Securities Code 3487

CRE Logistics REIT

Financial Results Briefing for the 7th Period

Ended December 2019 (July 1, 2019 to December 31, 2019)

LogiSquare Soka
The property has excellent access to expressways, situated approximately 2.9 km from Gaikan Misato-nishi IC (Tokyo Gaikan Expressway) and approximately 4.5 km from Yashio-minami IC (Misato Route of the Metropolitan Expressway) and also provides access to all major expressways via the Tokyo Gaikan Expressway.

February 17, 2020
CRE REIT Advisers, Inc.

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GLOSSARY

Term	Definition
Appraisal value	The appraisal value or an investigated value as of the end of the period is stated based on the Certificate of Incorporation of the Investment Corporation and the Regulation on Accountings of Investment Corporations (Cabinet Office Order No.47 of 2006 including subsequent revisions)
Unrealized gains	(Appraisal value) - (Book value) as of the end of the period (Acquisition price in the case of newly acquired assets)
LTV	(Outstanding balance of interest-bearing debt) / (Total Assets)
LTV based on appraisal value	(Outstanding balance of interest-bearing debt) / (Total assets + Unrealized gains)
NAV per unit	(Net assets + Unrealized gains - Total amount of distributions) / Total number of investment units outstanding
Acquisition price	Acquisition price is the purchase agreement price for each of the trust beneficiary rights stated in the sales agreement and does not include national and local consumption taxes or sales commission and other expenses that are incurred in the acquisition.
NOI yield	Ratio of actual NOI of the portfolio assets to their acquisition price
Appraisal NOI yield	Ratio of appraisal NOI of each asset to the acquisition price (refers to appraisal NOI based on the appraisal report with December 31, 2019 as the date of the value opinion in the case of each asset held and appraisal NOI based on the appraisal report with November 30, 2019 as the date of the value opinion in the case of newly acquired assets)
CRE	CRE, INC.
CRE Group	CRE, INC. and its subsidiaries and affiliates

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1. Second Capital Increase by Public Offering and Asset Acquisitions

LogiSquare Soka
The property has capacity for 34 large trucks to dock simultaneously and also offers 65 car parking spaces and waiting space for large trucks.

Summary of Second Capital Increase by Public Offering

Assets

Externally acquire properties at appropriate price above implied cap rate

Number of properties	Acquisition price
4 properties	19,560 million yen
Occupancy rate	**Average appraisal NOI yield**
100.0%	4.7%

Improve quality of portfolio through investment in LogiSquare

	End of 7th Period (Ended December 2019)	After acquisition of assets
Number of properties	9 properties	13 properties
Acquisition price	54,115 million yen	73,675 million yen
Average appraisal NOI yield	4.9%	4.9%
Number of tenants	12	16
Tokyo Metropolitan Area	94.7%	96.1%
Occupancy rate	100.0%	100.0%
Ratio of properties developed by CRE	100.0%	100.0%

Liabilities

Promote reduction of LTV and long-term debt

	End of 7th Period (Ended December 2019)	After the Borrowing (February 3, 2020)
LTV	47.7%	Estimate for December 31, 2020 45.6%
Ratio of fixed interest rates	100.0%	100.0%
Average borrowing rate	0.510%	0.532%
Average duration of interest-bearing debt	2.6 years	3.3 years
Increase in borrowing	9,000 million yen	

Net assets

Realize external growth that contributes to improvement in distributions per unit and NAV per unit

	After first capital increase by public offering	After second capital increase by public offering
NAV per unit	December 31, 2019 122,212 yen	After second capital increase by public offering 129,163 yen (+5.7%)
Distributions per unit (including OPD)	Initial estimate for period ended December 2019 2,940 yen Estimate at first PO for period ending June 2020 3,029 yen	Estimate on normalised level after second PO for period ending December 2020 3,160 yen (+7.5%) (+4.3%)
Number of new investment units to be issued	88,000 units (33.9% of total issued and outstanding investment units)	
Total issue value	12,118 million yen	
Form of offering	Domestic offering	

Note: Please refer to the notes on page 1 or on each page from page 4 for the definition of each term and the calculation method of each figure on this page.

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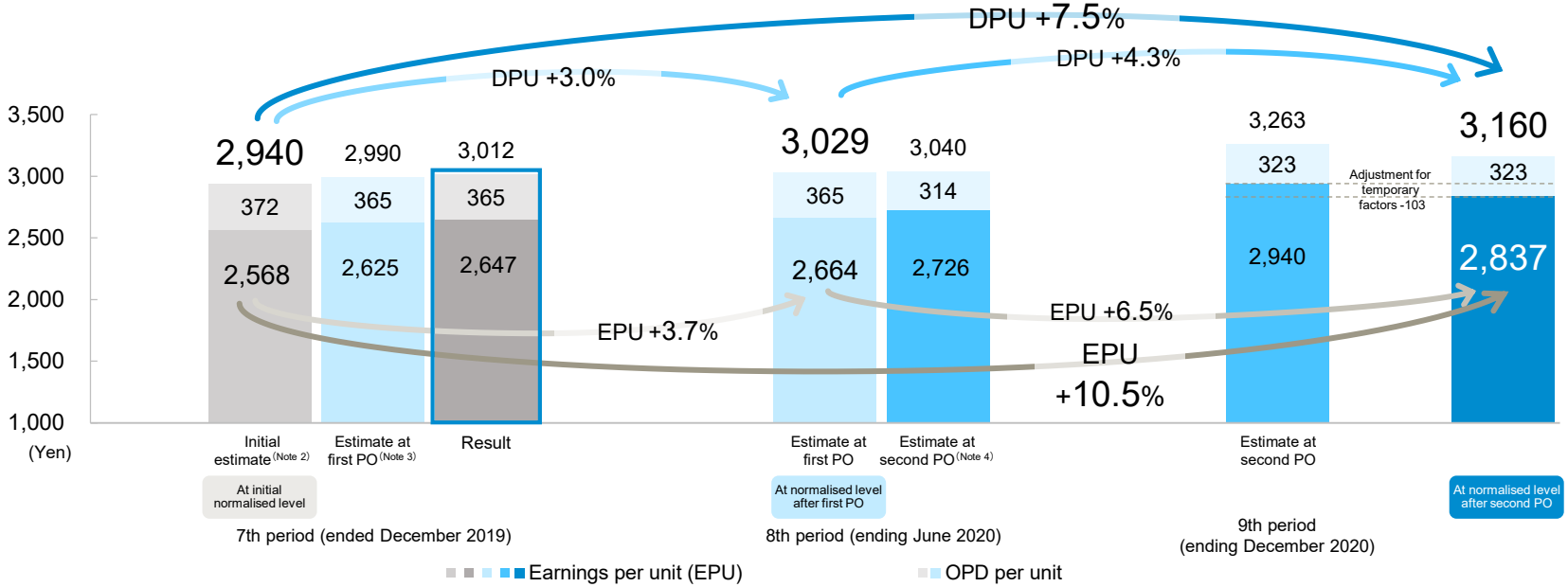
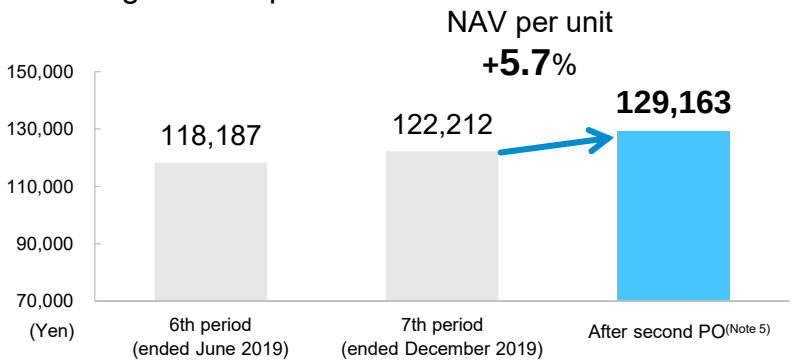
Enhance unitholder value through external growth that contributes to improvement in DPU and NAV per unit

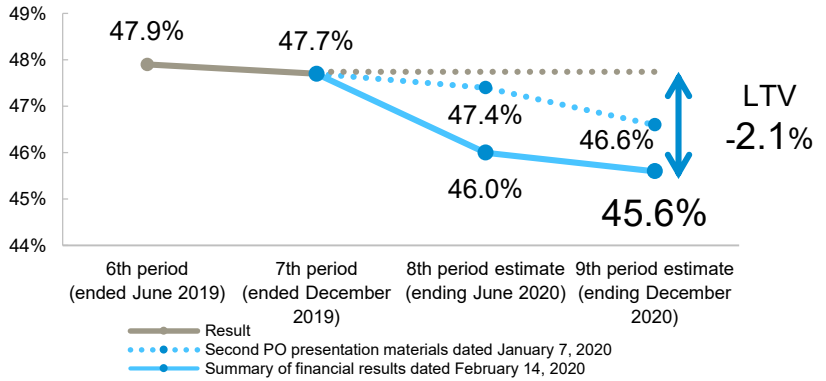
Raise normalised DPU by 7.5% within one year by increasing capital in two consecutive periods



Achieve higher NAV per unit



Reduce LTV



Note 1: "DPU" indicates distributions per unit (including OPD), and "EPU" indicates distributions of earnings per unit.
Note 2: "Initial estimate" is based on Summary of Financial Results for the 5th Fiscal Period Ended December 31, 2018 dated February 18, 2019.
Note 3: "Estimate at first PO" is based on "Notice Concerning Revision of Forecasts of Operating Results for the Period ending December 31, 2019 and Forecasts of Operating Results for the Period ending June 30, 2020" dated June 27, 2019.
Note 4: "Estimate at second PO" is based on "Notice Concerning Revision of Forecasts of Operating Results for the Period ending June 30, 2020 and Forecasts of Operating Results for the Period ending December 31, 2020" dated January 7, 2020.
Note 5: "NAV per unit" after the second PO is calculated by the equation shown below.
NAV per unit after the second PO = (NAV at end of 7th Period (ended December 31, 2019) + Total issue value + Sum total of appraisal values of newly acquired assets - Sum total of acquisition prices of newly acquired assets) / Total issued and outstanding investment units of CRE-REIT after the Issue

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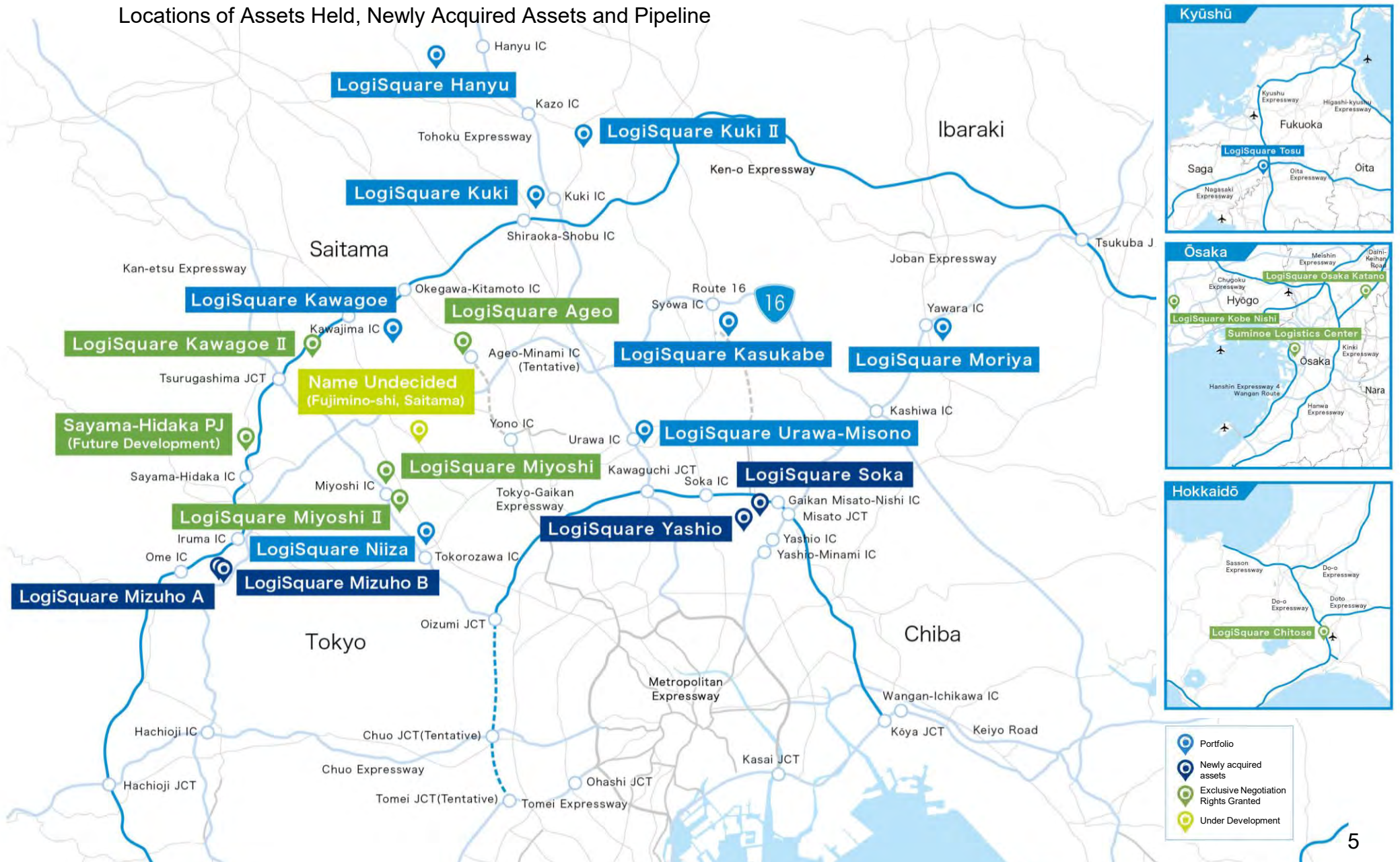
Newly acquire properties in Tokyo Gaikan Expressway/Western Tokyo Area

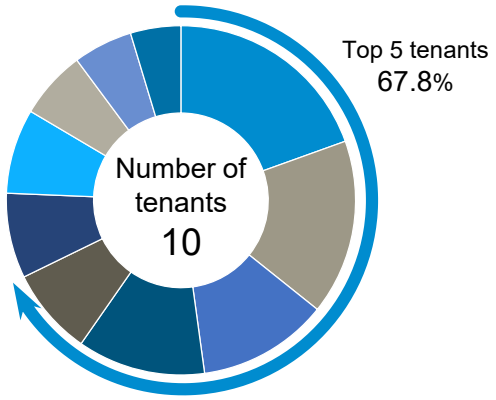
Locations of Assets Held, Newly Acquired Assets and Pipeline



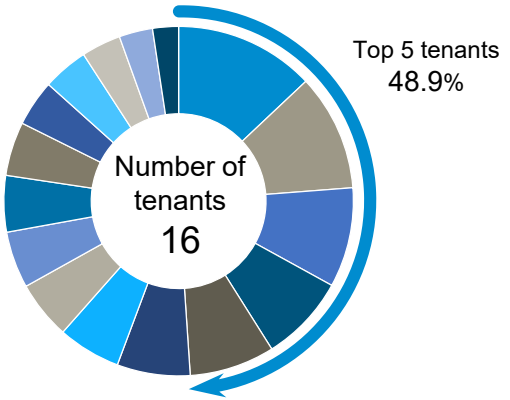
Achieve further portfolio diversification through twice capital increase by public offering two years after listing

Tenant diversification (based on leased area)

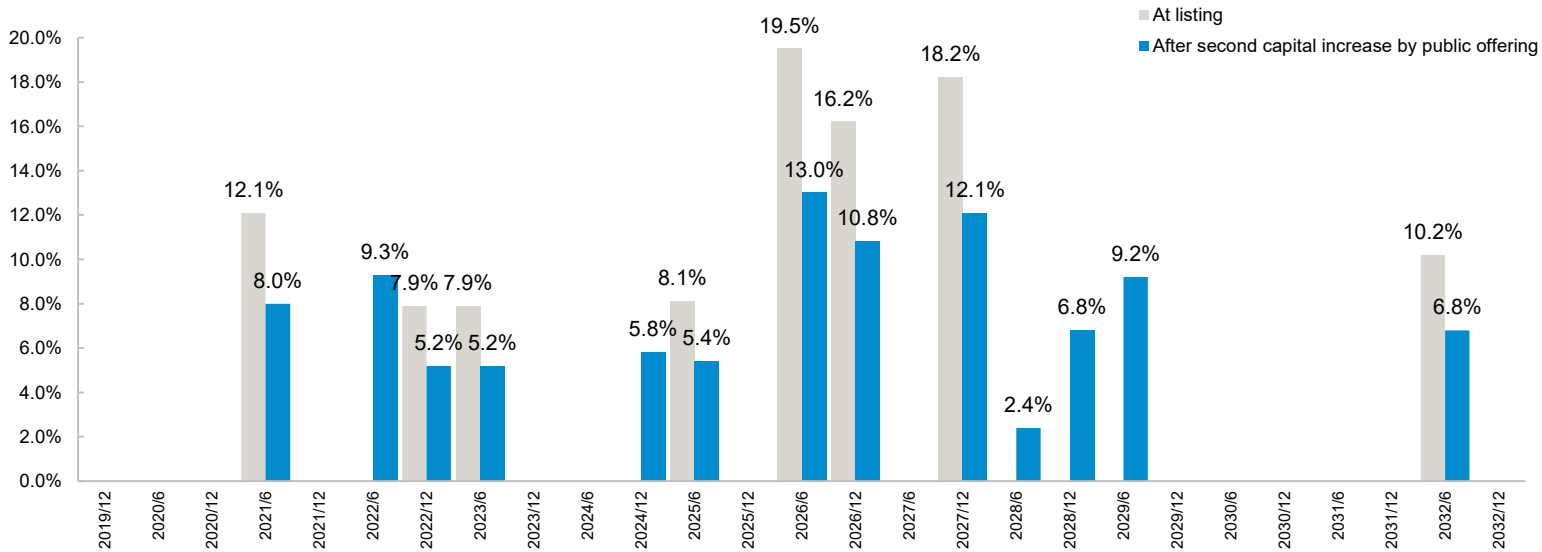
7 properties at listing



13 properties after second capital increase by public offering



Diversification of lease terms (based on leased area)



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Ensure same high quality as that of existing portfolio

	7th period (2019/12)		Newly acquired assets		After acquisition of newly acquired assets
Number of properties	9 properties	+	4 properties	=	13 properties
Acquisition price	54,115 million yen		19,560 million yen		73,675 million yen
Appraisal value (Estimated value)	57,880 million yen		20,610 million yen		78,490 million yen
Average appraisal NOI yield	4.9%		4.7%		4.9%
Average appraisal NOI yield after depreciation(Note 1)	3.8%		4.1%		3.8%
Average property age(Note 2)	2.8 years		8.5 years		4.3 years
Occupancy rate	100.0%		100.0%		100.0%
Average lease term	9.0 years		8.4 years		8.8 years
Average remaining lease term(Note 3)	6.4 years		5.7 years		6.2 years
Number of tenants	12		4		16
Ratio of properties developed by CRE(Note 4)	100.0%		100.0%		100.0%

Note 1: “Average appraisal NOI yield after depreciation” is the ratio of the sum total of the appraisal NOI of each asset less forecast depreciation to the sum total of the acquisition price of each asset.
Note 2: “Average property age” indicates the weighted average (rounded to one decimal place) of the ages (refers to number of years from date of registration of new construction of each property in real property register to December 31, 2019) of each asset.
Note 3: “Average remaining lease term” indicates the weighted average of the periods from December 31, 2019 to the expiration date of the lease agreement stipulated in the lease agreement of each asset.
Note 4: “Ratio of properties developed by CRE” is ratio of properties developed by CRE or Commercial RE Co., Ltd. before transfer to CRE.

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Ensure same high quality as that of existing portfolio

No.	Property name		Location	(Planned) acquisition price (million yen)	Appraisal value(Note 1) (million yen)	Appraisal NOI yield (%)	Total floor area(Note 2) (m^2)	Age (years)	Number of tenants	BTS (Note 3)	Occupancy ratio (%)	Developer
M-1	LogiSquare Kuki		Kuki-shi, Saitama	9,759	10,300	4.8	40,907.13	3.6	1	BTS	100.0	CRE
M-2	LogiSquare Hanyu		Hanyu-shi, Saitama	6,830	7,080	5.0	33,999.61	3.5	1	BTS	100.0	CRE
M-3	LogiSquare Kuki II		Kuki-shi, Saitama	2,079	2,170	5.1	11,511.22	2.9	1	BTS	100.0	CRE
M-4	LogiSquare Urawa Misono		Saitama-shi, Saitama	13,060	14,300	4.7	48,738.29	2.8	3	—	100.0	CRE
M-5	LogiSquare Niiza		Niiza-shi, Saitama	6,960	7,390	4.9	25,355.82	2.8	1	—	100.0	CRE
M-6	LogiSquare Moriya		Moriya-shi, Ibaraki	6,157	6,640	5.2	32,904.90	2.7	2	—	100.0	CRE
M-7	LogiSquare Kawagoe		Kawagoe-shi, Saitama	1,490	1,570	5.0	7,542.56	1.9	1	—	100.0	CRE
M-8	LogiSquare Kasukabe		Kasukabe-shi, Saitama	4,900	5,300	5.1	21,315.54	1.6	1	BTS	100.0	CRE
M-9	LogiSquare Soka		Soka-shi, Saitama	8,109	8,580	4.6	28,817.59	6.5	1	—	100.0	CRE
M-10	LogiSquare Yashio		Yashio-shi, Saitama	5,073	5,330	4.6	19,068.60	5.9	1	—	100.0	CRE
M-11	LogiSquare Mizuho A		Mizuho-machi, Tokyo	2,794	2,940	4.9	13,755.16	12.9	1	BTS	100.0	CRE
M-12	LogiSquare Mizuho B		Mizuho-machi, Tokyo	3,584	3,760	4.8	16,016.37	12.9	1	BTS	100.0	CRE
O-1	LogiSquare Tosu		Tosu-shi, Saga	2,880	3,130	5.2	16,739.40	1.9	1	BTS	100.0	CRE
Total/Average				73,675	78,490	4.9	316,672.19	4.3	16	—	100.0	—

Newly acquired assets

Note 1: Appraisal value with November 30, 2019 as the date of the value opinion in the case of newly acquired assets.
Note 2: For "Total floor area," the total floor area of each property presented in the real estate register is stated. It also includes the floor area of annex building.
Note 3: "BTS" stands for build-to-suit. It is logistics real estate developed by incorporating a specific company's demands in its specifications.

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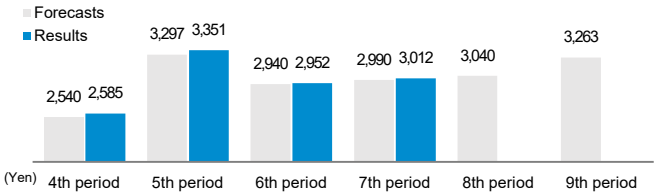
2. Financial Results and Forecasts

LogisSquare Hanyu
From the selection of the land, the facility was developed based on the needs of the tenant, which is a leading logistics company, and was designed to offer versatility and to withstand heavy loads.

Highlights on the 7th Period—Achieved better-than-anticipated results due to stable management

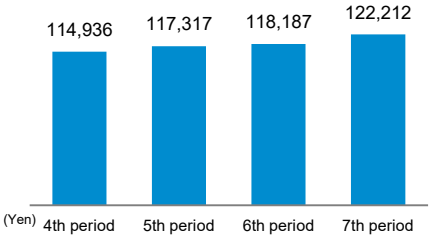
Distributions per unit

7th period Results (2019/12)	3,012 yen (Compared to forecast: Up 22 yen, Up 0.7%)
8th period Forecasts (2020/6)	3,040 yen
9th period Forecasts (2020/12)	3,263 yen



NAV per unit

7th period Results (2019/12)	122,212 yen (up 4,024 yen, up 3.4% from 6th period)



Portfolio

Portfolio size	9 properties 54.1 billion yen
Occupancy rate	100.0%
Average remaining lease term	6.4 years
Average property age	2.8 years
Ratio of fixed-term leases	100.0%
Ratio of fixed-rate rents	100.0%

Asset

	7th period (2019/12)	Compared to 6th period
Appraisal value	57,880 million yen	+7,400 million yen
Unrealized gains	4,723 million yen	+1,262 million yen
Unrealized gains ratio	8.9%	+1.5%
NOI yield	4.9%	+0.0%
NOI yield after depreciation	3.7%	+0.0%
Repair expense	1 million yen	+0 million yen
Capital expenditure	— million yen	— million yen

Debt

	7th period (2019/12)	Compared to 6th period
Interest-bearing debt	26,719 million yen	+2,899 million yen
LTV	47.7%	-0.2%
LTV based on appraisal value	44.0%	-0.8%
Ratio of fixed interest debt	100.0%	+11.3%
Ratio of long-term debt	100.0%	—%
Average borrowing interest rate	0.510%	-0.023%

Equity

	7th period (2019/12)	Compared to 6th period
Net assets per unit	107,005 yen	+835 yen
NAV	31,683 million yen	+4,364 million yen
NAV per unit	122,212 yen	+4,024 yen
Total number of investment units outstanding	259,250 units	+28,100 units

One characteristic of logistics facilities is that the ratio of building value to land is typically high, and so depreciation expense tends to be higher than for other asset classes. Since unrealized gains are the difference between appraisal value at end of period and book value after deduction of depreciation expense, CRE-REIT, which holds fairly new properties and has minimal capital expenditure, tends to record increasing unrealized gains because, at the end of each period, the sum of depreciation expense and any increase in appraisal value at the end of the period is added to unrealized gains at the end of the previous period.

Note: As of December 31, 2019, before second capital increase by public offering

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Results for the 7th Period (Ended December 2019)

Unit: million yen

	6th period (2019/6) Results (A)	7th period (2019/12) Forecasts (B)	7th period (2019/12) Results (C)	Difference vs. Previous period (C) - (A)	Difference vs. Forecast (C) - (B)
Operating revenues	1,411	1,578	1,580	+168	④ +1
Leasing expenses (excluding depreciation)	245	254	254	+9	+0
NOI	1, 166	1,324	1,325	+159	+1
Depreciation	287	316	316	+29	+0
Net leasing revenues (NOI - Dep.)	879	1,008	1,009	① +130	+1
General and administrative expenses, etc.	160	184	181	② +20	⑤ -3
Operating income	718	823	828	+109	+4
Non-operating income	0	—	0	+0	+0
Non-operating expenses	121	141	141	③ +19	-0
Ordinary income	597	681	687	+89	+5
Net income	596	680	686	+89	+5
Distributions per unit (yen)	2,952	2,990	3,012	+60	+22
Earnings per unit (yen)	2,580	2,625	2,647	+67	+22
OPD per unit (yen)	372	365	365	-7	—

Major factors for difference

<Vs. previous period>

① Net leasing revenues +130
- Increased due to 2 newly acquired properties +131

② General and administrative expenses, etc. +20
- Increase in asset management fees +16
- Occurrence of expenses related to first PO +2
- Occurrence of expenses for General Meeting of Unitholders +2

③ Non-operating expenses +19
- Increase in loan-related expenses +9
- Increase of interest expenses +5
- Occurrence of expenses related to issue of investment units for first PO +3

<Vs. forecast>

④ Operating revenues +1
- Increase in utilities income +1

⑤ General and administrative expenses, etc. -3
- Reduction of expenses for General Meeting of Unitholders -3

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Forecasts for the 8th and 9th Periods (Ending June 2020 and December 2020)

Unit: million yen

	7th period (2019/12) Results (A)	8th period (2020/6) Forecasts (B)	Difference (B) - (A)	9th period (2020/12) Forecasts (C)	Difference (C) - (B)
Operating revenues	1,580	2,024	① +444	2,122	+97
Leasing expenses (excluding depreciation)	254	303	② +49	309	+5
NOI	1,325	1,721	+395	1,812	+91
Depreciation	316	364	+48	374	+9
Net leasing revenues (NOI - Dep.)	1,009	1,356	+347	1,438	⑤ +82
General and administrative expenses, etc.	181	223	③ +42	244	⑥ +21
Operating income	828	1,133	+304	1,194	+60
Non-operating income	0	—	-0	—	—
Non-operating expenses	141	185	④ +44	172	⑦ -13
Ordinary income	687	947	+260	1,021	+74
Net income	686	946	+260	1,020	+74
Distributions per unit (yen)	3,012	3,040	+28	3,263	+223
Earnings per unit (yen)	2,647	2,726	+79	2,940	+214
OPD per unit (yen)	365	314	-51	323	+9

Major factors for Difference

<8th period>

① Operating revenues +444
- Increased due to 4 newly acquired properties +430
- Full-period contribution of 2 properties newly acquired in 7th period +14

② Leasing expenses (excluding depreciation) +49
- Increased due to 4 newly acquired properties +32
- Increase due to the expensing of fixed asset taxes and city planning taxes on 2 properties acquired in the 7th period +18

③ General and administrative expenses, etc. +42
- Increase in asset management fees +34
- Non-occurrence of expenses related to first PO -2
- Occurrence of expenses related to second PO +2
- Non-occurrence of expenses for General Meeting of Unitholders -2

④ Non-operating expenses +44
- Increase in loan-related expenses and interest expenses +33
- Increase in amortization of expenses related to issue of investment units +2
- Non-occurrence of expenses related to issue of investment units for first PO -3
- Occurrence of expenses related to issue of investment units for second PO +10

<9th period>

⑤ Net leasing revenues +82
- Full-period contribution of 4 properties newly acquired in 8th period +82

⑥ General and administrative expenses, etc. +21
- Increase in asset management fees +13
- Increase in asset custody and administrative service fees +2
- Non-occurrence of expenses related to second PO -2

⑦ Non-operating expenses -13
- Increase in loan-related expenses and interest expenses +2
- Non-occurrence of expenses related to issue of investment units for second PO -10

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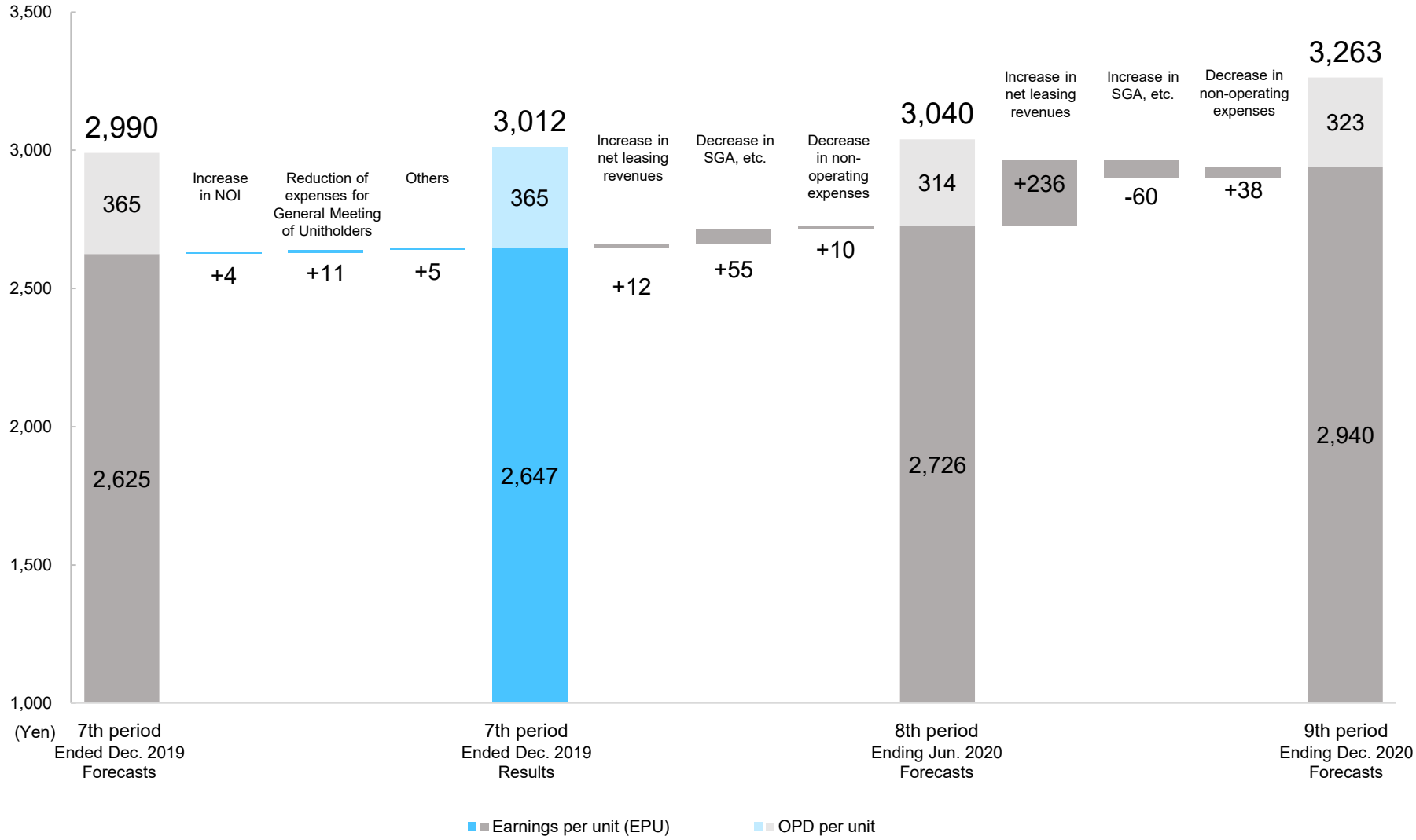
Comparison between Each Period



Note 1: Calculated on the assumption that the total number of investment units issued and outstanding at the end of the 7th Period is 259,250 units and the total number of investment units issued and outstanding at the end of the 8th and 9th Periods is 347,250 units.
Note 2: The components do not add up to the difference between each period because the components are rounded off to the nearest one yen.

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3. Growth Strategies

LogiSquare Yashio
The property has excellent access to expressways, situated approximately 3.8 km from Soka IC (Tokyo Gaikan Expressway) and approximately 4.0 km from Yashio-minami IC (Misato Route of the Metropolitan Expressway) and also provides access to all major expressways via the Tokyo Gaikan Expressway.

Portfolio after Acquisition of Newly Acquired Properties and Similar-sized Pipeline

Continue to promote property acquisitions at a reasonable price, aiming for continuous growth in distributions, based on cooperation with the CRE Group companies

Pipeline(Note 1)

10 properties Total floor area 310,411.75 m² + α (Property in Fujimino-shi, Saitama)

LogiSquare Chitose
(1) November 2017
(2) 19,760.00 m²
(3) Chitose-shi, Hokkaido

LogiSquare Ageo
(1) April 2019
(2) 19,142.84 m²
(3) Ageo-shi, Saitama

LogiSquare Kawagoe II
(1) June 2019
(2) 14,786.36 m²
(3) Kawagoe-shi, Saitama

LogiSquare Kobe nishi
(1) April 2020
(2) 16,000 m²
(3) Kobe-shi, Hyogo

Sayama Hidaka IC Development Plan (provisional)
(1) June 2020
(2) 84,132 m²
(3) Hanno-shi, Saitama

LogiSquare Miyoshi
(1) June 2020
(2) 40,752 m²
(3) Miyoshi-machi, Saitama

LogiSquare Osaka Katano
(1) January 2021
(2) 80,661.39 m²
(3) Katano-shi, Osaka

LogiSquare Miyoshi II
(1) March 2021
(2) 18,096 m²
(3) Miyoshi-machi, Saitama

Under planning

Name TBD new!
(1) From 2022
(2) TBD (Site: 123,389 m²)
(3) Fujimino-shi, Saitama

Suminoe Logistics Center
(1) January 1992
(2) 17,081.16 m²
(3) Osaka-shi, Osaka

Portfolio after acquisition of newly acquired properties

13 properties
Total floor area 316,672.19 m²
Total acquisition price 73.6 billion yen

(1) Completion month and year (planned)
(2) Total area (planned)
(3) Location
● Newly acquired assets
● Properties with first refusal right

CRE → As a general rule, CRE-REIT is given the opportunity to acquire all logistics facilities developed and owned by CRE(Note 2) → CRE Logistics REIT

Note 1: As of February 14, 2020, CRE-REIT has not engaged in specific negotiations with the CRE Group companies on this pipeline, nor does it have any plan to acquire them at the present time or guarantee future acquisition. This slide shows the pipeline as of February 14, 2020 but first refusal rights will be granted at any time on other properties besides these properties and CRE Group companies will proceed at any time with the development of other properties besides these properties.
Note 2: Unless the grounds for exclusion from application stipulated in the Sponsor Support Agreement apply.

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The Investment Corporation's Approach to Property Acquisitions/CRE's Approach to Property Sales and Development

The Investment Corporation's Approach to Property Acquisitions

- Acquisition of property without dilution of distribution per unit/NAV per unit is a prerequisite for the improvement of unitholder value.
  In both the first and second capital increases by public offering, CRE acquired properties at a NOI cap above the implied cap rate and upheld the above prerequisite. CRE-REIT plans to maintain this approach moving forward.
- Achieve flexible external growth, taking investment unit price into consideration, including utilizing the bridge function.
  CRE-REIT acquired three properties from leasing company at IPO and one property from leasing company at first capital increase by public offering. The timing of the Sponsor's property sales and the REIT's acquisitions can be adjusted.
- Acquisition of medium-sized properties and acquisition of quasi co-ownership interests using funds on hand is also possible.
  Properties with total floor area of 5,000 m^2 or larger are the investment targets and the acquisition of properties ranging from several hundred million yen to several billion yen is possible using funds on hand equivalent to depreciation expense.
- Achieve medium-term asset size target of 100 billion yen alongside improvement in unitholder value rather than focusing on early achievement.
  Take investment unit price into consideration when achieving target asset size two or three years after listing stated in materials for Financial Results Briefing for the 4th Period (June 2018), rather than focusing on early achievement as stated above.

CRE's Approach to Property Sales and Development

Stable operation of CRE-REIT over medium and long term is CRE's top priority

CRE's Positioning of Asset Management Business

- Grow asset management business into second pillar of stock business.
- Continuously earn asset management fees and property management fees by selling properties developed by CRE to CRE-REIT.

The Asset Management Company is involved from the time of site acquisition to implement development with discipline

Leasing	Rent assessment (scoring of location, road access, etc.)
Development	Formulation of plan incorporating development risks
Asset Management	Sharing of level of cap rates on acquisitions in REIT market
Construction Management	Appropriate cost control
Leasing	Attraction of tenants

Generation of higher profits than planned

Source: Prepared by the Asset Management Company based on the Long-term Management Policy (September 12, 2016) of CRE, Inc.

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Promote Reduction of LTV, Borrowing from New Lenders, Long-term Debt and Distribution of Repayment Dates

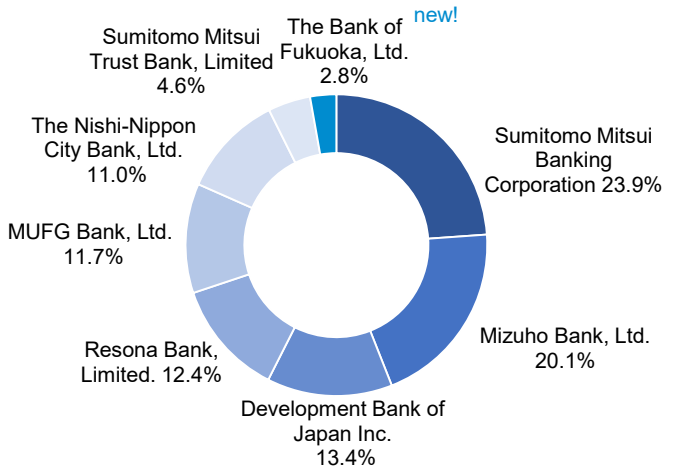
Reduce LTV and Promote Long-term Debt

	7th period (2019/12)	After the Borrowing(Note 1) (as of February 3, 2020)	Difference
Interest-bearing debt	26,719 million yen	35,719 million yen	+9,000 million yen
LTV	47.7%	(Note 2) 45.6%	-2.1%
Ratio of fixed interest debt	100.0%	100.0%	—%
Ratio of long-term debt(Note 3)	100.0%	100.0%	—%
Average borrowing interest rate	0.510%	0.532%	+0.022%
Average life of interest-bearing debt(Note 4)	2.6 years	3.3 years	+0.6 years

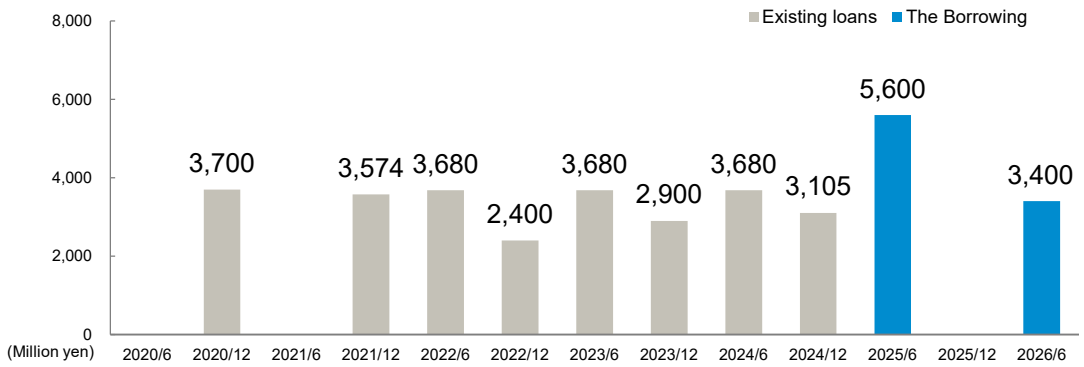
Note 1: "The Borrowing" refers to borrowing executed on February 3, 2020 to finance the acquisition of the newly acquired assets and expenses incidental thereto.
Note 2: Forecast for end of Period ending December 2020
Note 3: Current portion of long-term debt is included in long-term debt.
Note 4: "Average life of interest-bearing debt" is calculated by finding the weighted average life based on the balance of each interest-bearing debt over the period from February 3, 2020 to the repayment date of each interest-bearing debt.

Borrowing a new from The Bank of Fukuoka, Ltd.

Bank Formation after the Borrowing



Promotion of Distribution of Repayment Dates Over the Period



Approach to Liabilities

- CRE-REIT's LTV is set at around 45% and the upper limit of LTV is 50% in principle.
- The above level is slightly higher than that of other logistics REITs but since cash flow is stable due to long-term contracts, CRE-REIT has the option to make effective use of loans.
- CRE-REIT conducts financial operations with emphasis on long-term stability by taking out long-term loans with fixed interest rates.
- After examining using funds on hand for property acquisitions, CRE-REIT examines using them to repay loans in order to increase financial strength and reduce borrowing costs.

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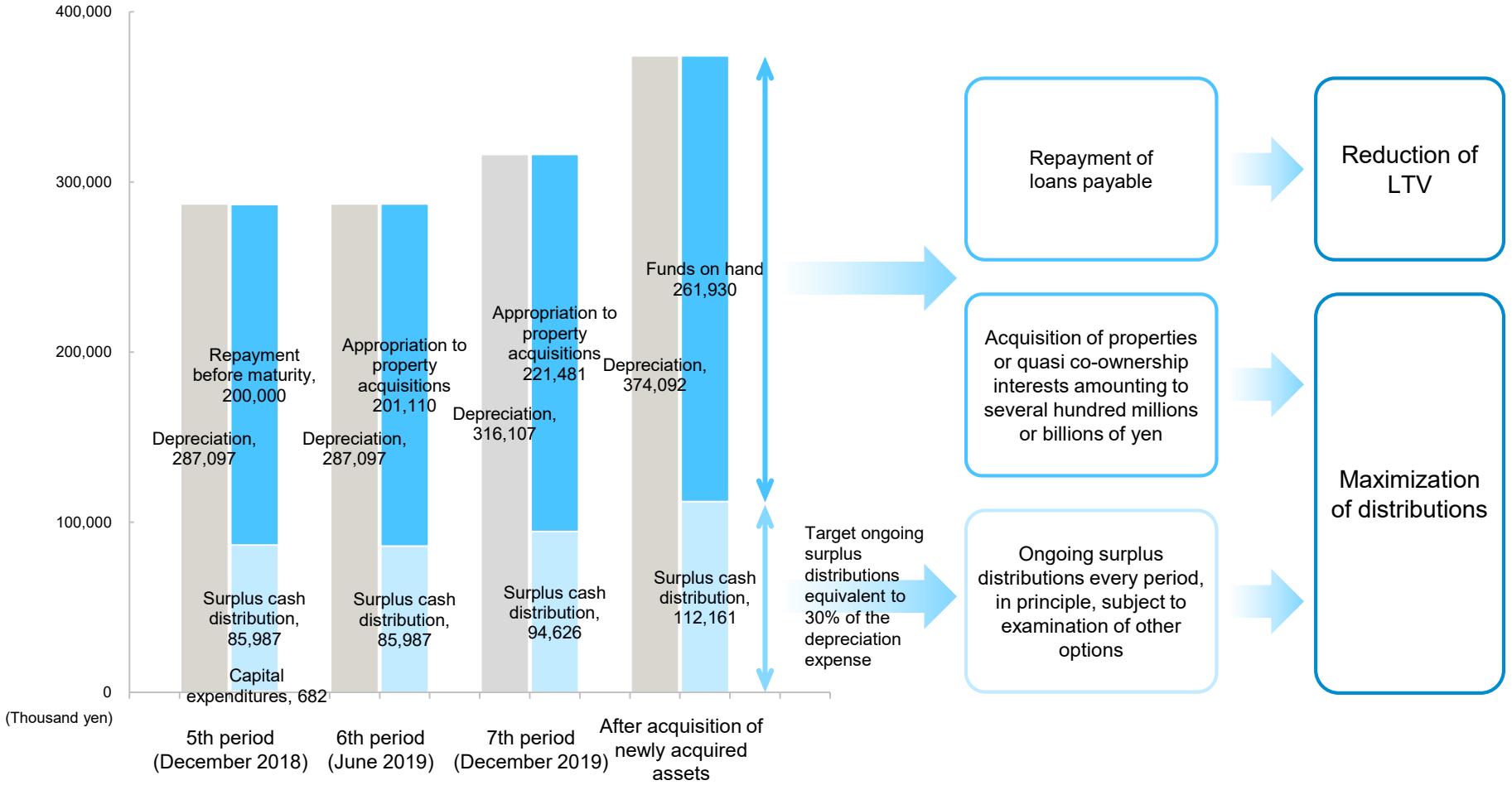
Efficient Cash Management

Efficient use of funds on hand from depreciation for maximization of distributions and expansion of financial reserve



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Strengthening of Governance (1) Revision of Asset Management Fee Structure More Aligned with Unitholder Interests

Overview of Revisions to Asset Management Fee Structure

- Amend Articles of Incorporation at the General Meeting of Unitholders held on September 27, 2019 and revise fee structure from the Period ending June 2020
- Introduce fee structure more aligned with unitholder interests by decreasing management fees based on total assets and income before income taxes and establishing a new management fee based on earnings per unit to increase linkage with earnings per unit
- Repeal fee on sale to prevent fee being charged even in the case of the sale of property that is detrimental to the interests of unitholders because a loss on sale is recognized

	Before Changes	After Changes	
Management fee 1	Total assets × 0.4% (Upper limit)	Reduce	Total assets × 0.325% (Upper limit)
Management fee 2	Income before income taxes × 5.0% (Upper limit)	Reduce	Income before income taxes × 4.0% (Upper limit)
Management fee 3	—	Newly establish	Earnings per unit × 10,000
Fee on acquisition	Acquisition cost × 1.0% (Upper limit) (0.5% (Upper limit) in case of transactions with interested party)		Acquisition cost × 1.0% (Upper limit) (0.5% (Upper limit) in case of transactions with interested party)
Fee on sale	Sale price × 0.5% (Upper limit)	Repeal	—

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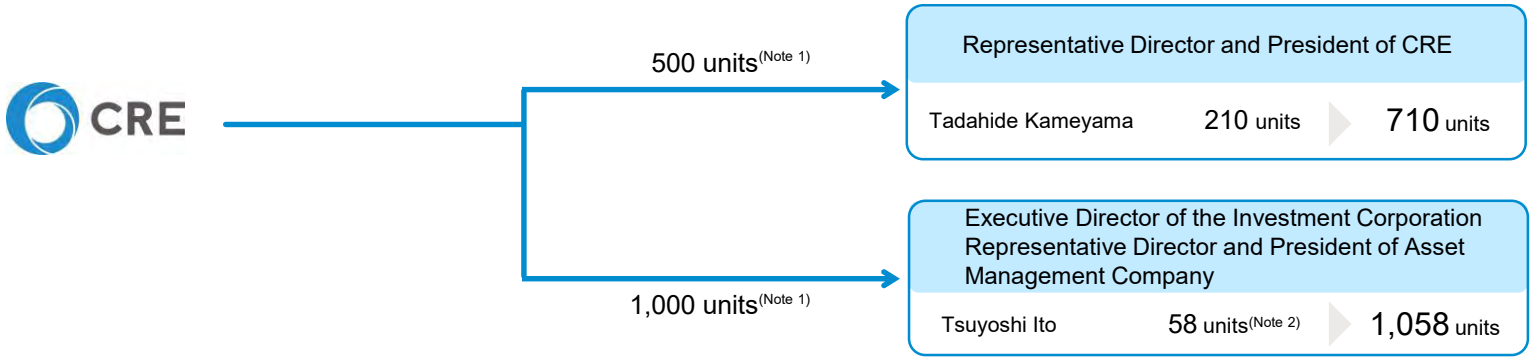
Strengthening of Governance (2) Holding of Investment Units by Management of Sponsor and the Asset Management Company Respectively

Holding of Investment Units by Management of Sponsor and the Asset Management Company Respectively

- At the time of the first capital increase by public offering, the management of the sponsor and the Asset Management Company respectively acquired investment units held by the sponsor, strengthening their commitment to CRE-REIT.

(July 2019)



Holding of Investment Units by Officers and Employees of the Asset Management Company

- Almost all officers and employees of the Asset Management Company hold investment units of CRE-REIT(Note 3) based on a cumulative investment system (purchases started in October 2018) and internal regulations.

Title	Name	Units held (December 31, 2019)
Representative Director and President	Tsuyoshi Ito	1,093 units
Managing Director	Takeshi Oka	33 units
8 out of 9 other employees hold investment units		

Independence of the Asset Management Company

- Given that the Asset Management Company was established as an independent asset management company, all its members are proper employees and CRE is not involved in their recruitment or personnel evaluation.

Category	Number of persons(Note 3)
Standing directors	2
Employees	9
Total	11

Note 1: On July 17, 2019, CRE, which is the sponsor of the Investment Corporation, sold, at a price equal to the issue price in the first capital increase by public offering, 1,000 units of the investment units to Tsuyoshi Ito, who is Executive Director of the Investment Corporation and Representative Director and President of the Asset Management Company, and 500 units of the investment units to Tadahide Kameyama, who is Director of the Asset Management Company and Representative Director and President of CRE.
Note 2: As of May 31, 2019
Note 3: As of January 31, 2020

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Initiatives for ESG

70% of properties have acquired BELS and/or CASBEE certification (based on acquisition price).

Property name	BELS	CASBEE	Installation of Solar Panels	Sandwich Panels	LED Lights
	70% of properties have acquired (based on acquisition price).	70% of properties have acquired (based on acquisition price).	CRE-REIT leases roof top space and the lessees contribute to the creation of renewable energy through photovoltaic power generation.	All the properties use sandwich panels with outstanding design and a high heat insulating effect for their exterior walls to reduce the thermal load when refrigerating and heating equipment is installed.	The use of LED lights contributes not only to energy savings and the reduction of CO_2, but also the reduction of electric bills, which are to be paid by tenants, along with the replacement cost of lighting and an improvement in the working environment.
M-1 LogiSquare Kuki	★★★★★	Saitama Prefecture Rank A	○	○	○
M-2 LogiSquare Hanyu	★★★★★	Saitama Prefecture Rank B+	○	○	○
M-3 LogiSquare Kuki II	★★★★★	Saitama Prefecture Rank A	○	○	○
M-4 LogiSquare Urawa Misono	★★★★★	Saitama Prefecture Rank A	—	○	○
M-5 LogiSquare Niiza	★★★★★	Saitama Prefecture Rank A	○	○	○
M-6 LogiSquare Moriya	★★★★★	—	○	○	○
M-7 LogiSquare Kawagoe	★★★★	—	—	○	○
M-8 LogiSquare Kasukabe	★★★★★	Saitama Prefecture Rank A	○	○	○
M-9 LogiSquare Soka	—	Saitama Prefecture Rank A	○	○	—
M-10 LogiSquare Yashio	—	Saitama Prefecture Rank A	○	○	—
M-11 LogiSquare Mizuho A	—	—	—	—	—
M-12 LogiSquare Mizuho B	—	—	—	—	—
O-1 LogiSquare Tosu	★★★★★	—	—	○	○

Newly acquired assets

Reduction of paper used to print prospectus

- Helped protect the environment by omitting the pages printed in color below the front cover of the prospectus.

Corrected information gap between investors and rationalized disclosures

- Pursued fair disclosure and rationalization of disclosures by producing more substantial presentation materials.

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4. Characteristics of CRE Logistics REIT, Inc.

LogiSquare Soka
The property uses signs that visualize functions inside the facility. The signs use different colors for each floor to enable the workers to easily identify their present location, and the scale marks on columns are used as a guide when loading cargo.

Characteristics/Advantages of CRE-REIT

Character-istics

1. Portfolio focused on LogiSquare
2. Long-term, stable asset management
3. Distinct external growth strategy

Advantages

High-quality portfolio

(1) Stable cash flow	Occupancy rate 100.0%	Ratio of fixed-term leases 100.0%	Ratio of fixed-rate rents 100.0%
(2) Long-term contracts with diverse tenants	Average lease contract term 8.8 years	Average remaining lease term 6.2 years	Ratio of single-tenant facilities 73.9%
(3) Good location	Ratio of Tokyo Metropolitan Area 96.1%	Average mileage to interchange 3.4 km	Within 10 mins' walk of public transportation 97.2%

Sponsor is real estate company specializing in logistics properties(Note 1)

(1) Leasing capability	Companies that have concluded lease contracts with CRE directly 1,100 companies	Leasing by CRE on its own 141 properties	Holding of private viewings, including for other listed REITs
(2) Property management (PM) capability	Managed floor area 1,581 properties 4,920,000 m²	PM entrusted by other companies(Note 2) Approx. 70%	PM entrusted by other listed REITs 1,020,000 m²
(3) Development capability	• Tenant requirements obtained through day-to-day management and leasing activities are fully reflected in facility development. • Has been developing suitable properties for REIT since 2006 when real estate securitization first appeared in Japan.		

Capable of flexibly acquiring properties, taking consideration into investment unit price

- Able to utilize bridge function. Already acquired three properties at IPO and one property at the first capital increase by public offering by utilizing the bridge function.
- Also able to acquire mid-sized properties and quasi-co-ownership interests using cash on hand.
- Already secured pipeline of ten properties with total floor area of 310,000 m² which is similar in size to the portfolio after acquisition of newly acquired properties.

Note 1: As of the end of July 2019. Produced by the Asset Management Company based on data provided by CRE. Figures include data relating to property management of other real estate besides logistics facilities and master leases.
Note 2: "PM entrusted by other companies" is area managed by CRE less area relating to PM contracts with the Investment Corporation and area relating to properties in which CRE is involved as master lessee (area managed under PM contracts with other listed logistics REITs and private funds, etc.) as a ratio of the total area managed by CRE.

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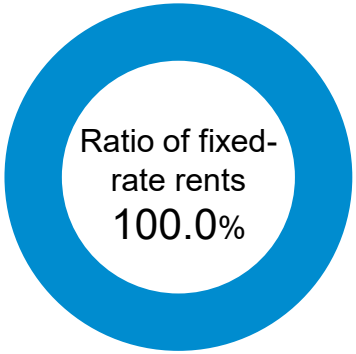
High-quality Portfolio (1) Stable cash flow

Form of contract that enables stable operation

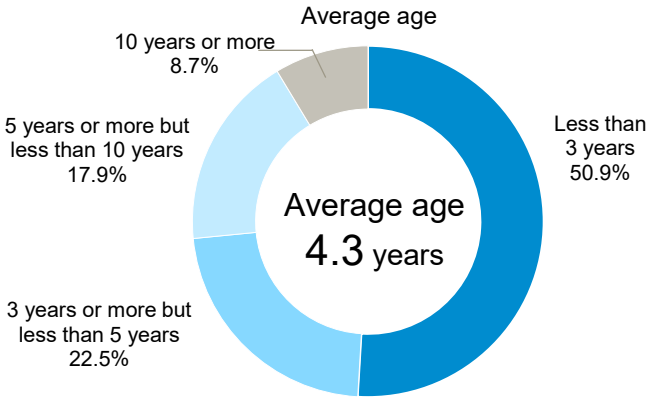
- Tenants who cancel early before the end of the contract term are required to pay the equivalent of rent for the whole remaining lease term as a penalty for breach of contract.
- Intention for renewal or termination is ascertained a year before contract expiry.

Ratio of fixed-term lease contracts

Ratio of fixed-rate rents



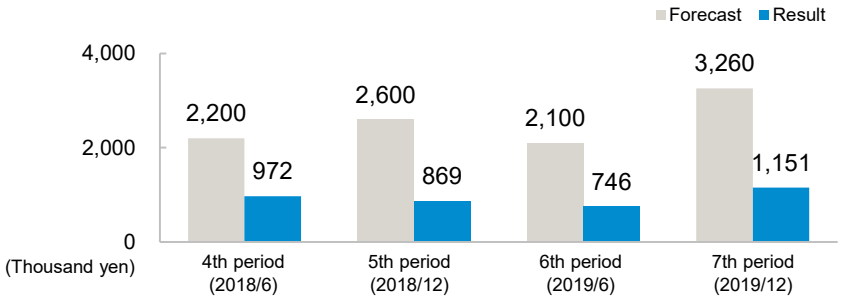
Inclusion of relatively new properties



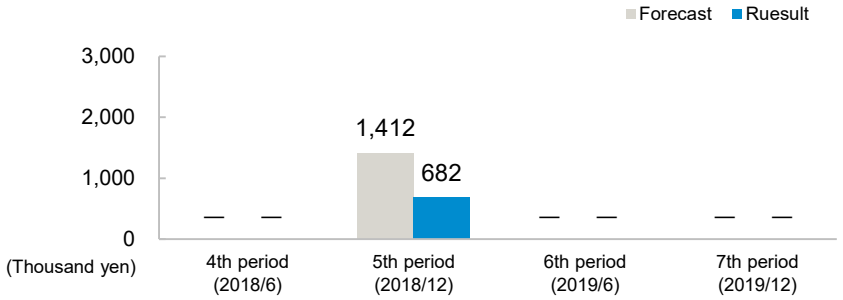
Repair expenses and capital expenditure remain at a low level

- The existing portfolio consists of relatively new properties and, partly thanks to appropriate property management by CRE, which provides property management services for each property, repair expenses and capital expenditure have remained at a low level until the end of fiscal period ended December 2019.

Repair Expenses



Capital Expenditure



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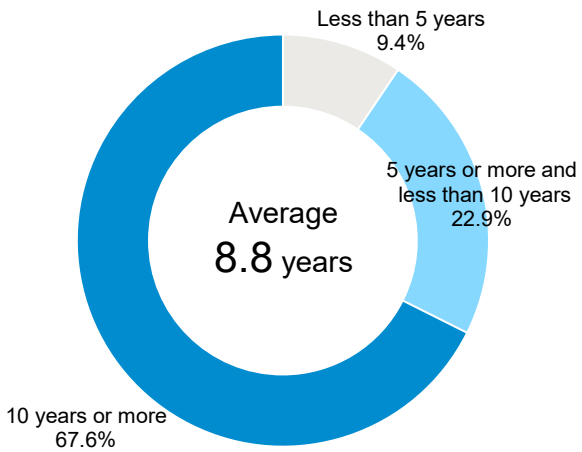
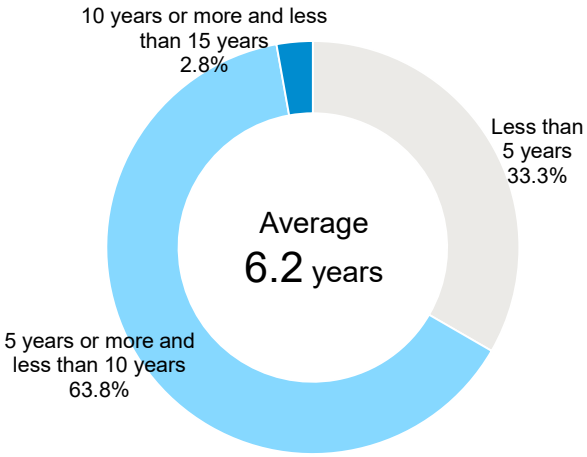
High-quality Portfolio (2) Long-term lease contracts

Long-term contracts can be concluded as tenants use properties as dedicated centers.

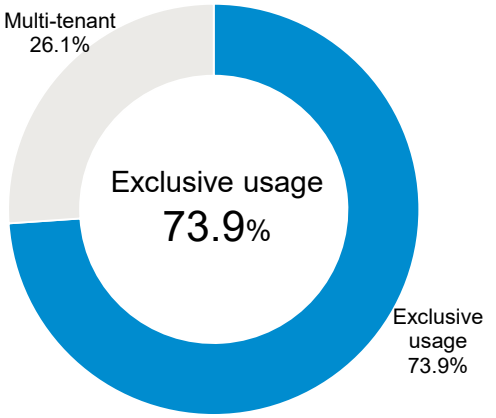
Average lease contract term



Average remaining lease term



Tenant composition



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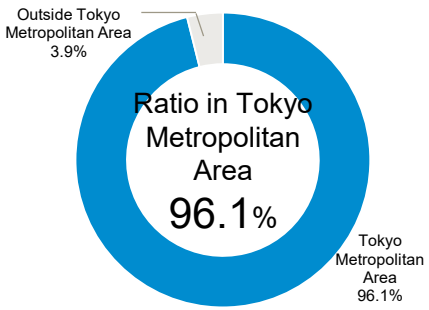
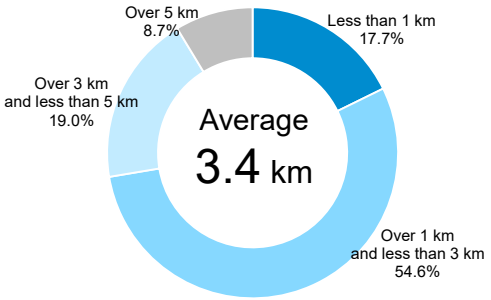
High-quality Portfolio (3) Good location

Properties are mostly in locations suited to logistics facilities where strong demand is expected, with tenants' need to secure labor also taken into consideration.

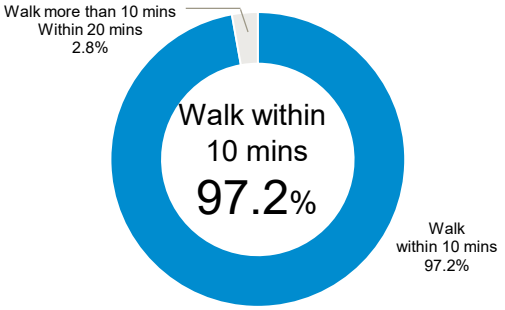
Ratio in Tokyo Metropolitan Area



Mileage to an interchange



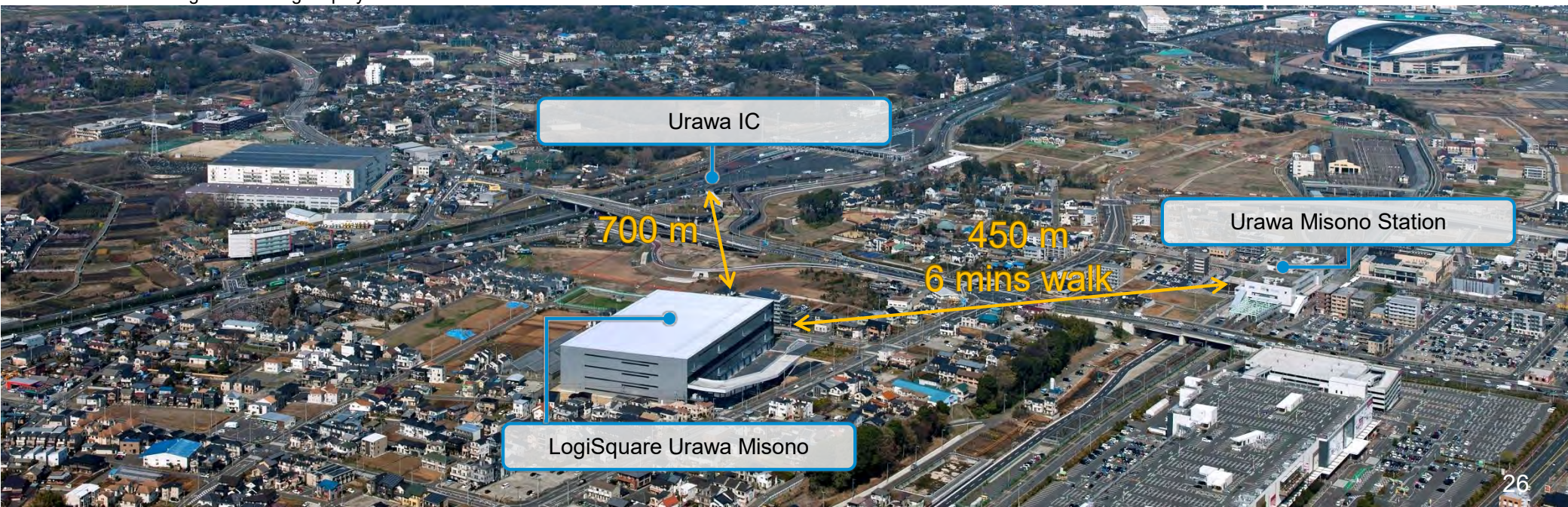
Time required from public transportation facilities



Example: LogiSquare Urawa Misono

The property is located approximately 700 m from Urawa IC (Tohoku Expressway) and approximately 450 m and a six-minute walk from Urawa Misono Station on the Saitama Rapid Railway Line.

A large-scale community development project is underway in the surrounding area, which will allow a close proximity between work and the home and be a potential advantage in securing employee.



Features of LogiSquare

LogiSquare is the brand name of high-quality logistics facilities developed by CRE to meet tenant needs.

Semi-flexible pavement is used to inhibit rutting.

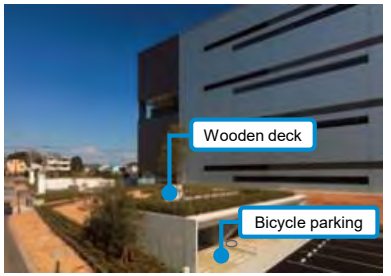
Sandwich panels are used on exterior walls to reduce heating and cooling loads and to give the exterior an attractive appearance.

LogiSquare Urawa Misono

Facility has roof spraying system that uses well water to reduce the internal temperature.

The facility has a total of 44 truck berths on the first and third floors to allow the docking of up to 44 large trucks simultaneously.

Truck berths are large enough to fit a whole 40ft container truck.



Rest area with wooden deck

The facility has truck berths on the first and third floors.
To prevent congestion and accidents, the facility is designed to separate traffic flows and equipped with dedicated gates for the first/second floor tenants and the third/fourth floor tenants, respectively.

Note: The logistics facility shown above is an example of the features of LogiSquare. Not all facilities held by CRE-REIT have the features shown above.

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Features of LogiSquare

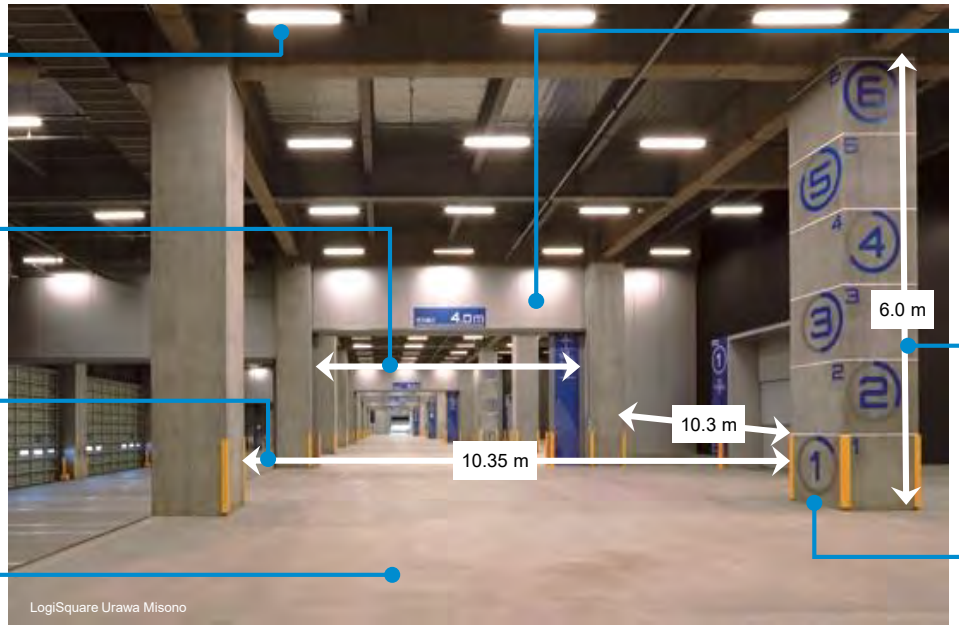
LogiSquare not only improves the efficiency of warehouse operations, creates a pleasant working environment for tenants but helps reduce costs in the future for CRE-REIT.

LED lighting throughout helps save energy.

Openings in fire partitions are as wide as possible.

Pillar span 10.3 m × 10.35 m

Floor loading 1.5 t/m^2



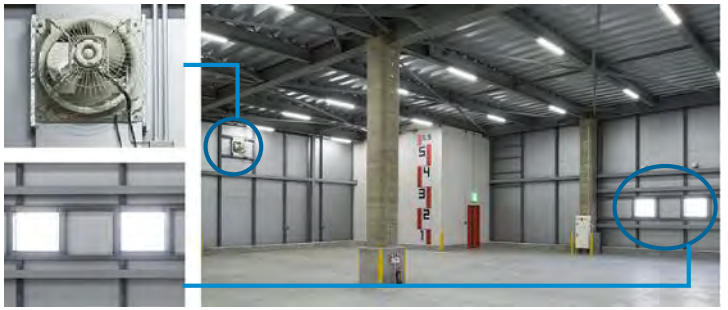
Fireproof partition walls are made of fire-resistant heat-insulating panels that have excellent insulation properties, seismic resistance and an aesthetically pleasing appearance.

The facility has an effective ceiling height of 6.0 m, or 5.5 m if cooling panels are installed.

Internal signage is designed to visually communicate warehouse functions.

Interior walls between offices and the warehouse space have windows in them to facilitate communication.

The women's restroom has lockers and designed to make female employees feel comfortable.



To help reduce costs in the future, the facility already has windows and ventilation built in to ensure compliance with laws and regulations in case it is necessary to expand office areas in the future.

Note: The logistics facility shown above is an example of the features of LogiSquare. Not all facilities held by CRE-REIT have the features shown above.

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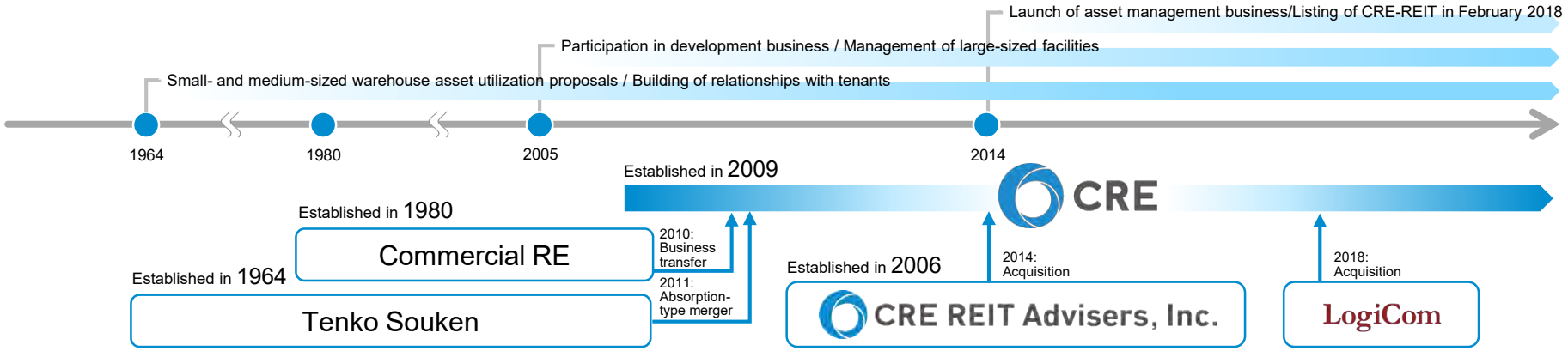
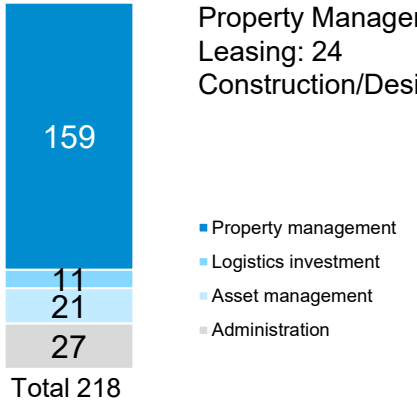
Sponsor is Real Estate Company Specializing in Logistics Properties

CRE, which sponsors CRE-REIT, has a track record of more than 50 years in the field of logistics real estate in Japan.



Involvement of All Employees in Logistics Properties

Number of employees on a consolidated basis (as of July 31, 2019)(Note 1)

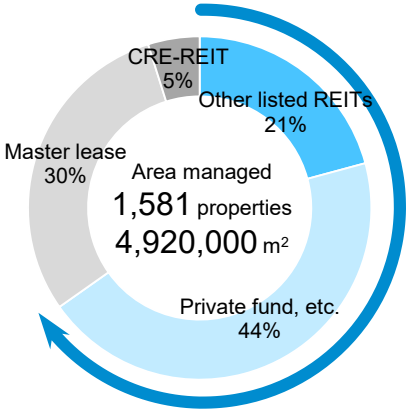


Property Management: 25
Leasing: 24
Construction/Design: 28

Note 1: Prepared by the Asset Management Company based on Annual Report for Fiscal 2019 of CRE, Inc.

Proven Track Record in Providing Services to Other Companies

CRE-REIT can draw on knowhow gained through management of 4,920,000 m^2



Management of properties held by other companies: 3,210,000 m^2

Note 2: As of July 31, 2019. Includes results under property management and master lease agreements for properties other than logistics-related facilities.

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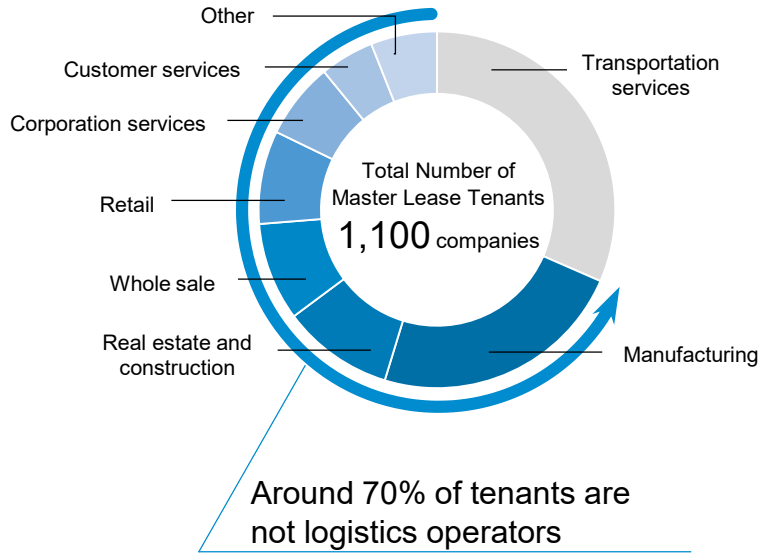
CRE's Leasing Capability—Accumulation of Information Through Many Leasing Opportunities

Instantly understands rent trends, including actual rents paid and rent increases and decreases, through the conclusion of contracts directly with diverse tenants not just logistics service providers.

- CRE can gain an understanding of rent levels by entering contracts with tenants directly as master tenant under a master lease arrangement
- CRE builds relationships with tenants from a variety of industries not only logistics operators.

Total Number of Master Lease Tenants(Note)



Mitigation of Vacancy Risk through CRE's Leasing Capability

Time of Leasing Completion of Properties Held by CRE-REIT

	Tenants	BTS	Time of leasing completion	Land acquisition	Completion of construction
M-1 LogiSquare Kuki	1	BTS	Before the completion of construction		
M-2 LogiSquare Hanyu	1	BTS	At the time of land acquisition		
M-3 LogiSquare Kuki II	1	BTS	At the time of land acquisition		
M-4 LogiSquare Urawa Misono	3	—	Six months after the completion of construction		
M-5 LogiSquare Niiza	1	—	Before the completion of construction		
M-6 LogiSquare Moriya	2	—	Seven months after the completion of construction		
M-7 LogiSquare Kawagoe	1	—	Four months after the completion of construction		
M-8 LogiSquare Kasukabe	1	BTS	Before the completion of construction		
O-1 LogiSquare Tosu	1	BTS	Before the completion of construction		

Note: As of July 31, 2019. Includes tenants of properties other than logistics-related facilities.

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CRE's Leasing Capability—Information Gathering as a Leading Real Estate Company

Publication of LogiSquare Market Report

Every quarter, CRE publishes a report summarizing market trends in major areas, with a focus on large rental logistics facilities (10,000 m^2 or larger). Besides information on large logistics facilities, the report also includes information on small and medium-sized rental logistics facilities (less than 3,300 m^2/only those managed by CRE) based on CRE's database of master lease properties.

Publication of LogiSquare Map (map of large logistics facilities)

Map showing major large rental logistics facilities that have been built over the past 10 years or are planned for development. Published once a year.

Holding of CRE Forum

The purpose of the CRE Forum is to share logistics issues facing companies. **Since 2013**, CRE has **organized a total of 69 meetings**, with a total of **4,081 participants**.(Note 1)

Participating Companies (excerpt)(Note 2)

- Nittsu Research Institute and Consulting, Inc.
- Hitachi, Ltd.
- Sunstar Group
- Tanita Corporation
- JD.com Jingdong Japan Co., Ltd.
- Toyota Industries Corporation
- Sapporo Group Management Ltd.
- CBcloud Co., Ltd.
- KBS Kubota Corporation
- Office FA.com Co., Ltd.
- MUJIN Inc.

Note 1: As of November 30, 2019
Note 2: Prepared by the Asset Management Company based on the LogiSquare logistics facility information site.

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CRE's Management Capability—Diverse Customers Including Other Listed REITs

Management of Properties for Other Listed REITs, Private Funds, etc.

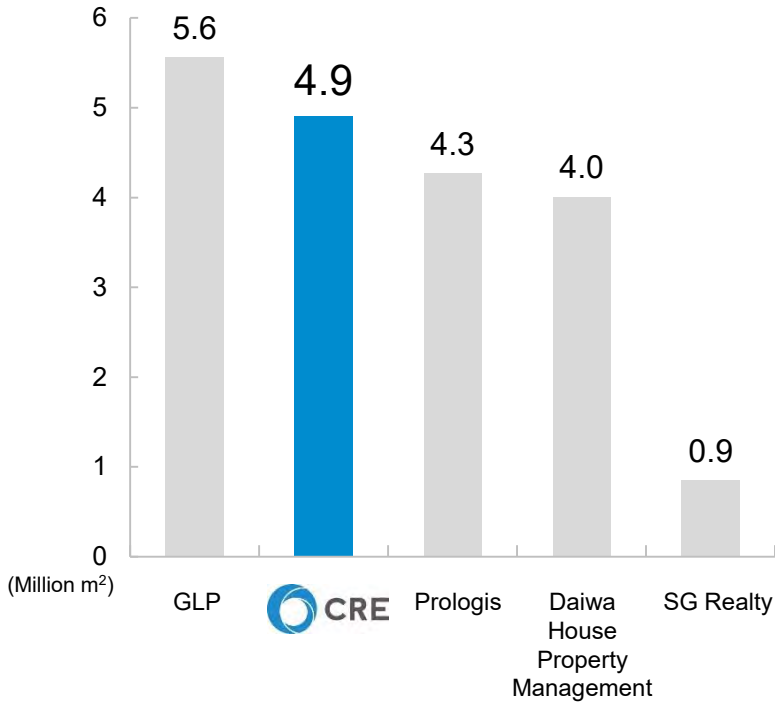
Major Customers(Note 1)

- LaSalle LOGIPORT 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.
- Kenedix Investment Partners, Inc.
- Kokyo Asset Management Co., Ltd.
- Sumisho Realty Management Co., Ltd.
- SUMITOMO CORPORATION
- 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.
- PGIM Real Estate (Japan) 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..

(No particular order)

Note 1: CRE Inc.'s Summary of Financial Statements for the Fiscal Year Ending July 31, 2019.

Ranks Second Among Logistics Facilities-centered PM companies(Note 2)(Note 3)



Note 2: "Logistics facilities-centered PM companies" refer to property management companies with 70% or more of their entrusted areas those of logistics facilities. "Entrusted areas" include the management areas of real estate other than logistics facilities.
Note 3: Prepared by the Asset Management Company based on Monthly Property Management magazine (November 2019 edition).
In company names, Co., Ltd., Inc., etc. is omitted.

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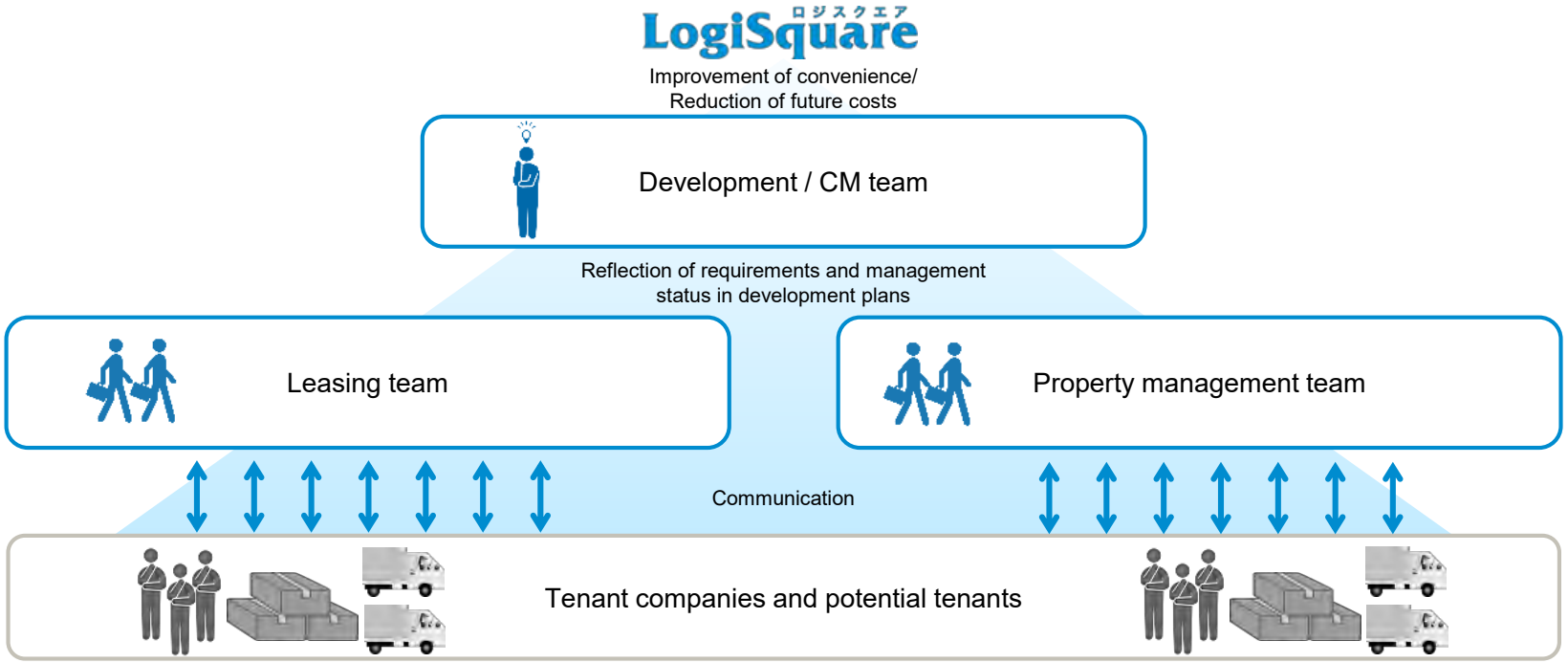
Development Capability—Development Incorporating Tenant Requirements While Ensuring Versatility

Realization of Long-term Contracts and Mitigation of Tenant Risk by Incorporating Tenant Requirements While Ensuring Versatility

LogiSquare (ロジスクエア) = High-quality logistics facilities developed by CRE to meet tenant needs

= Versatility [Location + Basic Specification + Expandability + Comfort] + Tenant's unique requirements

Improvement of Convenience Through Full Reflection of Requirements Learned Through Day-to-Day Management and Leasing Activities in Development Plans



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CRE's Development Capability—Development Giving Tenant Convenience Highest Priority

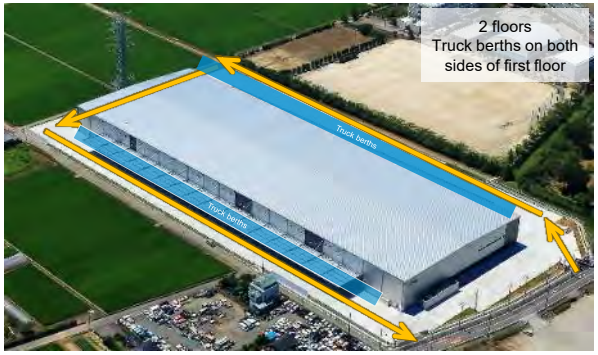
Development based on optimal plan for characteristics of location, giving tenant convenience the highest priority

Low-type

For tenants that attach importance to operational efficiency

Facility with one or two floors for more convenient loading and unloading.
Ideal for both storage and distribution and suited to tenants who attach importance to operational efficiency.

Example: LogiSquare Hanyu



The facility is designed to direct vehicles to move in one direction, with separate entrance and exit gates.

Slope-type

For tenants who attach importance to location and operational efficiency

Facility situated in location with strong tenant demand and having three or four floors to utilize the floor-area ratio.
Facility also has a slope, enabling trucks to access the third floors directly and allowing them to be used in same way as the first and second floors.
Ideal for both storage and distribution and suited to tenants who attach importance to both location and operational efficiency.

Example: LogiSquare Urawa Misono

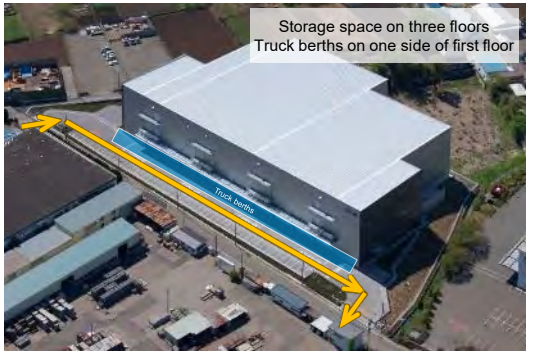
The facility is designed to separate traffic flows and equipped with dedicated gates for the first/second floor tenants and the third/fourth floor tenants, respectively.

Box-type

For tenants who attach importance to storage function

Facility in strategic location with strong tenant demand and close to city center and having three or four floors to utilize the floor-area ratio.
Ideal for storage, which is standard function for a logistic facility, and suited to tenants who attach importance to storage of personal items.

Example: LogiSquare Niiza



The facility is designed to direct vehicles to move in one direction, with separate entrance and exit gates.

All facility types are designed to prevent congestion and accidents.

Traffic flow
Truck berths

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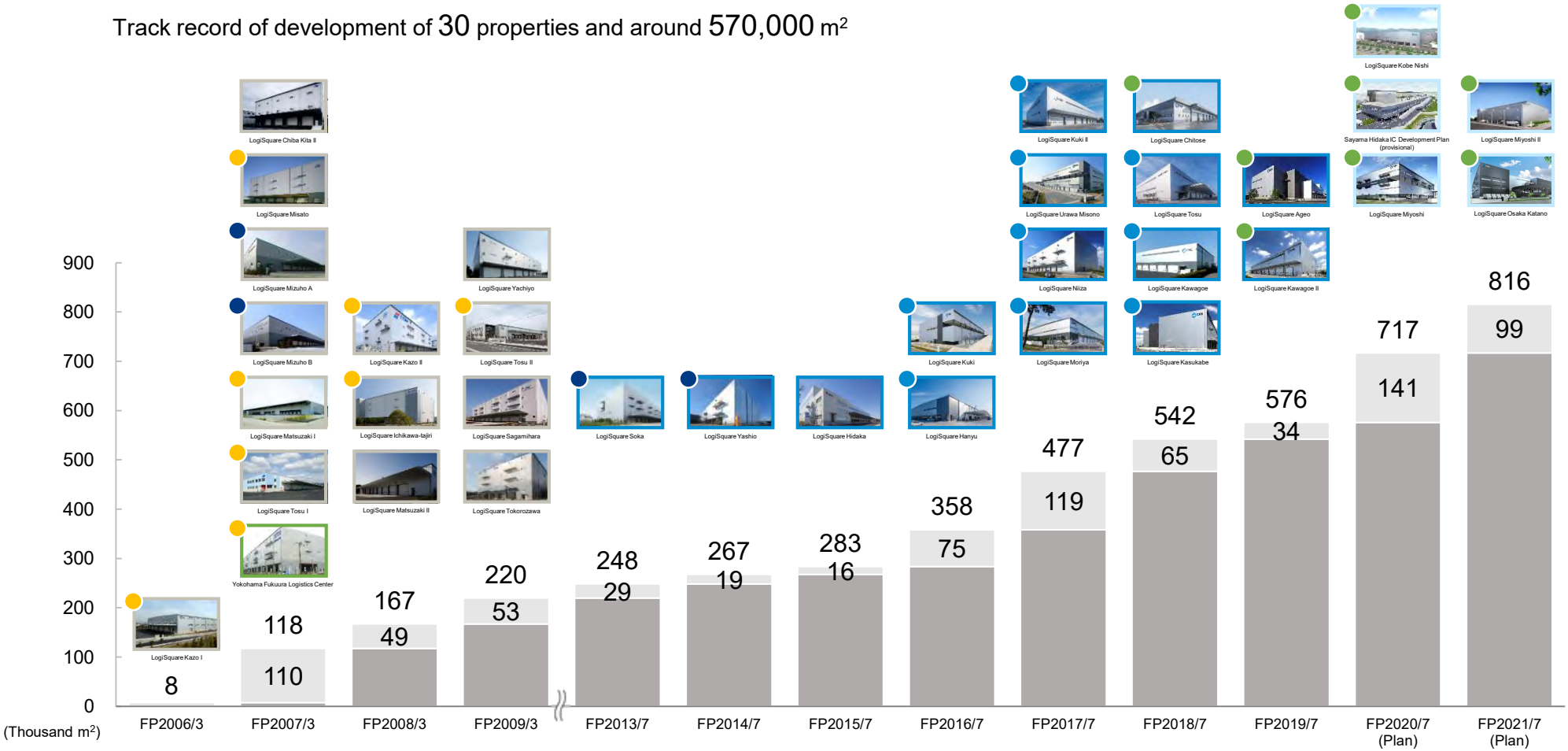
CRE's Development Capability
—Development Since the Start of Real Estate Securitization in Japan

Cumulative total floor area / Total floor area of properties developed or to be developed during the period
Properties developed by Commercial RE / Properties developed by CRE
Properties jointly developed by Commercial RE and Kenedix / Properties to be developed by CRE (planned)
Properties held by other REITs / Assets owned by CRE-REIT / Newly acquired assets / Properties with first refusal right

CRE has been developing logistics properties since real estate securitization started in Japan and has built up knowhow on the development of properties suitable for REITs.

Track record of development of 30 properties and around 570,000 m²



Timing of listing of logistics REITs

- May 2005 — Listing of first REIT specializing in logistics facilities
- Dec. 2012
- Feb. 2013
- Feb. 2016
- Aug. 2016
- Sep. 2017
- Feb. 2018 — CRE-REIT listed
- Sep. 2018
- Dec. 2019

Note: While the above also includes other assets besides portfolio assets, CRE-REIT has not engaged in specific negotiations with the CRE Group companies on any of the above assets that are not portfolio assets, nor does it have any plan to acquire them at the present time or guarantee future acquisition. The above also includes properties that have already been sold to third parties. Furthermore, with respect to properties to be developed by CRE (planned), as of February 14, 2020, development is not complete and the conceptional drawing, total floor area and development completion timing are based on plans as of February 14, 2020 and may change in the future. The building completion dates of the above properties are stated as the development completion dates.

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5. Market Environment

LogiSquare Yashio
Eight of the 13 properties in the portfolio lease their roofs and contribute to the creation of natural energy as the lessees install solar panels to generate electricity.

Summary of Market Trends

Recent Market Trends

Tokyo Metropolitan Area
Pages 38 and 39

Vacancy rate: 1.12%, QoQ: Improved (-1.49%)
High occupancy, with vacancy rate below 3% across entire area

Osaka Area
Page 38

Vacancy rate: 2.55%, QoQ: Improved (-1.17%)
New supply in 2019CY was absorbed. Vacancy rate dipped below 3%.

Rising Demand for Rental Logistics Facilities

(1) Reconstruction Demand for Logistics Facilities
Page 40

Around 30% of logistics facilities in the Tokyo Metropolitan Area are 40 to 50 years old.

(2) Expansion of 3PL Market and EC Market
Page 41

3PL Market Size

2009		2018
1.2 trillion yen	→	3.0 trillion yen

2.4-fold increase in 9 years

EC Market Size/EC Ratio

2010		2018
7.8 trillion yen	→	18.0 trillion yen
2.8%	→	6.2%

2.3-fold increase in 8 years

(3) Rising Importance of Logistics Network Strategy
Page 42

The most important cost reduction measure to be implemented is a restructuring of logistics facilities.

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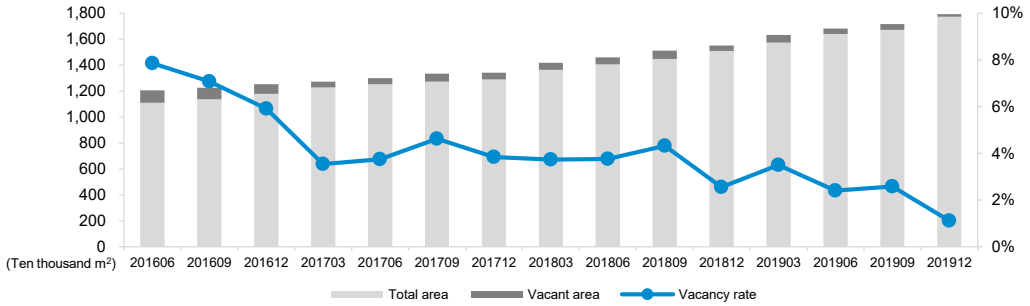
Market Trends
(1) Tokyo Metropolitan Area and Osaka Area (from LogiSquare Market Report)

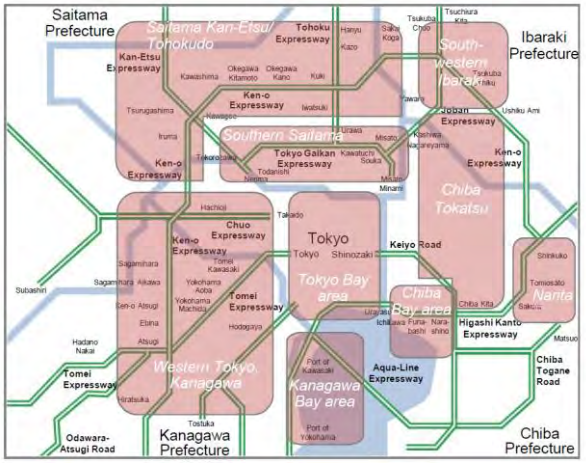
Vacancy rate: Less than 5%
Vacancy rate: 5% or more and less than 10%
Vacancy rate: 10% or more

Tokyo Metropolitan Area
High occupancy rate below 3% in all areas

Vacancy rate: 1.12%
QoQ: Improved

The vacancy rate was 1.12%, a decrease of 1.49 points from the previous Q.
The demand in 2019CY4Q exceeded 300,000 tsubo. This figure was the highest since the survey started, and is nearly 1.5 times higher than the total demand of 195,000 tsubo in Kansai area in 2019CY.
Demand for new supply is high particularly.
94% of the new supplies with 700,000 tsubo in 2019CY were occupied before the end of the year. This occupancy rate was 7.6 points higher than that of 2018CY.
New supplies with 650,000 tsubo are scheduled in 2020CY, with a current reservation rate reportedly of 40% and therefore, the vacancy rate may rise temporarily.

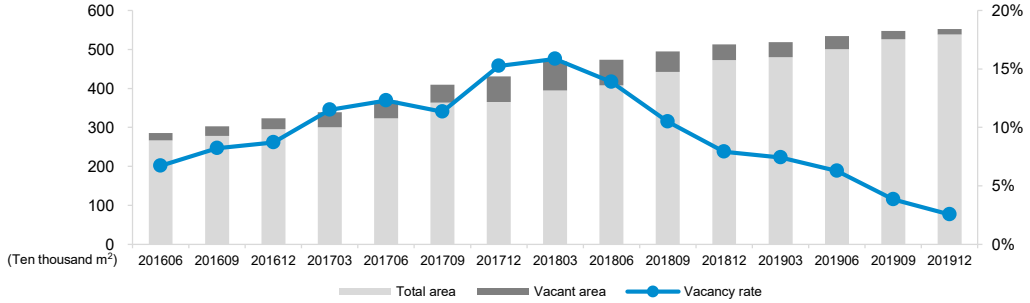


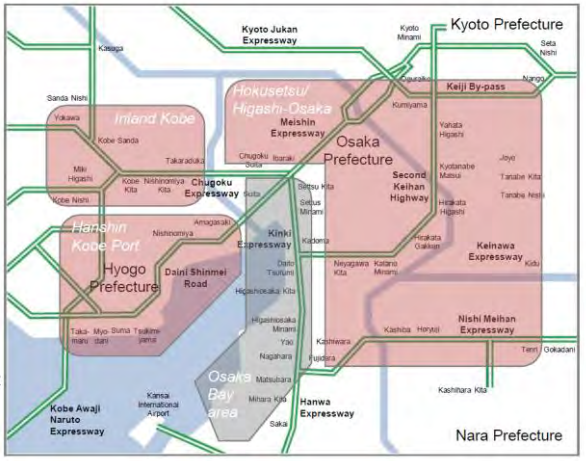


Osaka Area
Digestion of new supplies from 2019CY reduced the vacancy rate below 3%.

Vacancy rate: 2.55%
QoQ: Improved

The vacancy rate has continued to decrease gradually and has been positive since 2018CY2Q, marking a decrease for the seventh consecutive quarter. There has been ongoing digestion of both new supplies and existing properties during this Q. The new supplies with 110,000 tsubo from 2019CY have been all digested before the end of the year. As a result, the vacancy rate reached 2.55%, the lowest since the survey started.
New supplies with approx. 250,000 tsubo are scheduled in the remainder of 2020CY, whose current reservation rate is eportedly approx. 30%. As new supplies scheduled in the remainder of 2020CY are concentrated in the Hokusetsu Higashi-Osaka area and the anshin Kobe Port area that are in high demand, the long-term impact on the vacancy rate is expected to be none unlike 2017CY. However, the areas will be monitored continuously.





Source: "LogiSquare Market Report on Warehouses and Logistics Properties December 2019" of CRE, Inc.

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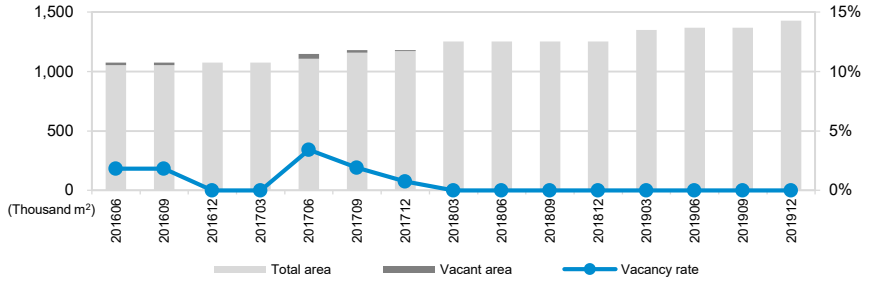
Market Trends
(2) Individual Areas of Tokyo Metropolitan Area (from LogiSquare Market Report)

Southern Saitama Area

Urawa Misono | Soka | Yashio

Vacancy rate: 0.00% QoQ: Stagnant

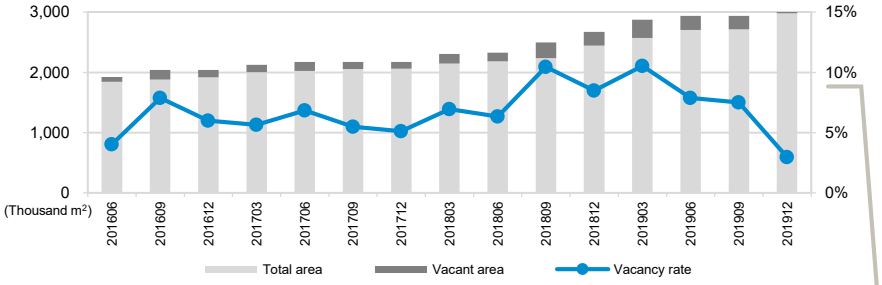
The vacancy rate was 0.00%, remaining at an extremely low level, as in the previous Q.
New supplies with approx. 18,000 tsubo provided in this Q have all been digested. The vacancy rate has remained at 0.00% for eight consecutive quarters, confirming strong demand.
New supplies with approx. 67,000 tsubo are scheduled in the remainder of 2020CY, whose current reservation rate is reportedly over 60%.
Currently unfilled new supplies are concentrated in 2H. Therefore, the vacancy rate is expected to remain at a low level without affecting the immediate vacancy rate.



Saitama Kan-Etsu and Tohoku Expressway Area

Vacancy rate: 2.98% QoQ: Improved

The vacancy rate was 2.98%, a substantial decrease of 4.46 points from the previous Q.
There is firm demand for both new supplies and existing properties and 80,000 tsubo have been digested.
New supplies with approx. 150,000 tsubo are scheduled in the remainder of 2020CY, whose current reservation rate is reportedly less than 40%.
Moreover, as supplies with approx. 67,000 tsubo are scheduled in 2020CY1Q, the vacancy rate, which decreased once, may rise.

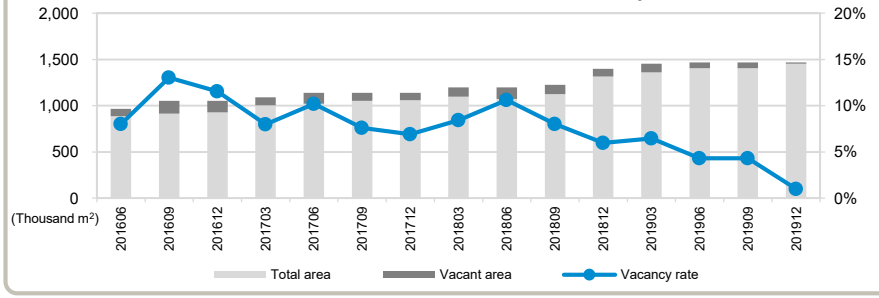


Breakdown: Saitama Kan-Etsu and Tohoku Expressway Area

Saitama Kan-Etsu Expressway Area

Niiza | Kawagoe | Mizuho A | Mizuho B

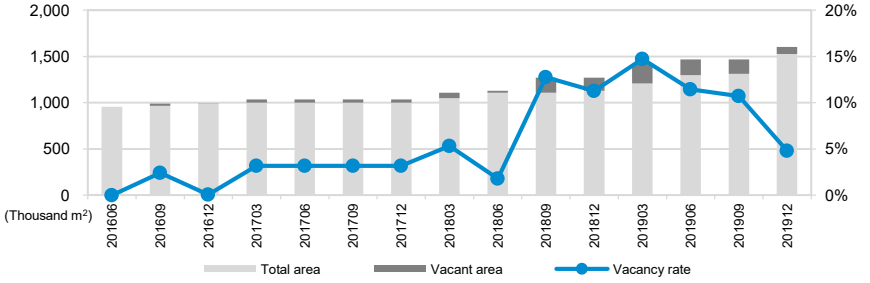
Vacancy rate: 0.99%



Saitama Tohoku Expressway Area

Kuki | Hanyu | Kuki II | Kasukabe

Vacancy rate: 4.81%



Source: "LogiSquare Market Report on Warehouses and Logistics Properties December 2019" of CRE, Inc.

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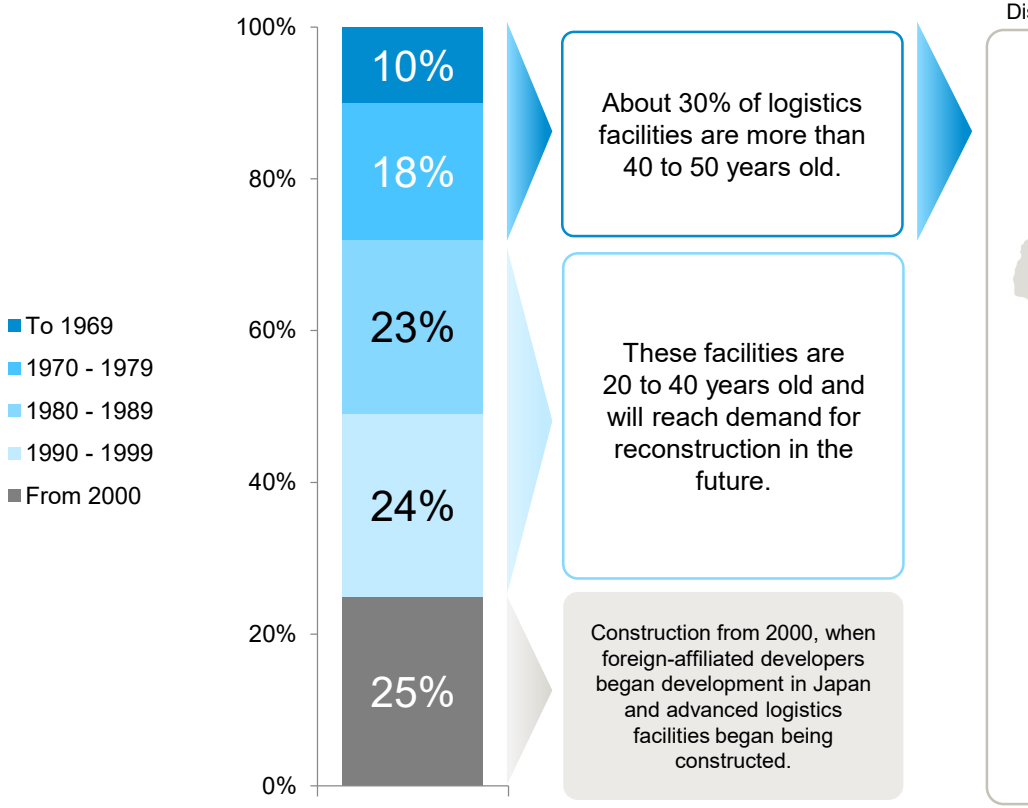
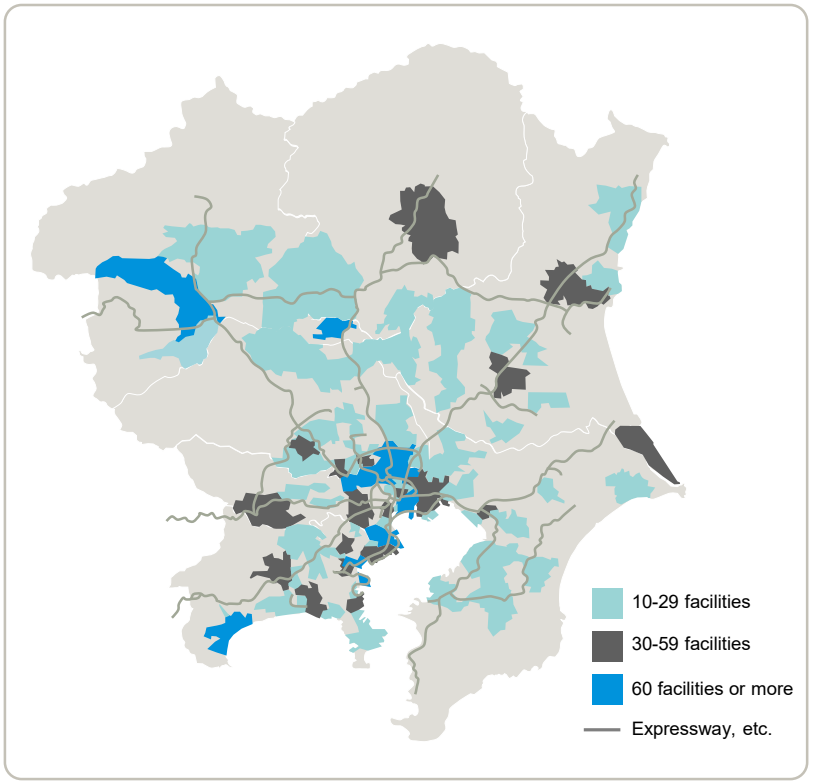
Rising Demand for Rental Logistics Facilities
(1) Reconstruction Demand for Logistics Facilities

- About 30% of logistics facilities in the Tokyo Metropolitan Area(Note 1) were constructed during the period of high economic growth or the economic bubble, and they are 40 to 50 years old.
- Given that the useful life of logistics facilities under the tax code is 38 years(Note 2), demand for reconstruction in pursuit of functionality appears to be increasing.

Percentage of logistics facilities in the Tokyo Metropolitan Area by year of construction(Note 3)



Distribution of locations by the number of facilities



Note 1: Tokyo Metropolitan Area includes Tokyo, Kanagawa, Saitama, Chiba, central and southern Ibaraki, southern Tochigi and southern Gunma
Note 2: Steel-reinforced concrete or reinforced concrete structures
Note 3: Prepared by the Asset Management Company based on data from Tokyo Metropolitan Transportation Planning Association

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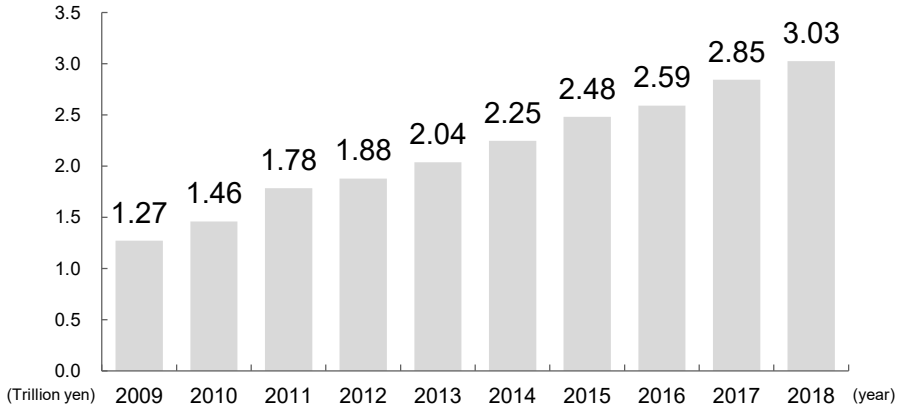
Rising Demand for Rental Logistics Facilities
(2) Expansion of 3PL Market and EC Market

- The market for third-party logistics (3PL) is growing as increasingly companies are tending to comprehensively outsource their logistic operation.

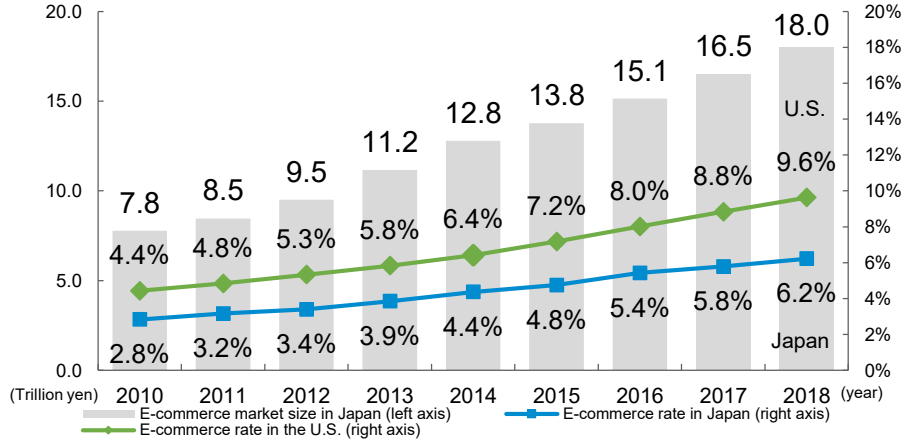
3PL (Third-Party Logistics) Market Size



Source: "The monthly Logistics Business" September 2019 issue

- The EC market is expanding year by year. However, in Japan, the EC rate is low compared with the U.S. and there is still much room for expansion.

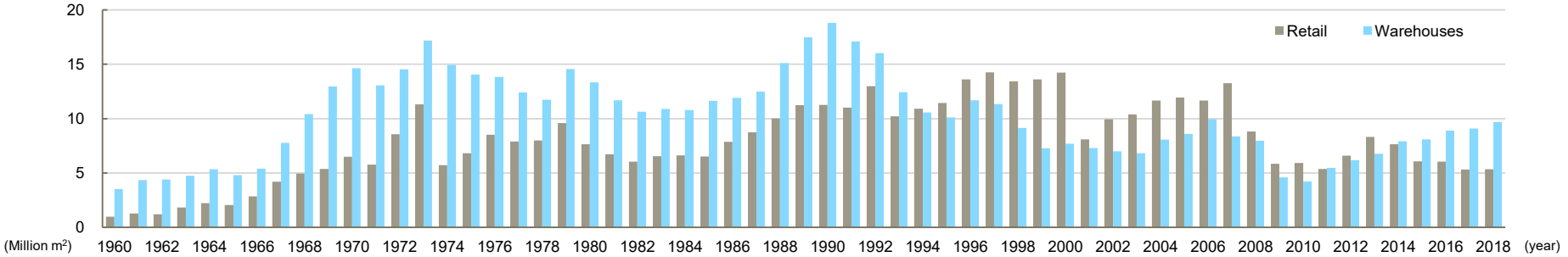
Growth in the BtoC e-commerce market size in Japan



Note 1: Prepared by the Asset Management Company based on data of the Ministry of Economy, Trade and Industry for the BtoC e-commerce market size and the e-commerce rate in Japan and data of the United States Census Bureau for the e-commerce rate in the U.S.
Note 2: The ratio of the e-commerce market size to the amount of all commercial transactions (the commercial transaction market size). The e-commerce rate in BtoC e-commerce refers to the value in the field of product sales.

- In recent years, the floor space of new warehouse construction starts is around half the peak level and there is a shortage of logistics facilities to meet current logistics needs.

Trends in Floor Space of New Construction Starts



Note: Prepared by the Asset Management Company based on the Japan Construction Starts Report by the Ministry of Land, Infrastructure, Transport and Tourism and the Statistical Yearbook of Construction by the Ministry of Construction

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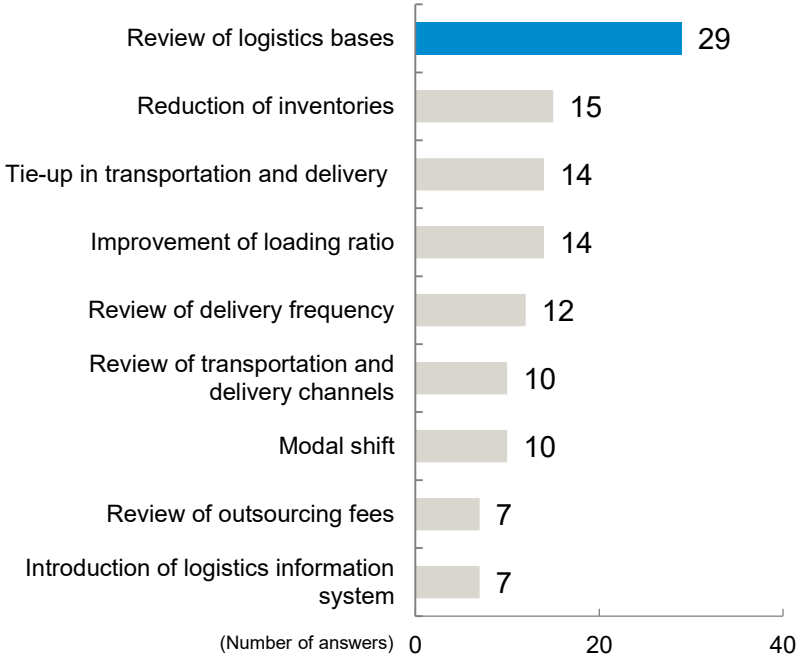
Rising Demand for Rental Logistics Facilities
(3) Rising Importance of Logistics Network Strategy

- A majority of companies mention a review of logistics bases as an important cost-cutting measure that needs to be implemented.

- Warehouse rents account for less than 10% of the cost of goods sold of major logistics companies, which is a small percentage compared to other costs such as labor costs.
- There is perhaps much room to reduce and curb costs from the viewpoint of employment and transportation, even if warehouse rents do rise, by reviewing logistics bases.

Important Cost-cutting Measures to be Implemented (Note 1)



Note 1: Prepared by the Asset Management Company based on the "Fiscal 2017 Research Report on Logistics Costs" of JILS

Warehouse Rents as Percentage of COGs at Major Logistics Companies (Note 2)(Note 3)

	Company A	Company B
Warehouse rents as % of COGs	6.8%	10.0%
Labor cost as % of COGs	22.4%	10.7%

Note 2: Listed companies that are not affiliated with electric railway companies are excluded from the 20 largest listed companies in terms of revenue that belong to the "land transportation industry" (middle classification) among the sectors in the Appendix of the Sector Classification Handling Guidelines published by the Securities Identification Code Committee and then information is provided about two listed companies (i) for which details of non-consolidated COGs figures are stated in their annual reports and (ii) which the Asset Management Company, upon consideration of their non-consolidated and consolidated COGs figures, judged to be core companies of the Groups to which they belong. The table shows the trend in relation to two specific leading logistics companies and the same trend does not necessarily apply to other major logistics companies.
Note 3: Created by the Asset Management Company based on the annual reports of each of the above companies for the fiscal year ended March 31, 2019.

Network strategy will become increasingly important
due to driver shortages, difficulties securing warehouse workers and rising fuel prices.

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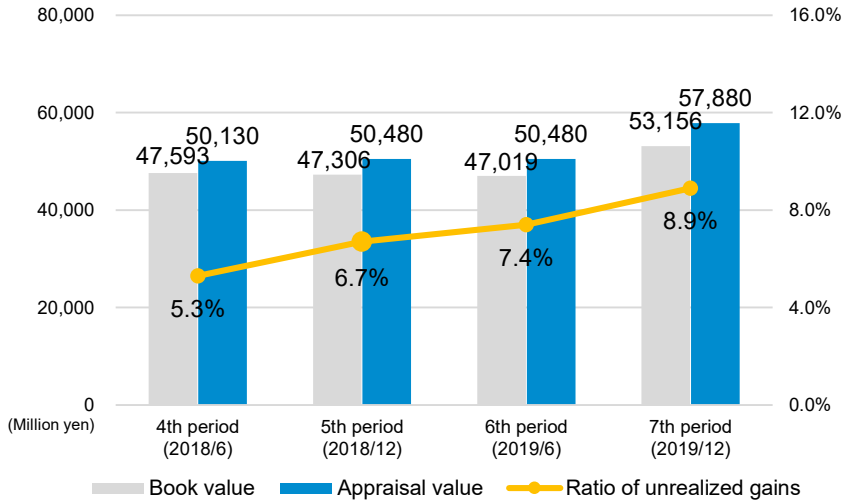
6. Appendix

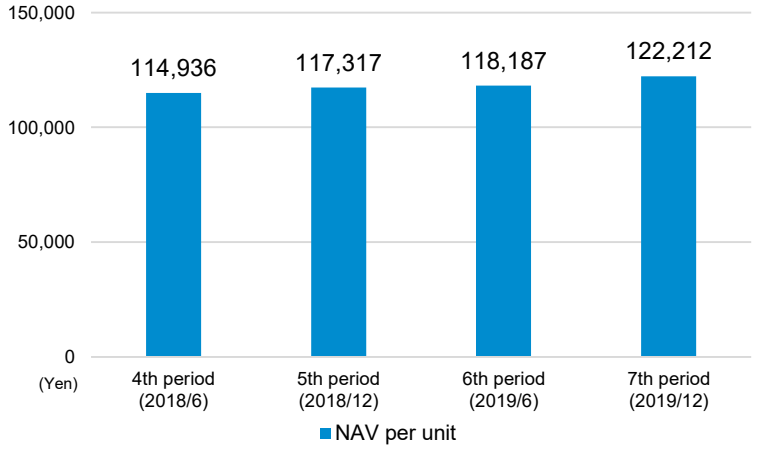
LogiSquare Yashio
The property is in close proximity to centers of production because it is located in an industrial zone, surrounded by many industrial parks. It also enjoys close proximity to Japan's largest center of consumption, being less than 25 km away from central Tokyo.

Overview of Appraisal

	6th period (2019/6)	7th period (2019/12)	Compared to previous period
Appraisal value	50,480 million yen	57,880 million yen	+7,400 million yen
Book value	47,019 million yen	53,156 million yen	+6,137 million yen
Unrealized gains and losses	3,460 million yen	4,723 million yen	+1,262 million yen
Unrealized gains	7.4%	8.9%	+1.5%
NAV per unit	118,187 yen	122,212 yen	+4,024 yen

One characteristic of logistics facilities is that the ratio of building value to land is typically high, and so depreciation expense tends to be higher than for other asset classes. Since unrealized gains are the difference between appraisal value at end of period and book value after deduction of depreciation expense, CRE-REIT, which holds fairly new properties and has minimal capital expenditure, tends to record increasing unrealized gains because, at the end of each period, the sum of depreciation expense and any increase in appraisal value at the end of the period is added to unrealized gains at the end of the previous period.





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Overview of Appraisal

	No.	Property name	Acquisition month and year	Acquisition price (million yen)	Book value at the end of the 7th period (million yen)	At the end of the 7th period[Note] (December 31, 2019)		At the end of the 6th period (June 30, 2018)		Changes		Unrealized gains and losses (million yen)	Ratio of unrealized gains (%)
						Appraisal value (million yen)	Direct capitalization rate (%)	Appraisal value (million yen)	Direct capitalization rate (%)	Appraisal value (million yen)	Direct capitalization rate (%)		
	M-1	LogiSquare Kuki	Jul. 2016	9,759	9,353	10,300	4.5	10,300	4.5	—	—	946	10.1
	M-2	LogiSquare Hanyu	Jul. 2016	6,830	6,548	7,080	4.7	7,070	4.7	+10	—	531	8.1
	M-3	LogiSquare Kuki II	Feb. 2018	2,079	2,052	2,170	4.8	2,170	4.8	—	—	117	5.7
	M-4	LogiSquare Urawa Misono	Feb. 2018	13,060	12,958	14,300	4.3	13,900	4.4	+400	-0.1	1,341	10.4
	M-5	LogiSquare Niiza	Feb. 2018	6,960	6,887	7,390	4.5	7,280	4.6	+110	-0.1	502	7.3
	M-6	LogiSquare Moriya	Feb. 2018	6,157	6,088	6,640	4.7	6,630	4.7	+10	—	551	9.1
	M-7	LogiSquare Kawagoe	Jul. 2019	1,490	1,502	1,570	4.6	—	—	+1,570	—	67	4.5
	M-8	LogiSquare Kasukabe	Jul. 2019	4,900	4,921	5,300	4.5	—	—	+5,300	—	378	7.7
	O-1	LogiSquare Tosu	Apr. 2018	2,880	2,844	3,130	4.7	3,130	4.7	—	—	285	10.0
		End of 7th Period Total/Average	—	54,115	53,156	57,880	—	50,480	—	+7,400	—	4,723	8.9
	For Reference: After Acquisition of Newly Acquired Assets (as of February 3, 2020)												
Newly acquired assets	M-9	LogiSquare Soka	Feb. 2020	8,109	—	8,580	4.2	—	—	—	—	471	5.8
Newly acquired assets	M-10	LogiSquare Yashio	Feb. 2020	5,073	—	5,330	4.2	—	—	—	—	257	5.1
Newly acquired assets	M-11	LogiSquare Mizuho A	Feb. 2020	2,794	—	2,940	4.4	—	—	—	—	146	5.2
Newly acquired assets	M-12	LogiSquare Mizuho B	Feb. 2020	3,584	—	3,760	4.4	—	—	—	—	176	4.9
		After acquisition of newly acquired assets Total/Average	—	73,675	—	78,490	—	—	—	—	—	5,773	7.9

Note: Based on the appraisal report with November 30, 2019 as the date of the value opinion in the case of newly acquired assets

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Newly Acquired Assets M-9 LogiSquare Soka

Box-type | Single

Tokyo Metropolitan Area

Tokyo Gaikan Expressway
Misato Route of Metropolitan Expressway

CASBEE Saitama Prefecture A ranking

LogiSquare facility located within the Tokyo Gaikan Expressway, offering excellent access to central Tokyo

Location	1-5-35 Aoyagi, Soka-shi, Saitama (Indication of Residential Address)
Access	Approximately 2.9 km from Gaikan Misato-nishi IC (Tokyo Gaikan Expressway) and approximately 4.5 km from Yashio-minami IC (Misato Route of the Metropolitan Expressway)
Structure	RC/S, 4F, alloy plated steel sheet roof
Total floor area	28,817.59 m²
Total leasable area	29,073.87 m²
Planned acquisition price	8,109 million yen
Appraisal value	8,580 million yen
Appraisal NOI yield	4.6%
Appraisal NOI yield after depreciation	4.1%
Completion date	June 2013
Occupancy rate	100.0%

Property Features

- The property has excellent access to expressways, located approximately 2.9 km from Gaikan Misato-nishi IC (Tokyo Gaikan Expressway) and approximately 4.5 km from Yashio-minami IC (Misato Route of the Metropolitan Expressway) and also provides access to all major expressways via the Tokyo Gaikan Expressway
- The property is located in an exclusive industrial zone inside Soka-Yashio Industrial Park, surrounded by many warehouses and plants, enabling tenants to operate 24 hours.
- The property has capacity for 34 large trucks to dock simultaneously and also offers 65 car parking spaces and waiting space for large trucks.

Basic specifications	
Berth depth	Eaves 10.0 m
Effective ceiling height	6.0 m
Pillar span	10.5 m x 10.0 m
Floor loading	1.5 t/m²
Sandwich panels	○

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Newly Acquired Assets M-10 LogiSquare Yashio

Box-type | Single | Tokyo Metropolitan Area | Tokyo Gaikan Expressway Misato Route of Metropolitan Expressway | CASBEE Saitama Prefecture A ranking

Location	116-2 Tsubuta-Kita, Minami-Ushiroya, Yashio-shi, Saitama
Access	Approximately 3.8 km from Soka IC (Tokyo Gaikan Expressway) Approximately 4.0 km from Yashio-minami IC (Misato Route of the Metropolitan Expressway) Approximately 1.5 km from Soka Station (Tobu Isesaki Line)
Structure	RC/S, 4F, alloy plated steel sheet roof
Total floor area	19,068.60 m^2
Total leasable area	18,330.05 m^2
Planned acquisition price	5,073 million yen
Appraisal value	5,330 million yen
Appraisal NOI yield	4.6%
Appraisal NOI yield after depreciation	4.0%
Completion date	January 2014
Occupancy rate	100.0%

Property Features

- The property has excellent access to expressways, located approximately 3.8 km from Soka IC (Tokyo Gaikan Expressway) and approximately 4.0 km from Yashio-minami IC (Misato Route of the Metropolitan Expressway) and also provides access to all major expressways via the Tokyo Gaikan Expressway.
- The property also has an excellent location for securing labor as it is within walking distance (approximately 1.5 km) of Soka Station (Tobu Isesaki Line).
- The property is in close proximity to centers of production because it is located in an industrial region with many industrial parks in the surrounding area. It also enjoys close proximity to Japan's largest center of consumption, being less than 25 km away from central Tokyo.

Basic specifications	
Berth depth	10.0 m
Effective ceiling height	6.0 m
Pillar span	11.5 m x 9.8 m
Floor loading	1.5 t/m^2
Sandwich panels	○

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Newly Acquired Assets M-11/12 LogiSquare Mizuho A/B

Low-Type | BTS-Single | Tokyo Metropolitan Area | Ken-O Expressway, National Route 16, Chuo Expressway

LogiSquare facility suited to small-lot, high-frequency deliveries, with good access to Ken-O Expressway and National Route 16.

LogiSquare Mizuho B

LogiSquare Mizuho A

	Mizuho A	Mizuho B
Location	896-4 etc., Musashino, Hakonegasaki, Mizuho-machi, Nishi-Tama-gun, Tokyo	896-3 etc., Musashino, Hakonegasaki, Mizuho-machi, Nishi-Tama-gun, Tokyo
Access	Approximately 2.6 km from the Ome IC (Ken-O Expressway) and approximately 14.6 km from the Hachioji IC (Chuo Expressway)	
Structure	RC/S, 4F, alloy plated steel sheet roof	
Total floor area	13,755.16 m^2	16,016.37 m^2
Total leasable area	13,471.04 m^2	15,708.00 m^2
Planned acquisition price	2,794 million yen	3,584 million yen
Appraisal value	2,940 million yen	3,760 million yen
Appraisal NOI yield	4.9%	4.8%
Appraisal NOI yield after depreciation	4.2%	4.1%
Completion date	February 2007	February 2007
Occupancy rate	100.0%	100.0%

Basic specifications	Mizuho A	Mizuho B
Berth depth	Eaves 12.5 m	Eaves 11.0 m
Effective ceiling height	5.5 m	5.5 m
Pillar span	10.2 m x 10.2 m	
Floor loading	1.5 t/m^2	
Sandwich panels	—	

Property Features

- The property has excellent access to expressways, located approximately 2.6 km from the Ome IC (Ken-O Expressway) and approximately 14.6 km from the Hachioji IC (Chuo Expressway), and National Route 16, a major expressway, is also easily accessible (approximately 1.0 km from the property).
- The property is located in an area that enables the tenant to quickly cover Tama and core cities in the southern part of Saitama Prefecture and, therefore, offers an excellent location for shippers and logistics companies that need to make small-lot, high-frequency deliveries in this area.
- LogiSquare Mizuho A and B are both BTS facilities and have been occupied by the same tenant continuously since completion.
- The property has an eaves height of more than 10 m, enabling a range of loading and unloading operations.

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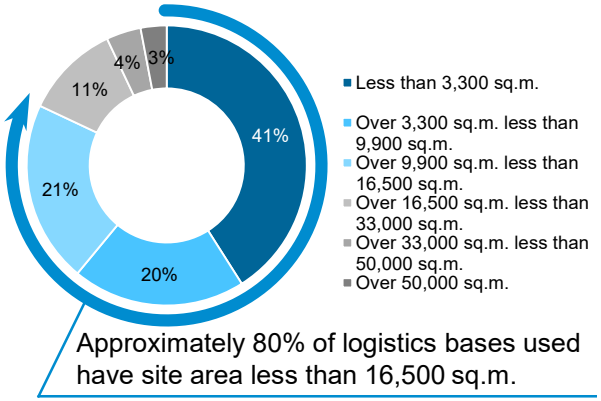
High-quality Portfolio (4) Competitive Advantage of Mid-sized Facilities

Many enterprises want to share a mid-sized logistic facility with a small number of other tenants and there is strong tenant demand for the logistics facilities developed by CRE.

1 Usage area per logistics base in the Tokyo Metropolitan Area

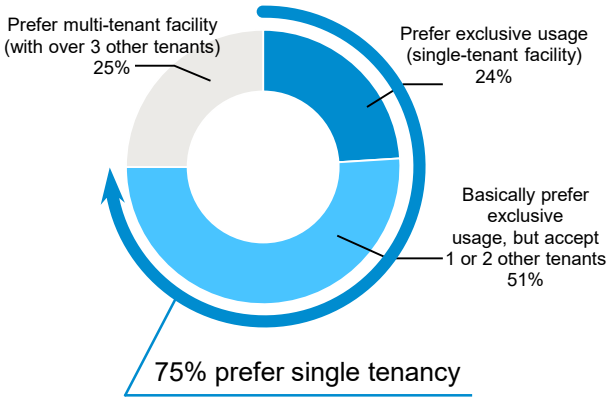
Approximately 80% of logistics bases used by consignors or logistics operators in the Tokyo Metropolitan Area are less than 16,500 sq.m. in site area(Note 1).



n = 655 buildings
Source: Sumitomo Mitsui Trust Research Institute Co., Ltd.

2 Desirable tenant mix

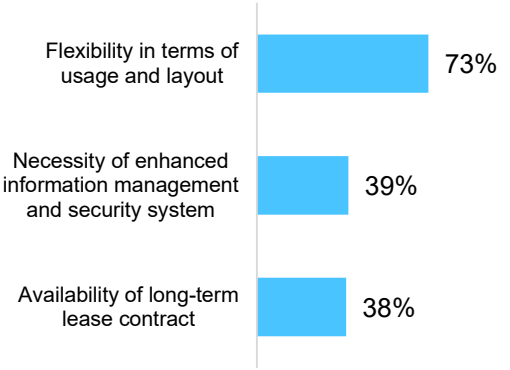
Approximately 75% prefer exclusive usage of facilities with up to 2 other tenants if they are to lease logistics facilities in the future.



n=145 companies
Source: Sumitomo Mitsui Trust Research Institute Co., Ltd.

3 Reason for selecting single-tenant facility

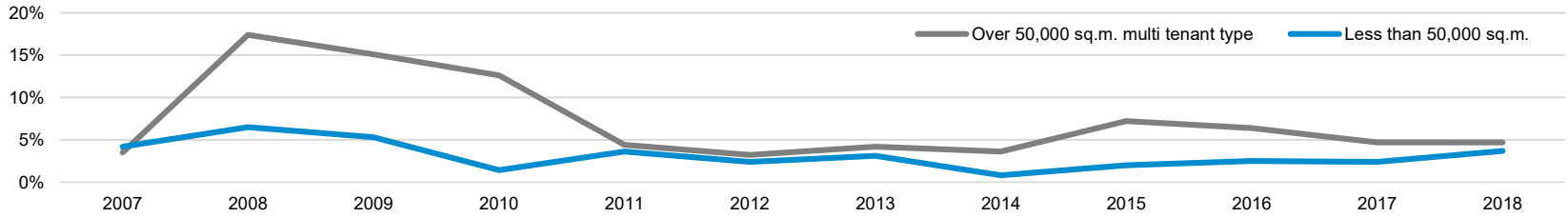
Respondents who prefer single-tenant facilities quoted the flexibility in terms of usage and layout, the necessity of enhanced information management and security system, and the availability of long-term lease contract.



n = 94 companies
Source: Sumitomo Mitsui Trust Research Institute Co., Ltd.

4 Vacancy rate per facility size in the Tokyo Metropolitan Area

Generally, logistics facilities with an area of less than 50,000 sq.m. have lower vacancy rates than multi-tenant logistics facilities with an area over 50,000 sq.m.(Note 2), suggesting a high level of demand.



Source: CBRE K.K
Note 1: Figures calculated based on a survey conducted by Sumitomo Mitsui Trust Research Institute Co., Ltd. from August to September 2017 (hereinafter the "Survey") are presented. In the Survey, a questionnaire was sent to 3,022 shipping and logistics companies, and the answers obtained from 199 companies are aggregated. Hereinafter the same applies to statements sourced by the surveys of Sumitomo Mitsui Trust Research Institute Co., Ltd. in this material.
Note 2: "Multi tenant-type" in "Vacancy rate per facility size in the Tokyo Metropolitan Area" refers to logistics facilities that were planned and designed on the premise of being used by multiple tenants at the development stage in principle.

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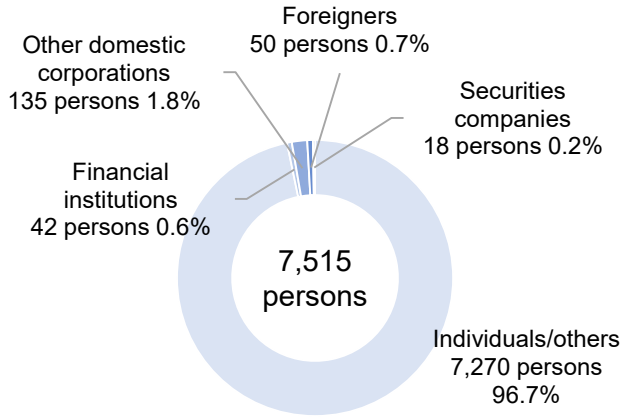
Status of Investors

Major investors(Note)

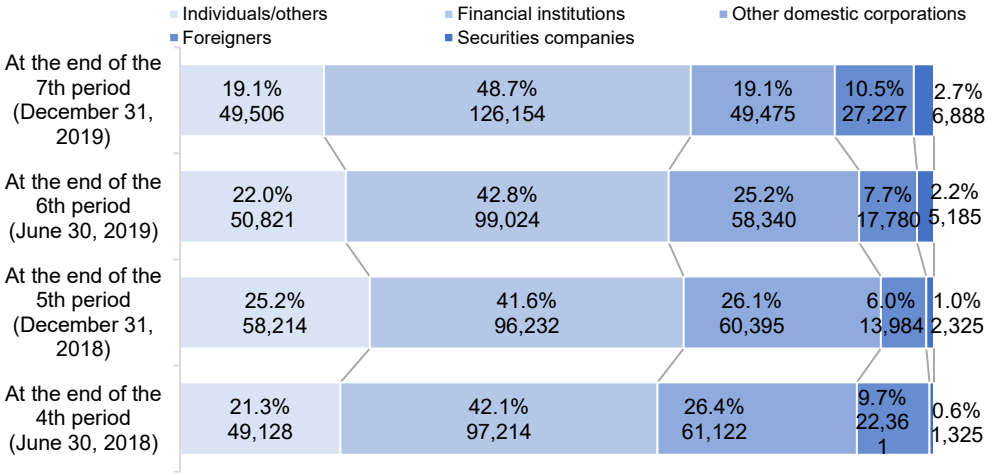
Name	Number of investment units (units)	Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	53,750	20.7
The Master Trust Bank of Japan ,Ltd. (Trust Account)	30,920	11.9
CRE, Inc.	28,790	11.1
Fukuoka Jisho Co., Ltd.	7,500	2.9
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	7,225	2.8
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	5,624	2.2
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	5,426	2.1
Kinkisangyo Shinkumi Bank	4,380	1.7
The Bank of Yokohama, Ltd.	3,917	1.5
Mitsubishi UFJ Trust and Banking Corporation	3,896	1.5
Total	151,428	58.4

Note: As of December 31, 2019

Number of investors by type of owner(Note)



Number of investment units by type of owner



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IR Activities and Topics

Actively conducted IR activities to expand investor base. IR expenses are borne by the Asset Management Company not by the Investment Corporation (excluding roadshows).

IR Activities for Institutional Investors

- Roadshow for First Capital Increase by Public Offering

  July 2019

  Visited 32 Japanese institutional investors

- Overseas IR Activities

  October 2019

  Visited a total of 13 companies in Singapore, Hong Kong and South Korea

- Domestic IR Activities

  From August to October 2019

  Visited a total of 37 companies- 12 companies in Tokyo and 25 companies outside Tokyo

- Roadshow for Second Capital Increase by Public Offering

  January 2020

  Visited 28 Japanese institutional investors

IR Activities for Individual Investors

- Briefings for Individual Investors

September 27, 2019	Meeting to report operating results (Tokyo) * Unitholders only
October 19, 2019	SMBC Nikko J-REIT Fair 2019 (Tokyo)
November 30, 2019	ARES TSE J-REIT Fair (Tokyo)

- Other

  February 2020 Posted video on TSE J-REIT View

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