

CRE Logistics REIT, Inc.
Summary of Financial Results (Unaudited)
For the 8th Fiscal Period Ended June 30, 2020
(For the Reporting Period from January 1, 2020 to June 30, 2020)
(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
 Person of Contact: Hirohisa Toda, Head of Corporate Planning
 Tel: +81-3-5575-3600

Scheduled date to file securities report: September 29, 2020
 Scheduled date to commence payment of distributions: September 18, 2020
 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. 8th Fiscal Period ended June 30, 2020 (January 1, 2020-June 30, 2020)

(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, 2020	2,030	28.5	1,151	39.0	970	41.2	969	41.3
December 31, 2019	1,580	11.9	828	15.2	687	15.0	686	15.1

	Net income per unit	Return on unitholders' equity	Ordinary income to total assets	Ordinary income on operating revenues
Fiscal period ended	Yen	%	%	%
June 30, 2020	2,872	2.9	1.5	47.8
December 31, 2019	2,670	2.6	1.3	43.5

(Note 1) The Investment Corporation issued 28,100 new investment units on July 16, 2019. Net income per unit for the fiscal period ended December 31, 2019 is calculated by dividing net income by the weighted average number of investment units (256,959 units) based on the number of days during the period.

(Note 2) The Investment Corporation issued 88,000 new investment units on January 21, 2020. Net income per unit for the fiscal period ended June 30, 2020 is calculated by dividing net income by the weighted average number of investment units (337,579 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, 2020	2,792	969	294	102	3,086	1,071	100.0	2.5
December 31, 2019	2,647	686	365	94	3,012	780	100.0	2.5

(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, 2019 and the fiscal period ended June 30, 2020 was 0.004 and 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, 2019 and the fiscal period ended June 30, 2020 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, 2020	77,736	40,048	51.5	115,329
December 31, 2019	55,960	27,741	49.6	107,005

(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, 2020	1,297	(20,084)	20,320	2,892
December 31, 2019	753	(6,437)	5,396	1,358

2. Forecast for the 9th Fiscal Period ending December 2020 (July 1, 2020-December 31, 2020) and the 10th Fiscal Period ending June 2021 (January 1, 2021-June 30, 2021)

(Percentages represent changes from corresponding period of previous period)

	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
Fiscal period ending											
December 31, 2020	2,589	27.5	1,513	31.4	1,289	32.9	1,288	32.9	3,297	3,042	255
June 30, 2021	2,591	0.1	1,385	(8.5)	1,182	(8.3)	1,181	(8.3)	3,205	2,790	415

(Reference) Forecast net income per unit (Forecast net income/ Forecast number of investment units at the end of the fiscal period) for the 9th Fiscal Period ending December 2020 is 3,042 yen and forecast net income per unit for the 10th Fiscal Period ending June 2021 is 2,789 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, 2020	347,250 units	As of December 31, 2019	259,250 units
2. Total number of treasury investment units at the end of the fiscal period	As of June 30, 2020	0 units	As of December 31, 2019	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 9th Fiscal Period ending December 2020 (July 1, 2020-December 31, 2020) and the 10th Fiscal Period ending June 2021 (January 1, 2021-June 30, 2021)" for details on the underlying assumptions for the forecasts above.

Assumptions for Operating Forecasts for 9th Fiscal Period ending December 2020 (July 1, 2020-December 31, 2020) and the 10th Fiscal Period ending June 2021 (January 1, 2021-June 30, 2021)

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> - 9th Fiscal Period (Ending December 31, 2020): July 1, 2020-December 31, 2020 (184 days) - 10th Fiscal Period (Ending June 30, 2021): January 1, 2021-June 30, 2021 (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 16 properties (hereinafter referred to as “assets currently held”)—13 properties held as of June 30,2020 (hereinafter referred to as “acquired assets before the fiscal period ended June 30, 2020”) and three properties acquired on July 13, 2020 (hereinafter referred to as “acquired assets for the fiscal period ending December 31, 2020”).The operating forecasts herein are based on the assumption that the investment corporation will continue to possess these properties until June 30, 2021, 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 currently-held assets). - 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. No lease contract will expire during the fiscal period ending December 31,2020, and all lease contracts will be concluded at a fixed rent. It is expected that a one month vacancy period will arise because the lease contract will expire in one property during the fiscal period ending June 30, 2021 and that for subsequent rents, a lease contract will be concluded with a successor tenant at the same level. - The forecasts assume there are no delinquencies or default on rental payments by tenants.
Operating expenses	<ul style="list-style-type: none"> - Expenses other than depreciation that fall under the category of real estate leasing expenses, which is the investment corporation’s main operating expenses, are actual expenses incurred on acquired assets before the fiscal period ended June 30, 2020. Regarding those acquired assets for the fiscal period ending December 31, 2020, expenses were forecast reflecting variables, including forecast costs (including taxes and public dues, property management fees, fire insurance expenses, repair expenses) based on information obtained from the previous owner, or the beneficiary who previously held the trust beneficiary interests. - Property tax and city planning tax, etc. for acquired assets before the fiscal period ended June 30, 2020 are expected to total 164 million yen in the fiscal period ending December 31, 2020 and 214 million yen in the fiscal period ending June 30, 2021. - In addition, 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 the four properties acquired on February 2020 (hereinafter referred to as “acquired assets for the fiscal period ending June 30, 2020”) and acquired assets for the fiscal period ending December 31, 2020 are not posted in the 9th Fiscal Period, but will be posted as property tax and city planning tax, etc. in the 10th Fiscal Periods. In the event that the property tax and city planning tax, etc. on acquired assets for the fiscal period ending June 30, 2020 and acquired assets for the fiscal period ending December 31, 2020 were posted as expense, the amount is estimated at 102 million yen for each six-month period starting from the 10th Fiscal Period. Note that the total amount of property tax and city planning tax, etc. to be incorporated into the acquisition cost for the acquired assets for the fiscal period ending December 31, 2020 is estimated at 26 million yen. - Depreciation is based on the straight-line method. Depreciation is forecast to be 459 million yen in the fiscal period ending December 31, 2020 and 460 million yen in the fiscal period ending June 30, 2021. - Property management fees are expected to be 121 million yen in the fiscal period ending December 31, 2020 and 123 million yen in the fiscal period ending June 30, 2021. - Because one lease contract will expire in the asset currently held during the fiscal period ending June 30, 2021, a 30 million yen as leasing expense is expected for the relevant property in the fiscal period ending June 30, 2021.
Non-operating expenses	<ul style="list-style-type: none"> - Non-operating expenses for the 9th Fiscal Period are expected to total 224 million yen. Of this, it is estimated that 192 million yen is for interest expenses and other financial related costs, 6 million yen is for depreciation of founding costs, 9 million yen is for costs related to offerings new investment units, and 14 million yen is for depreciation of investment unit issuance costs. - Non-operating expenses for the 10th Fiscal Period are expected to total 202 million yen. Of this, it is estimated that 185 million yen is for interest expenses and other financial related expenses, 5 million yen is for depreciation of founding costs, and 9 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: 43,669 million yen as of December 31, 2020, and 43,669 million yen as of June 30, 2021. - It is assumed that the investment corporation refinance 2,000 million yen to repay 1,750 million yen which mature on January 29, 2021 and 250 million yen which mature on July 31, 2021 in the fiscal period ending December 31, 2020. - The LTV is expected to be around 45.0% as of December 31, 2020, and about 45.0% as of June 30, 2021. The following equation was used to calculate LTV. The figure is rounded to the second decimal point. LTV = Interest-bearing debt / Total Assets x 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 423,500, 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, 2021 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 423,500 for the fiscal period ending December 31, 2020 and the fiscal period ending June 30, 2021.
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. In the fiscal period ending December 31, 2020, the investment corporation expects to distribute an amount equivalent to approximately 23.5% of depreciation, instead of 30%, as continuous surplus distributions, to equalize distributions. - 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 the fiscal period ending June 30, 2021, the investment corporation expects to distribute an amount equivalent to approximately 8.2% of depreciation as temporary surplus distributions after distributing an amount equivalent to 30% of depreciation as continuous surplus distributions, to equalize distributions, given that one lease contract will expire in the assets currently held. - 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, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	776,182	2,232,080
Cash and deposits in trust	1,319,249	1,786,401
Operating accounts receivable	101,808	103,193
Prepaid expenses	94,550	107,712
Consumption taxes receivable	239,756	526,229
Total current assets	2,531,547	4,755,617
Non-current assets		
Property, plant and equipment		
Buildings in trust	32,027,216	37,879,973
Accumulated depreciation	(1,429,813)	(1,778,799)
Buildings in trust, net	30,597,402	36,101,174
Structures in trust	1,568,757	1,952,901
Accumulated depreciation	(51,995)	(66,218)
Structures in trust, net	1,516,762	1,886,682
Tools, furniture and fixtures in trust	682	682
Accumulated depreciation	(183)	(244)
Tools, furniture and fixtures in trust, net	499	438
Land in trust	21,042,131	34,610,101
Construction in progress in trust	—	63,350
Total property, plant and equipment	53,156,796	72,661,746
Intangible assets		
Other	2,466	2,066
Total intangible assets	2,466	2,066
Investments and other assets		
Investment securities	10,500	10,500
Long-term prepaid expenses	205,913	253,258
Deferred tax assets	13	13
Leasehold and guarantee deposits	10,000	10,000
Total investments and other assets	226,426	273,772
Total non-current assets	53,385,689	72,937,585
Deferred assets		
Organization expenses	17,161	11,104
Investment unit issuance expenses	26,147	32,417
Total deferred assets	43,308	43,522
Total assets	55,960,545	77,736,725

(Thousands of yen)

	As of December 31, 2019	As of June 30, 2020
Liabilities		
Current liabilities		
Operating accounts payable	98,630	184,515
Current portion of long-term borrowings	3,700,000	3,700,000
Accrued expenses	121,951	170,751
Income taxes payable	872	890
Advances received	285,146	383,430
Other	4,600	67,549
Total current liabilities	4,211,201	4,507,138
Non-current liabilities		
Long-term borrowings	23,019,000	32,019,000
Leasehold and guarantee deposits received in trust	989,210	1,162,379
Total non-current liabilities	24,008,210	33,181,379
Total liabilities	28,219,412	37,688,517
Net assets		
Unitholders' equity		
Unitholders' capital	27,302,166	39,420,558
Deduction from unitholders' capital	(247,330)	(341,956)
Unitholders' capital, net	27,054,836	39,078,601
Surplus		
Unappropriated retained earnings (undisposed loss)	686,297	969,606
Total surplus	686,297	969,606
Total unitholders' equity	27,741,133	40,048,208
Total net assets	27,741,133	40,048,208
Total liabilities and net assets	55,960,545	77,736,725

(2) Statements of Income

(Thousands of yen)

	Fiscal period ended December 31, 2019	Fiscal period ended June 30, 2020
Operating revenue		
Leasing business revenue	1,553,660	2,001,134
Other leasing business revenue	26,712	29,419
Total operating revenue	1,580,373	2,030,554
Operating expenses		
Expenses related to leasing business	570,836	662,830
Asset management fee	140,715	176,310
Asset custody fee	1,611	1,763
Administrative service fees	12,204	12,230
Remuneration for directors (and other officers)	4,500	4,500
Other operating expenses	22,272	21,552
Total operating expenses	752,140	879,187
Operating profit	828,233	1,151,366
Non-operating income		
Interest income	10	14
Interest on tax refund	—	717
Total non-operating income	10	732
Non-operating expenses		
Interest expenses	68,442	89,884
Borrowing related expenses	50,382	58,741
Amortization of organization expenses	6,056	6,056
Amortization of investment unit issuance expenses	9,483	11,352
Other	6,782	15,627
Total non-operating expenses	141,147	181,663
Ordinary profit	687,096	970,436
Profit before income taxes	687,096	970,436
Income taxes - current	873	892
Income taxes - deferred	1	0
Total income taxes	875	892
Profit	686,220	969,543
Retained earnings brought forward	77	62
Unappropriated retained earnings (undisposed loss)	686,297	969,606

(3) Statements of Changes in Net Assets
Fiscal period ended December 31, 2019

(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	24,106,072	(161,342)	23,944,729	596,444	596,444	24,541,173	24,541,173
Changes in items during period							
Issuance of new investment units	3,196,094		3,196,094			3,196,094	3,196,094
Distributions in excess of retained earnings		(85,987)	(85,987)			(85,987)	(85,987)
Dividends of surplus				(596,367)	(596,367)	(596,367)	(596,367)
Profit				686,220	686,220	686,220	686,220
Total changes in items during period	3,196,094	(85,987)	3,110,106	89,853	89,853	3,199,959	3,199,959
Balance at end of period	27,302,166	(247,330)	27,054,836	686,297	686,297	27,741,133	27,741,133

Fiscal period ended June 30, 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	27,302,166	(247,330)	27,054,836	686,297	686,297	27,741,133	27,741,133
Changes in items during period							
Issuance of new investment units	12,118,392		12,118,392			12,118,392	12,118,392
Distributions in excess of retained earnings		(94,626)	(94,626)			(94,626)	(94,626)
Dividends of surplus				(686,234)	(686,234)	(686,234)	(686,234)
Profit				969,543	969,543	969,543	969,543
Total changes in items during period	12,118,392	(94,626)	12,023,765	283,309	283,309	12,307,074	12,307,074
Balance at end of period	39,420,558	(341,956)	39,078,601	969,606	969,606	40,048,208	40,048,208

(4) Statements of Cash Flows

(Thousands of yen)

	Fiscal period ended December 31, 2019	Fiscal period ended June 30, 2020
Cash flows from operating activities		
Profit before income taxes	687,096	970,436
Depreciation	316,507	363,669
Amortization of deferred organization expenses	6,056	6,056
Amortization of investment unit issuance expenses	9,483	11,352
Interest income	(10)	(14)
Interest expenses	68,442	89,884
Decrease (increase) in operating accounts receivable	7,919	(1,385)
Decrease (increase) in consumption taxes refund receivable	(239,756)	(286,473)
Decrease (increase) in prepaid expenses	(12,975)	(13,162)
Increase (decrease) in operating accounts payable	9,483	85,884
Increase (decrease) in accrued expenses	13,102	39,688
Increase (decrease) in accrued consumption taxes	(31,901)	—
Increase (decrease) in advances received	33,059	98,284
Decrease (increase) in long-term prepaid expenses	(48,388)	(47,345)
Other, net	2,112	62,253
Subtotal	820,230	1,379,129
Interest received	10	14
Interest paid	(66,074)	(80,772)
Income taxes paid	(912)	(874)
Net cash provided by (used in) operating activities	753,254	1,297,497
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(6,453,198)	(19,868,220)
Proceeds from leasehold and guarantee deposits received in trust	115,941	173,168
Payments into restricted deposits	(100,000)	(389,110)
Net cash provided by (used in) investing activities	(6,437,257)	(20,084,161)
Cash flows from financing activities		
Proceeds from long-term borrowings	9,579,000	9,000,000
Repayments of long-term borrowings	(6,680,000)	—
Proceeds from issuance of investment units	3,179,335	12,100,768
Distributions paid	(681,979)	(780,165)
Net cash provided by (used in) financing activities	5,396,355	20,320,602
Net increase (decrease) in cash and cash equivalents	(287,646)	1,533,938
Cash and cash equivalents at beginning of period	1,645,741	1,358,094
Cash and cash equivalents at end of period	1,358,094	2,892,033