

CRE Logistics REIT, Inc.
Summary of Financial Results (Unaudited)
For the 5th Fiscal Period Ended December 31, 2018
(For the Reporting Period from July 1, 2018 to December 31, 2018)
(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
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Scheduled date to file securities report: March 28, 2019
 Scheduled date to commence payment of distributions: March 22, 2019
 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. 5th Fiscal Period ended December 31, 2018 (July 1, 2018-December 31, 2018)

(1) Operating results (Percentages represent changes from corresponding period of previous period)

Fiscal period ended	Operating revenues		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2018	1,413	19.1	811	21.4	689	31.7	688	31.8
June 30, 2018	1,186	156.8	668	193.1	523	192.8	522	193.8

Fiscal period ended	Net income per unit	Return on unitholders' equity	Ordinary income to total assets	Ordinary income on operating revenues
	Yen	%	%	%
December 31, 2018	2,978	2.8	1.4	48.8
June 30, 2018	2,623	3.3	1.5	44.1

(Note) The Investment Corporation issued 161,150 new investment units on February 6, 2018. Net income per unit for the fiscal period ended June 30, 2018 is calculated by dividing net income by the weighted average number of investment units (199,098 units) based on the number of days during the period.

(2) Distributions

Fiscal period ended	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
	Yen	Million yen	Yen	Million yen	Yen	Million yen	%	%
December 31, 2018	2,979	688	372	85	3,351	774	100.0	2.8
June 30, 2018	2,259	522	326	75	2,585	597	100.0	2.2

(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, 2018 and the fiscal period ended December 31, 2018 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 June 30, 2018 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

As of	Total assets	Net assets	Unitholders' equity ratio	Net assets per unit
	Million yen	Million yen	%	Yen
December 31, 2018	49,951	24,719	49.5	106,940
June 30, 2018	51,380	24,628	47.9	106,547

(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, 2018	2,593	(192)	(2,126)	1,627
June 30, 2018	(713)	(30,925)	32,144	1,352

2. Forecast for the 6th Fiscal Period ending June 2019 (January 1, 2019-June 30, 2019) and the 7th Fiscal Period ending December 2019 (July 1, 2019-December 31, 2019) (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, 2019	1,410	(0.2)	716	(11.7)	594	(13.7)	593	(13.8)	2,940	2,568	372
December 31, 2019	1,412	0.2	715	(0.1)	594	(0.0)	593	(0.0)	2,940	2,568	372

(Reference) Forecast net income per unit for the 6th Fiscal Period ending June 2019 is 2,568 yen and forecast net income per unit for the 7th Fiscal Period ending December 2019 is 2,568 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, 2018	231,150 units	As of June 30, 2018	231,150 units
2. Total number of treasury investment units at the end of the fiscal period	As of December 31, 2018	0 units	As of June 30, 2018	0 units

* Status of audit procedures

As of the time of disclosure of this financial results report, auditing procedures for financial statements in accordance with the Financial Instruments and Exchange Act have not been completed.

* 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 6th Fiscal Period ending June 2019 (January 1, 2019-June 30, 2019) and the 7th Fiscal Period ending December 2019 (July 1, 2019-December 31, 2019)” for details on the underlying assumptions for the forecasts above.

Assumptions for Operating Forecasts for the 6th Fiscal Period ending June 2019 (January 1, 2019-June 30, 2019) and the 7th Fiscal Period ending December 2019 (July 1, 2019-December 31, 2019)

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> - 6th Fiscal Period (Ending June 30, 2019): January 1, 2019-June 30, 2019 (181 days) - 7th Fiscal Period (Ending December 31, 2019): July 1, 2019-December 31, 2019 (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 seven properties held as of December 31, 2018 (hereinafter referred to as “assets currently held”). The operating forecasts herein are based on the assumption that the investment corporation will continue to possess these properties until December 31, 2019, 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 calculated reflecting variables, including forecast costs (including taxes and public dues, property management fees, casualty insurance expenses, repair expenses) based on actual performance in the past. - Property tax and city planning tax, etc. on the currently held assets are expected to be 147 million yen in the fiscal period ending June 30, 2019 and 147 million yen in the fiscal period ending December 31, 2019. - Depreciation is based on the straight-line method. Depreciation is forecast to be 287 million yen in the fiscal period ending June 30, 2019 and 287 million yen in the fiscal period ending December 31, 2019. - Property management fees are expected to be 67 million yen in the fiscal period ending June 30, 2019 and 68 million yen in the fiscal period ending December 31, 2019.
Non-operating expenses	<ul style="list-style-type: none"> - Non-operating expenses for the 6th Fiscal Period are expected to total 121 million yen. Of this, it is estimated that 103 million yen is for interest expenses and other financial related costs, 6 million yen is for depreciation of founding costs, and 12 million yen is for depreciation of investment unit issuance costs. - Non-operating expenses for the 7th Fiscal Period are expected to total 121 million yen. Of this, it is estimated that 107 million yen is for interest expenses and other financial related expenses, 6 million yen is for depreciation of founding costs, and 6 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: 23,220 million yen as of June 30, 2019, and 23,220 million yen as of December 31, 2019. Of 23,820 million yen, which is the balance of loans as of the date of submission of these financial results, the investment corporation expects to prepay 600 million yen during the fiscal period ending June 30, 2019 using some of its funds on hand. - The LTV is expected to be around 47.3% as of June 30, 2019, and about 47.4% as of December 31, 2019. 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 231,150, 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, 2019 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 231,150 for the fiscal period ending June 30, 2019 and the fiscal period ending December 31, 2019.
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, 2019 and the fiscal period ending December 31, 2019 is 85 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 investment 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

	<p>includes the ongoing surplus distribution, shall not exceed the equivalent to 60% of total depreciation for the relevant business period.</p> <ul style="list-style-type: none"> - 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, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	651,216	1,001,457
Cash and deposits in trust	1,138,522	1,163,430
Operating accounts receivable	126,549	118,742
Prepaid expenses	81,295	82,278
Consumption taxes receivable	1,472,959	—
Total current assets	3,470,543	2,365,909
Non-current assets		
Property, plant and equipment		
Buildings in trust	28,873,918	28,873,918
Accumulated depreciation	(571,499)	(848,464)
Buildings in trust, net	28,302,418	28,025,453
Structures in trust	1,341,493	1,341,493
Accumulated depreciation	(20,189)	(30,261)
Structures in trust, net	1,321,303	1,311,231
Tools, furniture and fixtures in trust	—	682
Accumulated depreciation	—	(61)
Tools, furniture and fixtures in trust, net	—	621
Land in trust	17,969,495	17,969,495
Total property, plant and equipment	47,593,217	47,306,802
Intangible assets		
Other	3,666	3,266
Total intangible assets	3,666	3,266
Investments and other assets		
Investment securities	10,500	10,500
Long-term prepaid expenses	214,417	195,088
Deferred tax assets	16	10
Lease and guarantee deposits	10,000	10,000
Total investments and other assets	234,933	215,598
Total non-current assets	47,831,818	47,525,668
Deferred assets		
Deferred organization expenses	35,331	29,275
Investment unit issuance expenses	42,934	30,903
Total deferred assets	78,266	60,178
Total assets	51,380,627	49,951,756

(Thousands of yen)

	As of June 30, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Operating accounts payable	175,413	84,388
Short-term loans payable	1,330,000	—
Current portion of long-term loans payable	3,000,000	6,680,000
Accrued expenses	97,555	111,640
Income taxes payable	942	815
Accrued consumption taxes	—	88,722
Advances received	252,391	252,245
Other	2,710	1,338
Total current liabilities	4,859,013	7,219,151
Non-current liabilities		
Long-term loans payable	21,020,000	17,140,000
Tenant leasehold and security deposits in trust	873,221	873,269
Total non-current liabilities	21,893,221	18,013,269
Total liabilities	26,752,235	25,232,420
Net assets		
Unitholders' equity		
Unitholders' capital	24,106,072	24,106,072
Deduction from unitholders' capital	—	(75,354)
Unitholders' capital, net	24,106,072	24,030,717
Surplus		
Unappropriated retained earnings (undisposed loss)	522,320	688,618
Total surplus	522,320	688,618
Total unitholders' equity	24,628,392	24,719,335
Total net assets	24,628,392	24,719,335
Total liabilities and net assets	51,380,627	49,951,756

(2) Statements of Income

(Thousands of yen)

	Fiscal period ended June 30, 2018	Fiscal period ended December 31, 2018
Operating revenue		
Lease business revenue	1,169,871	1,384,615
Other lease business revenue	16,932	28,672
Total operating revenue	1,186,804	1,413,287
Operating expenses		
Expenses related to rent business	372,715	432,972
Asset management fee	104,365	132,326
Asset custody fee	651	1,653
Administrative service fees	3,668	11,062
Directors' compensations	4,500	4,500
Other operating expenses	32,180	19,223
Total operating expenses	518,081	601,738
Operating profit	668,722	811,549
Non-operating income		
Interest income	9	7
Interest on refund	—	3,160
Total non-operating income	9	3,167
Non-operating expenses		
Interest expenses	52,023	65,539
Borrowing related expenses	45,633	40,801
Amortization of deferred organization expenses	6,056	6,056
Amortization of investment unit issuance expenses	11,093	12,030
Investment unit public offering expenses	25,695	—
Other	5,000	1,000
Total non-operating expenses	145,503	125,428
Ordinary profit	523,228	689,288
Profit before income taxes	523,228	689,288
Income taxes - current	944	816
Income taxes - deferred	(3)	6
Total income taxes	941	822
Profit	522,287	688,465
Retained earnings brought forward	32	152
Unappropriated retained earnings (undisposed loss)	522,320	688,618

(3) Statements of Changes in Net Assets
Fiscal period ended June 30, 2018

(Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	7,000,000	177,832	177,832	7,177,832	7,177,832
Changes of items during period					
Issuance of new investment units	17,106,072			17,106,072	17,106,072
Dividends of surplus		(177,800)	(177,800)	(177,800)	(177,800)
Profit		522,287	522,287	522,287	522,287
Total changes of items during period	17,106,072	344,487	344,487	17,450,559	17,450,559
Balance at end of current period	24,106,072	522,320	522,320	24,628,392	24,628,392

Fiscal period ended December 31, 2018

(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 current period	24,106,072	—	24,106,072	522,320	522,320	24,628,392	24,628,392
Changes of items during period							
Distributions in excess of retained earnings		(75,354)	(75,354)			(75,354)	(75,354)
Dividends of surplus				(522,167)	(522,167)	(522,167)	(522,167)
Profit				688,465	688,465	688,465	688,465
Total changes of items during period	—	(75,354)	(75,354)	166,298	166,298	90,943	90,943
Balance at end of current period	24,106,072	(75,354)	24,030,717	688,618	688,618	24,719,335	24,719,335

(4) Statements of Cash Flows

(Thousands of yen)

	Fiscal period ended June 30, 2018	Fiscal period ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	523,228	689,288
Depreciation	252,098	287,497
Amortization of deferred organization expenses	6,056	6,056
Amortization of investment unit issuance expenses	11,093	12,030
Interest income	(9)	(7)
Interest expenses	52,023	65,539
Decrease (increase) in operating accounts receivable	(51,909)	7,806
Decrease (increase) in consumption taxes refund receivable	(1,472,959)	1,472,959
Decrease (increase) in prepaid expenses	(44,712)	(983)
Increase (decrease) in operating accounts payable	14,004	374
Increase (decrease) in accrued expenses	46,867	13,938
Increase (decrease) in accrued consumption taxes	(15,203)	88,722
Increase (decrease) in advances received	167,691	(146)
Decrease (increase) in long-term prepaid expenses	(163,982)	19,328
Other, net	2,710	(2,646)
Subtotal	(673,000)	2,659,759
Interest income received	9	7
Interest expenses paid	(39,141)	(65,392)
Income taxes paid	(880)	(944)
Net cash provided by (used in) operating activities	(713,013)	2,593,431
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(31,357,272)	(92,081)
Purchase of intangible assets	(4,000)	—
Proceeds from tenant leasehold and security deposits in trust	601,508	48
Proceeds from restricted deposits	135,856	—
Payments into restricted deposits	(301,433)	(100,048)
Net cash provided by (used in) investing activities	(30,925,340)	(192,081)
Cash flows from financing activities		
Increase in short-term loans payable	1,330,000	—
Decrease in short-term loans payable	—	(1,330,000)
Proceeds from long-term loans payable	13,920,000	3,000,000
Repayments of long-term loans payable	—	(3,200,000)
Proceeds from issuance of investment units	17,072,337	—
Dividends paid	(177,800)	(596,248)
Net cash provided by (used in) financing activities	32,144,537	(2,126,248)
Net increase (decrease) in cash and cash equivalents	506,183	275,101
Cash and cash equivalents at beginning of period	846,265	1,352,449
Cash and cash equivalents at end of period	1,352,449	1,627,550