

CRE Logistics REIT, Inc.
Summary of Financial Results (Unaudited)
For the 7th Fiscal Period Ended December 31, 2019
(For the Reporting Period from July 1, 2019 to December 31, 2019)
(Translated from the Japanese original)

Corporate Information

Code: 3487 Listing: Tokyo Stock Exchange
 (URL: <https://cre-reit.co.jp/en/>)
 Representative: Tsuyoshi Ito, Executive Director

Asset management company: CRE REIT Advisers, Inc.
 Representative: Tsuyoshi Ito, President
 Person of Contact: Hirohisa Toda, Head of Corporate Planning
 Tel: +81-3-5575-3600

Scheduled date to file securities report: March 24, 2020
 Scheduled date to commence payment of distributions: March 19, 2020
 Preparation of supplementary material on financial results: Yes
 Financial report presentation meeting: Yes (for institutional investors and analysts)

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

1. 7th Fiscal Period ended December 31, 2019 (July 1, 2019-December 31, 2019)

	Operating revenues		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal period ended								
December 31, 2019	1,580	11.9	828	15.2	687	15.0	686	15.1
June 30, 2019	1,411	(0.1)	718	(11.4)	597	(13.3)	596	(13.4)

	Net income per unit	Return on unitholders' equity	Ordinary income to total assets	Ordinary income on operating revenues
Fiscal period ended	Yen	%	%	%
December 31, 2019	2,670	2.6	1.3	43.5
June 30, 2019	2,580	2.4	1.2	42.3

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

(2) Distributions

	Distributions per unit (excluding surplus distributions)	Total distributions (excluding surplus distributions)	Surplus distributions per unit	Total surplus distributions	Distributions per unit (including surplus distributions)	Total distributions (including surplus distributions)	Payout ratio	Distributions to net assets ratio
Fiscal period ended	Yen	Million yen	Yen	Million yen	Yen	Million yen	%	%
December 31, 2019	2,647	686	365	94	3,012	780	100.0	2.5
June 30, 2019	2,580	596	372	85	2,952	682	100.0	2.4

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

(Note 2) The percentage of decreased surplus as a result of surplus distributions (the return of contributions that falls under the distribution associated with the investment decrease for tax purposes) in the fiscal period ended June 30, 2019 and the fiscal period ended December 31, 2019 was 0.004, respectively. The calculation of the percentage of decreased surplus is based on Article 23, Paragraph 1, Item 4 of the Order for Enforcement of the Corporation Tax Act.

(Note 3) The payout ratio in the fiscal period ended December 31, 2019 is calculated based on the following formula because the Investment Corporation issued new investment units.

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

(3) Financial position

	Total assets	Net assets	Unitholders' equity ratio	Net assets per unit
As of	Million yen	Million yen	%	Yen
December 31, 2019	55,960	27,741	49.6	107,005
June 30, 2019	49,717	24,541	49.4	106,169

(4) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the fiscal period
Fiscal period ended	Million yen	Million yen	Million yen	Million yen
December 31, 2019	753	(6,437)	5,396	1,358
June 30, 2019	937	(145)	(773)	1,645

2. Forecast for the 8th Fiscal Period ending June 2020 (January 1, 2020-June 30, 2020) and the 9th Fiscal Period ending December 2020 (July 1, 2020-December 31, 2020) (Percentages represent changes from corresponding period of previous period)

Fiscal period ending	Operating revenues		Operating income		Ordinary income		Net income		Distributions per unit (including surplus distributions)	Distributions per unit (excluding surplus distributions)	Surplus distributions per unit
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Yen	Yen
June 30, 2020	2,024	28.1	1,133	36.8	947	37.9	946	38.0	3,040	2,726	314
December 31, 2020	2,122	4.8	1,194	5.4	1,021	7.8	1,020	7.8	3,263	2,940	323

(Reference) Forecast net income per unit (Forecast net income/ Forecast number of investment units at the end of the fiscal period) for the 8th Fiscal Period ending June 2020 is 2,726 yen and forecast net income per unit for the 9th Fiscal Period ending December 2020 is 2,939 yen.

* Other

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

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

(2) Total number of investment units issued and outstanding

1. Total number of investment units issued and outstanding at the end of the fiscal period (including treasury investment units)	As of December 31, 2019	259,250 units	As of June 30, 2019	231,150 units
2. Total number of treasury investment units at the end of the fiscal period	As of December 31, 2019	0 units	As of June 30, 2019	0 units

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

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

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

Refer to the section on “Assumptions for Operating Forecasts for the 8th Fiscal Period ending June 2020 (January 1, 2020-June 30, 2020) and the 9th Fiscal Period ending December 2020 (July 1, 2020-December 31, 2020)” for details on the underlying assumptions for the forecasts above.

Assumptions for Operating Forecasts for the 8th Fiscal Period ending June 2020 (January 1, 2020-June 30, 2020) and 9th Fiscal Period ending December 2020 (July 1, 2020-December 31, 2020)

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> - 8th Fiscal Period (Ending June 30, 2020): January 1, 2020-June 30, 2020 (182 days) - 9th Fiscal Period (Ending December 31, 2020): July 1, 2020-December 31, 2020 (184 days)
Assets under management	<ul style="list-style-type: none"> - The investment corporation possesses the trust beneficial interests in real estate in a total of nine properties (hereinafter referred to as “assets currently held”)—nine properties held as of December 31, 2019 (hereinafter referred to as “acquired assets before the fiscal period ended December 31, 2019”) and four properties acquired on February 3, 2020 (hereinafter referred to as “acquired assets for the fiscal period ending June 30, 2020”). The operating forecasts herein are based on the assumption that the investment corporation will continue to possess these properties until December 31, 2020, as well as the assumption that there will be no fluctuations in the trust beneficial interests in real estate (including newly acquired properties and the disposal of currently-held assets). - However, there is a possibility that fluctuations in the portfolio will occur due to factors including the new acquisition of properties or the disposal of assets currently held.
Operating revenues	<ul style="list-style-type: none"> - Real estate lease business revenues are calculated based on leasing contracts that are effective as of the date of submission of this financial results and actual performance in the past. - The forecasts assume there are no delinquencies or default on rental payments by tenants.
Operating expenses	<ul style="list-style-type: none"> - Expenses other than depreciation that fall under the category of real estate leasing expenses, which is the investment corporation’s main operating expenses, are actual expenses incurred on acquired assets before the fiscal period ended December 31, 2019. Regarding those acquired assets for the fiscal period ending June 30, 2020, expenses were forecast reflecting variables, including forecast costs (including taxes and public dues, property management fees, fire insurance expenses, repair expenses) based on information obtained from the previous owner, or the beneficiary who previously held the trust beneficiary interests. - Property tax and city planning tax, etc. for acquired assets before the fiscal period ended December 31, 2019 are expected to total 164 million yen per period. - In addition, when real estate is purchased, property tax and city planning tax, etc. are calculated and divided up on a pro-rated basis for calendar year with the current beneficiary of trust interests. The investment corporation incorporates this amount into the acquisition cost of the property. In light of this, property tax and city planning tax, etc. on the acquired assets for the fiscal period ending June 30, 2020 are not posted in the 8th Fiscal Period and 9th Fiscal Period, but will be posted as property tax and city planning tax, etc. in the 10th Fiscal Periods. In the event that the property tax and city planning tax, etc. on acquired assets for the fiscal period ending June 30, 2020 were posted as expense, the amount is estimated at 48 million yen for each six-month period starting from the 10th Fiscal Period. Note that the total amount of property tax and city planning tax, etc. to be incorporated into the acquisition cost for the acquired assets for the fiscal period ending June 30, 2020 is estimated at 89 million yen. - Depreciation is based on the straight-line method. Depreciation is forecast to be 364 million yen in the fiscal period ending June 30, 2020 and 374 million yen in the fiscal period ending December 31, 2020. - Property management fees are expected to be 98 million yen in the fiscal period ending June 30, 2020 and 103 million yen in the fiscal period ending December 31, 2020.
Non-operating expenses	<ul style="list-style-type: none"> - Non-operating expenses for the 8th Fiscal Period are expected to total 185 million yen. Of this, it is estimated that 152 million yen is for interest expenses and other financial related costs, 10 million yen is for costs related to offerings new investment units, 6 million yen is for depreciation of founding costs, and 11 million yen is for depreciation of investment unit issuance costs. - Non-operating expenses for the 9th Fiscal Period are expected to total 172 million yen. Of this, it is estimated that 154 million yen is for interest expenses and other financial related expenses, 6 million yen is for depreciation of founding costs, and 11 million yen is for depreciation of investment unit issuance costs.
Interest-bearing debt	<ul style="list-style-type: none"> - The total interest-bearing debt at the end of each fiscal period is as follows: 35,719 million yen as of June 30, 2020, and 35,219 million yen as of December 31, 2020. - It is assumed that the investment corporation refinance 3,400 million yen (long-term borrowings of 3,200 million yen and short-term borrowings of 200 million yen) to repay 3,700 million yen which mature on July 31, 2020 in the fiscal period ending December 31, 2020. In addition, in the fiscal period ending December 31, 2020, the investment corporation expects to prepay 200 million yen which will be newly borrowed on July 31, 2020 as stated above by using some of its funds on hand as a source. - The LTV is expected to be around 46.0% as of June 30, 2020, and about 45.6% as of December 31, 2020. The following equation was used to calculate LTV. The figure is rounded to the second decimal point. $LTV = \text{Interest-bearing debt} / \text{Total Assets} \times 100$
Investment units	<ul style="list-style-type: none"> - The assumptions for these forecasts are based on a total number of investment units issued of 347,250, as of the submission of these financial results. The forecasts do not factor in any assumption of a change in the number of investment units through December 31, 2020 due to factors such as the issuance of new investment units. - The distributions per unit (excluding surplus distributions) and the surplus distributions per unit are calculated based on a total number of investment units issued of 347,250 for the fiscal period ending June 30, 2020 and the fiscal period ending December 31, 2020.

Distributions per unit (excluding surplus distributions)	<ul style="list-style-type: none"> - The distributions per unit (excluding surplus distributions) is calculated based on the assumption that distributions are carried out in accordance with the policies for monetary distributions set forth in the regulations of the investment corporation. - There is a possibility that the amount of the distributions per unit (excluding surplus distributions) could change owing to various factors, including changes in rental income, or unexpected maintenance work due to a change in assets under management or a change in tenants.
Distributions per unit of surplus profit	<ul style="list-style-type: none"> - The surplus distributions per unit is calculated in accordance with the policy stipulated in the operational guidelines—the regulations of the investment corporation and the internal regulations of the asset management company. The payout plan for total surplus distributions for the fiscal period ending June 30 , 2020 is 109 million yen and the fiscal period ending December 31, 2020 is 112 million yen, respectively, with an amount equivalent to 30% of depreciation as a benchmark. - These assumptions do not include any specific possibility of a substantial deterioration in the economic climate, real estate market or the financial condition of the investment corporation. - The policy of the investment corporation is to implement the distribution of surplus profit semiannually in principle. The amount of the surplus distribution should be equivalent to 30% of total depreciation. - Moreover, in the event that the distributions per unit is expected to temporarily fall below a certain level due to dilution in the value of the investment unit or a considerable financial burden owing to the procurement of capital through the issuance of new investment units or other factors, the investment corporation may continue to distribute surplus profit plus a one-off distribution that exceeds the profit level in the period for the purpose of maintaining the ordinary level of the distributions per unit. However, this amount, which includes the ongoing surplus distribution, shall not exceed the equivalent to 60% of total depreciation for the relevant business period. - In actuality, the amount of distributions exceeding profit (return of contributions) is likely to fluctuate due to changes in the economic climate, real estate market trends, asset portfolio, and financial position, and there is a possibility the investment corporation will not implement distributions (return of contributions) in surplus distributions for the period.
Other	<ul style="list-style-type: none"> - The forecasts were built based on the assumption that there will be no revisions to laws and ordinances, the tax system, accounting standards, listing regulations set forth by the Tokyo Stock Exchange, Inc., and the regulations stipulated by the Investment Trusts Association, Japan, that would have an impact on the forecasts stated above. - The forecasts are also based on the assumption that there will be no unexpected major changes to general economic trends and the real estate market.

3. Financial Statements
(1) Balance Sheet

(Thousands of yen)

	As of June 30, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	1,124,800	776,182
Cash and deposits in trust	1,158,278	1,319,249
Operating accounts receivable	109,727	101,808
Prepaid expenses	81,574	94,550
Consumption taxes receivable	—	239,756
Total current assets	2,474,381	2,531,547
Non-current assets		
Property, plant and equipment		
Buildings in trust	28,873,918	32,027,216
Accumulated depreciation	(1,125,429)	(1,429,813)
Buildings in trust, net	27,748,488	30,597,402
Structures in trust	1,341,493	1,568,757
Accumulated depreciation	(40,332)	(51,995)
Structures in trust, net	1,301,160	1,516,762
Tools, furniture and fixtures in trust	682	682
Accumulated depreciation	(122)	(183)
Tools, furniture and fixtures in trust, net	560	499
Land in trust	17,969,495	21,042,131
Total property, plant and equipment	47,019,704	53,156,796
Intangible assets		
Other	2,866	2,466
Total intangible assets	2,866	2,466
Investments and other assets		
Investment securities	10,500	10,500
Long-term prepaid expenses	157,524	205,913
Deferred tax assets	14	13
Leasehold and guarantee deposits	10,000	10,000
Total investments and other assets	178,039	226,426
Total non-current assets	47,200,611	53,385,689
Deferred assets		
Organization expenses	23,218	17,161
Investment unit issuance expenses	18,872	26,147
Total deferred assets	42,090	43,308
Total assets	49,717,083	55,960,545

(Thousands of yen)

	As of June 30, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Operating accounts payable	89,147	98,630
Current portion of long-term borrowings	6,680,000	3,700,000
Accrued expenses	106,480	121,951
Income taxes payable	910	872
Accrued consumption taxes	31,901	—
Advances received	252,086	285,146
Other	2,113	4,600
Total current liabilities	7,162,640	4,211,201
Non-current liabilities		
Long-term borrowings	17,140,000	23,019,000
Leasehold and guarantee deposits received in trust	873,269	989,210
Total non-current liabilities	18,013,269	24,008,210
Total liabilities	25,175,909	28,219,412
Net assets		
Unitholders' equity		
Unitholders' capital	24,106,072	27,302,166
Deduction from unitholders' capital	(161,342)	(247,330)
Unitholders' capital, net	23,944,729	27,054,836
Surplus		
Unappropriated retained earnings (undisposed loss)	596,444	686,297
Total surplus	596,444	686,297
Total unitholders' equity	24,541,173	27,741,133
Total net assets	24,541,173	27,741,133
Total liabilities and net assets	49,717,083	55,960,545

(2) Statements of Income

(Thousands of yen)

	Fiscal period ended June 30, 2019	Fiscal period ended December 31, 2019
Operating revenue		
Leasing business revenue	1,384,615	1,553,660
Other leasing business revenue	27,232	26,712
Total operating revenue	1,411,847	1,580,373
Operating expenses		
Expenses related to leasing business	532,472	570,836
Asset management fee	123,971	140,715
Asset custody fee	1,618	1,611
Administrative service fees	11,338	12,204
Remuneration for directors (and other officers)	4,500	4,500
Other operating expenses	19,110	22,272
Total operating expenses	693,011	752,140
Operating profit	718,836	828,233
Non-operating income		
Interest income	10	10
Total non-operating income	10	10
Non-operating expenses		
Interest expenses	62,865	68,442
Borrowing related expenses	40,563	50,382
Amortization of organization expenses	6,056	6,056
Amortization of investment unit issuance expenses	12,030	9,483
Other	—	6,782
Total non-operating expenses	121,517	141,147
Ordinary profit	597,329	687,096
Profit before income taxes	597,329	687,096
Income taxes - current	912	873
Income taxes - deferred	(4)	1
Total income taxes	907	875
Profit	596,421	686,220
Retained earnings brought forward	22	77
Unappropriated retained earnings (undisposed loss)	596,444	686,297

(3) Statements of Changes in Net Assets
Fiscal period ended June 30, 2019

(Thousands of yen)

	Unitholders' equity						Total net assets
	Unitholders' capital			Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	24,106,072	(75,354)	24,030,717	688,618	688,618	24,719,335	24,719,335
Changes in items during period							
Distributions in excess of retained earnings		(85,987)	(85,987)			(85,987)	(85,987)
Dividends of surplus				(688,595)	(688,595)	(688,595)	(688,595)
Profit				596,421	596,421	596,421	596,421
Total changes in items during period	-	(85,987)	(85,987)	(92,174)	(92,174)	(178,161)	(178,161)
Balance at end of period	24,106,072	(161,342)	23,944,729	596,444	596,444	24,541,173	24,541,173

Fiscal period ended December 31, 2019

(Thousands of yen)

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

(4) Statements of Cash Flows

(Thousands of yen)

	Fiscal period ended June 30, 2019	Fiscal period ended December 31, 2019
Cash flows from operating activities		
Profit before income taxes	597,329	687,096
Depreciation	287,497	316,507
Amortization of deferred organization expenses	6,056	6,056
Amortization of investment unit issuance expenses	12,030	9,483
Interest income	(10)	(10)
Interest expenses	62,865	68,442
Decrease (increase) in operating accounts receivable	9,015	7,919
Decrease (increase) in consumption taxes refund receivable	—	(239,756)
Decrease (increase) in prepaid expenses	703	(12,975)
Increase (decrease) in operating accounts payable	50,457	9,483
Increase (decrease) in accrued expenses	(6,381)	13,102
Increase (decrease) in accrued consumption taxes	(56,820)	(31,901)
Increase (decrease) in advances received	(158)	33,059
Decrease (increase) in long-term prepaid expenses	37,563	(48,388)
Other, net	87	2,112
Subtotal	1,000,238	820,230
Interest received	10	10
Interest paid	(61,644)	(66,074)
Income taxes paid	(817)	(912)
Net cash provided by (used in) operating activities	937,787	753,254
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(45,699)	(6,453,198)
Proceeds from leasehold and guarantee deposits received in trust	—	115,941
Payments into restricted deposits	(100,000)	(100,000)
Net cash provided by (used in) investing activities	(145,699)	(6,437,257)
Cash flows from financing activities		
Proceeds from long-term borrowings	—	9,579,000
Repayments of long-term borrowings	—	(6,680,000)
Proceeds from issuance of investment units	—	3,179,335
Distributions paid	(773,896)	(681,979)
Net cash provided by (used in) financing activities	(773,896)	5,396,355
Net increase (decrease) in cash and cash equivalents	18,191	(287,646)
Cash and cash equivalents at beginning of period	1,627,550	1,645,741
Cash and cash equivalents at end of period	1,645,741	1,358,094