

Advance Logistics Investment Corporation

9th Fiscal Period Semi-Annual Report



From August 1, 2022
to February 28, 2023

Financial Highlights

February 2023 (9th period)*

Operating Results

Operating revenues	4,027 MN Yen
Operating income	2,044 MN Yen
Ordinary income	1,807 MN Yen
Net income	1,806 MN Yen
Total assets (based on acquisition price)	126.6 bn Yen

Distributions

Distributions per unit	3,239 Yen
Distributions per unit (excluding distributions in excess of retained earnings)	2,679 Yen
Distributions in excess of retained earnings per unit	560 Yen

Forecast Distributions

10th fiscal period
(ending Aug. 2023)

2,806 Yen

of which, distributions in excess
of retained earnings per unit
389 Yen

11th fiscal period
(ending Feb. 2024)

2,820 Yen

of which, distributions in excess
of retained earnings per unit
391 Yen

Number of properties
at the end of the period

13 properties

Occupancy Rate

99.9%

Long-term
issuer rating (JCR)

AA- (stable)
(December 27, 2021)

* Unless otherwise noted, figures expressed in whole numbers are rounded down to the nearest unit, and figures expressed in decimal numbers are rounded off to the nearest digit.

* The 9th fiscal period is a 7-month irregular accounting period from August 1, 2022 to February 28, 2023.

Message

I am Tomoyuki Kimura. I have assumed the position of Executive Director effective March 1, 2023. I would like to express our sincere gratitude to our unitholders for the continued support of Advance Logistics Investment Corporation.

Advance Logistics Corporation ("ADL"; Securities code: 3493) is an investment corporation mainly investing in logistics facilities. ADL was listed on the real estate investment trust market of the Tokyo Stock Exchange Market as "ITOCHU Advance Logistics Investment Corporation" on September 7, 2018, and has changed its trade name to "Advance Logistics Investment Corporation" on June 1, 2022.

The financial result of 9th fiscal period (fiscal period ended February 28, 2023), an irregular seven-month accounting period, was announced on April 17, 2023. Distribution per unit was 3,239 yen as previously announced. From the 10th fiscal period (fiscal period ending August 31, 2023), fiscal period is back to six months as normal, and the forecasted distribution per unit is 2,806 yen for the 10th fiscal period and 2,820 yen for the 11th fiscal period (ending February 2024). We have been implementing initiatives for steady growth, such the acquisition of IMP Ichikawa-Shiohama through the third public offering in October 2022 or investing in a silent partnership for the acquisition of a third-party property in January of this year, through the expansion of our property collection system following the merger of our asset management companies.

The demand for logistics facilities remains strong backed by continuous expansion of internet transactions and the occupancy rate of ADL remains high at 99.9% (warehouse floor occupancy rate of 100%) although the supply of new properties is on the rise and vacancy rates are temporarily rising in some areas.

ITOCHU REIT Management Co., Ltd. to which ADL entrusts its asset management operations had merged with AD Investment Co., Ltd. and now manages multiple asset types including logistics facilities, residentials and others. Backed by the strong support and collaboration with ITOCHU group, the sponsor, who has a wealth of experience in the development and acquisition of logistics properties and a network of approximately 100,000 customers, we will maximize the operational know-how and other management resources using our experience and know-how as a comprehensive asset management company that also has engineering capabilities (registered as a first-class registered architect office). We will focus on continuous increase of unitholder value while accumulating high-quality assets, achieving internal growth and ensuring stable financial and cash management.

In recent years, there has been a growing demand for ESG-conscious management. In 2022, ADL had receive the highest “5-star” rating and selected as a "Global Sector Leader" and "Asian Sector Leader” from GRESB, a benchmark evaluation organization that measures ESG considerations of real estate companies etc.

The management philosophy of ITOCHU Corporation, the sponsor of ADL is "sampo yoshi," which expresses the Japanese version of the ESG concept. As such a philosophy is imprinted in the DNA of ADL as well, we are committed to the development of logistics infrastructure to meet the expectations of society and continue to be a necessary existence. We would like to ask for the continued support and encouragement of our unitholders.



Tomoyuki Kimura

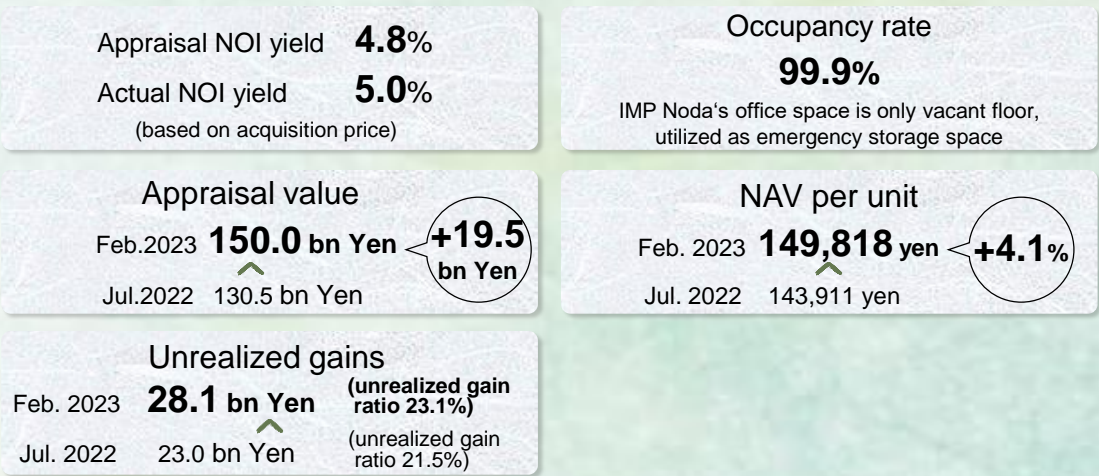
Executive Director
Advance Logistics Investment Corporation

Highlights

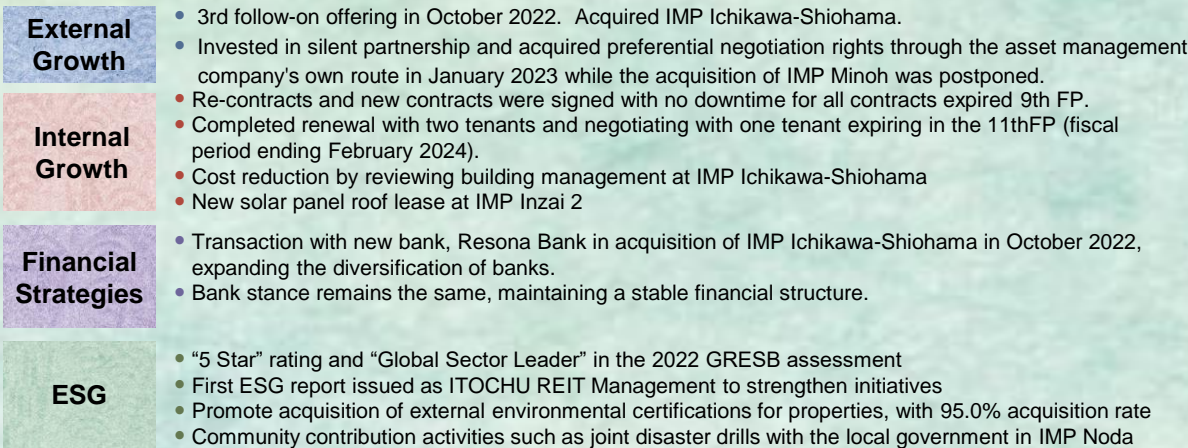
Asset size expanded to 133.2 bn yen by 3rd follow-on Offering*. Achieved growth in DPU, NAV per unit, and unrealized gains

※Asset Size is as of April 3, 2023.

Operational Highlights <as of the end of the 9th Fiscal Period (Feb. 2023)>

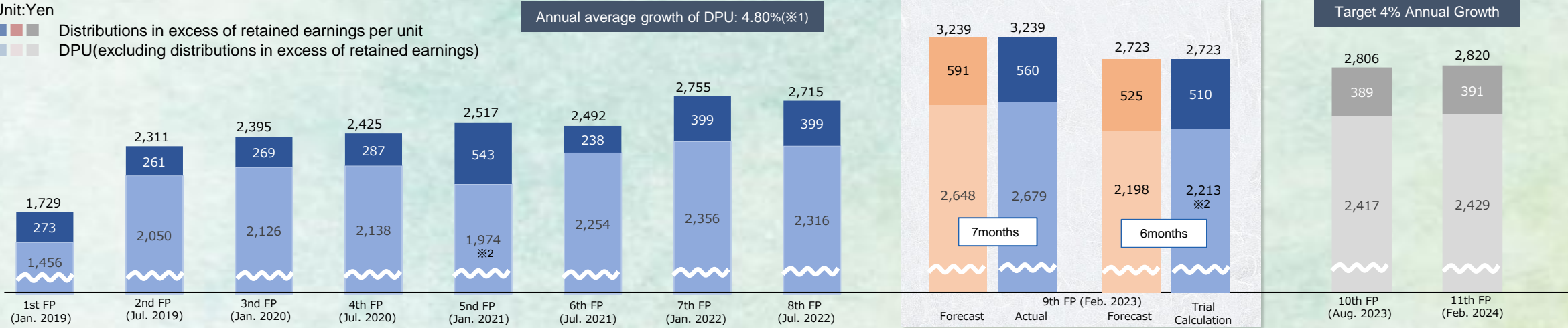


Measures Highlights



※ IMP is abbreviation for "i Missions Park", logistic facility developed by ITOCHU Group.

Change of DPU <as of the end of the 9th Fiscal Period (Feb. 2023)>



※1 Growth % is calculated from 2nd FP to the 9th FP(6months base). ※2 DPU per unit decreased over the previous fiscal period due to a public offering during the period, properties acquired that were non-performing for the full-year, and unexpected cost

Acquisition by 3rd Follow-on Offering

Continuous External Growth utilizing the pipeline of the ITOCHU Group

IMP Ichikawa-Shiohama

Acquisition price
21.8 BN Yen

Appraisal value
24.1 BN Yen

Property age
3.7 Years

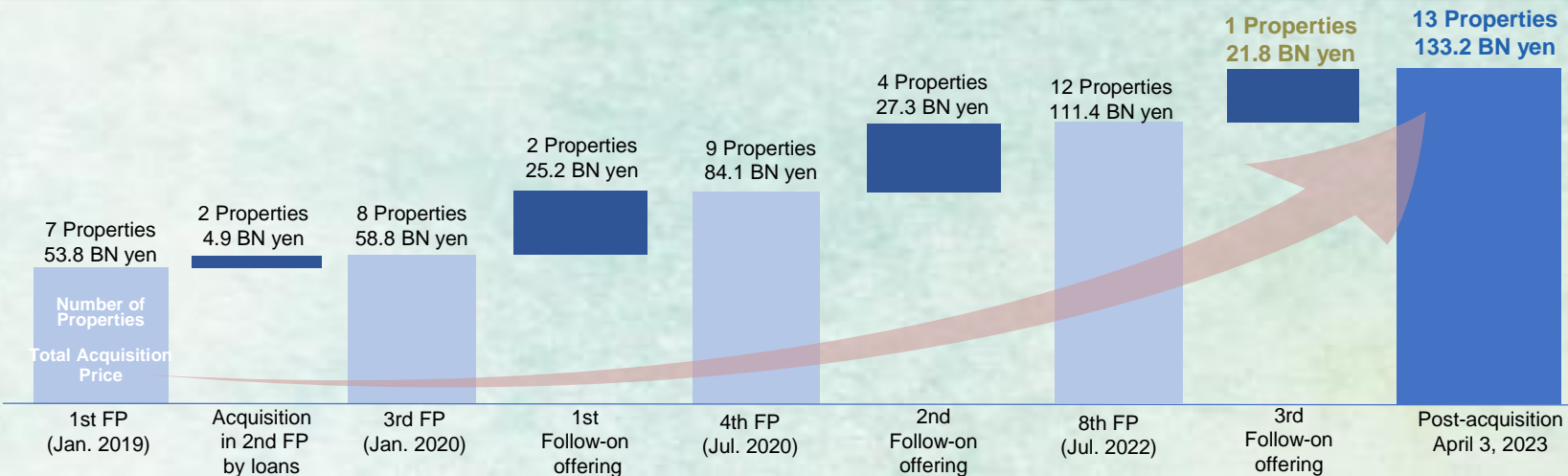
Occupancy rate
100.0%



Changes in Key indicators

	As of the end of the Jul 2022 (the 8th FP)	Acquired Asset IMP Ichikawa- Shiohama(100%)	Post-acquisition of 100% portion of IMP Ichikawa-Shiohama (as of Apr. 3, 2023)
Number of Properties	12 Properties	1 Property	13 Properties
Acquisition price	111,422 MN Yen	21,800 MN Yen	133,222 MN Yen
Appraisal	130,505 MN Yen	24,100 MN Yen	157,243 MN Yen
(Average) Appraisal NOI yield	4.9%	4.0%	4.7%
(Average) Property age	5.7 Years	3.7 Years	5.4 Years
Investment area	Kanto area : 100.0%	Kanto area	Kanto area : 100.0%
NAV per unit	143,911 Yen		150,841 Yen
(Normalized) (Total asset) LTV	41.1%		42.3%

Growth in Asset Size



Outline of follow-on Offering

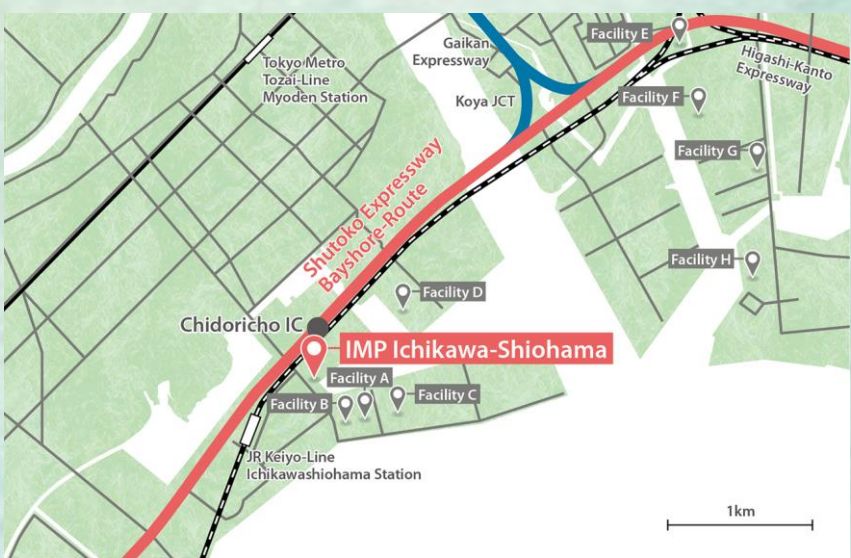
Offering method	Domestic Offering
Number of new units issued	74,273unit
Issue price	139,620 yen
Purchase price per unit	134,894 yen
Total amount of purchase price	10 BN yen
Increase in borrowings (Excluding consumption tax and OA loans)	10.18 BN yen

IMP Ichikawa-Shiohama(1/2)

IMP Ichikawa-Shiohama



Location



Highlights

Newly built, high-performance property which covers both central Tokyo and wider area, located in a suitable location for logistics along Metropolitan Expressway Bayshore-Route, close to Tokyo Gaikan Expressway

Location

- Located 0.2 km from Chidoricho Interchange on Metropolitan Expressway Bayshore-Route, excellent access to central Tokyo, a mass consumption area
- Located 3.1 km from Koya JCT, intersection of Metropolitan Expressway Bayshore-Route, Tokyo Gaikan Expressway, and Higashi-Kanto Expressway. About 30 km from Haneda Airport, suitable location to access central Tokyo as well as wider area
- 700m (9 minutes on foot) from Ichikawa-Shiohama Station on JR Keiyo Line, convenient for commuting and securing employment
- Located in an exclusive industrial zone, which enables 24 hours operation for 365 days a year

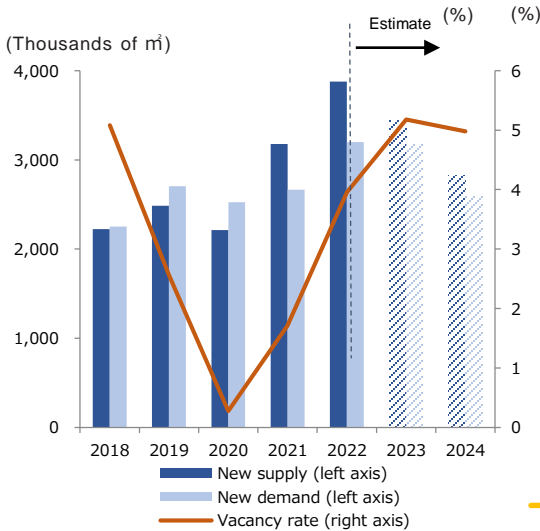
Property features

- Environmentally friendly with LED lights and CO2-free electricity
- High specifications enables efficient storage and retrieval operations
- Caring working environment with lounges for employees on each floor etc.

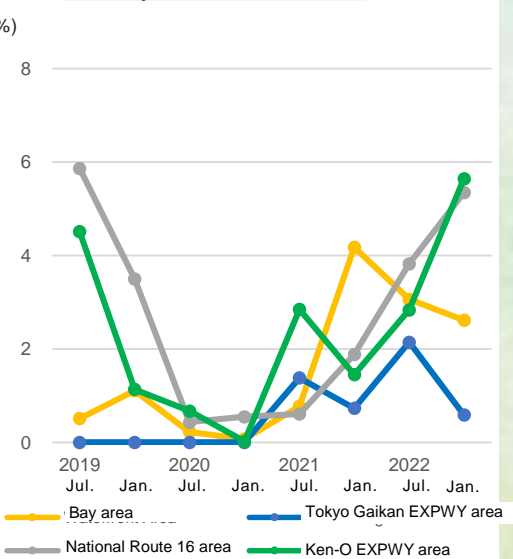
Effective ceiling height	5.5m
Column spacing	11.35m×10.70m
Floor load	1.5t /m ²

Location	Ichikawa City, Chiba
Acquisition date	October, 2022 (70%) April, 2023 (30%)
Acquisition price	21,800 MN yen
Completion date	August, 2019
Total floor area	57,724.00m ²
Total leasable area	54,311.99m ²
Structure, Floor number	Steel-framed, alloy-plated steel sheet roofing 4F
Number of tenants	2

Vacancy Rate and Supply and Demand Balance in Kanto Area



Vacancy Rate in Kanto Area



Source: K.K. Ichigo Real Estate Service

IMP Ichikawa-Shiohama(2/2)

Highly functional facility, rare in Tokyo Bay area

- Advanced logistics facility with 4 floors, total floor area of 57,724.00㎡
- Pillar span of 11.35m x 10.70m ensures sufficient space
- 4 freight elevators and vertical conveyors installed on each of the 1st and 2nd floors, and the 3rd and 4th floors, providing high vertical transport capacity



Acquisition of CASBEE S rank

- Obtained the **highest rank, S** in CASBEE, which evaluates the environmental performance of buildings. (February 28, 2023)
- Promote initiatives that take into consideration with the ESG to increase unitholder value in the mid to long term.



Tenant composition with business with major e-commerce company

- Tenant on 3rd/4th floors is JP Rakuten Logistics, Inc., which was established on Aug 1, 2021 by Japan Post Co., Ltd. and Rakuten Group, Inc.
- Mainly handles packages from major EC (Rakuten Ichiba)

Shareholders (capital structure) of JP Rakuten Logistics, Inc.	Japan Post Co., Ltd. (50.1%)
	Rakuten Group, Inc. (49.9%)

(as of July 1, 2021)

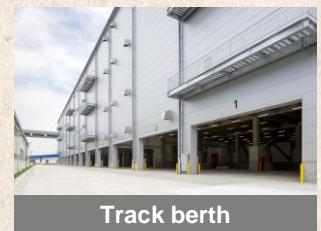
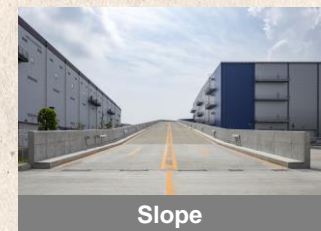
Environmentally friendly facility design

- LED lighting installed in whole building
- Solar panels by VPP Japan, in which ITOCHU has invested, are installed on the roof, providing CO2-free electricity to the facility. In addition to that, ITOCHU Corporation provides CO2-free electricity.
- Each floor has office, meeting room, lounge, and toilet, providing caring working environment for employees.



High Specifications enables efficient storage and retrieval operations

- Slope is installed to allow large vehicles to enter directly to the 3rd floor which reduces time loss of vertical transportation.
- Truck berths on the 1st and 3rd floors can accommodate a total of 44 large trucks at the same time.



Basic Strategies – Collaborative Growth Relationships (1) –

Build growth spiral based on Collaborative Growth Relationships with ITOCHU Group
By taking advantage of extensive experience of development & acquisition of logistics facilities and wide network of 100,000 clients of sponsor group.



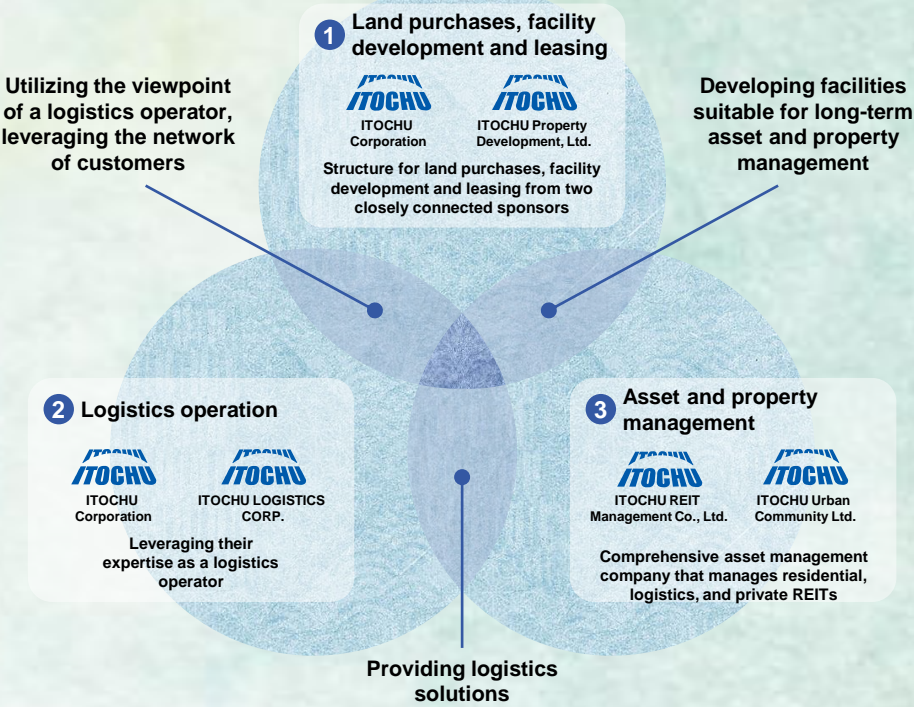
Basic Strategies – Collaborative Growth Relationships (2) –

Two business platforms that provide the foundation for the Collaborative Growth Relationships

Realty and Logistics (R/L) Platform

- 1 Strength in land purchase, facility development and leasing experience since FY2004
- 2 Experience as a **logistics operator**
- 3 Utilization of expertise gained in **J-REIT management**

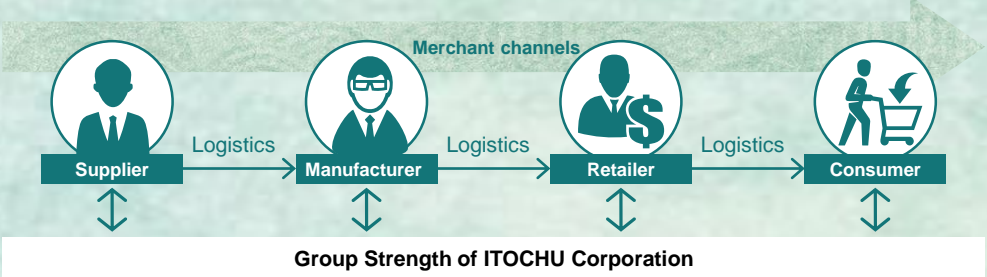
Real Estate & Logistics function of General Products & Realty Company of ITOCHU Corporation, which has integrated responsibility for 1, 2 and 3



Group-wide Merchant Channel (M/C) Platform

- 1 Extensive customer network covering **100,000 companies**
- 2 A wide business domain covering **upstream to downstream merchant channels**
- 3 Strong presence in **consumer-related businesses**

General trading company that has transactional relationships at the **management level** encompassing 1, 2 and 3

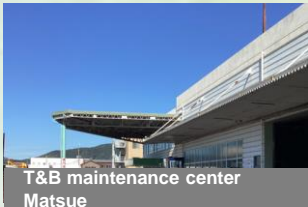


External Growth Strategies

Steady Expansion of Asset Size through Selective Investment in Quality Properties

- Improve portfolio quality by selective properties
- Promote portfolio structure focusing on tenants (long-term contracts) and locations that generate stable, long-term cash flow.
- Acquired Preferential negotiation rights for 7 properties with total floor space of approx. 212,284m², out of which 4 properties are completed, 6 properties are already leased up, thus steadily building up the pipeline.

Area	Status	Property Name	Type*	Operation/ Contract Status	Total floor space	Schedule			
						9 th FP (Feb2023)	10 th FP (Aug2023)	11 th FP (Feb2024)	12 th FP (Aug 2024)
Kanto	Preferential Negotiation Right	IMP Atsugi2	Multiple (single tenant)	100% occupied	15,572m ²	Completed in July 2022			
Kanto	Preferential Negotiation Right	IMP Kazo	Multiple (single tenant)	100% occupied	11,173m ²	Completed in September2022			
Chubu	Preferential Negotiation Right	IMP Kasugai	Multiple (single tenant)	100% occupied	15,402m ²	Completed in February 2023			
Chubu	Preferential Negotiation Right	IMP Kuwana	BTS	Lease up (100%)	Approx. 93,604m ²	Scheduled completion in June 2023			
Kanto	Preferential Negotiation Right	IMP Yoshikawaminami	Multiple (single tenant)	Lease up (100%)	Approx. 17,918m ²	Scheduled completion in September 2023			
Kanto	-	Project A	-	Before Leasing	Approx. 52,000m ²				completion in 2025
Other	Preferential Negotiation Right	T&B Maintenance Center Matsue	Plant	100% occupied	6,615m ²	Completed n 1993			



Portfolio Characteristics

Further improve the stability of portfolio through selective investment, tenant stickiness, and strong sponsor support

(As of Apr. 3, 2023)

Strong Sponsor Support



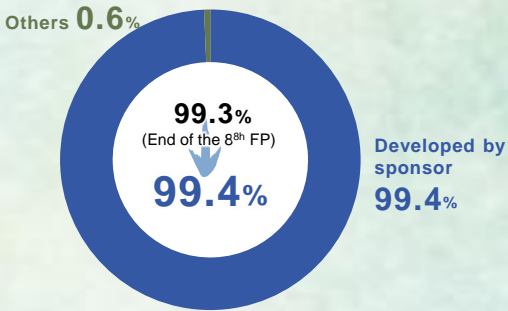
Competitive Property



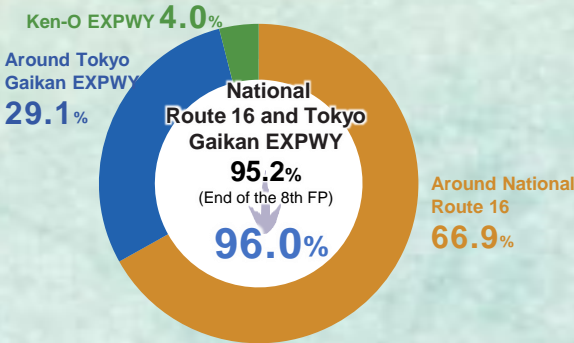
Quality Contract



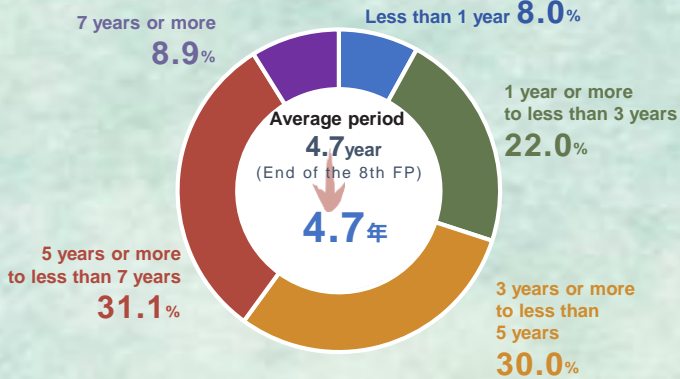
Properties developed by sponsor
(based on acquisition price)



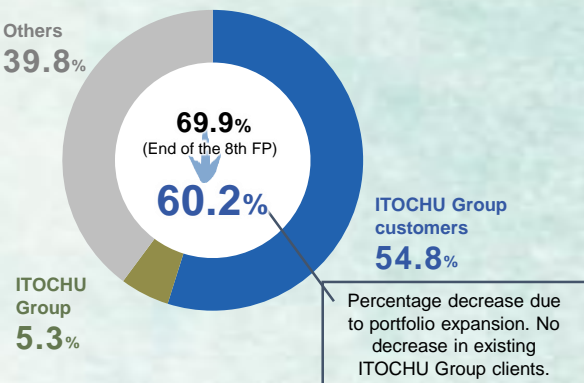
Location
(based on acquisition price)



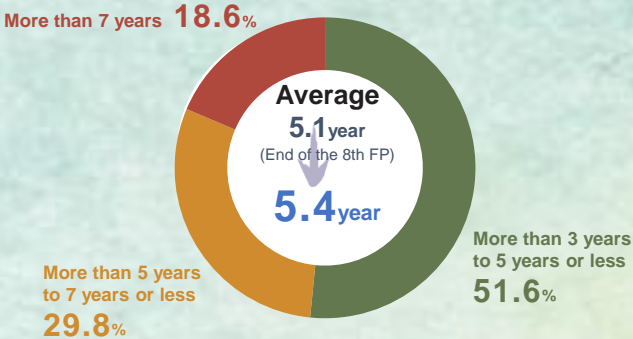
Remaining lease term
(based on annual rent)



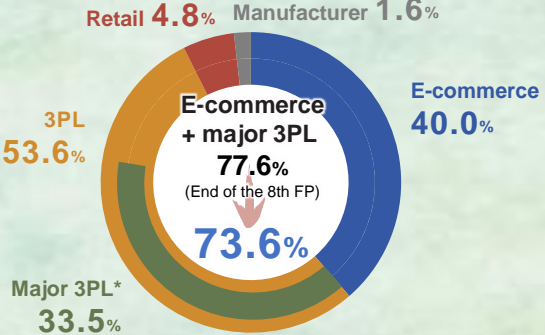
ITOCHU Group and Group customer tenant
(based on annual rent)



Property age
(based on acquisition price)

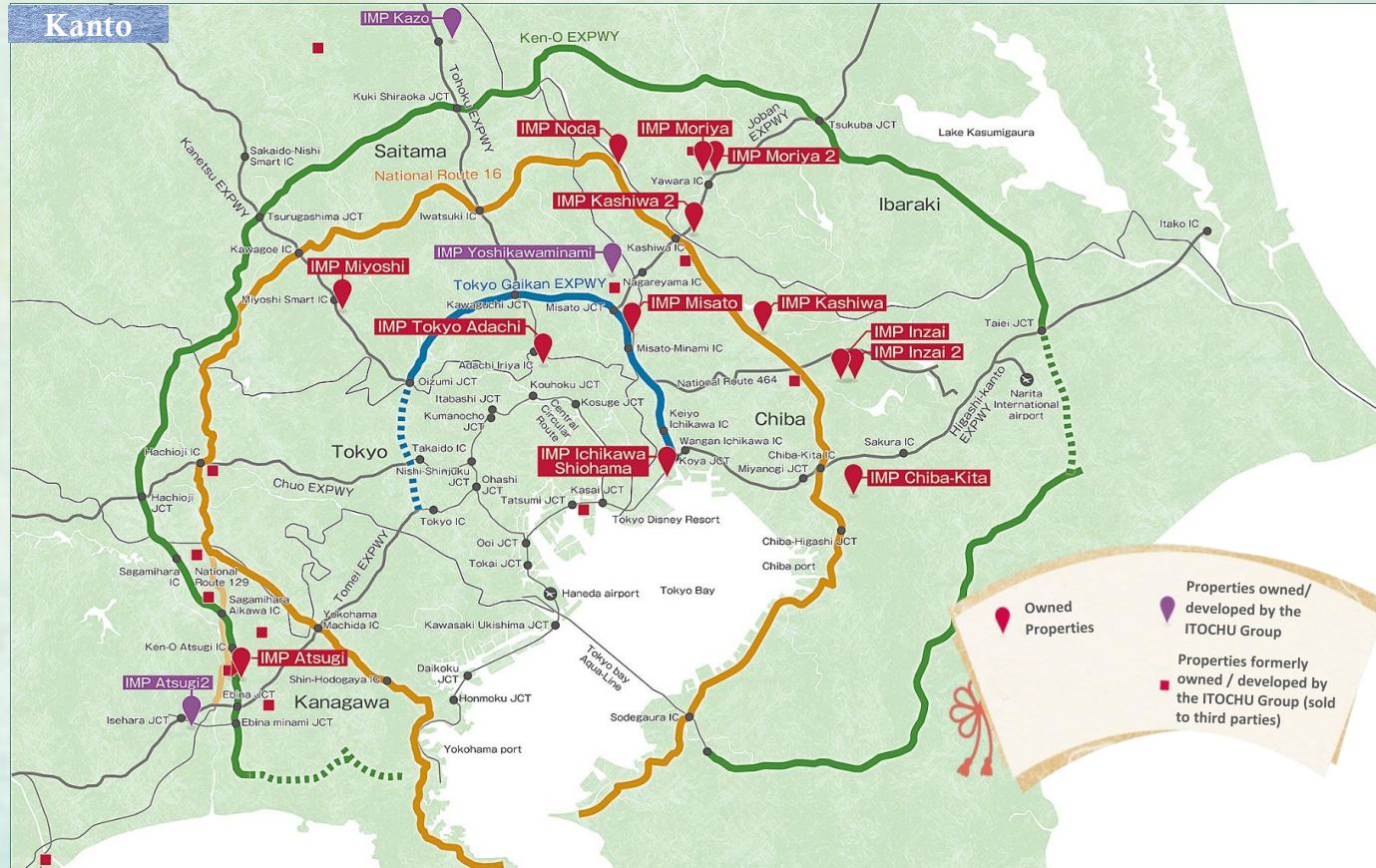


Tenant industry
(based on annual rent)



* "Major 3PL" refers to 3PLs with consolidated group sales exceeding 100 billion

Portfolio Map



Owned Properties



IMP Atsugi



IMP Inzai



IMP Noda



IMP Kashiwa



IMP Moriya



IMP Chiba-Kita



IMP Misato



IMP Moriya 2



IMP Kashiwa 2



IMP Inzai 2

Pipeline Properties



IMP Atsugi 2



IMP Kazo



IMP Yoshikawa Minami



IMP Kasugai



IMP Kuwana



**T&B Maintenance
Center Matsue**



IMP Ichikawa-Shiohama




IMP Tokyo-Adachi




IMP Miyoshi

Initiatives for ESG (E) Environmental Initiatives (1)




Basic Policy of Asset Management Company

- ① Legal compliance / establishment of organizational structure
- ② Efforts to achieve decarbonized society
- ③ Resource conservation / waste reduction
- ④ Employee education
- ⑤ Collaboration with internal & external stakeholders
- ⑥ Transparent disclosure





Commitment of ITOCHU GROUP

"Sampo-Yoshi" Capitalism



WE SUPPORT



GRESB Real Estate Assessment



"Global Sector Leader highest "5 Star" rating"

2018	2019	2020	2021	2022
(Listed in September)	★★★★	★★★★★	★★★★★	★★★★★

E

Environment

Certification Acquisition



Acquisition% (floor area base)

95.0%

Response to climate-related risk

- Joined the TCFD consortium
- Identified climate change risks / opportunities and Planning of strategies
- Promote quantitative analysis of scenario



Energy consumption reduction



LED lighting

Water consumption reduction



Installing water-saving toilet system

Renewable energy generation



Solar panels

Greening



Greening parking lots

CO₂ emissions reduction



Promoting CO₂ emissions reduction in cooperation among tenants based on applicable law

Green lease agreements



Installing LED based on green lease agreements

Initiatives for ESG (S) Social (G)Governance Initiatives(2)

S

Social Contribution

Logistics Continuity at Emergencies

Emergency Supplies Storehouse

Store water, food, portable toilets for tenants to be built in IMP Atsugi 2



Emergency Power Generation Equipment

Enables operation continuity at emergency by supplying power for a certain time in IMP Atsugi 2



Coexistence with Local Communities

Signed Agreement with Noda City in the Event of Disaster

- Signed "Agreement on Acceptance of Evacuees and Relief Supplies in the Event of Disaster" with Noda City, Chiba Prefecture in May 2022, providing IMP Noda as a storage and management facility for relief supplies and a temporary evacuation site for disaster victims in the event of a disaster.
- Disaster drill was held at IMP Noda in February 2023 jointly with the city and tenants.



Cleanup Activities

Regular cleanups held around the Asset Management Company's office building



Support for education

Participate in donation campaigns by ITOCHU Foundation to foster Health development of children



Initiatives for Employees

TOKYO Work-Style Reform Declaration

Approved as a company committed to "TOKYO Work-Style Reform Declaration," a program promoted by the Tokyo Metropolitan Government

Improve paid holidays

Improve work environment

G

Governance

●Fee structure that is linked to unitholders' profit

Reviewing the current asset management fee structure to enhance unitholder value linked with strengthened revenue base through asset size expansion and by rationalization effect of account closing operations, etc., reducing total fee by nearly 10%(from 9th FP).

●First Edition of ESG Report from Asset Management Company



●ITOCHU Corporation's same-boat investment

●Align interests with unitholders

- Introduced "Investment Unit Holders' Association System" for board members.
- "Investment unit system" for employees.

●Expansion of compliance rules

- Raise awareness of compliance among employees, focusing on in-house training and comprehension tests
- Regular meetings with corporate auditors and the internal audit department to exchange opinions and share awareness of compliance issues

※IMP Atsugi 2 is a property developed by sponsor for which ADL holds preferential negotiation right.

Balance Sheet

(Thousands of yen)

	8th fiscal period As of July 31, 2022	9th fiscal period As of February 28, 2023
Assets		
Current assets		
Cash and deposits	3,181,102	3,031,730
Cash and deposits in trust	4,137,678	5,203,067
Operating accounts receivable	36,541	51,610
Consumption taxes refund receivable	-	358,446
Prepaid expenses	60,521	69,489
Other	-	1,848
Total current assets	7,415,844	8,716,193
Non-current assets		
Property, plant and equipment		
Buildings in trust	60,379,592	64,704,758
Accumulated depreciation	(4,404,509)	(5,267,350)
Buildings in trust, net	55,975,082	59,437,408
Structures in trust	2,214,959	2,320,314
Accumulated depreciation	(368,403)	(441,126)
Structures in trust, net	1,846,556	1,879,187
Machinery and equipment in trust	1,667,291	1,800,548
Accumulated depreciation	(202,609)	(241,932)
Machinery and equipment in trust, net	1,464,681	1,558,616
Tools, furniture and fixtures in trust	4,896	5,543
Accumulated depreciation	(1,360)	(1,936)
Tools, furniture and fixtures in trust, net	3,535	3,606
Construction in progress in trust	-	302
Land in trust	48,131,041	59,010,869
Total property, plant and equipment	107,420,897	121,889,990
Intangible assets		
Software	1,433	782
Trademark right	495	-
Total intangible assets	1,928	782
Investments and other assets		
Investment securities	-	11,233
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	172,821	194,516
Deferred tax assets	12	16
Total investments and other assets	182,833	215,766
Total non-current assets	107,605,660	122,106,540
Deferred assets		
Investment corporation bond issuance cost	22,134	19,651
Total deferred assets	22,134	19,651
Total assets	115,043,638	130,842,385

(Thousands of yen)

	8th fiscal period As of July 31, 2022	9th fiscal period As of February 28, 2023
Liabilities		
Current liabilities		
Operating accounts payable	35,378	121,743
Short-term loans payable	3,290,000	170,000
Accrued expenses	473,845	548,615
Current portion of long-term loans payable	1,750,000	-
Income taxes payable	859	1,041
Accrued consumption taxes	85,376	-
Advances received	579,022	647,056
Other	4,383	173,555
Total current liabilities	6,218,865	1,662,011
Non-current liabilities		
Investment corporation bonds	3,500,000	3,500,000
Long-term loans payable	38,740,000	48,720,000
Tenant leasehold and security deposits in trust	1,674,255	1,848,388
Derivative liabilities	-	8,078
Other	144	5,216
Total non-current liabilities	43,914,400	54,081,683
Total liabilities	50,133,265	55,743,695
Net assets		
Unitholders' equity		
Unitholders' capital	64,647,572	74,666,554
Deductions from unitholders' capital	(1,127,274)	(1,366,725)
Unitholders' capital, net	63,520,297	73,299,829
Surplus		
Unappropriated retained earnings (undisposed loss)	1,390,075	1,806,939
Total surplus	1,390,075	1,806,939
Total unitholders' equity	64,910,372	75,106,769
Valuation and translation adjustments		
Deferred gains or losses on hedges	-	(8,078)
Total valuation and translation adjustments	-	(8,078)
Total net assets	*1 64,910,372	*1 75,098,690
Total liabilities and net assets	115,043,638	130,842,385

Statement of Income

(Thousands of yen)

	8th fiscal period From February 1, 2022 to July 31, 2022	9th fiscal period From August 1, 2022 to February 28, 2023
Operating revenues		
Leasing business revenues	*1 3,142,694	*1 3,927,571
Other leasing business revenues	*1 39,581	*1 100,017
Total operating revenues	3,182,276	4,027,588
Operating expenses		
Expenses related to leasing business	*1 1,203,747	*1 1,468,408
Asset management fees	385,224	444,312
Asset custody fee and Administrative service fees	14,005	15,727
Directors' compensations	2,640	3,080
Other operating expenses	51,518	51,309
Total operating expenses	1,657,135	1,982,837
Operating income	1,525,140	2,044,751
Non-operating income		
Interest income	33	70
Reversal of distributions payable	1,068	651
Subsidy income	356	-
Other	-	8
Total non-operating income	1,458	730
Non-operating expenses		
Interest expenses	103,772	135,379
Interest expenses on investment corporation bonds	6,461	8,068
Investment unit issuance expenses	-	19,711
Amortization of investment corporation bond issuance cost	2,127	2,482
Borrowing related expenses	22,542	61,553
Other	991	10,479
Total non-operating expenses	135,896	237,674
Ordinary income	1,390,703	1,807,807
Income before income taxes	1,390,703	1,807,807
Income taxes - current	864	1,052
Income taxes - deferred	(4)	(4)
Total income taxes	859	1,048
Net income	1,389,843	1,806,759
Retained earnings brought forward	231	180
Unappropriated retained earnings (undisposed loss)	1,390,075	1,806,939

Statement of Changes in Net Assets

8th fiscal period (from February 1, 2022 to July 31, 2022)

(Thousands of yen)

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

9th fiscal period (from August 1, 2022 to February 28, 2023)

(Thousands of yen)

	Unitholders' equity					
	Unitholders' capital			Surplus		Total unitholders' equity
	Unitholders' capital	Deductions from unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus	
Balance at the beginning of period	64,647,572	(1,127,274)	63,520,297	1,390,075	1,390,075	64,910,372
Changes during the period						
Issuance of new investment units	10,018,982		10,018,982			10,018,982
Distributions in excess of retained earnings		(239,450)	(239,450)			(239,450)
Distributions of retained earnings				(1,389,894)	(1,389,894)	(1,389,894)
Net income				1,806,759	1,806,759	1,806,759
Net changes in items other than unitholders' equity						
Total changes during the period	10,018,982	(239,450)	9,779,531	416,864	416,864	10,196,396
Balance at the end of period	*1 74,666,554	(1,366,725)	73,299,829	1,806,939	1,806,939	75,106,769

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of period	-	-	64,910,372
Changes during the period			
Issuance of new investment units			10,018,982
Distributions in excess of retained earnings			(239,450)
Distributions of retained earnings			(1,389,894)
Net income			1,806,759
Net changes in items other than unitholders' equity	(8,078)	(8,078)	(8,078)
Total changes during the period	(8,078)	(8,078)	10,188,317
Balance at the end of period	(8,078)	(8,078)	75,098,690

Statement of Cash Distributions

(Yen)

	8th fiscal period From February 1, 2022 to July 31, 2022	9th fiscal period From August 1, 2022 to February 28, 2023
I. Unappropriated retained earnings	1,390,075,103	1,806,939,978
II. Additional distributable amount in excess of retained earnings		
Deductions from unitholders' capital	239,450,673	377,664,000
III. Distributions	1,629,344,805	2,184,381,600
(Distributions per unit)	[2,715]	[3,239]
Of which, retained earnings	1,389,894,132	1,806,717,600
(Earnings distributions per unit)	[2,316]	[2,679]
Of which, distribution in excess of retained earnings	239,450,673	377,664,000
(Distributions in excess of retained earnings per unit)	[399]	[560]
IV. Retained earnings carried forward	180,971	222,378

Distribution amount calculation method	<p>Under the distribution policy established in Paragraph 1, Article 39 of the certificate of incorporation of ADL, the distribution amount shall exceed the amount equivalent to 90% the profit available for distributions provided for in Article 67-15 of the Act on Special Measures Concerning Taxation.</p> <p>Based on this policy, ADL decided to distribute ¥1,389,894,132, the maximum integral multiple of the total number of investment units outstanding, which does not exceed the unappropriated retained earnings.</p> <p>Based on the cash distribution policy established in Paragraph 2, Article 39 of the certificate of incorporation of ADL, ADL continuously distributes cash in excess of profit (contribution refunds that fall under distributions accompanying a decrease in capital under tax law) in every period. Under this policy, ADL has decided to distribute ¥239,450,673, as distributions in excess of earnings (contribution refunds that fall under distributions accompanying a decrease in capital under tax law).</p>	<p>Under the distribution policy established in Paragraph 1, Article 39 of the certificate of incorporation of ADL, the distribution amount shall exceed the amount equivalent to 90% the profit available for distributions provided for in Article 67-15 of the Act on Special Measures Concerning Taxation.</p> <p>Based on this policy, ADL decided to distribute ¥1,806,717,600, the maximum integral multiple of the total number of investment units outstanding, which does not exceed the unappropriated retained earnings.</p> <p>Based on the cash distribution policy established in Paragraph 2, Article 39 of the certificate of incorporation of ADL, ADL continuously distributes cash in excess of profit (contribution refunds that fall under distributions accompanying a decrease in capital under tax law) in every period. Under this policy, ADL has decided to distribute ¥377,664,000, as distributions in excess of earnings (contribution refunds that fall under distributions accompanying a decrease in capital under tax law).</p>
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Statement of Cash Flows

(Thousands of yen)

	8th fiscal period From February 1, 2022 to July 31, 2022	9th fiscal period From August 1, 2022 to February 28, 2023
Cash flows from operating activities		
Income before income taxes	1,390,703	1,807,807
Depreciation	799,949	976,111
Investment unit issuance expenses	-	19,711
Amortization of investment corporation bond issuance cost	2,127	2,482
Interest income	(33)	(70)
Interest expenses	103,772	143,447
Decrease (increase) in operating accounts receivable	7,795	(15,069)
Decrease (increase) in consumption taxes refund receivable	-	(358,446)
Decrease (increase) in prepaid expenses	202	(8,967)
Decrease (increase) in long-term prepaid expenses	(8,315)	(21,695)
Increase (decrease) in operating accounts payable	(125,406)	19,170
Increase (decrease) in accrued expenses	(10,475)	72,118
Increase (decrease) in accrued consumption taxes	(177,939)	(85,376)
Increase (decrease) in advances received	(1,543)	68,033
Other	(112)	173,400
Subtotal	1,980,724	2,792,656
Interest income received	33	70
Interest expenses paid	(99,294)	(140,795)
Income taxes paid	(763)	(869)
Net cash provided by (used in) operating activities	1,880,700	2,651,061
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(22,560)	(15,377,360)
Purchase of intangible assets in trust	(504)	-
Purchase of investment securities	-	(11,233)
Other	-	495
Net cash provided by (used in) investing activities	(23,064)	(15,388,098)
Cash flows from financing activities		
Proceeds in short-term loans payable	-	620,000
Repayments of short-term loans payable	(2,010,000)	(3,740,000)
Proceeds in long-term loans payable	-	9,980,000
Repayments of long-term loans payable	-	(1,750,000)
Proceeds from issuance of investment corporation bonds	1,982,970	-
Proceeds from issuance of investment units	-	9,999,270
Distributions payments	(1,654,571)	(1,630,349)
Net cash provided by (used in) financing activities	(1,681,600)	13,478,921
Net increase (decrease) in cash and cash equivalents	176,035	741,884
Cash and cash equivalents at the beginning of period	5,468,489	5,644,525
Cash and cash equivalents at the end of period	*1 5,644,525	*1 6,386,409

Notes to Financial Statements

1 Organization

ADL 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 ADL’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 ADL 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, ADL aims to benefit society by developing logistics infrastructure, particularly logistics real estate properties, through a collaborative growth relationship^(Note 3) with the ITOCHU Group^(Note 4).

(Note 1) As used herein, “sponsor” means a party that has entered into a sponsor support agreement with ADL and the Asset Management Company. ADL’s sponsors as of February 28, 2023, 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) ADL aims to achieve steady growth by utilizing the ITOCHU Group’s platforms (Realty & Logistics (R/L) Platform and Merchant Channel (M/C) Platform. Meanwhile, the ITOCHU Group will work to strengthen its own platforms through management of ADL’s assets. Such a virtuous cycle of cooperation between ADL 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, consolidated subsidiaries and equity-method affiliates.

2 Basis of Presentation of Financial Statements

The accompanying financial statements are an English translation of the financial statements of ADL filed with the appropriate local finance bureau of the Ministry of Finance, prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

ADL does not prepare consolidated financial statements as it has no subsidiaries. Unless otherwise specified, amounts have been less than one thousand yen. As a result, the totals shown in the financial statements do not necessarily agree with the sums of the individual amounts.

By resolution of the 4th General Meeting of Unitholders held on April 27, 2022, the fiscal period of the Investment Corporation was changed from March 1 to the end of August and from September 1 to the end of February of the following year. Accordingly, the operating period of the 9th fiscal period is a seven-month accounting period from August 1, 2022 to February 28, 2023.

3 Note to Significant Accounting Policies

1. Method of assessing and accounting for assets	<p>Securities</p> <p>Available-for-sale securities</p> <p>Equity securities without market value</p> <p>Stated at cost using the moving average method.</p> <p>Net gain/loss from tokumei kumiai equity interest is accounted for using the equity method of accounting.</p>												
2. Depreciation method for non-current assets	<p>(1) Property, plant and equipment (including assets in trust)</p> <p>The straight-line method is used.</p> <p>The useful lives of major property, plant and equipment are as stated below.</p> <table data-bbox="643 562 1102 703"> <tr> <td>Buildings</td><td>3 to 62 years</td></tr> <tr> <td>Structures</td><td>14 to 46 years</td></tr> <tr> <td>Machinery and equipment</td><td>5 to 29 years</td></tr> <tr> <td>Tools, furniture and fixtures</td><td>5 to 6 years</td></tr> </table> <p>(2) Intangible assets</p> <p>The straight-line method is used.</p> <p>The useful lives of major property, plant and equipment are as stated below.</p> <table data-bbox="643 860 1015 927"> <tr> <td>Software</td><td>5 years</td></tr> <tr> <td>Trademark right</td><td>10 years</td></tr> </table> <p>(3) Long-term prepaid expenses</p> <p>The straight-line method is used.</p>	Buildings	3 to 62 years	Structures	14 to 46 years	Machinery and equipment	5 to 29 years	Tools, furniture and fixtures	5 to 6 years	Software	5 years	Trademark right	10 years
Buildings	3 to 62 years												
Structures	14 to 46 years												
Machinery and equipment	5 to 29 years												
Tools, furniture and fixtures	5 to 6 years												
Software	5 years												
Trademark right	10 years												
3. Accounting for deferred assets	<p>(1) Investment corporation bond issuance cost</p> <p>Amortized by the straight-line method over the period from issuance to redemption of the bonds.</p> <p>(2) Investment unit issuance expenses</p> <p>All expenses are expensed when incurred.</p>												

4. Revenue and expense recognition	<p>(1) Revenue recognition</p> <p>The main performance obligations related to revenue arising from ADL's contracts with customers and when it typically satisfies its performance obligations (the ordinary time at which revenue is recognized) are as follows.</p> <p>1) Disposition of real estate</p> <p>Regarding disposition of real estate, ADL recognizes revenue when the buyer, who is a customer, obtains control of the real estate by fulfilling the delivery obligations stipulated in the sales and purchase agreement of real estate.</p> <p>2) Utility service revenues</p> <p>Utility service revenues are recognized based on the supply of electricity, water, etc. to the lessee, who is a customer, in accordance with the real estate lease contract and related agreements. As to utility service revenues in cases where ADL is acting as an agent, the net amount derived by deducting the amount to be paid to other parties supplying the electricity, water, etc. from the amount received by ADL as service revenues from the customer is recognized as revenue.</p> <p>(2) Accounting for property taxes</p> <p>Property taxes, city planning taxes, depreciable asset taxes and other taxes assessed on ADL's real estate and other asset holdings are expensed as a leasing business expense prorated by fiscal period.</p> <p>Such taxes paid to a seller at settlement in conjunction with a property acquisition are capitalized and added to the property's acquisition costs, not expensed as a leasing business expense. There were no property taxes capitalized and added to the property's acquisition costs in the previous period. Such property taxes were 12,689 thousand yen for the current period.</p>
5. Method of hedge accounting	<p>(1) Method of hedge accounting</p> <p>Deferral hedge accounting is used. Special treatment is used for interest rate swaps meeting the requirements for special treatment.</p> <p>(2) Hedging instruments and hedged items</p> <p>Hedging instruments</p> <p>Interest rate swap transactions</p> <p>Hedged items:</p> <p>Interest on loans</p> <p>(3) Hedging policy</p> <p>ADL REIT conducts derivative transactions to hedge the risks set forth in its certificate of incorporation based on rules specifying the basic policy for risk management.</p> <p>(4) Methods of assessing hedge effectiveness</p> <p>The effectiveness of the hedge is judged by comparing the cumulative total of the cash flow fluctuations for the hedge coverage and that of the cash flow fluctuations for the means of hedging.</p> <p>However, the evaluation of the effectiveness of interest rate swaps is omitted for those meeting the requirements for special treatment.</p>
6. Scope of cash and cash equivalents in the Statement of Cash Flows	<p>Cash and cash equivalents in the statements of cash flows include cash on hand, entrusted cash, demand deposits, entrusted bank deposits, and highly liquid short-term investments that are readily convertible, bear little risk in price fluctuations, and mature within three months from the date of acquisition.</p>

<p>7. Other matters that serve as the basis for preparation of financial statements</p>	<p>Accounting policy for trust beneficiary interests in real estate</p> <p>For trust beneficiary interests in real estate, all trust assets and liabilities as well as all income generated and expenses incurred for trust properties are recorded in the applicable accounts in the Balance Sheet and the Statement of Income.</p> <p>The following material items among assets in trust posted in the trust accounts are listed separately on the Balance Sheet.</p> <ol style="list-style-type: none"> 1) Cash and deposits in trust 2) Buildings in trust; structures in trust; machinery and equipment in trust; tools, furniture and fixtures in trust; construction in progress in trust; and land in trust 3) Tenant leasehold and security deposits in trust
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4 Notes to Significant Accounting Estimates

Impairment of non-current assets

(1) Amounts recorded in the financial statements

(Thousands of yen)

	8th fiscal period July 31, 2022	9th fiscal period February 28, 2023
Property, plant and equipment	107,420,897	121,889,990
Intangible assets	1,928	782
Impairment loss	-	-

(2) Information on the details of the significant accounting estimates for identified items

In accordance with the Accounting Standard for Impairment of Fixed Assets, in cases where a decline in profitability makes it unlikely that an investment will be recovered, ADL has adopted the accounting treatments to reduce the book value of the fixed assets to the recoverable value.

In adopting the accounting treatment, the respective properties owned by ADL are regarded as a single asset group, and judgment is made whether it is required to recognize impairment losses when indications of impairment are deemed to exist for the group due to continuous operating losses, a significant decline in the market value and significant deterioration of the business environment, etc.

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

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

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

5 Notes to Balance Sheet

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

(Thousands of yen)

	8th fiscal period July 31, 2022	9th fiscal period February 28, 2023
	50,000	50,000

6 Notes to Statement of Income

*1 Breakdown of real estate leasing business revenues and expenses

	(Thousands of yen)			
	8th fiscal period From February 1, 2022 to July 31, 2022		9th fiscal period From August 1, 2022 to February 28, 2023	
A. Real estate leasing business revenues				
Leasing business revenues				
Leasing revenues	3,116,230		3,887,496	
Common area charge income	26,463	3,142,694	40,075	3,927,571
Other leasing business revenues				
Utility service revenues	31,169		89,373	
Parking revenues	5,167		7,340	
Other revenues	3,244	39,581	3,303	100,017
Total real estate leasing business revenues		3,182,276		4,027,588
B. Real estate leasing business expenses				
Expenses related to leasing business				
Property management fees	48,315		66,848	
Utility expenses	35,292		97,531	
Repair expenses	4,740		9,060	
Taxes and public dues	303,961		303,960	
Depreciation	799,384		975,461	
Insurance premiums	9,032		9,487	
Trust fees	2,750		4,676	
Other leasing business expenses	270		1,381	
Total real estate leasing business expenses		1,203,747		1,468,408
C. Real estate leasing business income (A-B)		1,978,528		2,559,180

7 Notes to Statement of Changes in Net Assets

*1 Total number of investment units authorized and outstanding

	8th fiscal period From February 1, 2022 to July 31, 2022	9th fiscal period From August 1, 2022 to February 28, 2023
Total authorized investment units	10,000,000 units	10,000,000 units
Total investment units outstanding	600,127 units	674,400 units

8 Notes to Statement of Cash Flows

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

	(Thousands of yen)	
	8th fiscal period From February 1, 2022 to July 31, 2022	9th fiscal period From August 1, 2022 to February 28, 2023
Cash and deposits	3,181,102	3,031,730
Cash and deposits in trust	4,137,678	5,203,067
Use-restricted deposits in trust (Note)	(1,674,255)	(1,848,388)
Cash and cash equivalents	5,644,525	6,386,409

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

9 Notes to Leases

Operating lease transactions (lessor side)

Future minimum rent

(Thousands of yen)

	8th fiscal period July 31, 2022	9th fiscal period February 28, 2023
Within 1 year	5,857,824	6,579,339
More than 1 year	21,471,176	22,064,683
Total	27,329,001	28,644,022

10 Notes to Financial Instruments

1. Matters related to the status of financial instruments

(1) Policy for financial instruments

ADL raises funds through such means as borrowing from financial institutions, issuing investment corporation bonds (including short-term investment corporation bonds; hereinafter, the same shall be applied) and issuing investment units to ensure stable medium/long-term earnings and steady growth and management stability in assets under management. 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.

ADL trades derivatives solely to hedge risks, mainly interest rate risk posed by floating-rate liabilities.

(2) Details of financial instruments, their risks and risk management system

Deposits are made from ADL's surplus funds, which are exposed to credit risk such as the bankruptcy of the financial institution in which the funds are deposited. ADL controls credit risk by limiting deposit terms to short term and depositing funds only at financial institutions with high credit ratings.

ADL uses the proceeds of borrowings and investment corporation bond issues 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. ADL mitigates liquidity risk by diversifying funding instruments, debt maturities and funding sources and maintaining a cushion of liquidity on 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 increases in the interest rates payable on them. ADL limits such interest rate risk by using derivative trading (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 as ADL is obligated to refund them to tenants when the tenants vacate their leased premises. When ADL 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.

While investment securities are investments in silent partnerships and are exposed to risks of fluctuations in values of properties and interest rates, ADL has been monitoring their real values and the financial position of the issuers on a regular basis.

(3) Supplemental explanation regarding the fair value of financial instruments

Certain preconditions apply in the calculation of fair value of financial instruments, which may vary when different preconditions apply. The amount of derivative trading contracts in the latter section, "Notes to derivative trading," do not directly indicate market risks associated with derivative trading.

2. Matters regarding fair value of financial instruments

Financial instruments' book value and fair values, and differences between the two, are tabulated below. The fair values of cash and deposits, cash and deposits in trust, and short-term loans payable are omitted because their fair value approximates their book value as they are in cash and settled in a short term. Tenant leasehold and security deposits in trust as well as investment securities are omitted due to immateriality.

8th fiscal period (as of July 31, 2022)

	Book value (thousands of yen)	Fair value (thousands of yen)	Difference (thousands of yen)
(1) Current portion of long-term loans payable	(1,750,000)	(1,752,098)	2,098
(2) Investment corporation bonds	(3,500,000)	(3,496,350)	(3,650)
(3) Long-term loans payable	(38,740,000)	(39,260,711)	520,711
(4) Derivatives (Interest rate swap special treatment)	—	—	—

9th fiscal period (as of February 28, 2023)

	Book value (thousands of yen)	Fair value (thousands of yen)	Difference (thousands of yen)
(2) Investment corporation bonds	(3,500,000)	(3,408,050)	(91,950)
(3) Long-term loans payable	(48,720,000)	(49,112,854)	392,854
(4) Derivatives (Interest rate swap special treatment)	—	507,488	507,488
(5) Derivatives (Interest rate swap principle treatment)	(8,078)	(8,078)	—

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

(Note 2) Fair value measurement methods for financial instruments

(2) 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 ADL could hypothetically issue the same bonds as of the measurement date.

(1) Current portion of long-term loans payable, (3) 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 ADL could hypothetically obtain the same loan as of the measurement date.

The fair value of long-term loans payable at fixed rates is calculated by discounting the sum of principal and interest payments by the interest rate at which it is assumed that new borrowings could be made over the remaining period.

(4) Derivatives (Interest rate swap special treatment), (5) Derivatives (Interest rate swap principle treatment)

Please refer to "Fair values of Derivatives" below.

(Note 3) Loans payable and investment corporation bonds debt's maturity schedule after the closing date

8th fiscal period (as of July 31, 2022)

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Investment corporation bonds	—	—	1,500,000	—	—	2,000,000
Long-term loans payable	1,750,000	—	9,070,000	5,000,000	10,520,000	14,150,000
Total	1,750,000	—	10,570,000	5,000,000	10,520,000	16,150,000

9th fiscal period (as of February 28, 2023)

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Investment corporation bonds	—	1,500,000	—	—	—	2,000,000
Long-term loans payable	—	9,070,000	5,000,000	8,000,000	10,020,000	16,630,000
Total	—	10,570,000	5,000,000	8,000,000	10,020,000	18,630,000

11 Notes to Securities

8th fiscal period (as of July 31, 2022)

Not applicable

9th fiscal period (as of February 28, 2023)

Regarding tokumei kumiai equity interest (11,233 thousand yen on the Balance Sheet), disclosure of matters stipulated by Article 8, paragraph 1, item (2) of Regulation on Terminology, Forms, and Preparation Methods of Financial Statements is omitted based on Article 8-6-2, paragraph (3) of the regulation.

12 Notes to Derivative Transactions

(1) Derivatives not applying hedge accounting

8th fiscal period (as of July 31, 2022)

Not applicable

9th fiscal period (as of February 28, 2023)

Not applicable

(2) Derivatives applying hedge accounting

The following table shows the contracted amount or principal equivalent amount as set forth in the contract as of the Balance Sheet date for each hedge accounting method.

8th fiscal period (as of July 31, 2022)

(Thousands of yen)

Method of hedge accounting	Type of derivative transactions	Main hedged item	Contracted value		Fair value
				Of which, maturity more than 1 year	
Interest rate swap special treatment	Interest rate swap transactions Floating rate receipt, fixed rate payment	Long-term loans payable	39,490,000	37,740,000	*

*Fair value for interest rate swaps with this special treatment is included in the fair value of (3) "Long-term loans payable" in "2. Matters regarding fair value of financial instruments" of "Notes to Financial Instruments" described above, as it is accounted for as a single unit with the hedged long-term loans payable.

9th fiscal period (as of February 28, 2023)

(Thousands of yen)

Method of hedge accounting	Type of derivative transactions	Main hedged item	Contracted value (*1)		Fair value (*2)
				Of which, maturity more than 1 year	
Interest rate swap special treatment	Interest rate swap transactions Floating rate receipt, fixed rate payment	Long-term loans payable	43,040,000	43,040,000	507,488 (*3)
Interest rate swap principle method	Interest rate swap transactions Floating rate receipt, fixed rate payment	Long-term loans payable	2,180,000	2,180,000	(8,078)

(*1) The contract amount is based on the notional principals.

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

(*3) Special accounting treatment is applied to the interest-rate swaps in accordance with the "Accounting Standard for Financial Instruments" and therefore interest rate swaps are not stated at fair value in the Balance Sheet.

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

8th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable

9th fiscal period (from August 1, 2022 to February 28, 2023)

Not applicable

14 Notes to Transactions with Related Parties

1. Parent company and main corporate unitholders, and other

8th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable

9th fiscal period (from August 1, 2022 to February 28, 2023)

Not applicable

2. Affiliated companies, and other

8th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable

9th fiscal period (from August 1, 2022 to February 28, 2023)

Not applicable

3. Fellow subsidiary companies and other

8th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable

9th fiscal period (from August 1, 2022 to February 28, 2023)

Not applicable

4. Directors and major individual unitholders, and other

8th fiscal period (from February 1, 2022 to July 31, 2022)

Instrument	Name	Location	Capital or amount invested (millions of yen)	Nature of business	Percentage of voting rights owned	Relationships with related parties	Nature of transaction(s)	Transaction value (thousands of yen) (Note 1)	Account	Balance at the end of period (thousands of yen) (Note 1)
Directors and their immediate relatives	Junichi Shoji	—	—	Executive Director of ADL and the President of ITOCHU REIT Management Co., Ltd.	0.00%	Asset manager	Asset management fees (Note 2)	385,224	Accrued expenses	423,746

Transaction terms and policy for setting transaction terms

(Note 1) The above transaction amounts and balances do not include consumption taxes, but the balance at the end of the period does include consumption taxes.

(Note 2) These are transactions conducted by Executive Director of ADL Junichi Shoji (ITOCHU REIT Management Co., Ltd.) acting as the representative of a third party, compensation for which complies with the conditions set out in ADL's Articles of Incorporation.

(Note 3) Transaction terms are set based on market pricing/terms.

9th fiscal period (from August 1, 2022 to February 28, 2023)

Instrument	Name	Location	Capital or amount invested (millions of yen)	Nature of business	Percentage of voting rights owned	Relationships with related parties	Nature of transaction(s)	Transaction value (thousands of yen) (Note 1)	Account	Balance at the end of period (thousands of yen) (Note 1)
Directors and their immediate relatives	Junichi Shoji	—	—	Executive Director of ADL and the President of ITOCHU REIT Management Co., Ltd.	0.00%	Asset manager	Asset management fees (Note 2)	520,612	Accrued expenses	488,743

Transaction terms and policy for setting transaction terms

(Note 1) The above transaction amounts and balances do not include consumption taxes, but the balance at the end of the period does include consumption taxes.

(Note 2) These are transactions conducted by Executive Director of ADL Junichi Shoji (ITOCHU REIT Management Co., Ltd.) acting as the representative of a third party, compensation for which complies with the conditions set out in ADL's Articles of Incorporation.

(Note 3) Transaction terms are set based on market pricing/terms.

15 Notes to Tax Effect Accounting

1. Breakdown of deferred tax assets and liabilities

(Thousands of yen)

	8th fiscal period July 31, 2022	9th fiscal period February 28, 2023
Deferred tax assets		
Accrued business taxes, currently deductible	12	16
Total deferred tax assets	12	16
Net deferred tax assets	12	16

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

(%)

	8th fiscal period July 31, 2022	9th fiscal period February 28, 2023
Statutory effective tax rate	31.46	31.46
(Adjustments)		
Deductible distributions paid	(31.44)	(31.44)
Other	0.04	0.04
Effective tax rate after application of deferred tax accounting	0.06	0.06

16 Notes to Retirement Benefits

8th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable

9th fiscal period (from August 1, 2022 to February 28, 2023)

Not applicable

17 Notes to Asset Retirement Obligations

8th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable

9th fiscal period (from August 1, 2022 to February 28, 2023)

Not applicable

18 Notes to Segment Information

1. Segment Information

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

2. Related information

8th fiscal period (from February 1, 2022 to July 31, 2022)

(1) Information about products and services

Disclosure is omitted as operating revenues from external customers of products and services within a single segment exceeds 90% of operating revenues on the Statement of Income.

(2) Information about region

1) Operating revenues

Disclosure is omitted since operating revenues from external customers in Japan exceeds 90% of operating revenues on the Statement of Income.

2) Property, plant and equipment

Disclosure is omitted since the amount of property and equipment located in Japan exceeds 90% of property and equipment on the Balance Sheet.

(3) Information about major customer

(Thousands of yen)

Name of customer	Operating revenues	Relevant segment name
Hitachi Transport System Metropolitan Co., Ltd.	Undisclosed (Note)	Real estate leasing business
Undisclosed (Note)	Undisclosed (Note)	Real estate leasing business
e-LogiT co., Ltd.	Undisclosed (Note)	Real estate leasing business

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

9th fiscal period (from August 1, 2022 to February 28, 2023)

(1) Information about products and services

Disclosure is omitted as operating revenues from external customers of products and services within a single segment exceeds 90% of operating revenues on the Statement of Income.

(2) Information about region

1) Operating revenues

Disclosure is omitted since operating revenues from external customers in Japan exceeds 90% of operating revenues on the Statement of Income.

2) Property, plant and equipment

Disclosure is omitted since the amount of property and equipment located in Japan exceeds 90% of property and equipment on the Balance Sheet.

(3) Information about major customer

(Thousands of yen)

Name of customer	Operating revenues	Relevant segment name
Hitachi Transport System Metropolitan Co., Ltd.	Undisclosed (Note)	Real estate leasing business
Undisclosed (Note)	Undisclosed (Note)	Real estate leasing business
e-LogiT co., Ltd.	Undisclosed (Note)	Real estate leasing business

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

19 Notes to Investment and Rental Properties

ADL holds rental logistics properties in the Kanto and Kansai areas (Note 1) to earn rental revenues. The amounts of these rental properties on the Balance Sheet, changes in the amounts during the period, and their book values are as follows.

(Thousands of yen)

		8th fiscal period From February 1, 2022 to July 31, 2022	9th fiscal period From August 1, 2022 to February 28, 2023
Book value			
(Note 2)	Balance at the beginning of period	108,210,465	107,420,897
	Changes during the period (Note 3)	(789,567)	14,469,093
	Balance at the end of period	107,420,897	121,889,990
Fair value at the end of period (Note 4) (Note 5)		130,505,000	150,013,000

(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. Hereinafter, the same shall be applied.

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

(Note 3) Of the changes in rental properties' book value during the period, the increase in the previous period was mainly attributable to capital expenditure, while the decline is primarily due to depreciation (799,384 thousand yen). The increase in the current period is mainly attributable to acquisition of trust beneficiary interests of a property (15,353,896 thousand yen) while the decline is primarily due to depreciation (975,461 thousand yen).

(Note 4) The fair value as of the end of each period is the properties' appraisal value furnished by independent real estate appraisers.

(Note 5) Regarding the fair value at the end of period of i Missions Park Ichikawa Shiohama, the amount equivalent to its quasi-co-ownership interest (70%) owned by ADL at the end of the current period was aggregated.

For profit and loss related to rental properties, please refer to "Notes to Statement of Income" above.

20 Notes to Revenue Recognition

8th fiscal period (from February 1, 2022 to July 31, 2022)

Disaggregated information on revenue from contracts with customers

See “*1. Breakdown of real estate leasing business revenues and expenses” of the Notes to Financial Statements (Notes to Statement of Income) for disaggregated information on revenue from contracts with customers.

“*1 Breakdown of real estate leasing business revenues and expenses” includes the revenue based on ASBJ Statement No. 13 “Accounting Standard for Lease Transactions.” The main revenue from contracts with customers is utility revenue.

9th fiscal period (from August 1, 2022 to February 28, 2023)

Disaggregated information on revenue from contracts with customers

See “*1. Breakdown of real estate leasing business revenues and expenses” of the Notes to Financial Statements (Notes to Statement of Income) for disaggregated information on revenue from contracts with customers.

“*1 Breakdown of real estate leasing business revenues and expenses” includes the revenue based on ASBJ Statement No. 13 “Accounting Standard for Lease Transactions.” The main revenue from contracts with customers is utility revenue.

21 Notes to Per Unit Information

(Yen)

	8th fiscal period From February 1, 2022 to July 31, 2022	9th fiscal period From August 1, 2022 to February 28, 2023
Net assets per unit	108,161	111,356
Net income per unit	2,315	2,794

(Note 1) Net income per unit is calculated by dividing net income by the day-weighted average number of investment units for the period. Fully diluted net income per investment unit is not presented, as there is no potential dilutive investment unit.

(Note 2) The basis for calculating net income per unit is as follows.

	8th fiscal period From February 1, 2022 to July 31, 2022	9th fiscal period From August 1, 2022 to February 28, 2023
Net income (Thousands of yen)	1,389,843	1,806,759
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income applicable to common units (Thousands of yen)	1,389,843	1,806,759
Average units outstanding during the period (Units)	600,127	646,594

22 Notes to Significant Subsequent Events

Not applicable

Supplementary Schedules

1 Schedule of Securities

(1) Shares

Not applicable

(2) Securities other than shares

(Thousands of yen)

Type	Issue	Book value	Appraisal value	Loss/gain on valuation	Remarks
Tokumei kumiai equity interest	CCF2 Godo Kaisha	11,233	11,233	-	(Note)
Total		11,233	11,233	-	

(Note) Book value is used for appraisal value.

2 Schedule of contract amounts and fair values of derivative transactions and exchange contract transactions

(Thousands of yen)

Category	Instrument	Contract amount (Note 1)		Fair value (Note 2) (Note 3)
			Of which, maturity more than 1 year	
Transactions other than market transactions	Interest rate swap transactions Floating rate receipt, fixed rate payment	45,220,000	45,220,000	499,410
Total		45,220,000	45,220,000	499,410

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

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

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

3 Schedule of real estate

(Thousands of yen)

Asset type		Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Accumulated depreciation or accumulated amortization	Depreciation for the period	Net balance at the end of period after deductions	Remarks
Property, plant and equipment	Buildings in trust	60,379,592	4,325,166	-	64,704,758	5,267,350	862,840	59,437,408	(Note 1)
	Structures in trust	2,214,959	105,354	-	2,320,314	441,126	72,723	1,879,187	
	Machinery and equipment in trust	1,667,291	133,257	-	1,800,548	241,932	39,322	1,558,616	
	Tools, furniture and fixtures in trust	4,896	647	-	5,543	1,936	575	3,606	
	Land in trust	48,131,041	10,879,827	-	59,010,869	-	-	59,010,869	(Note 1)
	Construction in progress in trust	-	302	-	302	-	-	302	
	Total	112,397,781	15,444,555	-	127,842,336	5,952,345	975,461	121,889,990	

(Note 1) The increase in tangible fixed assets in the current period is mainly due to the acquisition of the following properties.

iMissions Park Ichikawa Shiohama (70% quasi co-ownership)

4 Schedule of other specified assets

Not applicable

5 Schedule of investment corporation bonds

(Thousands of yen)

Issue	Issuance date	Balance at the beginning of period	Decrease during the period	Balance at the end of period	Interest rate	Maturity date	Use	Collateral
1st Unsecured Investment Corporation Bond	December 12, 2019	1,500,000	-	1,500,000	0.300%	December 12, 2024	Repayment of loans	Unsecured and non-guaranteed
2nd Unsecured Investment Corporation Bond	February 18, 2022	2,000,000	-	2,000,000	0.470%	February 18, 2032	Repayment of loans	Unsecured and non-guaranteed

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

(Thousands of yen)

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

6 Schedule of loans payable

(Thousands of yen)

(Thousands of yen)									
	Category	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 1)	Maturity date	Purpose of repayment	Remarks
	Lender								
Short-term loans payable	Sumitomo Mitsui Banking Corporation	1,430,000	-	1,430,000	-	0.23000% (Floating rate)	August 31, 2022	(Note 5)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	990,000	-	990,000	-	0.23000% (Floating rate)	August 31, 2022	(Note 5)	
	Sumitomo Mitsui Trust Bank, Limited	870,000	-	870,000	-	0.23000% (Floating rate)	August 31, 2022	(Note 5)	
	Sumitomo Mitsui Banking Corporation	-	170,000	-	170,000	0.19973% (Floating rate)	May 31, 2023	(Note 3)	
	Sumitomo Mitsui Banking Corporation	-	450,000	450,000	-	0.18014% (Floating rate)	September 29, 2023 (Note 2)	(Note 3)	
Subtotal		3,290,000	620,000	3,740,000	170,000				
Current portion of long-term loans payable	MUFG Bank, Ltd.	540,000	-	540,000	-	0.13800% (Fixed rate) (Note 4)	January 31, 2023 (Note 6)	(Note 3)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	325,000	-	325,000	-				
	The Bank of Fukuoka, Ltd.	300,000	-	300,000	-				
	Sumitomo Mitsui Banking Corporation	230,000	-	230,000	-				
	The Norinchukin Bank	200,000	-	200,000	-				
	Mizuho Bank, Ltd.	155,000	-	155,000	-				
Subtotal		1,750,000	-	1,750,000	-				

	Category	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 1)	Maturity date	Purpose of repayment	Remarks
	Lender								
Long-term loans payable	Sumitomo Mitsui Banking Corporation	1,270,000	-	-	1,270,000	0.53660% (Fixed rate) (Note 4)	September 9, 2024	(Note 3)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	650,000	-	-	650,000				
	Sumitomo Mitsui Trust Bank, Limited	1,050,000	-	-	1,050,000				
	MUFG Bank, Ltd.	950,000	-	-	950,000				
	Development Bank of Japan Inc.	600,000	-	-	600,000				
	Mizuho Trust & Banking Co., Ltd.	600,000	-	-	600,000				
	Sumitomo Mitsui Banking Corporation	1,400,000	-	-	1,400,000	0.72645% (Fixed rate) (Note 4)	September 7, 2026	(Note 3)	
	Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000				
	MUFG Bank, Ltd.	1,600,000	-	-	1,600,000				
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	0.91670% (Fixed rate) (Note 4)	September 7, 2028	(Note 3)	
	Mizuho Bank, Ltd.	500,000	-	-	500,000				
	Development Bank of Japan Inc.	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	1,510,000	-	-	1,510,000	0.55000% (Fixed rate) (Note 4)	March 31, 2027	(Note 3)	
	Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
	Development Bank of Japan Inc.	300,000	-	-	300,000				
	Mizuho Trust & Banking Co., Ltd.	210,000	-	-	210,000				
	Sumitomo Mitsui Banking Corporation	750,000	-	-	750,000	0.27400% (Fixed rate) (Note 4)	February 3, 2025	(Note 3)	
	Mizuho Trust & Banking Co., Ltd.	750,000	-	-	750,000				
	Sumitomo Mitsui Trust Bank, Limited	650,000	-	-	650,000				
	Mizuho Bank, Ltd.	500,000	-	-	500,000				
	The Norinchukin Bank	400,000	-	-	400,000				
	The Bank of Fukuoka, Ltd.	400,000	-	-	400,000				
	SBI Shinsei Bank, Limited	300,000	-	-	300,000				
	MUFG Bank, Ltd.	200,000	-	-	200,000				
	Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.52220% (Fixed rate) (Note 4)	March 31, 2028	(Note 3)	
	Sumitomo Mitsui Trust Bank, Limited	900,000	-	-	900,000				
	Mizuho Bank, Ltd.	900,000	-	-	900,000				
	MUFG Bank, Ltd.	800,000	-	-	800,000				
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000				
	SBI Shinsei Bank, Limited	200,000	-	-	200,000				
	The Norinchukin Bank	100,000	-	-	100,000				
	Nippon Life Insurance Company	1,000,000	-	-	1,000,000	0.70000% (Fixed rate)	January 31, 2030	(Note 3)	
	Sumitomo Mitsui Banking Corporation	1,330,000	-	-	1,330,000	0.28900% (Fixed rate) (Note 4)	September 30, 2025	(Note 3)	
	Sumitomo Mitsui Trust Bank, Limited	1,030,000	-	-	1,030,000				
	Mizuho Bank, Ltd.	960,000	-	-	960,000				
	MUFG Bank, Ltd.	800,000	-	-	800,000				
	Mizuho Trust & Banking Co., Ltd.	280,000	-	-	280,000				
	SBI Shinsei Bank, Limited	200,000	-	-	200,000				
	The Norinchukin Bank	200,000	-	-	200,000				
	The Bank of Fukuoka, Ltd.	200,000	-	-	200,000	0.43800% (Fixed rate) (Note 4)	September 30, 2027	(Note 3)	
	Sumitomo Mitsui Banking Corporation	1,330,000	-	-	1,330,000				
	Sumitomo Mitsui Trust Bank, Limited	1,030,000	-	-	1,030,000				
	Mizuho Bank, Ltd.	960,000	-	-	960,000				
	MUFG Bank, Ltd.	800,000	-	-	800,000				

	Category	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 1)	Maturity date	Purpose of repayme nt	Remark s
	Lender								
	Mizuho Trust & Banking Co., Ltd.	280,000	-	-	280,000				
	SBI Shinsei Bank, Limited	200,000	-	-	200,000				
	The Norinchukin Bank	200,000	-	-	200,000				
	The Bank of Fukuoka, Ltd.	200,000	-	-	200,000				

	Category	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 1)	Maturity date	Purpose of repayment	Remarks
	Lender								
Long-term loans payable	Sumitomo Mitsui Banking Corporation	750,000	-	-	750,000	0.56000% (Fixed rate) (Note 4)	March 30, 2029	(Note 3)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	560,000	-	-	560,000				
	Mizuho Bank, Ltd.	500,000	-	-	500,000				
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	140,000	-	-	140,000				
	SBI Shinsei Bank, Limited	100,000	-	-	100,000				
	The Norinchukin Bank	100,000	-	-	100,000				
	The Bank of Fukuoka, Ltd.	100,000	-	-	100,000				
	Sumitomo Mitsui Banking Corporation	-	1,090,000	-	1,090,000	0.25152% (Floating rate)	August 31, 2026	(Note 5)	
	Sumitomo Mitsui Trust Bank, Limited	-	660,000	-	660,000				
	Mizuho Bank, Ltd.	-	750,000	-	750,000				
	Sumitomo Mitsui Banking Corporation	-	550,000	-	550,000	0.78300% (Fixed rate) (Note 4)	February 28, 2030	(Note 5)	
	Sumitomo Mitsui Trust Bank, Limited	-	525,000	-	525,000				
	Mizuho Bank, Ltd.	-	385,000	-	385,000				
	MUFG Bank, Ltd.	-	540,000	-	540,000				
	The Norinchukin Bank	-	200,000	-	200,000				
	The Bank of Fukuoka, Ltd.	-	300,000	-	300,000				
	Sumitomo Mitsui Banking Corporation	-	450,000	-	450,000				
	Sumitomo Mitsui Trust Bank, Limited	-	350,000	-	350,000	0.34016% (Floating rate)	September 29, 2028	(Note 3)	
	Mizuho Bank, Ltd.	-	300,000	-	300,000				
	MUFG Bank, Ltd.	-	330,000	-	330,000				
	Mizuho Trust & Banking Co., Ltd.	-	200,000	-	200,000				
	Development Bank of Japan Inc.	-	150,000	-	150,000				
	The Norinchukin Bank	-	100,000	-	100,000				
	The Bank of Fukuoka, Ltd.	-	100,000	-	100,000				
	SBI Shinsei Bank, Limited	-	100,000	-	100,000				
	Resona Bank, Limited	-	100,000	-	100,000				
	Sumitomo Mitsui Banking Corporation	-	600,000	-	600,000				
	Sumitomo Mitsui Trust Bank, Limited	-	400,000	-	400,000				
	Mizuho Bank, Ltd.	-	300,000	-	300,000				
MUFG Bank, Ltd.	-	300,000	-	300,000					
Mizuho Trust & Banking Co., Ltd.	-	200,000	-	200,000					
The Norinchukin Bank	-	250,000	-	250,000					
The Bank of Fukuoka, Ltd.	-	250,000	-	250,000					
SBI Shinsei Bank, Limited	-	250,000	-	250,000					
Resona Bank, Limited	-	250,000	-	250,000					
	Subtotal	38,740,000	9,980,000	-	48,720,000				
	Total	43,780,000	10,600,000	5,490,000	48,890,000				

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

(Note 2) Repaid before maturity on November 30, 2022.

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

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

(Note 5) The funds were allocated for repayment of loans.

(Note 6) Repaid before maturity on August 31, 2022.

(Note 7) The following is the maturity schedule for each year within five years of the Balance Sheet date.

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years
Long-term loans payable	-	9,070,000	5,000,000	8,000,000	10,020,000