

January 7, 2020

To All Concerned Parties

Name of REIT Issuer:
 CRE Logistics REIT, Inc.
 2-10-1, Toranomom, Minato-ku, Tokyo, Japan
 Tsuyoshi Ito, Executive Director
 (TSE Code: 3487)
 Asset Management Company
 CRE REIT Advisers, Inc.
 Tsuyoshi Ito, President
 Person of Contact:
 Hirohisa Toda, Head of Corporate Planning
 Tel: +81-3-5575-3600

Notice Concerning Acquisition of Trust Beneficiary Rights to Real Estate in Japan and Leasing

CRE Logistics REIT, Inc. (hereinafter “CRE REIT”) hereby announces that CRE REIT Advisers, Inc. (hereinafter the “Asset Management Company”), an asset management company to which CRE REIT entrusts the management of its assets, decided on January 7, 2020 to acquire the trust beneficial interests in the following properties (hereinafter the “Assets to Be Acquired”) and to conduct the leasing thereof.

1. Overview of the acquisition

Category	Property no.	Property name	Location	Seller	Planned acquisition price (Million yen) (Note 1)	Appraised NOI yield (%) (Note 2)
Logistics-related facilities	M-9	LogiSquare Soka	Soka-shi, Saitama	Domestic leasing company (Note 3)	8,109	4.6
	M-10	LogiSquare Yashio	Yashio-shi, Saitama	Domestic leasing company (Note 3)	5,073	4.6
	M-11	LogiSquare Mizuho A	Mizuho-machi, Tokyo	Domestic leasing company (Note 3)	2,794	4.9
	M-12	LogiSquare Mizuho B	Mizuho-machi, Tokyo	Domestic leasing company (Note 3)	3,584	4.8
Total / Average (4 properties)			—	—	19,560	4.7

(Note 1) “Planned acquisition price” is the purchase price of each Asset to Be Acquired as set forth in the agreement for sale and purchase of the said Asset to Be Acquired. The purchase price does not include national and local consumption taxes or acquisition costs and is rounded down to the nearest million yen.

(Note 2) “Appraised NOI yield” is the ratio in percentage form of the appraised NOI of each Asset to Be Acquired to the planned acquisition price (meaning net operating income (NOI) that is obtained by deducting operating expenses from operating revenue stated in appraisal reports, and it is income before deducting depreciations. It is different from net cash flow (NCF) that is obtained from deducting security deposits and other earnings as well as capital expenditure from NOI. The same applies

hereinafter), rounded to the first decimal place. “Average appraised NOI yield” is the ratio in percentage form of the sum of the appraised NOI of each Asset to Be Acquired to the sum of the planned acquisition prices of the Assets to Be Acquired, rounded to the first decimal place. Appraised NOI yield and average appraised NOI yield have been calculated by the Asset Management Company and do not represent the figures shown in the appraisal reports. The actual values after the acquisition of the Assets to Be Acquired by CRE REIT may differ from those shown in this text.

(Note 3) As consent from the seller for disclosure has not been obtained, the information has not been disclosed due to this unavoidable reason. The seller does not fall under the interested persons under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951 as amended, hereinafter the “Investment Trust Act”), and does not fall under the interested party in accordance with the Regulations for Transactions with Interested Parties, the internal regulations of the Asset Management Company.

(1) Sales and purchase agreement date / Date of determination of planned acquisition: January 7, 2020

(2) Payment date / Planned acquisition date (Note 1): February 3, 2020

(3) Acquisition financing: Proceeds through the issuance of new investment units as resolved at the Board of Directors’ meeting of CRE REIT held on January 7, 2020 (Note 2), borrowings (Note 3) and funds in hand

(4) Settlement method: To be paid in a lump sum upon delivery

(5) Existence or non-existence of intermediary: None

(Note 1) “Planned acquisition date” is the execution date of the transfer of each trust beneficiary rights described in the sales and purchase agreement concerning each Asset to Be Acquired.

(Note 2) For more details, please refer to “Notice Concerning Issuance of New Investment Units and Offering for Sale of Investment Units” dated January 7, 2020.

(Note 3) For more details, please refer to “Notice Concerning Borrowing of Funds (New Borrowings and Refinancing)” dated January 7, 2020.

2. Reasons for the acquisition and leasing

The Assets to Be Acquired are properties other than those in the sponsor pipeline and the first assets acquired externally for CRE REIT (Note 1), unlike assets acquired in the past. Utilizing the Asset Management Company’s abilities to collect information and its bargaining power for acquisition, CRE REIT has confirmed that the Assets to Be Acquired are properties consistent with its investment policy and repeatedly conducted negotiations on the acquisition of the Assets to Be Acquired and its terms and conditions with a fund, which was the owner at that time (subsequently the Assets to Be Acquired were once sold to a domestic leasing company, and the leasing company became the direct seller to CRE REIT), and the leasing company. As a result, it became possible to externally acquire properties that were consistent with the investment policy of CRE REIT at a planned acquisition price that CRE REIT thought was appropriate, and CRE REIT therefore decided that the properties would be able to realize external growth that would contribute to the enhancement of unitholder value.

The Assets to Be Acquired are logistics-related facilities and situated in locations suited to logistics. Bearing the high-quality brand name “LogiSquare” (Note 2), the facilities are universal and expandable to allow use by a range of tenants. The acquisition and leasing will be conducted with the aim of enhancing the portfolio of CRE REIT in accordance with its Articles of Incorporation and improving unitholder values based on the policies of “Long-term, stable asset management” and “Distinct external growth strategy.” The characteristics of each Asset to Be Acquired are as described in 3. Details of the Assets to Be Acquired below.

The acquisition of the Assets to Be Acquired is expected to create stable, long-lasting cash distribution

backed by long-term lease agreements that generate cash flow. CRE REIT believes that this will contribute to the realization of unitholder value enhancement.

With regard to the tenants of the Assets to Be Acquired, CRE REIT believes that the tenants meet the tenant selection criteria described in the Report on the Management Structure and System of the Issuer of Real Estate Investment Trust Units and Related Parties submitted to Tokyo Stock Exchange on September 24, 2019.

(Note 1) When CRE REIT conducted the first public offerings on July 16, 2019, CRE REIT used the bridge function of the leasing company to acquire properties flexibly while giving consideration to the investment unit price. As for the assets acquired in the 7th fiscal period (ended December 31, 2019) with capital raised by the first public offerings, CRE, Inc. (hereinafter may be referred to as “CRE”), the sponsor, once sold the asset to a domestic leasing company with a view toward their sales to CRE REIT in the future, and subsequently CRE REIT acquired it. The Assets to Be Acquired were developed by CRE or Commercial RE Co., Ltd. before its business transfer to CRE (CRE took over the master lease business and the lease management business of business real estate of Commercial RE Co., Ltd. in August 2010) and then sold to an external private fund with no special interest, and the assets became managed by the fund. When CRE REIT acquires the Assets to Be Acquired, the fund will have sold the Assets to Be Acquired to a domestic leasing company to facilitate the sale to CRE REIT, as is the case of acquiring assets in the 7th period. Therefore, the Assets to Be Acquired are currently owned by the domestic leasing company.

(Note 2) Developed by CRE or Commercial RE Co., Ltd., “LogiSquare” is the name of quality logistics-related facilities that meet tenant needs.

3. Details of the Asset to Be Acquired

An overview of the trust beneficial interests in real estate, the Assets to Be Acquired, is shown in the table below. The terms used in each column of the table are as described in the following, which is based on information as of the end of November 2019 unless otherwise provided herein.

(i) Descriptions concerning “property no.” and “use”

- “Property no.” consists of a number and code that indicates the type of each property. The code “M” indicates logistics-related facilities located in the Tokyo Metropolitan Area, and the code “O” indicates those located in areas other than the Tokyo Metropolitan Area.
- “Use” is the use(s) of the Assets to Be Acquired.

(ii) Descriptions concerning “Outline of specified assets”

- “Planned acquisition date” is the planned acquisition date of each Asset to Be Acquired.
- “Planned acquisition price” is the purchase price of each trust beneficiary interest set forth in the respective agreement for sale and purchase of the trust beneficiary interest for each Asset to Be Acquired. The purchase price does not include national and local consumption taxes or acquisition costs.
- “Overview of trust beneficiary right” is the content of the respective trust agreement for each real estate in trust that is concluded or is scheduled to be concluded with a trust beneficiary or a prospective trust beneficiary.
- “Location” of the land is the residence indication or the location of the building recorded in the register (one of the lot numbers, if more than one address was assigned).
- The land “area” is the area recorded in the register. This area is the entire area of the parcel for the building, both in the case of properties pertaining to co-ownership and in the case of properties pertaining to quasi co-ownership. This area may not match the actual conditions.
- “Zoning” of the land is the districts and zones prescribed in Article 8, paragraph 1, item 1 of the City Planning Act (Act No. 100 of 1968, including all subsequent amendments).
- “Building coverage ratio/floor-area ratio” for the land is the upper limit of the building coverage ratio determined by city planning in accordance with zoning and other factors (designated building coverage ratio) and the upper limit of the floor-area ratio (designated floor-area ratio). Where there are more than two such ratios, all such ratios are listed. The designated building coverage ratios may be relaxed or restricted due to being fire-resistant buildings in fire zones or for other reasons. The designated floor-area ratio may also be relaxed or restricted due to the width of the roads adjacent to the land or for other reasons. These ratios may differ from the actual building coverage ratio and floor-area ratio applied.
- “Type of ownership” of the land and building is the type of rights pertaining to the land and building for each property that CRE REIT, a trustee or a prospective trustee owns or is scheduled to own.
- “Building structure” and “completion date for construction” of the building are the building structure and the completion date for construction in the register for each building.
- “Total floor area” and “type” are the total floor area and the type in the register for each building. In addition, “total floor area” is the sum of total floor area of the main building and annex.
- “Master lessee” is the company with which a master lease agreement is planned to be concluded at the time when CRE REIT acquires the Assets to Be Acquired.
- “Master lease agreement” is the type of master lease agreement (distinction between the pass-through type and the fixed rent type) that is concluded or is scheduled to be concluded between the owner and the Master lessee for each property.
- “PM Company” is the company with which a property management agreement is planned to be concluded at the time when CRE REIT acquires the Assets to Be Acquired.
- “Number of tenants” is the number of persons who plan to lease the real estate from CRE REIT based on lease agreements that are scheduled to become effective on the planned acquisition date for each Asset to Be Acquired by CRE REIT. Where a master lease agreement has been signed or is planned to be signed with the Master Lessee,

“number of tenants” is the total number of end tenants with regard to properties based on a pass-through type master lease. Moreover, where an end tenant lives with a third party or subleases all or a portion of the leased lot to a third party, such third party is not included in “number of tenants.”

- “Existence or non-existence of collateral” is an outline of the collateral for each Asset to Be Acquired in the case where CRE REIT is scheduled to provide the collateral after acquiring the Asset to Be Acquired.
- “Total leasable area” is the area of the portions that are deemed leasable based on the respective lease agreements concerning each Asset to Be Acquired that has been concluded as of the end of November 2019 or the floor plan, etc.
- “PML (probable maximum loss) value” is the value equivalent to Level 2 in the Earthquake Risk (PML) Evaluation Report prepared by Sompo Risk Management Inc.
- “Features of the properties” are the basic features and characteristics of each Asset to Be Acquired, the evaluation conducted by CRE REIT, and special features of the communities where the asset is located, among other things, which are based on descriptions of a real estate appraisal report prepared by Tanizawa Sogo Appraisal Co., Ltd. and Daiwa Real Estate Appraisal Co., Ltd. or based partly on materials obtained by the Asset Management Company.
- “Notes” are matters that are deemed to be material with respect to relationships of the rights, usage, etc. of each property as of January 7, 2020 and other matters that are deemed to be material in consideration mainly of the potential impact on the appraised value of each Asset to Be Acquired, and the profitability or disposability thereof.

(iii) Descriptions in the column for “capacity utilization rate”

- “Capacity utilization rate” is the ratio of total leased area to leasable area of each Asset to Be Acquired at each point in time, rounded to the first decimal place.

(iv) Descriptions in the column for “outline of leasing”

- “Lessee,” “lease form,” “lease period,” “leased area,” “rent,” “security deposit and guarantee money,” “rent revision,” “premature cancellation” and “penalty” are the contents of each lease agreement that has been concluded with regard to each Asset to Be Acquired as at November 31, 2019 (in the case of the pass-through type master lease agreement, the lease agreement with the end tenant).

(v) Explanations in the column for “outline of real estate appraisal report”

- The column for “outline of real estate appraisal report” is written based on the appraisal report obtained from Tanizawa Sogo Appraisal Co., Ltd. and Daiwa Real Estate Appraisal Co., Ltd.

(1) LogiSquare Soka

Property no.		LogiSquare Soka	Use	Logistics-related facilities		
M-9						
Outline of specified assets						
Type of specified assets		Trust beneficial interest	Overview of trust beneficial interest	Entrustment date	April 30, 2014	
Planned acquisition date		February 3, 2020		Trustee	Mitsubishi UFJ Trust and Banking Corporation	
Planned acquisition price		¥8,109,000,000		Trust maturity date	February 29, 2040	
Land	Location	1-5-35 Aoyagi, Soka-shi, Saitama (residence indication)	Building	Building structure	Reinforced concrete, steel construction, alloy coated steel sheet roof, four floors	
	Area	15,056.45 m ²		Completion date for construction	June 14, 2013	
	Zoning	Exclusive industrial district		Total floor area	28,817.59 m ²	
	Building coverage ratio/floor-area ratio	60% (Note)/200%		Type	Warehouse, office	
	Type of ownership	Proprietary ownership		Type of ownership	Proprietary ownership	
Master lessee		CRE, Inc.	PM Company		CRE, Inc.	
Master lease agreement		Pass-through	Number of tenants		1	
Existence or non-existence of collateral		None	Total leasable area		29,073.87 m ²	
PML (probable maximum loss) value		3.14%				
Features of the property: <ul style="list-style-type: none"> • The property has excellent traffic convenience and proximity to the city center because it is located inside the Tokyo Gaikan Expressway, approximately 3 km from Gaikan Misato-nishi Interchange on the Tokyo Gaikan Expressway, and approximately 4.5 km from Yashio-mimami Interchange on the Misato Route of the Shuto Expressway. It is also possible to access major expressways through the Tokyo Gaikan Expressway. • Surrounded by numerous warehouses and factories, the property is located in the exclusive industrial district in Soka Yashio Industrial Park and can be operated 24 hours a day. • As there are large residential estates in front of Dokkyo Daigaku-mae Station on the Tobu Isesaki Line, the nearest station, there is no difficulty securing the labor force, and the property meets the needs of vehicle commuters by securing a parking space for 65 passenger cars on the premises. • Thirty-four heavy trucks can park and load at the same time and space is available as a heavy trucks holding area. • The entire area of the truck yard uses semi-flexible pavement that reduces the generation of wheel tracks and contributes to the reduction of the road surface temperature. • The basic specifications for the warehouse portion include a floor weight capacity of 1.5 t/m² and an effective ceiling height of 6.0 m on each floor, a column span of 10.5 m × 10.0 m, the depth of berth eave of 10.0 m and an illumination intensity of 300 Lux, securing sufficient versatility and required levels. • Well-insulated, waterproof sandwich panels, which also give consideration to design, are used on the exterior walls. As the building has a pure Rahmen structure without braces, it is possible to build a flexible working traffic line inside the warehouse. • The transportation equipment inside the warehouse includes six cargo elevators (movable load of 4.1 t), making the facility versatile with rapid and effective operation inside the warehouse. • It is possible to add two cargo elevators and four vertical carrier machines as an option to secure versatility. • The property is a highly versatile facility that is able to respond to a variety of logistics needs, including future needs of tenants, such as securing space for expanding substation equipment that can deal with a further increase in power consumption derived from the installation of freezing and refrigeration equipment and material handling equipment. 						

- Divided use by multiple tenants is also possible by setting an office, a bicycle-parking area and a smoking space in two places in the east and west.
- As a seismic countermeasure, a hybrid construction method is used for the building structure to control the shaking of earthquakes better than a steel-frame structure. It is also possible to issue an alarm inside the building against epicentral earthquakes, which are not covered by the emergency earthquake alert of the Japan Meteorological Agency by introducing an emergency earthquake alert system, which is standard equipment from LogiSquare.
- As a flood control measure, substation equipment is set up on a level about 3 meters higher than GL in two places in the east and west to prevent the loss of power due to flooding.
- From an environmental point of view, consideration is given to the energy saving of electric equipment, water supply and drainage equipment and air-conditioning equipment by using human detecting sensors and water-saving sanitary appliances and installing energy recovery ventilation as well as solar panels.
- The property uses signs that visualize functions inside the facility, and the sign design inside the facility, which was made to satisfy both functionalities required for a logistics facility and design that makes the workers happier, received the SDA Award from the Japan Sign Design Association. 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.

Notes:

On part (46.29 m²) of the subject land, servitude is set up with the site at 716-4 Matsue, Soka-shi, Saitama as the dominant land for the purpose of installing an electric power transmission line, prohibiting entry into the land to conserve the transmission line and prohibiting acts that comprise an obstacle to the transmission line. In addition, on part (869.17 m²) of the subject land, a contract is concluded with Tokyo Electric Power Company Holdings, Inc. to prohibit acts that comprise an obstacle to the transmission line of the company.

(Note) The building coverage ratio is originally 60%, but has been eased to 70% as a result of applying the loosened regulations to the corner lot.

Capacity utilization rate					
End of July 2019	End of August 2019	End of September 2019	End of October 2019	End of November 2019	End of December 2019
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Outline of leasing						
Lessee	Type of business	Lease form	Lease period	Leased area	Rent	Security deposit and guarantee money
Undisclosed (Note)	Land transportation	Fixed term building lease	Undisclosed (Note)	29,073.87 m ²	Undisclosed (Note)	Undisclosed (Note)
Rent revision	Undisclosed (Note)					
Premature cancellation	Undisclosed (Note)					
Penalty	Undisclosed (Note)					

(Note) Since the approval of the lessee for the disclosure of information has not been obtained, the information has not been disclosed due to this unavoidable reason.

Outline of real estate appraisal report	
Property name	LogiSquare Soka
Appraisal value	¥8,580,000,000
Real estate appraiser	The Tanizawa Sogo Appraisal Co., Ltd.
Date of valuation	November 30, 2019

Items	Details	Comments, etc.
Appraisal value indicated by the income approach	¥8,580,000,000	The appraisal value is estimated using the income approach after conducting an examination using the direct capitalization method based on the appraisal value indicated by the DCF (Discount Cash Flow) method as the standard.
Appraisal value based on the direct capitalization method	¥8,790,000,000	
(1) Operating Revenue	Undisclosed (Note)	(i)-(ii)
(i) Effective gross Income	Undisclosed (Note)	
(ii) Losses from vacancy, etc.	Undisclosed (Note)	
(2) Operational Expenses	Undisclosed (Note)	Sum of values listed under a. to h.
a. Building maintenance costs	Undisclosed (Note)	
b. Utility expenses	Undisclosed (Note)	
c. Repair expenses	Undisclosed (Note)	
d. Property management fees	Undisclosed (Note)	
e. Tenant soliciting fees etc.	Undisclosed (Note)	
f. Taxes and public dues	Undisclosed (Note)	
g. Insurance premiums	Undisclosed (Note)	
h. Other expenses	Undisclosed (Note)	
(3) Net operating income	¥373,841,168	(1)-(2)
(4) Earnings from temporary deposits	Undisclosed (Note)	
(5) Capital expenditure	Undisclosed (Note)	
Net cash flow	¥369,206,612	(3)+(4)-(5)
Capitalization rate	4.2%	Appraised by comparing and examining several market capitalization rates of properties in peripheral areas or in similar districts, etc. in the same market area, by taking into account anticipated variations in future net cash flow and by paying attention to the relationship to the discount rate.
Appraisal value using the DCF method	¥8,490,000,000	
Discount rate	First to fourth year 4.1% Fifth to ninth year 4.2% Tenth year and thereafter 4.3%	Appraised by first determining the base yield of the warehouse using the built-up method, etc. in reference to the yields of financial instruments, and then by taking into account the individual risks pertaining to the subject real estate in relation to the said base yield.
Terminal capitalization rate	4.4%	Appraised by using the capitalization rate as the standard and by evaluating the uncertainty of future projections.
Integrated value	¥8,400,000,000	
Proportion of land	70.4%	
Proportion of building	29.6%	
Other matters for consideration by the appraiser	None	

(Note) Regarding this item, actual figures are used as a reference, and CRE REIT has decided not to disclose this item. This is because the disclosure thereof may adversely affect the competitive position of CRE REIT and may eventually harm the interests of unitholders.

(2) LogiSquare Yashio

Property no. M-10	LogiSquare Yashio	Category	Logistics-related facilities
Outline of specified assets			
Type of specified assets	Trust beneficial interest	Overview of trust beneficial interest	Entrustment date October 31, 2014
Planned acquisition date	February 3, 2020		Trustee Mitsubishi UFJ Trust and Banking Corporation
Planned acquisition price	¥5,073,000,000		Trust maturity date February 29, 2040
Land	Location	116-2 Tsubuta-Kita, Minami-Ushiroya, Yashio-shi, Saitama	Building structure Reinforced concrete, steel construction, alloy coated steel sheet roof, four floors
	Area	10,507.68 m ²	Completion date for construction January 31, 2014
	Zoning	Industrial district	Total floor area 19,068.60 m ²
	Building coverage ratio/floor-area ratio	60%/200%	Type Warehouse, office
	Type of ownership	Proprietary ownership	Type of ownership Proprietary ownership
Master lessee	CRE, Inc.	PM Company	CRE, Inc.
Master lease agreement	Pass-through	Number of tenants	1
Existence or non-existence of collateral	None	Total leasable area	18,330.05 m ²
PML (probable maximum loss) value	2.94%		
Features of the property: <ul style="list-style-type: none"> • The property has excellent traffic convenience and proximity to the city center because it is located approximately 3.8 km from Soka Interchange on the Tokyo Gaikan Expressway and approximately 4.0 km from Yashio-Minami Interchange on the Misato Route of the Shuto Expressway. It is also possible to access major expressways through the Tokyo Gaikan Expressway. • Surrounded by numerous industrial complexes because it is located in the industrial district inside the Tokyo Gaikan Expressway, the property has excellent accessibility to production areas. It also has convenient proximity to the largest consuming region because it is located less than 25 km from central Tokyo. • The property is geographically advantageous from the perspective of securing employment because it is within a walking distance of approximately 1.5 km from Soka Station on the Tobu Isesaki Line and there are apartment buildings around Soka Station. • At the truck berths, 20 large trucks can park and load at the same time. • The truck yard and the gateways for trucks use semi-flexible pavement that controls the generation of wheel tracks and contributes to the reduction of the road surface temperature. • The basic specifications for the warehouse portion include a floor weight capacity of 1.5 t/m² and an effective ceiling height of 6.0 m on each floor, a column span of 11.5 m × 9.8 m, the depth of berth eave of 10.0 m and an illumination intensity of 300 Lux, securing sufficient versatility and required levels. • Well-insulated, waterproof sandwich panels, which also give consideration to design, are used on the exterior walls. • The transportation equipment inside the warehouse includes two cargo elevators (movable load of 4.1 t) and two vertical carrier machines (movable load of 1.5 t), and it is possible to add two vertical carrier machines as an option to meet tenant needs. • As a seismic countermeasure, a hybrid construction method is used for the building structure to control the shaking of earthquakes better than a steel-frame structure. It is also possible to issue an alarm inside the building against epicentral earthquakes, which are not covered by the emergency earthquake alert of the Japan Meteorological Agency by introducing an emergency earthquake alert system, which is standard equipment from LogiSquare. • Flood control and torrential rainfall measures are taken by increasing and dispersing the inlet of rainwater storage tanks, and 			

the loss of power due to unexpected flooding is planned to be prevented by installing cubicles on a level about 2.7 meters higher than GL.

- From an environmental point of view, the environmental load is reduced by incorporating the building wall greening and green parking, in addition to the installation of solar panels. Consideration is given to the energy saving of electric equipment, water supply and drainage equipment and air-conditioning equipment by using human detecting sensors and water-saving sanitary appliances and adopting energy recovery ventilation.

Notes:

While there are some findings in the fire defense equipment inspection result report, they are to be corrected at the seller's own expense and risk by the time CRE REIT acquires the property.

Capacity utilization rate					
End of July 2019	End of August 2019	End of September 2019	End of October 2019	End of November 2019	End of December 2019
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Outline of leasing						
Lessee	Type of business	Lease form	Lease period	Leased area	Rent	Security deposit and guarantee money
Undisclosed (Note)	Land transportation	Fixed term building lease	Undisclosed (Note)	18,330.05 m ²	Undisclosed (Note)	Undisclosed (Note)
Rent revision	Not allowed.					
Premature cancellation	Not allowed; provided, however, that premature cancellation may be approved under unavoidable circumstances on the condition that the intent of the premature cancellation is notified in writing no later than 6 (six) months before the intended date of premature cancellation and that a penalty for the premature cancellation be paid.					
Penalty	Amount equivalent to unexpired rent					

(Note) Since the approval of the lessee for the disclosure of information has not been obtained, the information has not been disclosed due to this unavoidable reason.

Outline of real estate appraisal report		
Property name	LogiSquare Yashio	
Appraisal value	¥5,330,000,000	
Real estate appraiser	The Tanizawa Sogo Appraisal Co., Ltd.	
Date of valuation	November 30, 2019	
Items	Details	Comments, etc.
Appraisal value indicated by the income approach	¥5,330,000,000	The appraisal value is estimated using the income approach after conducting an examination using the direct capitalization method based on the appraisal value indicated by the DCF (Discount Cash Flow) method as the standard.
Appraisal value based on the direct capitalization method	¥5,410,000,000	
(1) Operating Revenue	Undisclosed (Note)	(i)-(ii)
(i) Effective gross Income	Undisclosed (Note)	
(ii) Losses from vacancy, etc.	Undisclosed (Note)	
(2) Operational Expenses	Undisclosed (Note)	Sum of values listed under a. to h.
a. Building maintenance costs	Undisclosed (Note)	
b. Utility expenses	Undisclosed (Note)	
c. Repair expenses	Undisclosed (Note)	
d. Property management fees	Undisclosed (Note)	
e. Tenant soliciting fees etc.	Undisclosed (Note)	
f. Taxes and public dues	Undisclosed (Note)	
g. Insurance premiums	Undisclosed (Note)	
h. Other expenses	Undisclosed (Note)	
(3) Net operating income	¥230,831,084	(1)-(2)
(4) Earnings from temporary deposits	Undisclosed (Note)	
(5) Capital expenditure	Undisclosed (Note)	
Net cash flow	¥227,124,587	(3)+(4)-(5)
Capitalization rate	4.2%	Appraised by comparing and examining several market capitalization rates of properties in peripheral areas or in similar districts, etc. in the same market area, by taking into account anticipated variations in future net cash flow and by paying attention to the relationship to the discount rate.
Appraisal value using the DCF method	¥5,290,000,000	
Discount rate	First to fifth year 4.1% Sixth year and thereafter 4.3%	Appraised by first determining the base yield of the warehouse using the built-up method, etc. in reference to the yields of financial instruments, and then by taking into account the individual risks pertaining to the subject real estate in relation to the said base yield.
Terminal capitalization rate	4.4%	Appraised by using the capitalization rate as the standard and by evaluating the uncertainty of future projections.
Integrated value	¥5,310,000,000	
Proportion of land	71.0%	
Proportion of building	29.0%	
Other matters for consideration by the appraiser	None	

(Note) Regarding this item, actual figures are used as a reference, and CRE REIT has decided not to disclose this item. This is because the disclosure thereof may adversely affect the competitive position of CRE REIT and may eventually harm the interests of unitholders.

(3) LogiSquare Mizuho A

Property no.	LogiSquare Mizuho A	Category	Logistics-related facilities
M-11			
Outline of specified assets			
Type of specified assets	Trust beneficial interest	Overview of trust beneficial interest	Entrustment date March 29, 2006
Planned acquisition date	February 3, 2020		Trustee Mizuho Trust & Banking Co., Ltd.
Planned acquisition price	¥2,794,000,000		Trust maturity date February 29, 2040
Land	Location	Building	Building structure Reinforced concrete, steel construction, alloy coated steel sheet roof, two floors
	Area		Completion date for construction February 5, 2007
	Zoning		Total floor area 13,755.16 m ²
	Building coverage ratio/floor-area ratio		Type Warehouse
	Type of ownership		Type of ownership Proprietary ownership
Master lessee	CRE, Inc.	PM Company	CRE, Inc.
Master lease agreement	Pass-through	Number of tenants	1
Existence or non-existence of collateral	None	Total leasable area	13,471.04 m ²
PML (probable maximum loss) value	4.75%		
Features of the property: <ul style="list-style-type: none"> The property has excellent access to expressways because it is located approximately 2.6 km from Ome Interchange of the Ken-O Expressway and approximately 14.6 km from Hachioji Interchange of the Chuo Expressway, and it is situated in a readily accessible location as National Route 16, a major trunk road, is approximately 1.0 km away. It is located almost in the middle of the Tama area of Tokyo, and it is used as a base for the wide-ranging metropolitan area by consigners and logistics operators who require high-frequency, small-lot delivery. Distribution to the Hokuriku, Tohoku and Tokai areas is also possible. Securing employees is relatively easy as houses are accumulated mainly in neighboring Musahimurayama-shi and Tokorozawa-shi, which are hinterland, and the property is located approximately 750 m from a bus stop. Truck berths for 20 trucks are set up almost entirely on the north side of the first floor, which is very convenient for incoming and outgoing deliveries. In addition, the depth of the berth eave is 12.5 m and designed not to pose an obstacle to incoming and outgoing deliveries even in inclement weather, ensuring a variety of types of incoming and outgoing delivery operations. It is a two-story warehouse with the floor area of a little more than 13,000 m² and designed with consideration for the convenience of tenants. Specifications are highly versatile with an effective ceiling height of 5.5 m and a floor weight capacity of 1.5 t/m² for each floor. The warehouse secures versatility, able to respond to various types of layouts inside the warehouse, with a column span of 10.2 m × 10.2 m. The transportation equipment inside the warehouse include four freight elevators (movable load of 4.1 t) and two dock levelers, ensuring efficient indoor operations. The subject property is a build-to-suit (BTS) facility that features versatility, and the same logistics operator has been the tenant continuously since the completion. In addition, given that a tenant who is the sublessee of part of the facility has brought in and uses refrigeration equipment, long-term use is expected. 			

Notes:

While there are some findings in the fire defense equipment inspection result report, they are to be corrected at the tenant's own expense and risk by the time CRE REIT acquires the property.

Capacity utilization rate					
End of July 2019	End of August 2019	End of September 2019	End of October 2019	End of November 2019	End of December 2019
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Outline of leasing						
Lessee	Type of business	Lease form	Lease period	Leased area	Rent	Security deposit and guarantee money
Undisclosed (Note)	Land transportation	Fixed term building lease	Undisclosed (Note)	13,471.04 m ²	Undisclosed (Note)	Undisclosed (Note)
Rent revision	Not allowed.					
Premature cancellation	Not allowed; Not allowed; provided, however, that premature cancellation may be approved under unavoidable circumstances of the lessee on the condition that a penalty for the premature cancellation be paid.					
Penalty	Amount equivalent to rents from the first day of the month to which the day when the premature cancellation is scheduled belongs to the expiration date of the lease period					

(Note) Since the approval of the lessee for the disclosure of information has not been obtained, the information has not been disclosed due to this unavoidable reason.

Outline of real estate appraisal report	
Property name	LogiSquare Mizuho A
Appraisal value	¥2,940,000,000
Real estate appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Date of valuation	November 30, 2019

Item	Details	Comments, etc.
Appraisal value indicated by the income approach	¥2,940,000,000	The appraisal value is estimated by conducting an examination using the value estimated by the direct capitalization method based on the judgment that the appraisal value indicated by the DCF (Discount Cash Flow) method that arrived at the value by clearly showing variations in future net cash flow is more persuasive.
Appraisal value based on the direct capitalization method	¥2,980,000,000	
(1) Operating Revenue	Undisclosed (Note)	(i)-(ii)
(i) Effective gross Income	Undisclosed (Note)	
(ii) Losses from vacancy, etc.	Undisclosed (Note)	
(2) Operational Expenses	Undisclosed (Note)	Sum of values listed under a. to h.
a. Building maintenance costs	Undisclosed (Note)	
b. Utility expenses	Undisclosed (Note)	
c. Repair expenses	Undisclosed (Note)	
d. Property management fees	Undisclosed (Note)	
e. Tenant soliciting fees etc.	Undisclosed (Note)	
f. Taxes and public dues	Undisclosed (Note)	
g. Insurance premiums	Undisclosed (Note)	
h. Other expenses	Undisclosed (Note)	
(3) Net operating income	¥137,227,713	(1)-(2)
(4) Earnings from temporary deposits	Undisclosed (Note)	
(5) Capital expenditure	Undisclosed (Note)	
Net cash flow	¥131,191,882	(3)+(4)-(5)
Capitalization rate	4.4%	Appraised by reference to the capitalization rates in the appraisal of J-REIT properties in the same market area and its surrounding area by using capitalization rates of properties for similar use located in an area with the least risk as a benchmark.
Appraisal value using the DCF method	¥2,920,000,000	
Discount rate	4.2%	Appraised by using a method of seeking the rate in comparison with transaction cases of similar real estate in conjunction with a method of seeking the rate by adding the individuality of the real estate to the yields of financial instruments.
Terminal capitalization rate	4.6%	Appraised by using the capitalization rate as the standard and by evaluating the uncertainty of future projections.
Integrated value	¥2,780,000,000	
Proportion of land	63.8%	
Proportion of building	36.2%	
Other matters for consideration by the appraiser	None	

(Note) Regarding this item, actual figures are used as a reference, and CRE REIT has decided not to disclose this item. This is because the disclosure thereof may adversely affect the competitive position of CRE REIT and may eventually harm the interests of unitholders.

(4) LogiSquare Mizuho B

Property no. M-12	LogiSquare Mizuho B	Category	Logistics-related facilities		
Outline of specified assets					
Type of specified assets	Trust beneficial interest	Overview of trust beneficial interest	Entrustment date	March 29, 2006	
Planned acquisition date	February 3, 2020		Trustee	Mizuho Trust & Banking Co., Ltd.	
Planned acquisition price	¥3,584,000,000		Trust maturity date	February 29, 2040	
Land	Location	896-3 Musashino, Hakonegasaki, Mizuho-machi, Nishitama-gun, Tokyo	Building	Building structure	Reinforced concrete, steel construction, alloy coated steel sheet roof, two floors
	Area	15,371.92 m ²		Completion date for construction	February 5, 2007
	Zoning	Industrial district		Total floor area	16,016.37 m ²
	Building coverage ratio/floor-area ratio	60%/200%		Type	Warehouse
	Type of ownership	Proprietary ownership		Type of ownership	Proprietary ownership
Master lessee	CRE, Inc.	PM Company	CRE, Inc.		
Master lease agreement	Pass-through	Number of tenants	1		
Existence or non-existence of collateral	None	Total leasable area	15,708.00 m ²		
PML (probable maximum loss) value	4.75%				
Features of the property: <ul style="list-style-type: none"> • The property has excellent access to expressways because it is located approximately 2.6 km from Ome Interchange of the Ken-O Expressway and approximately 14.6 km from Hachioji Interchange of the Chuo Expressway, and it is situated in a readily accessible location as National Route 16, a major trunk road, is approximately 1.0 km away. • It is located almost in the middle of the Tama area of Tokyo, and it is used as a base for the wide-ranging metropolitan area by consigners and logistics operators who require high-frequency, small-lot delivery. Distribution to the Hokuriku, Tohoku and Tokai areas is also possible. • Securing employees is relatively easy as houses are accumulated mainly in neighboring Musahimurayama-shi and Tokorozawa-shi, which are hinterland, and the property is located approximately 750 m from a bus stop. • Truck berths for 22 trucks are set up almost entirely on the north side of the first floor, which is very convenient for incoming and outgoing deliveries. In addition, the depth of the berth eave is 11.0 m and designed not to pose an obstacle to incoming and outgoing deliveries even in inclement weather, ensuring a variety of types of incoming and outgoing delivery operations. • It is a two-story warehouse with the floor area of a little more than 15,000 m² and designed with consideration for the convenience of tenants. • Specifications are highly versatile with an effective ceiling height of 5.5 m and a floor weight capacity of 1.5 t/m² for each floor. • The warehouse secures versatility, able to respond to various types of layouts inside the warehouse, with a column span of 10.2 m × 10.2 m. • The transportation equipment inside the warehouse include two freight elevators (movable load of 4.1 t), two vertical carrier machines and two dock levelers, ensuring efficient indoor operations. • The subject property is a build-to-suit (BTS) facility that features versatility, and the same logistics operator has been the tenant continuously since the completion. 					
Notes: Not applicable.					

Capacity utilization rate					
End of July 2019	End of August 2019	End of September 2019	End of October 2019	End of November 2019	End of December 2019
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Outline of leasing						
Lessee	Type of business	Lease form	Lease period	Leased area	Rent	Security deposit and guarantee money
Undisclosed (Note)	Land transportation	Fixed term building lease	Undisclosed (Note)	15,708.00 m ²	Undisclosed (Note)	Undisclosed (Note)
Rent revision	Rent revision is allowed by mutual consent upon consultation if there are significant changes in economic conditions such as fluctuations in prices, an increase/decrease in taxes and dues on land and building, and fluctuations in rents on neighboring land and buildings when five years have passed since the commencement date of leasing and every five years subsequently.					
Premature cancellation	Not allowed; provided, however, that premature cancellation may be approved under unavoidable circumstances of the lessee on the condition that the intent of the premature cancellation is notified in writing no later than six months before the intended date of premature cancellation and that a penalty for the premature cancellation be paid.					
Penalty	—					

(Note) Since the approval of the lessee for the disclosure of information has not been obtained, the information has not been disclosed due to this unavoidable reason.

Outline of real estate appraisal report		
Property name	LogiSquare Mizuho B	
Appraisal value	¥3,760,000,000	
Real estate appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Date of valuation	November 30, 2019	
Item	Details	Comments, etc.
Appraisal value indicated by the income approach	¥3,760,000,000	The appraisal value is estimated by conducting an examination using the value estimated by the direct capitalization method based on the judgment that the appraisal value indicated by the DCF (Discount Cash Flow) method that arrived at the value by clearly showing variations in future net cash flow is more persuasive.
Appraisal value based on the direct capitalization method	¥3,790,000,000	
(1) Operating Revenue	Undisclosed (Note)	(i)-(ii)
(i) Effective gross Income	Undisclosed (Note)	
(ii) Losses from vacancy, etc.	Undisclosed (Note)	
(2) Operational Expenses	Undisclosed (Note)	Sum of values listed under a. to h.
a. Building maintenance costs	Undisclosed (Note)	
b. Utility expenses	Undisclosed (Note)	
c. Repair expenses	Undisclosed (Note)	
d. Property management fees	Undisclosed (Note)	
e. Tenant soliciting fees etc.	Undisclosed (Note)	
f. Taxes and public dues	Undisclosed (Note)	
g. Insurance premiums	Undisclosed (Note)	
h. Other expenses	Undisclosed (Note)	
(3) Net operating income	¥171,246,755	(1)-(2)
(4) Earnings from temporary deposits	Undisclosed (Note)	
(5) Capital expenditure	Undisclosed (Note)	
Net cash flow	¥166,966,284	(3)+(4)-(5)
Capitalization rate	4.4%	Appraised by reference to the capitalization rates in the appraisal of J-REIT properties in the same market area and its surrounding area by using capitalization rates of properties for similar use located in an area with the least risk as a benchmark.
Appraisal value using the DCF method	¥3,740,000,000	
Discount rate	4.2%	Appraised by using a method of seeking the rate in comparison with transaction cases of similar real estate in conjunction with a method of seeking the rate by adding the individuality of the real estate to the yields of financial instruments.
Terminal capitalization rate	4.6%	Appraised by using the capitalization rate as the standard and by evaluating the uncertainty of future projections.
Integrated value	¥3,210,000,000	
Proportion of land	64.2%	
Proportion of building	35.8%	
Other matters for consideration by the appraiser	None	

(Note) Regarding this item, actual figures are used as a reference, and CRE REIT has decided not to disclose this item. This is because the disclosure thereof may adversely affect the competitive position of CRE REIT and may eventually harm the interests of unitholders.

4. Seller profile

The seller of the Assets to Be Acquired is a domestic leasing company, but the information has not been disclosed as consent for disclosure has not been obtained from the seller. The seller does not fall under a person with special interest in CRE REIT and the Asset Management Company.

5. Interested-party transaction

As the master lessee and the property management company of the four properties that are the Assets to be Acquired, CRE qualifies as an interested party in accordance with the Regulations for Transactions with Interested Parties, which are the internal regulations of the Asset Management Company. Consequently, the Asset Management Company is following the decision-making procedures set forth in the said Regulations for Transactions with Interested Parties for executing transactions for the acquisition of assets.

6. Status of owners, etc. of the properties

Disclosure is omitted as the properties are not acquired from a person with special interest in CRE REIT and the Asset Management Company or a person who is thought to be equivalent to a person with special interest in CRE REIT and the Asset Management Company.

7. Brokerage

Not applicable.

8. Future Outlook

The acquisition of the Assets to be Acquired is scheduled to be implemented on February 3, 2020, and it will have no impact on the operating results for the fiscal period ending December 31, 2019. For information on the outlook of the operating results of CRE REIT for the periods ending June 30, 2020 and December 31, 2020, please refer to the “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,” announced on January 7, 2020.

* CRE Logistic REIT, Inc. website: <https://cre-reit.co.jp/en/>