February 14, 2018

# CRE Logistics REIT, Inc.

## Summary of Financial Results (Unaudited)
## For the 3rd Fiscal Period Ended December 31, 2017
## (For the Reporting Period from July 1, 2017 to December 31, 2017)
## (Translated from the Japanese original)

Corporate Information
Code: 3487 Listing: Tokyo Stock Exchange
(URL: https://cre-reit.co.jp/en/)
Representative: Tsuyoshi Ito, Executive Director

Asset management company: CRE REIT Advisers, Inc.
Representative: Tsuyoshi Ito, President
Person of Contact: Hirohisa Toda, Head of Corporate Planning
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Scheduled date to file securities report: March 29, 2018
Scheduled date to commence payment of distributions: March 14, 2018
Preparation of supplementary material on financial results: No
Financial report presentation meeting: No

(Amounts truncated to the nearest million yen, except for the basic earnings per unit)

1. 3rd Fiscal Period ended December 2017 (July 1, 2017-December 31, 2017)

(1) Operating results

(Percentages represent changes from corresponding period of previous year)

| | Operating revenues | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| Fiscal period ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| December 31, 2017 | 462 | 0.0 | 228 | 0.3 | 178 | 0.2 | 177 | 0.2 |
| June 30, 2017 | 462 | 17.8 | 227 | 10.3 | 178 | 10.9 | 177 | 11.0 |

| | Net income per unit | Return on unitholders' equity | Ordinary income to total assets | Ordinary income on operating revenues |
|---|---|---|---|---|
| Fiscal period ended | Yen | % | % | % |
| December 31, 2017 | 2,539 | 2.5 | 1.0 | 38.7 |
| June 30, 2017 | 2,534 | 2.5 | 1.0 | 38.6 |

(2) Distributions

| | Distributions per unit (excluding surplus distributions) | Total distributions (excluding surplus distributions) | Surplus distributions per unit | Total surplus distributions | Payout ratio | Distributions to net assets ratio |
|---|---|---|---|---|---|---|
| Fiscal period ended | Yen | Millions of yen | Yen | Millions of yen | % | % |
| December 31, 2017 | 2,540 | 177 | 0 | 0 | 100.0 | 2.5 |
| June 30, 2017 | 2,534 | 177 | 0 | 0 | 100.0 | 2.5 |

(3) Financial position

| | Total assets | Net assets | Unitholders' equity ratio | Net assets per unit |
|---|---|---|---|---|
| As of | Millions of yen | Millions of yen | % | Yen |
| December 31, 2017 | 17,712 | 7,177 | 40.5 | 102,540 |
| June 30, 2017 | 17,726 | 7,177 | 40.5 | 102,534 |

(4) Cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of the fiscal period |
|---|---|---|---|---|
| Fiscal period ended | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| December 31, 2017 | 285 | (0) | (177) | 846 |
| June 30, 2017 | 1,270 | — | (1,049) | 738 |

2. Forecast for the 4th Fiscal Period ending June 2018 (January 1, 2018-June 30, 2018) and the 5th Fiscal Period ending December 2018 (July 1, 2018-December 31, 2018)

(Percentages represent changes from corresponding period of previous year)

| | Operating revenues | | Operating income | | Ordinary income | | Net income | | Distributions per unit (including surplus distributions) | Distributions per unit (excluding surplus distributions ) | Surplus distributions per unit |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal period ending | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen | Yen | Yen |
| June 30, 2018 (4th Fiscal Period) | 1,172 | 153.6 | 661 | 190.2 | 512 | 187.1 | 511 | 188.2 | 2,540 | 2,214 | 326 |
| December 31, 2018 (5th Fiscal Period) | 1,391 | 18.7 | 803 | 21.4 | 677 | 32.1 | 676 | 32.1 | 3,297 | 2,925 | 372 |

(Reference) Forecast net income per unit for the 4th Fiscal Period ending June 2018 is 2,213 yen and forecast net income per unit for the 5th Fiscal Period ending December 2018 is 2,925 yen. * Other

(1) Changes in accounting policies, changes in accounting estimates and retrospective restatements

1. Changes in accounting policies associated with revision of accounting standards, etc.: None
2. Changes in accounting policies associated with other than 1: None
3. Changes in accounting estimates: None
4. Restatements: None

(2) Total number of investment units issued and outstanding

| | | | | |
|---|---|---|---|---|
| 1. Total number of investment units issued and outstanding at the end of the fiscal period(including treasury investment units) | As of December 31, 2017 | 70,000 units | As of June 30, 2017 | 70,000 units |
| 2. Total number of treasury investment units at the end of the fiscal period | As of December 31, 2017 | 0 units | As of June 30, 2017 | 0 units |

* Status of audit procedures

As of the time of disclosure of this financial results report, auditing procedures for financial statements in accordance with the Financial Instruments and Exchange Act have not been completed.

* Remarks on appropriate use of forecasts of performance and other special notes

Forward-looking statements presented in this financial results, including forecasts of performance, are based on information currently available to the Investment Corporation and on certain assumptions the Investment Corporation deems to be reasonable. As such, actual operating and other results may differ materially from these forecasts as a consequence of numerous factors. Moreover, the forecasts set forth herein should not be construed as a guarantee of distribution amounts.

Refer to the section on "Assumptions for Operating Forecasts for the 4th Fiscal Period ending June 2018 (January 1, 2018-June 30, 2018), the 5th Fiscal Period ending December 2018 (July 1, 2018-December 31, 2018) and the 6th Fiscal Period ending June 2019 (January 1, 2019-June 30, 2019)" for details on the underlying assumptions for the forecasts above.

(Reference)

On February 7, 2018, CRE REIT issued a press release on "Operating Forecasts for the 3rd Fiscal Period ended December 2017 (June 1, 2017-December 31, 2017), the 4th Fiscal Period ending June 2018 (January 1, 2018-June 30, 2018), the 5th Fiscal Period ending December 2018 (July 1, 2018-December 31, 2018) and the 6th Fiscal Period ending June 2019 (January 1, 2019-June 30, 2019)." In the 6th Fiscal Period (January 1, 2019- June 30, 2019), the investment corporation forecasts operating revenues of 1,391 million yen, operating income of 716 million yen, ordinary income of 594 million yen, net income of 593 million yen, and distributions per unit of 2,940 year (of which 372 yen is surplus distribution).

Assumptions for Operating Forecasts for the 4th Fiscal Period ending June 2018 (January 1, 2018-June 30, 2018), the 5th Fiscal Period ending December 2018 (July 1, 2018-December 31, 2018) and the 6th Fiscal Period ending June 2019 (January 1, 2019-June 30, 2019)

| Item | Assumptions |
|---|---|
| Calculation period | ・The 4th Fiscal Period (Ending June 30, 2018): January 1, 2018-June 30, 2018 (181 days)<br>・5th Fiscal Period (Ending December 31, 2018): July 1, 2018-December 31, 2018 (184 days)<br>・6th Fiscal Period (Ending June 30, 2019): January 1, 2019-June 30, 2019 (181 days) |
| Assets under management | ・The investment corporation possesses the trust beneficial interests in real estate in a total of six properties (hereinafter referred to as "assets currently held")—two properties held as of December 31, 2017 (hereinafter referred to as "acquired assets before the fiscal period ended December 31, 2017") and four properties acquired on February 7, 2018 (hereinafter referred to as "acquired assets for the fiscal period ending June 30, 2018"). The investment corporation also plans to acquire the trust beneficial interests in real estate in one property on April 2, 2018 (hereinafter referred to as "assets planned for acquisition"). The operating forecasts herein are based on the assumption that the investment corporation will continue to possess these properties until June 30, 2019, as well as the assumption that there will be no fluctuations in the trust beneficial interests in real estate (including newly acquired properties other than the assets planned for acquisition and the disposal of currently-held assets).<br>・However, there is a possibility that fluctuations in trust beneficiary interests will occur due to factors including the new acquisition of properties other than the assets currently held or assets planned for acquisition, or the disposal of assets currently held or abandonment of plans for assets planned for acquisition. |
| Operating revenues | ・The forecast for real estate lease business revenues for those acquired assets before the fiscal period ended December 31, 2017 is based on actual performance after complete acquisition. The forecast for real estate lease business revenues for acquired assets for the fiscal period ending June 30, 2018 factor in the details of leasing contracts obtained from previous owners or the previous bearer of the trust beneficiary interests.<br>・Real estate leasing revenues from assets planned for acquisition are calculated based on an agreement related to a leasing contract signed with the tenant or a memorandum related to the agreement given that a leasing contract has not been sealed as of the date of this report.<br>・The forecasts assume there are no delinquencies or default on rental payments by tenants. |

| Item | Assumptions |
| --- | --- |
| Operating expenses | ・Expenses other than depreciation that fall under the category of real estate leasing expenses, which is the investment corporation's main operating expenses, are actual expenses incurred on acquired assets before the fiscal period ended December 31, 2017. Regarding those acquired assets for the fiscal period ending June 30, 2018, expenses were forecast reflecting variables, including forecast costs (including taxes and public dues, property management fees, fire insurance expenses, repair expenses) based on information obtained from the previous owner, the beneficiary who previously held the trust beneficiary interests, or other parties, and information from current owners or other parties connected to leasing contracts slated to take effect on the planned acquisition date.<br>・Property tax and city planning tax, etc. for acquired assets before the fiscal period ended December 31, 2017 are expected to total 42 million yen per period. In addition, when real estate is purchased, property tax and city planning tax, etc. are calculated and divided up with the current beneficiary of trust interests. The investment corporation incorporates this amount into the acquisition cost of the property. In light of this, property tax and city planning tax, etc. on the acquired assets for the fiscal period ending June 30, 2018 and assets planned for acquisition are not posted in the 4th Fiscal Period or the 5th Fiscal Period, but will be posted as property tax and city planning tax, etc. in the 6th and 7th Fiscal Periods (January 1, 2019 to December 31, 2019). In the event that the property tax and city planning tax, etc. on acquired assets for the fiscal period ending June 30, 2018 and assets planned for acquisition in the 4th Fiscal Period were posted as expense, the amount is estimated at 96 million yen for each six-month period starting from the 4th Fiscal Period. Note that the total amount of property and urban development tax to be incorporated into the acquisition cost for the acquired assets for the fiscal period ending June 30, 2018 and assets planned for acquisition in the 4th Fiscal Period is estimated at 156 million yen.<br>・The repair expenses for buildings for each six-month period is estimated at 2 million yen and is based on the medium/long-term maintenance plan created by the asset management company. Note that there is a possibility that emergency repair expenses may arise due to factors such as erosion resulting from difficult to forecast events. In general, the actual repair expenses for each six-month period is likely to fluctuate sharply versus the forecast as this cost does not arise regularly and varies greatly each year.<br>・Depreciation is based on the straight-line method and takes into account factors such as incidental costs. Depreciation expense forecasts are as follows: 251 million yen in the 4th Fiscal Period, 286 million yen in the 5th Fiscal Period, and 286 million yen in the 6th Fiscal Period. |
| Non-operating expenses | ・Non-operating expenses for the 4th Fiscal Period are expected to total 149 million yen. Of this, it is estimated that 100 million yen is for interest expenses and other financial related costs, 26 million yen is for costs related to listing investment units, 6 million yen is for depreciation of founding costs, and 11 million yen is for depreciation of investment unit issuance costs.<br>・Non-operating expenses for the 5th Fiscal Period are expected to total 126 million yen. Of this, it is estimated that 107 million yen is for interest expenses and other financial related costs, 6 million yen is for depreciation of founding costs, and 12 million yen is for depreciation of investment unit issuance costs.<br>・Non-operating expenses for the 6th Fiscal Period are expected to total 122 million yen. Of this, it is estimated that 104 million yen is for interest expenses and other financial related expenses, 6 million yen is for depreciation of founding costs, and 12 million yen is for depreciation of investment unit issuance costs. |
| Interest-bearing debt | ・The total interest-bearing debt at the end of each fiscal period is as follows: 25,350 million yen as of June 30, 2018, 23,820 million yen as of December 31, 2018, and 23,620 million yen as of June 30, 2019.<br>・On February 7, 2018, the investment corporation borrowed a total of 12,370 million yen from qualified institutional investors in accordance with Article 2-3-1 of the Financial Instruments and Exchange Law. Furthermore, the forecasts assume an additional borrowing 2,880 million yen, scheduled for April 2, 2018 from qualified institutional investors in accordance with Article 2-3-1 of the Financial Instruments and Exchange Law.<br>・The LTV is expected to be around 49.4% as of June 30, 2018, about 47.7% as of December 31, 2018, and 47.7% as of June 30, 2019. The following equation was used to calculate LTV. The figure is rounded to the second decimal point.<br>LTV = Interest-bearing debt / Total Assets x 100 |

| Item | Assumptions |
| --- | --- |
| Investment units | ・The assumptions for these forecasts are based on a total number of investment units issued of 231,150, as of the submission of this financial results. The forecasts do not factor in any assumption of a change in the number of investment units through June 30, 2019 due to factors such as the issuance of new investment units.<br>・The distributions per unit (excluding surplus distributions) and the surplus distributions per unit are calculated based on a total number of investment units issued of 231,150 for 4th Fiscal Period, the 5th Fiscal Period, and the 6th Fiscal Period. |
| Distributions per unit (excluding surplus distributions) | ・The distributions per unit (excluding surplus distributions) is calculated based on the assumption that distributions are carried out in accordance with the policies for monetary distributions set forth in the regulations of the investment corporation.<br>・There is a possibility the amount of the distributions per unit (excluding surplus distributions) could change owing to various factors, including unexpected maintenance work, or changes in rental income due to a change in assets under management or a change in tenants. |
| Distributions per unit of surplus profit | ・The surplus distributions per unit is calculated in accordance with the policy stipulated in the operational guidelines—the rules of the investment corporation and the internal regulations of the asset management company. The payout plan for total surplus distributions per unit for the 4th Fiscal Period is 75 million yen, for the 5th Fiscal Period is 85 million yen and for the 6th Fiscal Period is 85 million yen.<br>・These assumptions do not include any specific possibility of a substantial deterioration in the economic climate, real estate market or the financial condition of the investment corporation.<br>・The policy of the investment corporate is to implement the distribution of surplus profit semiannually in principle. The amount of the surplus distribution should be equivalent to 30% of total depreciation.<br>・Moreover, in the event that the investment unit is expected to temporarily fall below a certain level due to dilution in the value of the investment unit or considerable financial burden owing to the procurement of capital through the issuance of new investment units or other factors, it is the policy of the investment corporation to continue to distribute surplus profit plus a one-off distribution that exceeds the profit level in the period for the purpose of maintaining the ordinary level of the distributions per unit. However, this amount, which includes the ongoing surplus distribution, shall not exceed the equivalent to 60% of total depreciation for the relevant business period.<br>・In actuality, the amount of distributions exceeding profit (return of contributions) is likely to fluctuate due to changes in the economic climate, real estate market trends, asset portfolio, and financial position, and there is a possibility the investment corporation will not implement distributions (return of contributions) in surplus dustributions for the period. |
| Other | ・The forecasts were built based on the assumption that there will be not revisions to laws and ordinances, the tax system, accounting standards, listing regulations set forth by the Tokyo Stock Exchange, Inc., and the regulations stipulated by the Investment Trusts Association, Japan, that would have an impact on the forecasts stated above.<br>・The forecasts are also based on the assumption that there will be no unexpected major changes to general economic trends and the real estate market. |