

Semi-Annual Report

Fiscal Period Ended December 31, 2022

from July 1, 2022 to December 31, 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 13th fiscal period which is the 10th fiscal period since listing. We would like to express our sincere gratitude for your support, which has enabled us to realize our goal of "long-term, stable asset management" and achieve steady growth over the past five years since listing.

During the 13th fiscal period, we made steady progress of full occupancy in tenant leasing of the properties we hold, in addition to the sale of LogiSquare Chitose in August 2022. Consequently, the business results in the 13th fiscal period included operating revenue of 5,758 million yen, operating income of 3,818 million yen, and net income of 3,542 million yen. Distributions totaled 3,542 million yen by adding no distributions in excess of earnings. As a result, the distributions per unit amounted to 6,274 yen, exceeding the forecast of 6,186 yen by 88 yen.

We expect that the leasing market for logistics real estate in Japan 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.

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). In the current fiscal period, CRE REIT additionally acquired one property (LogiSquare Sayama Hidaka quasi co-ownership interest ratio 20%: acquisition price of 3,612 million yen) and sold one property (LogiSquare Chitose: disposition price of 3,200 million yen and acquisition price of 1,300 million yen). As of the end of the fiscal period, CRE REIT owned 19 properties, with a total acquisition price of 136,998 million yen.

B. Operation environment and results

The Japanese economy during the current fiscal period which has start from the rebound of the COVID-19 pandemic, has continued to recover gradually mainly in personal consumption due to the easing of movement restrictions. 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, due to 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, furthermore logistics facilities built during the period of high economic growth and the bubble economy are aging and with the demand for rebuilding these facilities continuing.

Under these circumstances, CRE REIT has been conducting appropriate management and operation of its 19 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

CRE REIT borrowed 1,200 million yen on July 29, 2022 to repay the existing long-term borrowing 2,400 million yen which came due, and the remaining balance was repaid by using cash on hand. As a result, the balance of interest-bearing liabilities stood at 60,669 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 43.0%.

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 5,758 million yen, operating income of 3,818 million yen, ordinary income of 3,543 million yen, and net income of 3,542 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 came to 6,274 yen. In addition, CRE REIT plans, in principle, to continuously distribute amounts in excess of earnings in each fiscal period (contribution refunds that fall under distributions accompanying a decrease in capital under tax law) pursuant to the distribution policy specified in its certificate of incorporation (Note). However, considering a level of current income, including the gain on sales of real estate properties, CRE REIT decided to suspend to continuously distribute amounts in excess of earnings in each fiscal period (contribution refunds that fall under distributions accompanying a decrease in capital under tax law).

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 74 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.

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 and Kansai 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. Kansai area includes Osaka, Kyoto, Hyogo, Shiga, Nara and Wakayama. 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.

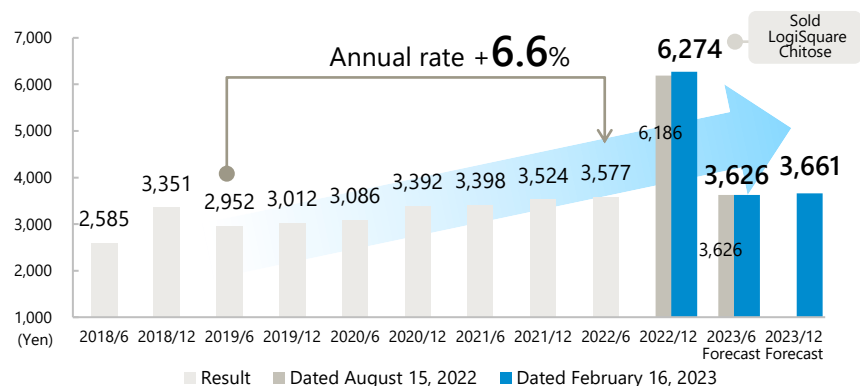
While CRE REIT's LTV level is set to approximately 45% and no more than 50%, in principle, it may temporarily exceed 50% due to asset acquisition or other factors.

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 5.1 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.

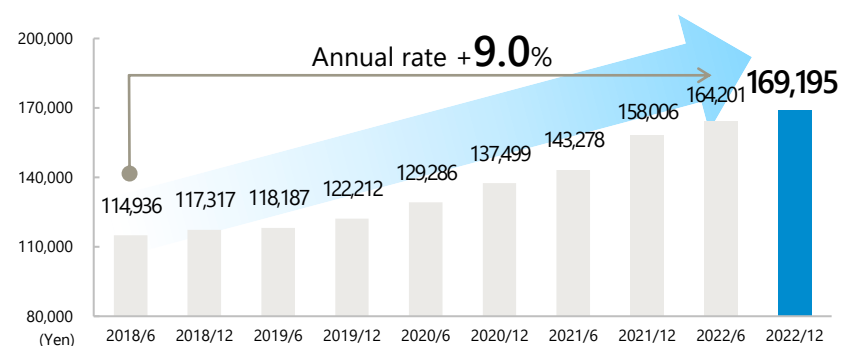
Note: The weighted average of the building ages (the number of years from the year of construction indicated in the real estate register to the end of the current fiscal period) of the 19 properties held at the end of the current fiscal period based on their acquisition prices, which is rounded to the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

Increasing DPU and NAV per Unit while Lowering LTV

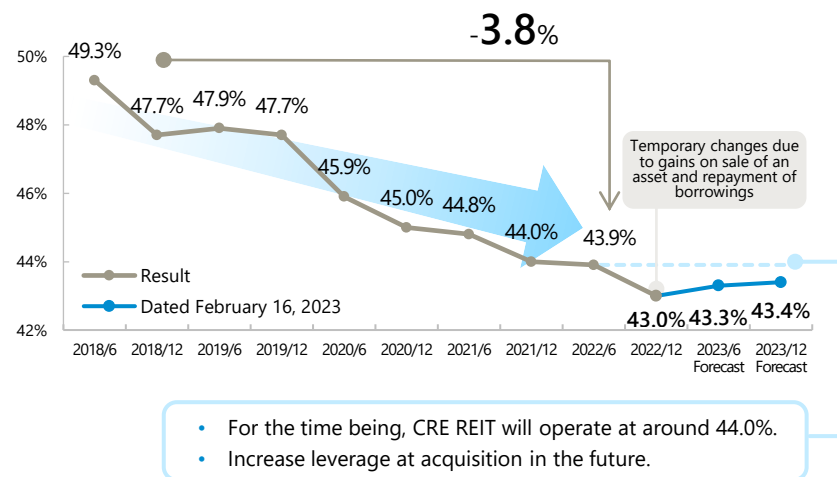
DPU



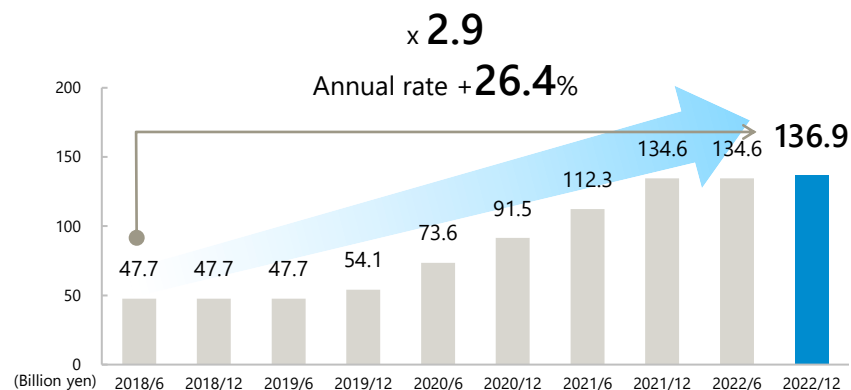
NAV per unit



LTV



Asset size



Highlights on the 13th FP

– Achieved Highest Results through the Sale of LogisSquare Chitose

DPU

| | |
|--------------------------------|--|
| 13th FP Results (2022/12) | 6,274 yen (vs forecast: +88 yen, +1.4%) |
| 14th FP Forecasts (2023/6) | 3,626 yen |
| 15th FP Forecasts (2023/12) | 3,661 yen |

NAV per unit

| | |
|------------------------------|---|
| 13th FP Results (2022/12) | 169,195 yen (vs previous FP +4,994 yen, +3.0%) |
|------------------------------|---|

Portfolio

| | |
|------------------------------|-------------------------------|
| Portfolio size | 19 properties 136 billion yen |
| Occupancy rate | 100.0% |
| Average remaining lease term | 4.3 years |
| Average property age | 5.1 years |

Asset

| | 13th FP (2022/12) | Compared to 12th FP |
|------------------------|----------------------|------------------------|
| Appraisal value | 156,160 mn yen | +4,540 mn yen |
| Unrealized gains | 22,392 mn yen | +2,820 mn yen |
| Unrealized gains ratio | 16.7% | +1.9% |
| Repair expense | 27 mn yen | +20 mn yen |
| Capital expenditure | 20mn yen | +9 mn yen |

Debt

| | 13th FP (2022/12) | Compared to 12th FP |
|---------------------------------|----------------------|------------------------|
| Interest-bearing debt | 60,669 mn yen | -1,200mn yen |
| LTV | 43.0% | -0.9% |
| LTV based on appraisal value | 37.1% | -1.5% |
| Ratio of fixed interest debt | 92.0% | -2.1% |
| Ratio of long-term debt | 100.0% | -% |
| Average borrowing interest rate | 0.579% | -0.001% |

Equity

| | 13th FP (2022/12) | Compared to 12th FP |
|--|----------------------|------------------------|
| Net assets per unit | 135,815 yen | +2,696 yen |
| NAV | 95,544 mn yen | +2,820 mn yen |
| NAV per unit | 169,195 yen | +4,994 yen |
| Total number of investment units outstanding | 564,700 units | - units |

1. As of December 31, 2022

High-Quality Portfolio (1) Stable Cash Flow

Form of contract that enables stable operation

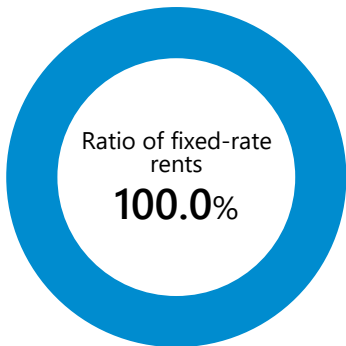
- In many cases, tenants who cancel early before the end of the contract term are required to pay the equivalent of rent for the whole remaining lease term as a penalty for breach of contract.
- Intention for renewal or termination is ascertained a year before the expiry of a contract.

Inclusion of newly built properties

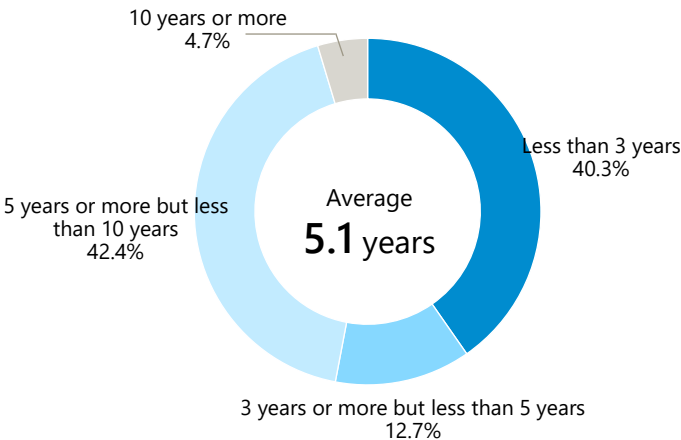
Ratio of fixed-term lease contracts



Ratio of fixed-rate rents

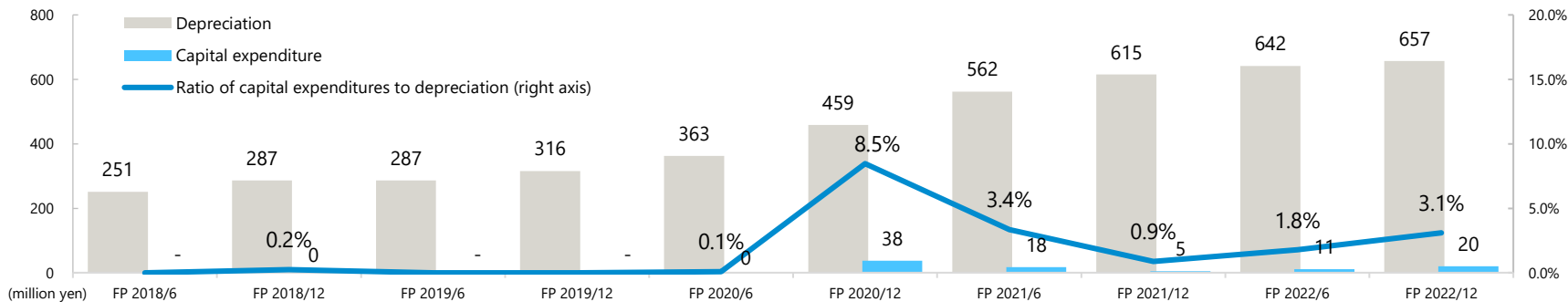


Property age



Capital expenditure remain low

- As the portfolio is mainly composed of newly built properties, capital expenditure is relatively low.



High-Quality Portfolio (2) Long Term Lease Contracts

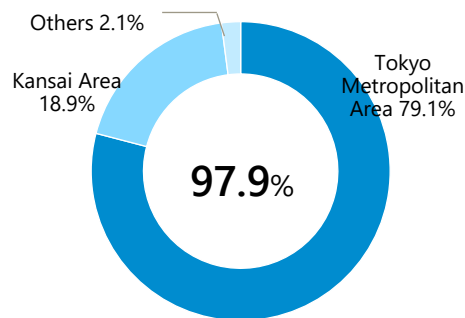
Contribution to the stability of portfolio based on long-term contracts that take into consideration tenant business plans.



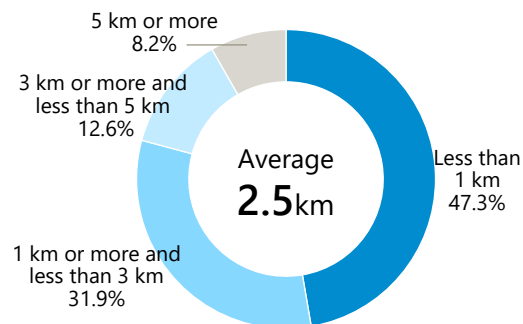
High-Quality Portfolio (3) Good Location

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

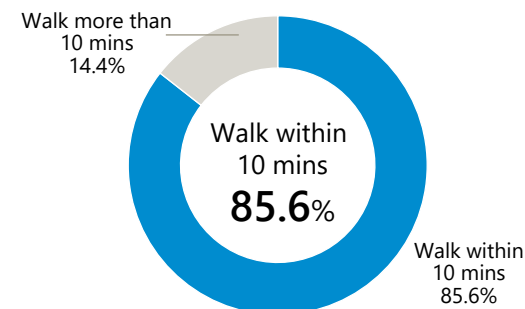
Ratio in Tokyo Metropolitan and Kansai area



Distance to an interchange

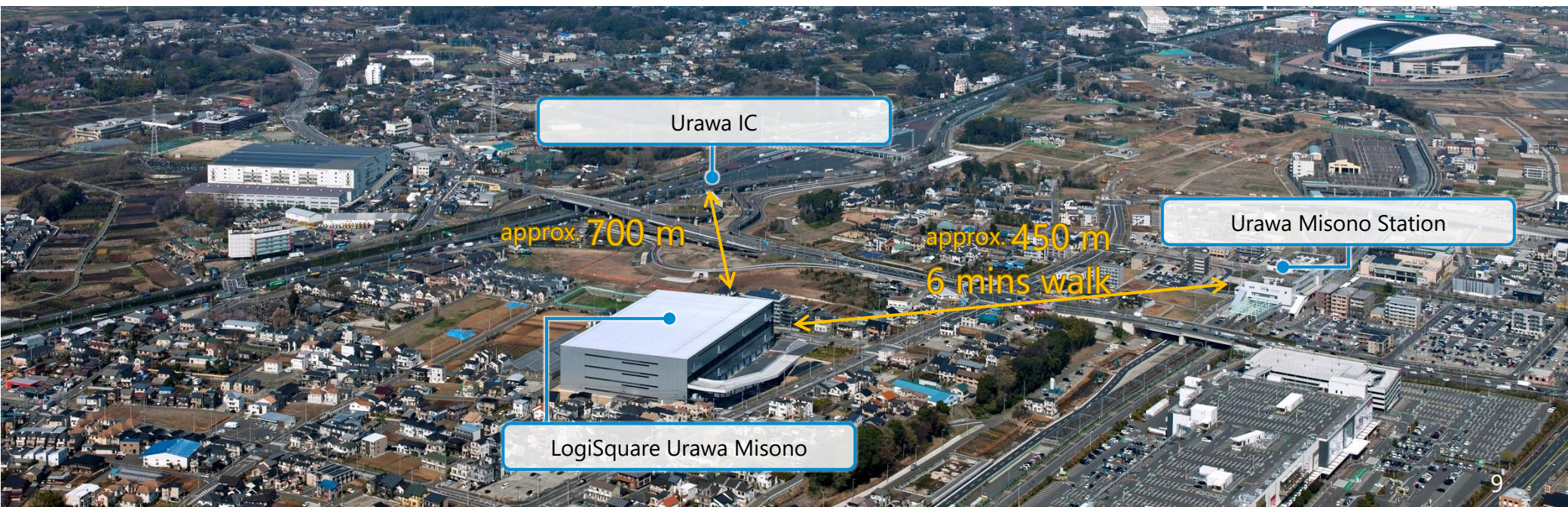


Walking distance from public transportation facilities



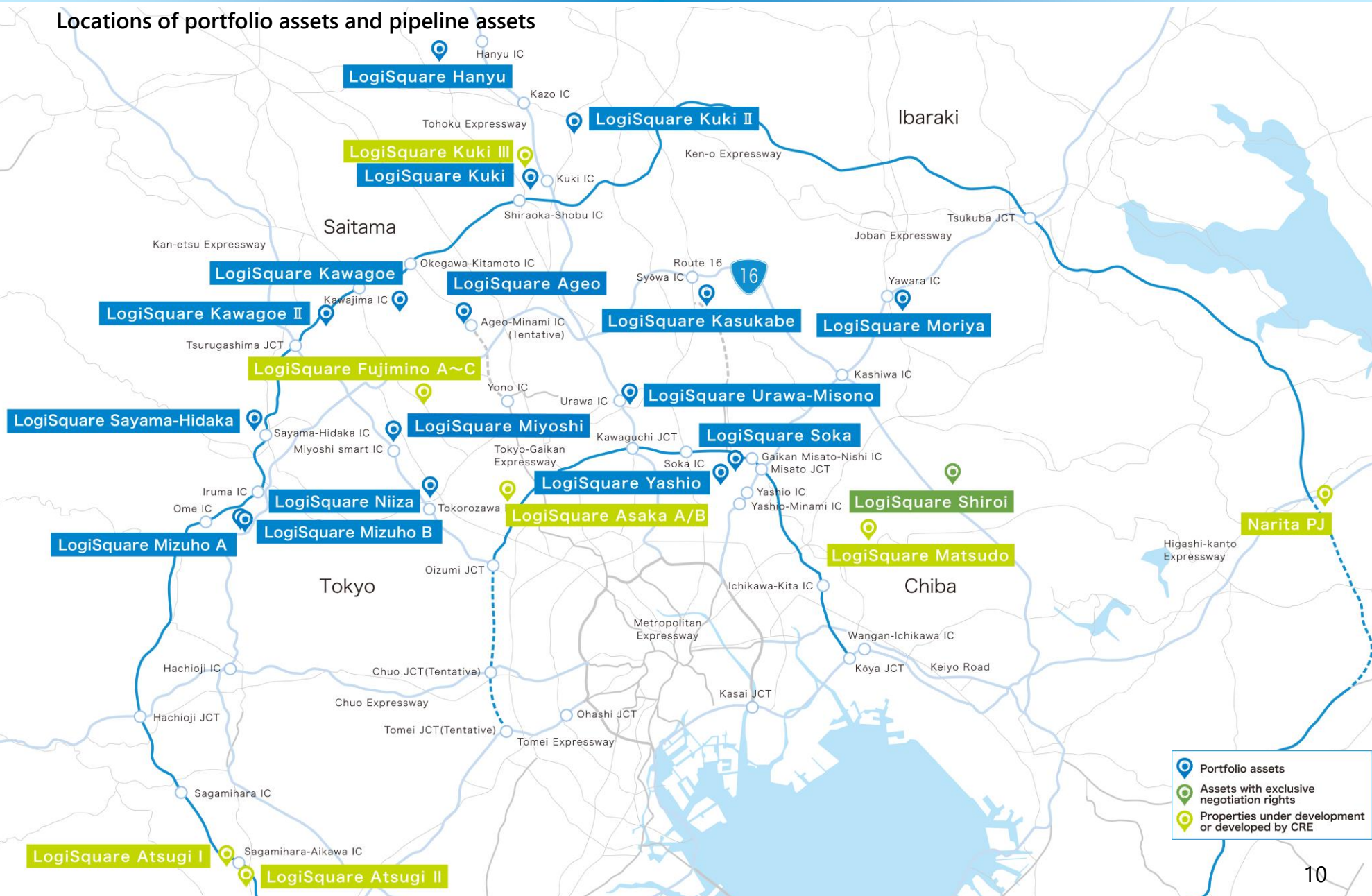
Example: LogiSquare Urawa Misono

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.



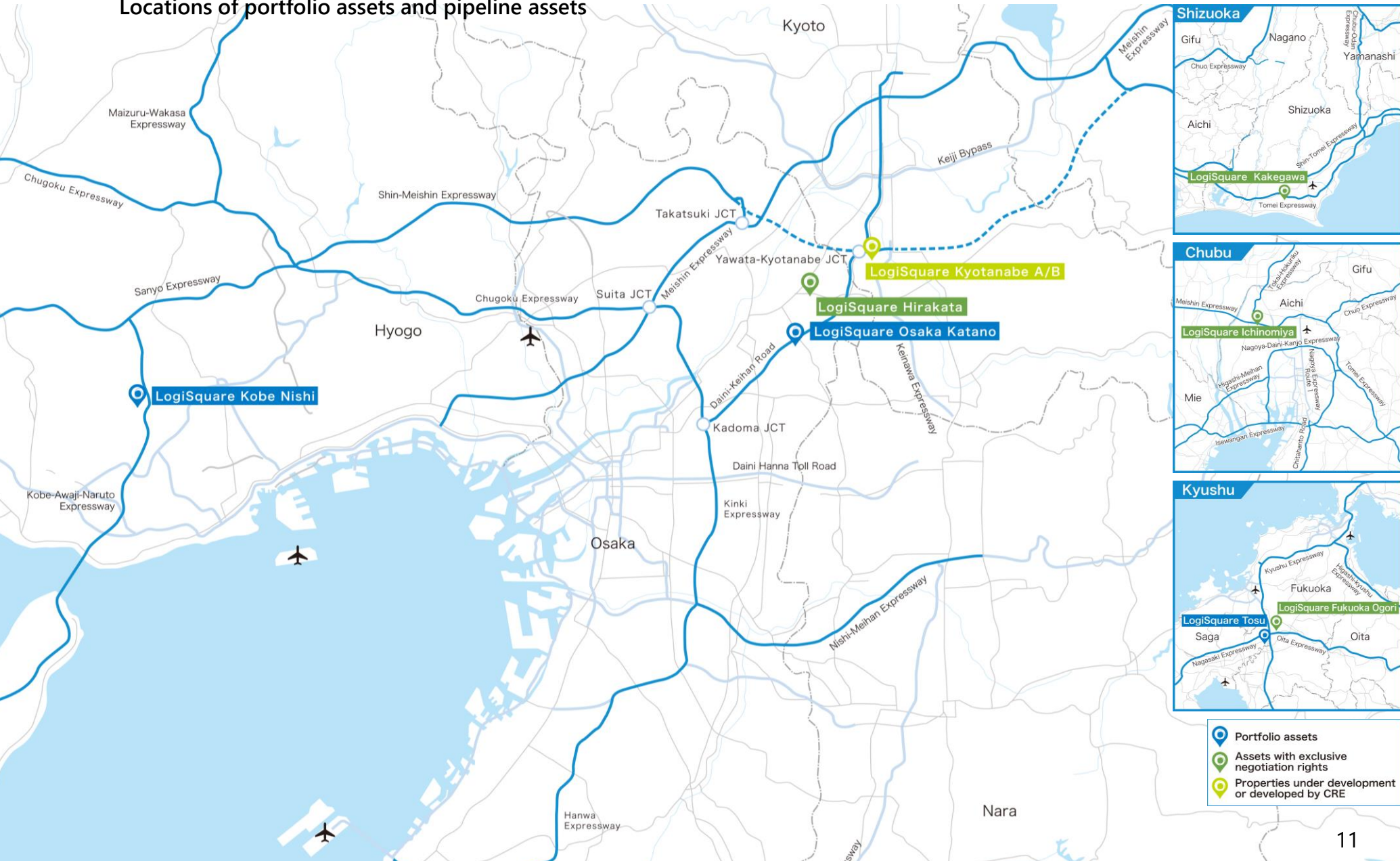
Portfolio Centered on Metropolitan Areas (1) Tokyo Metropolitan Area

Locations of portfolio assets and pipeline assets



Portfolio Centered on Metropolitan Areas (2) Kansai Area and Other

Locations of portfolio assets and pipeline assets



Portfolio List

| No. | Property name | Location | Acquisition price (mn yen) | Appraisal value (mn yen) | Appraisal NOI yield (%) | Total floor area (㎡) | Age (years) | Number of tenants | Occupancy rate(%) | Developer |
|-----------------------------|--------------------------|------------------------|-------------------------------|-----------------------------|----------------------------|-------------------------|----------------|-------------------|-------------------|-----------|
| M-1 | LogiSquare Kuki | Kuki-shi, Saitama | 9,759 | 11,500 | 4.8 | 40,907.13 | 6.6 | 1 | 100.0 | CRE |
| M-2 | LogiSquare Hanyu | Hanyu-shi, Saitama | 6,830 | 7,530 | 4.9 | 33,999.61 | 6.5 | 1 | 100.0 | CRE |
| M-3 | LogiSquare Kuki II | Kuki-shi, Saitama | 2,079 | 2,430 | 5.2 | 11,511.22 | 5.9 | 1 | 100.0 | CRE |
| M-4 | LogiSquare Urawa Misono | Saitama-shi, Saitama | 13,060 | 15,500 | 4.8 | 48,738.29 | 5.8 | 3 | 100.0 | CRE |
| M-5 | LogiSquare Niiza | Niiza-shi, Saitama | 6,960 | 7,990 | 4.9 | 25,355.82 | 5.8 | 1 | 100.0 | CRE |
| M-6 | LogiSquare Moriya | Moriya-shi, Ibaraki | 6,157 | 7,810 | 5.6 | 32,904.90 | 5.7 | 2 | 100.0 | CRE |
| M-7 | LogiSquare Kawagoe | Kawagoe-shi, Saitama | 1,490 | 1,780 | 5.1 | 7,542.56 | 4.9 | 1 | 100.0 | CRE |
| M-8 | LogiSquare Kasukabe | Kasukabe-shi, Saitama | 4,900 | 5,910 | 5.1 | 21,315.54 | 4.6 | 1 | 100.0 | CRE |
| M-9 | LogiSquare Soka | Soka-shi, Saitama | 8,109 | 9,640 | 4.6 | 28,817.59 | 9.5 | 1 | 100.0 | CRE |
| M-10 | LogiSquare Yashio | Yashio-shi, Saitama | 5,073 | 5,950 | 4.6 | 19,068.60 | 8.9 | 1 | 100.0 | CRE |
| M-11 | LogiSquare Mizuho A | Mizuho-machi, Tokyo | 2,794 | 3,250 | 4.9 | 13,755.16 | 15.9 | 1 | 100.0 | CRE |
| M-12 | LogiSquare Mizuho B | Mizuho-machi, Tokyo | 3,584 | 4,110 | 4.8 | 16,016.37 | 15.9 | 1 | 100.0 | CRE |
| M-13 | LogiSquare Ageo | Ageo-shi, Saitama | 4,908 | 5,570 | 4.6 | 19,142.84 | 3.7 | 2 | 100.0 | CRE |
| M-14 | LogiSquare Miyoshi | Miyoshi-machi, Saitama | 11,700 | 13,400 | 4.6 | 37,931.49 | 2.6 | 1 | 100.0 | CRE |
| M-15 | LogiSquare Sayama Hidaka | Hanno-shi, Saitama | 17,678 | 19,300 | 4.4 | 73,728.44 | 2.6 | 5 | 100.0 | CRE |
| M-16 | LogiSquare Kawagoe II | Kawagoe-shi, Saitama | 3,244 | 3,620 | 4.8 | 14,281.38 | 3.5 | 1 | 100.0 | CRE |
| K-1 | LogiSquare Kobe Nishi | Kobe-shi, Hyogo | 3,479 | 3,770 | 4.6 | 16,006.20 | 2.7 | 1 | 100.0 | CRE |
| K-2 | LogiSquare Osaka Katano | Katano-shi, Osaka | 22,370 | 23,700 | 4.4 | 76,393.17 | 2.0 | 5 | 100.0 | CRE |
| O-1 | LogiSquare Tosu | Tosu-shi, Saga | 2,823 | 3,400 | 5.3 | 16,739.40 | 4.9 | 1 | 100.0 | CRE |
| 19 properties Total/Average | | | 136,998 | 156,160 | 4.7 | 554,155.71 | 5.1 | 31 | 100.0 | – |

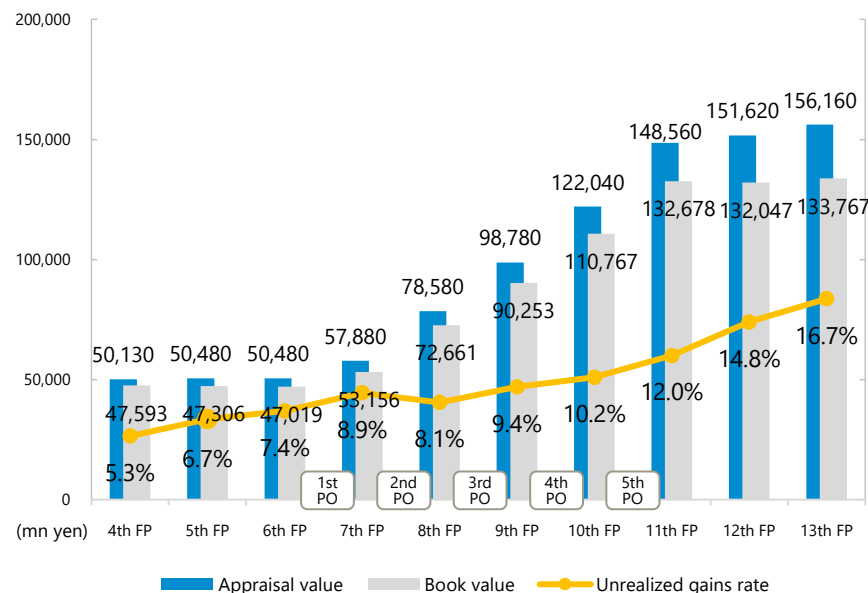
Overview of Appraisal Value

| No. | Property name | Acquisition month and year | Acquisition price (mn yen) | Book value at the end of the 13th FP (mn yen) | At the end of the 13th FP | | At the end of the 12th FP | | Changes | | Unrealized gains (mn yen) | Unrealized gains rate (%) |
|--------------------------------|--------------------------|--------------------------------|----------------------------|---|---------------------------|--------------------------------|---------------------------|--------------------------------|--------------------------|--------------------------------|---------------------------|---------------------------|
| | | | | | Appraisal value (mn yen) | Direct capitalization rate (%) | Appraisal value (mn yen) | Direct capitalization rate (%) | Appraisal value (mn yen) | Direct capitalization rate (%) | | |
| M-1 | LogiSquare Kuki | Jul. 2016 | 9,759 | 8,964 | 11,500 | 4.0 | 11,300 | 4.1 | + 200 | - 0.1 | 2,535 | 28.3 |
| M-2 | LogiSquare Hanyu | Jul. 2016 | 6,830 | 6,270 | 7,530 | 4.4 | 7,440 | 4.5 | + 90 | - 0.1 | 1,259 | 20.1 |
| M-3 | LogiSquare Kuki II | Feb. 2018 | 2,079 | 1,969 | 2,430 | 4.3 | 2,400 | 4.4 | + 30 | - 0.1 | 460 | 23.4 |
| M-4 | LogiSquare Urawa Misono | Feb. 2018 | 13,060 | 12,563 | 15,500 | 3.9 | 15,300 | 4.0 | + 200 | - 0.1 | 2,936 | 23.4 |
| M-5 | LogiSquare Niiza | Feb. 2018 | 6,960 | 6,667 | 7,990 | 4.2 | 7,890 | 4.3 | + 100 | - 0.1 | 1,322 | 19.8 |
| M-6 | LogiSquare Moriya | Feb. 2018 | 6,157 | 5,864 | 7,810 | 4.3 | 7,700 | 4.4 | + 110 | - 0.1 | 1,945 | 33.2 |
| M-7 | LogiSquare Kawagoe | Jul. 2019 | 1,490 | 1,462 | 1,780 | 4.1 | 1,730 | 4.2 | + 50 | - 0.1 | 317 | 21.7 |
| M-8 | LogiSquare Kasukabe | Jul. 2019 | 4,900 | 4,789 | 5,910 | 4.0 | 5,760 | 4.1 | + 150 | - 0.1 | 1,120 | 23.4 |
| M-9 | LogiSquare Soka | Feb. 2020 | 8,109 | 8,109 | 9,640 | 3.7 | 9,370 | 3.8 | + 270 | - 0.1 | 1,530 | 18.9 |
| M-10 | LogiSquare Yashio | Feb. 2020 | 5,073 | 5,080 | 5,950 | 3.7 | 5,790 | 3.8 | + 160 | - 0.1 | 869 | 17.1 |
| M-11 | LogiSquare Mizuho A | Feb. 2020 | 2,794 | 2,817 | 3,250 | 4.0 | 3,170 | 4.1 | + 80 | - 0.1 | 432 | 15.4 |
| M-12 | LogiSquare Mizuho B | Feb. 2020 | 3,584 | 3,591 | 4,110 | 4.0 | 4,010 | 4.1 | + 100 | - 0.1 | 518 | 14.4 |
| M-13 | LogiSquare Ageo | Jul. 2020 | 4,908 | 4,851 | 5,570 | 4.0 | 5,420 | 4.1 | + 150 | - 0.1 | 718 | 14.8 |
| M-14 | LogiSquare Miyoshi | Jul. 2020 | 11,700 | 11,501 | 13,400 | 4.0 | 13,400 | 4.0 | — | — | 1,898 | 16.5 |
| M-15 | LogiSquare Sayama Hidaka | Jan. 2021 80% July 2022 20% | 17,678 | 17,580 | 19,300 | 3.8 | 15,000 | 3.9 | + 4,300 | - 0.1 | 1,719 | 9.8 |
| M-16 | LogiSquare Kawagoe II | Jan. 2021 | 3,244 | 3,225 | 3,620 | 4.1 | 3,530 | 4.2 | + 90 | - 0.1 | 394 | 12.2 |
| K-1 | LogiSquare Kobe Nishi | Jan. 2021 | 3,479 | 3,469 | 3,770 | 4.2 | 3,670 | 4.3 | + 100 | - 0.1 | 300 | 8.6 |
| K-2 | LogiSquare Osaka Katano | Sep. 2021 | 22,370 | 22,310 | 23,700 | 4.1 | 23,700 | 4.1 | — | — | 1,389 | 6.2 |
| O-1 | LogiSquare Tosu | Apr. 2018 | 2,823 | 2,677 | 3,400 | 4.2 | 3,420 | 4.3 | - 20 | - 0.1 | 722 | 27.0 |
| O-2 | LogiSquare Chitose | Sold in August 2022 | | | — | — | 1,620 | 5.1 | - 1,620 | — | — | — |
| End of 13th FP Total / Average | | — | 136,998 | 133,767 | 156,160 | — | 151,620 | — | + 4,540 | — | 22,392 | 16.7 |

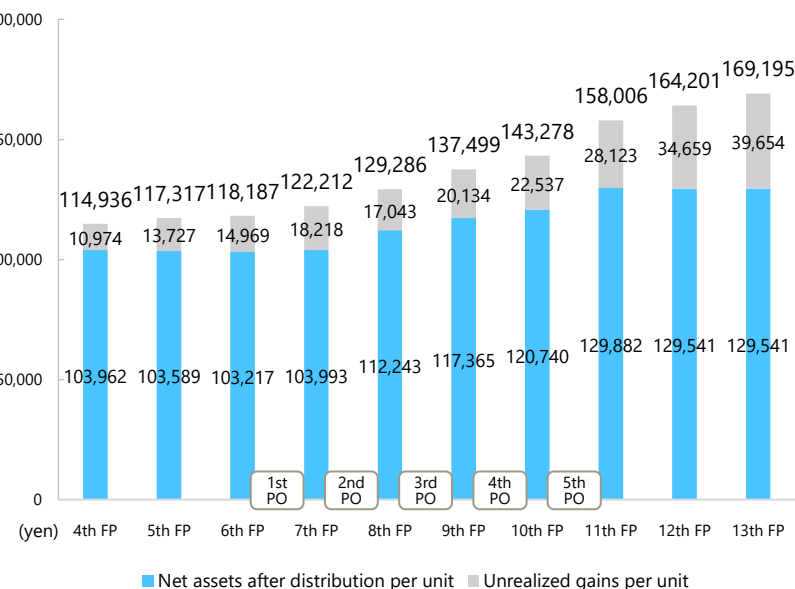
Overview of Appraisal Value

| | 12th FP (2022/6) | 13th FP (2022/12) | Compared to 12th FP |
|-----------------------|---------------------|----------------------|------------------------|
| Appraisal value | 151,620 mn yen | 156,160 mn yen | + 4,540 million yen |
| Book value | 132,047 mn yen | 133,767 mn yen | + 1,719 million yen |
| Unrealized gains | 19,572 mn yen | 22,392 mn yen | + 2,820 million yen |
| Unrealized gains rate | 14.8 % | 16.7 % | + 1.9 % |
| NAV per unit | 164,201 yen | 169,195 yen | + 4,994 yen |

Appraisal value / Unrealized gains rate



NAV per unit



2. Financial Statements
(1) Balance Sheet

(Thousands of yen)

| | As of June 30, 2022 | As of December 31, 2022 |
|---|---------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,403,111 | 2,888,703 |
| Cash and deposits in trust | 3,850,307 | 4,041,179 |
| Operating accounts receivable | 128,511 | 103,810 |
| Prepaid expenses | 155,892 | 147,001 |
| Total current assets | 8,537,822 | 7,180,695 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings in trust | 67,631,265 | 69,122,327 |
| Accumulated depreciation | (3,971,689) | (4,570,548) |
| Buildings in trust, net | 63,659,575 | 64,551,779 |
| Structures in trust | 3,163,581 | 3,100,272 |
| Accumulated depreciation | (152,671) | (172,187) |
| Structures in trust, net | 3,010,909 | 2,928,084 |
| Tools, furniture and fixtures in trust | 3,322 | 3,322 |
| Accumulated depreciation | (1,027) | (1,313) |
| Tools, furniture and fixtures in trust, net | 2,295 | 2,009 |
| Land in trust | 65,374,983 | 66,285,421 |
| Total property, plant and equipment | 132,047,763 | 133,767,294 |
| Intangible assets | | |
| Other | 2,419 | 1,817 |
| Total intangible assets | 2,419 | 1,817 |
| Investments and other assets | | |
| Investment securities | 10,500 | 10,500 |
| Long-term prepaid expenses | 297,275 | 237,645 |
| Deferred tax assets | 13 | 11 |
| Leasehold and guarantee deposits | 10,000 | 10,000 |
| Total investments and other assets | 317,789 | 258,156 |
| Total non-current assets | 132,367,972 | 134,027,268 |
| Deferred assets | | |
| Investment unit issuance expenses | 30,696 | 18,804 |
| Investment corporation bond issuance costs | 23,865 | 21,681 |
| Total deferred assets | 54,562 | 40,486 |
| Total assets | 140,960,356 | 141,248,449 |

(Thousands of yen)

| | As of June 30, 2022 | As of December 31, 2022 |
|--|---------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Operating accounts payable | 251,204 | 231,867 |
| Current portion of long-term borrowings | 6,080,000 | 6,580,000 |
| Accrued expenses | 311,478 | 428,123 |
| Income taxes payable | 888 | 832 |
| Consumption taxes payable | 273,864 | 83,501 |
| Advances received | 695,314 | 704,128 |
| Other | 154,918 | 156,899 |
| Total current liabilities | 7,767,669 | 8,185,353 |
| Non-current liabilities | | |
| Investment corporation bonds | 4,000,000 | 4,000,000 |
| Long-term borrowings | 51,789,000 | 50,089,000 |
| Leasehold and guarantee deposits received in trust | 2,218,819 | 2,266,747 |
| Other | 12,798 | 12,374 |
| Total non-current liabilities | 58,020,618 | 56,368,122 |
| Total liabilities | 65,788,287 | 64,553,476 |
| Net assets | | |
| Unitholders' equity | | |
| Unitholders' capital | 74,295,196 | 74,295,196 |
| Deduction from unitholders' capital | (950,607) | (1,143,170) |
| Unitholders' capital, net | 73,344,588 | 73,152,025 |
| Surplus | | |
| Unappropriated retained earnings (undisposed loss) | 1,827,480 | 3,542,947 |
| Total surplus | 1,827,480 | 3,542,947 |
| Total unitholders' equity | 75,172,069 | 76,694,973 |
| Total net assets (Note 1) | 75,172,069 | 76,694,973 |
| Total liabilities and net assets | 140,960,356 | 141,248,449 |

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

(2) Statement of Income

(Thousands of yen)

| | Fiscal period ended June 30, 2022 | Fiscal period ended December 31, 2022 |
|--|--------------------------------------|--|
| Operating revenue | | |
| Leasing business revenue (Note 1) | 3,776,798 | 3,815,930 |
| Other leasing business revenue (Note 1) | 95,162 | 134,868 |
| Gain on sales of real estate properties (Note 2) | — | 1,807,379 |
| Total operating revenue | 3,871,961 | 5,758,178 |
| Operating expenses | | |
| Expenses related to leasing business (Note 1) | 1,344,742 | 1,415,290 |
| Asset management fees | 337,330 | 449,045 |
| Asset custody fees | 3,675 | 2,364 |
| Administrative service fees | 20,564 | 18,755 |
| Remuneration for directors (and other officers) | 4,500 | 4,500 |
| Other operating expenses | 41,330 | 50,137 |
| Total operating expenses | 1,752,142 | 1,940,092 |
| Operating income | 2,119,818 | 3,818,086 |
| Non-operating income | | |
| Interest income | 29 | 35 |
| Reversal of distributions payable | 665 | 131 |
| Interest on tax refund | 65 | — |
| Total non-operating income | 761 | 167 |
| Non-operating expenses | | |
| Interest expenses | 165,579 | 165,328 |
| Interest expenses on investment corporation bonds | 12,500 | 12,500 |
| Borrowing related expenses | 91,626 | 80,237 |
| Amortization of investment unit issuance expenses | 14,685 | 11,892 |
| Amortization of investment corporation bond issuance costs | 2,184 | 2,184 |
| Other | 5,731 | 2,434 |
| Total non-operating expenses | 292,306 | 274,576 |
| Ordinary income | 1,828,273 | 3,543,676 |
| Income before income taxes | 1,828,273 | 3,543,676 |
| Income taxes - current | 893 | 837 |
| Income taxes - deferred | (3) | 2 |
| Total income taxes | 889 | 840 |
| Net income | 1,827,384 | 3,542,836 |
| Retained earnings brought forward | 95 | 111 |
| Unappropriated retained earnings (undisposed loss) | 1,827,480 | 3,542,947 |

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

(3) Statement of Unitholders' Equity

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 |

Fiscal period ended December 31, 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 | (950,607) | 73,344,588 | 1,827,480 | 1,827,480 | 75,172,069 | 75,172,069 |
| Changes during period | | | | | | | |
| Distributions in excess of earnings | | (192,562) | (192,562) | | | (192,562) | (192,562) |
| Dividends of surplus | | | | (1,827,369) | (1,827,369) | (1,827,369) | (1,827,369) |
| Net income | | | | 3,542,836 | 3,542,836 | 3,542,836 | 3,542,836 |
| Total changes during period | — | (192,562) | (192,562) | 1,715,467 | 1,715,467 | 1,522,904 | 1,522,904 |
| Balance at end of period | 74,295,196 (Note 1) | (1,143,170) | 73,152,025 | 3,542,947 | 3,542,947 | 76,694,973 | 76,694,973 |

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

(4) Statement of Cash Distribution

(Yen)

| | Fiscal period ended June 30, 2022 | Fiscal period ended December 31, 2022 |
|--|--|--|
| I. Unappropriated retained earnings | 1,827,480,514 | 3,542,947,847 |
| II. Surplus cash distributions | | |
| Deduction from unitholders' capital | 192,562,700 | — |
| III. Distributions | 2,019,931,900 | 3,542,927,800 |
| (Distributions per unit) | (3,577) | (6,274) |
| Of which, earnings distributions | 1,827,369,200 | 3,542,927,800 |
| (Earnings distributions per unit) | (3,236) | (6,274) |
| Of which, distributions in excess of earnings | 192,562,700 | — |
| (Distributions in excess of earnings per unit) | (341) | (—) |
| IV. Retained earnings carried forward | 111,314 | 20,047 |
| 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 1,827,369,200 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). | 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 3,542,927,800 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. Considering a level of current income, including the gain on sales of real estate properties, CRE REIT decided to suspend to continuously distribute amounts in excess of earnings in each fiscal period (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 June 30, 2022 | Fiscal period ended December 31, 2022 |
| Cash flows from operating activities | | |
| Income before income taxes | 1,828,273 | 3,543,676 |
| Depreciation | 642,804 | 658,198 |
| Amortization of investment unit issuance expenses | 14,685 | 11,892 |
| Amortization of investment corporation bond issuance costs | 2,184 | 2,184 |
| Interest income | (29) | (35) |
| Interest expenses | 178,079 | 177,828 |
| Decrease (increase) in operating accounts receivable | 17,130 | 24,700 |
| Decrease (increase) in consumption taxes receivable | 666,276 | — |
| Decrease (increase) in prepaid expenses | (2,365) | 8,890 |
| Increase (decrease) in operating accounts payable | 80,574 | (23,327) |
| Increase (decrease) in accrued expenses | 18,090 | 119,458 |
| Increase (decrease) in consumption taxes payable | 273,864 | (190,362) |
| Increase (decrease) in advances received | 156 | 8,814 |
| Decrease (increase) in long-term prepaid expenses | 41,162 | 59,629 |
| Decrease in property, plant and equipment in trust due to sale | — | 1,290,154 |
| Other, net | (1,356) | 1,469 |
| Subtotal | 3,759,531 | 5,693,171 |
| Interest received | 29 | 35 |
| Interest paid | (177,988) | (180,641) |
| Income taxes paid | (812) | (894) |
| Net cash provided by (used in) operating activities | 3,580,759 | 5,511,671 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment in trust | (10,005) | (3,663,291) |
| Acquisition of intangible assets | (2,020) | — |
| Repayments from leasehold and guarantee deposits received in trust | (407) | (39,034) |
| Proceeds from leasehold and guarantee deposits received in trust | 6,267 | 86,962 |
| Payments into restricted deposits | (3,515) | (28,756) |
| Net cash provided by (used in) investing activities | (9,681) | (3,644,120) |
| Cash flows from financing activities | | |
| Proceeds from long-term borrowings | 3,680,000 | 1,200,000 |
| Repayments of long-term borrowings | (3,680,000) | (2,400,000) |
| Distributions paid | (1,989,377) | (2,019,843) |
| Net cash provided by (used in) financing activities | (1,989,377) | (3,219,843) |
| Net increase (decrease) in cash and cash equivalents | 1,581,700 | (1,352,292) |
| Cash and cash equivalents at beginning of period | 5,340,425 | 6,922,126 |
| Cash and cash equivalents at end of period (Note 1) | 6,922,126 | 5,569,833 |

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>There was no fixed asset tax included in the acquisition costs for real estate in the previous fiscal period. The amount corresponding to fixed asset taxes that was included in the acquisition costs of real estate was 9,655 thousand yen 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 June 30, 2022 | As of December 31, 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 June 30, 2022 | Fiscal period ended December 31, 2022 |
| A. Revenue in the real estate leasing business | | |
| Leasing business revenue | | |
| Rent revenue | 3,655,031 | 3,675,896 |
| Common-area charge income | 121,767 | 140,034 |
| Subtotal | 3,776,798 | 3,815,930 |
| Other leasing business revenue | | |
| Utilities income | 74,884 | 112,324 |
| Other revenues | 20,277 | 22,543 |
| Subtotal | 95,162 | 134,868 |
| Total revenue in the real estate leasing business | 3,871,961 | 3,950,798 |
| B. Expenses in the real estate leasing business | | |
| Expenses related to leasing business | | |
| Management commissions | 202,203 | 210,778 |
| Utilities expenses | 85,394 | 122,389 |
| Taxes and public dues | 387,369 | 377,385 |
| Non-life insurance expenses | 11,799 | 11,595 |
| Repair expense | 7,499 | 27,521 |
| Depreciation | 642,337 | 657,596 |
| Other expenses related to leasing business | 8,138 | 8,022 |
| Total expenses in the real estate leasing business | 1,344,742 | 1,415,290 |
| C. Net revenue in the real estate leasing business (A-B) | 2,527,218 | 2,535,508 |

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

Fiscal period ended June 30, 2022

Not applicable.

Fiscal period ended December 31, 2022

LogiSquare Chitose

| (Thousands of yen) | |
|--|-----------|
| Revenue from sales of real estate properties | 3,200,000 |
| Cost of properties | 1,290,154 |
| Other related expenses | 102,465 |
| Gain on sales of real estate properties | 1,807,379 |

[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 June 30, 2022 | Fiscal period ended December 31, 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 June 30, 2022 | Fiscal period ended December 31, 2022 |
|----------------------------|--------------------------------------|--|
| Cash and deposits | 4,403,111 | 2,888,703 |
| Cash and deposits in trust | 3,850,307 | 4,041,179 |
| Restricted deposits (Note) | (1,331,291) | (1,360,048) |
| Cash and cash equivalents | 6,922,126 | 5,569,833 |

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 June 30, 2022 | Fiscal period ended December 31, 2022 |
|-------------------|--------------------------------------|--|
| Due within 1 year | 7,597,655 | 7,182,555 |
| Due after 1 year | 26,913,661 | 22,644,226 |
| Total | 34,511,317 | 29,826,781 |

[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 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 | — | — | — |

As of December 31, 2022

| (Thousands of yen) | | | |
|---|------------|------------------------|------------|
| | Book value | Fair Value (Note 1) | Difference |
| (1) Current portion of long-term borrowings | 6,580,000 | 6,581,781 | 1,781 |
| (2) Investment corporation bonds | 4,000,000 | 3,924,400 | (75,600) |
| (3) Long-term borrowings | 50,089,000 | 49,712,852 | (376,147) |
| 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 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 |

As of December 31, 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 | 6,580,000 | 6,785,000 | 10,100,000 | 10,500,000 | 13,550,000 | 9,154,000 |
| Total | 6,580,000 | 6,785,000 | 12,100,000 | 10,500,000 | 13,550,000 | 11,154,000 |

[Notes to securities]

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

[Notes to derivative trading]

1. Derivatives not subject to hedge accounting

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

As of December 31, 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 | 51,789,000 | 45,209,000 | (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 June 30, 2022) and the current fiscal period (ended December 31, 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 June 30, 2022 | As of December 31, 2022 |
| Deferred tax assets | | |
| Amount excluded from deductible expenses of accrued enterprise taxes | 13 | 11 |
| Total deferred tax assets | 13 | 11 |
| Net deferred tax assets | 13 | 11 |

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 June 30, 2022 | As of December 31, 2022 |
|---|---------------------|-------------------------|
| Effective statutory tax rate | 31.46% | 31.46% |
| (Adjustment) | | |
| Inclusion of distribution paid in deductible expenses | (31.44)% | (31.45)% |
| Other | 0.03% | 0.02% |
| Actual effective income tax rate | 0.05% | 0.02% |

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

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

2. Affiliated companies

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

3. Companies under common control

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

4. Directors and major individual unitholders

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.

Fiscal period ended December 31, 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 | 467,105 | Accrued expenses | 365,154 |

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 18,060 thousand yen, the performance fees for property acquired, added to the book value of individual investment properties.

[Notes to asset retirement obligations]

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

Fiscal period ended December 31, 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 |
|--------------|--------------------|------------------------------|
| Grape TMK | 1,807,379 | Real estate leasing business |
| CRE, Inc. | (Note) 700,132 | Real estate leasing business |

Note: 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 and Kansai 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 June 30, 2022 | Fiscal period ended December 31, 2022 |
|---------------------------------------|--------------------------------------|--|
| Balance sheet amount | | |
| Balance at beginning of period | 132,678,671 | 132,047,763 |
| Increase (decrease) during the period | (630,907) | 1,719,530 |
| Balance at end of period | 132,047,763 | 133,767,294 |
| Fair value at the end of period | 153,200,000 | 156,160,000 |

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 decrease was due to depreciation (642,337 thousand yen). Of the changes in amounts in the current fiscal period, a major increase was attributable to the acquisition of a property (LogiSquare Sayama Hidaka (additional acquisition of quasi co-ownership interest ratio: 20%) 3,646,823 thousand yen), and a major decrease was due to the disposition of a property (LogiSquare Chitose 1,290,154 thousand yen) and depreciation (657,596 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 June 30, 2022 | Fiscal period ended December 31, 2022 |
|--|--------------------------------------|--|
| Revenue from contracts with customers (Note 1) | | |
| Utilities income | 74,884 | 112,324 |
| Other revenues | | |
| Sales of real estate properties (Note 2) | — | 1,807,379 |
| Rent revenue | 3,655,031 | 3,675,896 |
| Common-area charge income | 121,767 | 140,034 |
| Other | 20,277 | 22,543 |
| Sales to external customers | 3,871,961 | 5,758,178 |

Note 1: Rent revenues subject to “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and revenue from sales of real estate properties subject to “Practical Guidelines on Accounting by Transferors for Derecognition of Real Estate Securitized by means of Special Purpose Companies” (the Accounting System Committee Statement No. 15 of the Japanese Institute of Certified Public Accountants (JICPA)) are excluded from “Revenue from contracts with customers” as they are not subject to Accounting Standard for Revenue Recognition. The revenue from contracts with customers is mainly revenues from utilities income.

Note 2: Sales of real estate properties are recorded as gains or losses on sales of real estate properties in the statements of income in accordance with Article 48-2 of the Regulations on Accounting of Investment Corporation (Cabinet Office Ordinance No. 47 of 2006), and therefore the amount is the proceeds from sales of real estate properties, less the cost of real estate properties sold and other sales expenses.

[Notes to per-unit information]

(Yen)

| Fiscal period ended June 30, 2022 | | Fiscal period ended December 31, 2022 | |
|-----------------------------------|---------|---------------------------------------|---------|
| Net assets per unit | 133,118 | Net assets per unit | 135,815 |
| Net income per unit | 3,236 | Net income per unit | 6,273 |

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 June 30, 2022 | Fiscal period ended December 31, 2022 |
|--|--------------------------------------|--|
| Net income (thousand yen) | 1,827,384 | 3,542,836 |
| Amount not attributable to common unitholders (thousand yen) | — | — |
| Net income related to common investment units (thousand yen) | 1,827,384 | 3,542,836 |
| Average number of investment units during period (units) | 564,700 | 564,700 |

[Notes to significant subsequent events]

Issuance of new investment units

CRE REIT's board of directors meeting made a resolution regarding the issuance of new investment units on March 23, 2023. The issue price per unit shall be determined at the board of directors meeting to be held on the date of the issue price determination.

(Issuance of new investment units through a public offering)

| | |
|---------------------------------------|--------------|
| Number of new investment units issued | 60,000 units |
|---------------------------------------|--------------|

(Issuance of new investment units through a third-party allotment)

| | |
|---------------------------------------|-------------|
| Number of new investment units issued | 3,000 units |
|---------------------------------------|-------------|

| | |
|----------|-----------------------------|
| Allottee | SMBC Nikko Securities, Inc. |
|----------|-----------------------------|

(Use of proceeds)

The proceeds from the above public offering are to be appropriated for part of the funds to acquire specified assets. The proceeds from third-party allotment are to be appropriated for part of the funds to repay debt borrowings or to acquire future specified assets.

(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 | 51,789,000 | 45,209,000 | - |
| Total | | 51,789,000 | 45,209,000 | - |

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 | 67,631,265 | 2,443,679 | 952,617 | 69,122,327 | 4,570,548 | 634,195 | 64,551,779 | (Note) |
| Structures in trust | 3,163,581 | 55,342 | 118,651 | 3,100,272 | 172,187 | 23,114 | 2,928,084 | |
| Tools, furniture and fixtures in trust | 3,322 | - | - | 3,322 | 1,313 | 286 | 2,009 | |
| Land in trust | 65,374,983 | 1,168,259 | 257,821 | 66,285,421 | - | - | 66,285,421 | |
| Total | 136,173,152 | 3,667,282 | 1,329,090 | 138,511,344 | 4,744,049 | 657,596 | 133,767,294 | |

(Note) The increase in buildings in trust, structures in trust and land in trust during the period is primarily attributable to the acquisition of LogiSquare Sayama Hidaka (quasi co-ownership interest ratio 20%). The decrease during the period is primarily attributable to the disposition of LogiSquare Chitose.

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 | 0.635% (Note 3) | January 31, 2023 | (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 | 0.731% (Note 3) | January 31, 2024 | | |
| | Sumitomo Mitsui Banking Corporation | 830,000 | - | - | 830,000 | | | | |
| | 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 | | | | |
| | SBI 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 | | | | |
| | SBI Shinsei Bank, Limited | 400,000 | - | - | 400,000 | | | | |
| | Aozora Bank, Ltd | 400,000 | - | - | 400,000 | | | | |
| | The Bank of Toyama, Ltd | 300,000 | - | - | 300,000 | | | | |
| | Sumitomo Mitsui Banking Corporation | 900,000 | - | - | 900,000 | 0.587% (Note 3) | July 30, 2027 | | |
| | Mizuho Bank, Ltd. | 700,000 | - | - | 700,000 | | | | |
| | Development Bank of Japan Inc. | 500,000 | - | - | 500,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Ltd. | 400,000 | - | - | 400,000 | | | | |
| | SBI Shinsei Bank Co., Ltd., | 400,000 | - | - | 400,000 | | | | |
| | Aozora Bank, Ltd | 600,000 | - | - | 600,000 | | | | |
| | Sumitomo Mitsui Banking Corporation | 936,000 | - | - | 936,000 | 0.595% (Note 3) | January 31, 2028 | | |
| | 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 | | | | |
| | SBI 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 | | | | |
| | SBI 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 | 0.588% | 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 | | | | |
| | Sumitomo Mitsui Banking Corporation | - | 375,000 | - | 375,000 | 0.537% | July 31,2028 | | |
| | Mizuho Bank, Ltd. | - | 300,000 | - | 300,000 | | | | |
| Development Bank of Japan Inc. | - | 225,000 | - | 225,000 | | | | | |
| Resona Bank, Limited | - | 200,000 | - | 200,000 | | | | | |
| The Nishi-Nippon City Bank, Ltd. | - | 100,000 | - | 100,000 | | | | | |
| Subtotal | 57,869,000 | 1,200,000 | 2,400,000 | 56,669,000 | - | | | - | - |
| Total | | 57,869,000 | 1,200,000 | 2,400,000 | 56,669,000 | - | - | - | - |

Note 1: Current portion of long-term borrowings are included in long-term borrowings.

Note 2: Average interest rate is the weighted average of the number of days and outstanding borrowings during the period, rounded to the fourth decimal place.

Note 3: Average interest rates on borrowings with interest-rate swaps used to hedge interest rate risk are stated taking into account the effects of interest-rate swaps.

Note 4: Long-term borrowings are appropriated to acquire the beneficial interests in real estate trust and to refinance.

Note 5: 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 | 6,580,000 | 6,785,000 | 10,100,000 | 10,500,000 | 13,550,000 |



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 December 31, 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 December 31, 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.

Emphasis of Matter

We draw attention to "Notes to significant subsequent events" in the financial statements, which states the issuance of new investment units.
Our opinion is not modified in respect of this matter.

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.

Takeshi Yamaguchi
Designated Engagement Partner
Certified Public Accountant

Takashi Sato
Designated Engagement Partner
Certified Public Accountant

March 23, 2023

The original copy of the Independent Auditor's Report is in the Company.