

CRE Logistics REIT, Inc.
Summary of Financial Results (Unaudited)
For the 14th Fiscal Period Ended June 30, 2023
(For the Reporting Period from January 1, 2023 to June 30, 2023)
(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: September 27, 2023
 Scheduled date to commence payment of distributions: September 15, 2023
 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. 14th Fiscal Period ended June 30, 2023 (January 1, 2023-June 30, 2023)

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

	Operating revenues		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal period ended								
June 30, 2023	4,239	(26.4)	2,330	(39.0)	2,001	(43.5)	2,000	(43.5)
December 31, 2022	5,758	48.7	3,818	80.1	3,543	93.8	3,542	93.9

	Net income per unit	Return on unitholders' equity	Ordinary income to total assets	Ordinary income on operating revenues
Fiscal period ended	Yen	%	%	%
June 30, 2023	3,361	2.5	1.3	47.2
December 31, 2022	6,273	4.7	2.5	61.5

(Note 1) The Investment Corporation issued 60,000 new investment units on April 3, 2023 and 3,000 new investment units on May 2, 2023. Net income per unit for the fiscal period ended June 30, 2023 is calculated by dividing net income by the weighted average number of investment units (595,197 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	%	%
June 30, 2023	3,187	2,000	439	275	3,626	2,276	100.0	2.3
December 31, 2022	6,274	3,542	0	-	6,274	3,542	100.0	4.7

(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, 2023 was 0.004. 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, 2023 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
June 30, 2023	162,250	85,176	52.5	135,695
December 31, 2022	141,248	76,694	54.3	135,815

(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
June 30, 2023	1,974	(22,526)	18,286	3,304
December 31, 2022	5,511	(3,644)	(3,219)	5,569

2. Forecast for the 15th Fiscal Period ending December 2023 (July 1, 2023-December 31, 2023) and the 16th Fiscal Period ending June 2024 (January 1, 2024-June 30, 2024) (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
December 31, 2023	4,537	7.0	2,472	6.1	2,151	7.5	2,150	7.5	3,785	3,426	359
June 30, 2024	4,471	(1.5)	2,363	(4.4)	2,047	(4.8)	2,046	(4.8)	3,619	3,259	360

(Reference) Forecast net income per unit (Forecast net income/ Forecast number of investment units at the end of the fiscal period) for the 15th Fiscal Period ending December 2023 is 3,425 yen and forecast net income per unit for the 16th Fiscal Period ending June 2024 is 3,259 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 June 30, 2023	627,700 units	As of December 31, 2022	564,700 units
2. Total number of treasury investment units at the end of the fiscal period	As of June 30, 2023	0 units	As of December 31, 2022	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 these financial results, including forecasts of performance, are based on information currently available to CRE REIT and on certain assumptions CRE REIT 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 15th Fiscal Period ending December 2023 (July 1, 2023-December 31, 2023) and the 16th Fiscal Period ending June 2024 (January 1, 2024-June 30, 2024)” for details on the underlying assumptions for the forecasts above.

Assumptions for Operating Forecasts for the 15th Fiscal Period ending December 2023 (July 1, 2023-December 31, 2023) and the 16th Fiscal Period ending June 2024 (January 1, 2024-June 30, 2024)

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> - 15th Fiscal Period (Ending December 31, 2023): July 1, 2023-December 31, 2023 (184 days) - 16th Fiscal Period (Ending June 30, 2024): January 1, 2024-June 30, 2024 (182 days)
Assets under management	<ul style="list-style-type: none"> - CRE REIT possesses the real estate trust beneficiary rights in the total of 21 properties as of June 30, 2023("Assets Currently Held"). Thereafter, it is assumed that there will be no changes (acquisition of new properties or the disposition of properties held, etc.) in the 21 properties under management through June 30, 2024. - However, there may be changes due to acquisition of new properties or sale of properties held.
Operating revenues	<ul style="list-style-type: none"> - Real estate leasing business revenues are calculated based on lease contracts that are in effect as of the date of submission of these financial results, historical results, tenant and market trends, and the competitiveness of the property. - The calculations assume that there will be no delinquencies or defaults on rent payments on the part of tenants.
Operating expenses	<ul style="list-style-type: none"> - Regarding real estate leasing expenses, which are the main operating expenses, expenses other than depreciation are calculated by taking into consideration variable factors such as expenses assumed to be incurred (taxes and public dues, entrusted property management, property insurance, repairs, etc.) based on the historical results. - In general, property taxes, city planning taxes and other charges levied on transacted real estate are settled at the time of acquisition by prorating for the period with the previous owners or the previous beneficiaries, and CRE REIT capitalizes the amounts equivalent to such settled amounts in the acquisition costs for properties. Therefore, property taxes, city planning taxes and other charges levied on the acquired asset for the fiscal period ended June 30, 2023 will not be booked as expenses for the fiscal period ending December 31, 2023, and property taxes, city planning taxes and other charges levied on the acquired asset for the fiscal period ended June 30, 2023 for fiscal year 2024 will be booked as expenses from the fiscal period ending June 30, 2024. Property taxes, city planning taxes and other charges levied on the assets acquired before the fiscal period ended December 31, 2022 are expected to be 384 million yen at the fiscal period ending December 31, 2023. Property taxes, city planning taxes and other charges levied on the Assets Currently Held are expected to be 443 million yen at the fiscal period ending June 30, 2024. - Depreciation is calculated using the straight line method, and it is expected to be 752 million yen in the fiscal period ending December 31, 2023 and 754 million yen in the fiscal period ending June 30, 2024. - Entrusted property management fees are expected to be 265 million yen for the fiscal period ending December 31, 2023 and 264 million yen for the fiscal period ending June 30, 2024.
Non-operating expenses	<ul style="list-style-type: none"> - Non-operating expenses for the fiscal period ending December 31, 2023 are expected to be 320 million yen. This amount will include the payment of 305 million yen for interest and other financing-related expenses and 9 million yen for the amortization of investment unit issuance costs. - Non-operating expenses for the fiscal period ending June 30, 2024 are expected to be 316 million yen. This amount will include the payment of 303 million yen for interest and other financing-related expenses and 7 million yen for the amortization of investment unit issuance costs.
Interest-bearing debt	<ul style="list-style-type: none"> - It is assumed that total interest-bearing debt will be 71,029 million yen at the end of the fiscal period ending December 31, 2023 and 70,819 million yen at the end of the fiscal period ending June 30, 2024. - In the fiscal period ending December 31, 2023, while long-term borrowings of 2,900 million yen became due on July 31, 2023, the same amount was refinanced. - In the fiscal period ending June 30, 2024, while long-term borrowings of 3,680 million yen will become due on January 31, 2024, it is assumed that the same amount will be refinanced. - The loan-to-value (LTV) ratio is expected to be around 44.1% at the end of the fiscal period ending December 31, 2023 and around 44.3% at the end of the fiscal period ending June 30, 2024. The following formula is used to calculate the LTV ratio, with numbers rounded off to the first decimal place. $\text{LTV ratio} = \frac{\text{Total interest-bearing debt}}{\text{Total assets}} \times 100$

Item	Assumptions
Investment units	<ul style="list-style-type: none"> - The assumptions for these forecasts are based on a total number of investment units issued of 627,700, as of the date of submission of these financial results. The forecasts do not factor in any assumption of a change in the number of investment units through June 30, 2024 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 627,700 for the fiscal period ending December 31, 2023 and the fiscal period ending June 30, 2024.
Distributions per unit (excluding surplus distributions)	<ul style="list-style-type: none"> - Distributions per unit (excluding surplus distributions) are calculated in accordance with CRE REIT's policy on the distribution of cash as stipulated in its Articles of Incorporation. - Distributions per unit (excluding surplus distributions) may change for a variety of reasons, including changes in CRE REIT's investment assets, changes in leasing revenues due to tenant movements, etc., and/or the occurrence of unforeseen repairs and maintenance, etc.
Surplus distributions per unit	<ul style="list-style-type: none"> - Surplus distributions per unit are calculated in accordance with the policies stipulated in CRE REIT's Articles of Incorporation as well as the asset management guidelines provided in the asset management company's internal rules. - It is assumed that there will be no specific possibility of significant deterioration in the economic environment, the real estate market conditions or CRE REIT's financial condition. - While CRE REIT has a policy of continuously implementing surplus distribution for each fiscal period, in principle, with an amount equivalent to 30% of depreciation as a benchmark, CRE REIT has decided to implement this policy flexibly to level distributions within the range equivalent to 30% of depreciation. - In addition, in cases where distributions per unit are expected to decline temporarily to a certain extent due to the dilution of the investment unit value or a significant financial burden as a result of the procurement of funds through the issuance of new investment units or for other reasons, CRE REIT may implement temporary surplus distributions, in addition to the continuous surplus distributions, with a view to standardizing the amount of distributions per unit. However, the total amount of continuous surplus distributions and temporary surplus distributions shall not exceed the amount equivalent to 60% of depreciation for the relevant fiscal period. - The amount of surplus distributions (return of contributions) may change due to factors such as the economic environment, trends in the real estate market, the situation surrounding owned assets, and financial conditions, and the surplus distribution (return of contributions) may not be implemented as a result.
Other	<ul style="list-style-type: none"> - It is assumed that there will be no change in legislation, taxation, accounting standards, listing regulations imposed by the Tokyo Stock Exchange, rules and requirements imposed by The Investment Trusts Association, Japan, etc., that will impact the above forecasts. - It is assumed that there will be no unforeseen material changes in general economic trends, real estate market conditions, etc.

3. Financial Statements
(1) Balance Sheet

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	2,888,703	717,806
Cash and deposits in trust	4,041,179	4,251,824
Operating accounts receivable	103,810	86,746
Prepaid expenses	147,001	156,989
Consumption taxes receivable	—	929,030
Total current assets	7,180,695	6,142,397
Non-current assets		
Property, plant and equipment		
Buildings in trust	69,122,327	79,127,987
Accumulated depreciation	(4,570,548)	(5,248,262)
Buildings in trust, net	64,551,779	73,879,724
Structures in trust	3,100,272	3,470,377
Accumulated depreciation	(172,187)	(196,475)
Structures in trust, net	2,928,084	3,273,902
Tools, furniture and fixtures in trust	3,322	20,767
Accumulated depreciation	(1,313)	(2,422)
Tools, furniture and fixtures in trust, net	2,009	18,344
Land in trust	66,285,421	78,626,947
Total property, plant and equipment	133,767,294	155,798,919
Intangible assets		
Other	1,817	1,548
Total intangible assets	1,817	1,548
Investments and other assets		
Investment securities	10,500	10,500
Long-term prepaid expenses	237,645	235,190
Deferred tax assets	11	20
Leasehold and guarantee deposits	10,000	10,000
Total investments and other assets	258,156	255,710
Total non-current assets	134,027,268	156,056,179
Deferred assets		
Investment unit issuance expenses	18,804	32,411
Investment corporation bond issuance costs	21,681	19,497
Total deferred assets	40,486	51,908
Total assets	141,248,449	162,250,485

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Operating accounts payable	231,867	271,316
Short-term borrowings	—	1,680,000
Current portion of long-term borrowings	6,580,000	6,580,000
Accrued expenses	428,123	350,494
Income taxes payable	832	1,023
Consumption taxes payable	83,501	—
Advances received	704,128	807,650
Other	156,899	357,785
Total current liabilities	8,185,353	10,048,269
Non-current liabilities		
Investment corporation bonds	4,000,000	4,000,000
Long-term borrowings	50,089,000	60,239,000
Leasehold and guarantee deposits received in trust	2,266,747	2,774,946
Other	12,374	11,955
Total non-current liabilities	56,368,122	67,025,902
Total liabilities	64,553,476	77,074,172
Net assets		
Unitholders' equity		
Unitholders' capital	74,295,196	84,318,685
Deduction from unitholders' capital	(1,143,170)	(1,143,170)
Unitholders' capital, net	73,152,025	83,175,514
Surplus		
Unappropriated retained earnings (undisposed loss)	3,542,947	2,000,797
Total surplus	3,542,947	2,000,797
Total unitholders' equity	76,694,973	85,176,312
Total net assets	76,694,973	85,176,312
Total liabilities and net assets	141,248,449	162,250,485

(2) Statement of Income

	(Thousands of yen)	
	Fiscal period ended December 31, 2022	Fiscal period ended June 30, 2023
Operating revenue		
Leasing business revenue	3,815,930	4,098,885
Other leasing business revenue	134,868	140,688
Gain on sales of real estate properties	1,807,379	—
Total operating revenue	5,758,178	4,239,573
Operating expenses		
Expenses related to leasing business	1,415,290	1,476,107
Asset management fees	449,045	365,277
Asset custody fees	2,364	2,368
Administrative service fees	18,755	18,647
Remuneration for directors (and other officers)	4,500	4,500
Other operating expenses	50,137	42,560
Total operating expenses	1,940,092	1,909,461
Operating income	3,818,086	2,330,112
Non-operating income		
Interest income	35	31
Reversal of distributions payable	131	91
Refund of real estate taxes	—	4,799
Total non-operating income	167	4,923
Non-operating expenses		
Interest expenses	165,328	177,402
Interest expenses on investment corporation bonds	12,500	12,500
Borrowing related expenses	80,237	116,522
Amortization of investment unit issuance expenses	11,892	11,005
Amortization of investment corporation bond issuance costs	2,184	2,184
Other	2,434	13,623
Total non-operating expenses	274,576	333,238
Ordinary income	3,543,676	2,001,796
Income before income taxes	3,543,676	2,001,796
Income taxes - current	837	1,027
Income taxes - deferred	2	(9)
Total income taxes	840	1,018
Net income	3,542,836	2,000,777
Retained earnings brought forward	111	20
Unappropriated retained earnings (undisposed loss)	3,542,947	2,000,797

(3) Statement of Unitholders' Equity

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	(1,143,170)	73,152,025	3,542,947	3,542,947	76,694,973	76,694,973

Fiscal period ended June 30, 2023

(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	(1,143,170)	73,152,025	3,542,947	3,542,947	76,694,973	76,694,973
Changes during period							
Issuance of new investment units	10,023,489		10,023,489			10,023,489	10,023,489
Dividends of surplus				(3,542,927)	(3,542,927)	(3,542,927)	(3,542,927)
Net income				2,000,777	2,000,777	2,000,777	2,000,777
Total changes during period	10,023,489	—	10,023,489	(1,542,149)	(1,542,149)	8,481,339	8,481,339
Balance at end of period	84,318,685	(1,143,170)	83,175,514	2,000,797	2,000,797	85,176,312	85,176,312

(4) Statement of Cash Flows

(Thousands of yen)

	Fiscal period ended December 31, 2022	Fiscal period ended June 30, 2023
Cash flows from operating activities		
Income before income taxes	3,543,676	2,001,796
Depreciation	658,198	703,378
Amortization of investment unit issuance expenses	11,892	11,005
Amortization of investment corporation bond issuance costs	2,184	2,184
Interest income	(35)	(31)
Interest expenses	177,828	189,902
Decrease (increase) in operating accounts receivable	24,700	17,064
Decrease (increase) in consumption taxes receivable	—	(929,030)
Decrease (increase) in prepaid expenses	8,890	(9,987)
Increase (decrease) in operating accounts payable	(23,327)	34,189
Increase (decrease) in accrued expenses	119,458	(78,261)
Increase (decrease) in consumption taxes payable	(190,362)	(83,501)
Increase (decrease) in advances received	8,814	103,522
Decrease (increase) in long-term prepaid expenses	59,629	2,455
Decrease in property, plant and equipment in trust due to sale	1,290,154	—
Other, net	1,469	199,589
Subtotal	5,693,171	2,164,276
Interest received	35	31
Interest paid	(180,641)	(189,270)
Income taxes paid	(894)	(836)
Net cash provided by (used in) operating activities	5,511,671	1,974,199
Cash flows from investing activities		
Acquisition of property, plant and equipment in trust	(3,663,291)	(22,729,476)
Repayments from leasehold and guarantee deposits received in trust	(39,034)	(4,916)
Proceeds from leasehold and guarantee deposits received in trust	86,962	513,115
Proceeds from restricted deposit	—	2,949
Payments into restricted deposits	(28,756)	(307,869)
Net cash provided by (used in) investing activities	(3,644,120)	(22,526,196)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	2,480,000
Repayments of short-term borrowings	—	(800,000)
Proceeds from long-term borrowings	1,200,000	13,830,000
Repayments of long-term borrowings	(2,400,000)	(3,680,000)
Proceeds from issuance of investment units	—	9,998,876
Distributions paid	(2,019,843)	(3,542,050)
Net cash provided by (used in) financing activities	(3,219,843)	18,286,825
Net increase (decrease) in cash and cash equivalents	(1,352,292)	(2,265,170)
Cash and cash equivalents at beginning of period	6,922,126	5,569,833
Cash and cash equivalents at end of period	5,569,833	3,304,662