

# **Consolidated Results for First Quarter of Fiscal Year ending July 31, 2020 (August 1, 2019 to October 31, 2019)**

December 11, 2019



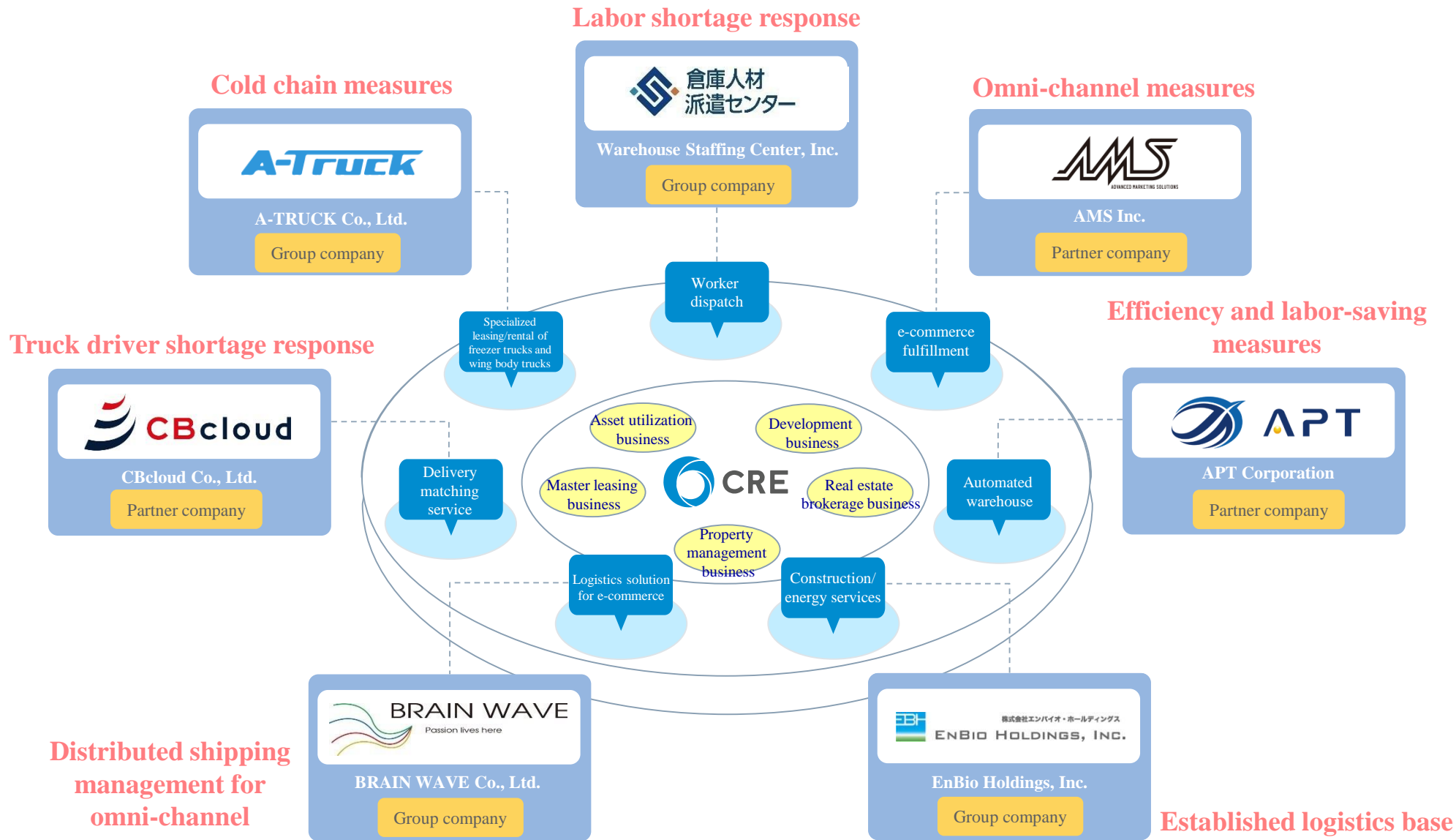
Code: 3458

Listing: First Section of the Tokyo Stock Exchange



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



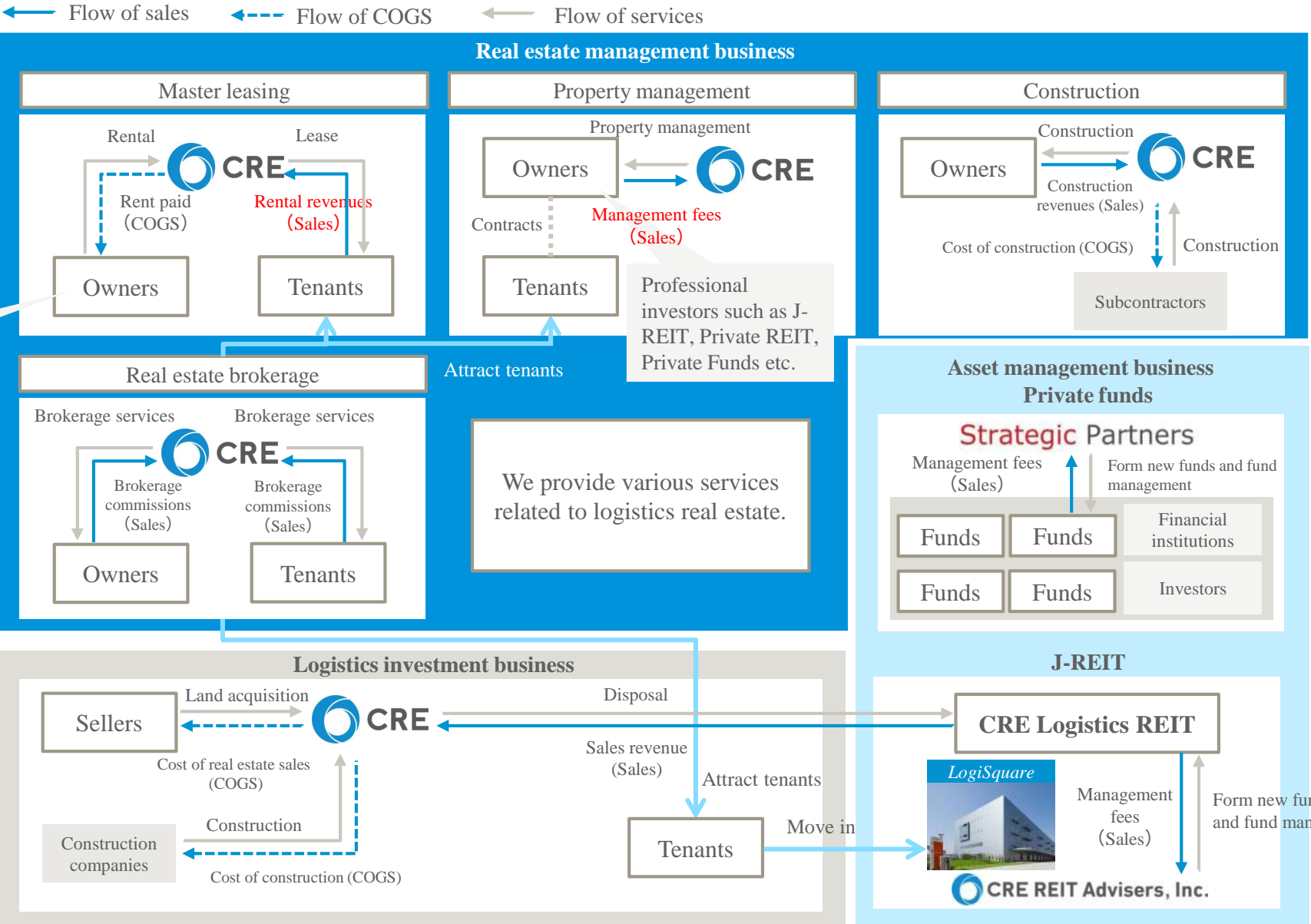
# Logistics Infrastructure Platform



# Classification of Group Companies

<p><b>Consolidated subsidiaries</b></p>	 Master leasing business and property management business	 Distribution platform business	 Self-storage business in Thailand	 Asset manager CRE Logistics REIT, Inc.	 Asset management business for privately placed funds	CRE Asia
<p><b>Equity method affiliates</b></p>	 Soil remediation-related activities	 Logistics facility leasing and development in Vietnam	 Specialized leasing/rental of freezer trucks and wing body trucks	Note: Included in consolidated accounting from fourth quarter.		
<p><b>Investment targets</b></p>	 Delivery matching service	 Automated warehouse	 e-commerce fulfillment	 Worker dispatch	 Brownfield remediation	 Property management business focusing on self-storage

# CRE Group's Main Business



# Contents

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# Topics (As of December 11, 2019)

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- Notice Regarding Purchase of Real Estate (Logistics Facility Development Property) Trust Beneficiary Rights<sup>2</sup>
- Started construction on *LogiSquare* Miyoshi II<sup>3</sup>
- Started construction on multi-tenant logistics facility *LogiSquare* Osaka Katano<sup>4</sup>
- Capital and business alliance between CRE and A-TRUCK Co., Ltd.<sup>1</sup>

Announced

1: September 25, 2019 2: October 31, 2019 3: November 1, 2019 4: November 19, 2019

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# Summary of Consolidated Results for First Quarter of Fiscal 2020



# Consolidated Results for First Quarter of Fiscal 2020

- Favorable sales, particularly in stock business.
- Posted goodwill amortization for this quarter of 59 million yen.
- Recurring profit up 65.1% compared with the same period of the previous year, thanks to equity-method investment profit of EnBio Holdings, Inc.

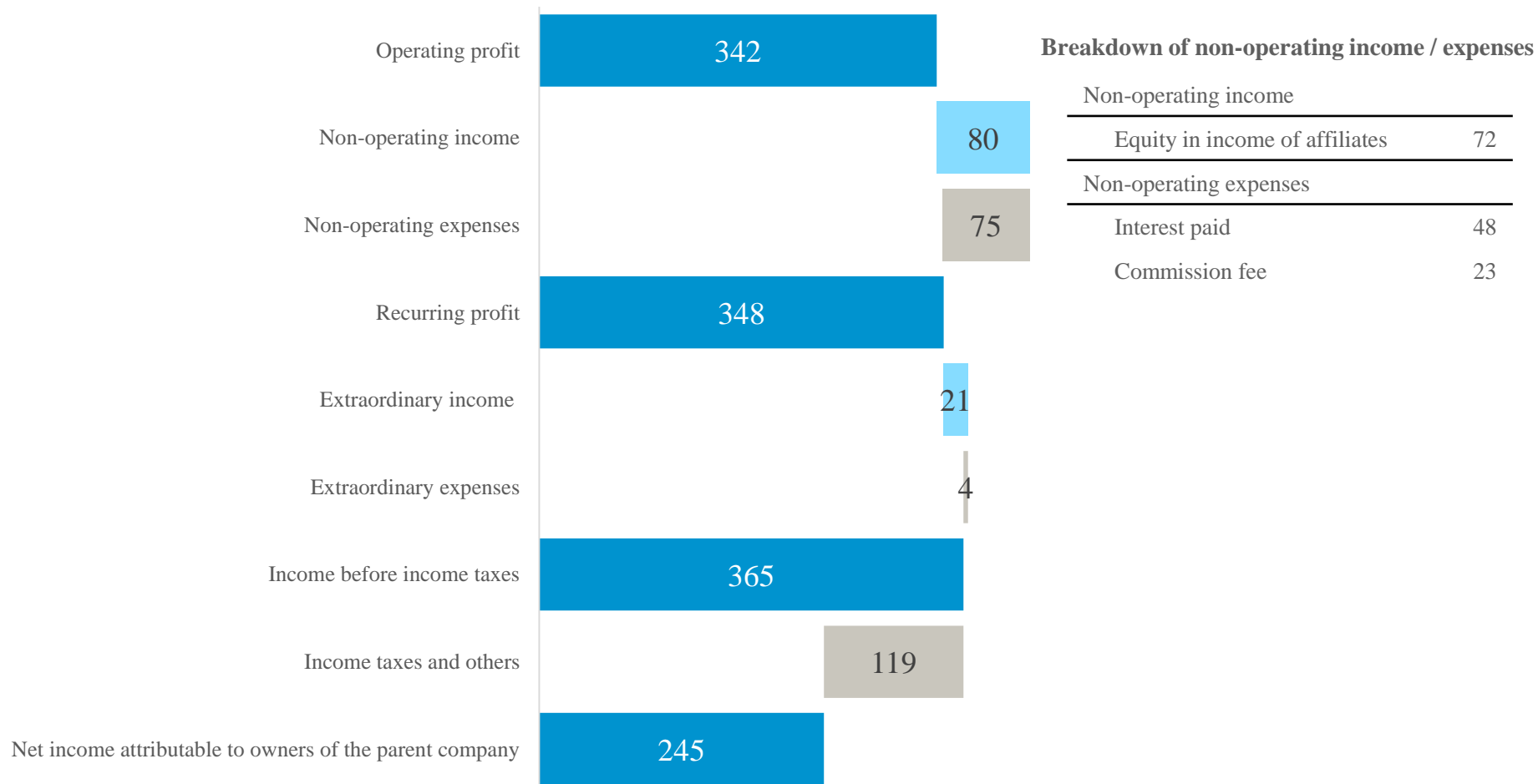
(Millions of yen)

	Fiscal 2019 First Quarter	Fiscal 2020 First Quarter	YOY change (%)	Fiscal 2020 Forecast	Progress (%)
Net sales	4,830	5,810	20.3%	43,600	13.3%
Gross profit	993	1,229	23.8%	—	—
Operating profit	239	342	42.8%	2,500	13.7%
Recurring profit	210	348	65.1%	2,100	16.6%
Net income	220	245	11.2%	1,300	18.9%
Earnings per share	¥8.86	¥9.77	10.3%	¥51.79	18.9%

CRE executed a two-for-one stock split on August 1, 2018, and net income per share and net income per share after adjustment for diluted shares have been calculated on the assumption that the two-for-one stock splits of common stock were conducted at the beginning of fiscal 2018.

# Breakdown of Profit

(Millions of yen)



# Results for Each Reporting Segment

- Real estate management business: Steady growth in master leasing rental revenues, which represents stock revenue, largely because LogiCom, Inc. was brought into the Group as a consolidated subsidiary from December 2018.
- Logistics investment business: Smooth progress on three development properties scheduled for completion this fiscal year.
- Asset management business: Higher sales, owing to performance fees and dividends from CRE Logistics REIT.

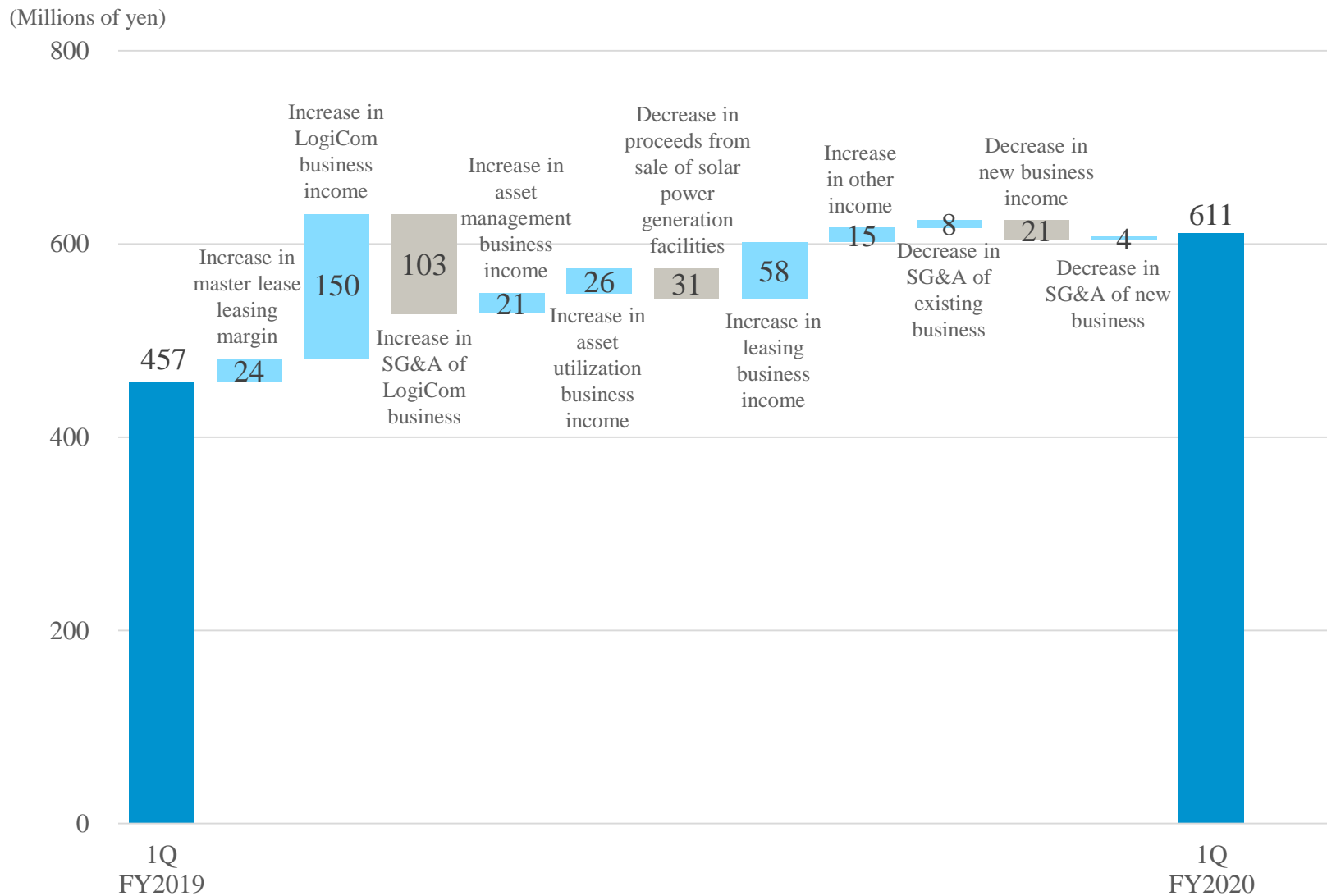
(Millions of yen)

	Fiscal 2019 First Quarter	Fiscal 2020 First Quarter	YOY change (%)
Net Sales	4,830	5,810	20.3%
Real estate management business	4,630	5,591	20.8%
Logistics investment business	14	8	(44.3%)
Asset management business	183	202	10.3%
Other operations	1	7	395.9%
Operating profit (Segment income)	239	342	42.8%
Real estate management business	371	508	37.0%
Logistics investment business	(37)	(39)	—
Asset management business	86	102	18.1%
Other operations	(2)	2	—
Adjustment	(178)	(231)	—

Note: Sales for each reporting segment represent sales to external customers.

# Profit from Stock Business

Stock business = Real estate management business + Asset management business



# Summary of Consolidated Balance Sheets

- Key components of real estate for sale: *LogiSquare Chitose*, *LogiSquare Kawagoe II*, *LogiSquare Ageo* and eight small-sized warehouses
- Key components of real estate for sale in process: *LogiSquare Miyoshi*, Sayama Hidaka IC development plan (tentative), *LogiSquare Osaka Katano*, *LogiSquare Kobe Nishi* and *LogiSquare Miyoshi II*

(Millions of yen)

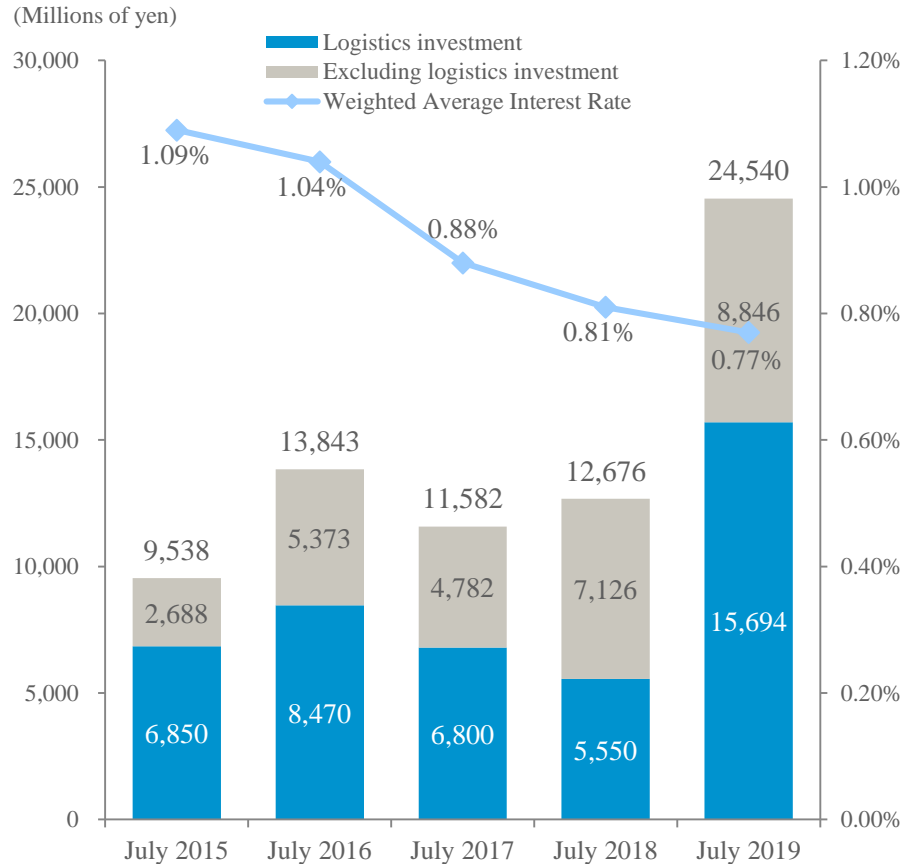
	As of July 31, 2019	As of October 31, 2019	YOY change (%)		As of July 31, 2019	As of October 31, 2019	YOY change (%)
Total assets	54,712	56,138	1,426	Total liabilities	37,167	38,606	1,439
Current Assets	36,245	37,099	853	Current liabilities	8,770	8,500	(270)
(Key components)				(Key components)			
Cash and deposits	9,032	7,455	(1,577)	Short-term loans payable, etc.※1	3,626	3,794	167
Accounts receivable-trade	422	313	(108)	Accounts payable – trade	1,917	1,412	(505)
Real estate for sale	9,931	10,814	883	Fixed liabilities	28,396	30,106	1,709
Real estate for sale in process	14,669	15,242	573	(Key components)			
Fixed assets	18,467	19,039	572	Long-term loans payable, etc.※2	20,913	22,362	1,448
(Key components)				Lease and guarantee deposits received	<6,497>	<6,622>	125
Tangible fixed assets	3,904	3,976	71	<b>Total net assets</b>	<b>17,545</b>	<b>17,531</b>	<b>(13)</b>
Intangible fixed assets	1,663	1,597	(65)	Common stock	2,195	2,196	1
Investments and other fixed assets	12,898	13,465	566	Capital surplus	3,784	3,785	1
<Lease and guarantee deposits>	<5,730>	<5,821>	91	Earned surplus	12,085	11,803	(281)
<b>Total assets</b>	<b>54,712</b>	<b>56,138</b>	<b>1,426</b>	<b>Total liabilities and net assets</b>	<b>54,712</b>	<b>56,138</b>	<b>1,426</b>

※1 Short-term loans payable, etc. = Short-term loans payable + Current portion of long-term loans payable + current portion of bond

※2 Long-term loans payable, etc. = Bond + Long-term loans payable

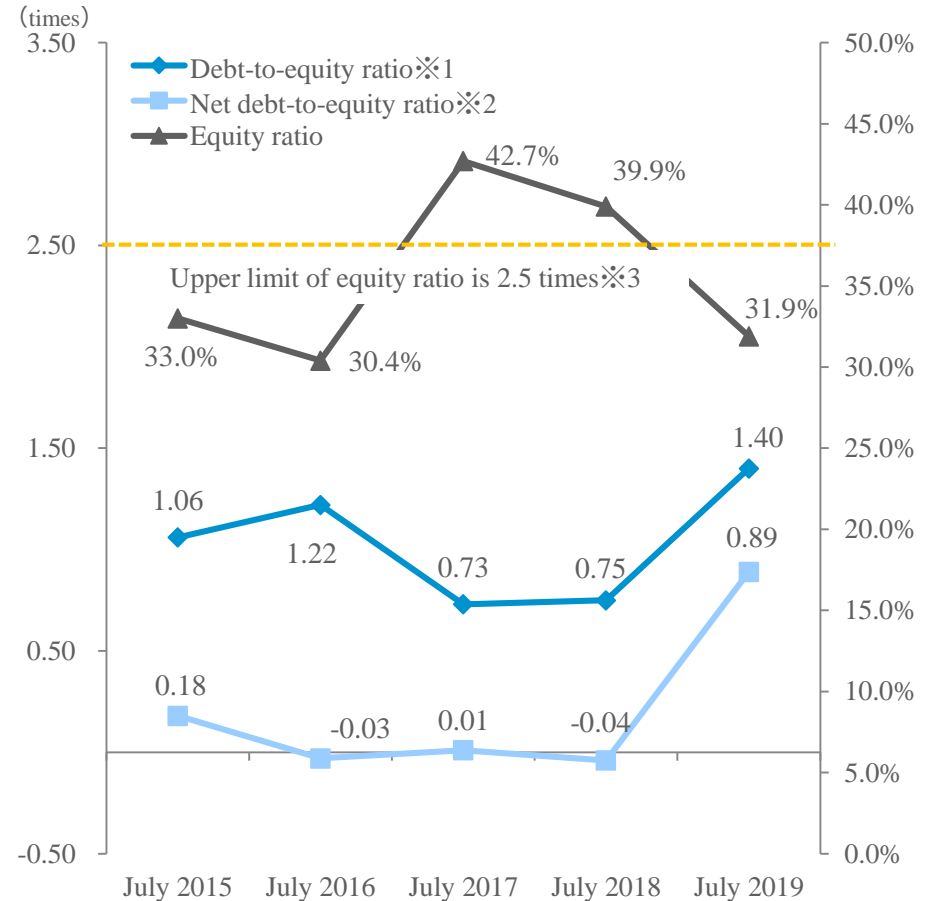
# Financial Position (as of July 31, 2019)

## Changes in Loan Balance and Changes in Weighted Average Interest Rate (Consolidated Basis)



(Number)	July 2015	July 2016	July 2017	July 2018	July 2019
Funding sources	9	15	15	20	24

## Key Indicators (Consolidated Basis)



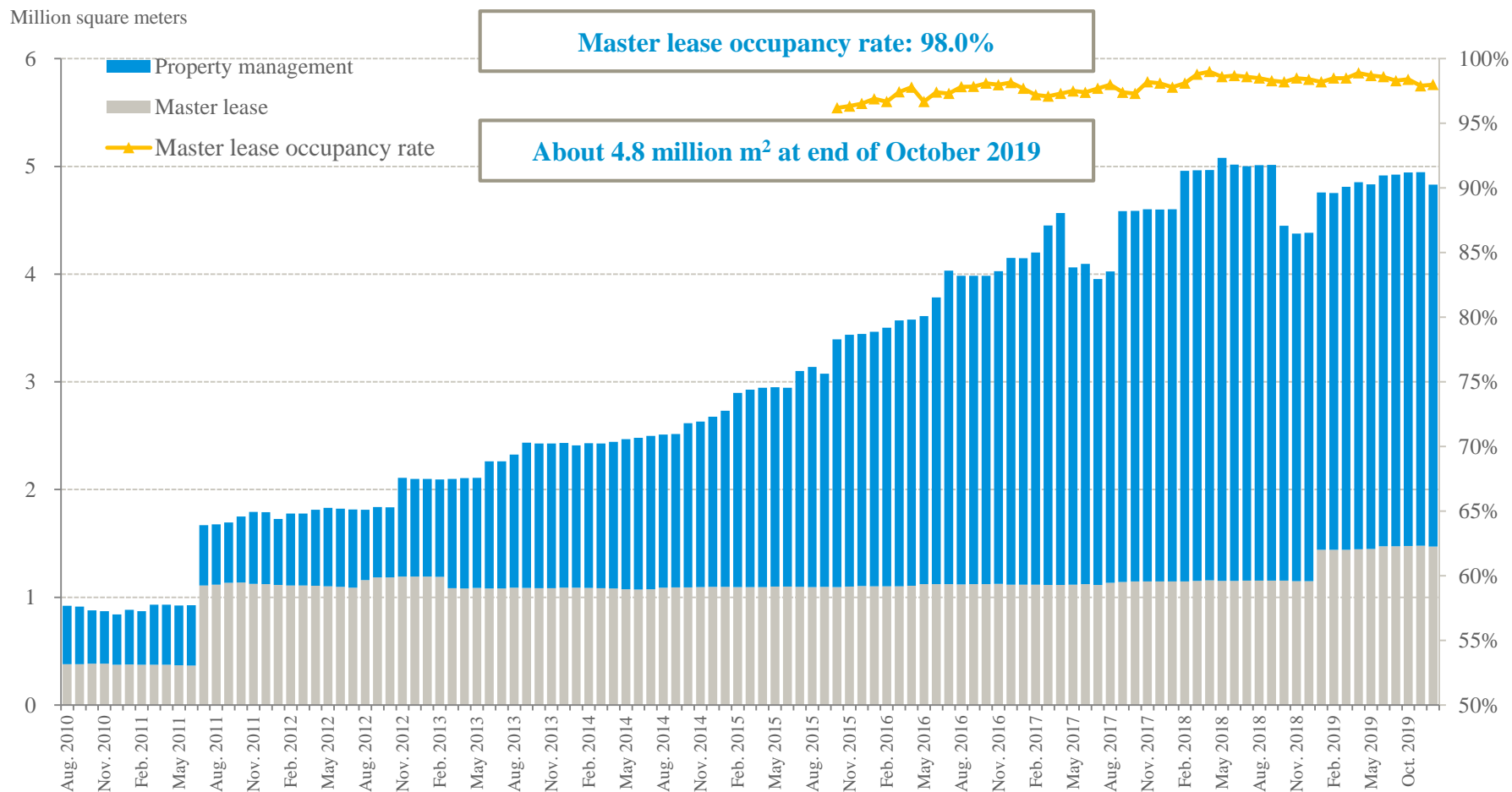
※1 Debt-to-equity ratio  
= interest-bearing debt (short-term loans payable + long-term loans payable) / equity capital

※2 Net debt-to-equity ratio  
= (interest-bearing debt (short-term loans payable + long-term loans payable) - cash and deposits) / equity capital

※3 CRE's target upper limit of net debt-to-equity ratio is 2.5 times. (Source: Long-term strategy announced September 12, 2016)

# Real Estate Management Business: Floor Space under Management

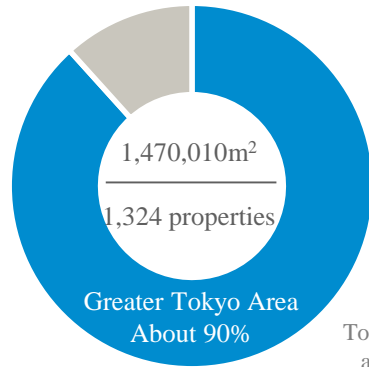
## Change in Floor Space under Management



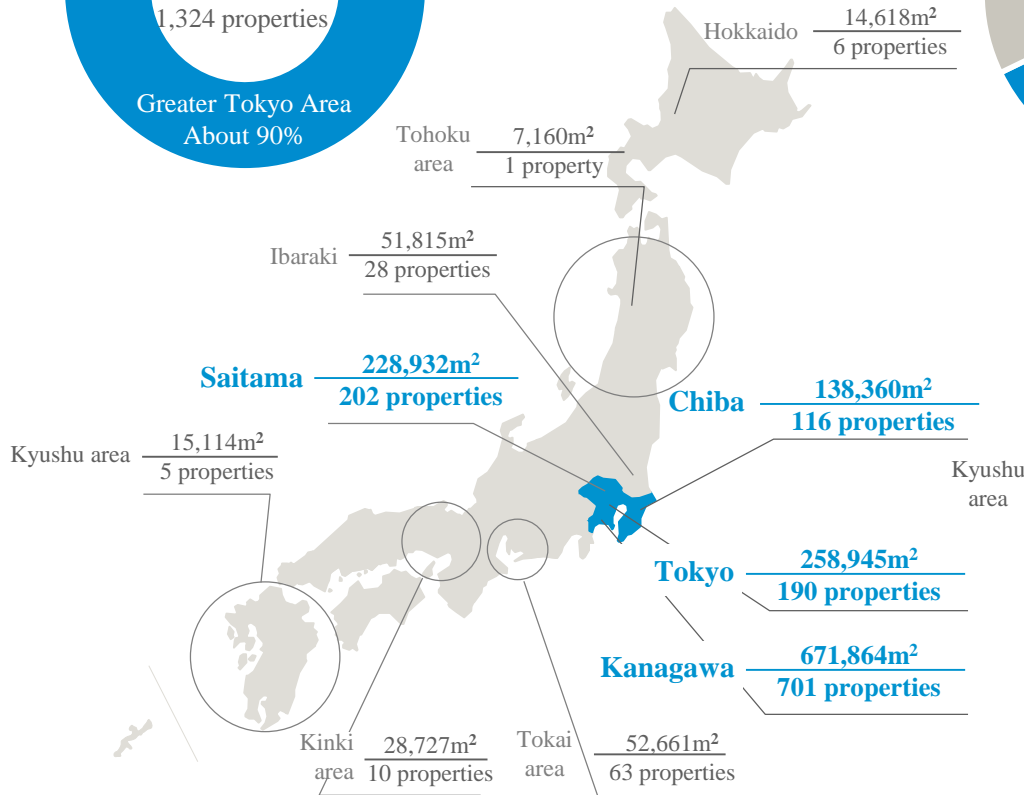
Note: Calculation method changed, effective March 2013

# Real Estate Management Business: Floor Space under Management by Area

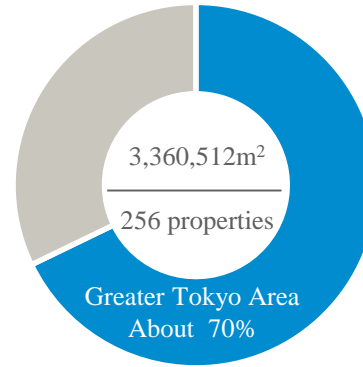
## Master Lease



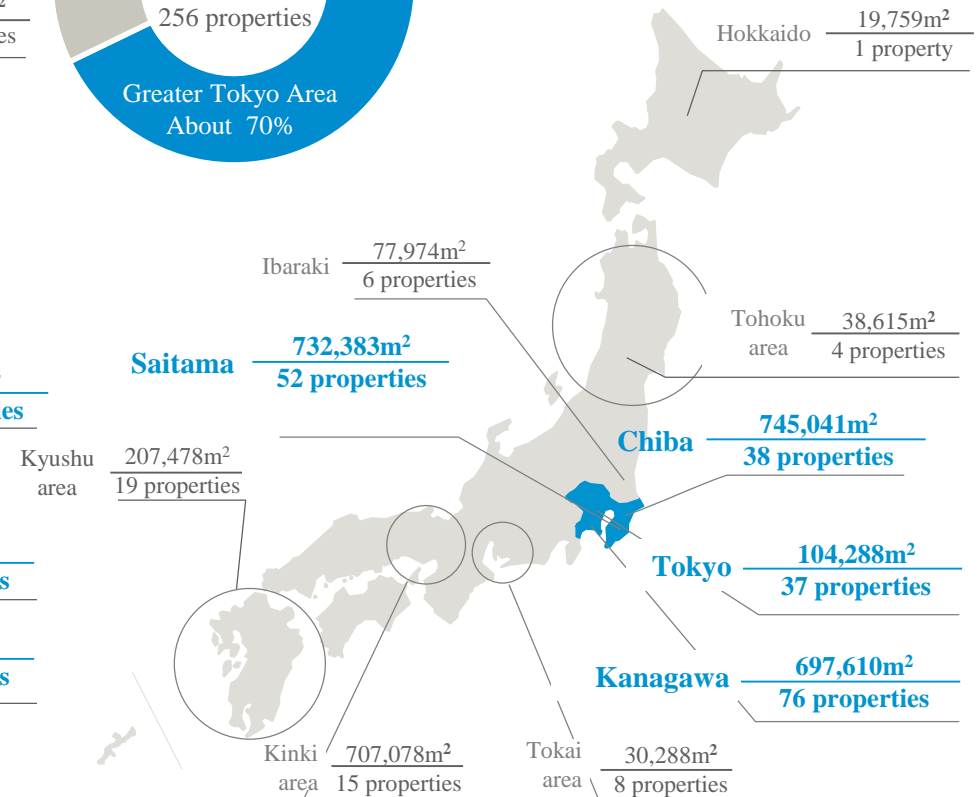
Average floor space: About 1,100m<sup>2</sup>



## Property Management



Average floor space: About 13,200m<sup>2</sup>

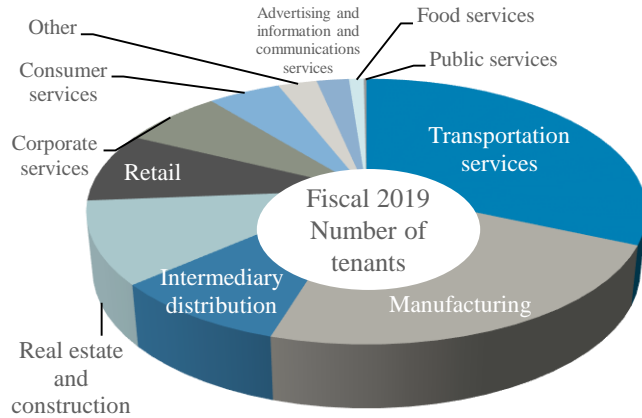


As of October 31, 2019



# Diverse Customer Base and Position among Property Management Companies

## Tenant Composition in Master Lease



## Main Customers for Property Management

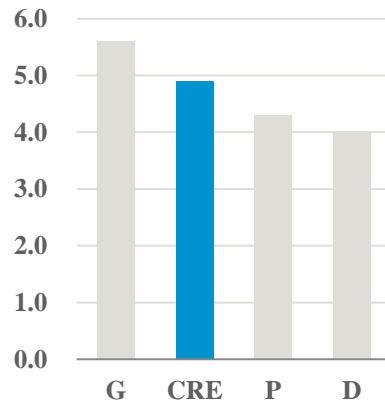
- LaSalle LOGIPOINT REIT
- Star Asia Investment Corporation
- Kenedix Retail REIT Corporation
- United Urban Investment Corporation
- Japan Logistics Fund, Inc.
- Industrial & Infrastructure Fund Investment Corporation
- Mitsubishi Estate Logistics REIT Investment Corporation
- Daiwa House REIT Investment Corporation
- CRE Logistics REIT, Inc.
- LaSalle Investment Management
- Takara Asset Management Co., Ltd.
- Diamond Realty Management Inc.
- ESR LTD.
- Kokyo Asset Management Co., Ltd.
- Sumisho Realty Management Co., Ltd.
- Challenger Limited
- Morgan Stanley Capital K.K.
- Daiei Real Estate & Development Co., Ltd.
- LC Partners, Inc.
- Tozai Asset Management Co., Ltd.
- Mitsui & Co., Realty Management Ltd.
- IDERA Capital Management Ltd.
- Mitsubishi Jisho Investment Advisors, Inc.
- FORTRESS INVESTMENT GROUP JAPAN
- Ichigo Estate
- Yamato Home Convenience Co. Ltd.
- TAKARA-SANGYO Co., Ltd.
- Tokyu Land Capital Management Inc.
- UIG Asset Management Co., Ltd.
- UNIVERSE DEVELOPMENT Co., Ltd.
- CRE REIT Advisers, Inc.
- Strategic Partners Co., Ltd.

## Position among Property Management Companies

Ranking in floor space under management of property management company.

**#2**

Floor space under management (Million square meters)

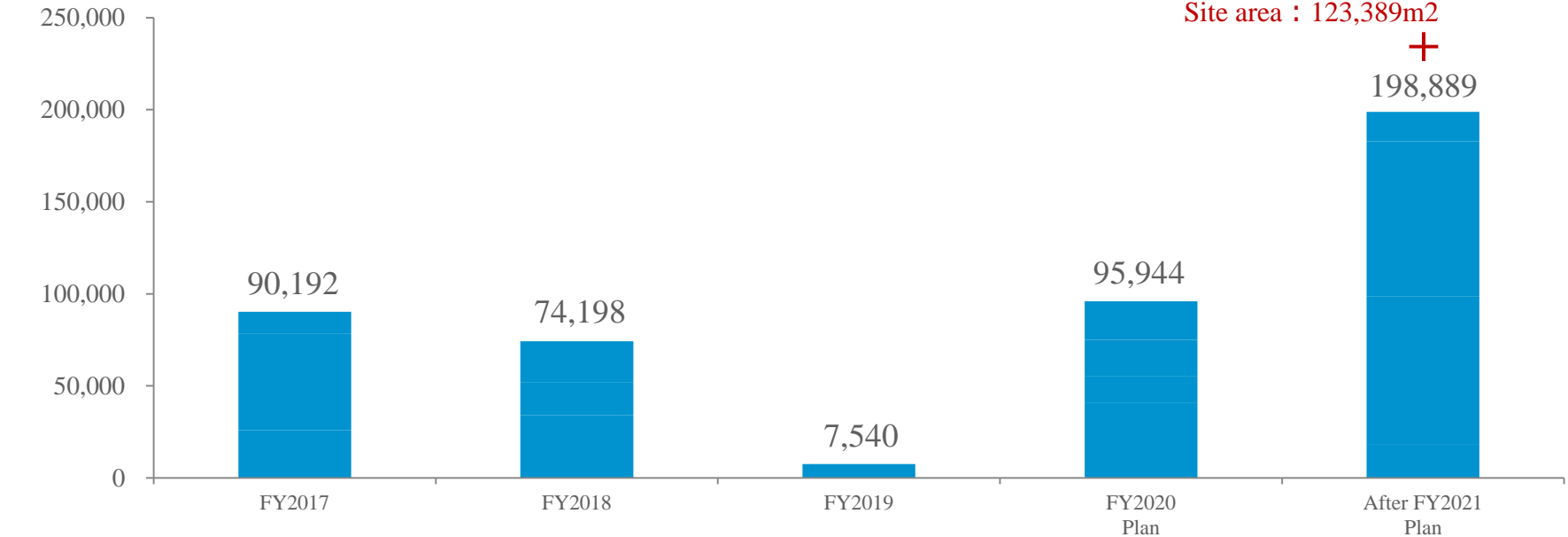


As of October 31, 2019

# Logistics Investment Business: Growth in Floor Space Sold

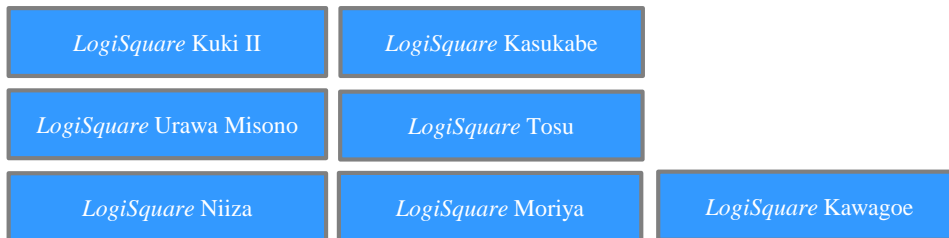
## Growth in Floor Space Sold

(Square meters)

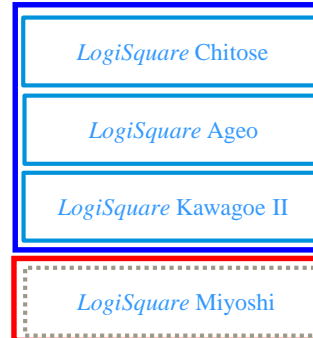


【Planned development site】  
 Location : Fujimino, Saitama Prefecture  
 Site area : 123,389m<sup>2</sup>

Completed sales to CRE Logistics REIT, Inc.



Area completed:  
55,192m<sup>2</sup>



Area under development:  
about 239,641m<sup>2</sup>



Note: Developed floor space sold or held for sale

# Logistics Investment Business: Development Projects

## Development Projects

Project name	Total floor area (m <sup>2</sup> )	Completion of construction				
		FY2014	FY2015	FY2016	FY2017	FY2018
LogiSquare Soka	30,073					
LogiSquare Yashio	19,094					
LogiSquare Hidaka	17,461					
LogiSquare Kuki	44,374					
LogiSquare Hanyu	38,856					
LogiSquare Kuki II	11,931					
LogiSquare Niiza	25,888					
LogiSquare Urawa Misono	52,374					
LogiSquare Moriya	34,221					
LogiSquare Tosu	17,788					
LogiSquare Kasukabe	22,188					
LogiSquare Kawagoe	7,540					
LogiSquare Chitose	20,885					

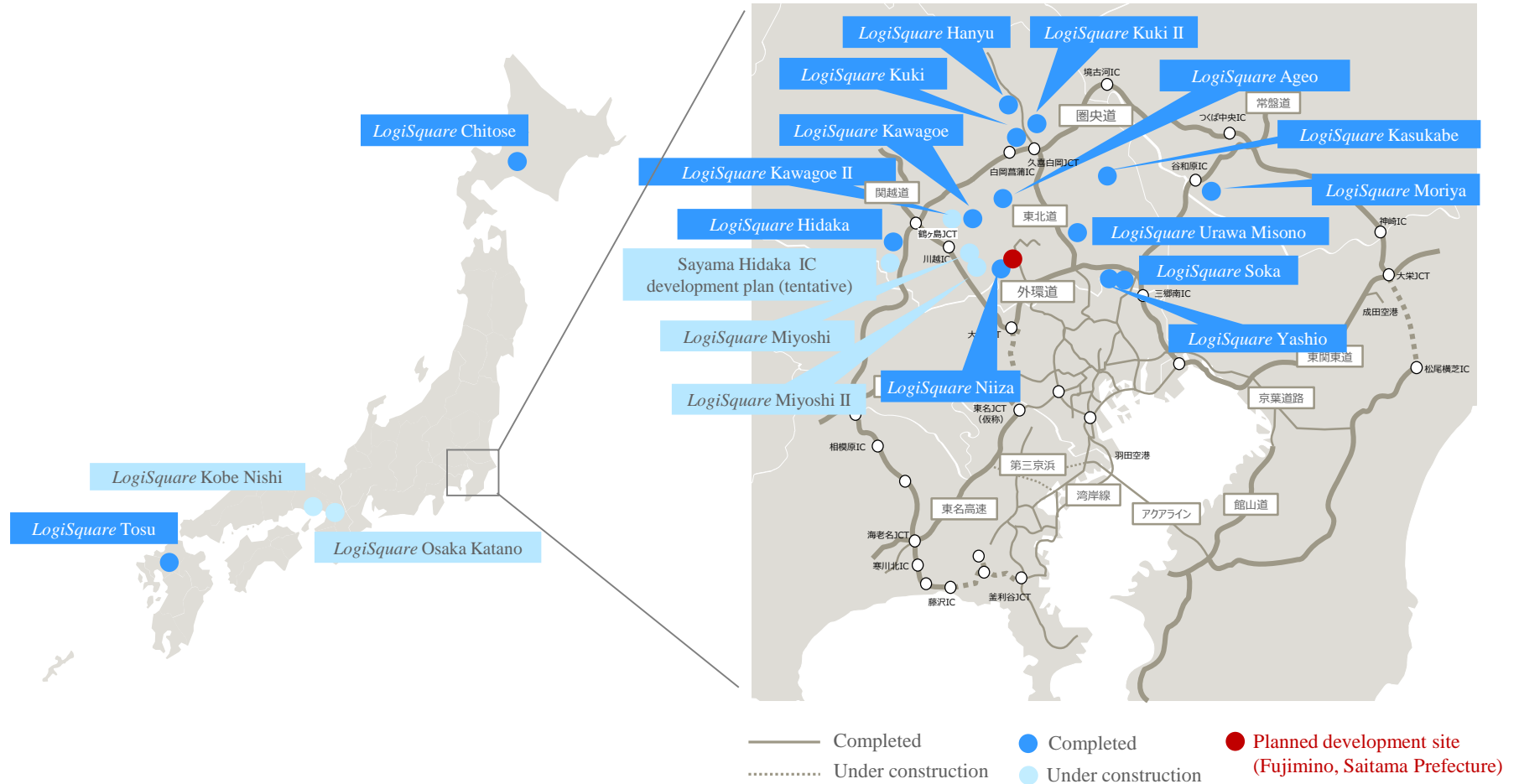
Area completed:  
55,192m<sup>2</sup>

Project name	Total floor area (m <sup>2</sup> )	Completion of construction		
		FY2019	FY2020	FY2021
LogiSquare Ageo	19,521			
LogiSquare Kawagoe II	14,786			
LogiSquare Miyoshi	40,752		Plan	
LogiSquare Kobe Nishi	16,000		Plan	
Sayama Hidaka IC development plan (tentative)	84,132		Plan	
LogiSquare Osaka Katano	80,661			Plan
LogiSquare Miyoshi II	18,096			Plan
Total	616,621	Area under development: About 239,641m <sup>2</sup>		

+ **【Planned development site】**  
Location : Fujimino, Saitama Prefecture  
Site area : 123,389m<sup>2</sup>

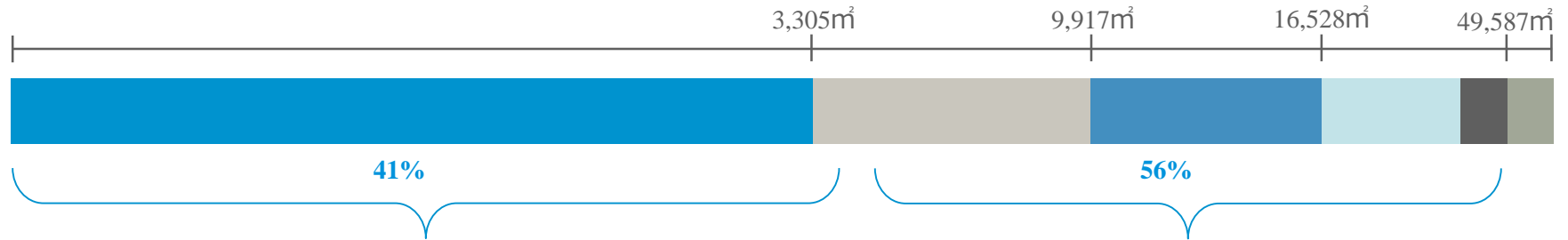
# Logistics Investment Business: Development Projects

## Highly Convenient Locations



# Reference: Domestic Logistics Facilities' Utilization Status and CRE's Business Areas

## Current Utilization Status



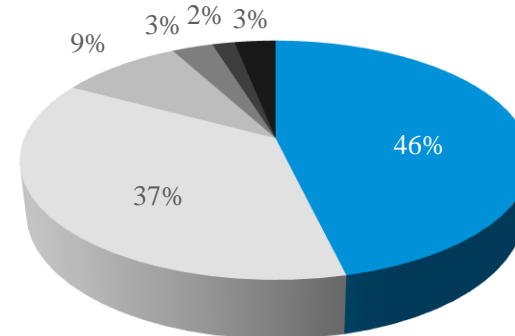
### Main areas in CRE's master lease business

<Per-location available area>

- Less than 3,305m<sup>2</sup>
- 3,305m<sup>2</sup> to under 9,917m<sup>2</sup>
- 9,917m<sup>2</sup> to under 16,528m<sup>2</sup>
- 16,528m<sup>2</sup> to under 33,057m<sup>2</sup>
- 33,057m<sup>2</sup> to under 49,586m<sup>2</sup>
- More than 49,587m<sup>2</sup>

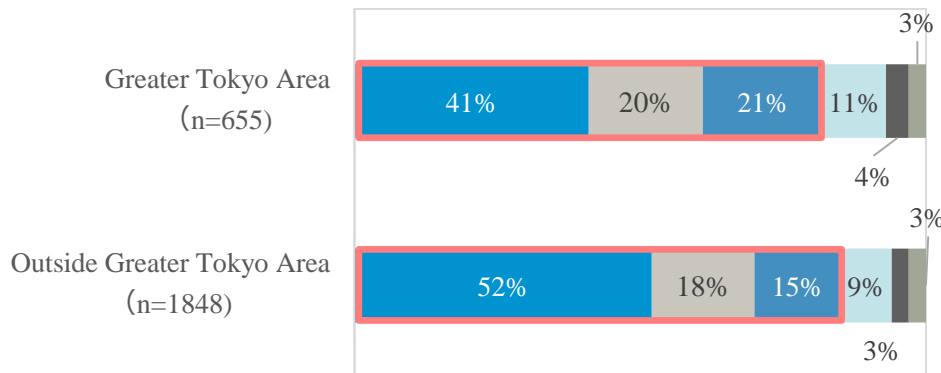
### Main areas in CRE's logistics investment business

<CRE's floor space under master lease composition>



- Less than 660m<sup>2</sup>
- More than 660m<sup>2</sup> but less than 1,320m<sup>2</sup>
- More than 1,320m<sup>2</sup> but less than 1,980m<sup>2</sup>
- More than 1,980m<sup>2</sup> but less than 2,640m<sup>2</sup>

As of October 31, 2019



Note 1: "n" is the number of utilized properties.

Note 2: Responses received from 118 companies in the Greater Tokyo Area and 159 outside the Greater Tokyo Area.

Note 3: Available area is actually floor area in use, not total floor area of logistics facilities.

Source: Sumitomo Mitsui Trust Research Institute Co., Ltd.

# Reference: Japan Logistics Occupier Survey

## Survey overview

## Respondent profile

Companies in Japan that use logistics facilities

## Survey method

Survey method: September – October 2018

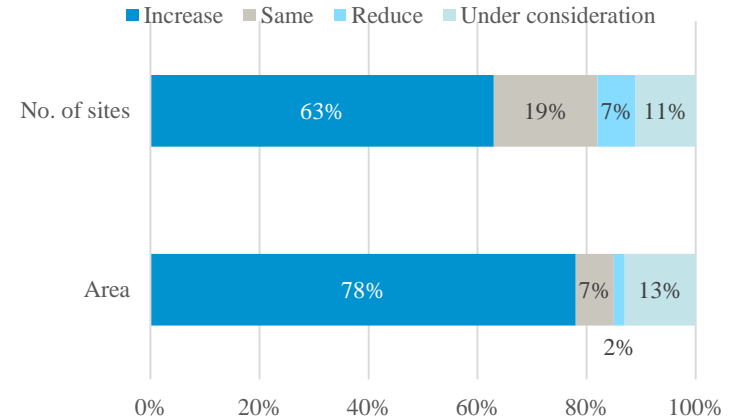
No. of valid responses: 271 nationwide

Logistics operators 191 (70.5%)

Consignor firms 80 (29.5%)

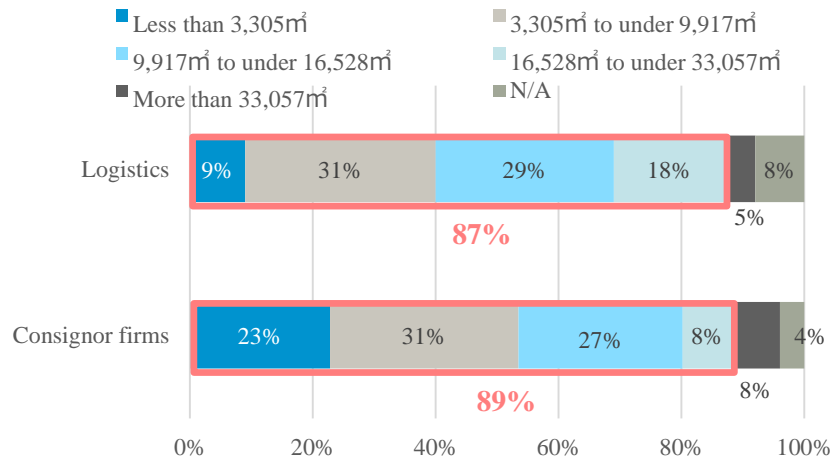
## Plans for Warehouse Establishment/Relocation

55% of respondents plan to increase sites and floor area



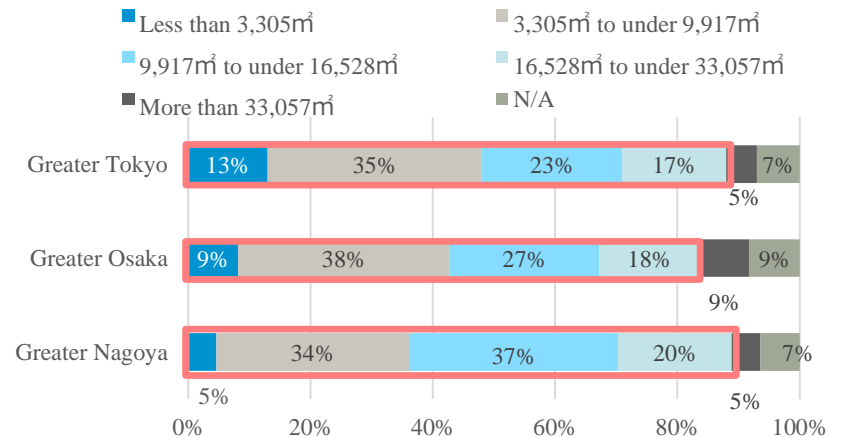
## Size of New/Relocated Warehouse

Consignor firms' preferences range from small to extra-large facilities



## Size of New/Relocated Warehouse - Comparison of Three Metropolitan -

High proportion of firms looking to expand in greater Osaka and greater Nagoya



Source: Prepared by CRE, using data from CBRE "Japan Logistics Occupier Survey 2019"

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# Business Forecast

# Fiscal 2020 Consolidated Business Forecast

(Millions of yen)

	Fiscal 2019 (Actual)	Fiscal 2020 (Forecast)	YOY Change	
			Amount	YOY
Net Sales	23,941	43,600	19,658	82.1%
Real estate management business	21,537	23,400	1,862	8.6%
Logistics investment business	1,599	19,400	17,800	—
Asset management business	784	800	15	2.0%
Other operations	20	—	—	—
Operating profit (Segment income)	1,651	2,500	848	51.4%
Real estate management business	1,764	1,600	(164)	(9.3%)
Logistics investment business	207	1,800	1,592	769.1%
Asset management business	406	300	(106)	(26.2%)
Other operations	4	—	—	—
Adjustment	(731)	(1,200)	(468)	—
Recurring profit	1,382	2,100	717	52.0%
Net income	696	1,300	603	86.6%
Earnings per share	¥27.86	¥51.79	¥23.93	85.9%
Dividend per share	¥21	¥22	¥1	4.8%
Return on equity	4.1%	7.2%	—	3.1p

Note: Sales for each reporting segment represent sales to external customers.

Note: CRE executed a two-for-one stock split on August 1, 2018, the above per share information includes the impact of this stock split.



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# **Medium-Term Management Plan (Fiscal 2019 to Fiscal 2021)**

## Numerical Targets (Fiscal 2021)

Net Sales	Operating Profit	ROE
¥60 billion	¥5 billion	Average 10% or more
Fiscal 2021	Fiscal 2021	3-year average
Total investment budget over next three years		
Total ¥90 billion		

# Three-Year Strategies

	Real estate management business	Logistics investment business	Asset management business
Strategies	<ul style="list-style-type: none"> <li>• Maintain existing earnings base, then drive results higher</li> <li>• Promote reconstruction of master leasing properties</li> <li>• Expand business related to property management</li> <li>• Further strengthen real estate brokerage capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen ability to purchase development sites               <ul style="list-style-type: none"> <li>➢ Expand investment areas</li> <li>➢ Medium- and long-term development of sites</li> <li>➢ Joint development</li> <li>➢ Soil contaminated sites</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Expand AUM</li> <li>• Cultivate investor base</li> <li>• Formation of self-storage funds</li> <li>• Formation of small warehouse funds</li> </ul>
Implementation	<ul style="list-style-type: none"> <li>• Brought LogiCom, Inc. under consolidation in December 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Started construction on <i>LogiSquare</i> Kobe Nishi in June 2019</li> <li>• Plan to start construction on <i>LogiSquare</i> Osaka Katano in November 2019</li> </ul>	<ul style="list-style-type: none"> <li>• Formation of small- and medium-sized warehouse funds in April 2019</li> </ul>
Overseas business			
Strategies	<ul style="list-style-type: none"> <li>• Promote leasing and development business for logistics facilities in VSIP Hai Phong Integrated Township and Industrial Park in Vietnam</li> <li>• Promote self-storage business and investment in real estate-related business in Thailand</li> </ul>		
Implementation	<ul style="list-style-type: none"> <li>• Started construction on VSIP Hai Phong Warehouse III in August 2019</li> </ul>		

# Ongoing Strategy: Enhanced Lineup of Our Products (Real Estate Management Business)

Large amount

## Effective land utilization and profit-making properties

- Idle land utilization and reconstruction
- Change to more profitable real estate

Minimum investment size: Several hundreds of million yen

## Securitized product backed by sub-divided real estate investment

- Installation of photovoltaic power generation equipment at logistics properties
- Allocated to small lots in accordance with Act on Specified Joint Real Estate Ventures

Minimum investment size: ¥1 million

## Investment units in listed REITs

Minimum investment size: ¥100 thousand

## Unlisted real estate investment products

Minimum investment size: ¥10 thousand

Small amount

## Results in fiscal 2019



## Formation of private fund



*LogiSquare Niiza Solar Power Plant*  
Power output: 898.56kW

 **CRE Logistics REIT**

Listed on February 7, 2018

## Business development in crowdfunding market

- Authorization obtained under the Act on Specified Joint Real Estate Ventures
- Investment in FUEL Inc. (changed its name on October 1, 2019)

# Ongoing Strategy: Strengthen Soil Contaminated Site Sourcing (Logistics Investment Business)



**CRE**

## Capital and Business Alliance



株式会社エンバイオ・ホールディングス

**ENBIO HOLDINGS, INC.**

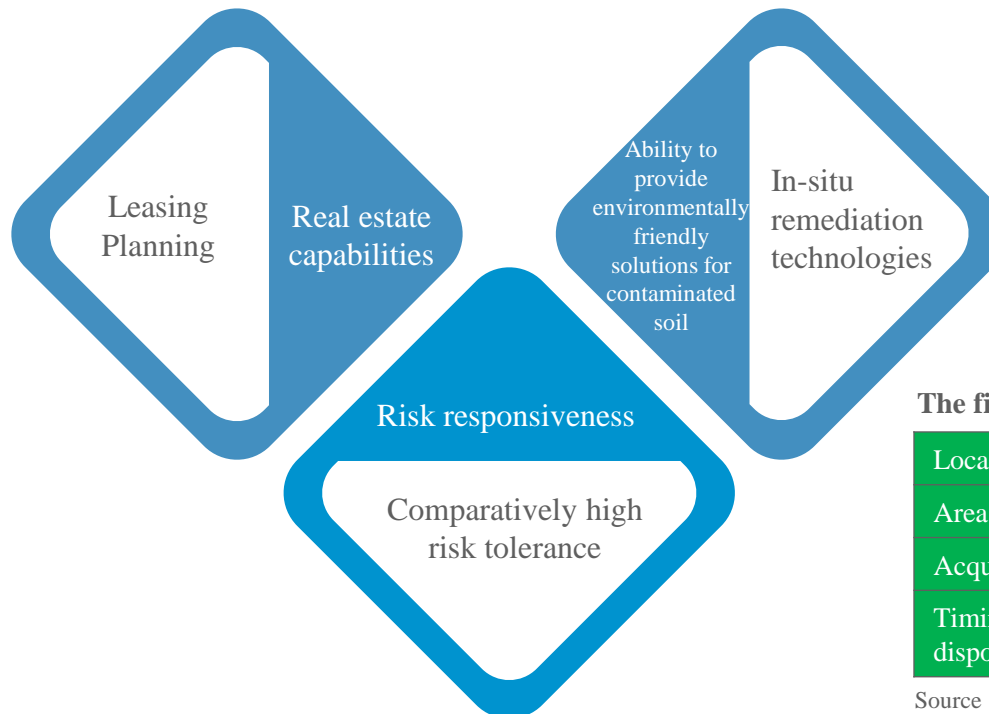
Code: 6092

Listing: Tokyo Stock Exchange Mothers market

Investment stake of about 20% as of December 2018



Established new company through joint investment  
**Land Revitalization Investment, Ltd.**



- ✓ Chemical oxidation & reduction treatment
- ✓ Bioremediation
- ✓ Thermal desorption

### The first project

Location	City of Yokohama
Area	3,358.50m <sup>2</sup>
Acquisition price	About 0.6 billion yen
Timing of the disposition	From April 2020 to March 2021

Source : Announcement material from EnBio Holdings, Inc.



# Ongoing Strategy: Strengthen Self-Storage Business (Real Estate Management Business and Asset Management Business)

## Future Strategies

- 1 Self-storage development (Self-storage brand Keep It )
- 2 Expand floor space under management by Japan Personal Storage Co., Ltd. (Joint venture with Palma Co., Ltd. (hereafter referred to as JPS))
- 3 Formation of funds focusing on self-storage

## Future Image



# Ongoing Strategy: Formation of medium- and small-sized warehouse funds (Real Estate Management Business and Asset Management Business)

- Formation of fund No.1 in April 2019



# Ongoing Strategy: Active Investment in Vietnam (Overseas Business)

## Development Plan in Vietnam



Singapore government-affiliated company  
Sembcorp Development Ltd.

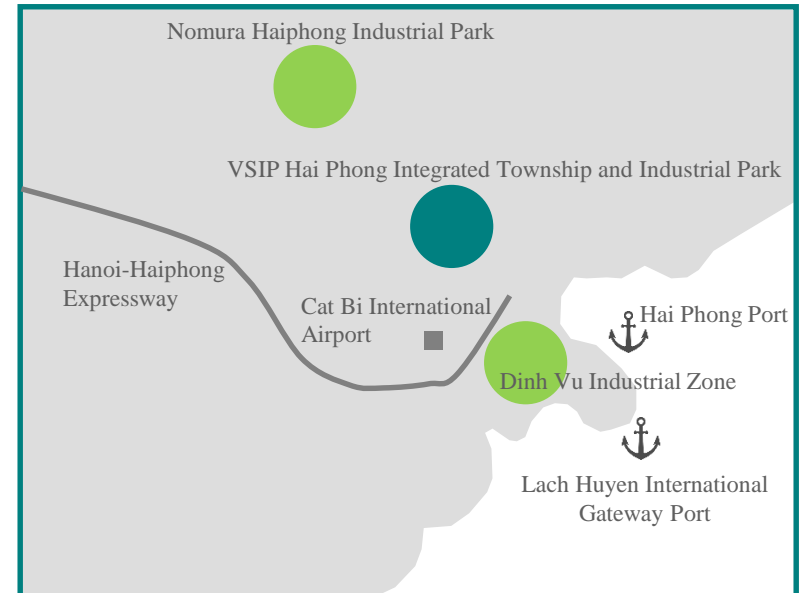


CRE

Acquisition of new shares through third-party allotment  
(30% of outstanding shares)

Sembcorp Infra Services Pte. Ltd. → CRE Asia

Sembcorp Infra Services Hai Phong



	VSIP Hai Phong Warehouse I	VSIP Hai Phong Warehouse II
Lot area	47,083m <sup>2</sup> (Phase1+2)	
Structure	1F	1F
Total floor area	15,000m <sup>2</sup>	14,279m <sup>2</sup>

Development plan (VSIP Hai Phong Warehouse III (tentative)) (Phase3)	
Lot area	About 23,840m <sup>2</sup>
Structure	1F (scheduled)
Total floor area	About 14,304m <sup>2</sup>
<b>Start</b>	<b>August 2019</b>
Completion	March 2020 (scheduled)



Development plan (VSIP Hai Phong Warehouse IV (tentative)) (Phase4)	
Lot area	About 29,215m <sup>2</sup>
Structure	1F (scheduled)
Total floor area	About 17,529m <sup>2</sup>
Start	March 2020 (scheduled)
Completion	October 2020 (scheduled)



# Perspective on Earnings

## Build Circular Stock and Flow Business Structure

- Emphasize earnings from stock business

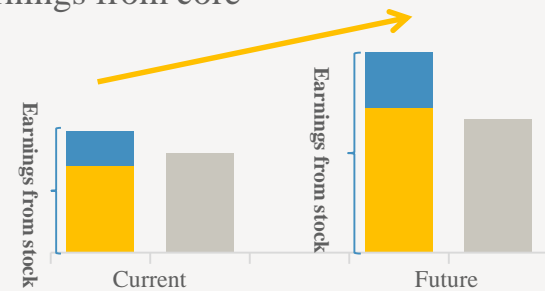
### Grow core stock

- Cover selling, general and administrative expenses with earnings from core stock income

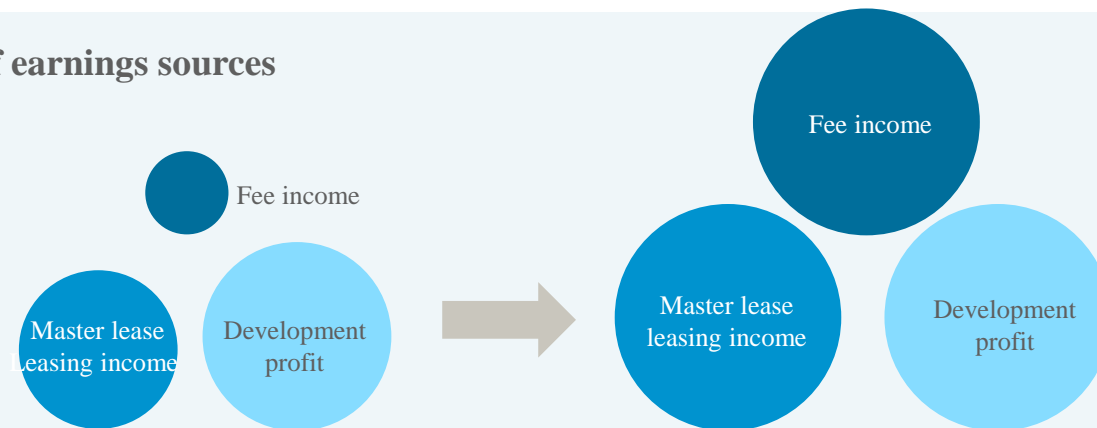
Earnings from core stock = Master lease leasing income + Property management fees + Building maintenance fees + Repairs/maintenance/improvement projects + Management fees during asset management period

Earnings from stock = Income from real estate management business + Income from asset management business

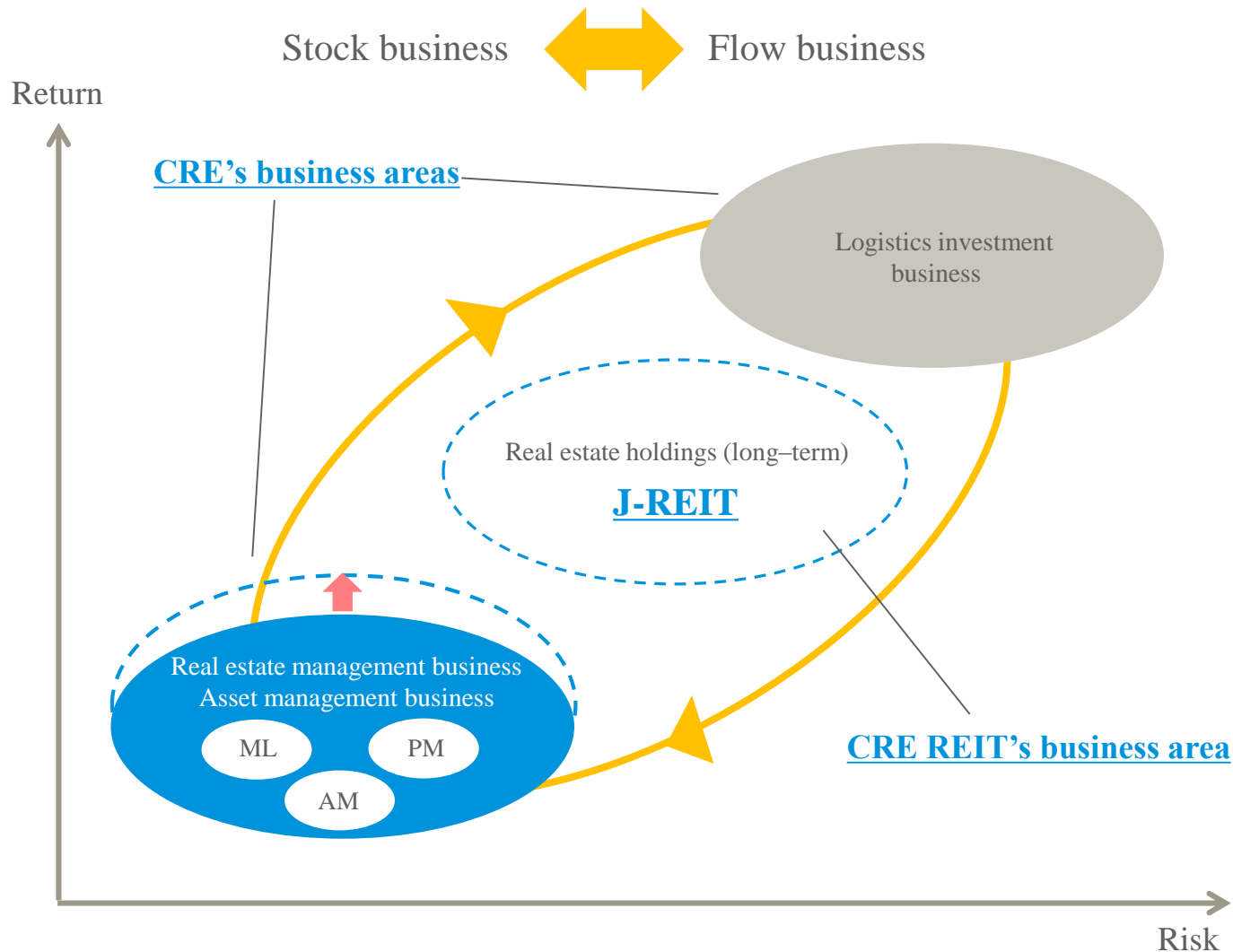
■ Earnings from core stock ■ Earnings from stock ■ Selling, general and administrative expenses



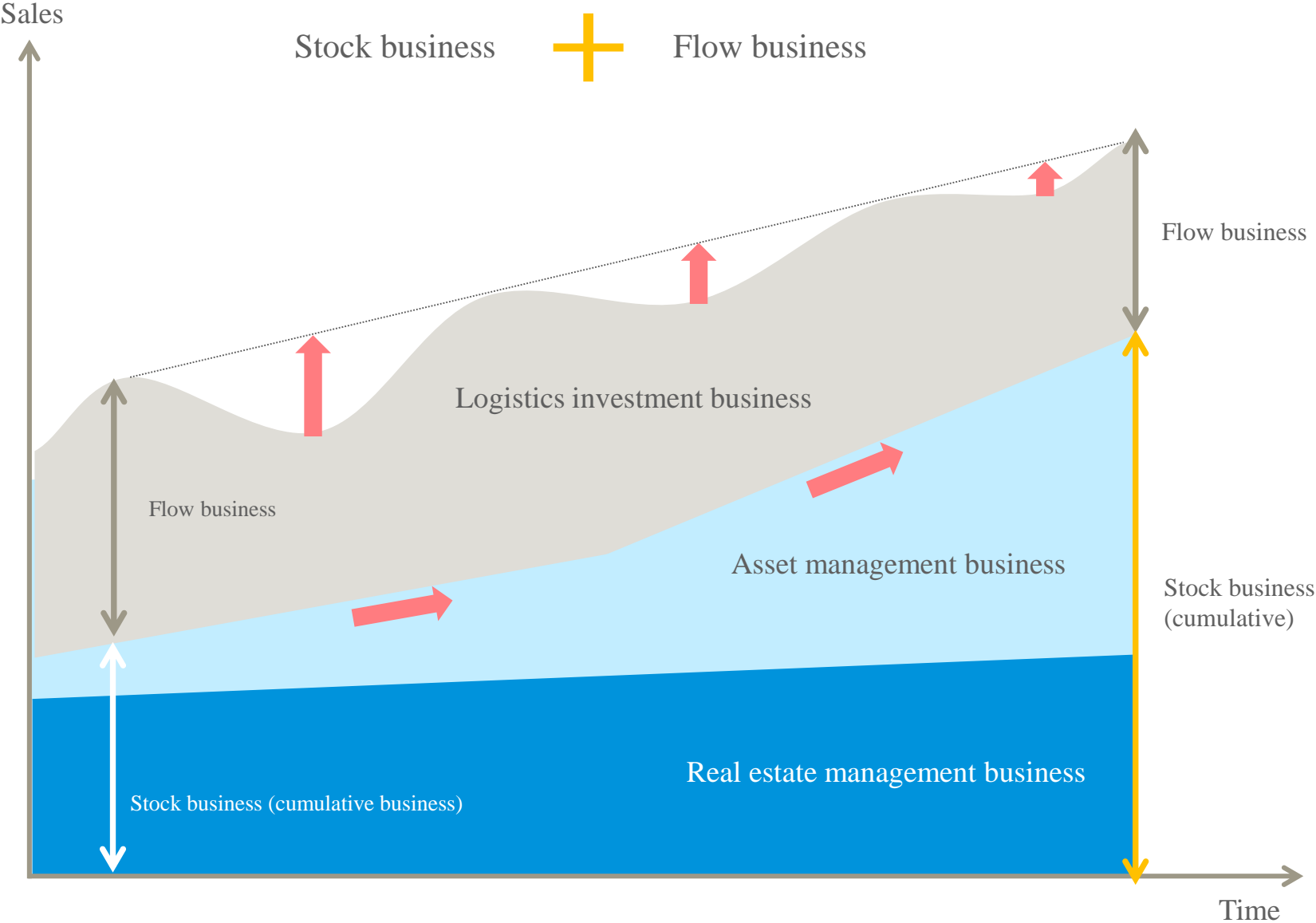
### Diversification of earnings sources



# Build Circular Stock and Flow Business Structure



# Profit Structure that Builds Profit from Flow Business on to Profit from Stock Business



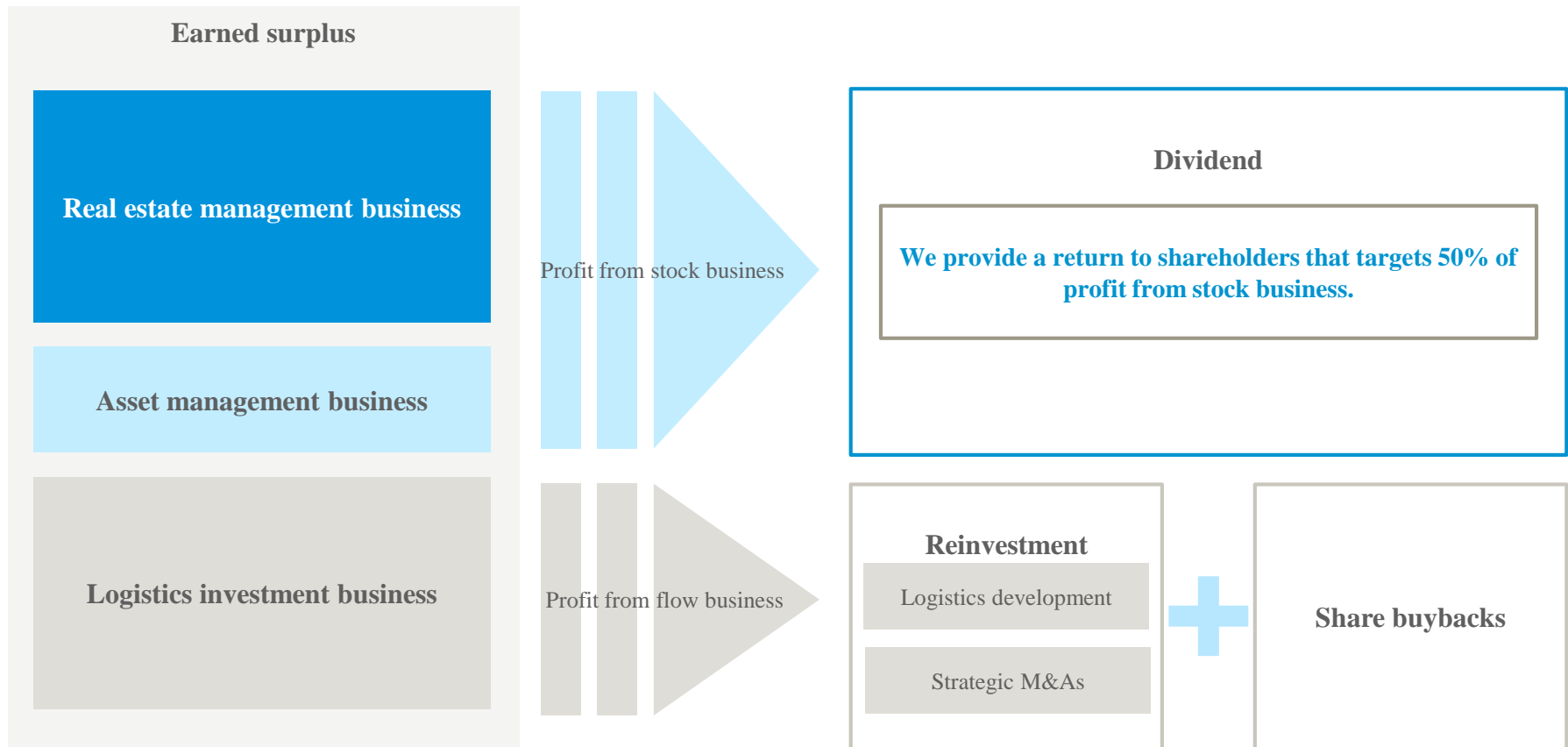
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# Return to Shareholders

# Return Profits to Shareholders in Line with Growth in Stock Business

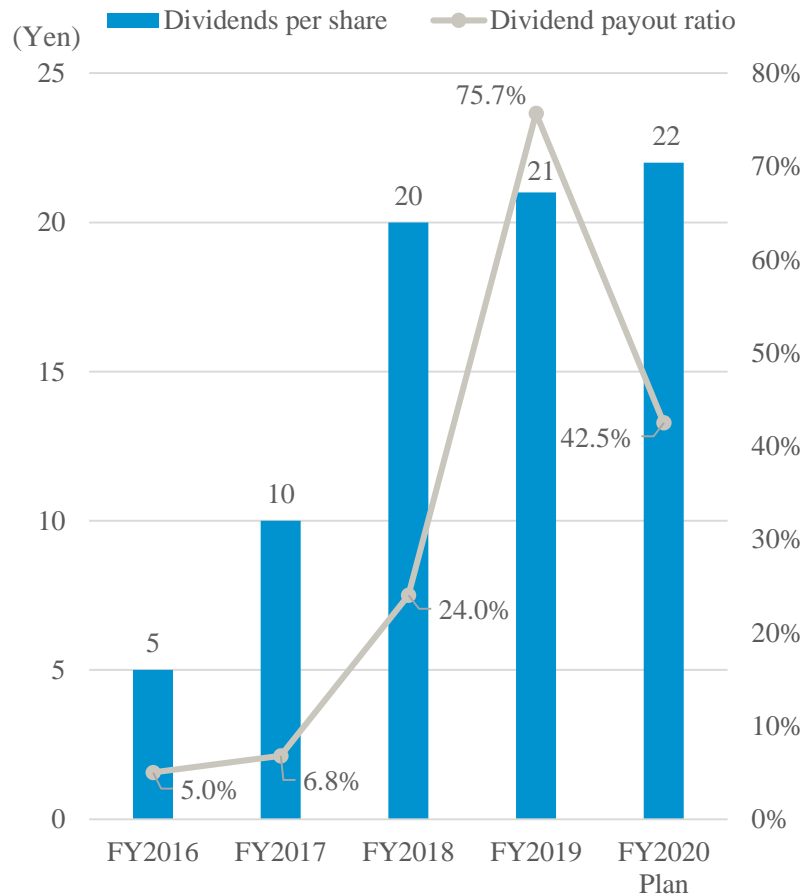
- We will draw on earned surplus from the stock business to distribute dividends to shareholders and will strive to steadily increase dividend payments commensurate with continuous growth.
- We reinvest earned surplus from the flow business into logistics development and M&As to strengthen the stock business, or to purchase treasury stock.

## Capital Strategies



# Return to Shareholders

Changes in dividends per share and dividend payout ratio



Consolidated dividend per share

Fiscal 2020 (plan)

**¥22** per share

YOY **+¥1** (Up 4.8%)

More than 50% of profit from stock business

Note: Based on total number of shares issued (excluding treasury stock) as of July 31, 2019.

Note: CRE executed a two-for-one stock split twice, once on November 1, 2016, and again on August 1, 2018, and annual dividend amounts noted in the graph above have been retroactively adjusted to reflect these stock splits

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# Long-Term Management Strategy

# Long-Term Management Strategy: Entire Picture

## Creating a Connected Future through Logistics Real Estate Business



**Plan 1: Sustainable corporate growth by strengthening stock business**

**Plan 2 : Establish corporate system to maintain growth**

**Plan 3 : Return profits to shareholders in line with growth in stock business**

Source: Long-term management strategy announced on September 12, 2016



# Plan 1: Sustainable corporate growth by strengthening stock business

**Sustained growth of real estate management business and asset management business—both stock businesses—will underpin stable management base resilient to changing business conditions**



1

Expand revenue and income in real estate management

2

Expand AUM

3

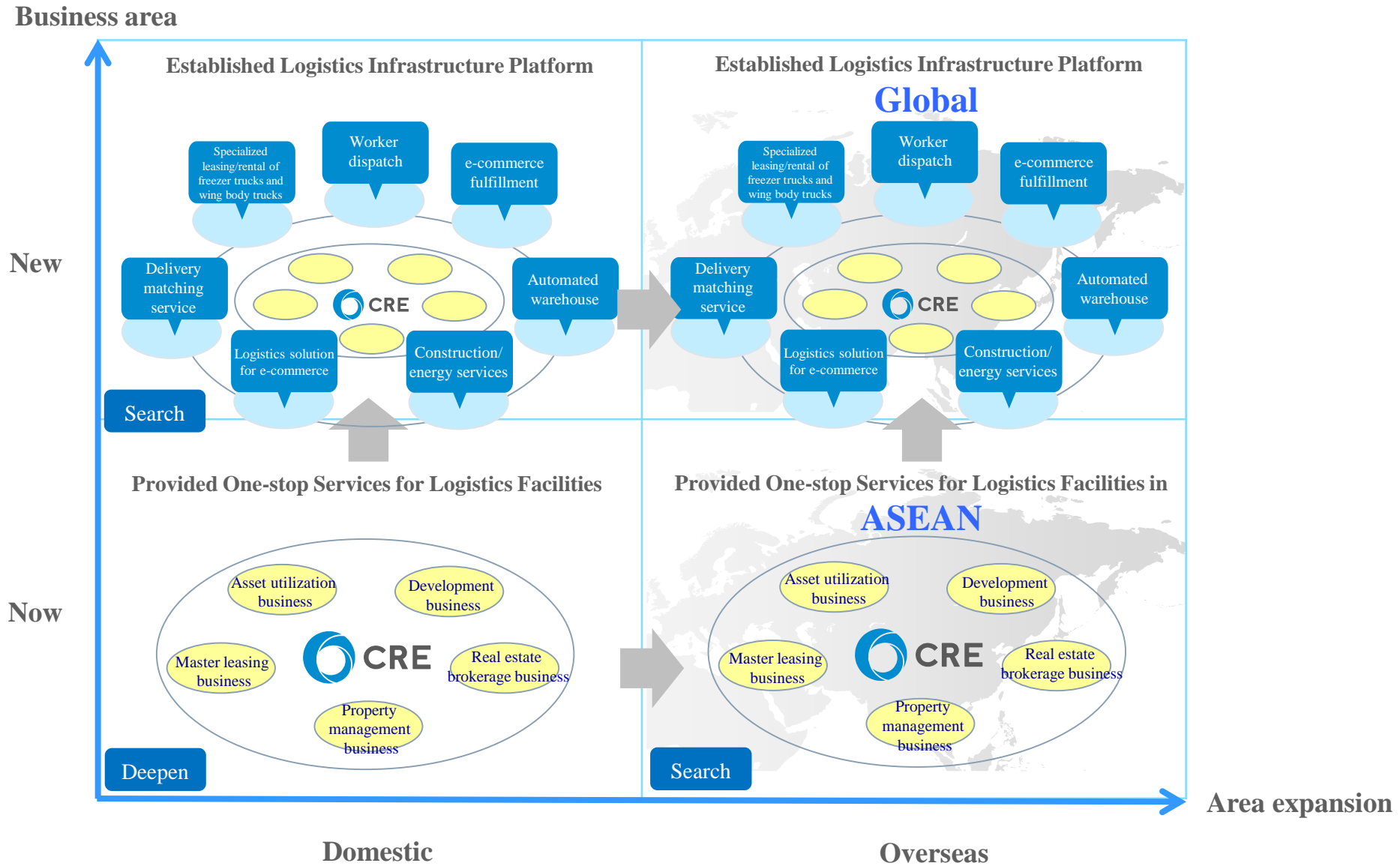
Strengthen area expansion

4

Expand business size and reinforce competitiveness through M&A

Source: Long-term management strategy announced on September 12, 2016

# Underpinning Long-Term Management Strategy



# Long-Term Strategy in Real Estate Management Business

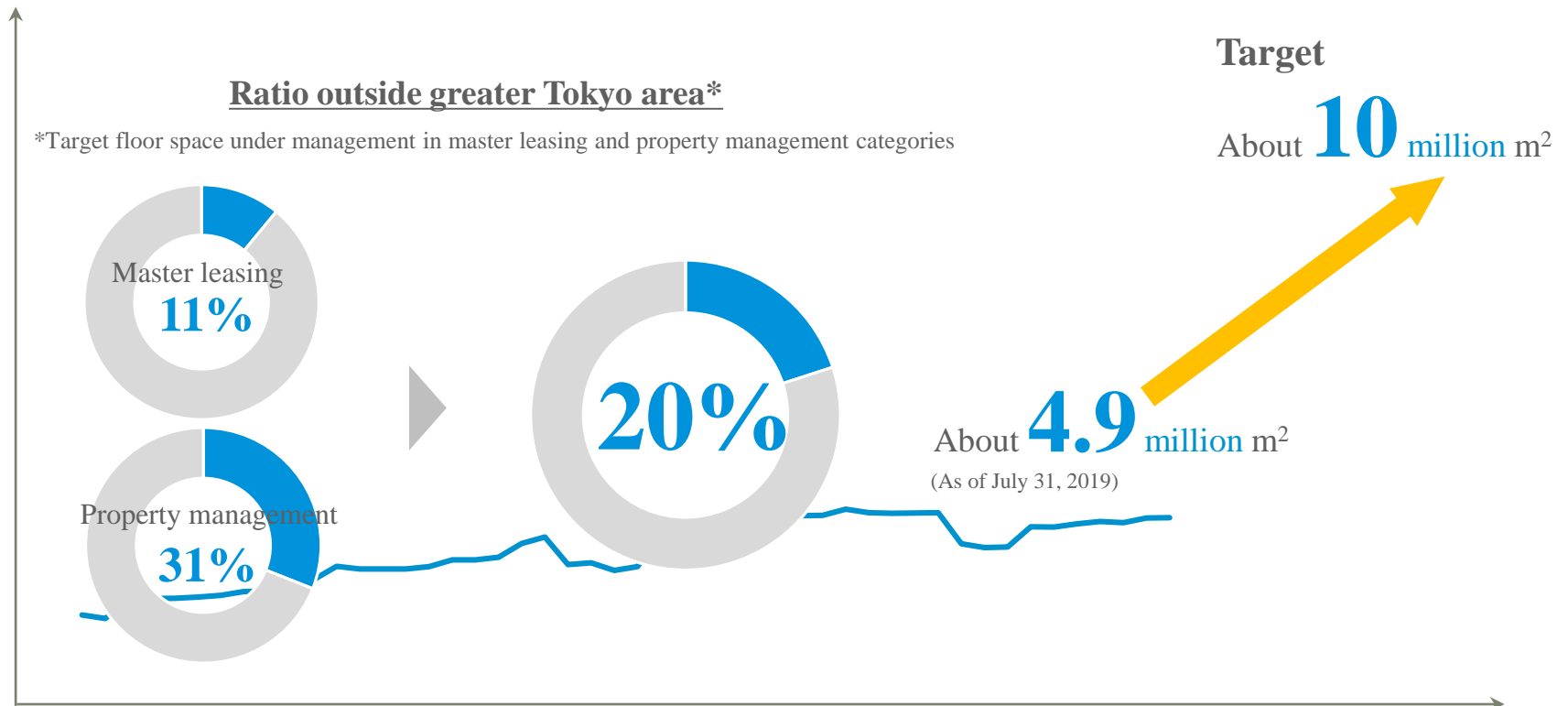
## Expansion in Floor Space under Management

Results in fiscal 2019

Brought LogiCom, Inc. under consolidation

Increase from LogiCom master lease operations

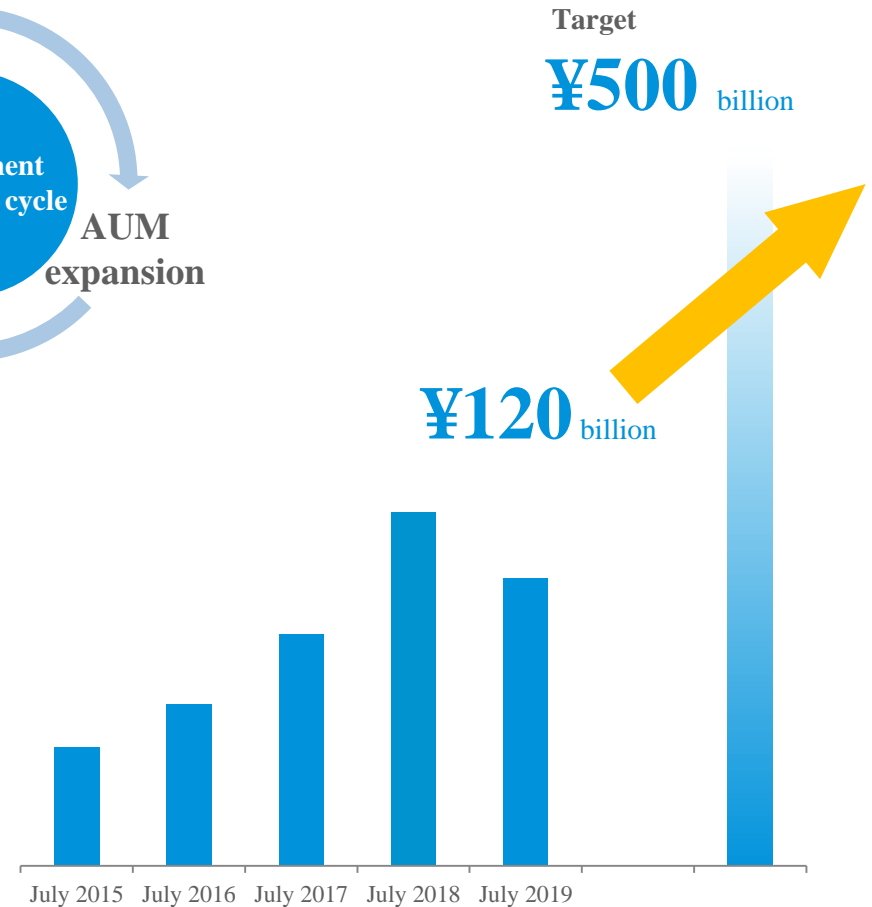
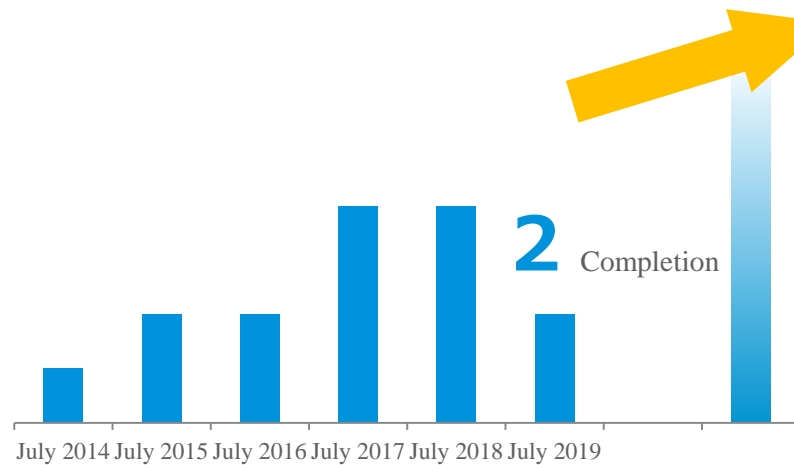
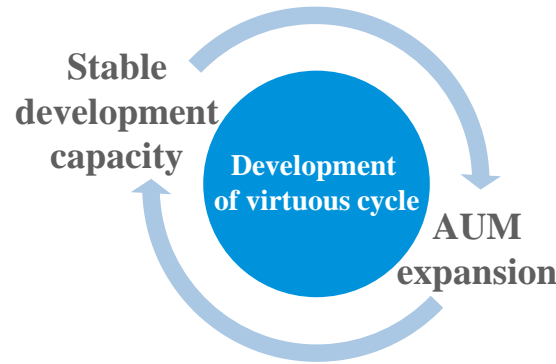
Up about **25%** from the end of October 2018



# Long-Term Strategies in Logistics Investment Business and Asset Management Business after REIT Listing

## Logistics Real Estate Development

## Change in Assets under Management (AUM)

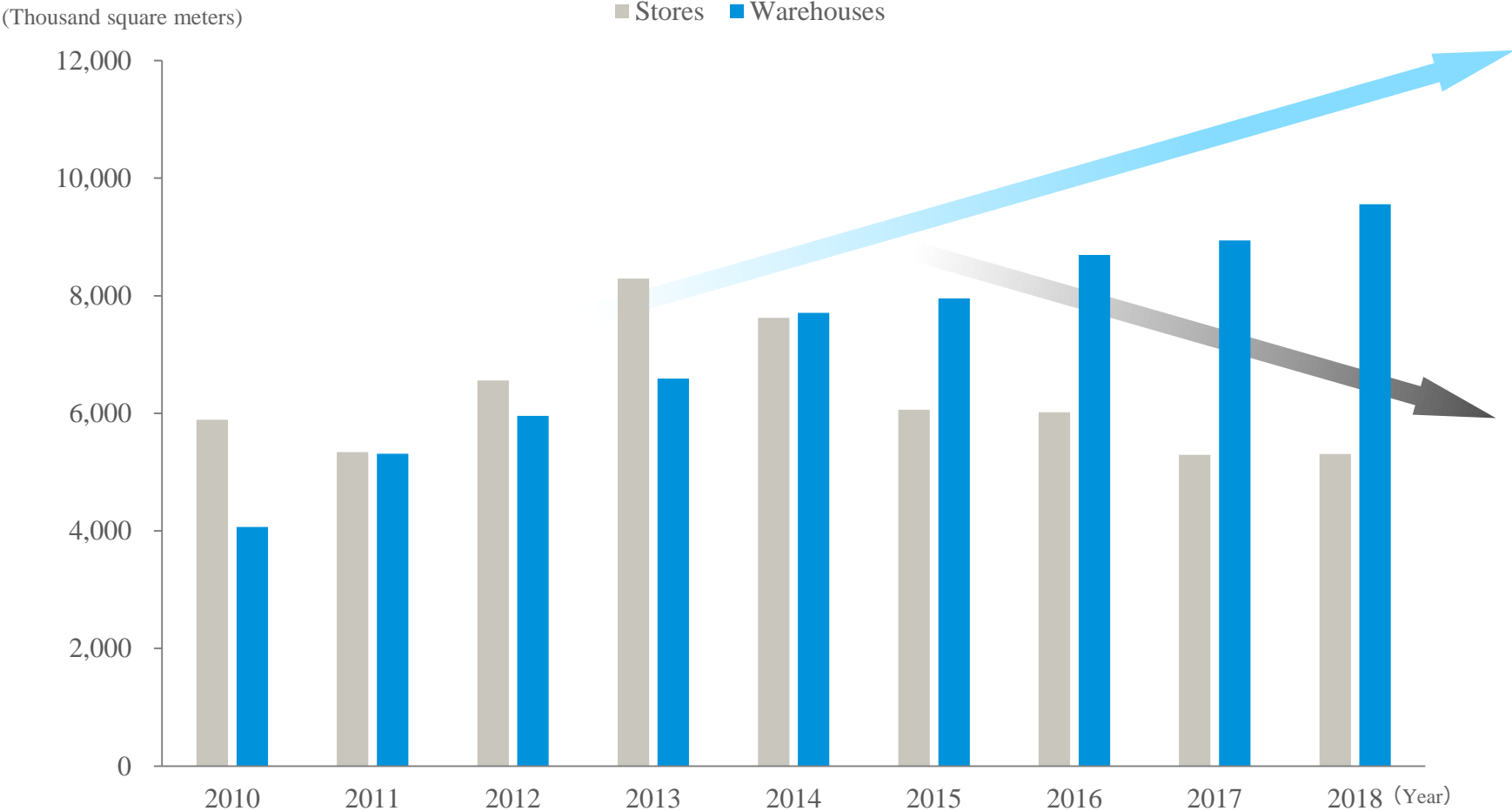


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# Logistics Real Estate Market

# Change in Floor Space in Warehouse Construction Starts

- Floor space in warehouse construction starts has trended above that of stores since 2014.

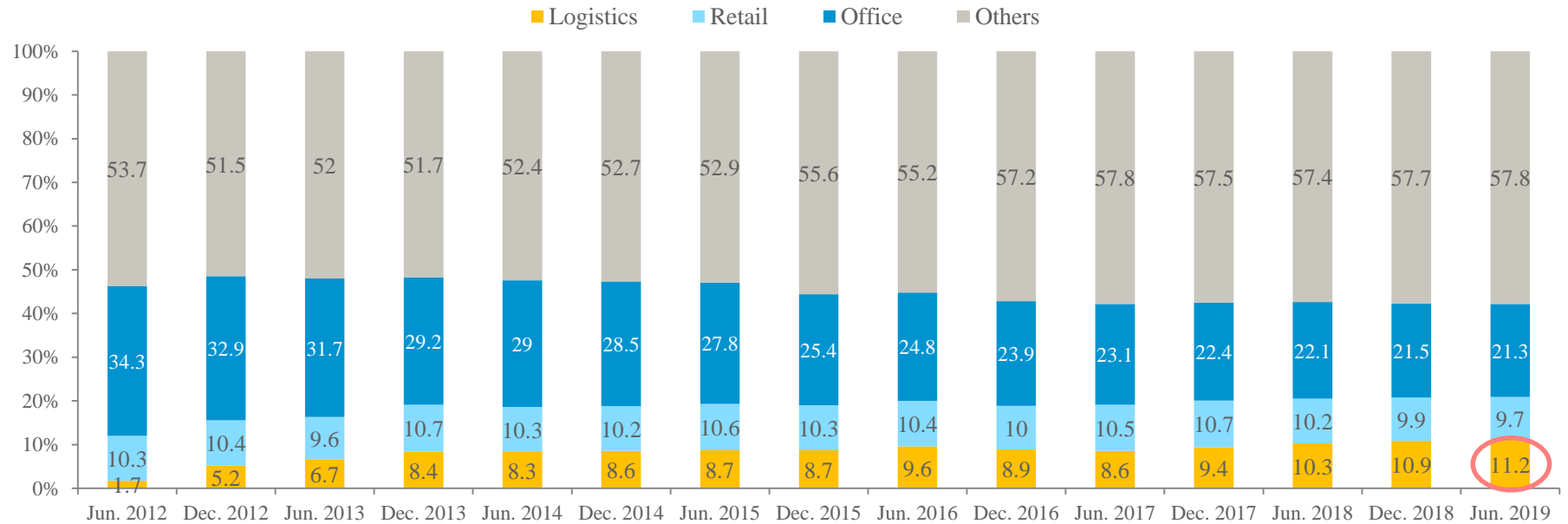


Source: Prepared by CRE, based on data (2017) released by Ministry of Land, Infrastructure, Transport and Tourism, on building construction starts

# Demand for Logistics Properties from Real Estate Finance Market Remains Strong

- Investment in logistics properties, such as warehouses and distribution centers, in J-REIT holdings has grown to a size comparable to that of investment in retail space, and market presence is expanding.

## Asset Size by Use in J-REITs (Acquisition Value Basis) and Regional Investment Strategy



Nov. 2012	Daiwahouse-REIT listed (shift to complex-type and diversified REIT due to merger in September 2016)	Feb. 2016	LaSalle LOGIPOINT REIT listed	<b>Feb. 2018</b>	<b>CRE Logistics REIT listed</b>
Dec. 2012	GLP J-REIT listed	Aug. 2016	MFLP-REIT listed	Sep. 2018	ITOCHU Advance Logistics Investment Corporation listed
Feb. 2013	Nippon Prologis REIT listed	Sep. 2017	Mitsubishi Estate Logistics REIT listed	Dec. 2019	SOSiLA Logistics REIT listed

Sources: Prepared by CRE, using valuation indicators by Daiwa Securities Co. Ltd.

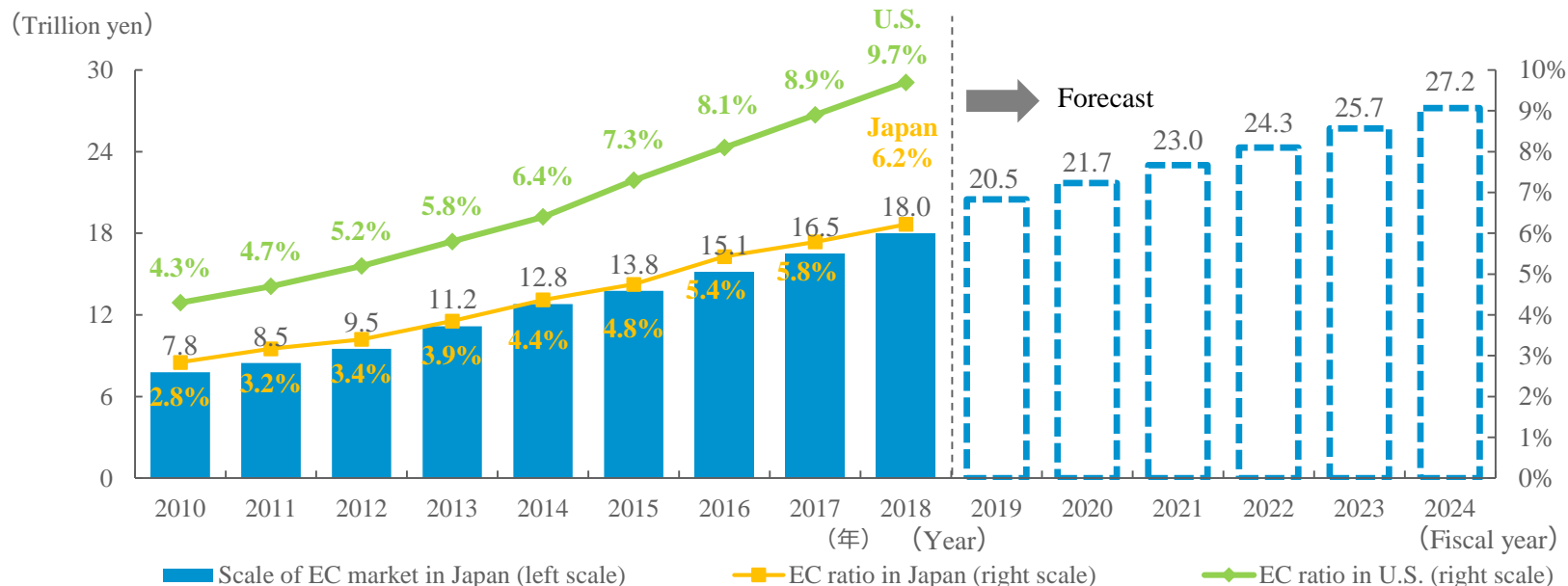
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# Change in Logistics Environment



# e-commerce Market Expansion

## Changes in Scale of B2C e-commerce Market (EC) and Forecast



Source: Prepared by CRE, using B2C market scale and Japan's EC ratio data from Ministry of Economy, Trade and Industry; predictions by Nomura Research Institute for forecasts from 2017 and later; and U.S. EC ratio data from U.S. Census Bureau.  
 \*E-commerce market scale to all business transactions. EC ratio for B2C e-commerce indicates value for sectors selling products as opposed to services.

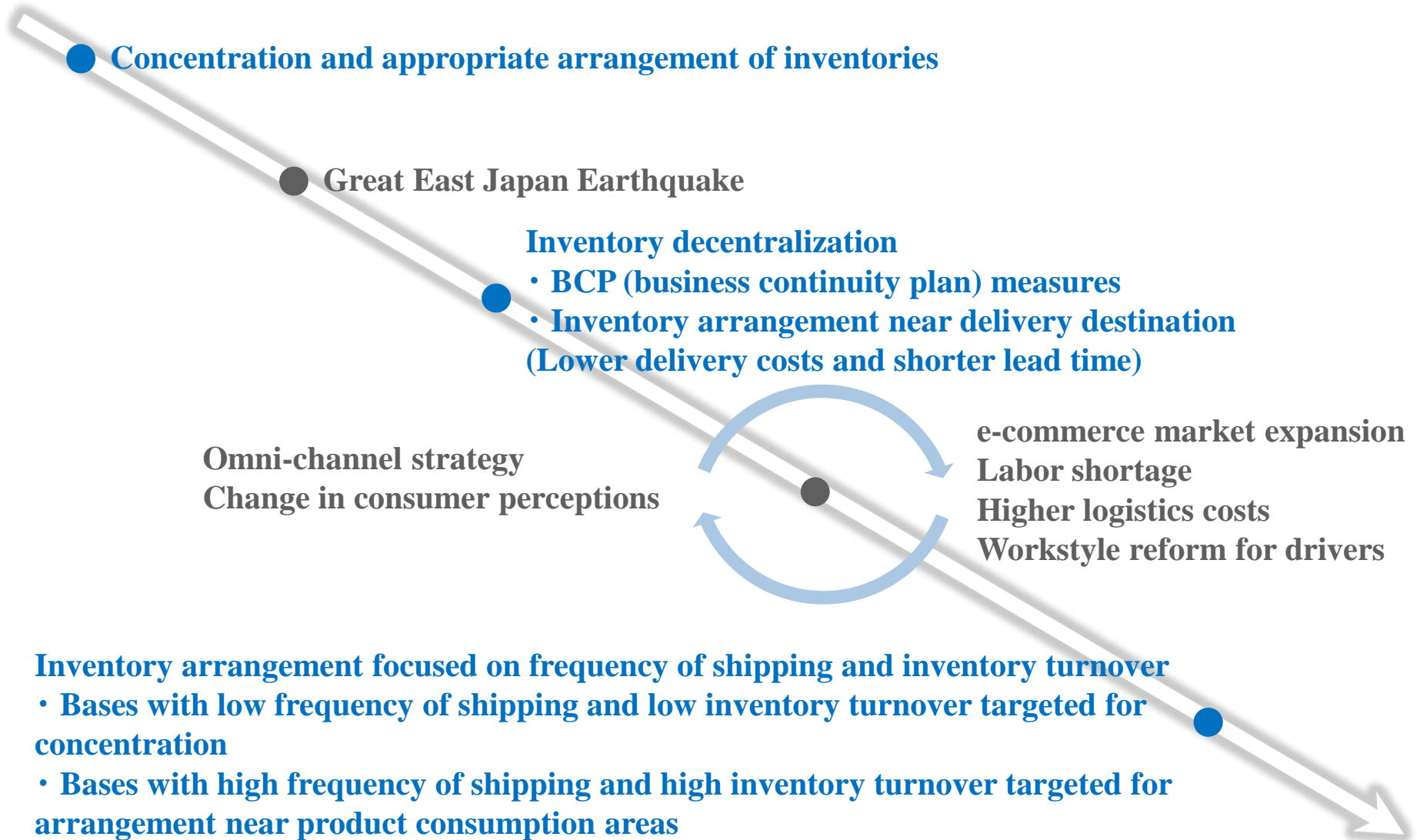
## Net Freight Flow and Small Cargo Flow for Personal Use

(Three-day research)	Weight (tons)		Number	
	2010	2015	2010	2015
Net freight flow	23,412,000	22,171,000	24,616,000	22,608,000
Mixed cargo, such as home-delivered packages	869,219	731,834	15,561,281	12,564,392
For personal use	6,940	10,104	1,420,025	1,308,670
(Ratio for personal use)	0.8%	1.4%	9.1%	10.4%
Ratio of home-delivered packages for personal use to total	0.03%	0.05%	5.77%	5.79%

Note: The Net Freight Flow Census targets cargo shipped by mining industry, manufacturing industry, wholesale business and warehousing business and does not include shipments by retailing industry or individuals.

Source: Prepared by or with slight revision by CRE, using data from Ministry of Land, Infrastructure and Transport's "2010 Net Freight Flow Census" and "2015 Net Freight Flow Census".

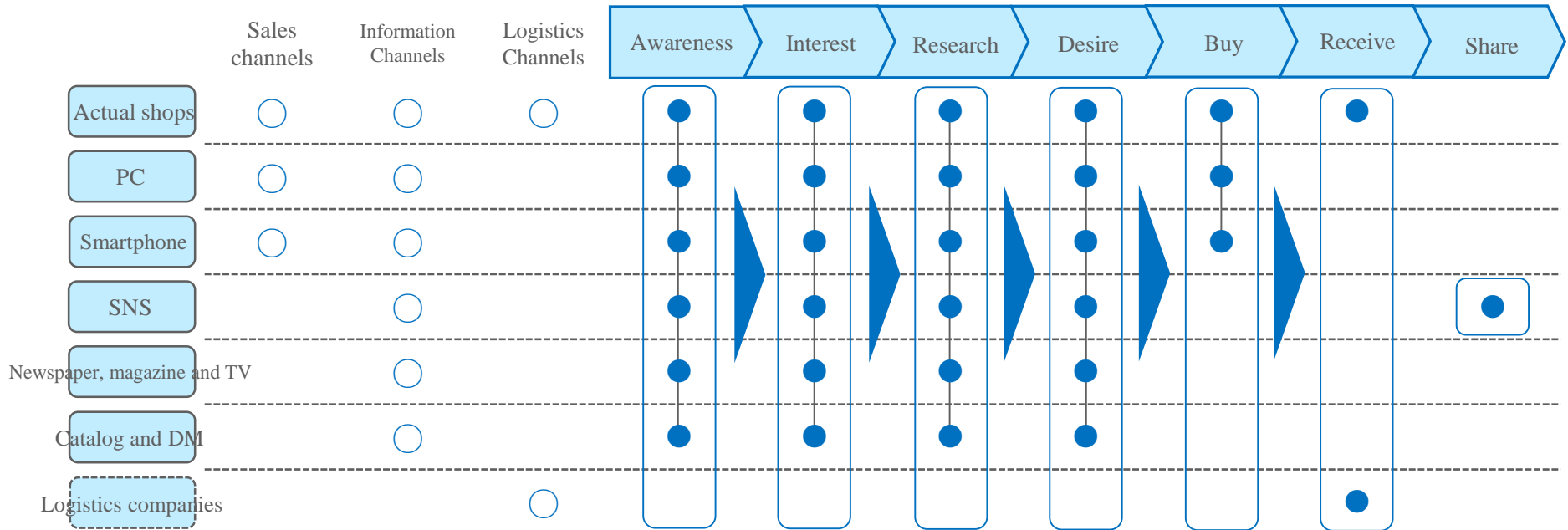
# Change in Logistics Bases



# Omni-channel

## Conceptual diagram of omni-channel\*

Assumptions on typical purchasing behavior process (decision-making process) below, based on such models as AIDMA



\*Omni-channel marketing is a channel-crossing strategy, concept and approach to sales applied by retailers to provide customers with a seamless shopping experience, from access to information through to purchase, across several channels.

Source: Ministry of Economy, Trade and Industry

### Logistics measures required

Consolidate management of inventory information

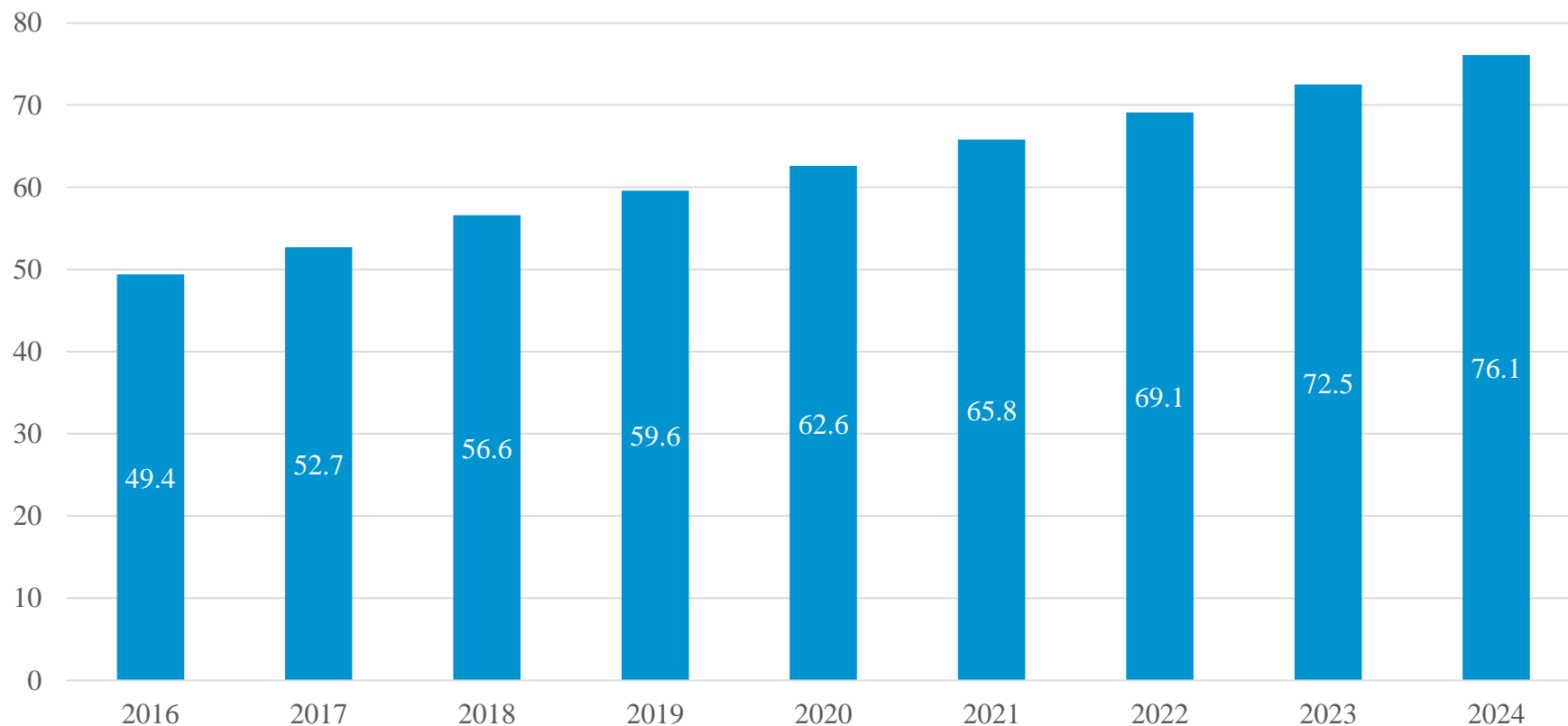
Establishment of logistics network corresponding to omni-channel

# Omni-channel

## Omni-channel commerce Market\* Forecast in Japan

\*Omni-channel commerce market: Market where products and services for ordinary consumers are purchased or used, either online or at brick-and-mortar stores, based on information gathered online.

(Trillions of yen)

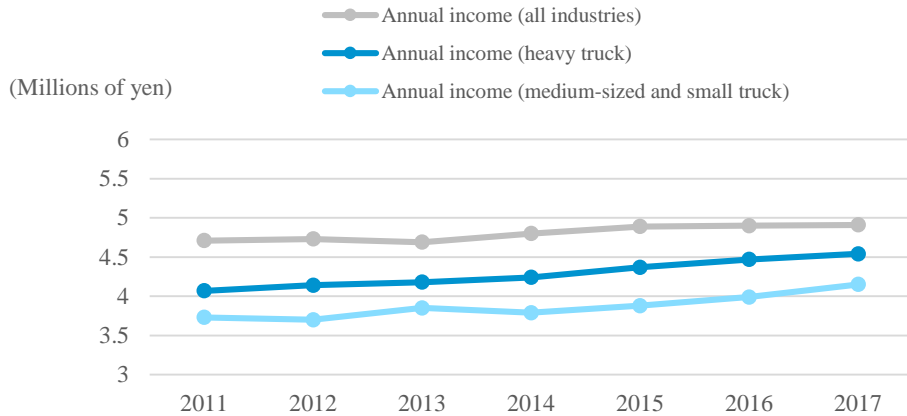


Source: Nomura Research Institute



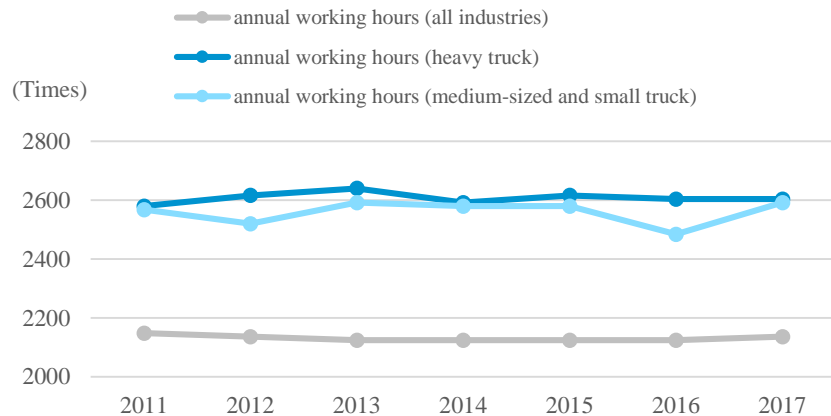
# Labor Shortage

## Changes in Annual Income



Source: Prepared by CRE, using data from Ministry of Health, Labour and Welfare "Basic Survey on Wage Structure"

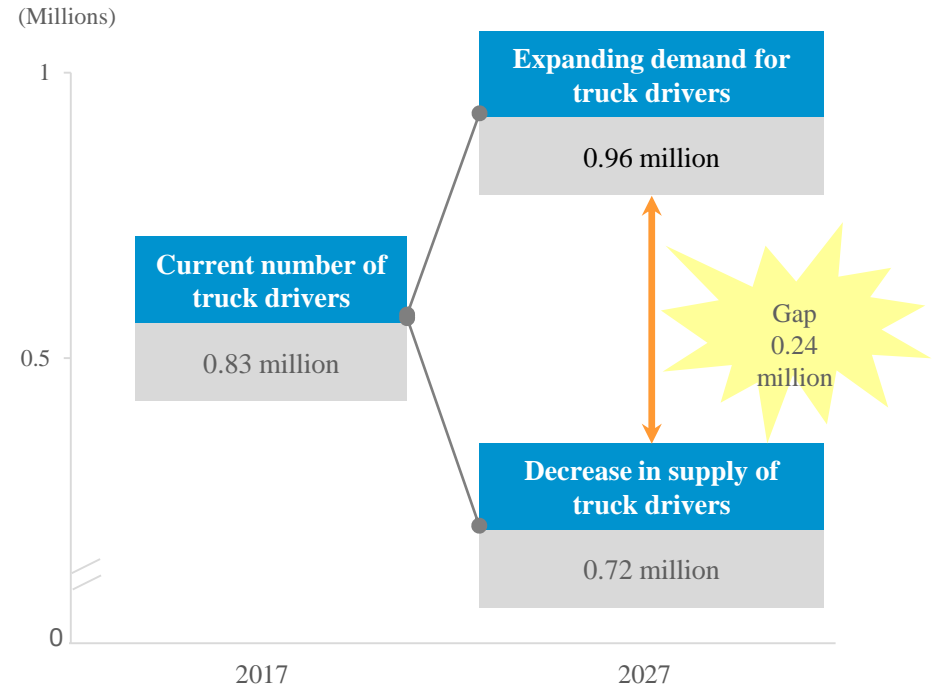
## Changes in Annual Working Hours



Source: Prepared by CRE, using data from Ministry of Health, Labour and Welfare "Basic Survey on Wage Structure"

**In 10 years, there could be a shortage of 240,000 drivers to drive trucks in the logistics industry.**

According to a survey by Boston Consulting Group, Japan will need 960,000 truck drivers by 2027 but there might only be 720,000 people in this occupation, leaving a shortage of 240,000 drivers. (See below)



Source: Prepared by CRE, using data from Boston Consulting Group's "Turbulent Logistics Industry and Future Prospects"

# Higher Logistics Costs and New Work Styles for Drivers

- e-commerce Market Expansion

Trade area expansion and improved convenience

- Longer distance from sellers to buyers. ⇒ **Extended transportation distance**
- Demand for small, frequent deliveries ⇒ **Increase in demand for transportation**

- “Standard for Improvement in Drivers' Working Hours, etc.” (Improvement standard notification)

Enhanced regulatory compliance for long-distance transportation

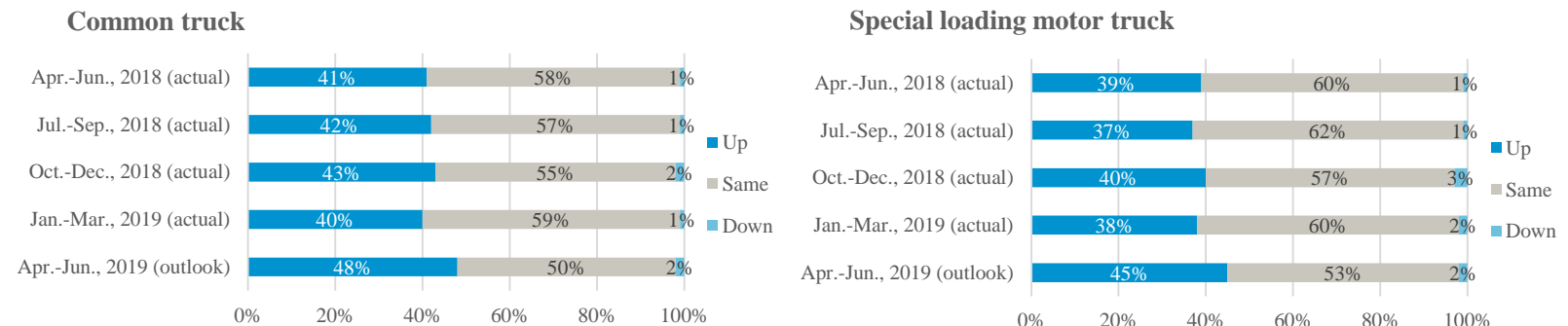
- Shorter **transportation distance** ⇒ As an example, **distributed shipping**
- Share transportation among several drivers ⇒ As an example, transportation relay points

- Revision of “Standard Cargo Truck Transportation Contract”

Clarify difference between tariffs and charges

- Higher logistics costs ⇒ Shorter **transportation distance** ⇒ As an example, **distributed shipping**

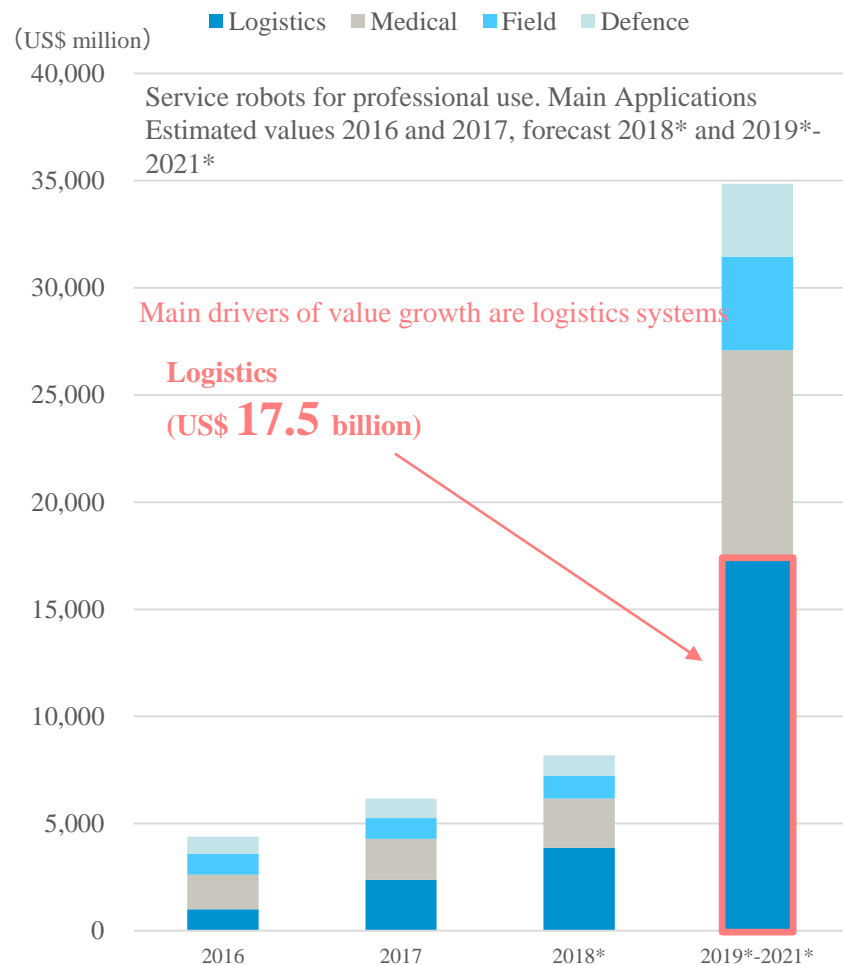
## Trends in Tariffs and Charges



Source: Prepared by CRE, using data from Nittsu Research Institute and Consulting, Inc. “Short-term Survey of Freight Movement in Japan”

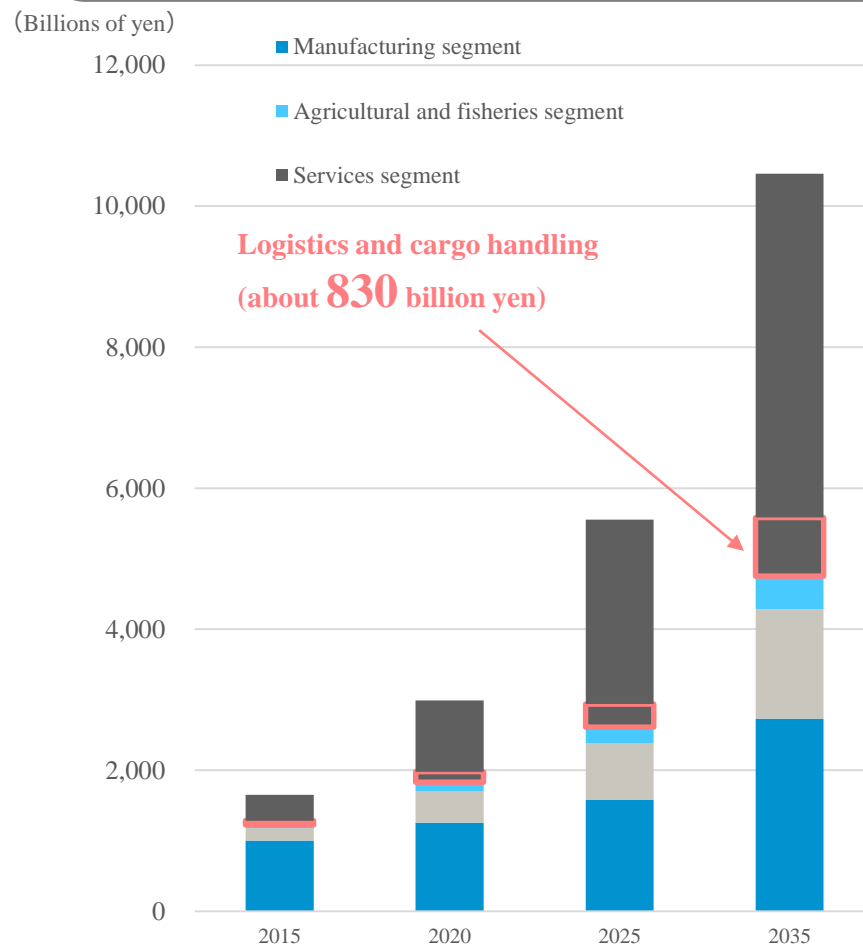
# Efficiency and Labor-Saving Measures

## Global Business-Use Service Robots



Source: Prepared by CRE, using data from IFR "World Robotics 2018"

## Future Market Forecasts in Robotics Industry toward 2035 (Domestic)



Source: Prepared by CRE, using data from Ministry of Economy, Trade and Industry, and NEDO "Future Market Research of Robotics Industry 2010"

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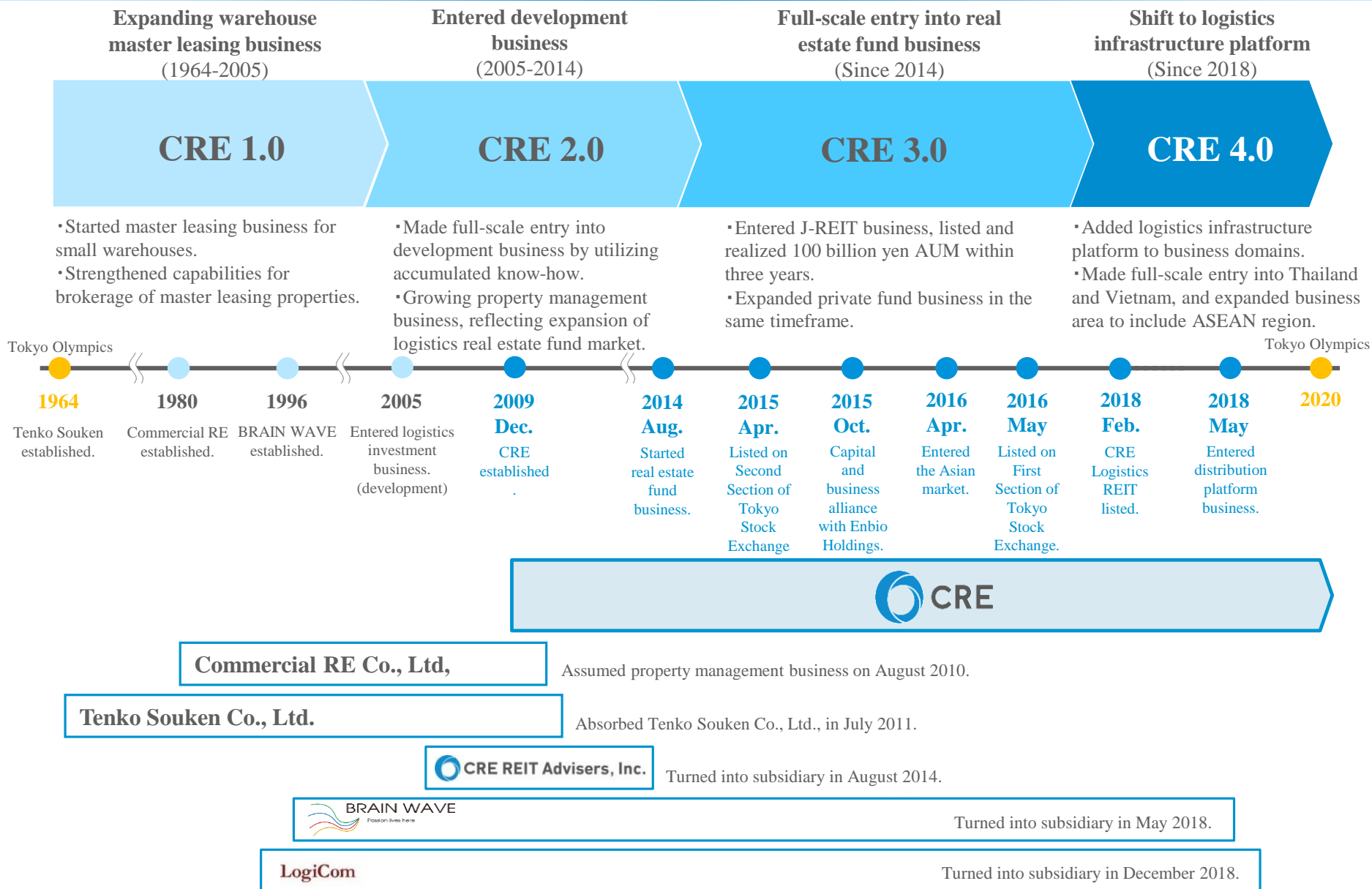
# APPENDIX



# Company Profile

Company name	CRE, Inc.
Representative	Tadahide Kameyama, Representative Director, President
Head office	East Tower 19F, Toranomon Twin Bldg., 2-10-1, Toranomon, Minato-ku, Tokyo
Sales offices	Kanagawa, Osaka, Fukuoka, Singapore, Thailand
Main businesses	Leasing, management, development, brokerage and asset management of logistics facilities
Established	December 22, 2009
Paid-in Capital	¥2,195 million (As of July 31, 2019)
Consolidated net sales	¥23,941 million (Fiscal year ended July 31, 2019)
Number of employees	217 (Consolidated basis / As of October 31, 2019)
Listing	First Section of the Tokyo Stock Exchange Code: 3458
Industry sector	Real estate business

# History



# Stock Information (As of July 31, 2019)

## Issued Shares and Shareholders

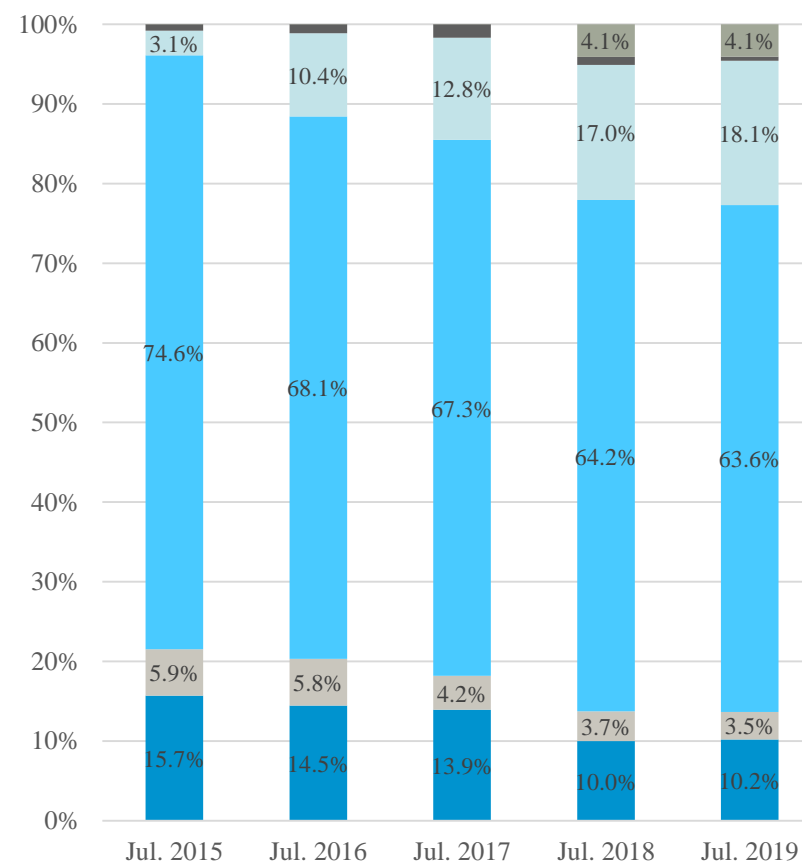
Number of Shares Issued and Outstanding	26,161,300
Number of Shareholders	6,239

## Major Shareholders

Shareholder Name	Number of shares (Thousands)	Shareholding ratio (%)
Kyobashi Kosan, Inc.	12,000	47.81
Kenedix, Inc.	3,778	15.05
GOLDMAN, SACHS & CO. REG	3,057	12.18
GOLDMAN SACHS INTERNATIONAL	1,230	4.90
Kokyo Tatemono Co., Ltd.	559	2.23
Syuhei Yamashita	284	1.13
THE BANK OF NEW YORK MELLON 140042	203	0.81
Tsuyoshi Ito	195	0.78
Tokyo Weld Co., Ltd.	193	0.77
Masaaki Kondo	159	0.63

## Ratio of Shareholding by Type of Shareholder

- Individuals and others
- Other Japanese corporations
- Securities companies
- Japanese financial institutions
- Overseas institutions
- Treasury stock





「つなぐ」未来を創造する

**CRE**