shi, Kanagawa Building B: 1497-1 Shinhakucho, Kaneda, Atsugi-shi, Kanagawa	Trust beneficiary interests	5,205	5,980	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	5,967	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	12,231	14,200	5	99.5	408,708	17.0	5	99.5	407,955	15.7
L-4	i Missions Park Moriya (Note 8)	4-4 Kinunodai, Tsukubamirai-shi, Ibaraki	Trust beneficiary interests	3,084	3,520	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	5,955	7,090	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, Wakaba-ku, Chiba-shi, Chiba	Trust beneficiary interests	2,548	2,900	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	27,015	30,500	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	747	862	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	28,272	30,700	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	5,386	5,680	—	—	—	—	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
Total (average)				96,414	108,412	15	99.9	2,399,671	100.0	16	99.9	2,606,049	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 Jan. 31, 2021" represents the appraisal value indicated in the real estate appraisal report as of January 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 January 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 Moriya'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.

4. Details of Renewable Power Generation Facilities

Not applicable

5. Details of Public Infrastructure Operating Rights

Not applicable

6. Other Assets

IAL's trust beneficiary interests in real estate are comprehensively detailed above in "3. Details of Portfolio Properties."

(1) Details of Securities Holdings

Not applicable

(2) Notional and Fair Values of Specified Derivative Positions

The notional and fair values of IAL's derivative positions at January 31, 2021, are tabulated below.
(Thousands of yen)

Category	Instrument	Notional value (Note 1)		Fair value (Note 2) (Note 3)
			Of which, maturity more than 1 year	
OTC	Interest rate swaps Receive floating, pay fixed	32,140,000	26,840,000	(250,470)
Total		32,140,000	26,840,000	(250,470)

(Note 1) Notional value is based on notional principal amounts.

(Note 2) Fair value is measured by the swap counterparties based on market interest rates.

(Note 3) Interest rate swaps are not measured at fair value on IAL's Balance Sheet because IAL applies a special accounting treatment to interest rate swaps in accord with the Accounting Standards Board of Japan's Accounting Standard for Financial Instruments (ASBJ Statement No. 10, March 10, 2008).

7. Asset Holdings Disaggregated by Country/Region

IAL does not own any assets outside of Japan.

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 Jan. 31, 2021	Spent prior to Aug. 2021
i Missions Park Noda	Noda City, Chiba Prefecture	Install LED lighting on 1st-floor east wing and 2nd-floor east/west wings	Start: January 2021 End: February 2021	12	—	—
i Missions Park Moriya 2	Tsukubamirai City, Ibaraki Prefecture	Install LED lighting in 1st-floor offices and 2nd-floor warehouse	Start: May 2021 End: June 2021	4	—	—
i Missions Park Noda	Noda City, Chiba Prefecture	Install LED lighting in elevator lobby and other common areas	Start: January 2021 End: March 2021	3	—	—
i Missions Park Atsugi	Atsugi City, Kanagawa Prefecture	Replace freight elevator's secondary battery	Start: January 2021 End: February 2021	3	—	—
i Missions Park Moriya 2	Tsukubamirai City, Ibaraki Prefecture	Install anti-pigeon netting beneath eaves	Start: February 2021 End: March 2021	2	—	—
i Missions Park Moriya 2	Tsukubamirai City, Ibaraki Prefecture	Caulk offices' window sash	Start: April 2021 End: May 2021	1	—	—

2. Capital Expenditures during the Fiscal Period Ended January 31, 2021

There were no major capital expenditures on IAL's portfolio properties during the fiscal period ended January 31, 2021. Repair expenses charged to operations were ¥0 million.

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 accord with medium/long-term repair plans formulated on a property-by-property basis.

(Millions of yen)

	1st fiscal period From May 1, 2018 to January 31, 2019	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
Beginning reserve balance	—	12	40	71	108
Additions	12	28	30	37	43
Drawdowns	—	—	—	—	—
Balance carried forward	12	40	71	108	152

(Note) For IAL's distribution policy and overview of distributions for the fiscal period ended January 31, 2021, refer to "Summary of Asset Management, 2. Portfolio Performance during the Fiscal Period Ended January 31, 2021,"(4) Earnings and Distributions.

Expenses and Liabilities

1. Operating Expenses

(Thousands of yen)

Item	4th fiscal period From February 1, 2020 to July 31, 2020	5th fiscal period From August 1, 2020 to January 31, 2021
(a) Asset management fees (Note)	278,081	297,722
(b) Asset custody and administrative service fees	9,455	9,574
(c) Directors' compensations	2,640	2,640
(d) Other operating expenses	38,745	37,381
Total	328,922	347,319

(Note) In addition to the amounts tabulated above, ¥126,350,000 and ¥70,435,000 of management fees related to property acquisitions were capitalized and added to the acquired properties' book value in the fourth and fifth fiscal periods, respectively.

2. Borrowings

IAL's borrowings as of January 31, 2021, are disaggregated below by lender.

(Millions of yen)

	Category	Borrowing date	Balance at Aug. 1, 2020	Balance at Jan. 31, 2021	Average interest rate (Note 1)	Maturity date	Repayment method	Use	Remarks
	Lender								
Short-term	Sumitomo Mitsui Banking Corporation	March 31, 2020	1,513	—	0.20896%	March 31, 2021	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
Subtotal			1,513	—					
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation (Note 2)	September 7, 2018	2,300	2,300	0.23505%	September 7, 2021	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd. (Note 2)		1,600	1,600					
	Sumitomo Mitsui Trust Bank, Limited (Note 2)		1,400	1,400					
	Sumitomo Mitsui Banking Corporation	November 20, 2020	—	730	0.22297%	November 22, 2021	Bullet repayment	(Note 3)	
Subtotal			5,300	6,030					
Long-term	Sumitomo Mitsui Banking Corporation	September 7, 2018	1,270	1,270	0.53660%	September 9, 2024	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		650	650					
	Sumitomo Mitsui Trust Bank, Limited		1,050	1,050					
	MUFG Bank, Ltd.		950	950					
	Development Bank of Japan Inc.		600	600					
	Mizuho Trust & Banking Co., Ltd.		600	600					
	Sumitomo Mitsui Banking Corporation	September 7, 2018	1,400	1,400	0.72645%	September 7, 2026	Bullet repayment	(Note 3)	
	Mizuho Bank, Ltd.		1,000	1,000					
	Sumitomo Mitsui Trust Bank, Limited		1,500	1,500					
	MUFG Bank, Ltd.		1,600	1,600					
	Sumitomo Mitsui Banking Corporation	September 7, 2018	500	500	0.91670%	September 7, 2028	Bullet repayment	(Note 3)	
	Mizuho Bank, Ltd.		500	500					
	Development Bank of Japan Inc.		500	500					
	Sumitomo Mitsui Banking Corporation	April 1, 2019	1,510	1,510	0.55000%	March 31, 2027	Bullet repayment	(Note 3)	

(Millions of yen)

Category	Lender	Borrowing date	Balance at Aug. 1, 2020	Balance at Jan. 31, 2021	Average interest rate (Note 1)	Maturity date	Repayment method	Use	Remarks
	Mizuho Bank, Ltd.		1,000	1,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000	1,000					
	MUFG Bank, Ltd.		1,000	1,000					
	Development Bank of Japan Inc.		300	300					
	Mizuho Trust & Banking Co., Ltd.		210	210					
	MUFG Bank, Ltd.	February 3, 2020	540	540	0.13800%	January 31, 2023	Bullet repayment	(Note 3)	
	Sumitomo Mitsui Trust Bank, Limited		325	325					
	The Bank of Fukuoka, Ltd.		300	300					
	Sumitomo Mitsui Banking Corporation		230	230					
	The Norinchukin Bank		200	200					
	Mizuho Bank, Ltd.		155	155					

(Millions of yen)

Category	Lender	Borrowing date	Balance at Aug. 1, 2020	Balance at Jan. 31, 2021	Average interest rate (Note 1)	Maturity date	Repayment method	Use	Remarks
	Sumitomo Mitsui Banking Corporation	February 3, 2020	750	750	0.27400%	February 3, 2025	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
	Mizuho Trust & Banking Co., Ltd.		750	750					
	Sumitomo Mitsui Trust Bank, Limited		650	650					
	Mizuho Bank, Ltd.		500	500					
	The Norinchukin Bank		400	400					
	The Bank of Fukuoka, Ltd.		400	400					
	Shinsei Bank, Limited		300	300					
	MUFG Bank, Ltd.		200	200					
	Sumitomo Mitsui Banking Corporation	March 31, 2020	900	900	0.52220%	March 31, 2028	Bullet repayment	(Note 3)	
	Sumitomo Mitsui Trust Bank, Limited		900	900					
	Mizuho Bank, Ltd.		900	900					
	MUFG Bank, Ltd.		800	800					
	Mizuho Trust & Banking Co., Ltd.		200	200					
	Shinsei Bank, Limited		200	200					
	The Norinchukin Bank		100	100					
	Nippon Life Insurance Company	February 3, 2020	1,000	1,000	0.70000%	January 31, 2030	Bullet repayment	(Note 3)	
Subtotal			27,840	27,840					
Total			34,653	33,870					

(Note 1) Floating-rate borrowings' average interest rates are weighted averages over the fiscal period ended January 31, 2021. Average interest rates on floating-rate borrowings hedged with interest rate swaps to avoid interest-rate risk are weighted averages adjusted to reflect the effect of the interest rate swap.

(Note 2) Borrowings classified as current portion of long-term loans payable effective from the fiscal period ended January 31, 2021. They were classified as long-term loans payable in the previous fiscal period.

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

3. Investment Corporation Bonds

Issue	Issuance date	Balance at Aug. 1, 2020 (millions of yen)	Balance at Jan. 31, 2021 (millions of yen)	Interest rate (%)	Maturity date	Redemption method	Use	Remarks
ITOCHU Advance Logistics Investment Corporation 1st Unsecured Investment Corporation Bond	December 12, 2019	1,500	1,500	0.300	December 12, 2024	Bullet repayment	(Note 1)	Unsecured and non-guaranteed
		1,500	1,500					

(Note 1) The funds were used to repay pre-existing borrowings.

4. Short-term Investment Corporation Bonds

Not applicable

5. Investment Unit Acquisition Rights

Not applicable

Transactions during the Fiscal Period Ended January 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-9	i Missions Park Kashiwa 2 (quasi-co-ownership 30%) (additional acquisition) (Note 2)	November 20, 2020	8,720	—	—	—	—
L-10	i Missions Park Inzai 2	November 20, 2020	5,367	—	—	—	—
Total			14,087		—	—	—

(Note 1) Acquisition prices do not include expenses incurred in acquiring the properties such as brokerage commissions, taxes and other public charges (i.e., they are contractual purchase prices).

(Note 2) The acquisition price for i Missions Park Kashiwa 2 is the price of a 30% quasi-co-ownership interest acquired by IAL in the property.

2. Other Asset Transactions

Not applicable. IAL's main assets other than the real estate and asset-backed securities disclosed above are generally limited to bank deposits or bank deposits in trust.

3. Research on Prices, Etc. of Specified Assets

(1) Real Estate, etc.

Property acquisition or sale	Asset type	Property No.	Property name	Acquisition or sale date	Acquisition or sale price (millions of yen) (Note 1)	Appraisal value (millions of yen)	Real estate appraiser	Appraisal date
Acquisition	Trust beneficiary interests	L-9	i Missions Park Kashiwa 2 (quasi-co-ownership 30%) (additional acquisition) (Note 2)	November 20, 2020	8,720	9,020	Tanizawa Sōgō Appraisal Co., Ltd.	August 31, 2020
Acquisition	Trust beneficiary interests	L-10	i Missions Park Inzai 2	November 20, 2020	5,367	5,580	DAIWA REAL ESTATE APPRAISAL CO., LTD.	August 31, 2020

(Note 1) Acquisition prices do not include expenses incurred in acquiring the properties such as brokerage commissions, taxes and other public charges (i.e., they are contractual purchase prices).

(Note 2) The acquisition price and appraisal value for i Missions Park Kashiwa 2 are respectively the price and appraisal value of a 30% quasi-co-ownership interest acquired by IAL in the property.

(2) Other

Except for the transactions disclosed above under "(1) Real Estate, etc.," IAL did not engage in any transactions requiring research on price or other matters pursuant to Article 201 of the Investment Trust Act in the fiscal period ended January 31, 2021.

4. Interested-party Transaction

(1) Transaction Status

Not applicable

(2) Payments to Interested Parties

Commissions, etc., to interested parties are tabulated below.

Category	Total paid (A) (thousands of yen)	Interested-party Transaction		Share of total (B ÷ A) (%)
		Payee	Amount paid to payee (B) (thousands of yen)	
Property management expenses	39,367	ITOCHU Urban Community Ltd.	20,045	50.9
Other operating expenses	37,381	ITOCHU Corporation	18,371	49.1
		ITOCHU Human Resources & General Affairs Services Inc.	30	0.1

5. Transactions with Asset Management Company Outside of Its Capacity as Asset Manager

Not applicable. The Asset Management Company does not concurrently engage in type I financial instruments business, type II financial instruments business, real estate brokerage or specified joint real estate businesses.

Accounting Matters

1. Status of Assets, Liabilities, Equity and Profitability

For details on assets, liabilities, equity and profitability, refer to “II. Balance Sheet,” “III. Statement of Income,” “IV. Statement of Changes in Unitholders’ Equity,” “V. Notes” and “VI. Statement of Cash Distributions” below.

2. Changes in Depreciation Methods

Not applicable

3. Changes in Real Estate and Infrastructure Asset Valuation Methods

Not applicable

4. Status of Investment Trust Beneficiary Securities Issued by IAL

Not applicable

Other

1. Notice

(1) General Meeting of Unitholders

Not applicable

(2) Board of Directors

Significant new contracts or contract revisions approved by IAL’s Board of Directors during the fiscal period ended January 31, 2021, are summarized below.

Approval date	Proposal	Outcome
August 26, 2020	Agreement to modify asset management agreement	The Board agreed to revise management fee rate ceiling stipulated in asset management agreements in conjunction with a revision of the management fee rate ceiling approved at third General Meeting of Unitholders.
November 16, 2020	Underwriting agreement for issuance of new investment units	IAL’s Board of Directors commissioned underwriters ^(Note) to render general administration services for issuance of new investment units and secondary offering as authorized at its meeting on November 9, 2020.

(Note) The underwriters were SMBC Nikko Securities Inc., Daiwa Securities Co. Ltd., Mizuho Securities Co., Ltd., Nomura Securities Co., Ltd., and SBI Securities Co., Ltd.

2. Rounding of Yen Values and Percentages

Unless expressly noted otherwise, yen values are rounded down to the nearest whole million or thousand, whichever is specified. Percentages are rounded off to the decimal place shown.

3. Disclosures regarding Overseas Real Estate Holding Corporations

Not applicable

4. Disclosures regarding Real Estate Owned by Overseas Real Estate Holding Corporations

Not applicable

(Thousands of yen)

	4th fiscal period As of July 31, 2020	5th fiscal period As of January 31, 2021
Assets		
Current assets		
Cash and deposits	1,233,358	2,592,377
Cash and deposits in trust	3,050,151	3,378,321
Operating accounts receivable	60,980	54,690
Consumption taxes receivable	1,439,041	522,720
Prepaid expenses	47,426	50,836
Other	1	—
Total current assets	5,830,960	6,598,946
Non-current assets		
Property, plant and equipment		
Buildings in trust	49,331,346	56,142,882
Accumulated depreciation	(1,677,956)	(2,298,574)
Buildings in trust, net	47,653,390	53,844,307
Structures in trust	1,752,077	2,119,976
Accumulated depreciation	(135,774)	(188,508)
Structures in trust, net	1,616,302	1,931,467
Machinery and equipment in trust	1,405,699	1,572,688
Accumulated depreciation	(79,439)	(107,871)
Machinery and equipment in trust, net	1,326,260	1,464,817
Tools, furniture and fixtures in trust	2,084	2,084
Accumulated depreciation	(323)	(498)
Tools, furniture and fixtures in trust, net	1,760	1,585
Land in trust	32,344,067	39,172,735
Total property, plant and equipment	82,941,782	96,414,913
Intangible assets		
Software	3,662	3,104
Total intangible assets	3,662	3,104
Investments and other assets		
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	157,618	151,538
Deferred tax assets	12	15
Total investments and other assets	167,630	161,554
Total non-current assets	83,113,074	96,579,572
Deferred assets		
Investment corporation bond issuance costs	11,061	9,785
Total deferred assets	11,061	9,785
Total assets	88,955,097	103,188,305

(Thousands of yen)

	4th fiscal period As of July 31, 2020	5th fiscal period As of January 31, 2021
Liabilities		
Current liabilities		
Operating accounts payable	16,672	95,842
Short-term loans payable	1,513,000	—
Accounts payable - other	75,008	47,917
Accrued expenses	341,586	366,267
Current portion of long-term loans payable	—	6,030,000
Income taxes payable	863	931
Advances received	448,662	521,253
Other	4,020	24,221
Total current liabilities	2,399,813	7,086,433
Non-current liabilities		
Investment corporation bonds	1,500,000	1,500,000
Long-term loans payable	33,140,000	27,840,000
Tenant leasehold and security deposits in trust	1,184,544	1,346,310
Other	2,697	2,182
Total non-current liabilities	35,827,242	30,688,493
Total liabilities	38,227,055	37,774,926
Net assets		
Unitholders' equity		
Unitholders' capital	49,968,443	64,647,572
Deductions from unitholders' capital		
Amount of provision to allowance for temporary difference adjustments	*2 (7,142)	*2 —
Other deductions from unitholders' capital	(279,642)	(419,124)
Deductions from unitholders' capital	(286,785)	(419,124)
Unitholders' capital, net	49,681,657	64,228,447
Surplus		
Unappropriated retained earnings (undisposed loss)	1,046,383	1,184,930
Total surplus	1,046,383	1,184,930
Total unitholders' equity	50,728,041	65,413,378
Total net assets	*1 50,728,041	*1 65,413,378
Total liabilities and net assets	88,955,097	103,188,305

(Thousands of yen)

	4th fiscal period From February 1, 2020 to July 31, 2020	5th fiscal period From August 1, 2020 to January 31, 2021
Operating revenues		
Leasing business revenues	*1 2,366,156	*1 2,578,905
Other leasing business revenues	*1 33,514	*1 27,144
Total operating revenues	2,399,671	2,606,049
Operating expenses		
Expenses related to rent business	*1 877,123	*1 935,491
Asset management fees	278,081	297,722
Asset custody fee and Administrative service fees	9,455	9,574
Directors' compensations	2,640	2,640
Other operating expenses	38,745	37,381
Total operating expenses	1,206,045	1,282,810
Operating income	1,193,626	1,323,238
Non-operating income		
Interest income	15	19
Interest on tax refund	—	1,363
Total non-operating income	15	1,382
Non-operating expenses		
Interest expenses	78,571	82,959
Interest expenses on investment corporation bonds	2,225	2,274
Investment unit issuance expenses	20,687	17,622
Amortization of investment corporation bond issuance expenses	1,276	1,276
Borrowing related expenses	27,736	18,706
Other	16,088	16,092
Total non-operating expenses	146,586	138,932
Ordinary income	1,047,055	1,185,688
Income before income taxes	1,047,055	1,185,688
Income taxes - current	865	934
Income taxes - deferred	2	(3)
Total income taxes	868	931
Net income	1,046,187	1,184,757
Retained earnings brought forward	196	172
Unappropriated retained earnings (undisposed loss)	1,046,383	1,184,930

4th fiscal period (from February 1, 2020 to July 31, 2020)

(Thousands of yen)

	Unitholders' equity				
	Unitholders' capital				
	Unitholders' capital	Total deductions from unitholders' capital			Unitholders' capital, net
		Amount of provision to allowance for temporary difference adjustments	Other deductions from unitholders' capital	Deductions from unitholders' capital	
Beginning balance	35,498,833	—	(190,714)	(190,714)	35,308,119
Changes of items during period					
Issuance of new investment units	14,469,610				14,469,610
Surplus cash distribution from allowance for temporary difference adjustments		(7,142)		(7,142)	(7,142)
Surplus cash distribution			(88,928)	(88,928)	(88,928)
Distributions of retained earnings					
Net income					
Total changes of items during period	14,469,610	(7,142)	(88,928)	(96,071)	14,373,538
Balance at end of current period	*1 49,968,443	(7,142)	(279,642)	(286,785)	49,681,657

	Unitholders' equity			Total net assets
	Surplus		Unitholders' equity Total	
	Unappropriated retained earnings (undisposed loss)	Total surplus		
Beginning balance	759,482	759,482	36,067,601	36,067,601
Changes of items during period				
Issuance of new investment units			14,469,610	14,469,610
Surplus cash distribution from allowance for temporary difference adjustments			(7,142)	(7,142)
Surplus cash distribution			(88,928)	(88,928)
Distributions of retained earnings	(759,286)	(759,286)	(759,286)	(759,286)
Net income	1,046,187	1,046,187	1,046,187	1,046,187
Total changes of items during period	286,901	286,901	14,660,439	14,660,439
Balance at end of current period	1,046,383	1,046,383	50,728,041	50,728,041

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

(Thousands of yen)

	Unitholders' equity				
	Unitholders' capital				
	Unitholders' capital	Total deductions from unitholders' capital			Unitholders' capital, net
		Amount of provision to allowance for temporary difference adjustments	Other deductions from unitholders' capital	Deductions from unitholders' capital	
Beginning balance	49,968,443	(7,142)	(279,642)	(286,785)	49,681,657
Changes of items during period					
Issuance of new investment units	14,679,128				14,679,128
Reversal of allowance for temporary difference adjustments		7,142		7,142	7,142
Surplus cash distribution			(139,482)	(139,482)	(139,482)
Distribution of retained earnings					
Net income					
Total changes of items during period	14,679,128	7,142	(139,482)	(132,339)	14,546,789
Balance at end of current period	*1 64,647,572	—	(419,124)	(419,124)	64,228,447

	Unitholders' equity			Total net assets
	Surplus		Unitholders' equity Total	
	Unappropriated retained earnings (undisposed loss)	Total surplus		
Beginning balance	1,046,383	1,046,383	50,728,041	50,728,041
Changes of items during period				
Issuance of new investment units			14,679,128	14,679,128
Reversal of allowance for temporary difference adjustments	(7,142)	(7,142)	—	—
Surplus cash distribution			(139,482)	(139,482)
Distribution 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 of items during period	138,546	138,546	14,685,336	14,685,336
Balance at end of current period	1,184,930	1,184,930	65,413,378	65,413,378

Notes on Significant Accounting Policy Matters

	4th fiscal period From February 1, 2020 to July 31, 2020	5th fiscal period From August 1, 2020 to January 31, 2021																				
1. Non-current asset depreciation and amortization methods	<p>(1) Property, plant and equipment (including PPE in trust) Long-term prepaid expenses are amortized by the straight-line method. PPE are depreciated by the straight-line method over the following useful lives</p> <table><tr><td>Buildings</td><td>3–62 years</td></tr><tr><td>Structures</td><td>14–46 years</td></tr><tr><td>Machinery and equipment</td><td>5–29 years</td></tr><tr><td>Tools, furniture and fixtures</td><td>6 years</td></tr></table> <p>(2) Intangible assets Long-term prepaid expenses are amortized by the straight-line method. Intangible assets are amortized by the straight-line method over the following useful lives.</p> <table><tr><td>Software</td><td>5 years</td></tr></table> <p>(3) Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method.</p>	Buildings	3–62 years	Structures	14–46 years	Machinery and equipment	5–29 years	Tools, furniture and fixtures	6 years	Software	5 years	<p>(1) Property, plant and equipment (including PPE in trust) Long-term prepaid expenses are amortized by the straight-line method. PPE are depreciated by the straight-line method over the following useful lives</p> <table><tr><td>Buildings</td><td>3–62 years</td></tr><tr><td>Structures</td><td>14–46 years</td></tr><tr><td>Machinery and equipment</td><td>5–29 years</td></tr><tr><td>Tools, furniture and fixtures</td><td>6 years</td></tr></table> <p>(2) Intangible assets Long-term prepaid expenses are amortized by the straight-line method. Intangible assets are amortized by the straight-line method over the following useful lives.</p> <table><tr><td>Software</td><td>5 years</td></tr></table> <p>(3) Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method.</p>	Buildings	3–62 years	Structures	14–46 years	Machinery and equipment	5–29 years	Tools, furniture and fixtures	6 years	Software	5 years
Buildings	3–62 years																					
Structures	14–46 years																					
Machinery and equipment	5–29 years																					
Tools, furniture and fixtures	6 years																					
Software	5 years																					
Buildings	3–62 years																					
Structures	14–46 years																					
Machinery and equipment	5–29 years																					
Tools, furniture and fixtures	6 years																					
Software	5 years																					
2. Deferred asset accounting treatment	<p>(1) Investment corporation bond issuance costs Amortized by the straight-line method over the period from issuance to redemption of the bonds.</p> <p>(2) Investment unit issuance costs Fully expensed when paid.</p>	<p>(1) Investment corporation bond issuance costs Amortized by the straight-line method over the period from issuance to redemption of the bonds.</p> <p>(2) Investment unit issuance costs Fully expensed when paid.</p>																				
3. Revenue and expense recognition criteria	<p>Treatment of property taxes 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. 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. The fiscal period ended July 31, 2020, ¥131,916,000 of such taxes were capitalized.</p>	<p>Treatment of property taxes 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. 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. The fiscal period ended January 31, 2021, ¥10,413,000 of such taxes were capitalized.</p>																				
4. Hedge accounting	<p>(1) Hedge accounting method 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 Hedging instruments: Interest rate swaps Hedged items: Borrowing rates</p> <p>(3) Hedging policy IAL engages in derivative trades to hedge risks stipulated in its Articles of Incorporation in accord with its Risk Management Policy.</p> <p>(4) Hedge effectiveness assessment method IAL does not assess hedge effectiveness because its interest rate swaps qualify for special accounting treatment that does</p>	<p>(1) Hedge accounting method 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 Hedging instruments: Interest rate swaps Hedged items: Borrowing rates</p> <p>(3) Hedging policy IAL engages in derivative trades to hedge risks stipulated in its Articles of Incorporation in accord with its Risk Management Policy.</p> <p>(4) Hedge effectiveness assessment method IAL does not assess hedge effectiveness because its interest rate swaps qualify for special accounting treatment that does</p>																				

	not require assessment of hedge effectiveness.	not require assessment of hedge effectiveness.
5. Other significant matters fundamental to preparation of financial statements	<p>(1) Accounting treatment of trust beneficiary interests that hold real estate</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> <p>1) Cash and deposits in trust</p> <p>2) Buildings in trust; structures in trust; machinery and equipment in trust; tools, furniture and fixtures in trust; and land in trust</p> <p>3) Tenant leasehold and security deposits in trust</p> <p>(2) Tax treatment of consumption taxes</p> <p>National and local consumption taxes are recorded separately.</p>	<p>(1) Accounting treatment of trust beneficiary interests that hold real estate</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> <p>1) Cash and deposits in trust</p> <p>2) Buildings in trust; structures in trust; machinery and equipment in trust; tools, furniture and fixtures in trust; and land in trust</p> <p>3) Tenant leasehold and security deposits in trust</p> <p>(2) Tax treatment of consumption taxes</p> <p>National and local consumption taxes are recorded separately.</p>

Notes to Balance Sheet

4th fiscal period As of July 31, 2020	5th fiscal period As of January 31, 2021
*1 Minimum net assets under Article 67(4) of the Investment Trust Act (Thousands of yen) 50,000	*1 Minimum net assets under Article 67(4) of the Investment Trust Act (Thousands of yen) 50,000

*2 Amount of provision to allowance for temporary difference adjustments

4th fiscal period (from February 1, 2020 to July 31, 2020)

1. Provision amounts, reasons for provisions and resultant assets

(Thousands of yen)

Resultant asset	Reason for provision	Initial amount	4th fiscal period Units outstanding	Provisions in 4th fiscal period	Reversals in 4th fiscal period	Balance at 4th fiscal period-end	Reason for reversal
Deferred insurance claim income	Excess of taxable income over book income due to deferral of recognition of insurance claim income	7,142	—	7,142	—	7,142	—
Total		7,142	—	7,142	—	7,142	—

2. Specific reversal method

The provision is scheduled to fully reverse in the fiscal period in which insurance settlement is received.

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	5th fiscal period Units outstanding	Provisions in 5th fiscal period	Reversals in 5th fiscal period	Balance at 5th fiscal period-end	Reason for reversal
Deferred insurance claim income	Excess of taxable income over book income due to deferral of recognition of insurance claim income	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.

Notes to Statement of Income

4th fiscal period From February 1, 2020 to July 31, 2020		5th fiscal period From August 1, 2020 to January 31, 2021	
*1 Itemization of real estate leasing business revenues and expenses		*1 Itemization of real estate leasing business revenues and expenses	
	(Thousands of yen)		(Thousands of yen)
A. Real estate leasing business revenues		A. Real estate leasing business revenues	
Leasing business revenues		Leasing business revenues	
Leasing revenues	2,339,673	Leasing revenues	2,552,441
Common area charge income	26,483	Common area charge income	26,463
Total	2,366,156	Total	2,578,905
Other leasing business revenues		Other leasing business revenues	
Utility service revenues	19,356	Utility service revenues	19,833
Parking revenues	4,937	Parking revenues	4,853
Other revenues	9,220	Other revenues	2,457
Total	33,514	Total	27,144
Total real estate leasing business revenues	2,399,671	Total real estate leasing business revenues	2,606,049
B. Real estate leasing business expenses		B. Real estate leasing business expenses	
Leasing business expenses		Leasing business expenses	
Property management fees	38,259	Property management fees	39,367
Utility expenses	23,313	Utility expenses	23,157
Repair expenses	8,072	Repair expenses	792
Taxes and public dues	160,284	Taxes and public dues	160,274
Depreciation costs	637,916	Depreciation costs	701,959
Insurance premiums	7,333	Insurance premiums	7,790
Trust fees	1,903	Trust fees	2,055
Other leasing business expenses	39	Other leasing business expenses	94
Total real estate leasing business expenses	877,123	Total real estate leasing business expenses	935,491
C. Real estate leasing business income (A-B)	1,522,548	C. Real estate leasing business income (A-B)	1,670,558

Notes to Statement of Changes in Unitholders' Equity

4th fiscal period From February 1, 2020 to July 31, 2020	5th fiscal period From August 1, 2020 to January 31, 2021
*1 Total number of investment units authorized and outstanding	*1 Total number of investment units authorized and outstanding
Total authorized investment units 10,000,000 units	Total authorized investment units 10,000,000 units
Total number of investment units outstanding 486,000 units	Total number of investment units outstanding 600,127 units

Notes on Tax Effect Accounting

4th fiscal period From February 1, 2020 to July 31, 2020	5th fiscal period From August 1, 2020 to January 31, 2021
1. Deferred tax assets and deferred tax liabilities itemized by main causative factor (Thousands of yen)	1. Deferred tax assets and deferred tax liabilities itemized by main causative factor (Thousands of yen)
(Deferred tax assets)	(Deferred tax assets)
Non-deductible enterprise taxes payable 12	Non-deductible enterprise taxes payable 15
Total deferred tax assets 12	Total deferred tax assets 15
Net deferred tax assets 12	Net deferred tax assets 15
2. Itemization of main causative factors behind significant difference, if any, between statutory effective tax rate and actual income tax rate after application of tax effect accounting (%)	2. Itemization of main causative factors behind significant difference, if any, between statutory effective tax rate and actual income tax rate after application of tax effect accounting (%)
Statutory effective tax rate 31.46	Statutory effective tax rate 31.46
(Adjustments)	(Adjustments)
Change in valuation allowance -0.21	Deductible distributions paid -31.43
Deductible distributions paid -31.22	Other 0.05
Other 0.05	Income tax rate after application of tax effect accounting 0.08
Income tax rate after application of tax effect accounting 0.08	

Notes on Non-current Assets Used under Leases

4th fiscal period From February 1, 2020 to July 31, 2020	5th fiscal period From August 1, 2020 to January 31, 2021
Not applicable	Not applicable

Notes on Financial Instruments

4th fiscal period (from February 1, 2020 to July 31, 2020)

1. Matters concerning financial instruments

(1) Policy on use of financial instruments

IAL raises funds through such means as borrowing from financial institutions, issuing investment corporation bonds (including short-term ones; likewise below) 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) Financial instrument holdings, their risks and IAL's risk management regime

IAL invests surplus cash in deposits. Deposits are subject to credit risk, including the risk of the deposit financial institution's bankruptcy. IAL mitigates credit risk by limiting its deposit holdings to short-term deposits 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 regarding financial instruments' fair value

Financial instruments' fair values include values based on market prices and, in cases where market prices are not available, rationally measured values. The latter are based on certain assumptions. Assumption-based fair value measurements may vary when different assumptions are used. Additionally, the notional values of derivatives tabulated below under "2. Financial instruments' fair value" are not indicative of the derivatives' market risk.

2. Financial instruments' fair value

Financial instruments' carrying values and fair values at July 31, 2020, and differences between the two are tabulated below.

	Carrying value (thousands of yen)	Fair value (thousands of yen)	Difference (thousands of yen)
(1) Cash and deposits	1,233,358	1,233,358	—
(2) Cash and deposits in trust	3,050,151	3,050,151	—
(3) Short-term loans payable	(1,513,000)	(1,513,000)	—
(4) Investment corporation bonds	(1,500,000)	(1,498,950)	-1,050
(5) Long-term loans payable	(33,140,000)	(33,782,354)	642,354
(6) Derivatives (Note 2)	—	—	—

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

(Note 2) Derivatives are not measured at fair value on IAL's Balance Sheet because IAL applies a special accounting treatment to interest rate swaps in accord with the Accounting Standards Board of Japan's Accounting Standard for Financial Instruments (ASBJ Statement No. 10, March 10, 2008).

(Note 3) Fair value measurement methods for financial instruments

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

Book value is used as a proxy for fair value because the cash and deposits' short maturities render their book and fair values approximately equivalent to each other.

(3) Short-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.

(4) 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.

(5) 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.

(6) Derivatives

1) Derivatives not subject to hedge accounting

Not applicable

2) Derivatives subject to hedge accounting

Derivatives' notional value at July 31, 2020, is tabulated below by hedge accounting method.

(Thousands of yen)

Hedge accounting method	Type of derivative	Main hedged item	Notional value		Fair value	Fair value measurement method
				Over 1 year		
Interest rate swap special treatment	Interest rate swap Receive floating, pay fixed	Long-term loans payable	32,140,000	32,140,000	*	—

(Note) Interest rate swaps' special accounting treatment treats interest rate swaps and the long-term borrowings they respectively hedge as a single instrument. Interest rate swaps' fair value is therefore included in the fair value of "(5) Long-term loans payable" in the first table under "2. Financial instruments' fair value" under "Notes on Financial Instruments" above.

(Note 4) Financial instruments for which fair value measurement is deemed unfeasible

(Thousands of yen)

Category	Carrying value
Tenant leasehold and security deposits in trust	1,184,544

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 5) Cash and deposits' maturity schedule as of January 31, 2020

(Thousands of yen)

	1 year or less	Over 1 years 2 year or less	Over 2 years 3 year or less	Over 3 years 4 year or less	Over 4 years 5 year or less	Over 5 years
Cash and deposits	1,233,358	—	—	—	—	—
Cash and deposits in trust	3,050,151	—	—	—	—	—
Total	4,283,510	—	—	—	—	—

(Note 6) Borrowings and other interest-bearing debt's maturity schedule as of January 31, 2020

(Thousands of yen)

	1 year or less	Over 1 years 2 year or less	Over 2 years 3 year or less	Over 3 years 4 year or less	Over 4 years 5 year or less	Over 5 years
Short-term loans payable	1,513,000	—	—	—	—	—
Investment corporation bonds	—	—	—	—	1,500,000	—
Long-term loans payable	—	5,300,000	1,750,000	—	9,070,000	17,020,000
Total	1,513,000	5,300,000	1,750,000	—	10,570,000	17,020,000

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

1. Matters concerning financial instruments

(1) Policy on use of financial instruments

IAL raises funds through such means as borrowing from financial institutions, issuing investment corporation bonds (including short-term ones; likewise below) 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) Financial instrument holdings, their risks and IAL's risk management regime

IAL invests surplus cash in deposits. Deposits are subject to credit risk, including the risk of the depositor financial institution's bankruptcy. IAL mitigates credit risk by limiting its deposit holdings to short-term deposits 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 regarding financial instruments' fair value

Financial instruments' fair values include values based on market prices and, in cases where market prices are not available, rationally measured values. The latter are based on certain assumptions. Assumption-based fair value measurements may vary when different assumptions are used. Additionally, the notional values of derivatives tabulated below under "2. Financial instruments' fair value" are not indicative of the derivatives' market risk.

2. Financial instruments' fair value

Financial instruments' carrying values and fair values at January 31, 2021, and differences between the two are tabulated below.

	Carrying 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) Current portion of long-term loans payable	(6,030,000)	(6,040,309)	10,309
(4) Investment corporation bonds	(1,500,000)	(1,499,550)	(450)
(5) Long-term loans payable	(27,840,000)	(28,380,345)	540,345
(6) Derivatives (Note 2)	—	—	—

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

(Note 2) Derivatives are not measured at fair value on IAL's Balance Sheet because IAL applies a special accounting treatment to interest rate swaps in accord with the Accounting Standards Board of Japan's Accounting Standard for Financial Instruments (ASBJ Statement No. 10, March 10, 2008).

(Note 3) Fair value measurement methods for financial instruments

- (1) Cash and deposits and (2) Cash and deposits in trust
Book value is used as a proxy for fair value because the cash and deposits' short maturities render their book and fair values approximately equivalent to each other.
- (4) 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.
- (3) Current portion of long-term loans payable, (5) 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.
- (6) Derivatives
 - 1) Derivatives not subject to hedge accounting
Not applicable
 - 2) Derivatives subject to hedge accounting
Derivatives' notional value at January 31, 2021, is tabulated below by hedge accounting method.

(Thousands of yen)

Hedge accounting method	Type of derivative	Main hedged item	Notional value		Fair value	Fair value measurement method
				Over 1 year		
Interest rate swap special treatment	Interest rate swap Receive floating, pay fixed	Long-term loans payable	32,140,000	26,840,000	*	—

(Note) Interest rate swaps' special accounting treatment treats interest rate swaps and the long-term borrowings they respectively hedge as a single instrument. Interest rate swaps' fair value is therefore included in the fair value of "(5) Long-term loans payable" in the first table under "2. Financial instruments' fair value" under "Notes on Financial Instruments" above.

(Note 4) Financial instruments for which fair value measurement is deemed unfeasible

(Thousands of yen)

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

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 5) Cash and deposits' maturity schedule as of January 31, 2021

(Thousands of yen)

	1 year or less	Over 1 years 2 year or less	Over 2 years 3 year or less	Over 3 years 4 year or less	Over 4 years 5 year or less	Over 5 years
Cash and deposits	2,592,377	—	—	—	—	—
Cash and deposits in trust	3,378,321	—	—	—	—	—
Total	5,970,698	—	—	—	—	—

(Note 6) Borrowings and other interest-bearing debt's maturity schedule as of January 31, 2021

(Thousands of yen)

	1 year or less	Over 1 years 2 year or less	Over 2 years 3 year or less	Over 3 years 4 year or less	Over 4 years 5 year or less	Over 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

Notes on Rental Properties

4th fiscal period (from February 1, 2020 to July 31, 2020)

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)

Carrying value (Note 2)			Fair value at July 31, 2020 (Note 4)
Balance at Feb. 1, 2020	Change during period (Note 3)	Balance at July 31, 2020	
58,032,080	24,909,701	82,941,782	90,989,000

(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) Carrying value is acquisition costs net of accumulated depreciation.

(Note 3) The change in rental properties' carrying value during the period was mainly the net result of a ¥25,534,359,000 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 ¥637,916,000 reduction due to depreciation.

(Note 4) Fair value at July 31, 2020, is the properties' appraisal value furnished by independent real estate appraisers.

The rental properties' revenues and expenses in the fiscal period ended July 31, 2020 (fourth fiscal period), are itemized above in "Notes to Statement of Income."

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

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 January 31, 2021, and the change in their carrying value over the preceding six months are tabulated below.

(Thousands of yen)

Carrying value (Note 2)			Fair value at Jan. 31, 2021 (Note 4)
Balance at Aug. 1, 2020	Change during period (Note 3)	Balance at Jan. 31, 2021	
82,941,782	13,473,131	96,414,913	108,412,000

(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) Carrying value is acquisition costs net of accumulated depreciation.

(Note 3) The change in rental properties' carrying value during the period was mainly the net result of a ¥14,175,090,000 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 ¥701,959,000 reduction due to depreciation.

(Note 4) Fair value at January 31, 2021, is the properties' appraisal value furnished by independent real estate appraisers.

The rental properties' revenues and expenses in the fiscal period ended January 31, 2021 (fifth fiscal period), are itemized above in "Notes to Statement of Income."

Notes on Asset Management Restrictions

4th fiscal period From February 1, 2020 to July 31, 2020	5th fiscal period From August 1, 2020 to January 31, 2021
Not applicable	Not applicable

Notes on Related-party Transactions

4th fiscal period (from February 1, 2020 to July 31, 2020)

Relationship	Related party	Nature of business	% of IAL owned	Nature of transaction(s)	Transaction amount (thousands of yen)	Account	Balance at July 31, 2020 (thousands of yen)
Related party of asset management company	ITOCHU Corporation	General trading company	6.92%	Property acquisition	5,670,000	—	—
Related party of asset management company	Godo Kaisha Kashiwa 2 Properties	Real estate	—	Property acquisition	19,600,000	—	—
Custodian	Sumitomo Mitsui Trust Bank, Limited	Banking	—	Long-term loan	1,875,000	Long-term loans payable	6,825,000
				Interest expenses	25,403	Accrued expenses	3,786

Transaction terms and policy for setting transaction terms

(Note 1) Transaction terms are set based on market pricing/terms.

(Note 2) The above transaction amounts and balances at July 31, 2020, do not include consumption taxes.

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

Relationship	Related party	Nature of business	% of IAL owned	Nature of transaction(s)	Transaction amount (thousands of yen)	Account	Balance at January 31, 2021 (thousands of yen)
Custodian	Sumitomo Mitsui Trust Bank, Limited	Banking	—	Long-term loan	—	Current portion of long-term loans payable	1,400,000
						Long-term loans payable	5,425,000
				Interest expenses	25,778	Accrued expenses	3,562

Transaction terms and policy for setting transaction terms

(Note 1) Transaction terms are set based on market pricing/terms.

(Note 2) The above transaction amounts and balances at January 31, 2021, do not include consumption taxes.

Notes on Per-unit Information

(Yen)

4th fiscal period From February 1, 2020 to July 31, 2020		5th fiscal period From August 1, 2020 to January 31, 2021	
Net assets per unit	104,378	Net assets per unit	108,999
Net income per unit	2,161	Net income per unit	2,232
Net income per unit for the second fiscal period is calculated by dividing net income by the weighted average number of investment units based on the number of days during the period. Net income per diluted unit is omitted because IAL has no potential investment units outstanding.		Net income per unit for the second fiscal period is calculated by dividing net income by the weighted average number of investment units based on the number of days during the period. Net income per diluted unit is omitted because IAL has no potential investment units outstanding.	

(Note) The inputs used to calculate net income per unit are tabulated below.

	4th fiscal period From February 1, 2020 to July 31, 2020	5th fiscal period From August 1, 2020 to January 31, 2021
Net income (thousands of yen)	1,046,187	1,184,757
Amount not attributable to common unitholders (thousands of yen)	—	—
Net income applicable to common units (thousands of yen)	1,046,187	1,184,757
Average units outstanding during period	484,100	530,735

Notes on Significant Subsequent Events

4th fiscal period (from February 1, 2020 to July 31, 2020)

Not applicable

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

Borrowings

On February 26, 2021, IAL's Board of Directors authorized the following borrowings to partially fund the acquisition of i Missions Park Tokyo Adachi and i Missions Park Miyoshi and expenses related thereto. Said borrowings are scheduled to be funded on April 1, 2021.

Category (Note 1)	Lender	Borrowing amount (Millions of yen)	Interest rate	Borrowing date	Repayment date	Repayment method	Collateral
Short-term	Sumitomo Mitsui Banking Corporation	433	Base interest rate +0.150% (Note 2)	April 1, 2021	March 31, 2022	Bullet repayment	Unsecured and non- guaranteed
	Subtotal	433	—	—	—	—	—
Long-term	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd. MUFG Bank, Ltd. Mizuho Trust & Banking Co., Ltd. Shinsei Bank, Limited The Norinchukin Bank The Bank of Fukuoka, Ltd.	5,000	Base interest rate +0.215% (Note 3) (Note 4)	April 1, 2021	September 30, 2025	Bullet repayment	Unsecured and non- guaranteed
	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd. MUFG Bank, Ltd. Mizuho Trust & Banking Co., Ltd. Shinsei Bank, Limited The Norinchukin Bank The Bank of Fukuoka, Ltd. (green loan) (Note 5)	5,000	Base interest rate +0.315% (Note 3) (Note 4)	April 1, 2021	September 30, 2027		
	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd. MUFG Bank, Ltd. Mizuho Trust & Banking Co., Ltd. Shinsei Bank, Limited The Norinchukin Bank The Bank of Fukuoka, Ltd.	2,650	Base interest rate +0.390% (Note 3) (Note 4)	April 1, 2021	March 30, 2029		
	Subtotal	12,650	—	—	—	—	—
Total		13,083	—	—	—	—	—

(Note 1) As used herein, "short-term" refers to a borrowing period of no more than one year from the borrowing date to the repayment date, and "long-term" refers to a borrowing period of more than one year from the borrowing date to the repayment date. The same shall apply hereafter.

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

(Note 3) The base interest rate is three-month JPY TIBOR published by the JBA TIBOR Administration on its website (<http://www.jbatibor.or.jp/english/>).

(Note 4) IAL plans to convert the floating rate to a fixed rate by entering into an interest rate swap, the details of which will be disclosed once determined.

(Note 5) The ¥5 billion loan due September 30, 2027 (the "Green Loan"), will be a green loan. "Green loan" generally denotes a loan that conforms with Green Loan Principles (GLP), a set of guidelines formulated by the Loan Market Association and Asia Pacific Loan Market Association. The GLP restrict use of loan proceeds to "green projects." IAL plans to use the entire proceeds from the Green Loan to acquire i Missions Park Kashiwa 2, a property that meets its green financing framework's green-eligible asset criteria.

(Additional Information)

Notes on Provisions to Allowance for Temporary Difference Adjustments and Reversals thereof

4th fiscal period (from February 1, 2020 to July 31, 2020)

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

(Thousands of yen)

Resultant asset	Reason for reversal	Amount of provision to allowance for temporary difference adjustments
Deferred insurance claim income	Recognition of insurance claim income	(7,142)

2. Specific reversal method

The provision was reversed upon recognition of insurance claim income.

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

Not applicable

(Yen)

	4th fiscal period From February 1, 2020 to July 31, 2020	5th fiscal period From August 1, 2020 to January 31, 2021
I. Unappropriated retained earnings	1,046,383,703	1,184,930,589
II. Surplus cash distribution (SCD)	139,482,000	325,868,961
Of which, allowance for temporary difference adjustments	—	—
Of which, other deductions from unitholders' capital	139,482,000	325,868,961
III. Additions to unitholders' capital	7,142,860	—
Of which, reversals of allowance for temporary difference adjustments	7,142,860	—
IV. Total distribution amount	1,178,550,000	1,510,519,659
Distributions per unit	2,425	2,517
Of which, distributions excluding SCD	1,039,068,000	1,184,650,698
(Distribution-excluding-SCD per unit)	2,138	1,974
Of which, allowance for temporary difference adjustments	—	—
(SCD per unit related to allowance for temporary difference adjustments)	—	—
Of which, SCD from other sources	139,482,000	325,868,961
(SCD per unit from other sources)	287	543
V. Retained earnings brought forward	172,843	279,891

Distribution amount calculation method	<p>IAL's cash distribution policy in Article 39(1) of its Articles of Incorporation is to distribute cash to its unitholders in amounts totaling over 90% of its distributable earnings as defined in Article 67-15 of the Special Taxation Measures Act.</p> <p>In accord with said policy, IAL set its distribution excluding SCD at ¥1,039,068,000, roughly the entire amount of earnings stipulated in Article 136(1) of the Investment Trust Act. This distribution amount excludes the fractional yen-per-unit remainder resulting from dividing IAL's outstanding investment-unit count into said earnings and is net of reversals of allowance for temporary difference adjustments (as defined in Article 2(2)(30b) of Japan's Calculation Rules for Investment Corporations).</p> <p>In addition to said earnings distribution, IAL also distributes cash in excess of its earnings (return of capital</p>	<p>IAL's cash distribution policy in Article 39(1) of its Articles of Incorporation is to distribute cash to its unitholders in amounts totaling over 90% of its distributable earnings as defined in Article 67-15 of the Special Taxation Measures Act.</p> <p>In accord with said policy, IAL set its distribution excluding SCD at ¥1,184,650,698, the maximum amount that is evenly divisible by its outstanding investment-unit count at period-end and does not exceed its unappropriated retained earnings at period-end.</p> <p>Additionally, IAL also distributes cash in excess of its earnings (return of capital qualifying as a reduction of capital under Japanese tax law) every fiscal period in accord with its cash distribution policy in Article 39(2) of its Articles of Incorporation. In accord with said policy, IAL set its surplus cash distribution (return of capital qualifying as a reduction of capital under Japanese</p>
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	qualifying as a reduction of capital under Japanese tax law) every fiscal period in accord with its cash distribution policy in Article 39(2) of its Articles of Incorporation. In accord with said policy, IAL set its surplus cash distribution (return of capital qualifying as a reduction of capital under Japanese tax law) at ¥139,482,000.	tax law) at ¥325,868,961.
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Statement of Cash Flows (Reference)

(Thousands of yen)

	4th fiscal period From February 1, 2020 to July 31, 2020	5th fiscal period From August 1, 2020 to January 31, 2021
Cash flows from operating activities		
Profit before income taxes	1,047,055	1,185,688
Depreciation costs	638,473	702,516
Investment unit issuance expenses	20,687	17,622
Amortization of investment corporation bond issuance expenses	1,276	1,276
Interest income	(15)	(19)
Interest expenses	78,571	82,959
Decrease (increase) in operating accounts receivable	1,893	6,289
Decrease (increase) in consumption taxes refund receivable	(1,439,041)	916,320
Decrease (increase) in prepaid expenses	(13,924)	(3,410)
Decrease (increase) in long-term prepaid expenses	(39,868)	6,079
Increase (decrease) in operating accounts payable	(75,363)	79,535
Increase (decrease) in accounts payable - other	(811)	—
Increase (decrease) in accrued expenses	98,246	24,302
Increase (decrease) in consumption taxes payable	(133,923)	—
Increase (decrease) in advances received	129,503	72,591
Other	(3,601)	19,271
Subtotal	309,158	3,111,024
Interest income received	15	19
Interest expenses paid	(74,180)	(82,579)
Income taxes paid	(916)	(866)
Net cash provided by operating activities	234,076	3,027,597
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(25,479,253)	(14,202,548)
Net cash used in investing activities	(25,479,253)	(14,202,548)
Cash flows from financing activities		
Increase in short-term loans payable	1,513,000	—
Repayments of short-term loans payable	—	(1,513,000)
Proceeds from long-term loans payable	10,700,000	730,000
Proceeds from issuance of investment units	14,448,922	14,661,506
Distributions paid	(855,024)	(1,178,133)
Net cash provided by financing activities	25,806,897	12,700,373
Net increase (decrease) in cash and cash equivalents	561,721	1,525,422
Cash and cash equivalents at beginning of period	2,537,244	3,098,966
Cash and cash equivalents at end of period	*1 3,098,966	*1 4,624,388

(Note) Although prepared in compliance with Japan's Ordinance on Financial Statement Terminology, Forms and Preparation Methods (Ministry of Finance Ordinance 59 of 1963), the above Statement of Cash Flows is appended hereto for reference only. It has not been audited by an independent auditor because it is not within the scope of independent audits under Article 130 of the Investment Trust Act.

Notes on Significant Accounting Policy Matters (Reference)

	4th fiscal period From February 1, 2020 to July 31, 2020	5th fiscal period From August 1, 2020 to January 31, 2021
Definition of cash on statement of cash flows	Cash ("cash and cash equivalents") 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.	Cash ("cash and cash equivalents") 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.

Notes to Statement of Cash Flows (Reference)

4th fiscal period From February 1, 2020 to July 31, 2020		5th fiscal period From August 1, 2020 to January 31, 2021	
*1 Relationship between cash and cash equivalents at end of period and Balance Sheet line-item amounts (Thousands of yen)		*1 Relationship between cash and cash equivalents at end of period and Balance Sheet line-item amounts (Thousands of yen)	
Cash and deposits	1,233,358	Cash and deposits	2,592,377
Cash and deposits in trust	3,050,151	Cash and deposits in trust	3,378,321
Use-restricted deposits in trust (Note)	(1,184,544)	Use-restricted deposits in trust (Note)	(1,346,310)
Cash and cash equivalents	<u>3,098,966</u>	Cash and cash equivalents	<u>4,624,388</u>
(Note) Deposits in trust that are earmarked for refunding tenants' security deposits		(Note) Deposits in trust that are earmarked for refunding tenants' security deposits	