Semi-Annual Report

Fiscal Period Ended June 30, 2021

from January 1, 2021 to June 30, 2021

CRE Logistics REIT

We wish to sincerely thank you for the outstanding support you have provided CRE Logistics REIT, Inc ("CRE REIT").

We listed our shares on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange on February 7, 2018, and are pleased to have concluded the seventh fiscal period (10th fiscal period) since listing. We would like to express our sincere gratitude for your support.

During the 10th fiscal period, we added three properties acquired through the fourth public offering so that the total number of properties we held rose to 19, all of which were fully occupied and maintained steady operation. Consequently, the business results in the fiscal period under review included operating revenue of 3,159 million yen (up 555 million yen from the previous period), operating income of 1,800 million yen (up 276 million yen from the previous period), and net income of 1,521 million yen (up 222 million yen from the previous period). Distributions totaled 1,699 million yen (up 262 million yen from the previous period) by adding 178 million yen of distributions in excess of earnings, corresponding to 31.7% of the depreciation of properties held, to net income. As a result, the distributions per unit amounted to 3,398 yen, exceeding the forecast of 3,374 yen by 24 yen.

While we must be careful of any further recession not only in the Japanese economy, but the global economy, caused by the COVID-19 pandemic and the deterioration of consumer confidence and corporate performance, we expect that the leasing market for logistics real estate will remain strong, based on the further growth in home shopping and electronic commerce and inventories accumulated by shippers in preparation for contingencies such as disruption to supply chains.

During the fiscal period under review, we had the first expiration of a lease agreement as the CRE REIT, and we were able to sign a new lease agreement, including an increased rent, with the existing tenant. We do not have any lease agreement that will expire in the fiscal period ending December 31, 2021, and have two lease agreements expiring in the fiscal period ending June 30, 2022, for which new lease agreements have already been signed with the existing tenants. Based on this strong leasing market for logistics real estate, we will engage in investments that will further grow cash flow and continue to return the outcomes to our investors. We hope that we can continue to count on your support.

Executive Director, CRE Logistics REIT, Inc.
President, CRE REIT Advisers, Inc.

Tsuyoshi Ito

1. Operating Results

(1) Operating Results

i. Overview of the Fiscal Period under Review

A. Major trends of CRE REIT

CRE REIT was established on May 12, 2016, by CRE REIT Advisers, Inc. (the "Asset Manager") as the organizer pursuant to the provisions of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including subsequent amendments) and its shares were listed on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange ("TSE") on February 7, 2018. (Security Code: 3487) During the fiscal period under review, three properties, namely LogiSquare Sayama Hidaka (quasi co-ownership interest 80%), LogiSquare Kawagoe II and LogiSquare Kobe Nishi were additionally acquired for a total acquisition price of 20,789 million yen. As of the end of the fiscal period, CRE REIT owned 19 properties, with a total acquisition price of 112,316 million yen.

B. Operation environment and results

The Japanese economy has been sluggish in response to a decrease in economic activities primarily due to a fall in consumption as a result of the COVID-19 pandemic, and prospects continue to be uncertain due to concerns over employment. In the environment surrounding the J-REIT market, the TSE REIT index remained strong as a result of an inflow of investment funds in response to the characteristics of properties with stable yields and a downward trend in long-term investment rates.

Meanwhile, demand for logistics real estate is expected to continue growing, given such trends as the sophistication of supply chain management (Note 1) and the rapid expansion of stay-at-home consumption such as home shopping and electronic commerce, an increase in the number of parcels sent by home delivery service, and an increase in the use of third-party logistics (3PL) (Note 2) companies. Moreover, as a result of the expansion of the range of logistics real estate users associated with this market growth, demand is growing not only for large facilities, but also for multi-functional logistics real estate with high specifications and available in various sizes. The increasing difficulty of securing warehouse personnel due to current labor shortages is creating demand for logistics real estate at locations accessible to more hiring opportunities to be particularly high.

While attention must be paid to any further recession not only in the Japanese economy, but the global economy, caused by the COVID-19 pandemic and deterioration of corporate performance, the lease market for logistics real estate is expected to remain strong given the further expansion of home shopping and e-commerce and inventories accumulated by shippers in preparation for contingencies such as disruption to supply chains.

Under these circumstances, CRE REIT has been conducting appropriate management and operation of its 19 properties in cooperation with CRE, Inc. ("CRE") and maintained a high operation status with 100% occupancy of the overall portfolio as of the end of the fiscal period under review.

Note 1: Supply chain management refers to an efficient management technique of seamless supply by regarding the flow from parts manufacturers, assembled product manufacturers, distributors, and to customers as a chain. The same applies hereafter.

Note 2: Third-party logistics (3PL) means planning the most efficient logistics strategies, proposing the development of logistics systems, and receiving comprehensive contracts to implement such strategies and development in lieu of shippers. The same applies hereafter.

C. Overview of financing

CRE REIT raised 10,345 million yen through a public offering with a payment date of January 19, 2021, and 517 million yen through a private placement with a payment date of February 10, 2021, and unitholders' capital, net, as of the end of the fiscal period under review, totaled 60,566 million yen. CRE REIT also raised 9,900 million yen through borrowings on January 19, 2021, for asset acquisition and made a prepayment for borrowings of 900 million yen on April 30, 2021. As a result, the balance of interest-bearing liabilities stood at 52,669 million yen as of the end of the fiscal period under review, and the percentage of interest-bearing liabilities in total assets as of the end of the fiscal period under review was 44.8%.

The credit ratings received by CRE REIT applicable to both the issuer and bond as of the end of the fiscal period under review are described below.

Rating Agency	Rating Subject	Rating	Rating Outlook
Rating and Investment Information, Inc. (R&I)	Issuer rating	A-	Positive
	Bond rating	A-	-

Note: These are not the ratings of the investment units of CRE REIT. There are no credit ratings that have been provided or made publicly available by credit rating agencies or credit ratings that will be provided or made publicly available by credit agencies with respect to the investment units of CRE REIT at CRE REIT's request.

D. Overview of business performance and distributions

As a result of the management described above, the results for the fiscal period under review included operating revenue of 3,159 million yen, operating income of 1,800 million yen, ordinary income of 1,522 million yen, and net income of 1,521 million yen.

CRE REIT decided to distribute all undistributed earnings held at the end of the fiscal period under review, excluding fractions of a yen, assuming that earnings distributions would be added as deductible expenses by applying the special provisions for the taxation of investment corporations (Article 67-15 (1) of the Act on Special Measures Concerning Taxation (Act no.26 of 1957, including subsequent revisions)) ("Special Provisions for Taxation of Investment Corporations") based on CRE REIT's distribution policy specified in its certificate of incorporation. As a result, earnings distribution per investment unit came to 3,042 yen. In addition, CRE REIT plans, in principle, to continuously distribute amounts in excess of earnings in each fiscal period pursuant to the distribution policy specified in its certificate of incorporation. Based on this, CRE REIT distributed 178,053,400 yen, an amount nearly equivalent to 31.7% of depreciation for the fiscal period under review, as a return of contribution corresponding to distributions accompanying the decrease in capital under the tax law. As a result, distributions in excess of earnings per investment unit amounted to 356 yen (Note).

Note: The six-month average of total expenses for emergency repair and medium- to long-term repair indicated in the engineering report for each asset held is 55 million yen. As a result of examining the current economic environment, trends in the real estate market and lease market, CRE REIT's financial condition, and other factors, CRE REIT decided to distribute funds in excess of profit based on the judgment that the distribution would be within the range that the value of assets held and that its financial health would be maintained. The distributions in excess of earnings for the fiscal period under review will be deducted from the capitalization at the time of payment.

ii. Outlook for the Next Fiscal Period

A. Future investment policy

CRE REIT focuses on investing in high-quality logistics-related facilities (Note 2) that meet the demand of tenants generally in the Tokyo metropolitan area (Note 1). Needs of logistics real estate users have been increasingly diversified in recent years due to changes in the market structure. CRE REIT considers that acquiring, holding, and operating high-quality logistics-related facilities having the necessary and sufficient functions to meet the needs of individual users of logistics real estate represents the originality of its investment strategies.

CRE REIT uses the comprehensive strengths (Note 4) of the CRE Group (Note 3), which has more than 50 years of experience in the logistics real estate business, to invest in high-quality logistics-related facilities that meet the needs of tenants, create stable cash flow, and aim to increase value for investors.

Note 1: The Tokyo metropolitan area includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Tochigi, Gunma, and Yamanashi. The same applies hereafter.

Note 2: CRE REIT's concept of high-quality logistics-related facilities meeting tenant needs are logistics-related facilities that have the location, basic specifications, expandability, and comfort necessary to satisfy tenant needs. The same applies hereafter.

Note 3: The CRE Group includes CRE and its affiliates. The CRE Group consists of CRE and its subsidiaries and affiliates. The same applies hereafter.

Note 4: The CRE Group has its original know-how characterized by total services in logistics real estate covering from the management and operation (proposing effective use of land, master leasing, property management, and leasing) to development (acquisition, planning, construction management (management of quality, construction periods, costs, etc. in development projects. The same applies hereinafter.), sale), holding, and operation (investment and external acquisition). This is in some cases referred to as the comprehensive strength of the CRE Group.

a. Long-term, stable asset management

CRE REIT believes that CRE is able to prepare locations, basic specifications, expandability, and comfortable use of properties that meet tenant needs, ensure an appropriate balance with rent levels, and develop logistics-related facilities to establish long-term lease contracts, which can be expected to generate stable cash flow.

CRE REIT ensures medium- to long-term stable cash flow by acquiring and operating properties mostly having long lease terms. CRE REIT also aims to achieve long-term, stable operation using this wide-ranging operation and management know-how of the CRE Group, promoting cost reduction while raising customer satisfaction, and reducing the risk of vacancies after tenant vacation.

b. External growth strategy

CRE REIT believes that it is able to promote strong external growth by receiving opportunities to acquire all logistics-related facilities developed and held by CRE (Note) through a sponsor support agreement with the CRE Group, a logistics real estate developer.

CRE REIT aims to achieve external growth by maximizing the use of pipeline support based on know-how built on extensive achievements and experience in the operation, leasing, development, investment, etc. of the CRE Group through the sponsor support agreement.

Note: Unless the grounds for exclusion from application stipulated in the Sponsor Support Agreement apply.

c. Financial policy

The basic policy of CRE REIT is to build a sound and stable financial base for the purpose of increasing and maintaining medium to long-term revenues. CRE REIT flexibly issues new investment units according to the characteristics of its portfolio consisting primarily of long-term lease agreements, taking into account the LTV level and market environment and paying attention to dilution, and conducts financial operation with a focus on long-term stability by using borrowings with fixed, long-term interest rates.

While CRE REIT's LTV level is set to approximately 45% and no more than 50%, in principle, it may temporarily exceed 50% due to asset acquisition or other factors.

Logistics facilities are characterized by a high ratio of building price to land and building price and depreciation tends to be comparatively higher than other asset classes. However, the average building age (Note) of CRE REIT's portfolio is low at 4.3 years, and large capital expenditures are not very likely to become necessary. Therefore, CRE REIT has set a policy of distributing funds exceeding profit, in principle, continuously and in every fiscal period ("continuous distributions in excess of earnings"), taking into consideration other options, including use for repairs or capital expenditures, repayment of borrowings, and the acquisition of new properties. For the time being, the level of continuous distributions in excess of earnings will be an amount equivalent to 30% of depreciation for the corresponding fiscal period. If a temporary decrease in distribution per unit is expected, CRE REIT will flexibly adjust the amount within the range of the amount equivalent to 30% for the purpose of leveling the amount of distribution per unit, and will determine the level of distributions in excess of earnings in each fiscal period based on a comprehensive judgment.

Note: The weighted average of the building ages (the number of years from the year of construction indicated in the real estate register to the end of the fiscal period under review) of the 19 properties held at the end of the fiscal period under review based on their acquisition prices, which is rounded to the first decimal place.

High-quality Portfolio (1) Stable cash flow

Form of contract that enables stable operation

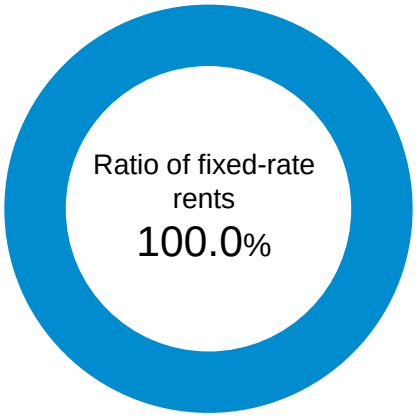
- Tenants who cancel early before the end of the contract term are required to pay the equivalent of rent for the whole remaining lease term as a penalty for breach of contract. (Note)
- Intention for renewal or termination is ascertained a year before contract expiry.

Inclusion of relatively new properties

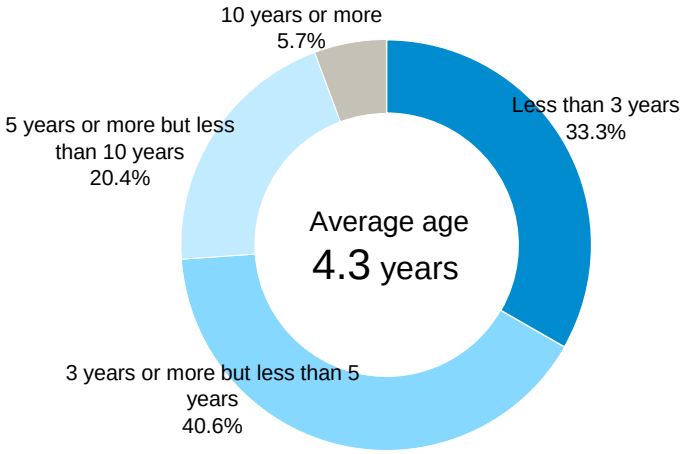
- Mainly composed of newly built properties, and repair expense and capital expenditure are relatively low.

Ratio of fixed-term lease contracts

Ratio of fixed-rate rents



Average age



Note：Depending on the amount of the penalty and other circumstances, the court may reduce the penalty in part or deny the effect of such provision.

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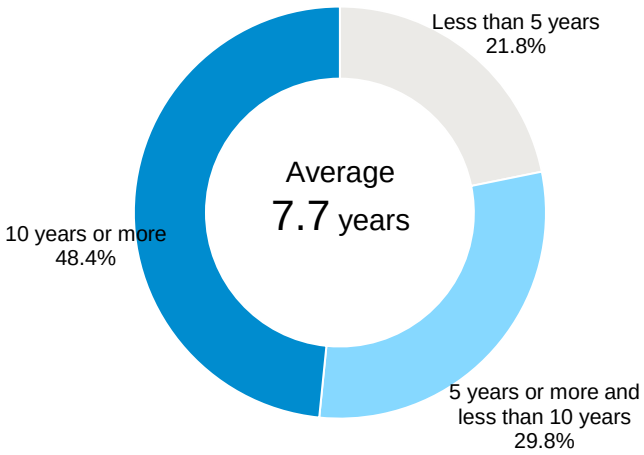
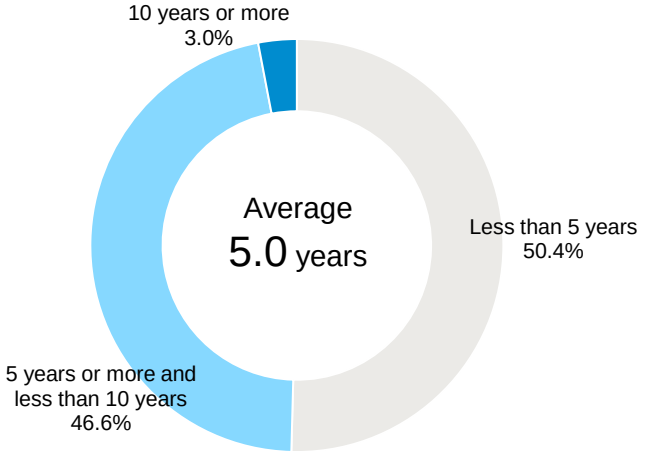
High-quality Portfolio (2) Long-term lease contracts

Contribution to portfolio stability by concluding long-term contracts in consideration of tenant business plans.

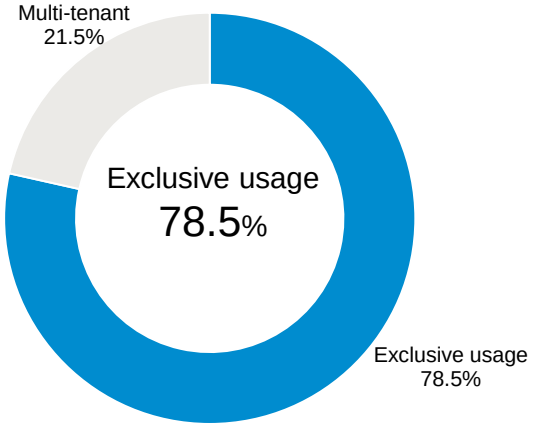
Average lease contract term



Average remaining lease term



Tenant composition



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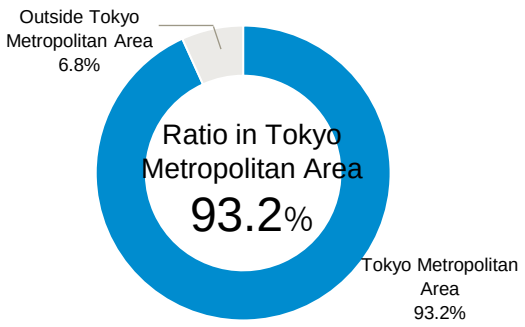
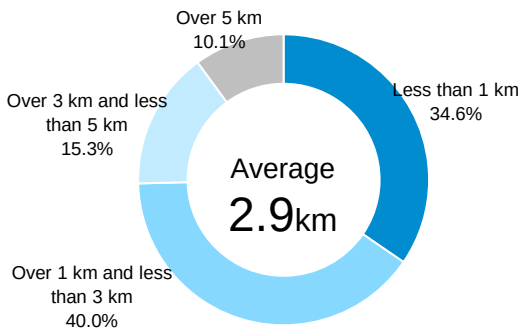
High-quality Portfolio (3) Good location

Properties are mostly in locations suited to logistics facilities where strong demand is expected, with tenants' need to secure labor also taken into consideration.

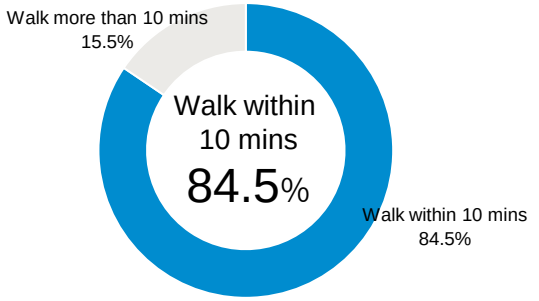
Ratio in Tokyo Metropolitan Area



Mileage to an interchange



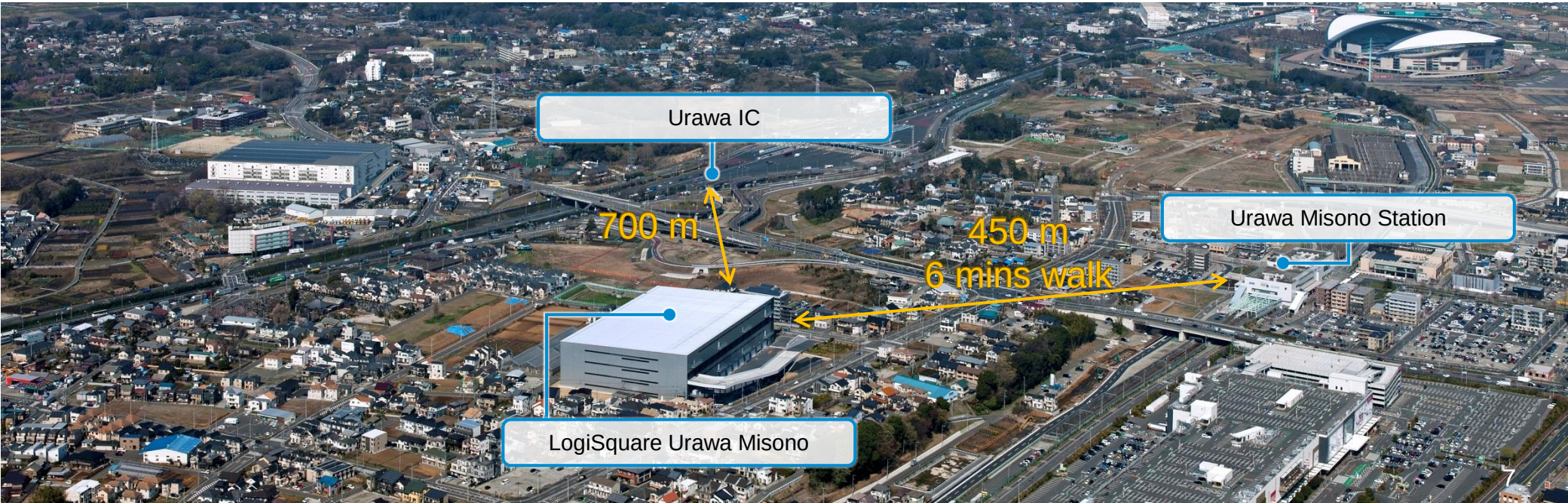
Time required from public transportation facilities



Example: LogiSquare Urawa Misono

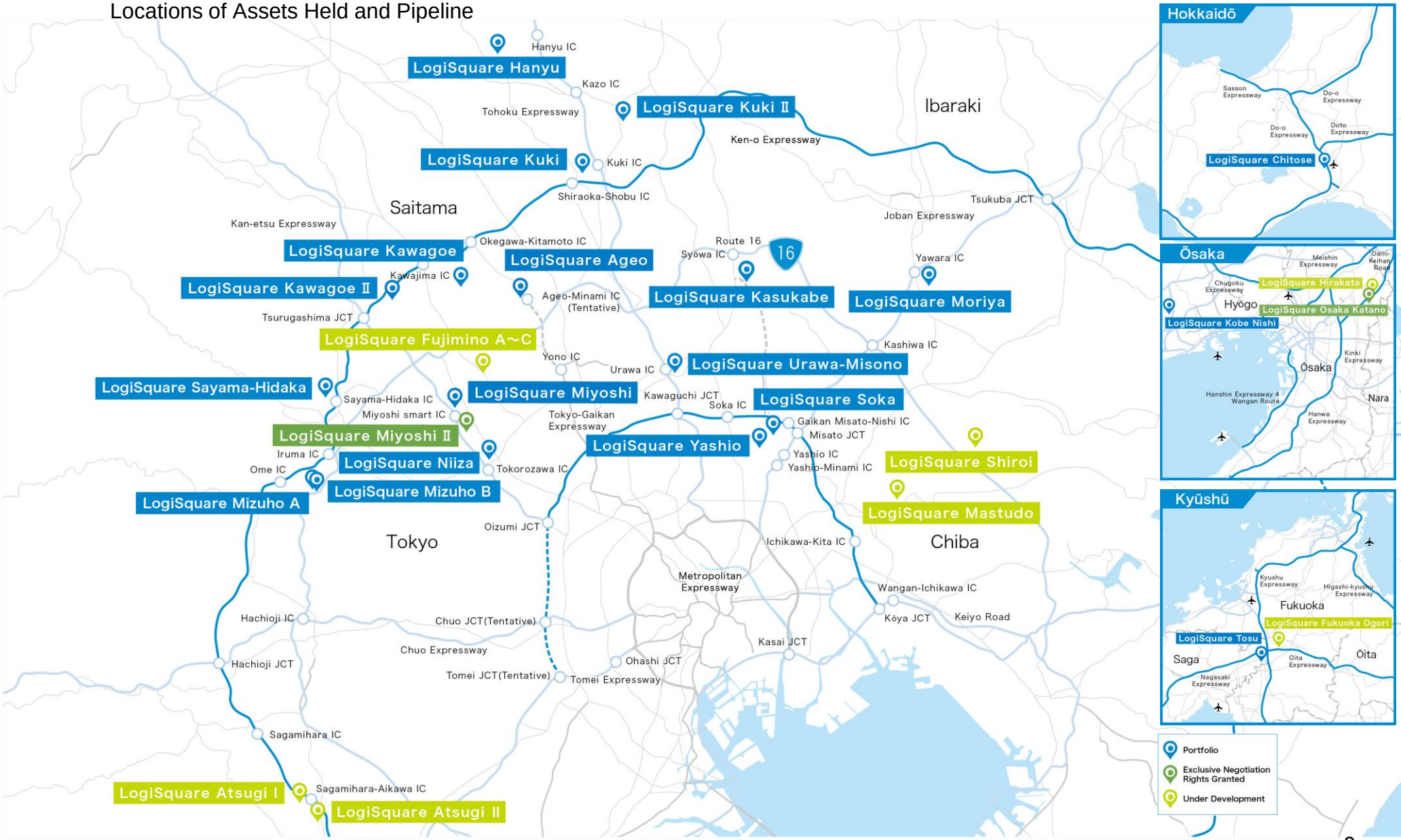
The property is located approximately 700 m from Urawa IC (Tohoku Expressway) and approximately 450 m and a six-minute walk from Urawa Misono Station on the Saitama Rapid Railway Line.

A large-scale community development project is underway in the surrounding area, which will allow a close proximity between work and the home and be a potential advantage in securing employee.



Tokyo Metropolitan Area-centered Portfolio

Locations of Assets Held and Pipeline



Portfolio is Composed of Newly Built and High Occupancy Properties Developed by CRE

No.	Property name	Location	Acquisition price (million yen)	Appraisal value (million yen)	Appraisal NOI yield (%)	Total floor area (m^2)	Age (years)	Number of tenants	Occupancy ratio(%)	Developer
M-1	LogiSquare Kuki	Kuki-shi, Saitama	9,759	10,800	4.8	40,907.13	5.1	1	100.0	CRE
M-2	LogiSquare Hanyu	Hanyu-shi, Saitama	6,830	7,130	5.0	33,999.61	5.0	1	100.0	CRE
M-3	LogiSquare Kuki II	Kuki-shi, Saitama	2,079	2,270	5.1	11,511.22	4.4	1	100.0	CRE
M-4	LogiSquare Urawa Misono	Saitama-shi, Saitama	13,060	14,600	4.7	48,738.29	4.3	3	100.0	CRE
M-5	LogiSquare Niiza	Niiza-shi, Saitama	6,960	7,520	4.9	25,355.82	4.3	1	100.0	CRE
M-6	LogiSquare Moriya	Moriya-shi, Ibaraki	6,157	6,930	5.2	32,904.90	4.2	2	100.0	CRE
M-7	LogiSquare Kawagoe	Kawagoe-shi, Saitama	1,490	1,620	5.0	7,542.56	3.4	1	100.0	CRE
M-8	LogiSquare Kasukabe	Kasukabe-shi, Saitama	4,900	5,480	5.1	21,315.54	3.1	1	100.0	CRE
M-9	LogiSquare Soka	Soka-shi, Saitama	8,109	8,890	4.6	28,817.59	8.0	1	100.0	CRE
M-10	LogiSquare Yashio	Yashio-shi, Saitama	5,073	5,500	4.6	19,068.60	7.4	1	100.0	CRE
M-11	LogiSquare Mizuho A	Mizuho-machi, Tokyo	2,794	3,100	4.9	13,755.16	14.4	1	100.0	CRE
M-12	LogiSquare Mizuho B	Mizuho-machi, Tokyo	3,584	3,930	4.8	16,016.37	14.4	1	100.0	CRE
M-13	LogiSquare Ageo	Ageo-shi, Saitama	4,908	5,150	4.6	19,142.84	2.2	2	100.0	CRE
M-14	LogiSquare Miyoshi	Miyoshi-machi, Saitama	11,700	12,700	4.6	37,931.49	1.1	1	100.0	CRE
M-15	LogiSquare Sayama Hidaka	Hanno-shi, Saitama	14,066	14,600	4.4	73,728.44	1.1	1	100.0	CRE
M-16	LogiSquare Kawagoe II (Note)	Kawagoe-shi, Saitama	3,244	3,380	4.8	14,281.38	2.0	1	100.0	CRE
O-1	LogiSquare Tosu	Tosu-shi, Saga	2,823	3,260	5.3	16,739.40	3.4	1	100.0	CRE
O-2	LogiSquare Chitose	Chitose-shi, Hokkaido	1,300	1,560	6.6	19,760.00	3.6	1	100.0	CRE
O-3	LogiSquare Kobe Nishi	Kobe-shi, Hyogo	3,479	3,620	4.7	16,006.20	1.2	1	100.0	CRE
19 properties Total/Average			112,316	122,040	4.8	497,522.54	4.3	23	100.0	—

Note：LogiSquare Kawagoe II has two buildings, but the total floor area is stated the sum of total floor areas presented in the real estate registries of the two buildings. The age is stated based on the real estate registry of the building with the larger total floor area of the two buildings.

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Overview of Appraisal Value

No.	Property name	Acquisition month and year	Acquisition price (million yen)	Book value at the end of the 10th FP (million yen)	At the end of the 10th FP		At the end of the 9th FP		Changes		Unrealized gains (million yen)	Unrealized gains rate (%)
					Appraisal value (million yen)	Direct capitalization rate (%)	Appraisal value (million yen)	Direct capitalization rate (%)	Appraisal value (million yen)	Direct capitalization rate (%)		
M-1	LogiSquare Kuki	Jul. 2016	9,759	9,156	10,800	4.3	10,500	4.4	+ 300	- 0.1	1,643	17.9
M-2	LogiSquare Hanyu	Jul. 2016	6,830	6,409	7,130	4.7	7,120	4.7	+ 10	—	720	11.2
M-3	LogiSquare Kuki II	Feb. 2018	2,079	2,009	2,270	4.6	2,220	4.7	+ 50	- 0.1	260	12.9
M-4	LogiSquare Urawa Misono	Feb. 2018	13,060	12,757	14,600	4.2	14,600	4.2	—	—	1,842	14.4
M-5	LogiSquare Niiza	Feb. 2018	6,960	6,775	7,520	4.5	7,400	4.5	+ 120	—	744	11.0
M-6	LogiSquare Moriya	Feb. 2018	6,157	5,976	6,930	4.5	6,770	4.6	+ 160	- 0.1	953	16.0
M-7	LogiSquare Kawagoe	Jul. 2019	1,490	1,481	1,620	4.4	1,600	4.5	+ 20	- 0.1	138	9.3
M-8	LogiSquare Kasukabe	Jul. 2019	4,900	4,855	5,480	4.3	5,390	4.4	+ 90	- 0.1	624	12.9
M-9	LogiSquare Soka	Feb. 2020	8,109	8,168	8,890	4.0	8,680	4.1	+ 210	- 0.1	721	8.8
M-10	LogiSquare Yashio	Feb. 2020	5,073	5,123	5,500	4.0	5,380	4.1	+ 120	- 0.1	376	7.3
M-11	LogiSquare Mizuho A	Feb. 2020	2,794	2,844	3,100	4.2	3,010	4.3	+ 90	- 0.1	255	9.0
M-12	LogiSquare Mizuho B	Feb. 2020	3,584	3,624	3,930	4.2	3,840	4.3	+ 90	- 0.1	305	8.4
M-13	LogiSquare Ageo	Jul. 2020	4,908	4,916	5,150	4.3	5,050	4.4	+ 100	- 0.1	233	4.8
M-14	LogiSquare Miyoshi	Jul. 2020	11,700	11,668	12,700	4.2	12,500	4.3	+ 200	- 0.1	1,031	8.8
M-15	LogiSquare Sayama Hidaka	Jan. 2021	14,066	14,170	14,600	4.1	—	—	+ 14,600	—	429	3.0
M-16	LogiSquare Kawagoe II	Jan. 2021	3,244	3,270	3,380	4.4	—	—	+ 3,380	—	109	3.3
O-1	LogiSquare Tosu	Apr. 2018	2,823	2,733	3,260	4.5	3,190	4.6	+ 70	- 0.1	526	19.3
O-2	LogiSquare Chitose	Jul. 2020	1,300	1,311	1,560	5.3	1,530	5.4	+ 30	- 0.1	248	19.0
O-3	LogiSquare Kobe Nishi	Jan. 2021	3,479	3,514	3,620	4.4	—	—	+ 3,620	—	105	3.0
End of 10th FP Total / Average		—	112,316	110,767	122,040	—	98,780	—	+ 23,260	—	11,272	10.2

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2. 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 (Note 1)	51,140,595	62,088,107
Total liabilities and net assets	97,111,707	117,525,286

The accompanying notes are an integral part of these financial statements.

(2) Statement of Income

(Thousands of yen)

	Fiscal period ended December 31, 2020	Fiscal period ended June 30, 2021
Operating revenue		
Leasing business revenue (Note 1)	2,555,517	3,118,710
Other leasing business revenue (Note 1)	48,147	40,944
Gain on sale of real estate properties (Note 2)	295	-
Total operating revenue	2,603,960	3,159,654
Operating expenses		
Expenses related to leasing business (Note 1)	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 income	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
Borrowing related expenses	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 income	1,299,696	1,522,614
Income before income taxes	1,299,696	1,522,614
Income taxes - current	861	974
Income taxes - deferred	1	(5)
Total income taxes	863	968
Net income	1,298,833	1,521,645
Retained earnings brought forward	84	43
Unappropriated retained earnings (undisposed loss)	1,298,917	1,521,688

The accompanying notes are an integral part of these financial statements.

(3) Statement of Unitholders' Equity

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, net	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)
Net income				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 (Note 1)	(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, net	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)
Net income				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 (Note 1)	(581,685)	60,566,418	1,521,688	1,521,688	62,088,107	62,088,107

The accompanying notes are an integral part of these financial statements.

(4) Statement of Cash Distribution

(Yen)

	Fiscal period ended December 31, 2020	Fiscal period ended June 30, 2021
I. Unappropriated retained earnings	1,298,917,519	1,521,688,980
II. Surplus cash distributions		
Deduction from unitholders' capital	137,637,500	178,053,400
III. Distributions	1,436,512,000	1,699,509,700
(Distributions per unit)	(3,392)	(3,398)
Of which, earnings distributions	1,298,874,500	1,521,456,300
(Earnings distributions per unit)	(3,067)	(3,042)
Of which, distributions in excess of earnings	137,637,500	178,053,400
(Distributions in excess of earnings per unit)	(325)	(356)
IV. Retained earnings carried forward	43,019	232,680
Method of calculating distributions	Under the distribution policy established in Paragraph 1, Article 39 of the certificate of incorporation of CRE REIT, the distribution amount shall exceed the amount equivalent to 90% the profit available for distributions provided for in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, CRE REIT decided to distribute 1,298,874,500 yen, the maximum integral multiple of the total number of investment units outstanding, 423,500, which does not exceed the unappropriated retained earnings. Based on the cash distribution policy established in Paragraph 2, Article 39 of the certificate of incorporation of CRE REIT, CRE REIT 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, CRE REIT has decided to distribute 137,637,500 yen, approximately 30% of depreciation, as distributions in excess of earnings (contribution refunds that fall under distributions accompanying a decrease in capital under tax law).	Under the distribution policy established in Paragraph 1, Article 39 of the certificate of incorporation of CRE REIT, the distribution amount shall exceed the amount equivalent to 90% the profit available for distributions provided for in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, CRE REIT decided to distribute 1,521,456,300 yen, the maximum integral multiple of the total number of investment units outstanding, 500,150, which does not exceed the unappropriated retained earnings. Based on the cash distribution policy established in Paragraph 2, Article 39 of the certificate of incorporation of CRE REIT, CRE REIT 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, CRE REIT has decided to distribute 178,053,400 yen, approximately 31.7% of depreciation, as distributions in excess of earnings (contribution refunds that fall under distributions accompanying a decrease in capital under tax law).

Note: CRE REIT is able to distribute an amount determined by CRE REIT, not exceeding amounts specified in laws and regulations (including rules set forth by the Investment Trusts Association) as cash in excess of earnings if CRE REIT deems it appropriate for the purpose of maintaining stable distribution or reducing the tax payments of CRE REIT.

(5) Statement of Cash Flows

(Thousands of yen)

	Fiscal period ended December 31, 2020	Fiscal period ended June 30, 2021
Cash flows from operating activities		
Income before income taxes	1,299,696	1,522,614
Depreciation	459,879	562,935
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
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		
Acquisition 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 (Note 1)	3,871,510	4,039,600

The accompanying notes are an integral part of these financial statements.

(6) Notes to Financial Statements

[Notes on going concern assumption]

Not applicable.

[Summary of significant accounting policies]

Basis of presentation

The financial statements have been prepared in accordance with the provisions set forth in the Act on Investment Trusts and Investment Corporations of Japan and the Japanese Financial Instruments and Exchange Act and their related accounting regulations. They are also in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain aspects as to the application and disclosure requirements from the International Financial Reporting Standards ("IFRS").

The financial statements have been reformatted and translated into English from the financial statements of CRE REIT prepared in accordance with Japanese GAAP. In preparing these financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one thousand yen have been omitted. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

1. Asset valuation standards and valuation method	Securities Available-for-sale securities Securities without fair value Stated at cost determined by the moving average method.
2. Depreciation method for non-current assets	(1) Property, plant and equipment (including assets in trust) The straight-line method is used. The useful lives of major property, plant and equipment are as stated below. Buildings: 2 years to 80 years Structures: 10 years to 80 years Tools, furniture and fixtures: 3 years to 10 years (2) Intangible assets The straight-line method is used. (3) Long-term prepaid expenses The straight-line method is used.
3. Accounting for deferred assets	(1) Organization expenses Amortized in equal amounts over five years. (2) Investment unit issuance expenses Amortized in equal amounts over three years. (3) Investment corporation bond issuance costs Amortized in equal amounts over the period until redemption.
4. Standards for recognition of revenues and expenses	Accounting for fixed asset taxes, etc. Of the amount of fixed asset taxes, city planning taxes, depreciable asset taxes, etc. imposed on real estate owned that was assessed and determined, the amount corresponding to the relevant calculation period is expensed as Expenses related to leasing business. The amount corresponding to fixed asset taxes for the first fiscal period that CRE REIT incurred for the acquisition of real estate or trust beneficiary interests in real estate is not expensed, but is included in the acquisition cost of the real estate. The amount corresponding to fixed asset taxes that was included in the acquisition cost of real estate was 26,282 thousand yen in the previous fiscal period and 113,643 thousand yen in the fiscal period under review.
5. Hedge accounting method	(1) Hedge accounting method Deferral hedge accounting is used. Special treatment is used for interest rate swaps meeting the requirements for special treatment. (2) Hedging methods and hedged transactions Hedging instruments: Interest rate swap transactions Hedged items: Interest on loans (3) Hedging policy

	CRE 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. (4) Methods of assessing hedge effectiveness The evaluation of the effectiveness of interest rate swaps is omitted because they meet the requirements for special treatment.
6. Scope of cash (cash and cash equivalents) in a statement of cash flows	Cash (cash and cash equivalents) in the statement of cash flows consist of cash on hand, cash in trust, deposits held on call with banks, deposits in trust, and other short-term highly liquid investments with a maturity of three months or less from the acquisition date with an insignificant risk of changes in value.
7. Other matters that become the basis of preparing financial statements	(1) Accounting for trust beneficiary interests in real estate 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. The following material items among assets in trust posted in the trust accounts are listed separately on the balance sheet. (i) Cash and deposits in trust (ii) Buildings in trust, structures in trust, tools, furniture and fixtures in trust, and land in trust (iii) Leasehold and guarantee deposits received in trust (2) Accounting for consumption taxes The accounting treatment of the consumption tax and the local consumption tax is based on the tax exclusion method.

[Accounting standards not yet applied]

"Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29 issued on March 31, 2020)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued on March 26, 2021)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 31, 2020)

(1) Overview

The International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") in the United States have jointly developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 in IASB and Topic 606 in FASB) in May 2014. Given the situation where IFRS 15 will be applied from fiscal years beginning on or after January 1, 2018 and that Topic 606 will be applied from fiscal years beginning after December 15, 2017, the ASBJ has developed comprehensive accounting standards for revenue recognition and issued them together with the implementation guidance. The basic policy of the ASBJ when it developed the accounting standards for revenue recognition was to specify the accounting standards, incorporating the basic principles of IFRS 15 as a starting point, from the perspective of comparability between financial statements, which is one of the benefits of maintaining compatibility with IFRS 15. The basic policy also stipulates that if there is an item to which consideration should be given, such as practices that have been conducted thus far in Japan, alternative treatments will be added to the extent to which
comparability is not impaired.

(2) Scheduled date of application

The accounting standards will be applied from the beginning of the fiscal period ending December 31, 2021.

(3) Impact of applying the accounting standards

The level of the impact on the financial statements of applying the "Accounting Standard for Revenue Recognition" and its guidance is currently under evaluation.

[Notes to the balance sheet]

*1. Minimum net asset value specified in Paragraph (4), Article 67 of the Act on Investment Trusts and Investment Corporations

(Thousands of yen)

As of December 31, 2020	As of June 30, 2021
50,000	50,000

[Notes to the statement of income]

*1. Breakdown of net revenue in the real estate leasing business

(Thousands of yen)

	Fiscal period ended December 31, 2020	Fiscal period ended June 30, 2021
A. Revenue in the real estate leasing business		
Leasing business revenue		
Rent revenue	2,475,227	3,028,184
Common-area charge income	80,290	90,526
Subtotal	2,555,517	3,118,710
Other leasing business revenue		
Utilities income	21,227	23,961
Other revenues	26,919	16,982
Subtotal	48,147	40,944
Total revenue in the real estate leasing business	2,603,664	3,159,654
B. Expenses in the real estate leasing business		
Expenses related to leasing business		
Management commissions	122,455	158,238
Utilities expenses	22,212	26,907
Taxes and public dues	164,256	264,010
Non-life insurance expenses	8,711	10,675
Repair expense	18,420	6,578
Depreciation	459,479	562,535
Other expenses related to leasing business	6,516	7,661
Total expenses in the real estate leasing business	802,053	1,036,607
C. Net revenue in the real estate leasing business (A-B)	1,801,611	2,123,047

*2. Breakdown of gain on sale of real estate properties

Fiscal period ended December 31, 2020

Part of land at the site of LogiSquare Tosu (sale due to expropriation)

(Thousands of yen)

Income from sale of real estate	57,088
Cost of selling real estate	56,792
Gain on sales of real estate properties	295

Fiscal period ended June 30, 2021

Not applicable.

[Notes to statement of unitholders' equity]

*1. Total number of authorized investment units and total number of investment units issued and outstanding

	Fiscal period ended December 31, 2020	Fiscal period ended June 30, 2021
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	423,500 units	500,150 units

[Notes to statement of cash flows]

*1. Cash and cash equivalents at end of fiscal period and their relationship with the amounts of items listed in the balance sheet

(Thousands of yen)

	Fiscal period ended December 31, 2020	Fiscal period ended June 30, 2021
Cash and deposits	2,972,453	1,728,060
Cash and deposits in trust	2,370,899	3,356,893
Restricted deposits (Note)	(1,471,842)	(1,045,353)
Cash and cash equivalents	3,871,510	4,039,600

Note: Deposits and deposits in trust withheld to return leasehold and guarantee deposits received from tenants

[Notes to lease transactions]

Operating lease transactions (lessor side)

Outstanding lease charges

(Thousands of yen)

	Fiscal period ended December 31, 2020	Fiscal period ended June 30, 2021
Due within 1 year	4,635,999	6,243,184
Due after 1 year	20,302,566	23,531,901
Total	24,938,565	29,775,086

[Notes to financial instruments]

1. Matters related to the status of financial instruments

(1) Policy for financial instruments

CRE REIT finances the acquisition of new working assets by issuing investment units, borrowing funds from financial institutions, issuing investment corporation bonds, or using other means.

CRE REIT carefully uses surplus funds, taking into account safety and liquidity and fully considering the market environment and financing conditions. Derivative trading is used to hedge the risk of interest-rate fluctuations in financing such as borrowing or other risks while speculative transactions are avoided.

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

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

Borrowings and investment corporation bonds are used to finance primarily the acquisition of trust beneficiary interests in real estate and funds required for the operation of CRE REIT. Among them, floating-rate borrowings are exposed to the risk of interest-rate fluctuations, and CRE REIT uses derivative trading as hedging instruments. Derivative trading is an interest-rate swap, and CRE REIT hedges the risk of interest-rate fluctuations by, in effect, fixing the interest expenses in the floating-rate financing. Details about the hedge accounting method, hedged items, hedging policy, and the method of assessing hedge effectiveness are provided in the earlier section, "5. Hedge accounting method," in the table "Notes on matters related to significant accounting policies."

Leasehold and guarantee deposits received from tenants are money deposited by tenants and exposed to liquidity risk caused by tenants' vacation before contract expiration. CRE REIT controls liquidity risk by having the Asset Manager prepare a cash management schedule and control short-term liquidity.

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

The fair value of financial instruments includes value based on market prices or amounts rationally calculated if no market price is available. Certain preconditions apply in the calculation of such values, which may vary when different preconditions apply. The amount of derivative trading contracts in the latter section, "Notes to derivative trading." do not directly indicate market risks associated with derivative trading.

2. Matters related to fair value of financial instruments

The following table presents the book value, fair value, and differences between them as of December 31, 2020. The table does not include items whose market price is deemed extremely difficult to estimate. (Note 2)

(Thousands of yen)

	Book value	Fair Value (Note 1)	Difference
(1) Cash and deposits	2,972,453	2,972,453	–
(2) Cash and deposits in trust	2,370,899	2,370,899	–
Total assets	5,343,353	5,343,353	–
(1) Current portion of long-term borrowings	3,574,000	3,574,009	9
(2) Investment corporation bonds	2,000,000	2,001,600	1,600
(3) Long-term borrowings	38,095,000	38,099,282	4,282
Total liabilities	43,669,000	43,674,891	5,891
Derivative trading	–	–	–

The following table presents the book value, fair value, and differences between them as of June 30, 2021. The table does not include items whose market price is deemed exceptionally difficult to estimate. (Note 2)

(Thousands of yen)

	Book value	Fair Value (Note 1)	Difference
(1) Cash and deposits	1,728,060	1,728,060	–
(2) Cash and deposits in trust	3,356,893	3,356,893	–
Total assets	5,084,954	5,084,954	–
(1) Current portion of long-term borrowings	8,254,000	8,259,266	5,266
(2) Investment corporation bonds	2,000,000	2,001,200	1,200
(3) Long-term borrowings	42,415,000	42,424,276	9,276
Total liabilities	52,669,000	52,684,742	15,742
Derivative trading	–	–	–

Note 1: Method of calculating fair value of financial instruments and matters related to derivative trading

Assets

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

Given that the fair value of these items is close to their book value because they are settled in a short period of time, they are recorded at book value.

Liabilities

(1) Current portion of long-term borrowings, (3) long-term borrowings

Given that the fair value of these items is close to their book value because interest rates are renewed after certain periods of time, they are recorded at book value. Long-term borrowings with floating rates that are subject to the special accounting treatment for interest-rate swaps are calculated by discounting the combined total of principal and interest treated as unified with the Interest-rate swap by a reasonably estimated discount rate applicable to similar borrowings.

(2) Investment corporation bonds

Investment corporation bonds are recorded at reference values published by the Japan Securities Dealers Association.

Derivative trading

See the latter section, “Notes to derivative trading.”

Note 2: Financial instruments whose fair value is deemed extremely difficult to estimate

(Thousands of yen)

Category	As of December 31, 2020	As of June 30, 2021
Leasehold and guarantee deposits received in trust*	1,471,842	1,742,256

* A reasonable estimate of the future cash flow of the amounts of leasehold and guarantee deposits received in trust, which are posted in the above balance sheet, is not possible due to the unavailability of a market value and the difficulty in making assumptions, such as the timing of returns, which render it extremely difficult to estimate the fair value. As such, the fair value is not disclosed.

Note 3: Scheduled redemption amounts of money claims after closing date

As of December 31, 2020

(Thousands of yen)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 year and within 3 years	Due after 3 year and within 4 years	Due after 4 year and within 5 years	Due after 5 years
Cash and deposits	2,972,453	—	—	—	—	—
Cash and deposits in trust	2,370,899	—	—	—	—	—
Total	5,343,353	—	—	—	—	—

As of June 30, 2021

(Thousands of yen)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 year and within 3 years	Due after 3 year and within 4 years	Due after 4 year and within 5 years	Due after 5 years
Cash and deposits	1,728,060	—	—	—	—	—
Cash and deposits in trust	3,356,893	—	—	—	—	—
Total	5,084,954	—	—	—	—	—

Note 4: Scheduled repayment amounts of investment corporation bonds and borrowings after the closing date

As of December 31, 2020

(Thousands of yen)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 year and within 3 years	Due after 3 year and within 4 years	Due after 4 year and within 5 years	Due after 5 years
Investment corporation bonds	—	—	—	—	2,000,000	—
Long-term borrowings	3,574,000	6,080,000	6,580,000	6,785,000	5,600,000	13,050,000
Total	3,574,000	6,080,000	6,580,000	6,785,000	7,600,000	13,050,000

As of June 30, 2021

(Thousands of yen)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 year and within 3 years	Due after 3 year and within 4 years	Due after 4 year and within 5 years	Due after 5 years
Investment corporation bonds	—	—	—	—	2,000,000	—
Long-term borrowings	8,254,000	6,080,000	6,580,000	8,705,000	7,900,000	13,150,000
Total	8,254,000	6,080,000	6,580,000	8,705,000	9,900,000	13,150,000

[Notes to securities]

Not applicable in the previous fiscal period (ended December 31, 2020) and the fiscal period under review (ended June 30, 2021).

[Notes to derivative trading]

1. Derivatives not subject to hedge accounting

   Not applicable in the previous fiscal period (ended December 31, 2020) and the fiscal period under review (ended June 30, 2021).

2. Derivatives subject to hedge accounting

   The table below shows the value of contract or the equivalent of the principal set forth in the contract at the closing date using the hedge accounting method.

   As of December 31, 2020

(Thousands of yen)

Hedge accounting method	Type of derivative trading	Major hedged item	Contract amount	Due after a year	Fair value	Method of calculating fair value
Special accounting treatment for interest-rate swaps	Interest-rate swap transactions floating rate receivable, fixed rate payable	Long-term borrowings	41,669,000	38,095,000	*	—

As of June 30, 2021

(Thousands of yen)

Hedge accounting method	Type of derivative trading	Major hedged item	Contract amount	Due after a year	Fair value	Method of calculating fair value
Special accounting treatment for interest-rate swaps	Interest-rate swap transactions floating rate receivable, fixed rate payable	Long-term borrowings	49,669,000	42,415,000	*	—

* Because interest-rate swaps subject to special accounting treatment are treated as unified with the long-term borrowings subject to hedging, their fair value is included in the fair value of "current portion of long-term borrowings" and "long-term borrowings" in the earlier section, "2. Matters related to fair value of financial instruments." under "Notes to financial instruments."

[Notes to retirement benefits]

Not applicable in the previous fiscal period (ended December 31, 2020) and the fiscal period under review (ended June 30, 2021) due to the absence of retirement benefit plan in CRE REIT.

[Notes to tax effect accounting]

1. Breakdown of deferred tax assets and liabilities by major cause

(Thousands of yen)

	As of December 31, 2020	As of June 30, 2021
Deferred tax assets		
Amount excluded from deductible expenses of accrued enterprise taxes	12	17
Total deferred tax assets	12	17
Net deferred tax assets	12	17

2. Breakdown of major items that caused a significant difference between the effective statutory tax rate and the actual effective income tax rate

	As of December 31, 2020	As of June 30, 2021
Effective statutory tax rate	31.46%	31.46%
(Adjustment)		
Inclusion of distribution paid in deductible expenses	(31.44)%	(31.44)%
Other	0.05%	0.04%
Actual effective income tax rate	0.07%	0.06%

[Notes to share of profit and loss of entities accounted for using the equity method]

Not applicable in the previous fiscal period (from July 1 to December 31, 2020) and the fiscal period under review (from January 1 to June 30, 2021) due to the absence of a company affiliated with CRE REIT.

[Notes on transactions with related party]

1. Parent company and major corporate unitholders

Not applicable in the previous fiscal period (from July 1 to December 31, 2020) and the fiscal period under review (from January 1 to June 30, 2021)

2. Affiliated companies

Not applicable in the previous fiscal period (from July 1 to December 31, 2020) and the fiscal period under review (from January 1 to June 30, 2021)

3. Companies under common control

Not applicable in the previous fiscal period (from July 1 to December 31, 2020) and the fiscal period under review (from January 1 to June 30, 2021)

4. Directors and major individual unitholders

Fiscal period ended December 31, 2020

Attributes	Company or other names	Address	Capital or investment (million yen)	Business or occupation	Percentage of voting rights (owned)	Relationships with related parties	Description of transaction	Amount of transaction (thousand yen)	Item	Balance at end of period (thousand yen)
Directors and their relatives	Tsuyoshi Ito	–	–	Executive Director of CRE REIT and President of the Asset Manager	–	Asset management contractor	Payment of asset management fees	319,751	Accrued expenses	169,169

Note 1: The above transaction amounts do not include consumption tax, while the balance at the end of the fiscal period does include consumption tax.
Note 2. The amount of asset management fees is determined based on the conditions specified in the certificate of incorporation of CRE REIT.
Note 3: The amount of asset management fees includes 89,540 thousand yen, the performance fees for property acquired, added to the book value of individual investment properties.

Fiscal period ended June 30, 2021

Attributes	Company or other names	Address	Capital or investment (million yen)	Business or occupation	Percentage of voting rights (owned)	Relationships with related parties	Description of transaction	Amount of transaction (thousand yen)	Item	Balance at end of period (thousand yen)
Directors and their relatives	Tsuyoshi Ito	–	–	Executive Director of CRE REIT and President of the Asset Manager	–	Asset management contractor	Payment of asset management fees	373,048	Accrued expenses	195,748

Note 1: The above transaction amounts do not include consumption tax, while the balance at the end of the fiscal period does include consumption tax.
Note 2. The amount of asset management fees is determined based on the conditions specified in the certificate of incorporation of CRE REIT.
Note 3: The amount of asset management fees includes 103,945 thousand yen, the performance fees for property acquired, added to the book value of individual investment properties.

[Notes to asset retirement obligations]

Not applicable in the previous fiscal period (from July 1 to December 31, 2020) and the fiscal period under review (from January 1 to June 30, 2021)

[Notes to real state such as rental properties]

CRE REIT holds rental logistics facilities principally in the Tokyo metropolitan area for the purpose of generating rental revenues. The amounts of items related to these rental properties posted on the balance sheet, changes in the amounts during the period, and fair value of the properties are presented in the table below.

(Thousands of yen)

		Fiscal period ended December 31, 2020	Fiscal period ended June 30, 2021
Balance sheet amount			
	Balance at beginning of period	72,661,746	90,253,043
	Increase (decrease) during the period	17,591,296	20,514,870
	Balance at end of period	90,253,043	110,767,914
Fair value at the end of period		98,780,000	122,040,000

Note 1: The amounts in the balance sheet represent the results of deducting the accumulated depreciation from the acquisition costs.
Note 2: Of the changes in the amounts in the previous fiscal period, the largest increase was attributable to the acquisition of three properties (LogiSquare Ageo, LogiSquare Miyoshi, and LogiSquare Chitose, totaling 18,068,659 thousand yen), and major decreases resulted from the sale of part of the land of LogiSquare Tosu (56,792 thousand yen) and depreciation (459,479 thousand yen). Of the changes in amounts in the fiscal period under review, the largest increase was caused by the acquisition of three properties (LogiSquare Sayama Hidaka, LogiSquare Kawagoe II, and LogiSquare Kobe Nishi, totaling 21,058,502 thousand yen), and the largest decrease was due to depreciation (562,535 thousand yen).
Note 3: The fair value at the end of the period was based on the appraisal value or investigation value estimated by external real-property appraisers.

Profit and loss on operations of rental properties are stated in the earlier section, "Notes to the statement of income."

[Notes to segment information]

Segment information

CRE REIT has only one segment, the real estate leasing business, and the section of segment information is therefore omitted.

Related information

Fiscal period ended December 31, 2020

1. Information about products and services

The statement is omitted because operating revenue from external customers in a single product and service category accounts for more than 90% of operating revenue on the statement of income.

2. Information by geographical area

(1) Operating revenues

The statement is omitted because operating revenue from external customers in Japan accounts for more than 90% of operating revenue in the statement of income.

(2) Property, plant and equipment

The statement is omitted because the amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment in the balance sheet.

3. Information about major customers

(Thousands of yen)

Counterparty	Operating revenues	Related segments
Nippon Express Co., Ltd.	(Note 1)	Real estate leasing business
Sangetsu Corporation.	(Note 1)	Real estate leasing business
CRE, Inc.	(Note 2) 466,806	Real estate leasing business

Note 1: Information about rents and other items is not provided due to the absence of tenant approval for the disclosure.
Note 2: The amount includes rents for a certain period in which a fixed amount of monthly rent is received based on a master lease agreement irrespective of rental agreements with end tenants.

Fiscal period ended June 30, 2021

1. Information about products and services

The statement is omitted because operating revenue from external customers in a single product and service category accounts for more than 90% of operating revenue on the statement of income.

2. Information by geographical area

(1) Operating revenues

The statement is omitted because operating revenue from external customers in Japan accounts for more than 90% of operating revenue in the statement of income.

(2) Property, plant and equipment

The statement is omitted because the amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment in the balance sheet.

3. Information about major customers

(Thousands of yen)

Counterparty	Operating revenues	Related segments
Nippon Express Co., Ltd.	(Note 1)	Real estate leasing business
CRE, Inc.	(Note 2) 933,247	Real estate leasing business

Note 1: Information about rents and other items is not provided due to the absence of tenant approval for the disclosure.

Note 2: The amount includes rents for a certain period in which a fixed amount of monthly rent is received based on a master lease agreement irrespective of rental agreements with end tenants.

[Notes to per-unit information]

(Yen)

Fiscal period ended December 31, 2020		Fiscal period ended June 30, 2021	
Net assets per unit	120,757	Net assets per unit	124,138
Net income per unit	3,107	Net income per unit	3,092

Note 1: Net income per unit is calculated by dividing net income by the average number of investment units weighted by the number of days during the period.

Diluted net income per unit is not stated due to the absence of diluted investment units.

Note 2: The basis of calculating net income per unit is presented below.

	Fiscal period ended December 31, 2020	Fiscal period ended June 30, 2021
Net income (thousand yen)	1,298,833	1,521,645
Amount not attributable to common unitholders (thousand yen)	–	–
Net income related to common investment units (thousand yen)	1,298,833	1,521,645
Average number of investment units during period (units)	417,956	492,083

[Notes to significant subsequent events]

1. Issuance of new investment units

CRE REIT passed a resolution at the Board of Directors' meetings held on September 2, 2021, and September 9, 2021, to issue the following new investment units. Payment for the issuance of new investment units through public offering was completed on September 15, 2021. As a result, total unitholders' capital (net) as of September 15, 2021 is 73,535,457,100 yen and the total number of investment units outstanding is 564,700.

Issuance of new investment units through public offering

Number of new investment units issued	64,550 units
Issue price	210,994 yen per unit
Total amount of issue price	13,619,662,700 yen
Issue amount	203,673 yen per unit
Total issue amount	13,147,092,150 yen
Payment date	September 15, 2021
Initial date of reckoning distributions	July 1, 2021

Use of proceeds

The proceeds from the above public offering were appropriated as part of the funds to acquire the beneficial interests in real estate trust described in the latter section, "3. Acquisition of assets."

2. Borrowings

CRE REIT has borrowed funds listed in the table below for the purpose of acquiring the beneficial interests in real estate trust and appropriating the funds as part of related expenses described in the latter section, "3. Acquisition of assets."

Category	Lender	Loan amount (million yen)	Interest rate	Borrowing date	Borrowing method	Repayment date	Repayment method	Notes
Long-term borrowings	Sumitomo Mitsui Banking Corporation	600	Base rate (JBA 3-month Japanese Yen TIBOR) +0.475% (Note 1)	September 15, 2021	Borrowings based on individual loan agreements concluded on September 13, 2021	March 31, 2027	Lump-sum repayment at maturity	Unsecured Unguaranteed
	Mizuho Bank, Ltd	500						
	The Shizuoka Bank, Ltd.	450						
	Development Bank of Japan Inc.	350						
	MUFG Bank, Ltd.	350						
	The Bank of Fukuoka Ltd.	250						
	The Hyakujushi Bank, Ltd.	250						
	The Yamaguchi Bank, Ltd.	250						
	Sumitomo Mitsui Trust Bank, Limited	200						
	Shinsei Bank, Limited	200						
	Aozora Bank, Ltd.	200						
	The Bank of Toyama, Ltd.	200						
	The Yamanashi Chuo Bank, Ltd.	200						
	Sumitomo Mitsui Banking Corporation	650	Base rate (JBA 3-month Japanese Yen TIBOR) +0.500 % (Note 2)	September 15, 2021	Borrowings based on individual loan agreements concluded on September 13, 2021	September 30, 2027	Lump-sum repayment at maturity	Unsecured Unguaranteed
	Mizuho Bank, Ltd	550						
	Development Bank of Japan Inc.	500						
	Shinsei Bank, Limited	400						
	Aozora Bank, Ltd.	400						
	The Yamaguchi Bank, Ltd.	300						
	Sumitomo Mitsui Trust Bank, Limited	250						
	The Yamanashi Chuo Bank, Ltd.	250						
	The Hyakujushi Bank, Ltd.	200						
	Mizuho Bank, Ltd.	1,000	Base rate (JBA 1-month Japanese yen TIBOR) +0.300%	September 15, 2021	Borrowings based on individual loan agreements concluded on September 13, 2021	September 30, 2022	Lump-sum repayment at maturity	Unsecured Unguaranteed
	Sumitomo Mitsui Banking Corporation	1,000	Base rate (JBA 1-month Japanese yen TIBOR) +0.300%	September 15, 2021	Borrowings based on individual loan agreements concluded on September 13, 2021	September 30, 2022	Lump-sum repayment at maturity	Unsecured Unguaranteed
Total		9,500	–	–	–	–	–	–

Note 1: The interest rate on borrowings is, in effect, fixed at 0.546% by signing a separate swap agreement.

Note 2: The interest rate on borrowings is, in effect, fixed at 0.576% by signing a separate swap agreement.

3. Acquisition of assets

CRE REIT has acquired the following beneficial interests in real estate trust. The acquisition price indicated is the amount of transaction price stated in documents such as the buy-sell agreement for beneficial interests in trust, which does not include expenses necessary for the acquisition (intermediary fees, taxes and public dues, etc.) (the transfer amount stated in the sales agreement, etc.).

Property name	Date of acquisition	Acquisition price	Location
LogiSquare Osaka Katano	September 15, 2021	22,370 million yen	Katano-shi, Osaka
Total	–	22,370 million yen	–

(7) Supplementary schedules

1. Schedule of securities

(1) Stocks

(Thousands of yen)

Name	Number of shares	Acquisition price		Fair value		Valuation profit/loss	Remarks
		Unit price	Amount	Unit price	Amount		
Kukishobu Industrial Park Management Center	10,500	1	10,500	1	10,500	-	(Note)
Total	10,500	1	10,500	1	10,500	-	-

(Note)The fair value of the unlisted shares is stated at book value

(2) Securities other than stocks

Not applicable.

2. Schedule of contract amounts and fair value of derivative transactions and forward exchange transactions

(Thousands of yen)

Classification	Type	Contract amount (Note 1)		Fair value (Note 2)
			Due after a year	
OTC transactions	Interest-rate swap transactions floating rate receivable, fixed rate payable	49,669,000	42,415,000	-
Total		49,669,000	42,415,000	-

(Note 1) Contract amounts of interest-rate swaps are presented based on notional amounts.

(Note 2) Fair value statement is omitted for those transactions that meet the criteria for special accounting treatment for interest-rate swaps in accordance with the Accounting Standard for Financial Instruments.

3. Schedule of property, plant and equipment

(Thousands of yen)

Types of assets	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Accumulated depreciation or accumulated amortization	Depreciation on for the period	Net balance at the end of the period	Remarks
Buildings in trust	47,303,072	11,534,473	-	58,837,546	2,760,123	540,809	56,077,422	(Note)
Structures in trust	2,546,706	375,933	-	2,922,640	106,699	21,578	2,815,940	
Tools, furniture and fixtures in trust	682	2,640	-	3,322	453	148	2,868	
Land in trust	42,707,322	9,164,359	-	51,871,682	-	-	51,871,682	
Total	92,557,785	21,077,406	-	113,635,191	2,867,277	562,535	110,767,914	

(Note)The main reasons for the increase in buildings in trust, structures in trust, and land in trust were the acquisition of LogiSquare Sayama Hidaka, LogiSquare Kawagoe II, and LogiSquare Kobe Nishi.

4. Schedule of other specified assets

The beneficial interests in real estate trusts are included in "3. Schedules of property, plant and equipment" above.

5. Schedule of investment corporation bonds

(Thousands of yen)

Issue	Issue Date	Balance at the beginning of the period	Decrease during the period	Balance at the end of the period	Interest rate	Maturity date	Use	Collateral
CRE Logistics REIT, Inc. 1st unsecured investment corporation bond with supplementary pari passu clause (Green bond)	September 8, 2020	2,000,000	-	2,000,000	0.530%	September 8, 2025	Repayment of existing borrowings	Unsecured/ unguaranteed
Total	-	2,000,000	-	2,000,000	-	-	-	-

(Note)The following is the maturity schedule for each year within five years after the balance sheet date.

(Thousands of yen)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 year and within 3 years	Due after 3 year and within 4 years	Due after 4 year and within 5 years
Investment corporation bonds	-	-	-	-	2,000,000
Total	-	-	-	-	2,000,000

6. Schedule of borrowings

(Thousands of yen)

Classification	Lenders	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2)	Repayment due date	Use	Remarks
Long-term borrowings (Note 1)	Sumitomo Mitsui Banking Corporation	830,000	-	-	830,000	0.536% (Note 3)	January 31, 2022	(Note 4)	Unsecured/ unguaranteed
	MUFG Bank, Ltd.	650,000	-	-	650,000				
	Mizuho Bank, Ltd.	650,000	-	-	650,000				
	Development Bank of Japan Inc.	650,000	-	-	650,000				
	Resona Bank, Limited	550,000	-	-	550,000				
	The Nishi-Nippon City Bank, Ltd.	350,000	-	-	350,000				
	Sumitomo Mitsui Banking Corporation	830,000	-	-	830,000	0.635% (Note 3)	January 31, 2023		
	MUFG Bank, Ltd.	650,000	-	-	650,000				
	Mizuho Bank, Ltd.	650,000	-	-	650,000				
	Development Bank of Japan Inc.	650,000	-	-	650,000				
	Resona Bank, Limited	550,000	-	-	550,000				
	The Nishi-Nippon City Bank, Ltd.	350,000	-	-	350,000				
	Sumitomo Mitsui Banking Corporation	830,000	-	-	830,000	0.731% (Note 3)	January 31, 2024		
	MUFG Bank, Ltd.	650,000	-	-	650,000				
	Mizuho Bank, Ltd.	650,000	-	-	650,000				
	Development Bank of Japan Inc.	650,000	-	-	650,000				
	Resona Bank, Limited	550,000	-	-	550,000				
	The Nishi-Nippon City Bank, Ltd.	350,000	-	-	350,000				
	Sumitomo Mitsui Banking Corporation	750,000	-	-	750,000	0.569% (Note 3)	July 29, 2022		
	Mizuho Bank, Ltd.	600,000	-	-	600,000				
	Development Bank of Japan Inc.	450,000	-	-	450,000				
	Resona Bank, Limited	400,000	-	-	400,000				
	The Nishi-Nippon City Bank, Ltd.	200,000	-	-	200,000				

Classification	Lenders	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2)	Repayment due date	Use	Remarks
Long-term borrowings (Note 1)	Sumitomo Mitsui Banking Corporation	527,000	-	-	527,000	0.402% (Note 3)	July 31, 2023	(Note 4)	Unsecured/ unguaranteed
	Mizuho Bank, Ltd.	527,000	-	-	527,000				
	Development Bank of Japan Inc.	527,000	-	-	527,000				
	Resona Bank, Limited	265,000	-	-	265,000				
	The Nishi-Nippon City Bank, Ltd.	527,000	-	-	527,000				
	Sumitomo Mitsui Trust Bank, Ltd.	527,000	-	-	527,000				
	Sumitomo Mitsui Banking Corporation	936,000	-	-	936,000	0.308% (Note 3)	July 30, 2021		
	Mizuho Bank, Ltd.	785,000	-	-	785,000				
	MUFG Bank, Ltd.	785,000	-	-	785,000				
	Development Bank of Japan Inc.	250,000	-	-	250,000				
	Resona Bank, Limited	499,000	-	-	499,000				
	The Nishi-Nippon City Bank, Ltd.	319,000	-	-	319,000				
	Sumitomo Mitsui Banking Corporation	927,000	-	-	927,000	0.462% (Note 3)	July 31, 2024		
	Mizuho Bank, Ltd.	680,000	-	-	680,000				
	MUFG Bank, Ltd.	310,000	-	-	310,000				
	Development Bank of Japan Inc.	325,000	-	-	325,000				
	Resona Bank, Limited	420,000	-	-	420,000				
	The Nishi-Nippon City Bank, Ltd.	443,000	-	-	443,000				
	Sumitomo Mitsui Banking Corporation	1,100,000	-	-	1,100,000	0.570% (Note 3)	January 31, 2025		
	Mizuho Bank, Ltd.	1,100,000	-	-	1,100,000				
	Development Bank of Japan Inc.	850,000	-	-	850,000				
	Sumitomo Mitsui Trust Bank, Ltd.	800,000	-	-	800,000				
	The Nishi-Nippon City Bank, Ltd.	700,000	-	-	700,000				
	The Bank of Fukuoka, Ltd.	650,000	-	-	650,000				
	Resona Bank, Limited	400,000	-	-	400,000				
	Sumitomo Mitsui Banking Corporation	800,000	-	-	800,000	0.639% (Note 3)	January 30, 2026		
	Mizuho Bank, Ltd.	700,000	-	-	700,000				
	The Nishi-Nippon City Bank, Ltd.	500,000	-	-	500,000				
	Development Bank of Japan Inc.	450,000	-	-	450,000				
	The Bank of Fukuoka, Ltd.	350,000	-	-	350,000				
	Sumitomo Mitsui Trust Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Limited	300,000	-	-	300,000				

Classification	Lenders	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2)	Repayment due date	Use	Remarks
Long-term borrowings (Note 1)	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.608% (Note 3)	July 31, 2026	(Note 4)	Unsecured/ unguaranteed
	Mizuho Bank, Ltd.	1,400,000	-	-	1,400,000				
	Development Bank of Japan Inc.	1,200,000	-	-	1,200,000				
	Sumitomo Mitsui Trust Bank, Ltd.	800,000	-	-	800,000				
	Resona Bank, Limited	500,000	-	-	500,000				
	Shinsei Bank, Limited	500,000	-	-	500,000				
	The Hyakujushi Bank, Ltd.	500,000	-	-	500,000				
	The Nishi-Nippon City Bank, Ltd.	400,000	-	-	400,000				
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.649% (Note 3)	January 29, 2027		
	Mizuho Bank, Ltd.	850,000	-	-	850,000				
	Resona Bank, Limited	500,000	-	-	500,000				
	The Nishi-Nippon City Bank, Ltd.	200,000	-	-	200,000				
	Sumitomo Mitsui Banking Corporation	-	900,000	-	900,000	0.471% (Note 3)	July 31, 2025		
	Mizuho Bank, Ltd.	-	800,000	-	800,000				
	Development Bank of Japan Inc.	-	600,000	-	600,000				
	MUFG Bank, Ltd.	-	700,000	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	-	400,000	-	400,000				
	Shinsei Bank, Limited	-	400,000	-	400,000				
	Aozora Bank, Ltd	-	400,000	-	400,000				
	The Bank of Toyama, Ltd	-	300,000	-	300,000				
	Sumitomo Mitsui Banking Corporation	-	900,000	-	900,000	0.587% (Note 3)	July 30, 2027		
	Mizuho Bank, Ltd.	-	700,000	-	700,000				
	Development Bank of Japan Inc.	-	500,000	-	500,000				
	Sumitomo Mitsui Trust Bank, Ltd.	-	400,000	-	400,000				
	Shinsei Bank Co., Ltd.,	-	400,000	-	400,000				
	Aozora Bank, Ltd	-	600,000	-	600,000				
	Sumitomo Mitsui Banking Corporation	-	500,000	-	500,000	0.380%	January 31, 2022		
	Mizuho Bank, Ltd.	-	500,000	-	500,000				
	Sumitomo Mitsui Banking Corporation	-	900,000	900,000	-	0.378%	January 31, 2022 (Note 5)		
	Subtotal	41,669,000	9,900,000	900,000	50,669,000	-	-	-	-
Total		41,669,000	9,900,000	900,000	50,669,000	-	-	-	

(Note 1) Current portion of long-term borrowings are included in long-term borrowings.
(Note 2) Average interest rate is the weighted average of the number of days and outstanding borrowings during the period, rounded to the fourth decimal place.
(Note 3) Average interest rates on borrowings with interest-rate swaps used to hedge interest rate risk are stated taking into account the effects of interest-rate swaps.
(Note 4) Long-term borrowings are appropriated to acquire the beneficial interests in real estate trust and to refinance.
(Note 5) CRE REIT made a prepayment of the entire amount of 900 million yen on April 30, 2021.
(Note 6) With respect to the above borrowings, the "Loan Agreement" between CRE REIT and each individual financial institution contains a rider that the borrowings from all financial institutions rank pari passu with each other.
(Note 7) The following is the maturity schedule for each year within five years after the balance sheet date.

(Thousands of yen)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 year and within 3 years	Due after 3 year and within 4 years	Due after 4 year and within 5 years
Long-term borrowings	8,254,000	6,080,000	6,580,000	8,705,000	7,900,000

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of CRE Logistics REIT, Inc.

Opinion

We have audited the financial statements of CRE Logistics REIT, Inc. (the Company), which comprise the balance sheet as at June 30, 2021, and the statement of income, statement of unitholders' equity, statement of cash distribution and statement of cash flows for the six month period then ended, and notes to financial statements and supplementary schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2021, and its financial performance and its cash flows for the six month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes to significant subsequent events, which states that the Company issued new investment units, borrowed funds, and acquired a new asset.

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

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

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Mitsuo Tsuruta

Designated Engagement Partner
Certified Public Accountant

Takeshi Yamaguchi

Designated Engagement Partner
Certified Public Accountant

October 15, 2021