CRE Logistics REIT

Securities Code 3487

Results Briefing for the 4th Period (Ended June 2018)

LogiSquare Kuki

All properties held by CRE-REIT use sandwich panels that reduce the thermal load and give their exterior walls an attractive appearance.

September 27, 2018

CRE REIT Advisers, Inc.

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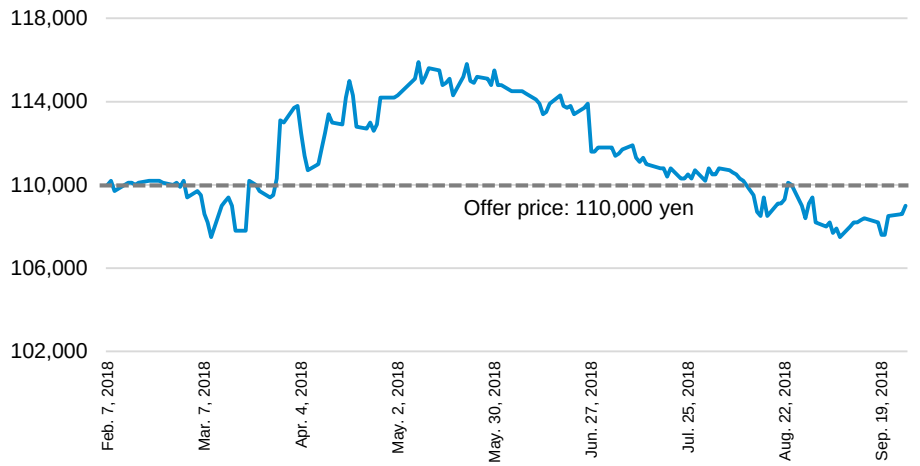
IPO Overview

Overview of IPO

Listing approval date	December 27, 2017
Listing date	February 7, 2018
Number of units issued	Number of units issued: 161,150 Number of units offered: 41,900 Number of units offered by overallotment: 10,153
Total number of investment units outstanding	231,150 units
Offer price	110,000 yen
Offering size	23.4 billion yen
Portfolio size	7 properties totaling 47.7 billion yen (Total acquisition price)
Asset management company	CRE REIT Advisers, Inc.
Sponsor	CRE, Inc.

Changes in investment unit price



Market reaction

Capital Eye Capital Eye News (February 5, 2018)

CRE Logistics REIT (3487): Properties are highly valued. Will the new listing mark a turning point for small REITs?
The allocation was **85% for general retail investors and 15% for institutional investors**. The initial plan was 90% and 10%, respectively. The **demand multiple was more than 5 times for the former and more than 20 times for the latter, resulting in 9 times overall**. A roadshow was conducted from January 9 to 19, when **about 50 investors were visited**. Major financial institutions as well as regional banks participated.

Thomson Reuters DEALWATCH (February 5, 2018)

CRE Logistics REIT: Price has an investment value, and leasing capability also has a reputation.
The fund managers of REIT funds pointed out, **"The investment unit price is cheap and attractive."**
Concerning CRE, which is the sponsor and a real estate company, **investors praise its high leasing and property operation capabilities, in addition to the valuation**. In terms of management results, **property management (PM) of 16 logistics properties with approx. 660,000 m² is entrusted by listed REITs**.

Note: Results of PM entrustment are as of the end of October 2017.

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Characteristics and Advantages

Characteristics

Advantages

1 Portfolio focused on LogiSquare

High-quality portfolio

Logistics facilities in good locations, high demand

- Tokyo Metropolitan Area: **94.0**%
- Within 3 km of an interchange: **80**%

Young and high-quality properties

- Average age: **1.5** years

Acquisition from the sponsor at an appropriate price

- Appraisal NOI yield at the IPO: **5.0**%

2 Long-term, stable asset management

Strong sponsor excelling in the operation and management of logistics facilities

High operation and management capabilities of CRE

- **One of the largest** areas under entrusted management in Japan
  1,452 properties totaling **5,000,000 m²**
  (of which **22** properties totaling **900,000 m²** are entrusted by other listed REITs)

Long-term stable contracts with tenants

- WALE: **7.6** years
- Occupancy rate: **100.0**%

3 Distinct external growth strategy

Pipeline that enables the early achievement of an asset size of 100 billion yen

- Given an opportunity under strong sponsor support agreement to acquire **all logistics-related facilities** developed and held by CRE on its own
- Pipeline of **10** properties totaling **320,000 m²**

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Financial Results and Forecasts

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Highlights in the 4th Period (Ended June 2018)

Highlights of financial results

Distributions per unit

2,585 yen

(Compared to forecast: **Up 45** yen, **Up 1.8**%)

NAV per unit(Note 1)

117,522 yen

LTV(Note 2)

49.3%

(LTV based on appraisal value: **47.0**%)

Average borrowing interest rate(Note 3)

0.52%

Portfolio overview

Assets held at the period end

7 properties

47.7 billion yen (Note 4)

Appraisal value at the period end(Note 5)

50.1 billion yen

NOI yield(Note 6)

Actual NOI yield(Note 7) **5.4**%

Appraisal NOI yield at the IPO **5.0**%

Occupancy rate at the period end

100.0%

Note 1: NAV per unit = (Net assets + Unrealized gains) / Total number of investment units outstanding (231,150 units)
Note 2: LTV = Outstanding balance of interest-bearing debt / Total assets. LTV based on appraisal value = Outstanding balance of interest-bearing debt / (Total assets + Unrealized gains)
Note 3: As of the end of July 2018. The weighted average interest rate taking into account the effect of interest-rate swaps is stated.
Note 4: Total amount of acquisition prices
Note 5: For "Appraisal value," the appraisal value by a real estate appraiser or a price based on an investigated price 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) with the end of the period under review as the time of investigation.
Note 6: "Appraisal NOI yield at the IPO" is the ratio of appraisal NOI at the time of acquisition of the portfolio assets to their acquisition price. "Actual NOI yield" is the ratio of actual NOI of the portfolio assets in the 4th period to their acquisition price. Actual NOI is annualized using the number of operation days after acquisition.
Note 7: Fixed asset taxes and city planning taxes on 5 properties acquired in the 4th period are capitalized, and these taxes are not included in actual NOI in the 4th period.

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Results for the 4th Period (Ended June 2018)

Unit: million yen

	4th period (2018/6) Forecasts (A)	4th period (2018/6) Results (B)	Difference (B) - (A)
Operating revenues	1,172	1,186	+14
Leasing expenses (excluding depreciation)	111	120	+9
NOI	1,060	1,065	+4
Depreciation	251	251	+0
Net leasing revenues (NOI - Dep.)	809	814	+4
General and administrative expenses, etc.	147	145	-2
Operating income	661	668	+6
Non-operating income	—	0	+0
Non-operating expenses	149	145	-3
Ordinary income	512	523	+ 10
Net income	511	522	+10
Distributions per unit (yen)	2,540	2,585	+45
Distributions per unit (yen)	2,214	2,259	+45
OPD per unit (yen)	326	326	—

Major factors for difference

Operating revenues +14
- Increase in utilities income +12
- Increase in operating revenues due to the early occurrence of rents from parking spaces and roofs +2

Leasing expenses +9
- Increase in utilities expenses +11
- Decrease in repair expenses -1
- Decrease in facility management fees -1

General and administrative expenses, etc. -2
- Unused reserve fund -3, etc.

Non-operating expenses -3
- Decrease in loan-related expenses -2
- Decrease in expenses related to the IPO of investment units -1

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Forecasts for the 5th and 6th Periods (Ending December 2018 and June 2019)

Unit: million yen

	4th period (2018/6) Results (A)	5th period (2018/12) Forecasts (B)	Difference (B) - (A)	6th period (2019/6) Forecasts
Operating revenues	1,186	1,405	+218	1,405
Leasing expenses (excluding depreciation)	120	140	+19	241
NOI	1,065	1,265	+199	1,163
Depreciation	251	287	+35	287
Net leasing revenues (NOI - Dep.)	814	977	+163	876
General and administrative expenses, etc.	145	174	+29	160
Operating income	668	803	+134	716
Non-operating income	0	—	+0	—
Non-operating expenses	145	126	-19	121
Ordinary income	523	677	+153	594
Net income	522	676	+153	593
Distributions per unit (yen)	2,585	3,297	+712	2,940
Distributions per unit (yen)	2,259	2,925	+666	2,568
OPD per unit (yen)	326	372	+46	372

Major factors for difference

<5th period>

Net leasing revenues +163

- Increase due to full-period operation of 5 properties acquired in the 4th period +163

General and administrative expenses, etc. +29

- Increase due to a rise in assets +46
- Increase in IR-related costs +2
- Non-occurrence of listing-related costs -19

Non-operating expenses -19

- Non-occurrence of expenses related to IPO of investment units -25
- Decrease in loan-related expenses -4
- Increase in interest expenses +13, etc.

<6th period>

Leasing expenses +101

- Increase due to the expensing of fixed asset taxes and city planning taxes on 5 properties acquired in the 4th period +104, etc.

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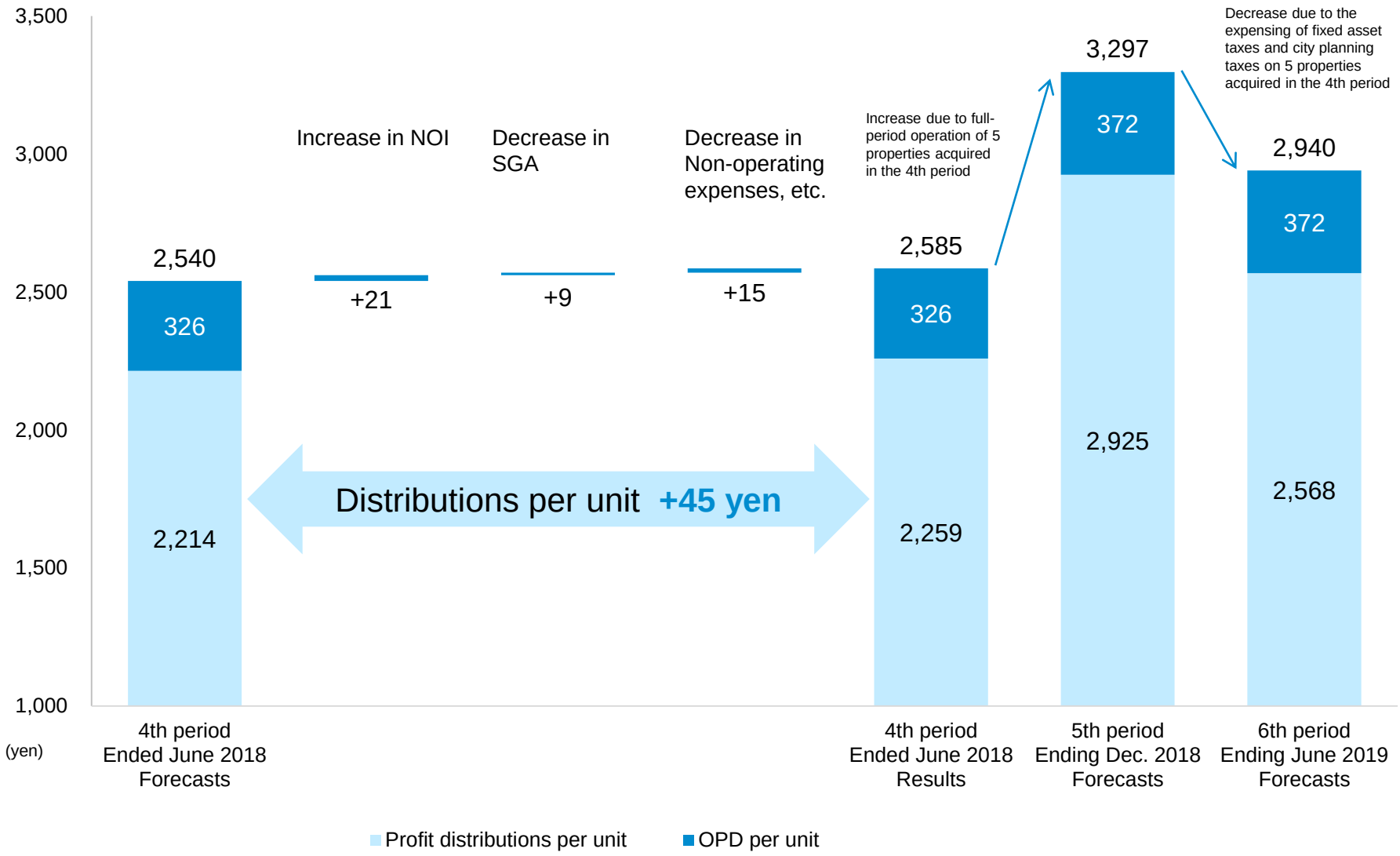
Comparison between Forecasts and Actual Results of Distributions in the 4th Period and Forecast Distributions for the 5th and 6th Periods



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Growth Strategies

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Medium-Term Growth Strategies

External growth

Aim to expand the asset size by **acquiring the properties developed by CRE at an appropriate price**

Asset size as of the end of the period ended June 2018:
47.7 billion yen
↓
Asset size two to three years after the listing: **100** billion yen

Long-term stability

Aim to **maintain the high occupancy rate and reduce costs** during the period through operation taking advantage of the leasing and PM capabilities of CRE

Have been maintaining **100.0**% since the listing
Control of costs during the period

Financial strategies

Aim to **secure a reserve power for borrowing** by reducing LTV through the repayment of loans in the process of expanding the asset size to 100 billion yen

LTV as of the end of the period ended June 2018: **49.3**%
↓
Reduce LTV to the **45**% level in the medium term

Continuous expansion of the rental market

Low vacancy rate

[Tokyo Metropolitan Area]
3.80%
(Down 0.03% from the previous quarter)

[Southern Saitama Area]
0.00%
(No change from the previous quarter)

Expansion of the 3PL market size

Approximately **doubled**

2009
1.27 trillion yen
→
2016
2.59 trillion yen

Expansion of the EC market

[Expansion of the domestic market size]
16.5 trillion yen
(As of 2017)

Compared to 2010
2.1 times

[Room for a rise in the EC rate]
Difference between Japan and the U.S.
3.1pt
(As of 2017)
(Japan: **5.8%** U.S.: **8.9%**)

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Roadmap for External Growth

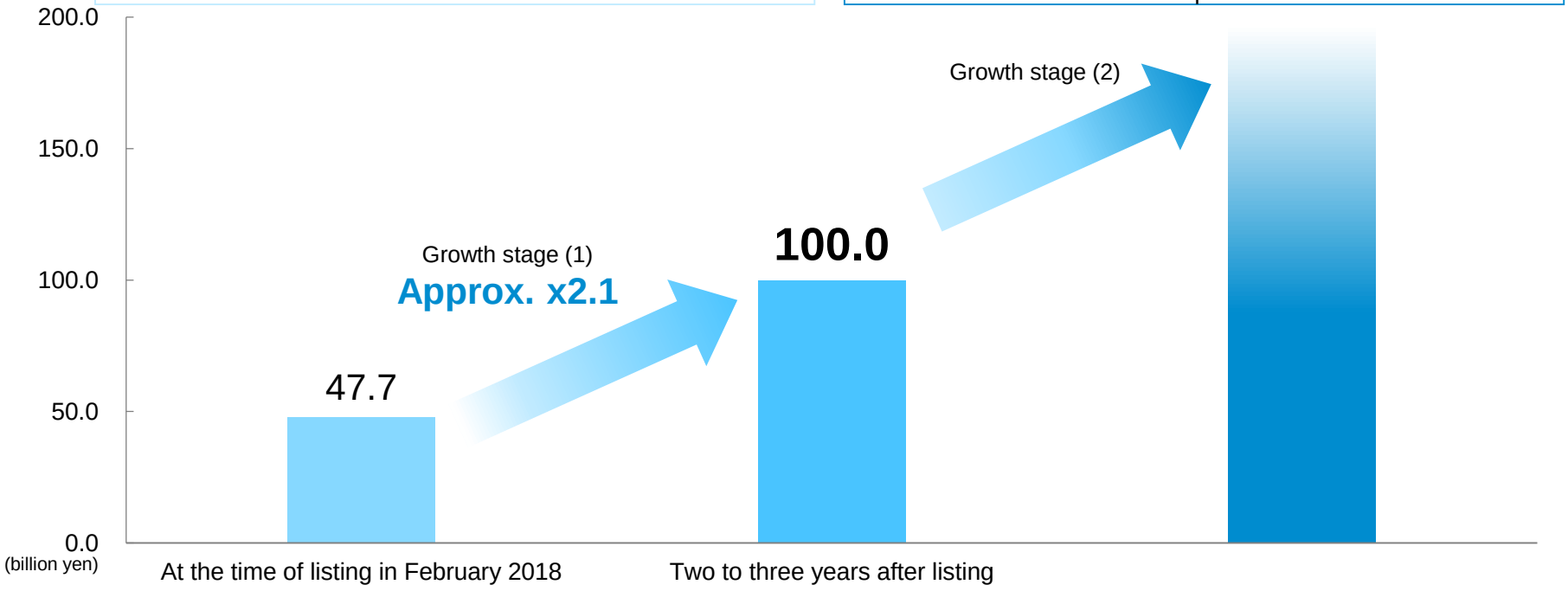
- **Expand the pipeline by acquiring the first refusal right** to the properties developed by CRE based on the strong sponsor support
- **Able to achieve flexible external growth in consideration of the investment unit price** by utilizing the bridge function of leasing companies and the private fund origination function of the AM subsidiary of CRE
- Aim for **capital increase associated with the growth of distributions per unit** to enhance the investor value

Growth stage (1)
(Expand the asset size to around 100 billion yen)

Aim to expand the asset size at an early stage by **investing mainly in LogiSquare** properties of less than 50,000 m^2 in a focused manner

Growth stage (2)
(After the asset size exceeds 100 billion yen)

Aim to **build the diversified portfolio** by acquiring large LogiSquare properties with multiple tenants and properties from third parties



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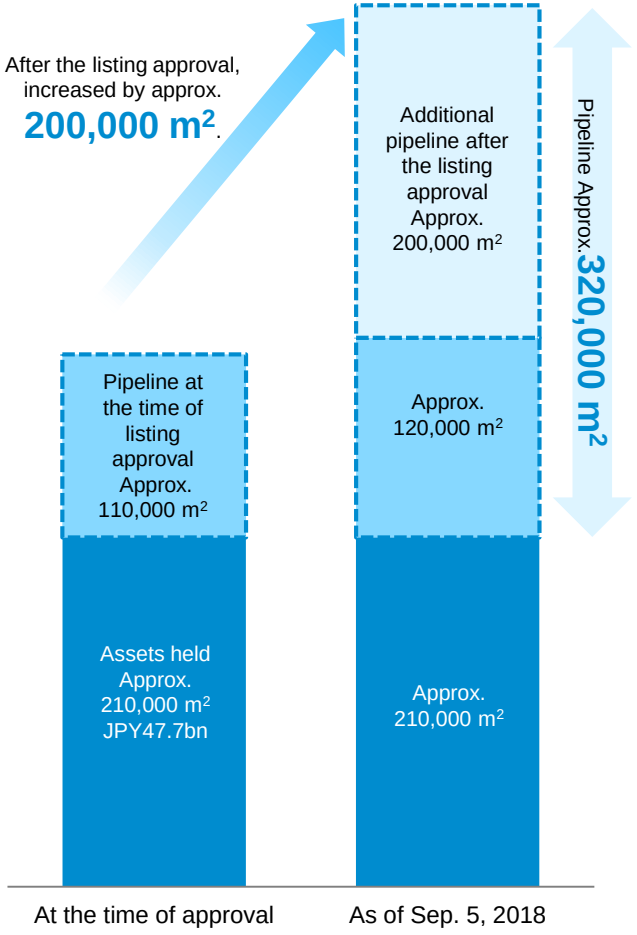
Pipeline that Enables External Growth

- After obtaining the listing approval on December 27, 2017, CRE disclosed a development plan for **a total of four new properties totaling around 200,000 m²**.
- Hold the pipeline of **a total of ten properties totaling 320,000 m²** including nine properties developed by CRE and one property that was acquired externally and is managed in a private fund



		Properties with first refusal right and properties developed by CRE		Location	Completion month and year (planned)	Total floor area (m²)
Developed by CRE	Already disclosed at the time of approval of listing*	LogiSquare Chitose	Property with first refusal right	Chitose-shi, Hokkaido	November 2017	19,760.00
		LogiSquare Kawagoe	Property with first refusal right	Kawagoe-shi, Saitama	February 2018	7,542.56
		LogiSquare Kasukabe	Property with first refusal right	Kasukabe-shi, Saitama	June 2018	21,315.54
		LogiSquare Ageo	Property with first refusal right	Ageo-shi, Saitama	April 2019	19,520.75
		Miyoshi Development Plan (provisional)	Property with first refusal right	Miyoshi-machi, Saitama	August 2020	40,000.00
	new!	LogiSquare Kawagoe II	Property with first refusal right	Kawagoe-shi, Saitama	May 2019	14,786.36
	new!	Sayama Hidaka IC Development Plan (provisional)	Property under development by CRE	Hanno-shi, Saitama	February 2020	84,001.11
	new!	LogiSquare Kobe nishi	Property under development by CRE	Kobe-shi, Hyogo	May 2020	16,000.00
	new!	LogiSquare Osaka Katano	Property under development by CRE	Katano-shi, Osaka	Not yet determined	83,700.00
Acquired externally	*	Suminoe Logistics Center	Property with first refusal right	Osaka-shi, Osaka	January 1992	17,081.16
		A total of **10** properties				**323,707.48**

LogiSquare Chitose

LogiSquare Kawagoe

LogiSquare Kasukabe

LogiSquare Ageo

LogiSquare Kawagoe II

Suminoe Logistics Center

Note: CRE-REIT does not engage in specific negotiations with the CRE Group companies on the assets above, nor does it have any plan to acquire them at the present time or guarantee future acquisition. As of September 5, 2018, the development of the above properties except for LogiSquare Chitose, LogiSquare Kawagoe, LogiSquare Kasukabe and Suminoe Logistics Center is not yet completed, and the rendering, the planned completion month and year and the total floor area are based on the plans as of September 5, 2018 and may differ from the actual ones.

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Acquisition of Properties at an Appropriate Price based on Strong Sponsor Support

- The CRE Group aims to **grow the asset management business as a pillar of the second stock business**, and the growth of CRE-REIT is one of the most important issues for CRE.
- CRE-REIT is able to acquire properties at an appropriate price based on strong sponsor support.

Acquisition of properties at an appropriate price(Note 1)

Appraisal NOI yield at the IPO
5.0%

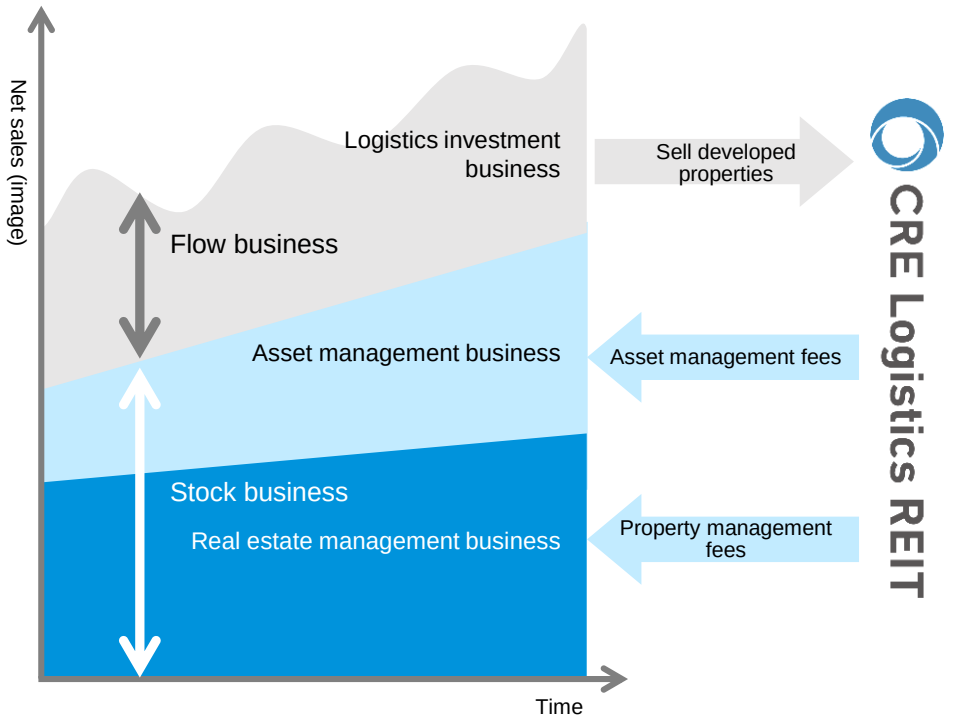
Actual NOI yield in the 4th period (Note 2)
5.4%

Property name	Appraisal NOI yield at the IPO
M-1 LogiSquare Kuki	4.8%
M-2 LogiSquare Hanyu	4.9%
M-3 LogiSquare Kuki II	5.2%
M-4 LogiSquare Urawa Misono	4.8%
M-5 LogiSquare Niiza	4.9%
M-6 LogiSquare Moriya	5.2%
O-1 LogiSquare Tosu	5.4%

Positioning of the AM business at the sponsor

Aim to acquire continuous asset management fees and property management fees by selling self-developed properties to CRE Logistics REIT, Inc.

(* Long-term management policy as of September 12, 2016)



Note 1: "Appraisal NOI yield at the IPO" is the ratio of the appraisal NOI at the time of the acquisition of the portfolio assets to their acquisition price. "Actual NOI yield" is the ratio of the actual NOI of the portfolio assets in the 4th period to their acquisition price. Actual NOI is annualized using the number of operation days after acquisition.
Note 2: Fixed asset taxes and city planning taxes on five properties acquired in the 4th period are capitalized, and these taxes are not included in actual NOI in the 4th period.

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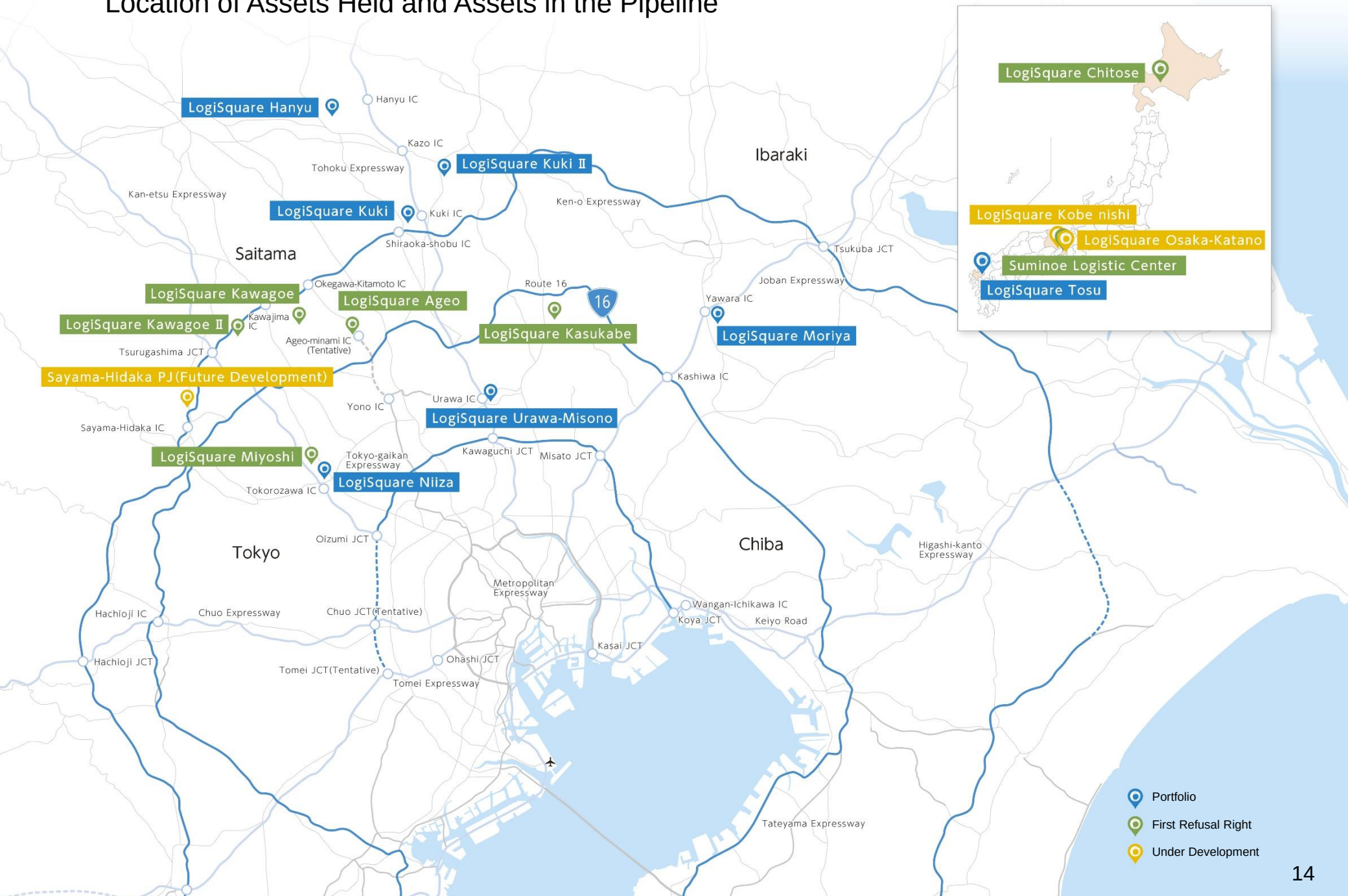
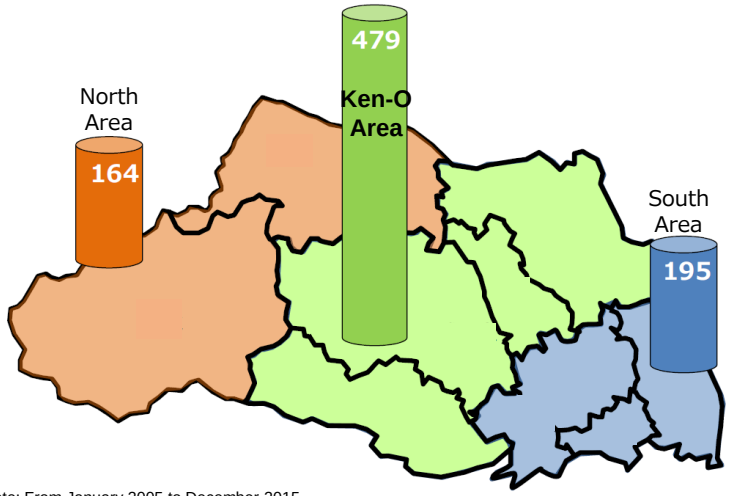
Location of Assets Held and Assets in the Pipeline



High Convenience of the Ken-O Expressway Area

Business facilities opened in Saitama Prefecture

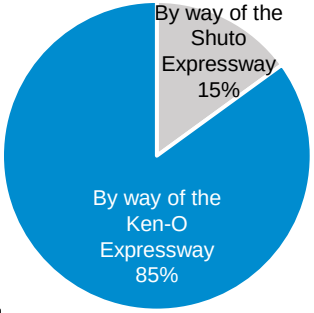
- **838 business facilities were newly opened** in the Prefecture in the last 11 years.
- Out of them, **approximately 60% are located** in the area **surrounding the Ken-O Expressway**.



Note: From January 2005 to December 2015
Source: The Ministry of Land, Infrastructure, Transport and Tourism

Usage Situation between the Tomei Expressway and the Tohoku Expressway after Ken-O Expressway opening

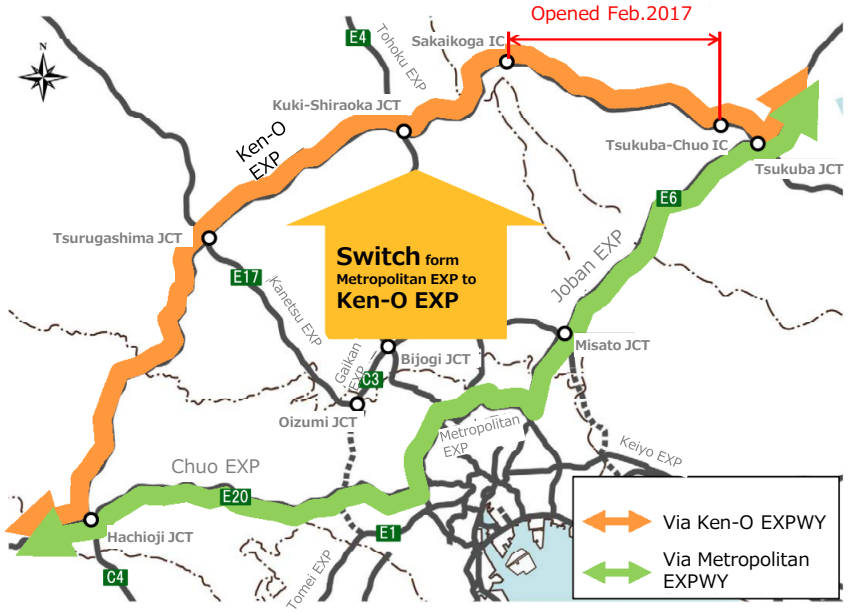
- Between the Tomei Expressway and the Tohoku Expressway, **more than 80% of traffics pass through the Ken-O Expressway**.

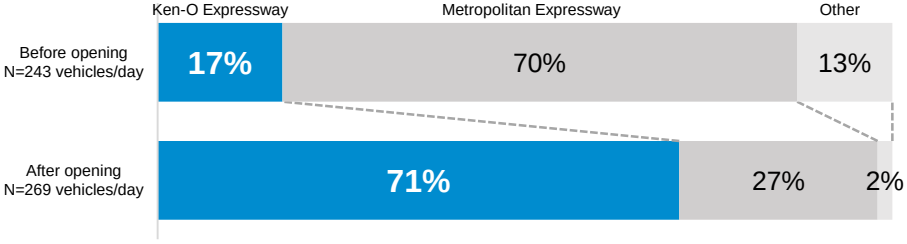


N = 2,592 vehicles/day
Note: For 334 days from April 2016 to March 2017 (excluding May)
Source: The Ministry of Land, Infrastructure, Transport and Tourism

Usage Situation between the Chuo Expressway and the Joban Expressway after Ken-O Expressway opening

- Between the Chuo Expressway and the Joban Expressway, **approximately 70% of traffics pass through the Ken-O Expressway**.





Note: For 30 days in June 2016 and 30 days in June 2017
"Other" includes vehicles by way of the Tokyo Gaikan Expressway (both ways)
Source: The Ministry of Land, Infrastructure, Transport and Tourism

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Long-Term Stable Management

- The CRE Group injects its management and leasing capabilities and expertise cultivated for more than 50 years into the development and management of properties to be incorporated in the portfolio of CRE-REIT.

LogiSquare properties that will contribute to cost reduction in the future

Designed to be a structure that is able to install additional dock levelers from the beginning of construction in preparation for the expansion of the dock levelers

A space for outdoor units and piping equipment is installed in advance in preparation for the additional installation of air-conditioners

Designed to be a structure that is able to install additional vertical carrier machines from the beginning of construction in preparation for the expansion of vertical carrier machines

Windows and ventilation fans are installed in advance to comply with laws and regulations in preparation for the time when the increase of office floor space will be necessary, and this will contribute to cost reductions in the future

CRE's leasing capability

		Tenants	Time of leasing completion
M-1 LogiSquare Kuki	BTS	Single	Before the completion of construction
M-2 LogiSquare Hanyu	BTS	Single	At the time of land acquisition
M-3 LogiSquare Kuki II	BTS	Single	At the time of land acquisition
M-4 LogiSquare Urawa Misono		Multi tenants	Six months after the completion of construction
M-5 LogiSquare Niiza		Single	Before the completion of construction
M-6 LogiSquare Moriya		Multi tenants	Seven months after the completion of construction
O-1 LogiSquare Tosu	BTS	Single	Before the completion of construction

Maintenance of high occupancy rate

Have been maintaining **100.0**% since the listing due to a fixed long-term building lease agreement

Control of repair expenses and CAPEX

Results from the incorporation of young properties and the PM capability of CRE:

The 4th period (ended June 2018)

Repair expenses: **972** thousand yen CAPEX: **0** yen

(Reference) Depreciation: 251,765 thousand yen

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Cash Management Policy

- Aim to make OPD which corresponds to 30% of depreciation expenses and reduce LTV to the 45% level by using the remaining funds on hand for the repayment of loans and the acquisition of properties

Depreciation Results in the 4th period: 251 million yen; Forecasts for the 5th and 6th periods: 287 million yen

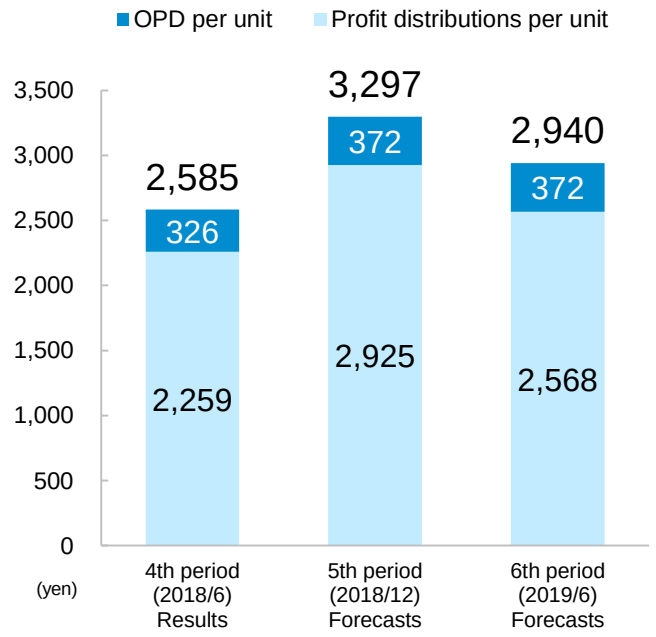
With 30% of depreciation expenses as a goal

Total amount of OPD
Results in the 4th period: 75 million yen
Forecasts for the 5th and 6th periods: 85 million yen

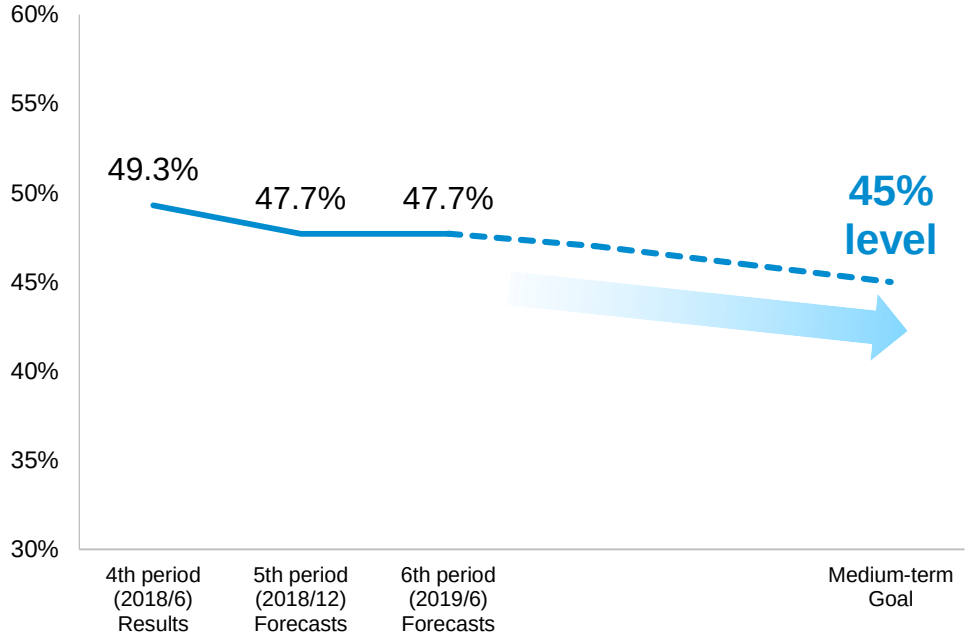
Remaining funds on hand

Used for the repayment of loans and the acquisition of properties

Distribute every period continuously



Aim to reduce LTV by using funds on hand



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Status of Interest-Bearing Debt

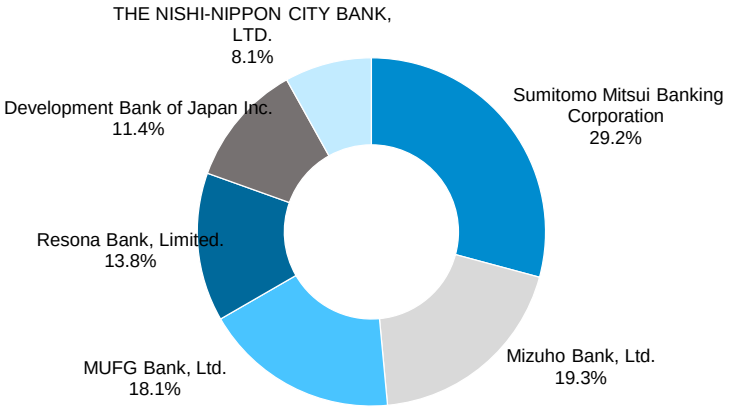
- The basic policy is to build a stable and sound financial base, and the upper limit of LTV is 50% in principle.
- Refinanced loans of 3 billion yen that came due on July 31, 2018.

* As of July 31, 2018

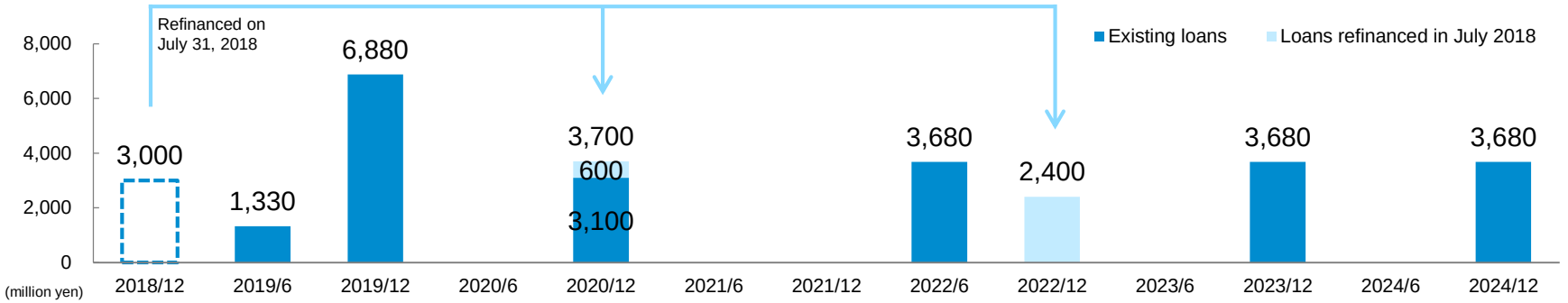
Status of interest-bearing debt

Outstanding balance of interest-bearing debt	25,350 million yen
LTV(Note 1)	49.3%
Appraisal LTV(Note 2)	47.0%
Average life of interest-bearing debt(Note 3)	2.9 years
Average interest rate of interest-bearing debt(Note 4)	0.52%

Stable bank formation centered on three mega banks



Distribution of repayment dates



Note 1: As of June 30, 2018. LTV = Outstanding balance of interest-bearing debt / Total assets
Note 2: As of June 30, 2018. Appraisal LTV = Outstanding balance of interest-bearing debt / (Total assets + Unrealized gains)
Note 3: A weighted-average value of the remaining periods from July 31, 2018 to the repayment dates based on the outstanding balances of loans is stated.
Note 4: A weighted-average interest rate taking the effect of interest rate swaps into account is stated

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Characteristics of CRE Logistics REIT, Inc.

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1 Portfolio focused on LogiSquare

Investment in quality logistics-related facilities that satisfy tenant needs through location, basic specifications, expandability and comfortability

LogiSquare (ロジスクエア) = Development by CRE + Location + Basic specifications + Scalability, amenity

2 Long-term, stable asset management

Long-term lease contracts and the high-level management skills

WALE(Note 1)

7.6 years

Average occupancy rate(Note 2)

100.0%

3 Distinct external growth strategy

Powerful sponsor support agreement with CRE

CRE-REIT will be given an opportunity to acquire **all logistics-related facilities developed and held by CRE on its own** based on the sponsor support agreement with CRE(Note 3).

Note 1: "WALE" is the weighted average lease expiry of the portfolio assets based on their acquisition price. The lease expiry is the period from June 30, 2018 to the expiration date of the lease contract stated in the lease contract.
Note 2: As of June 30, 2018
Note 3: Excluding cases that fall under the grounds for exemption stipulated in the sponsor support agreement

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Portfolio List

No.	Property name		Location	Acquisition price[1] (millions of yen)	Appraisal value[2] (millions of yen)	Appraisal NOI yield[3] (%)	Total floor area[4] (m^2)	Age[5] (years)	Number of tenants (tenants)	BTS[6]	Occupancy ratio (%)	Developer
M-1	LogiSquare Kuki		Kuki-shi, Saitama	9,759	10,300	4.8	40,907.13	2.1	1	BTS	100.0	CRE
M-2	LogiSquare Hanyu		Hanyu-shi, Saitama	6,830	7,060	4.9	33,999.61	2.0	1	BTS	100.0	CRE
M-3	LogiSquare Kuki II		Kuki-shi, Saitama	2,079	2,160	5.1	11,511.22	1.4	1	BTS	100.0	CRE
M-4	LogiSquare Urawa Misono		Saitama-shi, Saitama	13,060	13,600	4.7	48,738.29	1.3	3	—	100.0	CRE
M-5	LogiSquare Niiza		Niiza-shi, Saitama	6,960	7,240	4.8	25,355.82	1.3	1	—	100.0	CRE
M-6	LogiSquare Moriya		Moriya-shi, Ibaraki	6,157	6,620	5.1	32,904.90	1.2	2	—	100.0	CRE
O-1	LogiSquare Tosu		Tosu-shi, Saga	2,880	3,150	5.2	16,739.40	0.3	1	BTS	100.0	CRE
Total/Average				47,725	50,130	4.9	210,156.37	1.5	10	—	100.0	—

Note 1: “Acquisition price” is the sales value of each beneficial interest in trust stated in the transfer agreement of beneficial interest in trust and does not include consumption tax or local consumption tax or expenses such as trading commissions.
Note 2: For “Appraisal value,” the appraisal value by a real estate appraiser or a price based on an investigated price is stated based on the Certificate of Incorporation of the Investment Corporation and the Regulations on Accounting of Investment Corporations (Cabinet Office Order No. 47 of 2006 including subsequent revisions) with the end of the period under review as the time of investigation.
Note 3: ”Appraisal NOI yield” is the ratio of appraisal NOI of each asset acquired to its acquisition price and rounded to the nearest one decimal place. The average NOI yield is a weighted average NOI yield based on the acquisition price.
Note 4: For “Total floor area,” the total floor area of each property presented in the real estate register is stated.
Note 5: For “Age,” the age of each property from the date of its new construction on the real estate register to June 30, 2018 is stated by rounding it to the nearest one decimal place. The average age is a weighted average age based on the acquisition price.
Note 6: “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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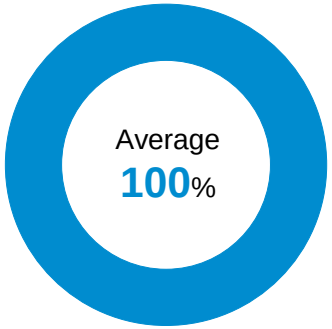
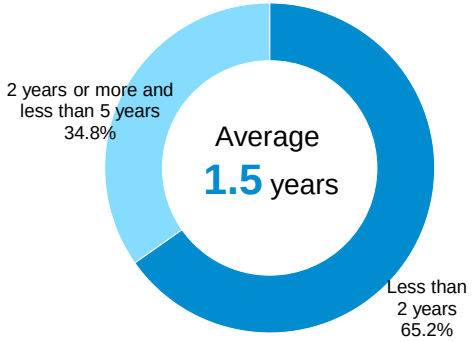
Advantages of the Portfolio

- Promote long-term stable asset management by acquiring young properties with a high occupancy rate developed by the sponsor

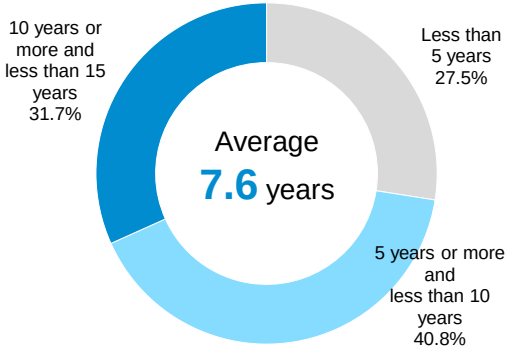
Occupancy rate of 100%



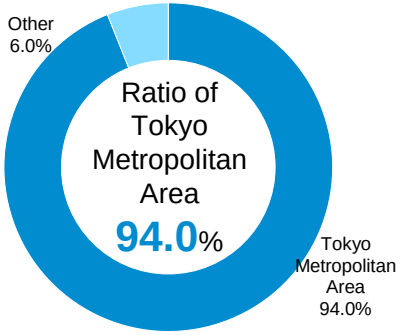
Young age



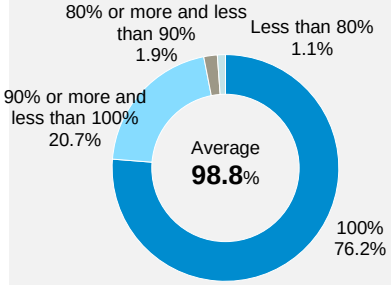
Long WALE

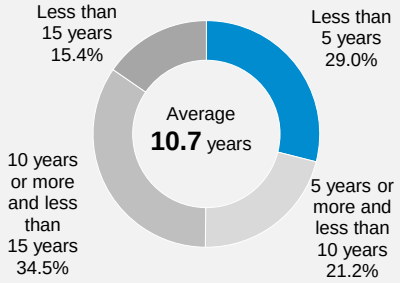


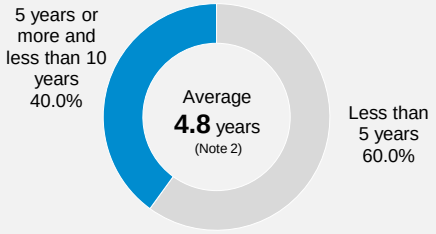
High demand location

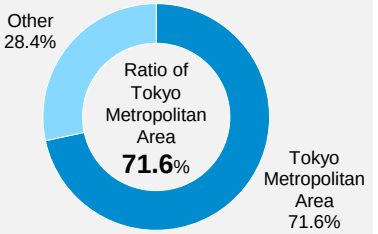


(Reference) Average of other logistics REITs









Source: Prepared by the Asset Management Company based on materials published by the Association for Real Estate Securitization (ARES) and each company

Note 1: Based on the transaction price
Note 2: GLP J-REIT is not included in the calculation because the calculation method of WALE written in the disclosure materials of other logistics REITs is different from the method of the Investment Corporation. In addition, WALE of each investment corporation is calculated using the simple average.

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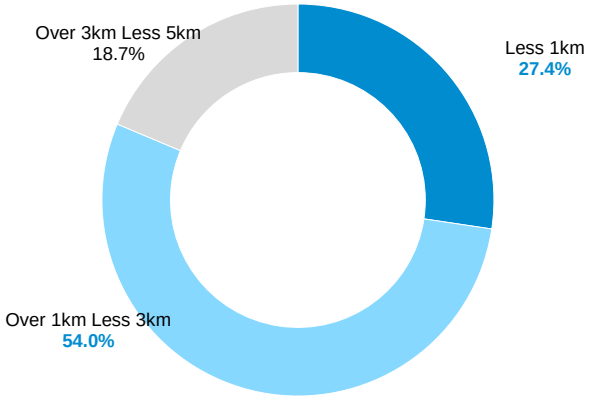
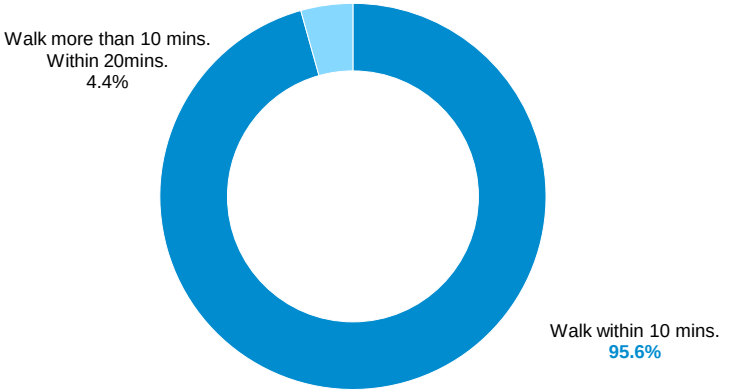
Good Location in High Demand

- All of the LogiSquare properties held are situated in a good location with excellent access to an interchange.
- Good access from public transportation facilities such as train stations and bus stops helps tenants secure labor.

Mileage to an interchange



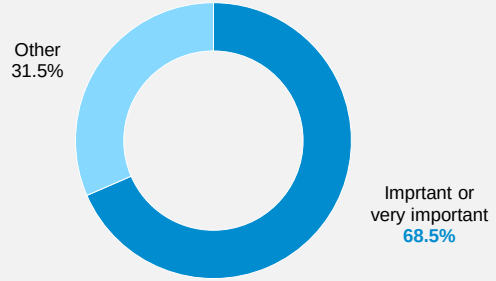
Time required from public transportation facilities



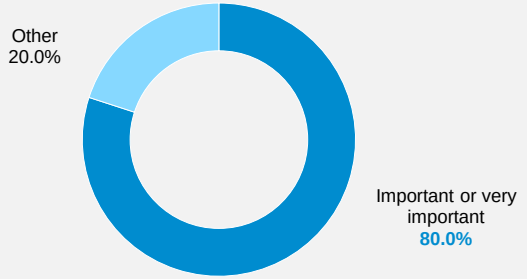
Note: Based on the acquisition price

Conditions on which tenants place emphasis when they choose a location for the new construction or relocation of logistics facilities

Proximity to an interchange or a gateway of an expressway



Ease of securing employees



Note: Prepared by the Asset Management Company based on the “5th survey research on cargo flow and freight movement (FY2013 – FY2014)” Council of Transport Planning for Metropolitan area

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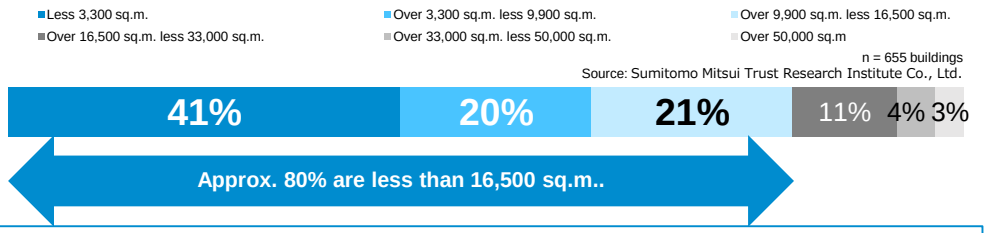
Strong Tenant Needs for the Size of Facilities Developed by CRE

1 Usage area per logistics base in the Tokyo Metropolitan Area

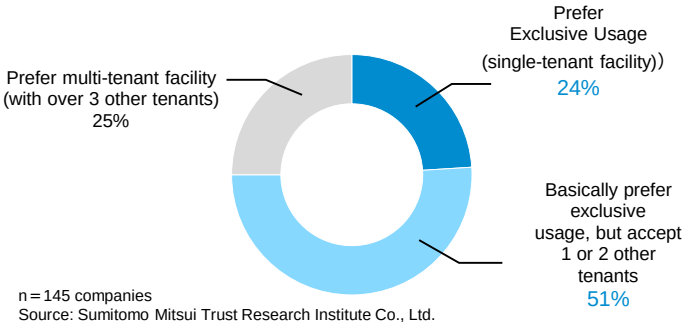
Approximately 80% of logistics bases used by consignors or logistics operators in the Tokyo Metropolitan Area are **less than 16,500 sq.m.** in site area. (Note 1).



In the case of the CRE-REIT, the average usage area per tenant is approx. 21,000 sq.m..

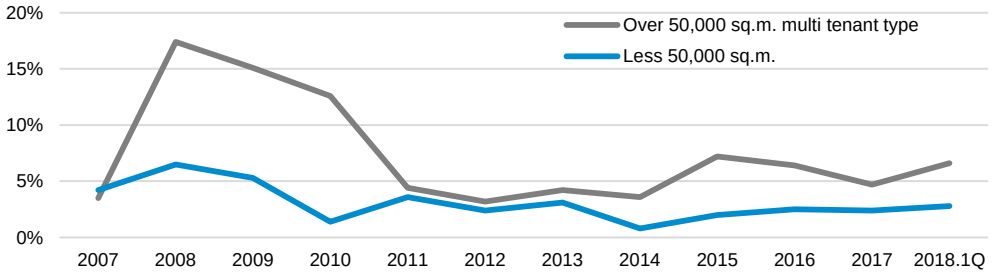
2 Desirable tenant mix

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



4 Vacancy rate per facility size in the Tokyo Metropolitan Area

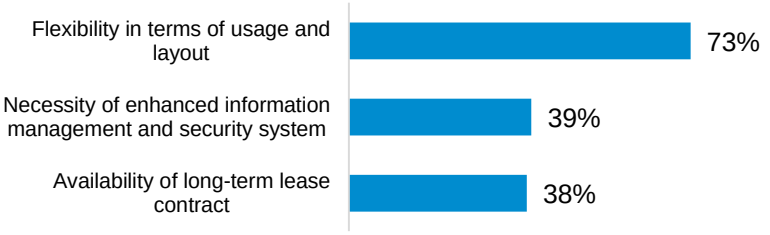
Generally, logistics facilities (Note 2) less than 50,000 sq.m. have been outperforming multi-tenant logistics facilities no less than 50,000 sq.m. in terms of vacancy rate.



Source: CBRE K.K.

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.

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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Occupancy by Diversified Tenant Segments

- Diversified tenant segments from medium-sized to large companies have moved in and concluded **a long-term lease contract with an average term of 8.9 years**.

Property name	Main tenant	Main business	Net sales
LogiSquare Kuki	Sangetsu Corporation	Development and sale of total interior goods	156.3 billion yen (FY2018/3)
LogiSquare Hanyu	Major Large logistics company	General logistics business and related businesses	Not disclosed
LogiSquare Kuki II	FUSOGOSEI Co., Ltd.	Manufacture and sale of building interior materials and interior products	Unlisted
LogiSquare Urawa Misono	Nippon Express Co., Ltd.	General logistics business and related businesses	1,995.3 billion yen (FY2018/3)
	Tobu Delivery Co., Ltd. (Wholly-owned subsidiary of Tobu Railway Co., Ltd.)	Forwarding business, warehousing business, distribution processing business, etc.	Unlisted
	INNOMEDICS Medical Instruments, Inc. (Wholly-owned subsidiary of ORIX Corporation)	Purchase, sale, design and lease of medical equipment, medical materials and hospital facilities	Unlisted
LogiSquare Niiza	Building Book Center Co., Ltd. (KADOKAWA Group)	Receipt, inventory management and shipment business of publications and the contract business of the refurbishment and reproduction of books	4.1 billion yen (FY2016)
LogiSquare Moriya	Lixus Co., Ltd.	Forwarding business, warehousing business, distribution processing business, etc.	Unlisted
	CyberStep, Inc.	Development of network entertainment software and the licensing and operation of online game services	7.1 billion yen (FY2018/5)
LogiSquare Tosu	Nippon Express Co., Ltd.	General logistics business and related businesses	1,995.3 billion yen (FY2018/3)

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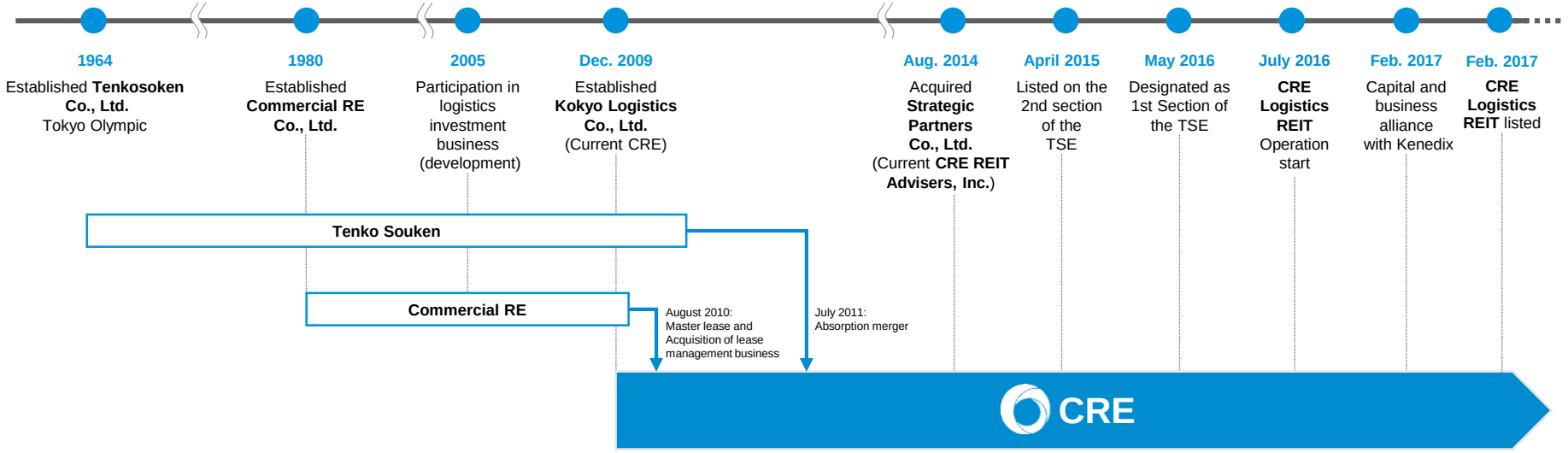
CRE with Track Record of More Than 50 Years in the Field of Logistics Real Estate in Japan

Launch and expansion of management, operation, and leasing business
(1964 - 2005)

Launch and expansion of development business and expansion of property management business
(2005 - 2014)

Full-scale development of asset management business
（2014 - ）



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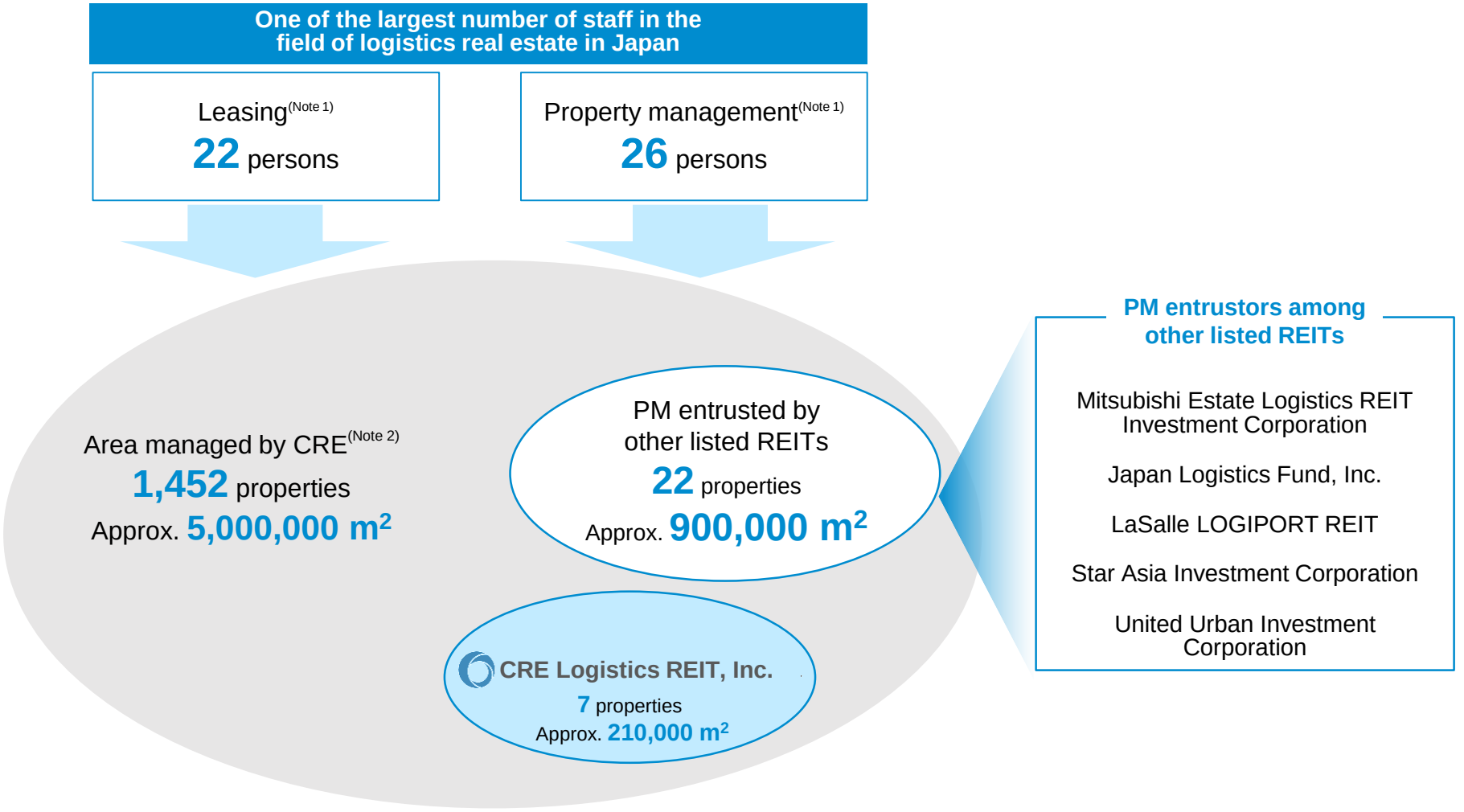
Leasing and Property Management Capabilities of CRE that Support Many Listed REITs

- CRE has strong leasing and property management capabilities to support the **management area of 5,000,000 m²** including those of other REITs, and it has one of **the largest number of staff in the field of logistics real estate in Japan**. These resources and capabilities are utilized for the operation of CRE-REIT.



Note 1: As of August 1, 2018. Including employees and part-time employees engaging in operations other than sales. Excluding temporary staff
Note 2: As of July 31, 2018

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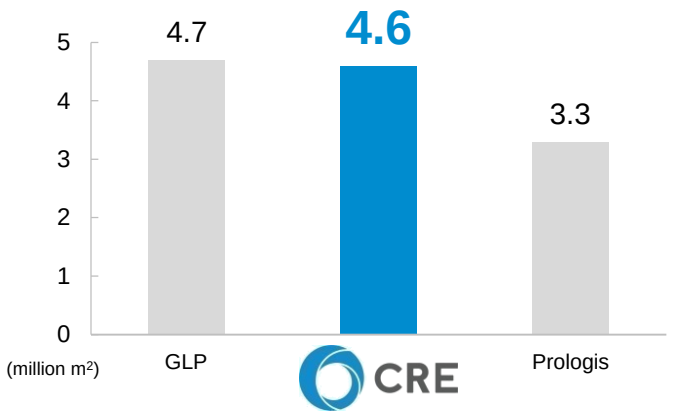
One of the largest areas under entrusted management in Japan and the Diverse Tenant List

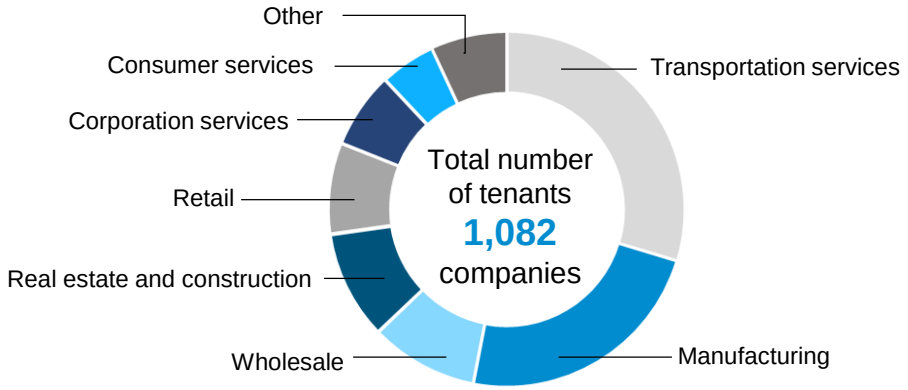
- CRE is proud of its management record: it is one of the largest areas under entrusted management of logistics facilities in Japan and holds a tenant list comprising a variety of industries.

One of the largest logistics facilities-centered PM companies



Note: "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.
Source: Prepared by the Asset Management Company based on the monthly Property Management (November 2017 issue).

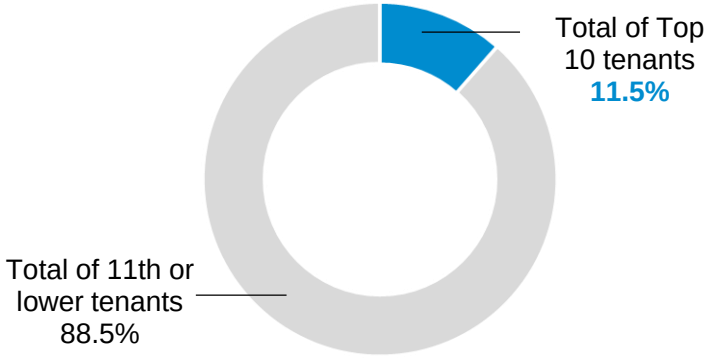
Tenant structure consisting of a variety of industries not only logistics operators but cargo owner itself



Leasing by CRE on its own

195 properties **410,000 m²**
(July 2017)

Rent revenue structure with low dependence on certain tenants



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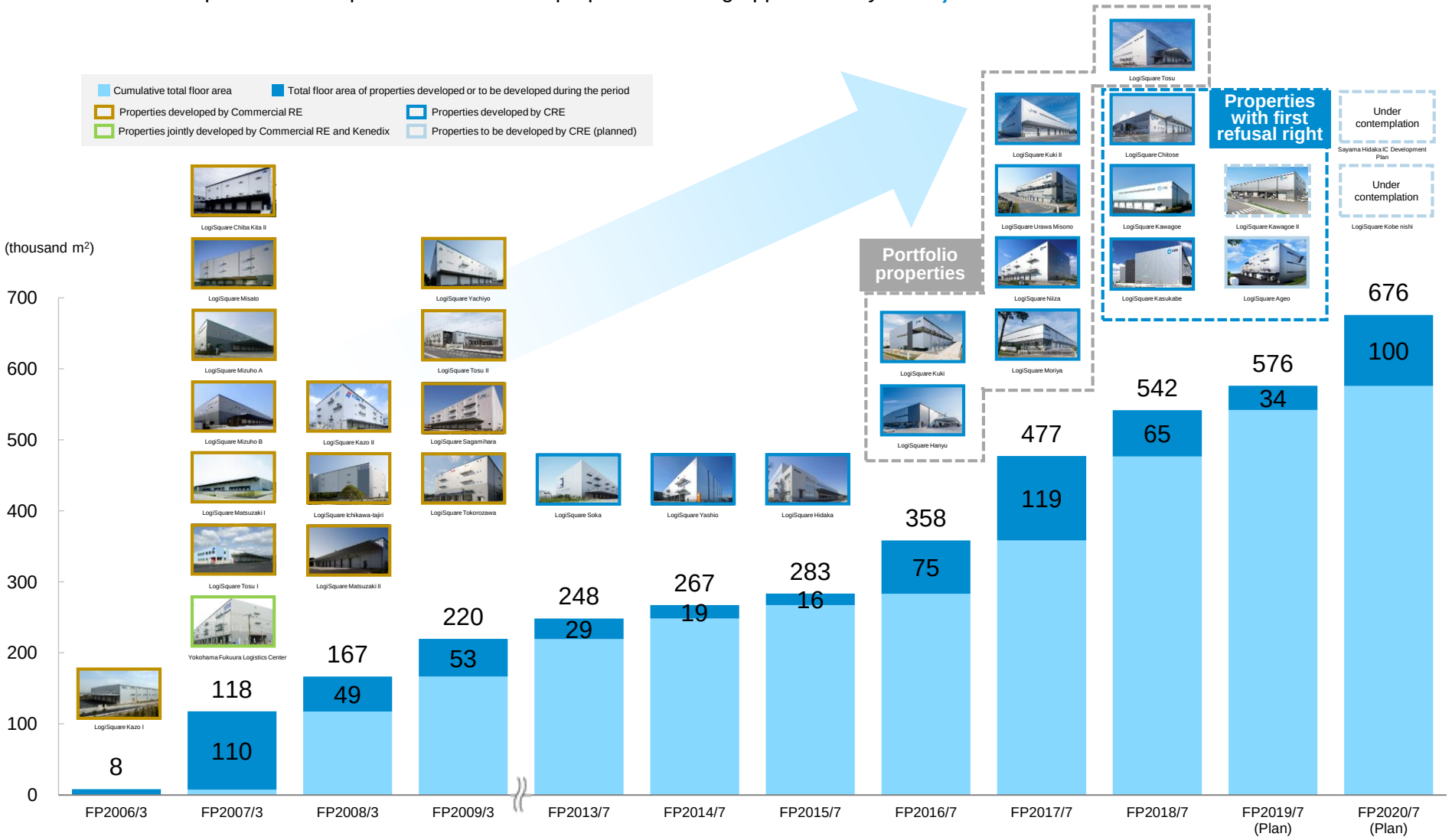
Development Record of CRE

The CRE Group has a development record of **28** properties totaling approximately **540,000 m²**



Note: While the above properties include properties other than the portfolio assets, CRE-REIT does not engage in specific negotiations with the CRE Group on the assets above, nor does it have any plans to acquire them at the present time nor guarantee their future acquisition. The above properties also include properties already sold to a third party. In addition, the rendering, the total floor area and the date of completion of development of the properties to be developed by CRE (planned) are based on the plans as of August 14, 2018 and may differ from the actual ones. The above properties are stated with the date of completion of construction as the date of completion of development.

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Market Environment

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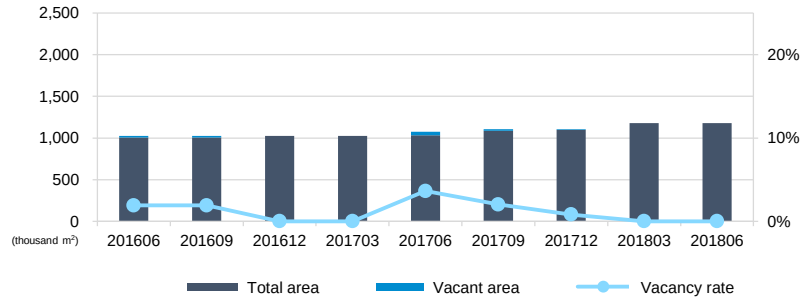
Market Environment from “Market Report on Warehouses and Logistics Properties June 2018” of CRE, Inc.

Southern Saitama Area — Urawa-Misono

Vacancy rate: **0.00**%, QoQ: **Remained flat**

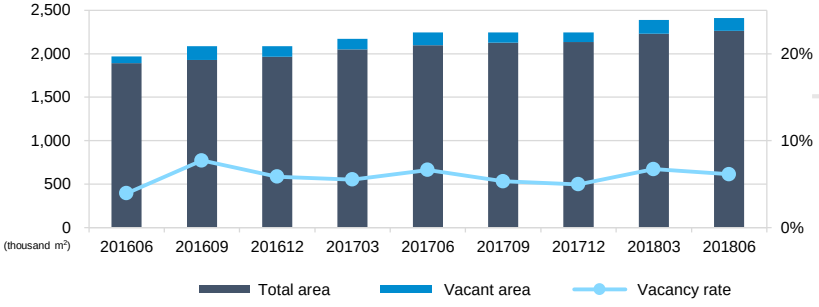
The vacancy rate was 0%, maintaining an extremely low level as in the previous quarter. While about 40,000 tsubo is to be newly supplied in 2019, more than 50% has already been determined unofficially. In addition, given that this is an area of high needs, the vacancy rate is expected to remain extremely low in 2019.



Saitama Kan-Etsu and Tohoku Expressway Area

Vacancy rate: **6.12**%, QoQ: **Slightly improved**

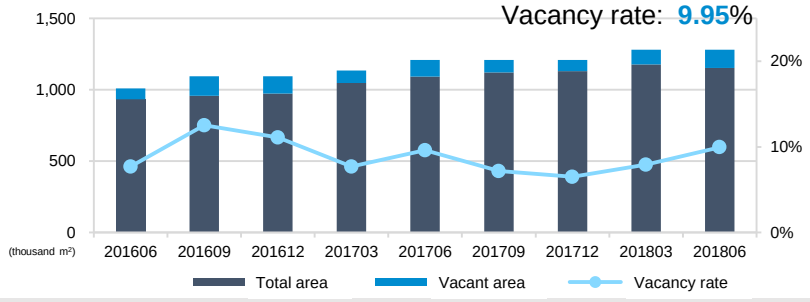
The vacancy rate was 6.12%, falling 0.59 percentage point from the previous quarter.
About 240,000 tsubo is to be newly supplied in 2019. About 90,000 tsubo has already been determined unofficially, and solid demand has been confirmed. However, the selection of properties is expected to progress associated with the deterioration of the vacancy rate due to the supply-demand balance.



Breakdown: Saitama Kan-Etsu and Tohoku Expressway Area

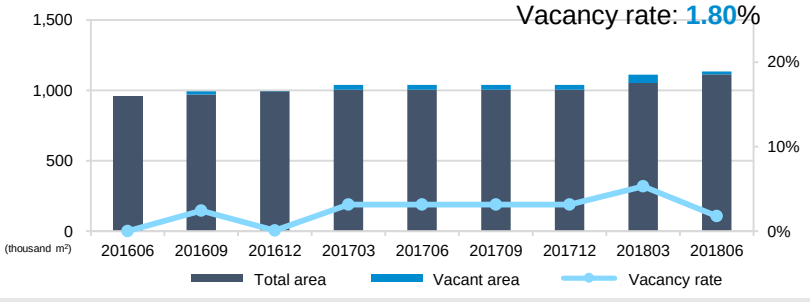
Saitama Kan-Etsu Expressway Area — Niiza

Vacancy rate: **9.95**%



Saitama Tohoku Expressway Area — Kuki / Hanyu / Kuki Ⅱ

Vacancy rate: **1.80**%



Source: “Market Report on Warehouses and Logistics Properties June 2018” of CRE, Inc.

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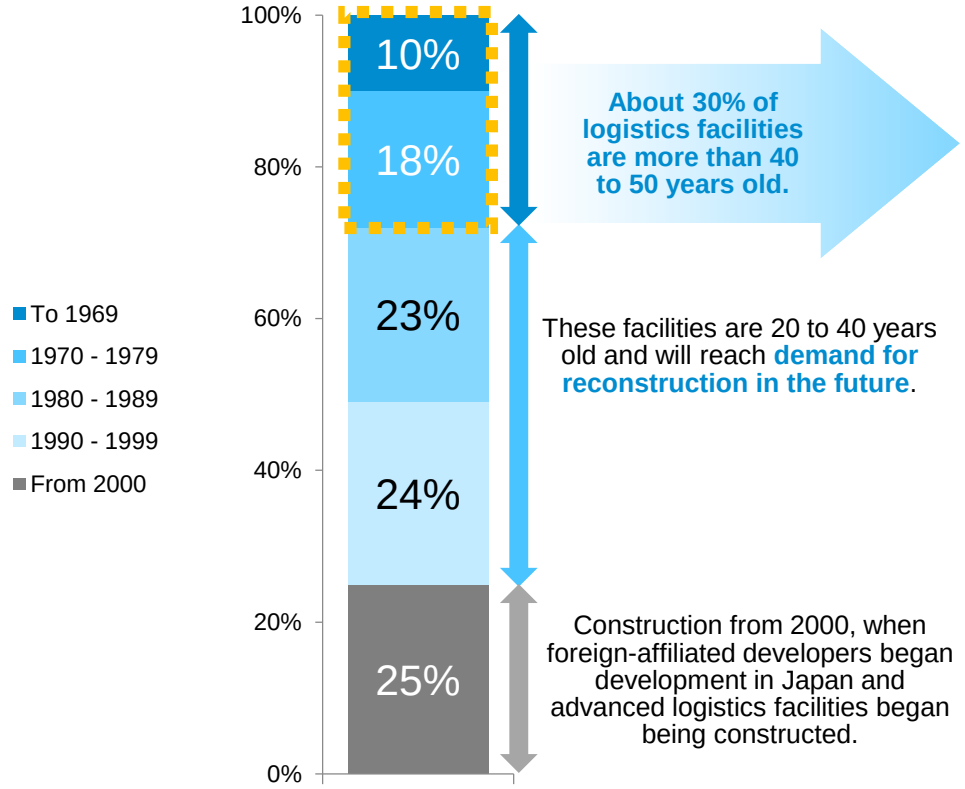
Reconstruction Demand for Logistics Facilities

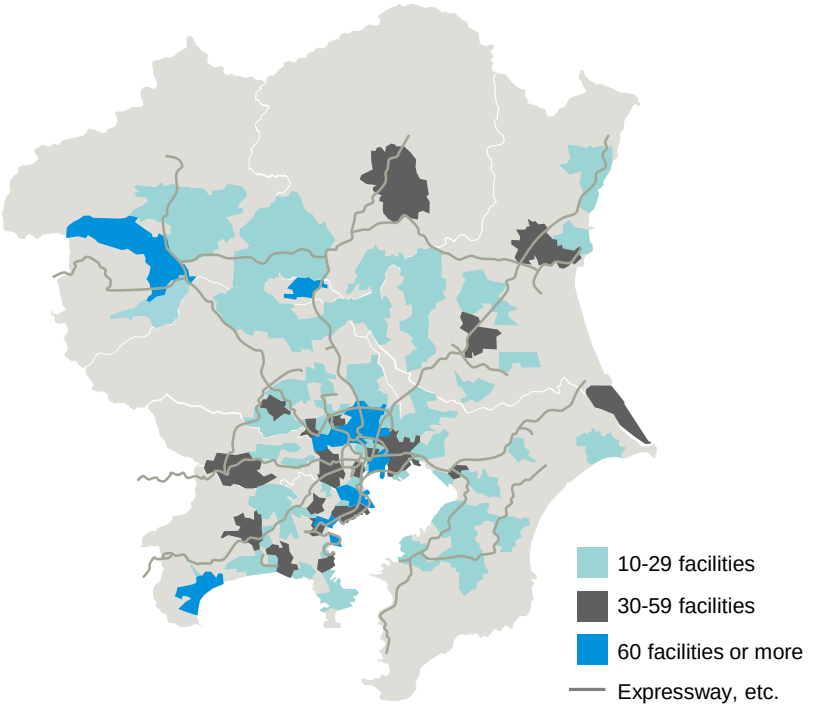
- About 30% of logistics facilities in the Tokyo Metropolitan Area were constructed during the period of high economic growth or the economic bubble, and they are 40 to 50 years old.
- Given that the useful life of logistics facilities under the tax code is 38 years*, demand for reconstruction in pursuit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

Percentage of logistics facilities in the Tokyo Metropolitan Area by year of construction



* Steel-reinforced concrete or reinforced concrete structures

Distribution of locations by the number of facilities



Note: Tokyo Metropolitan Area includes Tokyo, Kanagawa, Saitama, Chiba, central and southern Ibaraki, southern Tochigi and southern Gunma
Source: Council of Transport Planning for Metropolitan Area

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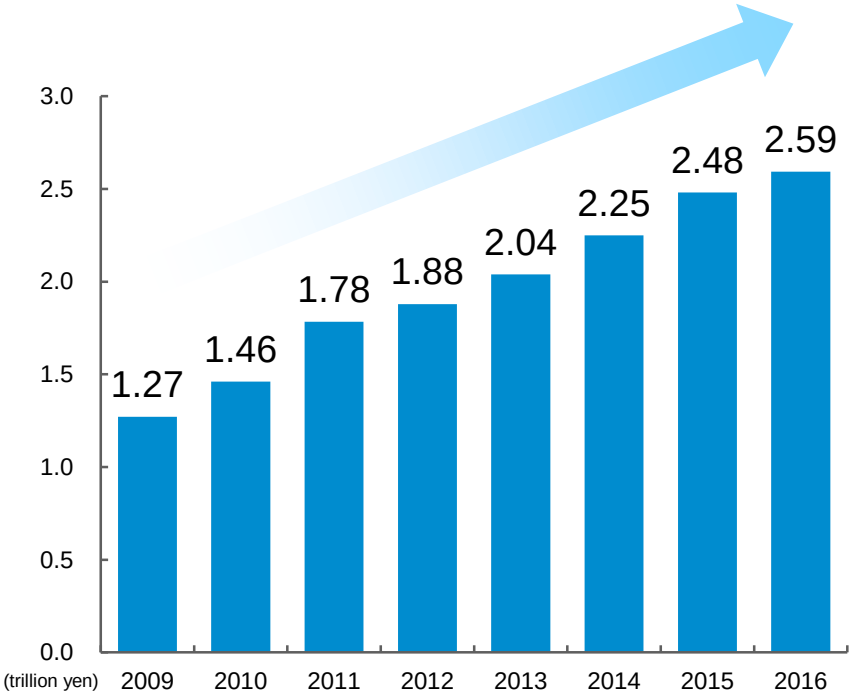
Expansion of the 3PL Market

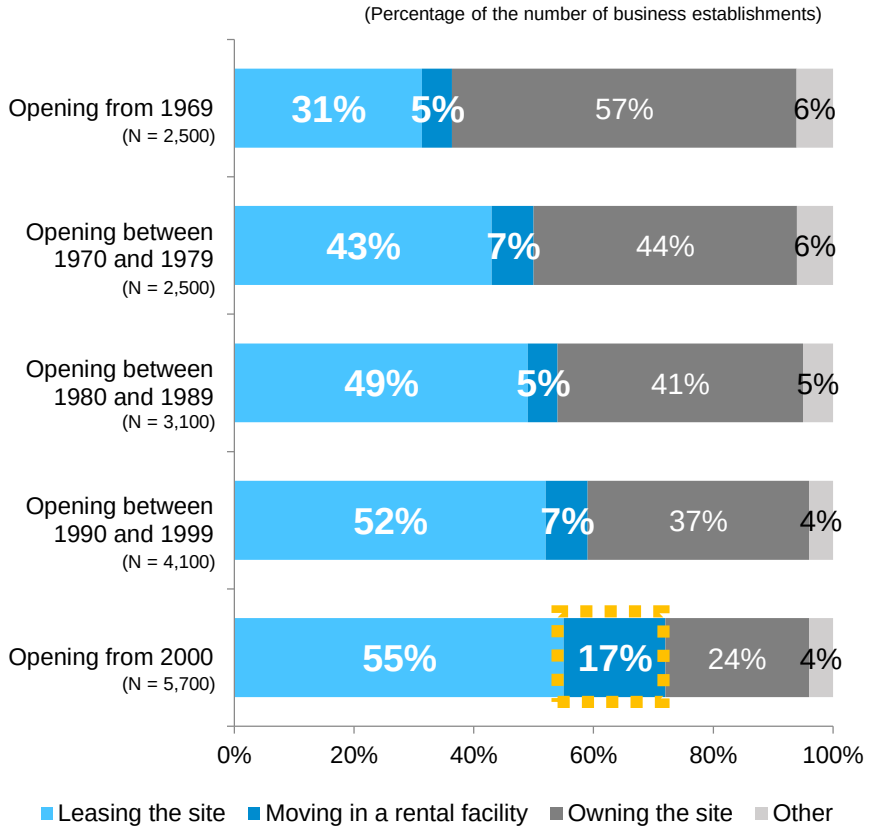
- Since the business environment is changing rapidly, companies are pursuing efficiency, and a movement to outsource logistics operations comprehensively is accelerating.
- 3PL (third party logistics), which is entrusted with logistics operations, is required to address customer needs on a case-by-case basis and uses rental logistics facilities in many cases. Associated with this tendency, demand for rental logistics facilities is also increasing.

3PL market growth



Source: “The monthly Logistics Business” August 2017 issue

Percentage of logistics facilities by ownership form of land and facilities by the time of opening



Source: “Towards the Realization of Desirable Logistics in the Tokyo Metropolitan Area” dated December 2015 by the Council of Transport Planning for Metropolitan Area

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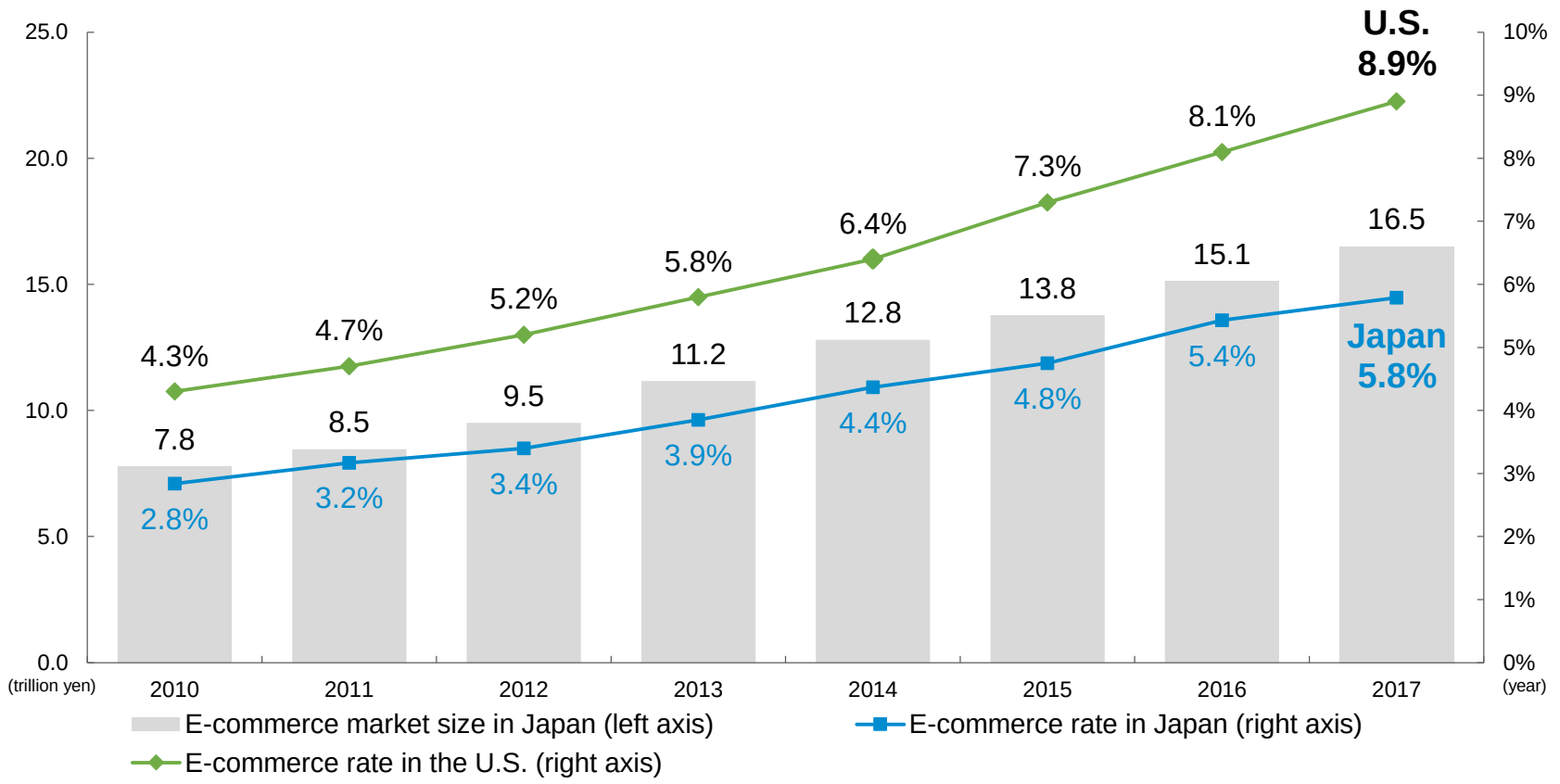
Expansion of the E-Commerce Market

- As the spread of smartphones has enabled users to place orders for goods, regardless of their location and the time of day, the e-commerce market size is expanding year by year.
- The e-commerce rate* in Japan is lower than that in other developed countries, and there is significant room for it to rise.

Growth in the BtoC e-commerce market size in Japan



Source: 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.

* 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.

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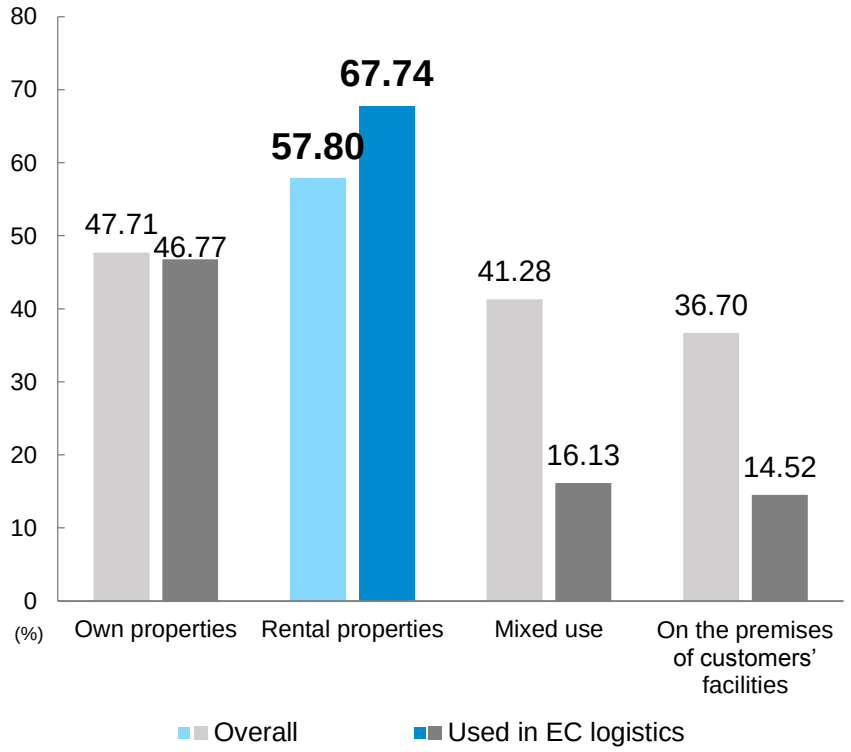
Rental Properties Used in EC Logistics

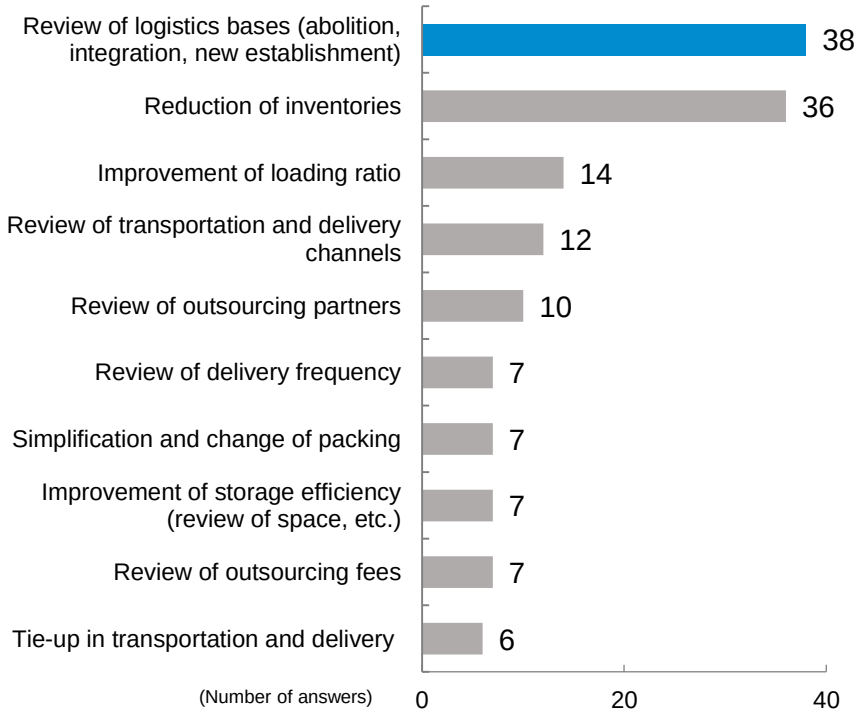
- In terms of the form of logistics facilities used, the percentage of rental properties is high when the population is limited to warehouses that engage in e-commerce logistics.
- Concerning effective cost reduction measures, the largest number of answers was the review of logistics bases.

Form of logistics facilities used



Source: Prepared by the Asset Management Company based on "Fiscal 2014 Report on Investigation and Survey to Promote the Participation of Logistics Operators in the EC Market" of the Policy Bureau of the Ministry of Land, Infrastructure, Transport and Tourism

The most effective cost reduction measure



Source: Prepared by the Asset Management Company based on the "Fiscal 2016 Research Report on Logistics Costs" of JILS

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Appendix

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Status of Investors

Major investors

Name	Number of investment units (units)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	35,365	15.30
Japan Trustee Services Bank, Ltd. (Trust Account)	35,024	15.15
CRE, Inc.	33,100	14.32
FUKUOKA JISHO Co.,Ltd.	10,000	4.33
GOLDMAN SACHS INTERNATIONAL	8,947	3.87
Kyushu Leasing Service Co., Ltd.	5,000	2.16
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	4,905	2.12
Kinki Sangyo Credit Union	4,380	1.89
BNY FOR GCM CLIENTACCOUNTS(E)ISG	3,890	1.68
The Bank of Yokohama, Ltd.	3,883	1.68
Total	144,494	62.51

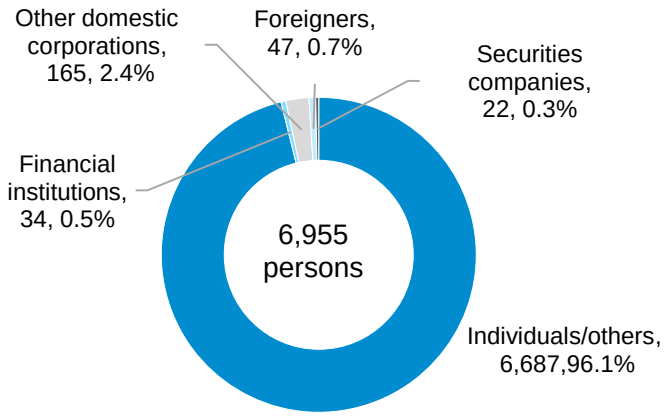
(Reference) Status of substantial unitholdings

* Up to submission on August 14, 2018

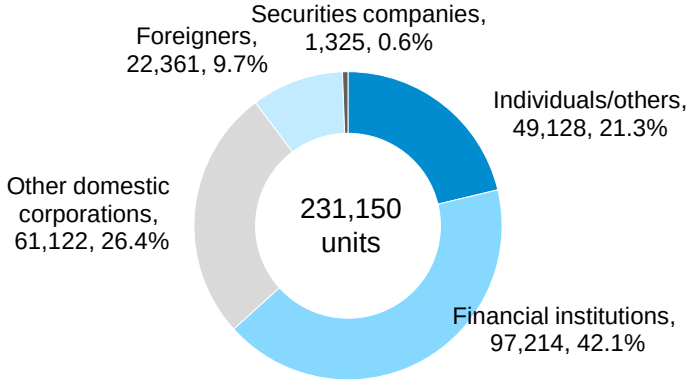
Name of submitters and joint holders	Number of investment units (units)	Ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	17,792	7.70
Nikko Asset Management Co., Ltd.	4,069	1.76
Sumitomo Mitsui Trust Bank, Limited	701	0.30
Nissay Asset Management Corporation	13,907	6.02

Note: As of June 30, 2018

Number of investors by type of owner



Number of investment units by type of owner



Same-boat investment

CRE will sincerely consider holding a certain percentage of investment units issued and outstanding (maximum approx. 10%) to share its own interests with the interests of investors in CRE-REIT. It has been confirmed that CRE will continue to hold the investment units of CRE-REIT unless the circumstances are exceptional.

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Overview of Appraisal

No.	Property name	Acquisition month and year	Acquisition price (millions of yen)	Book value at the end of the 4th period (millions of yen)	At the end of the 4th period (June 30, 2018)		At the end of the 3rd period(Note 2) (December 31, 2017)		Changes		Unrealized gains and losses (millions of yen)
					Appraisal value (millions of yen)	Direct capitalization rate (%)	Appraisal value (millions of yen)	Direct capitalization rate (%)	Appraisal value (millions of yen)	Direct capitalization rate (%)	
M-1	LogiSquare Kuki	Jul. 2016	9,759	9,551	10,300	4.5	10,200	4.6	+100	-0.1	748
M-2	LogiSquare Hanyu	Jul. 2016	6,830	6,686	7,060	4.7	6,950	4.8	+110	-0.1	373
M-3	LogiSquare Kuki II	Feb. 2018	2,079	2,096	2,160	4.8	2,170	4.9	-10	-0.1	63
M-4	LogiSquare Urawa Misono	Feb. 2018	13,060	13,159	13,600	4.5	13,500	4.6	+100	-0.1	440
M-5	LogiSquare Niiza	Feb. 2018	6,960	7,000	7,240	4.6	7,200	4.7	+40	-0.1	239
M-6	LogiSquare Moriya	Feb. 2018	6,157	6,199	6,620	4.7	6,390	4.9	+230	-0.2	420
O-1	LogiSquare Tosu	Apr. 2018	2,880	2,899	3,150	4.7	3,160	4.8	-10	-0.1	250
	Total / Average	—	47,725	47,593	50,130	—	49,570	—	+560	—	2,536

Note 1: For "Appraisal value," the appraisal value by a real estate appraiser or a price based on an investigated price is stated based on the Certificate of Incorporation of the Investment Corporation and the Regulations on Accounting of Investment Corporations (Cabinet Office Order No. 47 of 2006 including subsequent revisions) with the end of the period under review as the time of investigation.
Note 2: For the five properties acquired in or after February 2018, namely LogiSquare Kuki II, LogiSquare Urawa Misono, LogiSquare Niza, LogiSquare Moriya and LogiSquare Tosu, the appraisal value as of September 30, 2017 is stated.

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Initiatives for ESG

- The CRE Group promotes the development and operation of environmentally friendly facilities and contributes to the cultivation of human resources that will engage in logistics.

Environmentally friendly facilities

Five of the seven properties install solar panels

Five of the seven properties in the portfolio lease their roofs and contribute to the creation of natural energy as the lessees install solar panels to generate electricity.

All the properties use sandwich panels

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.

All the properties use LED lights

The use of LED lights contributes not only to energy savings and the reduction of CO2, 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.

Wall greening

Wall greening has the effect of reducing the surface temperature of the building and contributes to the reduction of CO2.

Installation of roof sprinkler systems

Roof sprinkler systems using well water are installed, which contributes to the reduction of the temperature inside the warehouse.

Acquisition of CASBEE and BELS

All the properties have acquired five stars, the highest rating, under BELS

All seven properties in the portfolio of CRE-REIT have acquired five stars, the highest rating, in the Building-Housing Energy-efficiency Labeling System (BELS), a third-party certification system that presents the energy-saving performance of buildings.

Five of the seven properties (80% based on the acquisition price) have acquired CASBEE

The Comprehensive Assessment System for Built Environment Efficiency (CASBEE) is a method for evaluating and rating the environmental performance of buildings and the built environment and a system for comprehensively assessing the quality of buildings including energy savings, the reduction of the environmental load and consideration for interior amenities and landscapes.

Property name	CASBEE	BELS
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	—	★★★★★
O-1 LogiSquare Tosu	—	★★★★★

Initiatives of sponsor

Endowed “Logistics” chair initiated at Sophia University

It was initiated in 2015 under the auspices of Professor Emeritus Tsutomu Araki at Sophia University, an authority on logistics and RFID, for the purpose of cultivating human resources that will engage in logistics and supply chain management in the future.

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Overview of the Asset Management Company

- Founded in 2006 as an independent asset management company and operated mainly by career employees

Overview of CRE REIT Advisers, Inc.

Trade name	CRE REIT Advisers, Inc.
Representative	Representative Director and President Tsuyoshi Ito
Established	July 2006
Address	East Tower 19F, Toranomon Twin Bldg., 2-10-1, Toranomon, Minato-ku, Tokyo
License	Real Estate Brokerage Business / Governor of Tokyo (3) No. 87859 Approval for discipline of transactions etc. Approval No. 104 of the Minister of Land, Infrastructure, Transport and Tourism Financial Instruments Business / Kanto Finance Bureau Director (Registration of financial instruments firm) No.1325(Investment management industry / investment advice / agency business / type II financial product trading business) General Real Estate Investment Advisory Industry Comprehensive License No. 138 Approval of duties of operations to perform specific investment management activities
Business	Operation of CRE-REIT assets
Shareholder	CRE, Inc. (100%)

History

July 2006	Established Strategic Partners Co., Ltd.
January 2007	Moved head office to Nihonbashi Kayabacho, Chuo-ku, Tokyo
February 2007	Started business(Operation)
August 2014	CRE acquired all shares
October 2014	Moved head office to Toranomon, Minato-ku, Tokyo
February 2015	Registered General Real Estate Investment Adviser
May 2015	Registered Investment management
March 2016	Entrustment-based agency services for transactions in Real Estate Brokerage Act
May 2016	Approval of duties of operations to perform specific investment management activities
May 2016	Establishment of CRE-REIT
July 2016	Acquisition and operation of properties by CRE-REIT
February 2017	Transferred private investment fund management business through company split Company name changed to CRE REIT Advisers Inc.

Number of officers and employees

Standing directors: Two
Employees: Nine (including one employee seconded from CRE)

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IR Activities and Topics

- Actively undertake IR activities for institutional investors in Japan and overseas and retail investors to expand the investor segments.

IR activities for institutional investors

IPO roadshow
January 2018
- Visited a total of 49 institutional investors in Japan

Overseas IR
April 2018
- Opened an English site.
- Implemented Asia IR and visited a total of 20 institutional investors in Singapore and Hong Kong

Local IR
March to May 2018
- Visited nine institutional investors in local cities

Property tour
May 2018
- 13 institutional investors participated in the property tour hosted by Daiwa Securities.

Other
February and August 2018
- CRE delivered a lecture at “Logistics Real Estate Seminar” hosted by Daiwa Securities.
  15 institutional investors participated in the first seminar and 42 institutional investors participated in the second seminar.

IR activities for retail investors

Presentation meeting for retail investors

February 23, 2018	SMBC Nikko Securities J-REIT Seminar (Fukuoka)
April 23, 2018	Nomura Securities Machida Branch
April 26, 2018	Nomura Securities Saitama Branch
April 27, 2018	Daiwa J-REIT Caravan 2018 Kyoto
May 23, 2018	SMBC Nikko Securities Omiya Branch
May 28, 2018	Nomura IR Retail Investor Seminar (Tokyo)
June 24, 2018	SMBC Nikko Securities J-REIT Seminar (Osaka)
July 8, 2018	Daiwa J-REIT Festa 2018 (Tokyo)

Topics

Acquisition of the first refusal right

August 2018	LogiSquare Kawagoe II

Introduction of the unit accumulative investment system
Contributions are to begin in September 2018.

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