



September 9, 2021

(Translated from the Japanese original)

Company name: CRE, Inc.
Representative: Tadahide Kameyama, President
Stock listing: First Section of the Tokyo Stock Exchange
Stock code: 3458
Contact: Hidetoshi Nagahama, Director, Managing
Executive Officer
E-mail: ir@cre-jpn.com

Notice Regarding Second Medium-Term Management Plan

CRE, Inc. (hereafter, “CRE” and “the Company”) hereby gives notice of a new, five-year medium-term management plan that runs from the fiscal year ending July 31, 2022, to the fiscal year ending July 31, 2026. The new plan is described below.

For further details, please refer to the attached document “Second Medium-Term Management Plan (Fiscal 2022–Fiscal 2026).”

Details

1. About Second Medium-Term Management Plan (Fiscal 2022–Fiscal 2026)

Guided by a business vision to be “the No.1 corporate group with a logistics infrastructure platform that connects people and things of our world,” CRE led the CRE Group through the First Medium-Term Management Plan (Fiscal 2019–Fiscal 2021), seeking to build a structure for sustainable corporate growth in the logistics real estate business.

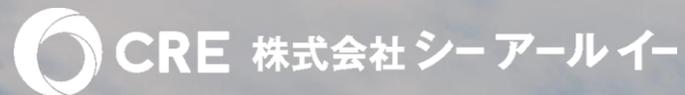
The business environment continues to change—significantly and at a fast pace—spurred in particular by reconfirmation of logistics as a component of social infrastructure, a wider embrace of digital transformation driven by innovation based on the Internet of Things (IoT), artificial intelligence (AI) and other advanced technologies, heightened awareness of the global environment, and a firm commitment to achieve sustainable development goals (SDGs). Against this backdrop, CRE drafted its Second Medium-Term Management Plan to promote the shift from a corporate group providing one-stop logistics real estate services to a corporate group with a solid foundation in all services that support logistics and to develop into a company that constantly contributes to society through growth in existing domains, an expanding presence and higher profitability in overseas operations, and an added presence in new businesses with rising profitability.

2. Numerical Targets (Consolidated)

Target amount	Second Medium-Term Management Plan	First Medium-Term Management Plan (actual results)
Business profit ⁱ	By July 31, 2026 ¥12 billion	As of July 31, 2021 ¥6.2 billion
ROE in Fiscal 2026	Above 15%	15%

END

ⁱ Business profit = Operating income + Equity in earnings of affiliates + Goodwill amortization (consolidated subsidiaries/equity method affiliates)



Second Medium-Term Management Plan

Fiscal 2022–Fiscal 2026

September 9, 2021

Looking Back on First Medium-Term Management Plan (Fiscal 2019–Fiscal 2021)

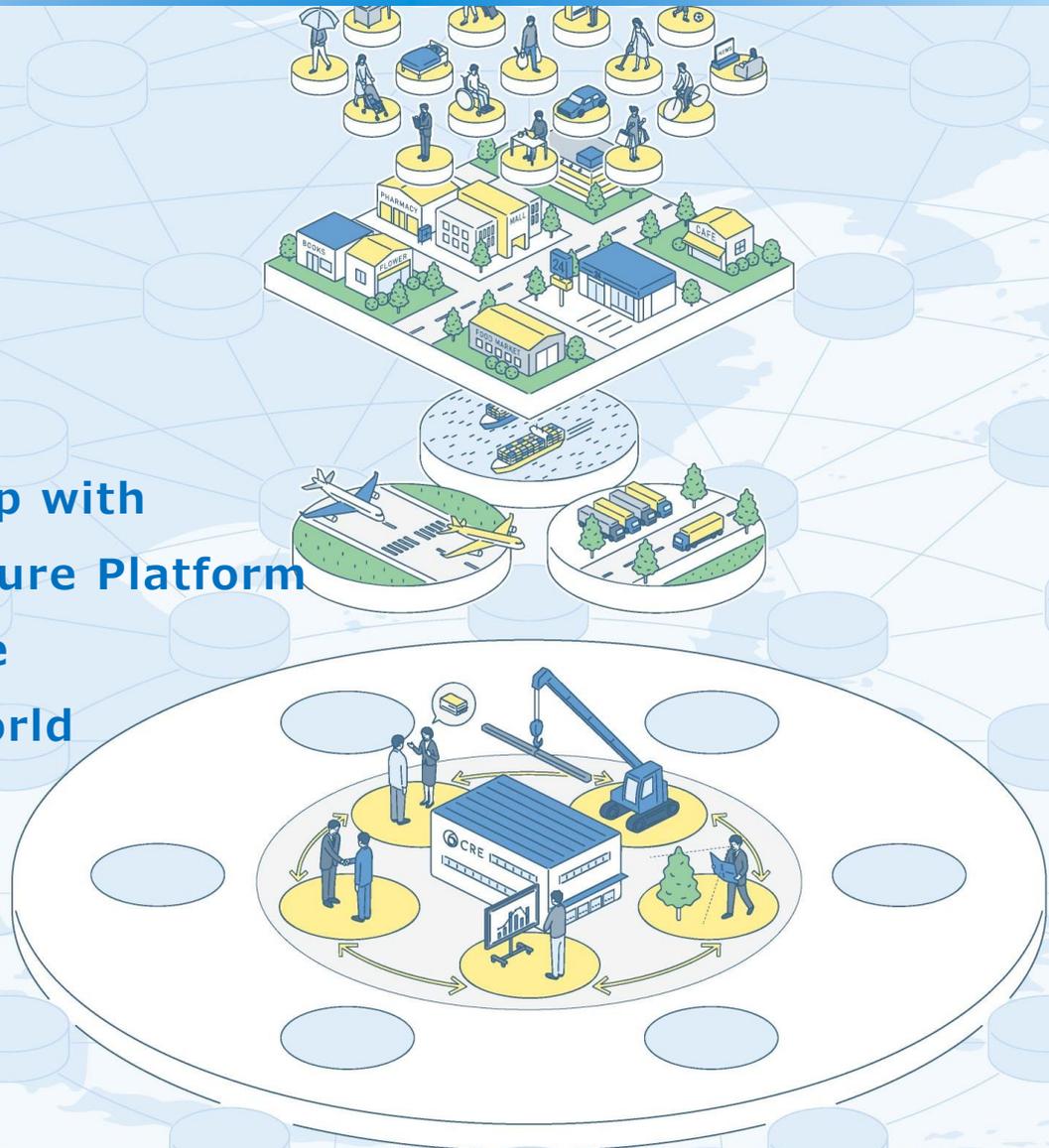
Each business segment posted steady growth and contributed to higher earnings, leading to achievement of income target.

	Target		Actual	
Net sales (fiscal 2021)	¥60 billion	▶	¥47.5 billion	21% below target
Operating income (fiscal 2021)	¥5 billion	▶	¥5.7 billion	14% above target
Average ROE	Above 10%	▶	11%	Achieved

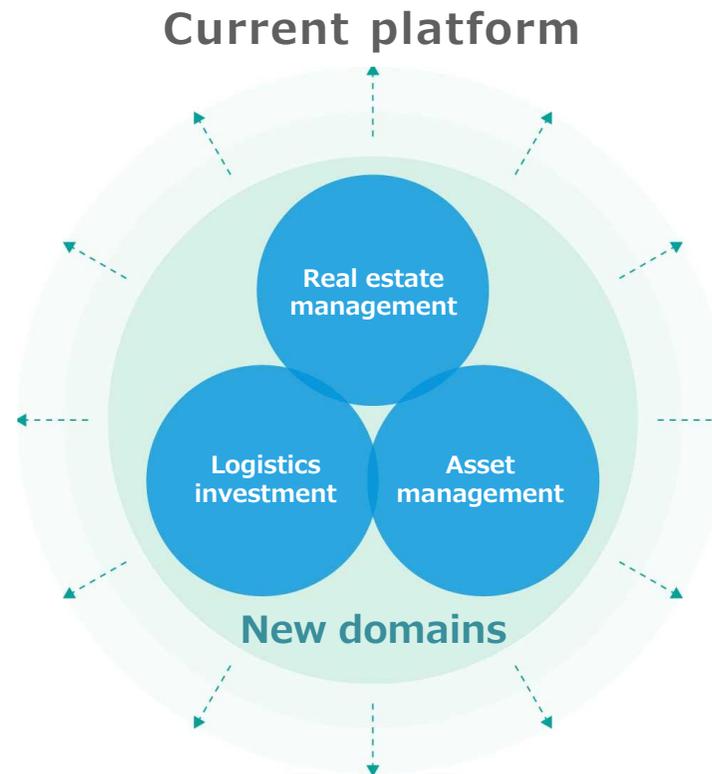
Progress on Strategies to Fuel First Medium-Term Management Plan (Fiscal 2019–Fiscal 2021) and New Businesses

	Real estate management business	Logistics investment business	Asset management business
Strategies	<ul style="list-style-type: none"> • Maintain existing earnings base, then drive results higher • Promote reconstruction of master leasing properties • Expand business associated with property management • Further strengthen leasing capabilities 	<p>Strengthen ability to purchase development sites</p> <ul style="list-style-type: none"> • Expand investment areas • Medium- and long-term development of sites • Joint development • Soil contaminated sites 	<ul style="list-style-type: none"> • Expand AUM • Cultivate investor base • Put together self-storage funds • Put together small warehouse funds
Implementation	<ul style="list-style-type: none"> • Brought LogiCom, Inc. under consolidation in December 2018 → Absorbed LogiCom, Inc. in August 2020 	<ul style="list-style-type: none"> • Expanded investment areas: <i>LogiSquare</i> Kobe Nishi, <i>LogiSquare</i> Osaka Katano, <i>LogiSquare</i> Itami, <i>LogiSquare</i> Fukuoka Ogori • Progress on medium- to long-term site development: <i>LogiSquare</i> Fujimino A – C • Took measures at soil contaminated sites: <i>LogiSquare</i> Shiroy and <i>LogiSquare</i> Hirakata 	<ul style="list-style-type: none"> • ¥112.3 billion in assets under management at CRE Logistics REIT • Put together small- and medium-sized warehouse funds in April 2019 • Initiated crowd-funding through CRE Funding
Overseas business (new domains)			
Strategies	<ul style="list-style-type: none"> • Promote leasing and development business for logistics facilities in VSIP Hai Phong Integrated Township and Industrial Park in Vietnam. • Promote self-storage business and investment in real estate-related business in Thailand. 		
Implementation	<ul style="list-style-type: none"> • Started construction on VSIP Hai Phong Warehouse III in August 2019 → Completed in April 2020 • Established representative office, PT. CRE BIL INDONESIA, in Indonesia, in May 2021. 		
+			
New business (new domains)			
Strategies	<ul style="list-style-type: none"> • Expand presence as company with logistics infrastructure platform. • Build network with shipping and logistics companies. 		
Implementation	<ul style="list-style-type: none"> • Turned HAPILOGI, INC. into wholly owned subsidiary in June 2020, turned APT Corporation into consolidated subsidiary in July 2021, formed capital and business alliance with A-TRUCK Co., Ltd., in September 2019, and established Warehouse Staffing Center, Inc., in July 2019. • Signed partnership agreement with Sankyu Inc., in March 2021. 		

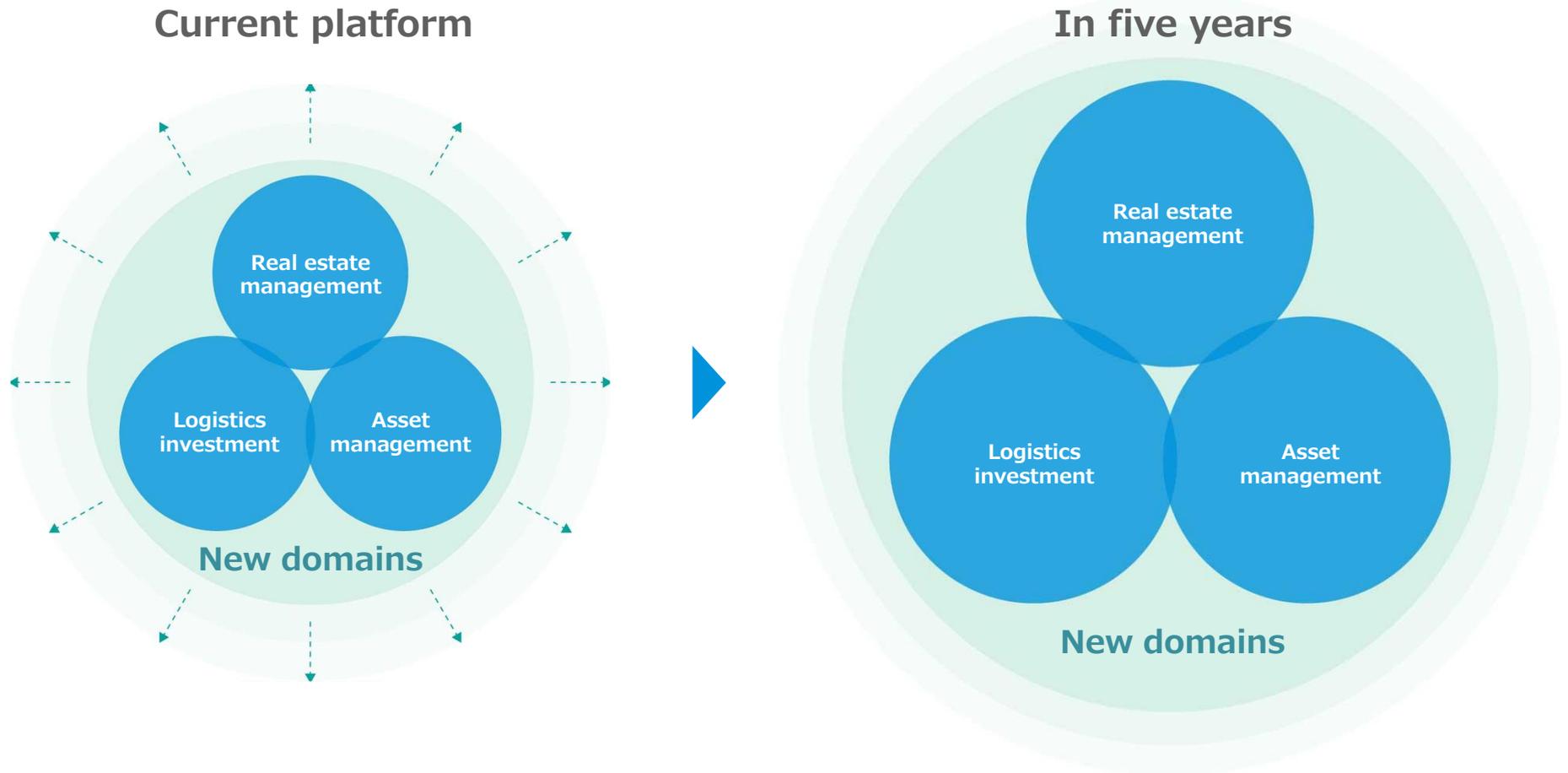
**No.1 corporate group with
Logistics Infrastructure Platform
that connects people
and things of our world**



Our logistics infrastructure platform is a collection of all the solutions offered by the CRE Group.



Seek growth in existing domains
by extending activities to new areas of pursuit.



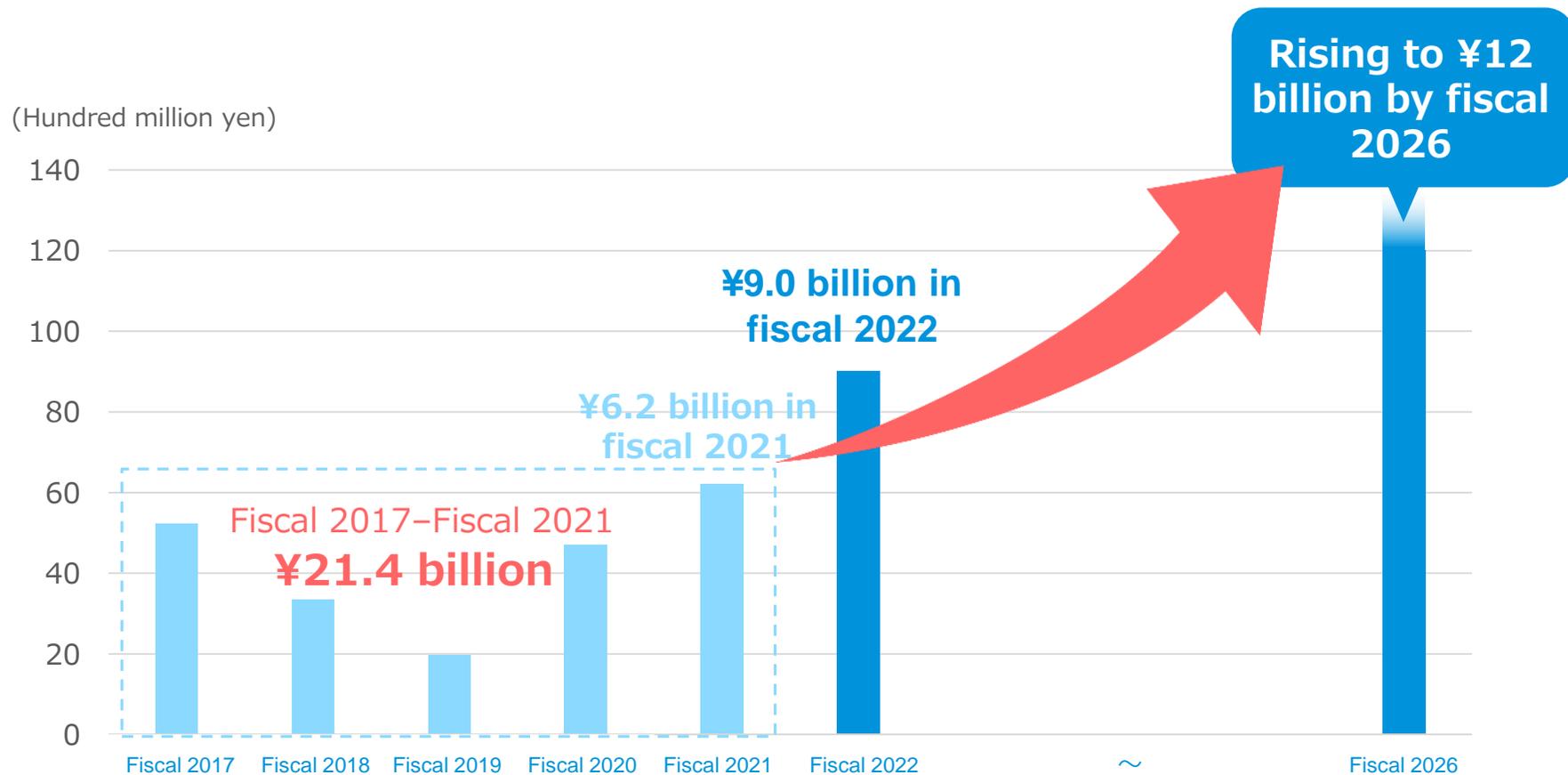
Policies and Strategies under Second Medium-Term Management Plan

	Real estate management business	Logistics investment business	Asset management business	
Further growth	Policy	Expand floor space under management	Development results exceeding ¥200 billion in five years' time	① Double assets under management at CRE REIT* ② Balance private placements and open recruitment
	Strategy	<ul style="list-style-type: none"> • Master leasing: Increase floor space through master lease fund • Property management: Increase floor space through development properties 	<ul style="list-style-type: none"> • Differentiate property specifications • Robust use of soil contaminated sites • Acquire medium- to long-term development base sites • Decarbonization (<i>LogiSquare</i>) 	① Stable property supply ② Form small- and medium-sized warehouse private REITs, and expand private placement funds, including development
Expansion/profitability	Overseas business (new domains)			
	Policy	Take robust approach to real estate investment in ASEAN region		
	Strategy	<ul style="list-style-type: none"> • Vietnam: Continue to develop warehouses • Indonesia: Develop warehouses, establish asset management company, capture asset management demand • Capture asset management demand in Thailand 		
	New business (new domains)			
	Policy	Deliver profits independently as corporate group with logistics infrastructure platform		
Strategy	<ul style="list-style-type: none"> • Emphasize approaches to support growth through lateral business collaboration • Expand services utilizing status as corporate group with logistics infrastructure platform and build wider network 			

*Note: CRE REIT refers to CRE Logistics REIT, Inc.. The same applies hereafter.

Second Medium-Term Management Plan — Fiscal 2026 Commitment

We will turn the development business into a driver of growth, steadily grow core stock*1 and work toward **business profit*2 of ¥12 billion**.

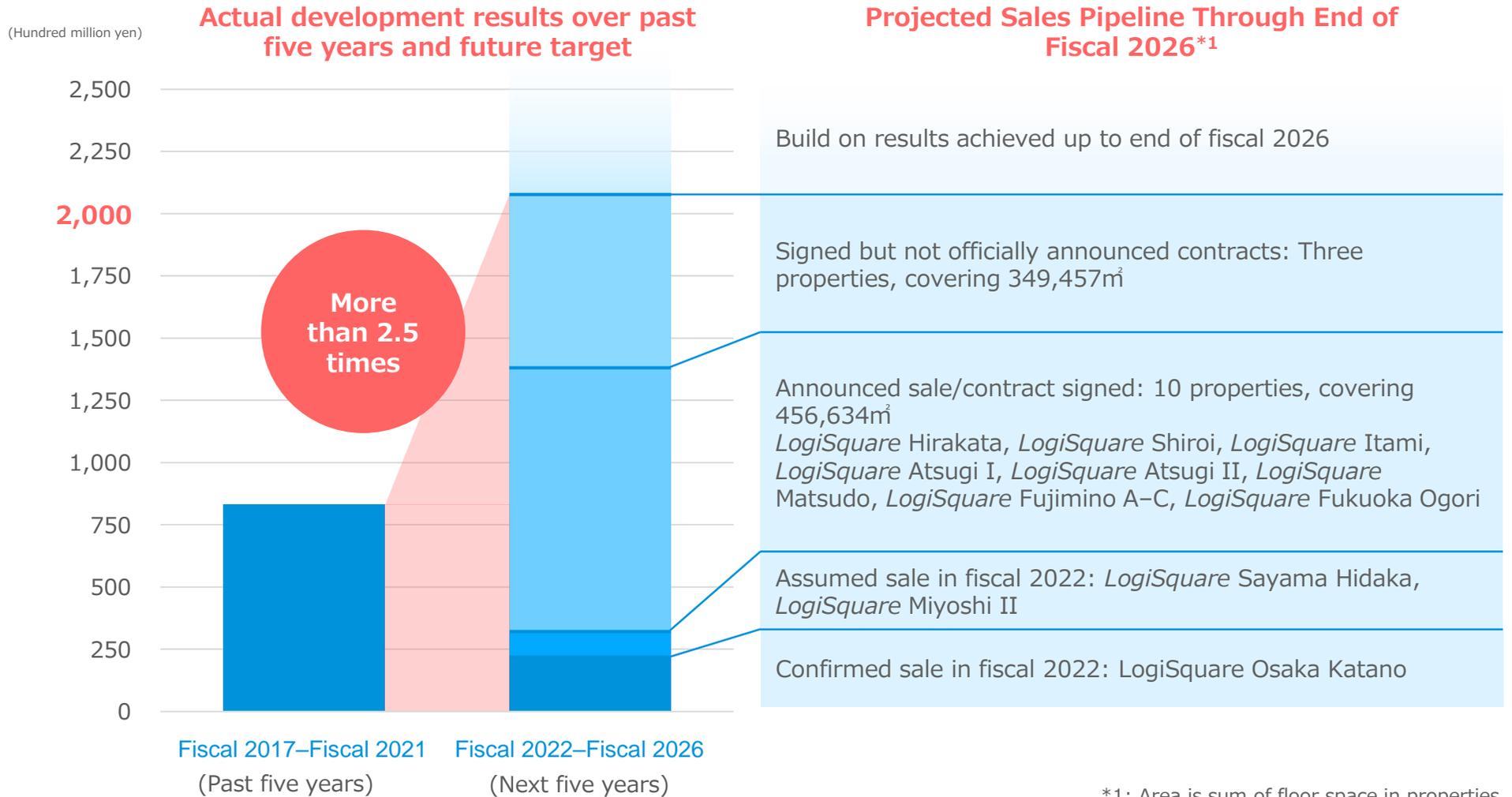


*1: Core stock = Income from CRE's own real estate management business (excluding subcontractor income on new buildings and income from real estate sales) + Performance fees on asset management during the fiscal year

*2: Business profit = Operating income + Equity in earnings of affiliates + Goodwill amortization (consolidated subsidiaries/equity method affiliates)

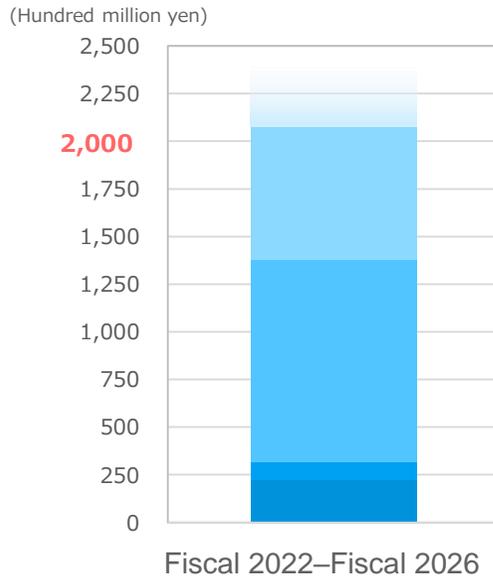
Growth in Flow Business (Contribution to Stock Business): Logistics Investment Business

Aiming for development results exceeding ¥200 billion in five years' time and project investment return ratio of more than 15%.



*1: Area is sum of floor space in properties.

Solo development



+

Joint development

Existing pipeline exceeding ¥200 billion
+ future results

Five-year average: Sales worth about
¥40 billion – ¥50 billion per year

- ① CRE REIT: Continuous supply of properties to double assets under management within five years
- ② Private funds: Deepen investor base, and contribute to stable development activities

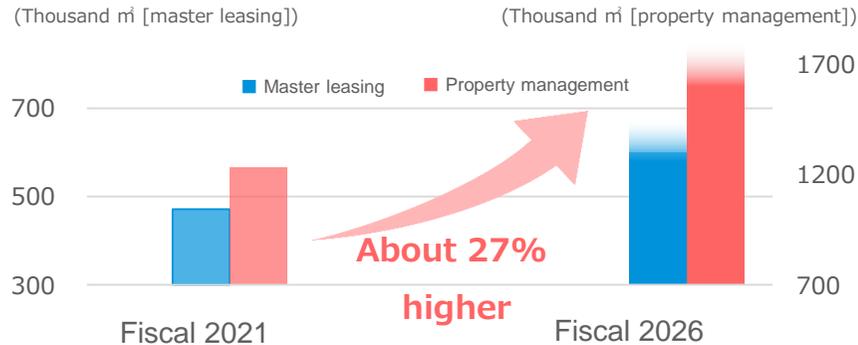
Take robust approach to joint development projects to gain
access to more development opportunities

- ① Joint projects: Utilize external capital to increase investment opportunities
- ② Development-type funds: Provide investment opportunities to domestic and international investors

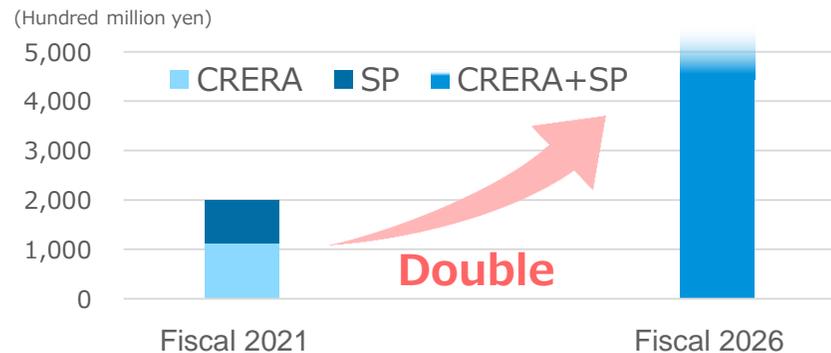
Growth in Stock Business: Real Estate Management, Asset Management

Expand floor space under management and build up assets under management to grow core stock*1 business.

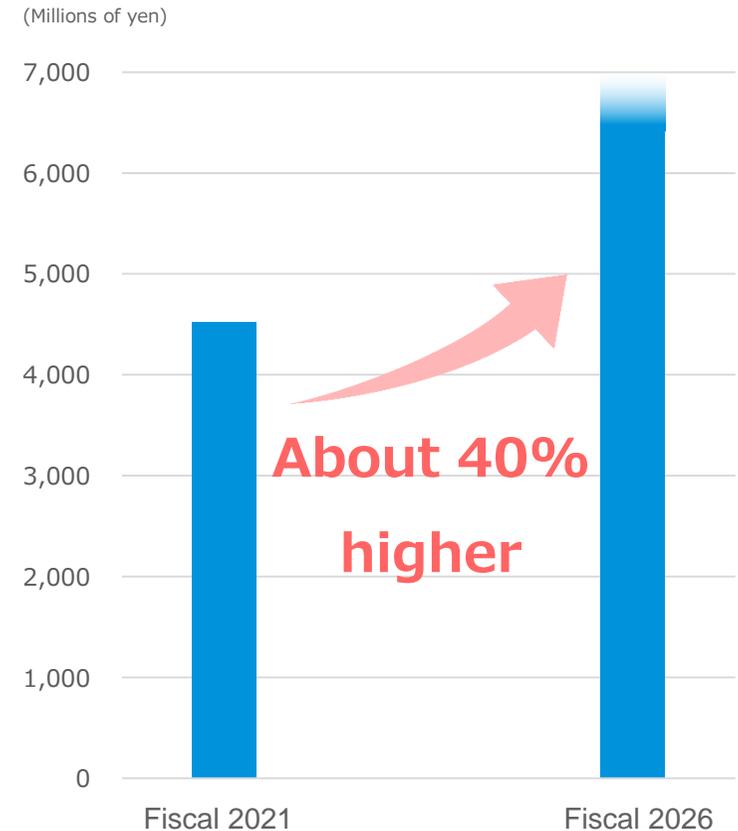
Expand floor space under management with view to profitability



Double Group assets under management



Income growth in core stock business

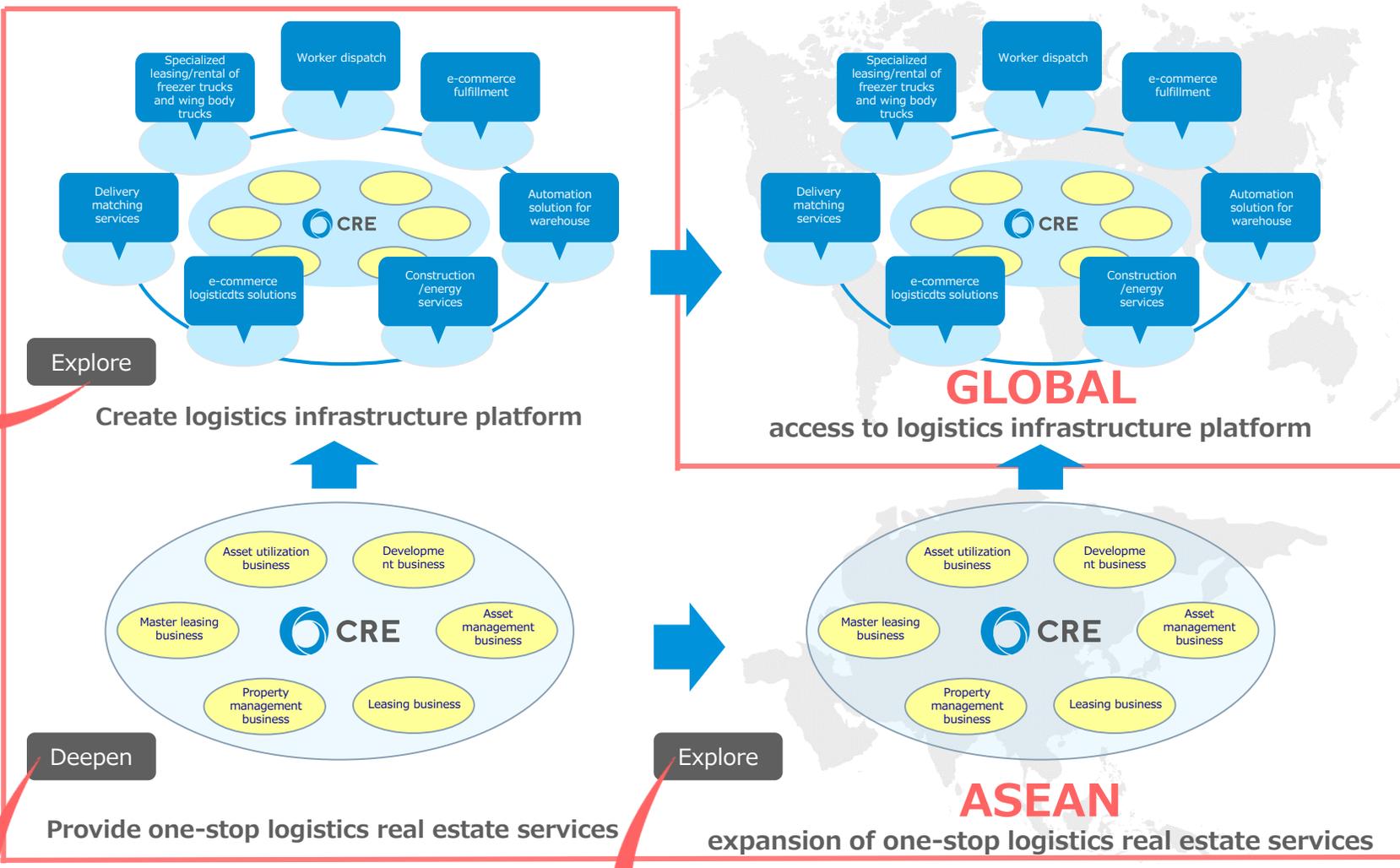


*1: Core stock = Income from CRE's own real estate management business (excluding subcontractor income on new buildings and income from real estate sales) + Performance fees on asset management during the fiscal year

Initiatives in New Domains (Overseas Business, New Business)

Business Domains

New
Existing



Complement presence, deliver profits

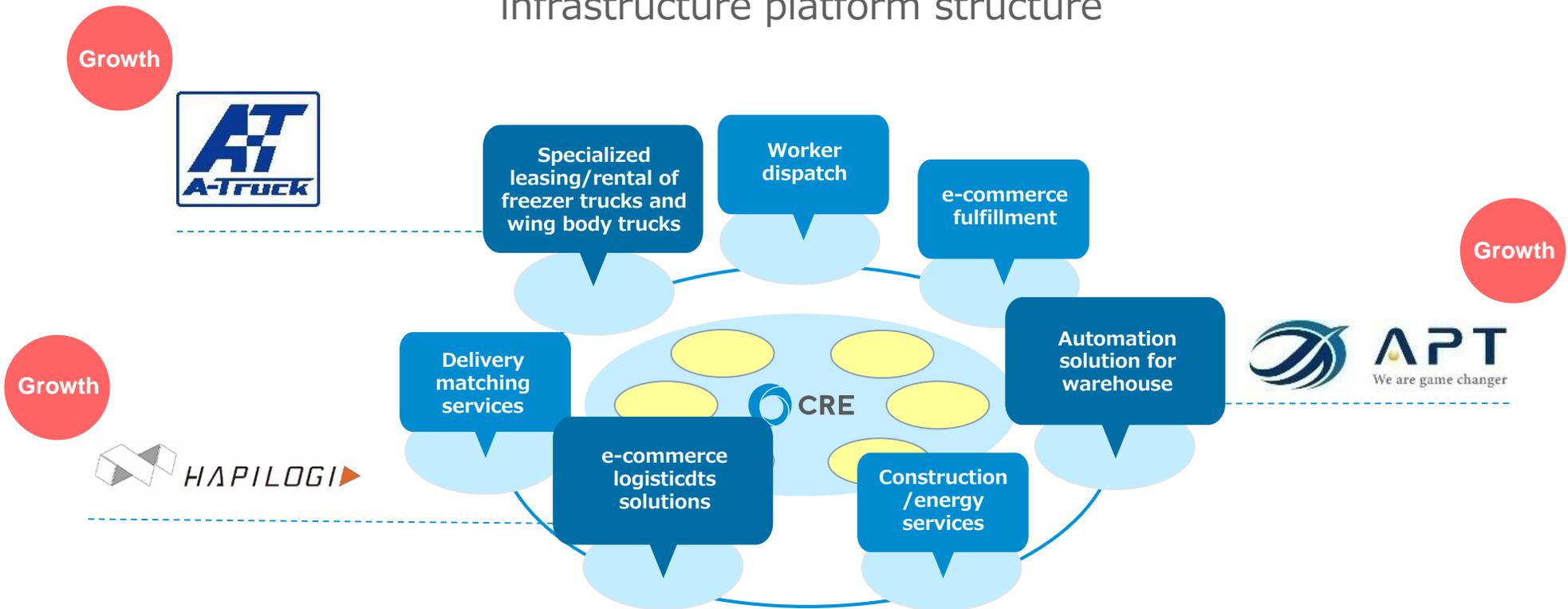
Further growth

Expand presence, deliver profits

Area expansion

New domains should account for 10% of business profit*1 by fiscal 2026.

Profitability of core companies under logistics infrastructure platform structure



Growth of HAPILOGI, APT and A-Truck

*1: Business profit = Operating income + Equity in earnings of affiliates + Goodwill amortization (consolidated subsidiaries/equity method affiliates)

New domains should account for 10% of business profit*1 by fiscal 2026.

Profitability of overseas business
(in ASEAN region)

Vietnam:

Continue warehouse development

Indonesia:

Establish warehouse development
and asset management companies

Thailand:

Capture asset management demand

ASEAN:

Establish real estate fund

+

Other ASEAN countries:

Consider logistics real estate investment opportunities

*1: Business profit = Operating income + Equity in earnings of affiliates + Goodwill amortization (consolidated subsidiaries/equity method affiliates)

Business Scale CRE Seeks to Achieve in Five Years

Become leading company in logistics real estate domain

Expand business base through reinvestment of profits obtained through flow business

Increase assets under management and floor space under management to lift core stock*1 income

	Fiscal 2021	Fiscal 2026	Comment
Business profit*2	¥6.2 billion	¥12 billion	Double in five years (18% average annual increase)
Pipeline	¥200 billion	¥350 billion	Fiscal 2026 amount represents pipeline for fiscal 2027 onward
Floor space under management	Master leasing : 1,557,942㎡	Master leasing: 2,000,000㎡	About 27% higher over span of five years
	Property management : 4,165,996㎡	Property management: 5,290,000㎡	About 27% higher over span of five years
Assets under management	¥200 billion	¥450 billion	Double in five years
Core stock*1 income	¥4.5 billion	¥6.5 billion	About 40% higher over span of five years
ROE	15%	Above 15%	

*1: Core stock = Income from CRE's own real estate management business (excluding subcontractor income on new buildings and income from real estate sales) + Performance fees on asset management during the fiscal year

*2: Business profit = Operating income + Equity in earnings of affiliates + Goodwill amortization (consolidated subsidiaries/equity method affiliates)

The CRE Group will implement various measures that contribute to the achievement of sustainable development goals (SDGs).

Related SDGs	Strategies
  	<ul style="list-style-type: none"> ■ Use solar power generating systems at facilities (EnBio C Energy) ■ Move to 100% renewable energy through installation of solar power panels at development properties ■ Seek Global Real Estate Sustainability Benchmark (GRESB) assessment and implement green finance for CRE Logistics REIT
  	<ul style="list-style-type: none"> ■ Obtain environmental assessments for development properties: Building Energy-Efficiency Labeling System (BELS) and Comprehensive Assessment System for Built Environmental Efficiency (CASBEE) ■ Install equipment/systems at development properties such as LED lighting, promote use of well water and more greenery around the building(s) ■ Prepare measures to deal with soil contamination ■ Pursue joint efforts to preserve history (assistance with excavations)
  	<ul style="list-style-type: none"> ■ Create local employment through warehouse development ■ Support for organizations that contribute to society: Backers Terakoya, Kodomo Shokudo ("Children's Cafeteria") * ■ Sponsor courses at universities: Sofia University, Meiji University*

*As of July 31, 2021

Return Profits to Shareholders in Line with Growth in Stock Business

- We will draw on earned surplus from the stock business to distribute dividends to shareholders and will strive to steadily increase dividend payments over the long term commensurate with continuous growth.
- We will reinvest earned surplus from the flow business into logistics facility development, M&As to reinforce the stock business, and new domains to underpin long-term growth, and to purchase treasury stock.

Capital Strategies

