

September 26, 2019

To All Concerned Parties

REIT Securities Issuer
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Notice Concerning Revision to Operating and Distribution Forecast for the Fiscal Period
Ending December 2019

Sakura Sogo REIT (hereinafter the "Investment Corporation") announces revision to its operating forecasts and distribution forecasts for the Seventh fiscal period (from July 1, 2019 to December 31, 2019, hereinafter "FP7") which were announced in the flash report for the sixth period dated August 15, 2019 as follows. In addition, the expenses such as professional fees need to be approved on REIT BOD.

1. Details of revision to operating forecasts and distribution forecasts

FP7

	Operating revenue (mm yen)	Operating income (mm yen)	Ordinary income (mm yen)	Net income (mm yen)	Distributions per Unit (Yen) (excluding Distributions in Excess of Earnings)	Distributions in Excess of Earnings per Unit (Yen)
Previous forecast (A)	2,317	975	809	808	2,427	0
Revised forecast (B)	2,380	852	676	675	2,029	0
Increase/decrease (B-A)	63	-123	-133	-133	-398	0
Increase/decrease rate	2.7%	-12.6%	-16.4%	-16.5%	-16.4%	-

(Reference) FP5: number of investment units forecast on issue: 333,001 units, forecast net income per unit: 2,029 yen

(Note 1) The operating forecasts and distribution forecasts for FP7 are figures based on currently available information calculated based on the assumptions described in the attachment "Assumptions for Operating Forecasts for FP7." The actual operating revenue, operating income, ordinary income, net income and distributions per unit excluding distributions in excess of earnings are subject to change due to factors such as additional acquisition/disposition of real estate, fluctuations in rent income accompanying changes of tenants, changes in management environment including occurrence of unexpected repair, fluctuations in interest rates, and issuance of new investment units in the future. In addition, the Investment Corporation does not guarantee any actual cash distribution amount by announcing the forecast figures.

(Note 2) The forecasts remain subject to revision based on any material variance from assumptions attached.

(Note 3) Figures are rounded down. Percentages are rounded to the nearest decimal place.

2. Reason for the revision to operating forecasts and distribution forecasts

The Investment Corporation sent a cancelation notice of the merger agreement to Mirai REIT on September 24, 2019. As a result of this, the Investment Corporation has determined it is not possible



to complete the merger with Mirai REIT on the assumed effective date of November 1, 2019.

The Investment Corporation had previously announced in the “Notice Concerning Forecast of Operating Results for the Fiscal Period Ending October 2019 (the Final Fiscal Period) and Payment on the Merger” dated August 5, 2019 a final payment on the Merger of 1,123 yen per unit. The Investment Corporation now announces the reforecast for FP7 based on the Merger not taking effect in FP7.

The main revisions to the forecast for FP7 are an increase in operating revenue of 35 million yen associated with the acquisition of the PORTAL AKIHABARA, leasing up of NK Building and an increase in operating expenses of 153 million yen incurred as a result of subsequent action taken to investigate and identify alternative proposals to that presented by Star Asia Group

The forecast for FP7 and FP8 based on the result of unitholders meeting at August 30, 2019 will be announced as soon as the Investment Corporation constructs.

This material is to be distributed to the Kabuto Club, the Ministry of Land, Infrastructure, Transport and Tourism Press Club, and the Ministry of Land, Infrastructure, Transport and Tourism Press Club for construction trade publications of the Ministry of Land, Infrastructure, Transport and Tourism.

Sakura Sogo REIT website address: <http://sakurasogoreit.com/en/>

Assumptions for Operating Forecasts for FP7

Item	Assumptions																								
Calculation period	FP7 (From July 1, 2019 to December 31, 2019) (184 days)																								
Investment Assets	<ul style="list-style-type: none"> ➤ With regard to the real estate trust beneficiary interests of the properties (18 properties in total) (hereinafter the “Currently Owned Assets”), it is assumed that there will be no change (acquisition of new properties, disposition of portfolio properties, etc.) in FP7. 																								
Operating revenue	<ul style="list-style-type: none"> ➤ Rental revenues from the Currently Owned Assets are calculated based on the rents described in the lease agreements that are effective as of today. ➤ The forecast of operating revenues is made on the assumption that no tenants will delay or default rental payments. 																								
Operating expenses	<ul style="list-style-type: none"> ➤ The main items of operating expenses are as follows (rounded down to the nearest specified unit; the same shall apply hereinafter): <table border="1" data-bbox="667 795 1295 1429"> <thead> <tr> <th></th> <th>FP7</th> </tr> </thead> <tbody> <tr> <td>Expenses related to leasing business [Total]</td> <td>1,106 million yen</td> </tr> <tr> <td>Management fees</td> <td>364 million yen</td> </tr> <tr> <td>Of which:</td> <td>282 million yen</td> </tr> <tr> <td>Maintenance and management fee</td> <td></td> </tr> <tr> <td>Of which: Property management fee</td> <td>81 million yen</td> </tr> <tr> <td>Repair expenses</td> <td>41 million yen</td> </tr> <tr> <td>Taxes and dues</td> <td>191 million yen</td> </tr> <tr> <td>Depreciation</td> <td>257 million yen</td> </tr> <tr> <td>Other than expenses related to leasing business [Total]</td> <td>645 million yen</td> </tr> <tr> <td>Asset management fee</td> <td>173 million yen</td> </tr> <tr> <td>Non-deductible consumption tax</td> <td>17 million yen</td> </tr> </tbody> </table> <ul style="list-style-type: none"> ➤ Of expenses related to the leasing business of the Currently Owned Assets, which are the main operating expenses, expenses other than depreciation are calculated on a historical data basis based on information provided by the previous owners of the Currently Owned Assets and by reflecting variable factors. ➤ Repair expenses for buildings are projected to be, based on the repair plans drawn by the Asset Management Company, 41 million yen for FP7. However, due to reasons such as repair expenses that may urgently arise for building damages, etc. caused by unforeseeable factors, the amount generally varying considerably depending on the fiscal year, and because it is not an amount that arises periodically, each calculation period’s repair expenses may differ materially from the forecast amount. ➤ Depreciation calculated using the straight-line method, including incidental expenses, are projected to be 257 million yen for FP7 respectively. Upon acquisition of real estate or trust beneficiary interest having real estate as trust assets, the Investment Corporation includes the amount equivalent to fixed property taxes, city planning taxes, depreciable assets 		FP7	Expenses related to leasing business [Total]	1,106 million yen	Management fees	364 million yen	Of which:	282 million yen	Maintenance and management fee		Of which: Property management fee	81 million yen	Repair expenses	41 million yen	Taxes and dues	191 million yen	Depreciation	257 million yen	Other than expenses related to leasing business [Total]	645 million yen	Asset management fee	173 million yen	Non-deductible consumption tax	17 million yen
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	<p>taxes, etc. (hereinafter the “Fixed Property Taxes, etc.”) that are settled with previous owners on a pro rata based on the number of days of ownership in the acquisition cost during the fiscal year of the acquisition. As to the Fixed Property Taxes, etc. on the owned real estate or trust beneficiary interest having real estate as trust assets, the Investment Corporation adopts the method to record the amount corresponding to the calculation period, out of finalized taxation amount, as expenses related to leasing business.</p> <ul style="list-style-type: none"> ➤ Operating expenses for the period include items which have resulted directly from the request of the extraordinary unitholders meeting to be held by Lion Partners and subsequent action taken to investigate and identify alternative proposals to that presented by Star Asia Group. These expenses include property due diligence 24 million yen, investor relations/unitholder meetings 53 million yen, financial advisory 6 million yen, and legal 70 million yen.
Non-operating expenses	<ul style="list-style-type: none"> ➤ Interest expenses and other borrowing related expenses are projected to be 175 million yen for FP7.
Debt financing	<ul style="list-style-type: none"> ➤ The total of interest-bearing liabilities outstanding is assumed to be 29,200 million yen at the end of FP7. ➤ LTV at the end of FP7 is projected to be about 46.5%. The following formula is used in the calculation of LTV. LTV = Total interest-bearing liabilities ÷ Total assets
Investment units	<ul style="list-style-type: none"> ➤ It is assumed that there will be no changes in the number of investment units due to issuance of new investment units, etc. from the 333,001 units of investment units issued and outstanding as of today through to the end of FP5.
Distribution per Unit	<ul style="list-style-type: none"> ➤ Distribution per unit (excluding distribution in excess of earnings) is calculated on the assumption that distribution will be made in accordance with the cash distribution policy provided in the Articles of Incorporation of the Investment Corporation. ➤ Distribution per unit (excluding distribution in excess of earnings) may vary due to various factors, including fluctuations in leasing revenue accompanying changes in assets under management, changes in tenants and other events, and occurrence of unexpected repairs.
Distributions in Excess of Earnings per Unit	<ul style="list-style-type: none"> ➤ The Articles of Incorporation of the Investment Corporation enable it to provide for distribution in excess of earnings but considering the ratio of capital expenditures to depreciation and in an aim to conduct conservative financial management, no distribution in excess of earnings is scheduled to be implemented for the time being.
Other	<ul style="list-style-type: none"> ➤ Forecasts assume there will be no material changes in laws, regulations, taxation systems, accounting standards, public listing requirements or rules of the investment trust association that could impact the forecasts presented herein. ➤ Forecasts assume there will be no unforeseen material changes in general economic and real estate market conditions.