

Semi-Annual Report

Fiscal Period Ended June 30, 2022

from January 1, 2022 to June 30, 2022



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

We listed our units on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange on February 7, 2018, and are pleased to have concluded the 12th fiscal period which is the ninth fiscal period since listing. We would like to express our sincere gratitude for your support.

During the 12th fiscal period, all properties we hold were fully occupied and maintained steady operation. Consequently, the business results in the 12th fiscal period included operating revenue of 3,871 million yen, operating income of 2,119million yen, and net income of 1,827 million yen. Distributions totaled 2,019 million yen by adding 192 million yen of distributions in excess of earnings, corresponding to 30.0% of the depreciation of properties we held, to net income. As a result, the distributions per unit amounted to 3,577 yen, exceeding the forecast of 3,529 yen by 48 yen.

We expect that the leasing market for logistics real estate will remain strong, with strong demand from tenants 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.

One lease contract expired in the fiscal period ended June 30, 2022 and four lease contracts will expire between the fiscal period ending December 31, 2022 and the fiscal period ending June 30, 2023, but we have already concluded new lease contracts with existing tenants, four lease contracts out of five are accompanied by rent increases. We will engage in steady management 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 Current Fiscal Period

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 units were listed on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange (“TSE”) on February 7, 2018. (Security Code: 3487) As of the end of the fiscal period, CRE REIT owned 20 properties, with a total acquisition price of 134,686 million yen.

B. Operation environment and results

The Japanese economy during the current fiscal period has been sluggish in response to a decrease in economic activities due to a fall in consumption as a result of the rebound of the COVID-19 pandemic and quasi-emergency measures in many regions of the country from the beginning of 2022. Real GDP growth (seasonally adjusted) turned negative in the first quarter of 2022. In addition, supply constraints in China and Southeast Asia interfered with production activities. The economy has not recovered fully and prospects continue to be uncertain. In the environment surrounding the J-REIT market, the TSE REIT index remained unstable due to soaring natural resources prices as a result of Russian aggression in Ukraine and the trend of rising long-term interest rates in major countries caused by inflationary measures.

Meanwhile, demand for logistics real estate is expected to continue to grow, 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 expansion the amount of inventory held by shippers for dealing with supply constraints, or 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.

While attention must be paid to recession not only in the Japanese economy, but the global economy, caused by supply constraints caused by the shortage of semiconductors and the spread of infection in China, inflation caused by soaring resource prices 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 20 properties we held as of the end of the current fiscal period 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 current fiscal period.

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

The balance of interest-bearing liabilities stood at 61,869 million yen as of the end of the current fiscal period, and the percentage of interest-bearing liabilities in total assets as of the end of the current fiscal period was 43.9%.

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

Rating Agency	Rating Subject	Rating	Rating Outlook
Rating and Investment Information, Inc. (R&I)	Issuer rating	A	Stable
	Bond rating	A	-
Japan Credit Rating Agency, Ltd. (JCR)	Long-term Issuer Rating	A+	Stable

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 current fiscal period included operating revenue of 3,871 million yen, operating income of 2,119 million yen, ordinary income of 1,828 million yen, and net income of 1,827 million yen.

CRE REIT decided to distribute all undistributed earnings held at the end of the current fiscal period, 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. Earnings distribution per investment unit(excluding surplus distributions) came to 3,236 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 192,562,700 yen, an amount nearly equivalent to 30.0% of depreciation for the current fiscal period, as a return of contribution corresponding to distributions accompanying the decrease in capital under the tax law, and distributions in excess of earnings per investment unit amounted to 341 yen (Note). As a result, earnings distribution per investment unit(including surplus distributions) amounted to 3,577 yen.

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 60 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 current fiscal period 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 (decrease in the ratio of voting rights per investment unit due to the issuance of new investment units and decrease in net asset value per investment unit or distribution per unit), and conducts financial operation with a focus on long-term stability by using borrowings with fixed, long-term interest rates.

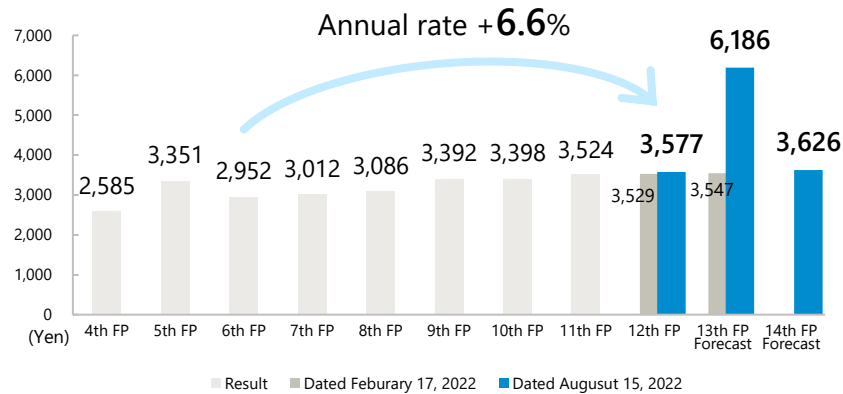
While CRE REIT's LTV level is set to approximately 45% and no more than 50%, in principle, it may temporarily exceed 50% due to asset acquisition or other factors.

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 4.7 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 may distribute continuous distributions in excess of earnings 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, total amount of the continuous distributions in excess of earnings and a one-off distribution shall not exceed the equivalent to 60% of total depreciation for the relevant business period.

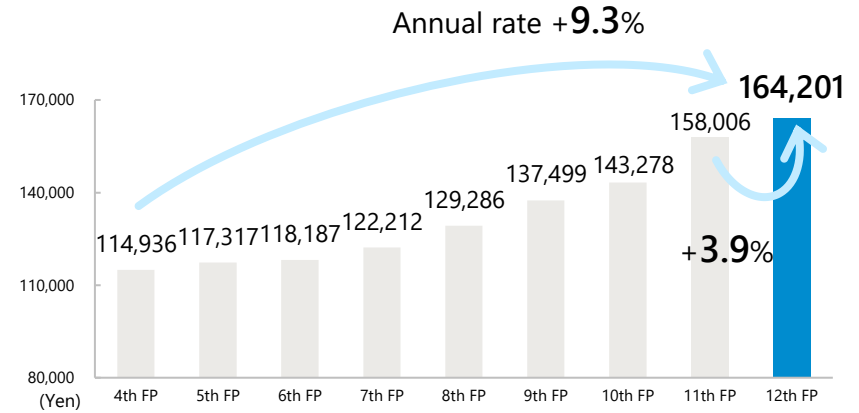
Note: The weighted average of the building ages (the number of years from the year of construction indicated in the real estate register to the end of the current fiscal period) of the 20 properties held at the end of the current fiscal period based on their acquisition prices, which is rounded to the first decimal place.

Since Listing in February 2018, Steady Growth through Five Public Offerings and Acquisition and Sale

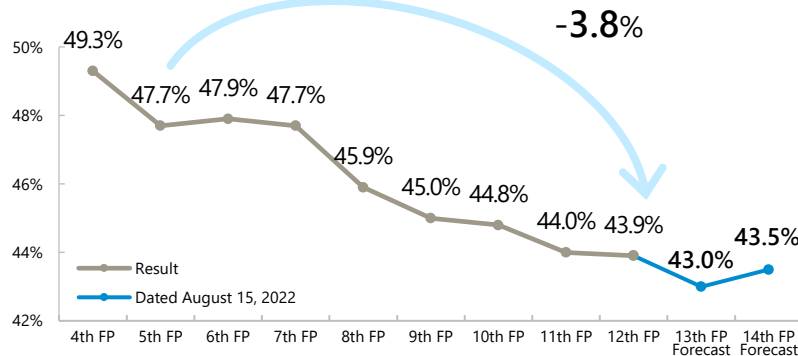
Distributions per unit (DPU)



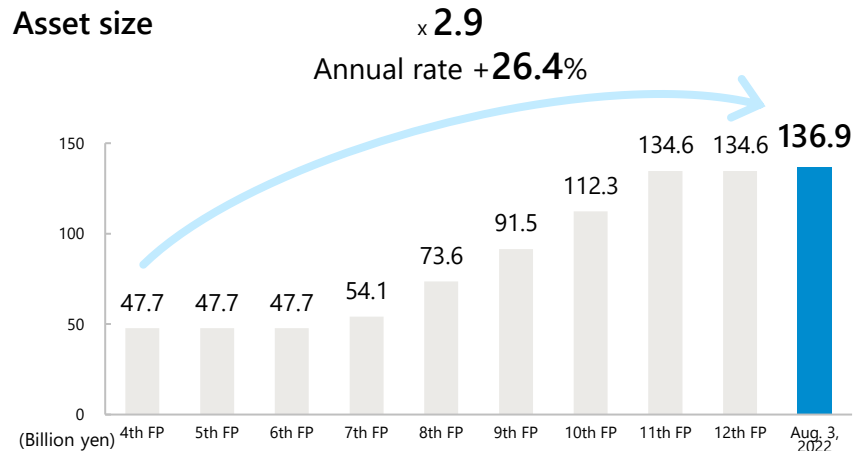
NAV per unit



LTV



Asset size



Highlights on the 12th FP – Achieved Record High Results

Distributions per unit

12th FP Results (2022/6)	3,577 yen (vs forecast: +48 yen, +1.4%)
13th FP Forecasts (2022/12)	6,186 yen
14th FP Forecasts (2023/6)	3,626 yen

NAV per unit

12th FP Results (2022/6)	164,201 yen (vs previous FP +6,195 yen, +3.9%)
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Portfolio

Portfolio size	20 properties 134 billion yen
Occupancy rate	100.0%
Average remaining lease term	4.8 years
Average property age	4.7 years

Asset

	12th FP (2022/6)	Compared to 11th FP
Appraisal value	151,620 million yen	+3,060 million yen
Unrealized gains	19,572 million yen	+3,690 million yen
Unrealized gains ratio	14.8%	+2.9%
NOI yield	4.7%	+0.1%
NOI yield after depreciation	3.8%	+0.1%
Repair expense	7 million yen	+3 million yen
Capital expenditure	11 million yen	+5 million yen

Debt

	12th FP (2022/6)	Compared to 11th FP
Interest-bearing debt	61,869 million yen	-million yen
LTV	43.9%	-0.1%
LTV based on appraisal value	38.5%	-1.0%
Ratio of fixed interest debt	94.1%	-5.9%
Ratio of long-term debt	100.0%	-%
Average borrowing interest rate	0.581%	+0.003%

Equity

	12th FP (2022/6)	Compared to 11th FP
Net assets per unit	133,118 yen	-287 yen
NAV	92,724 million yen	+3,498 million yen
NAV per unit	164,201 yen	+6,195 yen
Total number of investment units outstanding	564,700 units	- units

1. As of June 30, 2022

High-Quality Portfolio (1) Stable Cash Flow

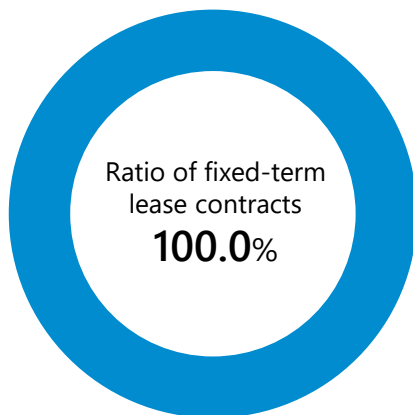
Form of contract that enables stable operation

- In many cases, 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.⁽²⁾
- Intention for renewal or termination is ascertained a year before the expiry of a contract.

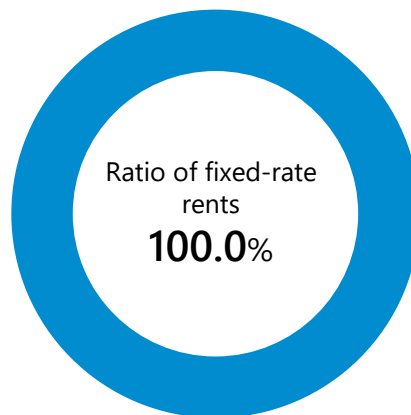
Inclusion of relatively newly built properties

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

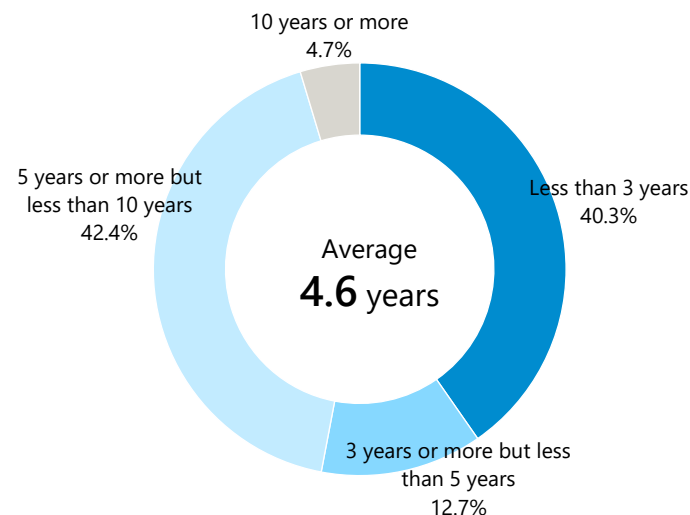
Ratio of fixed-term lease contracts



Ratio of fixed-rate rents



Property age



1. The figure is calculated based on the end of June 2022 for assets held as of August 3, 2022.

2. 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.

High-Quality Portfolio (2) Long Term Lease Contracts

Contribution to the stability of portfolio based on long-term contracts that take into consideration tenant business plans.

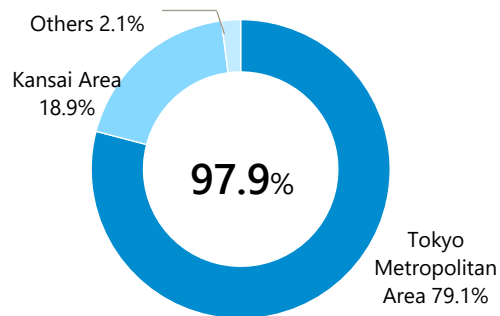


1. The figure is calculated based on the end of June 2022 for assets held as of August 3, 2022.

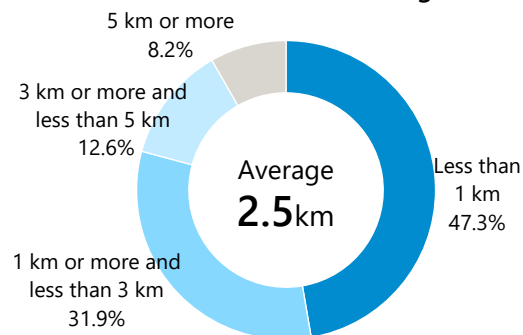
High-Quality Portfolio (3) Good Location

Properties are mostly located in a place suited for logistics where strong demand is expected, meeting tenants' needs to secure labor.

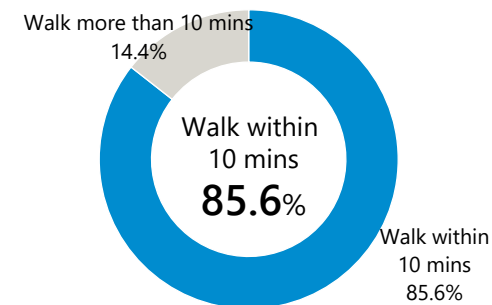
Ratio in Tokyo Metropolitan and Kansai area



Distance to an interchange



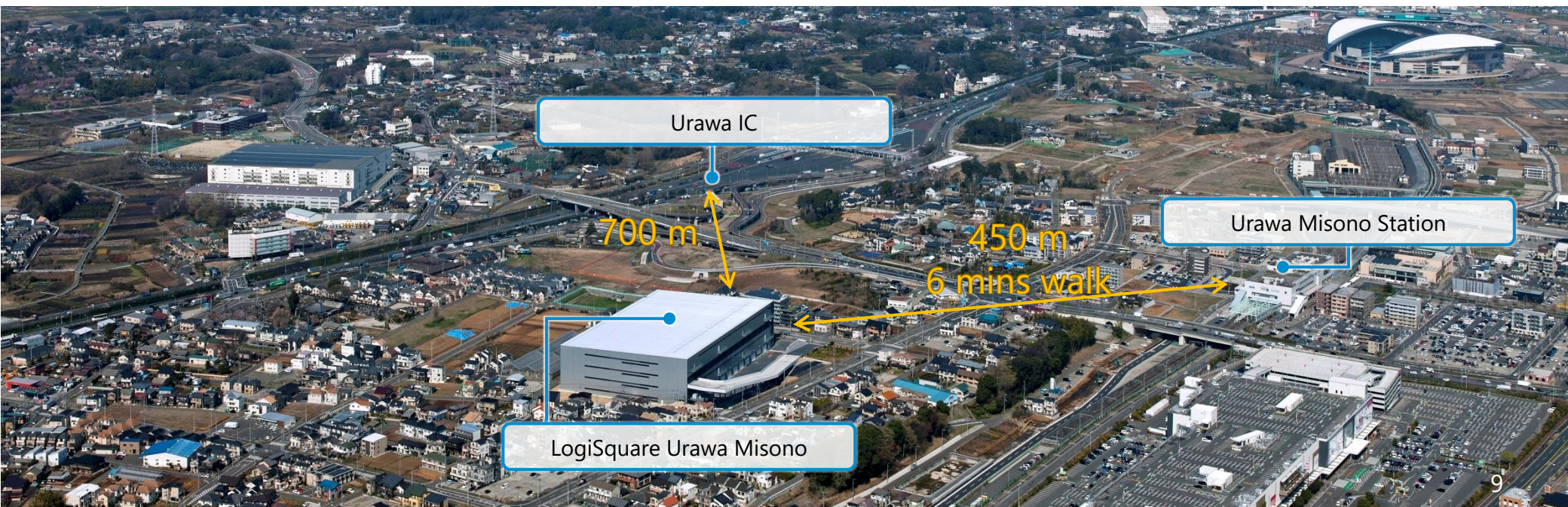
Walking distance from public transportation facilities



1. The figure is calculated based on the end of June 2022 for assets held as of August 3, 2022.

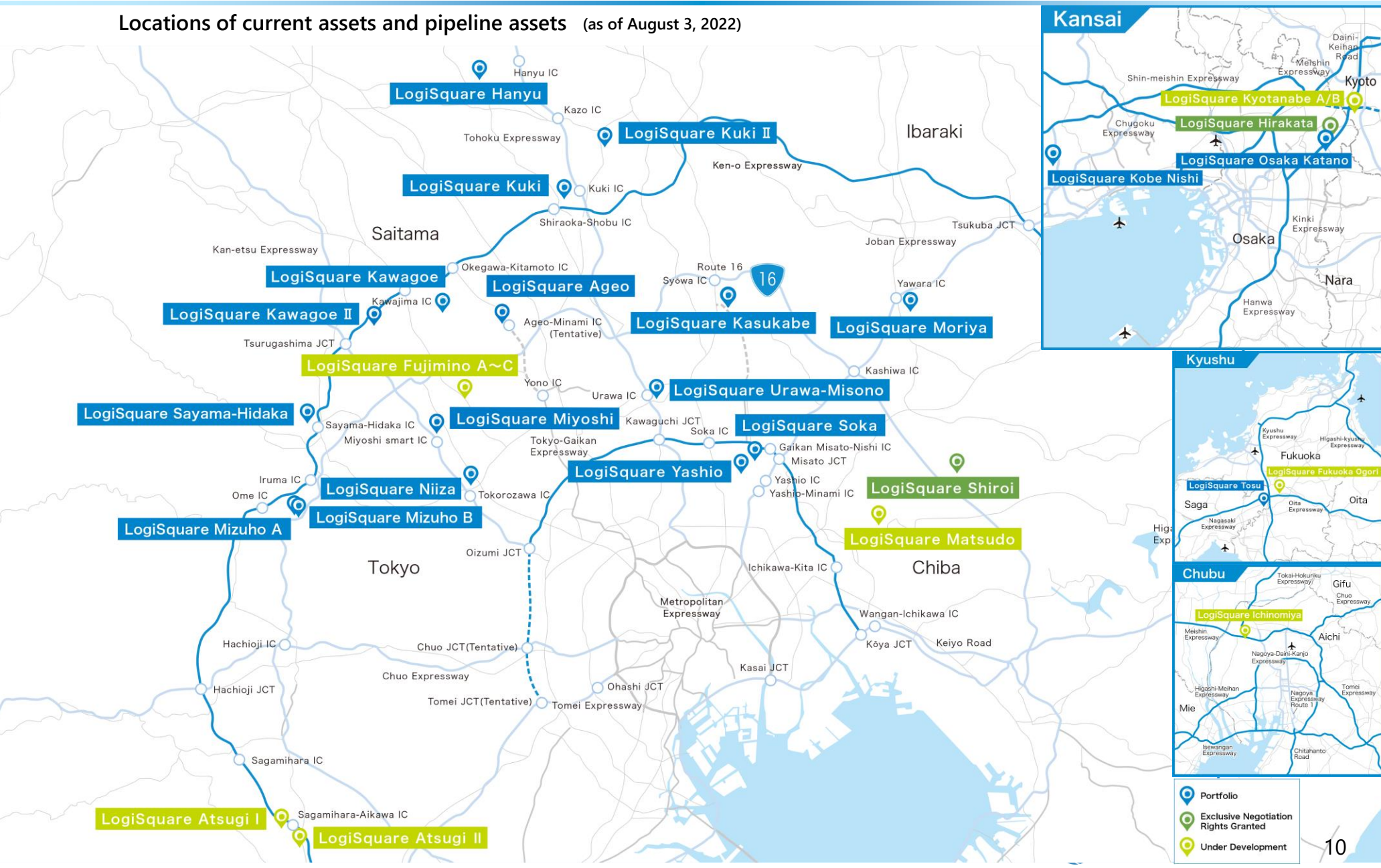
Example: LogiSquare Urawa Misono

The property is located approximately 700 m from Urawa IC (Tohoku Expressway) and approximately 450 m and a 6 minutes 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 become a potential advantage in securing employees because of the convenience in their commutes.



Portfolio Centered on Metropolitan Areas

Locations of current assets and pipeline assets (as of August 3, 2022)



Portfolio List

As of August 3, 2022

No.	Property name	Location	Acquisition price (million yen)	Appraisal value (million yen)	Appraisal NOI yield (%)	Total floor area (㎡)	Age (years)	Number of tenants	Occupancy ratio(%)	Developer
M-1	LogiSquare Kuki	Kuki-shi, Saitama	9,759	11,300	4.8	40,907.13	6.1	1	100.0	CRE
M-2	LogiSquare Hanyu	Hanyu-shi, Saitama	6,830	7,440	5.0	33,999.61	6.0	1	100.0	CRE
M-3	LogiSquare Kuki II	Kuki-shi, Saitama	2,079	2,400	5.2	11,511.22	5.4	1	100.0	CRE
M-4	LogiSquare Urawa Misono	Saitama-shi, Saitama	13,060	15,300	4.8	48,738.29	5.3	3	100.0	CRE
M-5	LogiSquare Niiza	Niiza-shi, Saitama	6,960	7,890	4.9	25,355.82	5.3	1	100.0	CRE
M-6	LogiSquare Moriya	Moriya-shi, Ibaraki	6,157	7,700	5.6	32,904.90	5.2	2	100.0	CRE
M-7	LogiSquare Kawagoe	Kawagoe-shi, Saitama	1,490	1,730	5.1	7,542.56	4.4	1	100.0	CRE
M-8	LogiSquare Kasukabe	Kasukabe-shi, Saitama	4,900	5,760	5.1	21,315.54	4.1	1	100.0	CRE
M-9	LogiSquare Soka	Soka-shi, Saitama	8,109	9,370	4.6	28,817.59	9.0	1	100.0	CRE
M-10	LogiSquare Yashio	Yashio-shi, Saitama	5,073	5,790	4.6	19,068.60	8.4	1	100.0	CRE
M-11	LogiSquare Mizuho A	Mizuho-machi, Tokyo	2,794	3,170	4.9	13,755.16	15.4	1	100.0	CRE
M-12	LogiSquare Mizuho B	Mizuho-machi, Tokyo	3,584	4,010	4.8	16,016.37	15.4	1	100.0	CRE
M-13	LogiSquare Ageo	Ageo-shi, Saitama	4,908	5,420	4.6	19,142.84	3.2	2	100.0	CRE
M-14	LogiSquare Miyoshi	Miyoshi-machi, Saitama	11,700	13,400	4.6	37,931.49	2.1	1	100.0	CRE
M-15	LogiSquare Sayama Hidaka	Hanno-shi, Saitama	⁽¹⁾ 17,678	19,300	4.4	73,728.44	2.1	3	91.0	CRE
M-16	LogiSquare Kawagoe II	Kawagoe-shi, Saitama	3,244	3,530	4.8	14,281.38	3.0	1	100.0	CRE
O-1	LogiSquare Tosu	Tosu-shi, Saga	2,823	3,420	5.3	16,739.40	4.4	1	100.0	CRE
O-3	LogiSquare Kobe Nishi	Kobe-shi, Hyogo	3,479	3,670	4.6	16,006.20	2.2	1	100.0	CRE
O-4	LogiSquare Osaka Katano	Katano-shi, Osaka	22,370	23,700	4.4	76,393.17	1.5	5	100.0	CRE
19 properties Total/Average			136,998	154,300	4.7	554,155.71	4.6	29	98.8	—

1. The figure is the sum of the 80% quasi co-ownership interest acquired in January 2021 and the 20% quasi co-ownership interest acquired in July 2022.

Overview of Appraisal Value

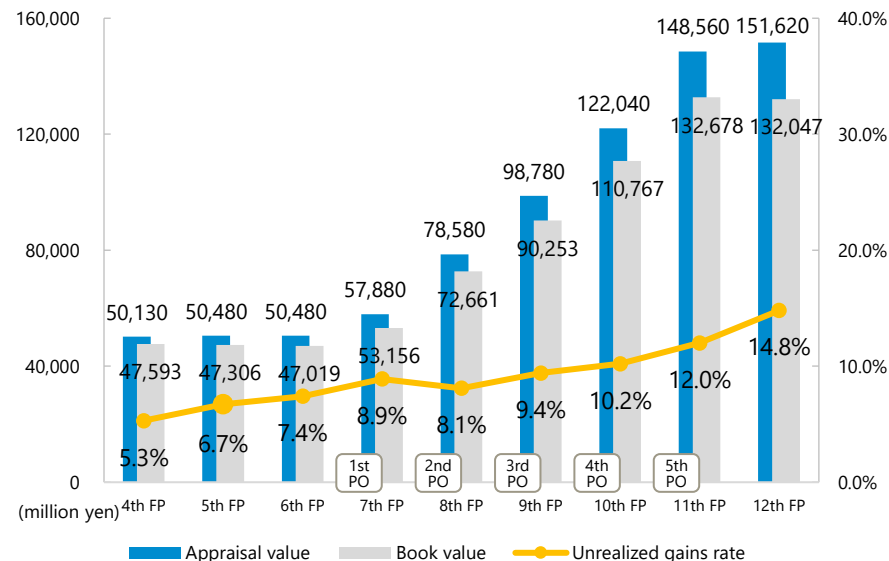
No.	Property name	Acquisition month and year	Acquisition price (million yen)	Book value at the end of the 12th FP (million yen)	At the end of the 12th FP		At the end of the 11th FP		Changes		Unrealized gains (million yen)	Unrealized gains rate (%)
					Appraisal value (million yen)	Direct capitalization rate (%)	Appraisal value (million yen)	Direct capitalization rate (%)	Appraisal value (million yen)	Direct capitalization rate (%)		
M-1	LogiSquare Kuki	Jul. 2016	9,759	9,031	11,300	4.1	11,100	4.2	+ 200	- 0.1	2,268	25.1
M-2	LogiSquare Hanyu	Jul. 2016	6,830	6,316	7,440	4.5	7,280	4.6	+ 160	- 0.1	1,123	17.8
M-3	LogiSquare Kuki II	Feb. 2018	2,079	1,982	2,400	4.4	2,340	4.5	+ 60	- 0.1	417	21.1
M-4	LogiSquare Urawa Misono	Feb. 2018	13,060	12,623	15,300	4.0	14,900	4.1	+ 400	- 0.1	2,676	21.2
M-5	LogiSquare Niiza	Feb. 2018	6,960	6,700	7,890	4.3	7,710	4.4	+ 180	- 0.1	1,189	17.7
M-6	LogiSquare Moriya	Feb. 2018	6,157	5,901	7,700	4.4	7,500	4.5	+ 200	- 0.1	1,798	30.5
M-7	LogiSquare Kawagoe	Jul. 2019	1,490	1,467	1,730	4.2	1,700	4.3	+ 30	- 0.1	262	17.9
M-8	LogiSquare Kasukabe	Jul. 2019	4,900	4,811	5,760	4.1	5,620	4.2	+ 140	- 0.1	948	19.7
M-9	LogiSquare Soka	Feb. 2020	8,109	8,131	9,370	3.8	9,130	3.9	+ 240	- 0.1	1,238	15.2
M-10	LogiSquare Yashio	Feb. 2020	5,073	5,095	5,790	3.8	5,650	3.9	+ 140	- 0.1	694	13.6
M-11	LogiSquare Mizuho A	Feb. 2020	2,794	2,824	3,170	4.1	3,170	4.1	—	—	345	12.2
M-12	LogiSquare Mizuho B	Feb. 2020	3,584	3,600	4,010	4.1	4,010	4.1	—	—	409	11.4
M-13	LogiSquare Ageo	Jul. 2020	4,908	4,873	5,420	4.1	5,280	4.2	+ 140	- 0.1	546	11.2
M-14	LogiSquare Miyoshi	Jul. 2020	11,700	11,556	13,400	4.0	13,000	4.1	+ 400	- 0.1	1,843	15.9
M-15	LogiSquare Sayama Hidaka (80%)	Jan. 2021	14,066	14,025	15,000	3.9	14,800	4.0	+ 200	- 0.1	974	6.9
M-16	LogiSquare Kawagoe II	Jan. 2021	3,244	3,240	3,530	4.2	3,440	4.3	+ 90	- 0.1	289	8.9
O-1	LogiSquare Tosu	Apr. 2018	2,823	2,696	3,420	4.3	3,340	4.4	+ 80	- 0.1	723	26.8
O-2	LogiSquare Chitose	Jul. 2020	1,300	1,293	1,620	5.1	1,590	5.2	+ 30	- 0.1	326	25.3
O-3	LogiSquare Kobe Nishi	Jan. 2021	3,479	3,484	3,670	4.3	3,700	4.3	- 30	—	185	5.3
O-4	LogiSquare Osaka Katano	Sep. 2021	22,370	22,389	23,700	4.1	23,300	4.2	+ 400	- 0.1	1,310	5.9
End of 12th FP Total / Average		—	134,686	132,047	151,620	—	148,560	—	+ 3,060	—	19,572	14.8
For Reference: After Acquisition and Sale (as of August 3, 2022)												
M-15	LogiSquare Sayama Hidaka (20%)	Jul. 2022	3,612	—	3,900	3.8	—	—	—	—	288	8.0
O-2	LogiSquare Chitose	—	- 1,300	- 1,293	- 1,620	—	—	—	—	—	- 326	—
After Acquisition and Sale Total /Average		—	136,998	—	(1) 154,300	—	—	—	—	—	(1) 19,933	(1) 14.8

1. The figure is calculated using the appraisal value of 19,300 million yen for LogiSquare Sayama Hidaka, which is based on the assumption that all of the quasi-co-ownership interest has been acquired.

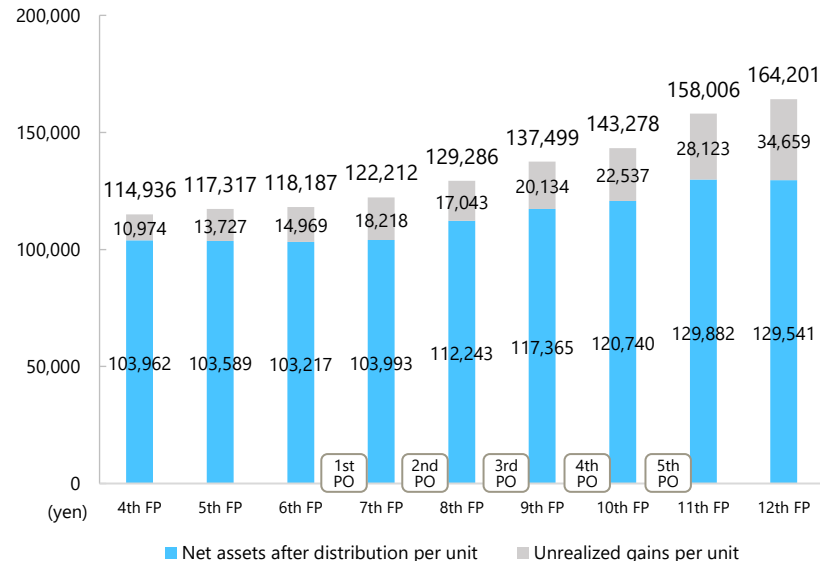
Overview of Appraisal Value

	11th FP (2021/12)	12th FP (2022/6)	Compared to 11th FP
Appraisal value	148,560 million yen	151,620 million yen	+ 3,060 million yen
Book value	132,678 million yen	132,047 million yen	- 630 million yen
Unrealized gains	15,881 million yen	19,572 million yen	+ 3,690 million yen
Unrealized gains rate	12.0 %	14.8 %	+ 2.9 %
NAV per unit	158,006 yen	164,201 yen	+ 6,195 yen

Appraisal value / Unrealized gains rate



NAV per unit



2. Financial Statements
(1) Balance Sheet

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	2,738,067	4,403,111
Cash and deposits in trust	3,930,134	3,850,307
Operating accounts receivable	145,642	128,511
Prepaid expenses	153,526	155,892
Consumption taxes receivable	666,276	—
Total current assets	7,633,647	8,537,822
Non-current assets		
Property, plant and equipment		
Buildings in trust	67,620,215	67,631,265
Accumulated depreciation	(3,352,910)	(3,971,689)
Buildings in trust, net	64,267,304	63,659,575
Structures in trust	3,163,201	3,163,581
Accumulated depreciation	(129,400)	(152,671)
Structures in trust, net	3,033,800	3,010,909
Tools, furniture and fixtures in trust	3,322	3,322
Accumulated depreciation	(740)	(1,027)
Tools, furniture and fixtures in trust, net	2,582	2,295
Land in trust	65,374,983	65,374,983
Total property, plant and equipment	132,678,671	132,047,763
Intangible assets		
Other	866	2,419
Total intangible assets	866	2,419
Investments and other assets		
Investment securities	10,500	10,500
Long-term prepaid expenses	338,437	297,275
Deferred tax assets	9	13
Leasehold and guarantee deposits	10,000	10,000
Total investments and other assets	358,947	317,789
Total non-current assets	133,038,485	132,367,972
Deferred assets		
Investment unit issuance expenses	45,381	30,696
Investment corporation bond issuance costs	26,049	23,865
Total deferred assets	71,431	54,562
Total assets	140,743,564	140,960,356

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Operating accounts payable	169,205	251,204
Current portion of long-term borrowings	6,080,000	6,080,000
Accrued expenses	293,297	311,478
Income taxes payable	808	888
Consumption taxes payable	—	273,864
Advances received	695,158	695,314
Other	155,232	154,918
Total current liabilities	7,393,701	7,767,669
Non-current liabilities		
Investment corporation bonds	4,000,000	4,000,000
Long-term borrowings	51,789,000	51,789,000
Leasehold and guarantee deposits received in trust	2,212,960	2,218,819
Other	13,214	12,798
Total non-current liabilities	58,015,175	58,020,618
Total liabilities	65,408,877	65,788,287
Net assets		
Unitholders' equity		
Unitholders' capital	74,295,196	74,295,196
Deduction from unitholders' capital	(759,739)	(950,607)
Unitholders' capital, net	73,535,457	73,344,588
Surplus		
Unappropriated retained earnings (undisposed loss)	1,799,230	1,827,480
Total surplus	1,799,230	1,827,480
Total unitholders' equity	75,334,687	75,172,069
Total net assets (Note 1)	75,334,687	75,172,069
Total liabilities and net assets	140,743,564	140,960,356

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

(2) Statement of Income

(Thousands of yen)

	Fiscal period ended December 31, 2021	Fiscal period ended June 30, 2022
Operating revenue		
Leasing business revenue (Note 1)	3,528,515	3,776,798
Other leasing business revenue (Note 1)	67,081	95,162
Total operating revenue	3,595,597	3,871,961
Operating expenses		
Expenses related to leasing business (Note 1)	1,137,494	1,344,742
Asset management fees	307,071	337,330
Asset custody fees	3,188	3,675
Administrative service fees	20,667	20,564
Remuneration for directors (and other officers)	4,500	4,500
Other operating expenses	34,269	41,330
Total operating expenses	1,507,190	1,752,142
Operating income	2,088,406	2,119,818
Non-operating income		
Interest income	23	29
Reversal of distributions payable	394	665
Interest on tax refund	188	65
Refund of real estate taxes	11,139	—
Total non-operating income	11,745	761
Non-operating expenses		
Interest expenses	159,440	165,579
Interest expenses on investment corporation bonds	6,657	12,500
Borrowing related expenses	102,340	91,626
Amortization of investment unit issuance expenses	13,694	14,685
Amortization of investment corporation bond issuance costs	1,641	2,184
Other	16,562	5,731
Total non-operating expenses	300,335	292,306
Ordinary income	1,799,816	1,828,273
Income before income taxes	1,799,816	1,828,273
Income taxes - current	811	893
Income taxes - deferred	7	(3)
Total income taxes	819	889
Net income	1,798,997	1,827,384
Retained earnings brought forward	232	95
Unappropriated retained earnings (undisposed loss)	1,799,230	1,827,480

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

(3) Statement of Unitholders' Equity

Fiscal period ended December 31, 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	61,148,104	(581,685)	60,566,418	1,521,688	1,521,688	62,088,107	62,088,107
Changes during period							
Issuance of new investment units	13,147,092		13,147,092			13,147,092	13,147,092
Distributions in excess of earnings		(178,053)	(178,053)			(178,053)	(178,053)
Dividends of surplus				(1,521,456)	(1,521,456)	(1,521,456)	(1,521,456)
Net income				1,798,997	1,798,997	1,798,997	1,798,997
Total changes during period	13,147,092	(178,053)	12,969,038	277,541	277,541	13,246,579	13,246,579
Balance at end of period	74,295,196 (Note 1)	(759,739)	73,535,457	1,799,230	1,799,230	75,334,687	75,334,687

Fiscal period ended June 30, 2022

(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	74,295,196	(759,739)	73,535,457	1,799,230	1,799,230	75,334,687	75,334,687
Changes during period							
Distributions in excess of earnings		(190,868)	(190,868)			(190,868)	(190,868)
Dividends of surplus				(1,799,134)	(1,799,134)	(1,799,134)	(1,799,134)
Net income				1,827,384	1,827,384	1,827,384	1,827,384
Total changes during period	—	(190,868)	(190,868)	28,250	28,250	(162,618)	(162,618)
Balance at end of period	74,295,196 (Note 1)	(950,607)	73,344,588	1,827,480	1,827,480	75,172,069	75,172,069

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

(4) Statement of Cash Distribution

(Yen)

	Fiscal period ended December 31, 2021	Fiscal period ended June 30, 2022
I. Unappropriated retained earnings	1,799,230,110	1,827,480,514
II. Surplus cash distributions		
Deduction from unitholders' capital	190,868,600	192,562,700
III. Distributions	1,990,002,800	2,019,931,900
(Distributions per unit)	(3,524)	(3,577)
Of which, earnings distributions	1,799,134,200	1,827,369,200
(Earnings distributions per unit)	(3,186)	(3,236)
Of which, distributions in excess of earnings	190,868,600	192,562,700
(Distributions in excess of earnings per unit)	(338)	(341)
IV. Retained earnings carried forward	95,910	111,314
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 1,799,134,200 yen, the maximum integral multiple of the total number of investment units outstanding, 564,700, 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 190,868,600 yen, approximately 31.0% 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 1,827,369,200 yen, the maximum integral multiple of the total number of investment units outstanding, 564,700, 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 192,562,700 yen, approximately 30.0% 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, 2021	Fiscal period ended June 30, 2022
Cash flows from operating activities		
Income before income taxes	1,799,816	1,828,273
Depreciation	616,173	642,804
Amortization of investment unit issuance expenses	13,694	14,685
Amortization of investment corporation bond issuance costs	1,641	2,184
Interest income	(23)	(29)
Interest expenses	166,097	178,079
Decrease (increase) in operating accounts receivable	13,234	17,130
Decrease (increase) in consumption taxes receivable	316,317	666,276
Decrease (increase) in prepaid expenses	(11,670)	(2,365)
Increase (decrease) in operating accounts payable	(1,439)	80,574
Increase (decrease) in accrued expenses	33,967	18,090
Increase (decrease) in consumption taxes payable	—	273,864
Increase (decrease) in advances received	111,022	156
Decrease (increase) in long-term prepaid expenses	(23,789)	41,162
Other, net	151,144	(1,356)
Subtotal	3,186,189	3,759,531
Interest received	23	29
Interest paid	(160,480)	(177,988)
Income taxes paid	(974)	(812)
Net cash provided by (used in) operating activities	3,024,757	3,580,759
Cash flows from investing activities		
Acquisition of property, plant and equipment in trust	(22,526,530)	(10,005)
Acquisition of intangible assets	—	(2,020)
Repayments from leasehold and guarantee deposits received in trust	—	(407)
Proceeds from leasehold and guarantee deposits received in trust	470,704	6,267
Payments into restricted deposits	(282,422)	(3,515)
Net cash provided by (used in) investing activities	(22,338,248)	(9,681)
Cash flows from financing activities		
Proceeds from long-term borrowings	13,774,000	3,680,000
Repayments of long-term borrowings	(6,574,000)	(3,680,000)
Proceeds from issuance of investment corporation bonds	1,983,730	—
Proceeds from issuance of investment units	13,129,251	—
Distributions paid	(1,698,665)	(1,989,377)
Net cash provided by (used in) financing activities	20,614,316	(1,989,377)
Net increase (decrease) in cash and cash equivalents	1,300,825	1,581,700
Cash and cash equivalents at beginning of period	4,039,600	5,340,425
Cash and cash equivalents at end of period (Note 1)	5,340,425	6,922,126

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 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 market prices 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) Investment unit issuance expenses Amortized in equal amounts over three years. (2) Investment corporation bond issuance costs Amortized in equal amounts over the period until redemption.
4. Standards for recognition of revenues and expenses	(1) Accounting standard for revenue recognition The contents of major performance obligations concerning revenue arising from contracts with customers of CRE REIT and the general timing to satisfy such performance obligations (general timing to recognize the revenue) are as follows. 1. Sale of real estate, etc. With regard to sale of real estate, etc., revenue is recorded when the buyer (customer) obtains control of the real estate, etc. as a result of CRE REIT fulfilling the delivery obligation set forth in the contract pertaining to the sale of real estate. 2. Utilities income With regard to utilities charges, revenue is recorded in accordance with the supply of electricity, water, etc. to the lessee (customer) based on the lease agreement of the real estate, etc. and the supplementary agreement. As to utilities charges in cases where CRE REIT is acting as an agent, the net amount derived by deducting the amount to be paid to other parties supplying the electricity, water, etc. from the amount received by CRE REIT as utilities charges for the electricity, water, etc. supplied by those other parties is recognized as revenue. (2) 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

	<p>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.</p> <p>The amount corresponding to fixed asset taxes that was included in the acquisition costs of real estate was 5,198 thousand yen in the previous fiscal period. There was no fixed asset tax included in the acquisition costs for real estate in the current fiscal period.</p>
5. Hedge accounting method	<p>(1) Hedge accounting method Deferral hedge accounting is used. Special treatment is used for interest rate swaps meeting the requirements for special treatment.</p> <p>(2) Hedging methods and hedged transactions Hedging instruments: Interest rate swap transactions Hedged items: Interest on loans</p> <p>(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.</p> <p>(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.</p>
6. Scope of cash (cash and cash equivalents) in a statement of cash flows	<p>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.</p>
7. Other matters that become the basis of preparing financial statements	<p>Accounting for trust beneficiary interests in real estate</p> <p>For trust beneficiary interests in real estate, all trust assets and liabilities as well as all income generated and expenses incurred for trust properties are recorded in the applicable accounts in the balance sheet and the statement of income.</p> <p>The following material items among assets in trust posted in the trust accounts are listed separately on the balance sheet.</p> <ul style="list-style-type: none"> (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

[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, 2021	As of June 30, 2022
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, 2021	Fiscal period ended June 30, 2022
A. Revenue in the real estate leasing business		
Leasing business revenue		
Rent revenue	3,419,931	3,655,031
Common-area charge income	108,583	121,767
Subtotal	3,528,515	3,776,798
Other leasing business revenue		
Utilities income	49,233	74,884
Other revenues	17,848	20,277
Subtotal	67,081	95,162
Total revenue in the real estate leasing business	3,595,597	3,871,961
B. Expenses in the real estate leasing business		
Expenses related to leasing business		
Management commissions	183,020	202,203
Utilities expenses	55,002	85,394
Taxes and public dues	260,345	387,369
Non-life insurance expenses	11,424	11,799
Repair expense	3,925	7,499
Depreciation	615,773	642,337
Other expenses related to leasing business	8,001	8,138
Total expenses in the real estate leasing business	1,137,494	1,344,742
C. Net revenue in the real estate leasing business (A-B)	2,458,102	2,527,218

[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, 2021	Fiscal period ended June 30, 2022
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	564,700 units	564,700 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, 2021	Fiscal period ended June 30, 2022
Cash and deposits	2,738,067	4,403,111
Cash and deposits in trust	3,930,134	3,850,307
Restricted deposits (Note)	(1,327,776)	(1,331,291)
Cash and cash equivalents	5,340,425	6,922,126

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, 2021	Fiscal period ended June 30, 2022
Due within 1 year	7,466,999	7,597,655
Due after 1 year	29,798,274	26,913,661
Total	37,265,273	34,511,317

[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

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

2. Matters related to fair value of financial instruments

The following table presents the book value, fair value, and differences between them. “cash and deposits” and “cash and deposits in trust” are omitted as they are cash or they are settled in a short span of time and therefore similar in fair value to the book value. The table does not include securities without market prices.

As of December 31, 2021

(Thousands of yen)			
	Book value	Fair Value (Note 1)	Difference
(1) Current portion of long-term borrowings	6,080,000	6,085,532	5,532
(2) Investment corporation bonds	4,000,000	3,998,800	(1,200)
(3) Long-term borrowings	51,789,000	51,745,312	(43,687)
Derivative trading	—	—	—

As of June 30, 2022

(Thousands of yen)			
	Book value	Fair Value (Note 1)	Difference
(1) Current portion of long-term borrowings	6,080,000	6,086,875	6,875
(2) Investment corporation bonds	4,000,000	3,974,800	(25,200)
(3) Long-term borrowings	51,789,000	51,600,767	(188,232)
Derivative trading	—	—	—

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

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

As of December 31, 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	—	2,000,000
Long-term borrowings	6,080,000	6,580,000	6,785,000	10,100,000	10,500,000	17,824,000
Total	6,080,000	6,580,000	6,785,000	12,100,000	10,500,000	19,824,000

As of June 30, 2022

(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	—	2,000,000
Long-term borrowings	6,080,000	6,580,000	8,705,000	7,900,000	13,650,000	14,954,000
Total	6,080,000	6,580,000	8,705,000	9,900,000	13,650,000	16,954,000

[Notes to securities]

Not applicable in the previous fiscal period (ended December 31, 2021) and the current fiscal period (ended June 30, 2022).

[Notes to derivative trading]

1. Derivatives not subject to hedge accounting

Not applicable in the previous fiscal period (ended December 31, 2021) and the current fiscal period (ended June 30, 2022).

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, 2021

Hedge accounting method	Type of derivative trading	Major hedged item	Contract amount		Fair value	Method of calculating fair value
				Due after a year		
Special accounting treatment for interest-rate swaps	Interest-rate swap transactions floating rate receivable, fixed rate payable	Long-term borrowings	57,869,000	51,789,000	(Note)	—

As of June 30, 2022

Hedge accounting method	Type of derivative trading	Major hedged item	Contract amount		Fair value	Method of calculating fair value
				Due after a year		
Special accounting treatment for interest-rate swaps	Interest-rate swap transactions floating rate receivable, fixed rate payable	Long-term borrowings	54,189,000	48,109,000	(Note)	—

Note :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, 2021) and the current fiscal period (ended June 30, 2022) 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, 2021	As of June 30, 2022
Deferred tax assets		
Amount excluded from deductible expenses of accrued enterprise taxes	9	13
Total deferred tax assets	9	13
Net deferred tax assets	9	13

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, 2021	As of June 30, 2022
Effective statutory tax rate	31.46%	31.46%
(Adjustment)		
Inclusion of distribution paid in deductible expenses	(31.45)%	(31.44)%
Other	0.03%	0.03%
Actual effective income tax rate	0.05%	0.05%

[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, 2021) and the current fiscal period (from January

1 to June 30, 2022) 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, 2021) and the current fiscal period (from January 1 to June 30, 2022)

2. Affiliated companies

Not applicable in the previous fiscal period (from July 1 to December 31, 2021) and the current fiscal period (from January 1 to June 30, 2022)

3. Companies under common control

Not applicable in the previous fiscal period (from July 1 to December 31, 2021) and the current fiscal period (from January 1 to June 30, 2022)

4. Directors and major individual unitholders

Fiscal period ended December 31, 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	0.2%	Asset management contractor	Payment of asset management fees	418,921	Accrued expenses	228,371

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 111,850 thousand yen, the performance fees for property acquired, added to the book value of individual investment properties.

Fiscal period ended June 30, 2022

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	0.2%	Asset management contractor	Payment of asset management fees	337,330	Accrued expenses	246,996

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.

[Notes to asset retirement obligations]

Not applicable in the previous fiscal period (from July 1 to December 31, 2021) and the current fiscal period (from January 1 to June 30, 2022)

[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, 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) 961,747	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, 2022

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) 1,058,546	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 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, 2021	Fiscal period ended June 30, 2022
Balance sheet amount		
Balance at beginning of period	110,767,914	132,678,671
Increase (decrease) during the period	21,910,756	(630,907)
Balance at end of period	132,678,671	132,047,763
Fair value at the end of period	148,560,000	153,200,000

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, a major increase was attributable to the acquisition of a property (LogiSquare Osaka Katano 22,521,050 thousand yen), and a major decrease was due to depreciation (615,773 thousand yen). Of the changes in amounts in the current fiscal period, a major decrease was due to depreciation (642,337 thousand yen).

Note 3: Fair value at the end of the period was based on the disposition price in the case of the properties for which a disposition agreement has been concluded, and the appraisal value or investigation value estimated by external real-property appraisers for other properties.

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

[Notes to revenue recognition]

Breakdown information on revenue from contracts with customers

(Thousands of yen)

	Fiscal period ended December 31, 2021	Fiscal period ended June 30, 2022
Revenue arising from contracts with customers		
Utilities income	49,233	74,884
Other revenues (Note)		
Rent revenue	3,419,931	3,655,031
Common-area charge income	108,583	121,767
Other	17,848	20,277
Sales to external customers	3,595,597	3,871,961

Note: "Other revenues" are rental revenues, etc. which are subject to Accounting Standard for Lease Transactions (ASBJ Statement No. 13), and are not applied the Revenue Recognition Accounting Standard.

[Notes to per-unit information]

(Yen)

Fiscal period ended December 31, 2021	Fiscal period ended June 30, 2022
Net assets per unit 133,406	Net assets per unit 133,118
Net income per unit 3,343	Net income per unit 3,236

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, 2021	Fiscal period ended June 30, 2022
Net income (thousand yen)	1,798,997	1,827,384
Amount not attributable to common unitholders (thousand yen)	—	—
Net income related to common investment units (thousand yen)	1,798,997	1,827,384
Average number of investment units during period (units)	538,038	564,700

[Notes to significant subsequent events]

Disposition of assets

CRE REIT disposed the following beneficial interests in real estate trust. The disposition 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 disposition (intermediary fees, taxes and public dues, etc.).

Property no.	Property name	Date of disposition	Disposition price	Location	Buyer
O-2	LogiSquare Chitose	August 3, 2022	3,200 million yen	Chitose-shi, Hokkaido	Grape TMK

(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 acquisition cost

(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	54,189,000	48,109,000	-
Total		54,189,000	48,109,000	-

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		Net balance at the end of the period	Remarks
						Depreciation on for the period		
Buildings in trust	67,620,215	11,050	-	67,631,265	3,971,689	618,779	63,659,575	-
Structures in trust	3,163,201	380	-	3,163,581	152,671	23,271	3,010,909	
Tools, furniture and fixtures in trust	3,322	-	-	3,322	1,027	286	2,295	
Land in trust	65,374,983	-	-	65,374,983	-	-	65,374,983	
Total	136,161,722	11,430	-	136,173,152	4,125,388	642,337	132,047,763	

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
CRE Logistics REIT, Inc. 2nd unsecured investment corporation bond with supplementary pari passu clause (Green bond)	November 26, 2021	2,000,000	-	2,000,000	0.720%	November 26, 2031	Repayment of existing borrowings	Unsecured/unguaranteed
Total	-	4,000,000	-	4,000,000	-	-	-	-

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)

(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					

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	750,000	-	-	750,000	0.569% (Note 3)	July 29, 2022	(Note 4)	Unsecured/unguaranteed
	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				
	Sumitomo Mitsui Banking Corporation	527,000	-	-	527,000	0.402% (Note 3)	July 31, 2023		
	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	0.462% (Note 3)	July 31, 2024		
	Sumitomo Mitsui Banking Corporation	927,000	-	-	927,000				
	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	0.570% (Note 3)	January 31, 2025		
	The Nishi-Nippon City Bank, Ltd.	443,000	-	-	443,000				
	Sumitomo Mitsui Banking Corporation	1,100,000	-	-	1,100,000				
	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	0.639% (Note 3)	January 30, 2026		
	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				
	Mizuho Bank, Ltd.	700,000	-	-	700,000	0.639% (Note 3)	January 30, 2026		
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	0.587% (Note 3)	July 30, 2027		
	Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000				
	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	0.595% (Note 3)	January 31, 2028		
	Sumitomo Mitsui Banking Corporation	936,000	-	-	936,000				
Mizuho Bank, Ltd.	785,000	-	-	785,000					
MUFG Bank, Ltd.	785,000	-	-	785,000					
JAPAN POST BANK Co., Ltd.	700,000	-	-	700,000					
Resona Bank, Limited	499,000	-	-	499,000					
The Nishi-Nippon City Bank, Ltd.	319,000	-	-	319,000					
Development Bank of Japan Inc.	250,000	-	-	250,000					

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	600,000	-	-	600,000	0.546% (Note 3)	March 31,2027	(Note 4)	Unsecured/unguaranteed
	Mizuho Bank, Ltd.	500,000	-	-	500,000				
	The Shizuoka Bank, Ltd.	450,000	-	-	450,000				
	Development Bank of Japan Inc.	350,000	-	-	350,000				
	MUFG Bank, Ltd.	350,000	-	-	350,000				
	The Bank of Fukuoka, Ltd.	250,000	-	-	250,000				
	The Hyakujushi Bank, Ltd.	250,000	-	-	250,000				
	The Yamaguchi Bank, Ltd.	250,000	-	-	250,000				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	-	200,000				
	Shinsei Bank Co., Ltd.,	200,000	-	-	200,000				
	Aozora Bank, Ltd	200,000	-	-	200,000				
	The Bank of Toyama, Ltd	200,000	-	-	200,000				
	The Yamanashi Chuo Bank, Ltd.	200,000	-	-	200,000				
	Sumitomo Mitsui Banking Corporation	650,000	-	-	650,000	0.576% (Note 3)	September 30,2027		
	Mizuho Bank, Ltd.	550,000	-	-	550,000				
	Development Bank of Japan Inc.	500,000	-	-	500,000				
	Shinsei Bank Co., Ltd.,	400,000	-	-	400,000				
	Aozora Bank, Ltd	400,000	-	-	400,000				
	The Yamaguchi Bank, Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Trust Bank, Ltd.	250,000	-	-	250,000				
	The Yamanashi Chuo Bank, Ltd.	250,000	-	-	250,000				
	The Hyakujushi Bank, Ltd.	200,000	-	-	200,000				
	Sumitomo Mitsui Banking Corporation	-	830,000	-	830,000	0.592%	July 31,2028		
	Mizuho Bank, Ltd.	-	650,000	-	650,000				
	Development Bank of Japan Inc.	-	650,000	-	650,000				
	MUFG Bank, Ltd.	-	650,000	-	650,000				
	Resona Bank, Limited	-	550,000	-	550,000				
The Nishi-Nippon City Bank, Ltd.	-	350,000	-	350,000					
	Subtotal	57,869,000	3,680,000	3,680,000	57,869,000	-	-	-	-
Total		57,869,000	3,680,000	3,680,000	57,869,000	-	-	-	

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: 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 6: 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	6,080,000	6,580,000	8,705,000	7,900,000	13,650,000



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, 2022, 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 the 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, 2022, 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.

Other Information

The other information comprises the information included in the Semi-Annual Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, Supervisory directors are responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



Responsibilities of Management and Supervisory directors 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.

Supervisory directors are responsible for overseeing the Company's financial reporting process.

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.

Handwritten signature of Takeshi Yamaguchi in black ink.

Takeshi Yamaguchi
Designated Engagement Partner
Certified Public Accountant

Handwritten signature of Takashi Sato in black ink.

Takashi Sato
Designated Engagement Partner
Certified Public Accountant

September 22, 2022