

CRE Logistics REIT, Inc.
Summary of Financial Results (Unaudited)
For the 10th Fiscal Period Ended June 30, 2021
(For the Reporting Period from January 1, 2021 to June 30, 2021)
(Translated from the Japanese original)

Corporate Information

Code: 3487 Listing: Tokyo Stock Exchange

(URL: <https://cre-reit.co.jp/en/>)

Representative: Tsuyoshi Ito, Executive Director

Asset management company: CRE REIT Advisers, Inc.
 Representative: Tsuyoshi Ito, President
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Scheduled date to file securities report: September 22, 2021
 Scheduled date to commence payment of distributions: September 14, 2021
 Preparation of supplementary material on financial results: Yes
 Financial report presentation meeting: Yes (for institutional investors and analysts)

(Amounts truncated to the nearest million yen, except for the basic earnings per unit)

1. 10th Fiscal Period ended June 30, 2021 (January 1, 2021-June 30, 2021)

(1) Operating results (Percentages represent changes from corresponding period of previous period)

	Operating revenues		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal period ended								
June 30, 2021	3,159	21.3	1,800	18.2	1,522	17.2	1,521	17.2
December 31, 2020	2,603	28.2	1,523	32.3	1,299	33.9	1,298	34.0

	Net income per unit	Return on unitholders' equity	Ordinary income to total assets	Ordinary income on operating revenues
Fiscal period ended	Yen	%	%	%
June 30, 2021	3,092	2.7	1.4	48.2
December 31, 2020	3,107	2.8	1.5	49.9

(Note 1) The Investment Corporation issued 72,750 new investment units on July 13, 2020 and 3,500 new investment units on August 12, 2020. Net income per unit for the fiscal period ended December 31, 2020 is calculated by dividing net income by the weighted average number of investment units (417,956 units) based on the number of days during the period.

(Note 2) The Investment Corporation issued 73,000 new investment units on January 19, 2021 and 3,650 new investment units on February 10, 2021. Net income per unit for the fiscal period ended June 30, 2021 is calculated by dividing net income by the weighted average number of investment units (492,083 units) based on the number of days during the period.

(2) Distributions

	Distributions per unit (excluding surplus distributions)	Total distributions (excluding surplus distributions)	Surplus distributions per unit	Total surplus distributions	Distributions per unit (including surplus distributions)	Total distributions (including surplus distributions)	Payout ratio	Distributions to net assets ratio
Fiscal period ended	Yen	Million yen	Yen	Million yen	Yen	Million yen	%	%
June 30, 2021	3,042	1,521	356	178	3,398	1,699	100.0	2.5
December 31, 2020	3,067	1,298	325	137	3,392	1,436	100.0	2.6

(Note 1) The entire amount of total surplus distributions is the return of contributions that falls under the distribution associated with the investment decrease for tax purposes.

(Note 2) The percentage of decreased surplus as a result of surplus distributions (the return of contributions that falls under the distribution associated with the investment decrease for tax purposes) in the fiscal period ended December 31, 2020 and the fiscal period ended June 30, 2021 was 0.003, respectively. The calculation of the percentage of decreased surplus is based on Article 23, Paragraph 1, Item 4 of the Order for Enforcement of the Corporation Tax Act.

(Note 3) The payout ratio in the fiscal period ended December 31, 2020 and the fiscal period ended June 30, 2021 is calculated based on the following formula because the Investment Corporation issued new investment units.

$$\text{Payout ratio} = \text{Total amount of distributions (excluding surplus distributions)} \div \text{Net income} \times 100$$

(3) Financial position

	Total assets	Net assets	Unitholders' equity ratio	Net assets per unit
As of	Million yen	Million yen	%	Yen
June 30, 2021	117,525	62,088	52.8	124,138
December 31, 2020	97,111	51,140	52.7	120,757

(4) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the fiscal period
Fiscal period ended	Million yen	Million yen	Million yen	Million yen
June 30, 2021	2,139	(20,380)	18,408	4,039
December 31, 2020	1,412	(18,143)	17,710	3,871

2. Forecast for the 11th Fiscal Period ending December 2021 (July 1, 2021-December 31, 2021) and the 12th Fiscal Period ending June 2022 (January 1, 2022-June 30, 2022) (Percentages represent changes from corresponding period of previous period)

Fiscal period ending	Operating revenues		Operating income		Ordinary income		Net income		Distributions per unit (including surplus distributions)	Distributions per unit (excluding surplus distributions)	Surplus distributions per unit
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Yen	Yen
December 31, 2021	3,221	2.0	1,827	1.5	1,584	4.1	1,583	4.1	3,504	3,166	338
June 30, 2022	3,223	0.1	1,761	(3.6)	1,519	(4.1)	1,518	(4.1)	3,375	3,036	339

(Reference) Forecast net income per unit (Forecast net income/ Forecast number of investment units at the end of the fiscal period) for the 11th Fiscal Period ending December 2021 is 3,166 yen and forecast net income per unit for the 12th Fiscal Period ending June 2022 is 3,036 yen.

*** Other****(1) Changes in accounting policies, changes in accounting estimates and retrospective restatements**

1. Changes in accounting policies associated with revision of accounting standards, etc.: None
2. Changes in accounting policies associated with other than 1: None
3. Changes in accounting estimates: None
4. Restatements: None

(2) Total number of investment units issued and outstanding

1. Total number of investment units issued and outstanding at the end of the fiscal period (including treasury investment units)	As of June 30, 2021	500,150 units	As of December 31, 2020	423,500 units
2. Total number of treasury investment units at the end of the fiscal period	As of June 30, 2021	0 units	As of December 31, 2020	0 units

* Summary of financial results is not inside the scope of audit procedure by certified public accountants or audit corporations.

*** Remarks on appropriate use of forecasts of performance and other special notes**

Forward-looking statements presented in this financial results, including forecasts of performance, are based on information currently available to the Investment Corporation and on certain assumptions the Investment Corporation deems to be reasonable. As such, actual operating and other results may differ materially from these forecasts as a consequence of various factors. Moreover, the forecasts set forth herein should not be construed as a guarantee of distribution amounts.

Refer to the section on "Assumptions for Operating Forecasts for the 11th Fiscal Period ending December 2021 (July 1, 2021-December 31, 2021)" and the 12th Fiscal Period ending June 2022 (January 1, 2022-June 30, 2022) for details on the underlying assumptions for the forecasts above.

Assumptions for Operating Forecasts for the 11th Fiscal Period ending December 2021 (July 1, 2021-December 31, 2021) and the 12th Fiscal Period ending June 2022 (January 1, 2022-June 30, 2022)

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> - 11th Fiscal Period (Ending December 31, 2021): July 1, 2021-December 31, 2021 (184 days) - 12th Fiscal Period (Ending June 30, 2022): January 1, 2022-June 30, 2022 (181 days)
Assets under management	<ul style="list-style-type: none"> - The investment corporation possesses the trust beneficial interests in real estate in a total of 19 properties (hereinafter referred to as “assets currently held”). The operating forecasts herein are based on the assumption that the investment corporation will continue to possess these properties until June 30, 2022, as well as the assumption that there will be no fluctuations in the trust beneficial interests in real estate (including newly acquired properties and the disposal of assets currently held). - However, there is a possibility that fluctuations in the portfolio will occur due to factors including the new acquisition of properties or the disposal of assets currently held.
Operating revenues	<ul style="list-style-type: none"> - Real estate lease business revenues are calculated based on leasing contracts that are effective as of the date of submission of this financial results and actual performance in the past. The two lease contracts will expire during the fiscal period ending June 30, 2022, in other hand, we concluded new lease contracts with the tenants. No lease contract will expire during the fiscal period ending December 31, 2021, and all lease contracts, including those starting during the fiscal period ending June 30, 2022, will be concluded at a fixed rent. - The forecasts assume there are no delinquencies or default on rental payments by tenants.
Operating expenses	<ul style="list-style-type: none"> - Expenses of assets currently held other than depreciation that fall under the category of real estate leasing expenses, which is the investment corporation’s main operating expenses, are calculated based on actual expenses., reflecting variables, including forecast costs (including taxes and public dues, property management fees, insurance expenses, repair expenses). - When real estate is purchased, property tax and city planning tax, etc. are calculated and divided up on a pro-rated basis for calendar year with the previous beneficiary of trust interests. The investment corporation incorporates this amount into the acquisition cost of the property. In light of this, property tax and city planning tax, etc. on acquired assets for the fiscal period ending June 30, 2021 are not posted in the 11th fiscal period, but will be posted as property tax and city planning tax, etc. in the 12th fiscal periods. In the 11th fiscal period, property tax and city planning tax, etc. are estimated 260 million yen on assets acquired before the fiscal period ended December 31, 2020. In the 12th fiscal period, property tax and city planning tax, etc. are estimated 327 million yen on assets currently held. - Depreciation is based on the straight-line method. Depreciation is forecast to be 563 million yen in the 11th fiscal period and 565 million yen in the 12th fiscal period. - Property management fees are expected to be 161 million yen in the 11th fiscal period and 163 million yen in the 12th fiscal period.
Non-operating expenses	<ul style="list-style-type: none"> - Non-operating expenses for the 11th fiscal period are expected to total 242 million yen. Of this, it is estimated that 228 million yen is for interest expenses and other financial related costs, and 11 million yen is for depreciation of investment unit issuance costs. - Non-operating expenses for the 12th fiscal period are expected to total 242 million yen. Of this, it is estimated that 225 million yen is for interest expenses and other financial related costs, and 11 million yen is for depreciation of investment unit issuance costs.
Interest-bearing debt	<ul style="list-style-type: none"> - The total interest-bearing debt at the end of each fiscal period is as follows: 52,369 million yen as of December 31, 2021 and 52,369 million yen as of June 30, 2022. - In the fiscal year ending December 31, 2021, it is assumed that the investment corporation refinance 4,274 million yen to repay 3,574 million yen which mature on July 30, 2021 and 1,000 million yen which mature on January 31, 2022. - In the fiscal period ending June 30, 2022, while long-term borrowings of 3,680 million yen will mature on January 31, 2022, it is assumed that the same amount will be refinanced. - The LTV is expected to be around 44.6% as of December 31, 2021, and about 44.8% as of June 30, 2022. The following equation was used to calculate LTV. The figure is rounded to the second decimal point. $LTV = \text{Interest-bearing debt} / \text{Total Assets} \times 100$
Investment units	<ul style="list-style-type: none"> - The assumptions for these forecasts are based on a total number of investment units issued of 500,150, as of the submission of these financial results. The forecasts do not factor in any assumption of a change in the number of investment units through June 30, 2022 due to factors such as the issuance of new investment units. - The distributions per unit (excluding surplus distributions) and the surplus distributions per unit are calculated

	based on a total number of investment units issued of 500,150 for the fiscal period ending December 31, 2021 and the fiscal period ending June 30, 2022.
Distributions per unit (excluding surplus distributions)	<ul style="list-style-type: none"> - The distributions per unit (excluding surplus distributions) is calculated based on the assumption that distributions are carried out in accordance with the policies for monetary distributions set forth in the regulations of the investment corporation. - There is a possibility that the amount of the distributions per unit (excluding surplus distributions) could change owing to various factors, including changes in rental income, or unexpected maintenance work due to a change in assets under management or a change in tenants.
Distributions per unit of surplus profit	<ul style="list-style-type: none"> - The surplus distributions per unit is calculated in accordance with the policy stipulated in the operational guidelines—the regulations of the investment corporation and the internal regulations of the asset management company. - These assumptions do not include any specific possibility of a substantial deterioration in the economic climate, real estate market or the financial condition of the investment corporation. - While the investment corporation has a policy of implementing surplus distribution every term with an amount equivalent to 30% of depreciation as a benchmark, the investment corporation has decided to implement this policy flexibly to equalize distributions within the range equivalent to 30% of depreciation. - Moreover, in the event that the distributions per unit is expected to temporarily fall below a certain level due to dilution in the value of the investment unit or a considerable financial burden owing to the procurement of capital through the issuance of new investment units or other factors, the investment corporation may continue to distribute surplus profit plus a one-off distribution that exceeds the profit level in the period for the purpose of maintaining the ordinary level of the distributions per unit. However, this amount, which includes the ongoing surplus distribution, shall not exceed the equivalent to 60% of total depreciation for the relevant business period. - In actuality, the amount of distributions exceeding profit (return of contributions) is likely to fluctuate due to changes in the economic climate, real estate market trends, asset portfolio, and financial position, and there is a possibility the investment corporation will not implement distributions (return of contributions) in surplus distributions for the period.
Other	<ul style="list-style-type: none"> - The forecasts were built based on the assumption that there will be no revisions to laws and ordinances, the tax system, accounting standards, listing regulations set forth by the Tokyo Stock Exchange, Inc., and the regulations stipulated by the Investment Trusts Association, Japan, that would have an impact on the forecasts stated above. - The forecasts are also based on the assumption that there will be no unexpected major changes to general economic trends and the real estate market.

3. Financial Statements
(1) Balance Sheet

(Thousands of yen)

	As of December 31, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	2,972,453	1,728,060
Cash and deposits in trust	2,370,899	3,356,893
Operating accounts receivable	150,615	158,876
Prepaid expenses	126,459	141,856
Consumption taxes receivable	845,221	982,593
Total current assets	6,465,650	6,368,281
Non-current assets		
Property, plant and equipment		
Buildings in trust	47,303,072	58,837,546
Accumulated depreciation	(2,219,314)	(2,760,123)
Buildings in trust, net	45,083,758	56,077,422
Structures in trust	2,546,706	2,922,640
Accumulated depreciation	(85,121)	(106,699)
Structures in trust, net	2,461,585	2,815,940
Tools, furniture and fixtures in trust	682	3,322
Accumulated depreciation	(305)	(453)
Tools, furniture and fixtures in trust, net	377	2,868
Land in trust	42,707,322	51,871,682
Total property, plant and equipment	90,253,043	110,767,914
Intangible assets		
Other	1,666	1,266
Total intangible assets	1,666	1,266
Investments and other assets		
Investment securities	10,500	10,500
Long-term prepaid expenses	316,581	314,648
Deferred tax assets	12	17
Leasehold and guarantee deposits	10,000	10,000
Total investments and other assets	337,093	335,166
Total non-current assets	90,591,804	111,104,347
Deferred assets		
Organization expenses	5,047	-
Investment unit issuance expenses	36,413	41,235
Investment corporation bond issuance costs	12,792	11,422
Total deferred assets	54,253	52,657
Total assets	97,111,707	117,525,286

(Thousands of yen)

	As of December 31, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Operating accounts payable	130,116	170,645
Current portion of long-term borrowings	3,574,000	8,254,000
Accrued expenses	219,985	253,712
Income taxes payable	858	970
Advances received	473,494	584,135
Other	5,814	2,820
Total current liabilities	4,404,270	9,266,284
Non-current liabilities		
Investment corporation bonds	2,000,000	2,000,000
Long-term borrowings	38,095,000	42,415,000
Leasehold and guarantee deposits received in trust	1,471,842	1,742,256
Other	-	13,638
Total non-current liabilities	41,566,842	46,170,894
Total liabilities	45,971,112	55,437,179
Net assets		
Unitholders' equity		
Unitholders' capital	50,285,726	61,148,104
Deduction from unitholders' capital	(444,048)	(581,685)
Unitholders' capital, net	49,841,677	60,566,418
Surplus		
Unappropriated retained earnings (undisposed loss)	1,298,917	1,521,688
Total surplus	1,298,917	1,521,688
Total unitholders' equity	51,140,595	62,088,107
Total net assets	51,140,595	62,088,107
Total liabilities and net assets	97,111,707	117,525,286

(2) Statements of Income

(Thousands of yen)

	Fiscal period ended December 31, 2020	Fiscal period ended June 30, 2021
Operating revenue		
Leasing business revenue	2,555,517	3,118,710
Other leasing business revenue	48,147	40,944
Gain on sale of real estate properties	295	-
Total operating revenue	2,603,960	3,159,654
Operating expenses		
Expenses related to leasing business	802,053	1,036,607
Asset management fees	230,211	269,103
Asset custody fees	2,285	2,750
Administrative service fees	15,234	17,552
Remuneration for directors (and other officers)	4,500	4,500
Other operating expenses	25,933	28,484
Total operating expenses	1,080,218	1,358,998
Operating profit	1,523,742	1,800,656
Non-operating income		
Interest income	17	23
Interest on tax refund	530	185
Total non-operating income	547	208
Non-operating expenses		
Interest expenses	117,539	137,326
Interest expenses on investment corporation bonds	3,339	5,247
Financing fees	67,795	101,346
Amortization of organization expenses	6,056	5,047
Amortization of investment unit issuance expenses	14,422	12,648
Amortization of investment corporation bond issuance costs	913	1,370
Other	14,525	15,263
Total non-operating expenses	224,593	278,250
Ordinary profit	1,299,696	1,522,614
Profit before income taxes	1,299,696	1,522,614
Income taxes - current	861	974
Income taxes - deferred	1	(5)
Total income taxes	863	968
Profit	1,298,833	1,521,645
Retained earnings brought forward	84	43
Unappropriated retained earnings (undisposed loss)	1,298,917	1,521,688

(3) Statements of Changes in Net Assets

Fiscal period ended December 31, 2020

(Thousands of yen)

	Unitholders' equity						Total net assets
	Unitholders' capital			Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	39,420,558	(341,956)	39,078,601	969,606	969,606	40,048,208	40,048,208
Changes during period							
Issuance of new investment units	10,865,167		10,865,167			10,865,167	10,865,167
Distributions in excess of earnings		(102,091)	(102,091)			(102,091)	(102,091)
Dividends of surplus				(969,522)	(969,522)	(969,522)	(969,522)
Profit				1,298,833	1,298,833	1,298,833	1,298,833
Total changes during period	10,865,167	(102,091)	10,763,076	329,311	329,311	11,092,387	11,092,387
Balance at end of period	50,285,726	(444,048)	49,841,677	1,298,917	1,298,917	51,140,595	51,140,595

Fiscal period ended June 30, 2021

(Thousands of yen)

	Unitholders' equity						Total net assets
	Unitholders' capital			Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	50,285,726	(444,048)	49,841,677	1,298,917	1,298,917	51,140,595	51,140,595
Changes during period							
Issuance of new investment units	10,862,378		10,862,378			10,862,378	10,862,378
Distributions in excess of earnings		(137,637)	(137,637)			(137,637)	(137,637)
Dividends of surplus				(1,298,874)	(1,298,874)	(1,298,874)	(1,298,874)
Profit				1,521,645	1,521,645	1,521,645	1,521,645
Total changes during period	10,862,378	(137,637)	10,724,740	222,771	222,771	10,947,512	10,947,512
Balance at end of period	61,148,104	(581,685)	60,566,418	1,521,688	1,521,688	62,088,107	62,088,107

(4) Statements of Cash Flows

(Thousands of yen)

	Fiscal period ended December 31, 2020	Fiscal period ended June 30, 2021
Cash flows from operating activities		
Profit before income taxes	1,299,696	1,522,614
Depreciation	459,879	562,935
Amortization of deferred organization expenses	6,056	5,047
Amortization of investment unit issuance expenses	14,422	12,648
Amortization of investment corporation bond issuance costs	913	1,370
Interest income	(17)	(23)
Interest expenses	120,879	142,573
Decrease (increase) in operating accounts receivable	(47,422)	(8,261)
Decrease (increase) in consumption taxes refund receivable	(318,991)	(137,372)
Decrease (increase) in prepaid expenses	(18,747)	(15,396)
Increase (decrease) in operating accounts payable	(54,399)	40,529
Increase (decrease) in accrued expenses	37,771	27,960
Increase (decrease) in advances received	90,064	110,640
Decrease (increase) in long-term prepaid expenses	(63,322)	1,932
Decrease in property, plant and equipment in trust due to sale	56,792	—
Other, net	(61,070)	10,270
Subtotal	1,522,505	2,277,471
Interest received	17	23
Interest paid	(109,417)	(136,806)
Income taxes paid	(893)	(862)
Net cash provided by (used in) operating activities	1,412,212	2,139,825
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(18,107,569)	(21,077,406)
Proceeds from leasehold and guarantee deposits received in trust	309,463	270,413
Proceeds from restricted deposit	—	696,902
Payments into restricted deposits	(345,394)	(270,413)
Net cash provided by (used in) investing activities	(18,143,500)	(20,380,504)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,750,000	—
Repayments of short-term borrowings	(1,750,000)	—
Proceeds from long-term borrowings	9,900,000	9,900,000
Repayments of long-term borrowings	(3,950,000)	(900,000)
Proceeds from issuance of investment corporation bonds	1,986,293	—
Proceeds from issuance of investment units	10,846,749	10,844,907
Distributions paid	(1,072,277)	(1,436,138)
Net cash provided by (used in) financing activities	17,710,765	18,408,768
Net increase (decrease) in cash and cash equivalents	979,476	168,089
Cash and cash equivalents at beginning of period	2,892,033	3,871,510
Cash and cash equivalents at end of period	3,871,510	4,039,600