

August 5, 2019

For Immediate Release

Real Estate Investment Trust:  
Sakura Sogo REIT Investment Corporation  
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(Securities Code: 3473)  
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Notice Concerning Forecast of Operating Results  
for the Fiscal Period Ending October 2019 (the Final Fiscal Period) and Payment on the Merger

As announced in “Notice Concerning Execution of Merger Agreement by and between MIRAI Corporation and Sakura Sogo REIT Investment Corporation” dated today, Sakura Sogo REIT Investment Corporation (hereinafter “SAKURA”) plans to implement an absorption-type merger, with MIRAI Corporation (hereinafter “MIRAI”) as the surviving corporation and SAKURA as the absorbed corporation (hereinafter the “Merger”) with the effective date being November 1, 2019, and MIRAI and SAKURA have entered into a merger agreement (hereinafter the “Merger Agreement”) dated today. In connection with the execution of the Merger Agreement, SAKURA hereby announces the following details regarding the forecasts of operating results for the fiscal period ending October 2019 (from July 1, 2019 to October 31, 2019), i.e., the final fiscal period of SAKURA and if the Merger is effective payment on the Merger to be paid instead of cash distributions to the unitholders of SAKURA.

1. Forecast of Operating Result for the Fiscal Period Ending October 2019 (the Final Fiscal Period) (for Four (4) Months) and Payment on the Merger

	Operating Revenue (million yen)	Operating Income (million yen)	Ordinary Income (million yen)	Net Income (million yen)	Payment on the Merger per Unit
Fiscal Period Ending October 2019 (for Four (4) Months)	1,575	490	374	373	1,123 yen

- (Note 1) The period for forecast of operating result for the fiscal period ending October 2019 and payment on the Merger is the four (4)-month period from July 1, 2019 to October 31, 2019.
- (Note 2) The forecast total number of outstanding units at the end of the fiscal period is 333,001 units.
- (Note 3) The above forecasted figures are the estimated figures as of today calculated based on certain assumptions, on the premise that the Merger will come into effect. The actual operating revenue, operating income, ordinary income, net income, and payment on the Merger per unit may vary due to trends in the real estate market and the like, changes in the investment environment and other conditions surrounding SAKURA, status of exercise of the right to demand purchase of investment units relating to the Merger by dissenting unitholders, and expenses related to the Merger, etc. The forecasts should not be construed as a guarantee of the amount of payment on the Merger.
- (Note 4) Instead of cash distributions to the unitholders of SAKURA for SAKURA’s final fiscal period, MIRAI, as the surviving corporation after the Merger, will, based on the amount of distributable profit of SAKURA and within a reasonable period after the effective date of the Merger, make a payment on the Merger to the unitholders listed or recorded on the final unitholders register of SAKURA as of October 31, 2019, the day immediately prior to the effective date of the Merger (excluding the unitholders of SAKURA who have demanded the purchase of their investment units pursuant to the provisions of Article 149-3 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) (excluding the unitholders of SAKURA who have withdrawn such purchase demands)) (hereinafter the “Allotted Unitholders”) or the registered pledgees of investment units held, in an amount equivalent to the cash distributions for the above mentioned fiscal period (the payment will be the amount of distributable profit of SAKURA as of the day immediately prior to the effective date of the Merger divided by the number of investment units that is obtained by deducting (a) the number of investment units held by the unitholders other than the Allotted Unitholders from (b) the total number of investment units of SAKURA issued and outstanding as of the day immediately prior to the effective date of the Merger (such calculated amount being rounded down to the nearest whole yen). As a result, the amount of payment on the Merger will vary depending on the status of exercise of the right to demand purchase of investment units. Because the status of such exercise cannot be confirmed at present, the forecasted figures above assume that the right to demand purchase of investment units is not exercised.
- (Note 5) Fractions have been rounded down.

[Reference] Forecast of operating results for the fiscal period ending December 2019 (from July 1, 2019 to December 31, 2019)

(As announced in “Summary Financial Report (REIT) for the Fiscal Period ended December 2018” dated February 14, 2019)

	Operating Revenue (million yen)	Operating Income (million yen)	Ordinary Income (million yen)	Net Income (million yen)	Distribution per Unit (excluding Distributions in Excess of Earnings)	Distributions in Excess of Earnings per Unit
Fiscal Period Ending December 2019	2,317	975	809	808	2,427 yen	0 yen

(Note 1) For the assumptions underlying the forecast of operating results for the fiscal period ending December 2019, please refer to “Summary Financial Report (REIT) for the Fiscal Period ended December 2018” announced by Sakura on February 14, 2019.

(Note 2) Fractions have been rounded down.

## 2. Reason for Announcement

Forecasts of operating results for the fiscal period ending December 2019 (July 1, 2019 to December 31, 2019) was announced in “Summary Financial Report (REIT) for the Fiscal Period ended December 2018” released on February 14, 2019. In connection with the execution of the Merger Agreement, the four months from July 1, 2019 to October 31, 2019 will be SAKURA’s final fiscal period if the Merger comes into effect, and SAKURA hereby announces the following details regarding forecasts on operating results for the fiscal period ending October 2019 (July 1, 2019 to October 31, 2019) and forecasted payment on the Merger, in the form of cash distributions to be paid instead of cash distributions to the unitholders of SAKURA for the final fiscal period. SAKURA is releasing the forecasts on operating results for the fiscal period ending October 2019 (July 1, 2019 to October 31, 2019) and the forecasted payment on the Merger as forecasts as of the present, on the assumption that the proposal pertaining to the approval of the Merger Agreement will be adopted and approved at the general meeting of unitholders scheduled to be held on August 30, 2019.

In addition, the forecasts on operating results for the fiscal period ending December 2019 (July 1, 2019 to December 31, 2019) set forth above under Reference does not take into account the Merger coming into effect, and it assumes that there would not be a Merger or any related transactions, etc.

Regarding the forecast of the operation results and distribution per unit of MIRAI, which is the surviving corporation after the Merger, please refer to “Notice Concerning the Forecast on Operating Results and Distribution Subsequent to the Merger of MIRAI Corporation and Sakura Sogo REIT Investment Corporation for the Fiscal Periods Ending April 30, 2020 and October 31, 2020” announced by both MIRAI and Sakura today.

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

Assumptions for the forecasts on operating results and forecasted payment on the merger, in the form of cash distributions for the fiscal period ending October 2019 (the final fiscal period) (for four (4) months)

Item	Assumptions																						
Calculation period	<ul style="list-style-type: none"> <li>Fiscal period ending October 2019 (From July 1, 2019 to October 31, 2019) (123 days)</li> </ul>																						
Investment Assets	<ul style="list-style-type: none"> <li>With regard to the real estate trust beneficiary interests of the properties as of today (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.) by the end of the fiscal period ending October 2019.</li> <li>In reality, there may be changes due to acquisition of new properties other than the Currently Owned Assets or disposition of portfolio properties, etc.</li> </ul>																						
Operating revenue	<ul style="list-style-type: none"> <li>Rental revenues from the Currently Owned Assets are calculated based on the rents described in the lease agreements that are effective as of today and taken into consideration, the competitiveness of properties and changes in tenants expected as of today.</li> <li>The forecast of operating revenues is made on the assumption that no tenants will delay or default rental payments.</li> </ul>																						
Operating expenses	<ul style="list-style-type: none"> <li>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="539 875 1166 1541"> <thead> <tr> <th></th> <th>Fiscal Period Ending October 2019</th> </tr> </thead> <tbody> <tr> <td>Expenses related to leasing business [Total]</td> <td>753 million yen</td> </tr> <tr> <td>Management fees</td> <td>250 million yen</td> </tr> <tr> <td>(Of which: Maintenance and management fee)</td> <td>196 million yen</td> </tr> <tr> <td>(Of which: Property management fee)</td> <td>54 million yen</td> </tr> <tr> <td>Repair expenses</td> <td>23 million yen</td> </tr> <tr> <td>Taxes and dues</td> <td>127 million yen</td> </tr> <tr> <td>Depreciation</td> <td>170 million yen</td> </tr> <tr> <td>Other than expenses related to leasing business [Total]</td> <td>330 million yen</td> </tr> <tr> <td>Asset management fee</td> <td>115 million yen</td> </tr> <tr> <td>Non-deductible consumption tax</td> <td>11 million yen</td> </tr> </tbody> </table> </li> <li>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 and by reflecting variable factors.</li> <li>Repair expenses for buildings are projected to be, based on the repair plans drawn by Sakura Real Estate Funds Management, Inc., Sakura’s asset management company (hereinafter the “Asset Management Company”), 23 million yen. 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, the repair expenses may differ materially from the forecast amount.</li> <li>Depreciation calculated using the straight-line method, including incidental expenses, are projected to be 170 million yen.</li> <li>Operating expenses for the period include items which have resulted directly from the actions of Lion Partners and Star Asia Group (refer announcement dated 11 May 2019 “Announcement Regarding Receipt of Request by an Unitholder to Convene Extraordinary Unitholders’ Meeting.”) These operating expenses were incurred as a result of subsequent action taken to investigate and identify alternative proposals to that presented by Star Asia Group. This has resulted in the proposed merger with MIRAI (refer announcement dated 5</li> </ul>		Fiscal Period Ending October 2019	Expenses related to leasing business [Total]	753 million yen	Management fees	250 million yen	(Of which: Maintenance and management fee)	196 million yen	(Of which: Property management fee)	54 million yen	Repair expenses	23 million yen	Taxes and dues	127 million yen	Depreciation	170 million yen	Other than expenses related to leasing business [Total]	330 million yen	Asset management fee	115 million yen	Non-deductible consumption tax	11 million yen
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	<p>August 2019, “Notice concerning Execution of Merger Agreement by and between MIRAI Corporation and Sakura Sogo REIT Investment Corporation.”) These expenses include property due diligence 25 million yen, investor relations/unitholder meetings 44 million yen, financial advisory 12 million yen, and legal 60 million yen.</p> <ul style="list-style-type: none"> <li>Upon acquisition of real estate or trust beneficiary interest having real estate as trust assets, SAKURA includes the amount equivalent to fixed property taxes, city planning taxes, depreciable assets 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, SAKURA adopts the method to record the amount corresponding to the calculation period, out of finalized taxation amount, as expenses related to leasing business.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>Interest expenses and other borrowing related expenses are projected to be 116 million yen.</li> </ul>
Debt financing	<ul style="list-style-type: none"> <li>The total of interest-bearing liabilities outstanding is assumed to be 29,200 million yen.</li> <li>LTV at end of fiscal period ending October 2019 is projected to be about 46.4%. The following formula is used in the calculation of LTV.  <math display="block">LTV = \frac{\text{Total interest bearing liabilities}}{\text{Total assets}} \times 100</math> </li> </ul>
Investment units	<ul style="list-style-type: none"> <li>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 fiscal period ending October 2019.</li> </ul>
Payment on the Merger per Unit	<ul style="list-style-type: none"> <li>Payment on the Merger (payment on the Merger per unit) is to be paid instead of cash distribution to the unitholders of SAKURA for the fiscal period ending October 2019 (the final fiscal period) and is calculated based on the cash distribution policy provided in SAKURA’s Articles of Incorporation.</li> <li>It is assumed that the most part of the entire amount of net income, after deducting the partial reversal of allowance for temporary difference adjustments, will be distributed.</li> <li>Payment on the Merger per unit may fluctuate due to various factors, including exercise of the right to purchase investment units pertaining to the Merger, expenses related to the Merger, fluctuations in leasing revenue accompanying changes in tenants and other events, and occurrence of unexpected repairs.</li> </ul>
Other	<ul style="list-style-type: none"> <li>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.</li> <li>Forecasts assume there will be no unforeseen material changes in general economic and real estate market conditions.</li> </ul>