

August 5, 2016

To All Concerned Parties

REIT Securities Issuer  
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Sakura Sogo REIT Investment Corporation  
Representative: Makoto Muranaka,  
Executive Director:  
(Securities Code 3473)

Asset Management Company:  
Sakura Real Estate Funds Management, Inc.  
Representative: Makoto Muranaka,  
Representative Director and  
President  
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Notice Concerning Operating Forecasts for the Fiscal Periods  
Ending February 2017 and August 2017

Sakura Sogo REIT (hereinafter the "Investment Corporation") announces its operating forecasts for the first fiscal period (from April 1, 2016 to February 28, 2017) and for the second fiscal period (from March 1, 2017 to August 31, 2017) as follows.

	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)
Fiscal period ending February 2017 (First Fiscal Period)	2,291	905	95	95	278	0
Fiscal period ending August 2017 (Second Fiscal Period)	2,418	1,085	951	951	2,772	0

(Reference) Fiscal period ending February 2017: Number of investment units forecast to be issued: 343,401 units, forecast net income per unit: 278 yen

Fiscal period ending August 2017: Number of investment units forecast to be issued: 343,401 units, forecast net income per unit: 2,772

(Note 1) Fiscal periods of the Investment Corporation are from March 1 to August 31 and from September 1 to the end of February of the following year for every year. However, the first fiscal period is from April 1, 2016 (date of establishment) to February 28, 2017. The substantial first fiscal period is from September 9, 2016, which is a planned date for property acquisition, to February 28, 2017 (173 days).

(Note 2) The above forecast figures are calculated assuming the issue price of new investment units as 100,000 yen per unit.

(Note 3) The operating forecasts for the fiscal periods ending February 2017 and August 2017 are figures based on currently available information calculated based on the assumptions described in the attachment "Assumptions for Operating Forecasts for the First Fiscal Period Ending February 2017 and the Second Fiscal Period Ending August 2017." The actual operating revenue, operating income, ordinary income, net

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income and distributions per unit excluding distributions in excess of earnings are subject to change as a result of deviation from assumptions caused by factors such as additional acquisition/disposition of real estate, etc., fluctuations in rent income accompanying changes of lessees, etc., changes in management environment including occurrence of unexpected repair, etc., fluctuations in interest rates, actual number of new investment units issued and their issue price determined, and additional 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 4) The forecasts may be subject to revision when a disparity beyond a certain degree is expected between the above forecasts and actual figures.

(Note 5) The scheduled date for the listing of the Investment Corporation's investment units on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange is September 8, 2016.

(Note 6) Amounts are rounded down to the nearest specified unit.

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 Purposes.

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[Attachment]

Assumptions for Operating Forecasts for the First Fiscal Period Ending February 2017 and the  
Second Fiscal Period Ending August 2017

Item	Assumptions																																				
Calculation period	<ul style="list-style-type: none"> <li>➤ Fiscal Period Ending February 2017 (First Fiscal Period) (From April 1, 2016 to February 28, 2017) (334 days)</li> <li>➤ Fiscal Period Ending August 2017 (Second Fiscal Period) (From March 1, 2017 to August 31, 2017) (184 days)</li> </ul>																																				
Investment Assets	<ul style="list-style-type: none"> <li>➤ It is assumed that the real estate trust beneficiary interests of the properties (18 properties in total) to be newly acquired after the issuance of new investment units (hereinafter "Assets to be Acquired") which was resolved at the meeting of the Board of Directors of the Investment Corporation held today will be acquired on September 9, 2016, and that there will be no change (acquisition of new properties, disposition of portfolio properties, etc.) to the investment assets through to the end of the fiscal period ending August 2017.</li> <li>➤ Change may arise in the event of acquisition of new properties other than the Assets to be Acquired or disposition of portfolio properties.</li> </ul>																																				
Operating revenue	<ul style="list-style-type: none"> <li>➤ Rental revenues from the Assets to be Acquired are calculated based on the lease agreements provided by the current beneficial owners, past tenants, market trends, etc., and contents of lease agreements which will take effect on the planned acquisition date, while taking into account assumed occupancy rates and rent fluctuation projection, based on forecasts of move-ins and outs of tenants and rent level after the acquisition.</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="0" style="margin-left: 40px;"> <thead> <tr> <th></th> <th align="right">First Fiscal Period</th> <th align="right">Second Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>Expenses related to leasing business</td> <td align="right">963 million yen</td> <td align="right">1,125 million yen</td> </tr> <tr> <td>[Total]</td> <td></td> <td></td> </tr> <tr> <td>Management fees</td> <td align="right">279 million yen</td> <td align="right">296 million yen</td> </tr> <tr> <td>Of which:</td> <td align="right">201 million yen</td> <td align="right">214 million yen</td> </tr> <tr> <td>Maintenance and management fee</td> <td></td> <td></td> </tr> <tr> <td>Of which: Property management fee</td> <td align="right">77 million yen</td> <td align="right">82 million yen</td> </tr> <tr> <td>Repair expenses</td> <td align="right">17 million yen</td> <td align="right">18 million yen</td> </tr> <tr> <td>Taxes and dues</td> <td align="right">67 million yen</td> <td align="right">202 million yen</td> </tr> <tr> <td>Depreciation</td> <td align="right">226 million yen</td> <td align="right">245 million yen</td> </tr> <tr> <td>Other than expenses related to leasing business [Total]</td> <td align="right">423 million yen</td> <td align="right">207 million yen</td> </tr> <tr> <td>Asset management fee</td> <td align="right">108 million yen</td> <td align="right">127 million yen</td> </tr> </tbody> </table> </li> <li>➤ Of expenses related to the leasing business of the Assets to be Acquired, which are the main operating expenses, expenses other than depreciation are calculated on a historical data basis based on information provided by the current beneficial owners and by reflecting variable factors.</li> </ul>		First Fiscal Period	Second Fiscal Period	Expenses related to leasing business	963 million yen	1,125 million yen	[Total]			Management fees	279 million yen	296 million yen	Of which:	201 million yen	214 million yen	Maintenance and management fee			Of which: Property management fee	77 million yen	82 million yen	Repair expenses	17 million yen	18 million yen	Taxes and dues	67 million yen	202 million yen	Depreciation	226 million yen	245 million yen	Other than expenses related to leasing business [Total]	423 million yen	207 million yen	Asset management fee	108 million yen	127 million yen
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	<ul style="list-style-type: none"> <li>➤ Depreciation calculated using the straight-line method, including incidental expenses, are projected to be 226 million yen for the fiscal period ending February 2017 and 245 million yen for the fiscal period ending August 2017 respectively.</li> <li>➤ Upon transactions of real estate and other properties, it is a general practice to calculate and reimburse the pro rata portion of fixed property taxes, city planning taxes and other public charges based on the number of days of ownership to the current owner and settle them at the time of acquisition. However, in case of the Investment Corporation, the settled amount is included in the acquisition cost and thus is not recorded as expenses in the fiscal period of the acquisition. Therefore, fixed property taxes, city planning taxes and other public charges charged in 2016 for the Assets to be Acquired will not be recorded as operating expenses, but part of the fixed property taxes, etc. to be charged in 2017 will be recorded as operating expenses in the fiscal period ending February 2017 and the fiscal period ending August 2017, for the amount corresponding to the period from January 1, 2017 to the end of the calculation period of the former fiscal period and the amount corresponding to the calculation period of the latter fiscal period, respectively. As for the Assets to be Acquired, the total amount of fixed property taxes, city planning taxes and other public charges to be included in the acquisition cost is projected to be 126 million yen. Regarding repair expenses, the asset management company, Sakura Real Estate Funds Management, Inc. (hereinafter the "Asset Management Company") records the amount assumed to be necessary in each fiscal period for each property as expenses. However, due to reasons such as an increase in repair expenses or additional repairs that may occur from unforeseeable causes, the amount generally varies considerably depending on the fiscal year, and because it is not an amount that arises periodically, each fiscal period's repair expenses may differ materially from the forecast amount.</li> <li>➤ Of the fees payable to the Asset Management Company, an agreement has been reached for the NOI-linked fee Asset Management Fee (2)* that the fee rate shall be 0% until the fiscal period ending August 2017 on the agreement that it shall be within the upper limit provided in the Articles of Incorporation of the Investment Corporation. Accordingly, the asset management fee for the fiscal period ending February 2017 and the fiscal period ending August 2017 is lower than the asset management fee for the fiscal period ending February 2018 and subsequent fiscal periods. The amount of difference between the asset management fee for the fiscal period ending February 2017 and the fiscal period ending August 2017 that would be payable if the asset management fee were to be at the fee rate that would apply to the fiscal period ending February 2018 and subsequent fiscal periods and based on the other assumptions presented herein (estimate only) and the asset management fee underlying the earnings forecast for each fiscal period would be approximately 46 million yen for the fiscal period ending February 2017 and approximately 46 million yen for the fiscal period ending August 2017.  * Asset Management Fee (2) = The amount arrived at when NOI (the amount arrived at when the total of expenses related to the leasing business (excluding depreciation and loss on retirement of non-current assets) is subtracted from the total of leasing business revenue on the statement of income for the relevant fiscal period of the Investment Corporation) is multiplied by the fee rate separately agreed upon between the Investment Corporation and the Asset Management Company of no more than 3%.</li> </ul>
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<p>Non-operating expenses</p>	<ul style="list-style-type: none"> <li>➤ Deferred organization expenses of 59 million yen and expenses associated with issuance of new investment units and listing of investment units of 419 million yen are projected as one-time expenses for the fiscal period ending February 2017. The deferred organization expenses and expenses associated with issuance of new investment units and listing of investment units are scheduled to be amortized in a lump sum.</li> <li>➤ Interest expenses and other borrowing related expenses are projected to be 330 million yen for the fiscal period ending February 2017 and 133 million yen for the fiscal period ending August 2017.</li> </ul>
<p>Debt financing</p>	<ul style="list-style-type: none"> <li>➤ The total of interest-bearing liabilities outstanding is assumed to be 27,000 million yen at the end of the fiscal period ending February 2017 and 26,000 million yen at the end of the fiscal period ending August 2017.</li> <li>➤ It is assumed that borrowings of 28,000 million yen in total will be made on September 8, 2016 from the qualified institutional investors defined under Article 2 Paragraph 3 item 1 of Financial Instruments and Exchange Act, and that part of the borrowings will be repaid in the fiscal period ending February 2017 using the proceeds from the issuance of new investment units through third-party allotment (upper limit of 10,400 units) described in “Investment units” below.</li> <li>➤ Regarding the expected refund of consumption taxes associated with the acquisition of the Assets to be Acquired and payment of various expenses in the fiscal period ending August 2017, it is assumed that the refund will be used as the source of funds for repayment of borrowings in the amount of 1,000 million yen during the fiscal period ending August 2017.</li> <li>➤ LTV at end of the fiscal period ending February 2017 (1st fiscal period) is projected to be about 42.7% and LTV at the end of the fiscal period ending August 2017 (2nd fiscal period) is projected to be about 41.2%. The following formula is used in the calculation of LTV. <math display="block">\text{LTV} = \text{Total interest-bearing liabilities} \div \text{Total assets} \times 100</math></li> <li>➤ LTV may differ depending on the number and the issue amount of the new investment units to be issued.</li> </ul>
<p>Investment units</p>	<ul style="list-style-type: none"> <li>➤ It is assumed that, in addition to 1,001 investment units issued and outstanding as of today, all of the investment units scheduled to be newly issued (total of 343,401 units maximum) will be issued through public offering (332,000 units) and third-party allotment (maximum of 10,400 units) that were resolved at the meeting of the Board of Directors of the Investment Corporation held today.</li> <li>➤ It is assumed that, except for the above, there will be no changes in the number of investment units due to issuance of new investment units through to the end of the fiscal period ending August 2017.</li> <li>➤ Distribution per unit (excluding distribution in excess of earnings) is calculated using the expected number of investment units issued and outstanding at the end of the fiscal period ending February 2017 and the fiscal period ending August 2017 (343,401 units), which includes the abovementioned maximum number of investment units to be newly issued (a total of 10,400 units).</li> </ul>
<p>Distribution per Unit (excluding Distributions in Excess of Earnings)</p>	<ul style="list-style-type: none"> <li>➤ Distribution per unit (excluding distribution in excess of earnings) is calculated on the assumption that distributions will be made in accordance with the cash distribution policy provided in the Articles of Incorporation of the Investment Corporation.</li> </ul>

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	<ul style="list-style-type: none"> <li>➤ 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, occurrence of unexpected repairs, etc.</li> <li>➤ Distribution per unit for the first fiscal period is projected to be 278 yen due to the effect of one-time non-operating expenses such as deferred organization expenses accompanying establishment of the Investment Corporation and expenses associated with issuance of new investment units and listing of investment units as mentioned above. Distribution per unit for the second fiscal period is projected to be 2,772 yen due to expensing of fixed property taxes and city planning taxes in the second fiscal period and onward.</li> </ul>
Distributions in Excess of Earnings per Unit	<ul style="list-style-type: none"> <li>➤ 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.</li> </ul>
Other	<ul style="list-style-type: none"> <li>➤ Forecasts are based on the assumption 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 are based on the assumption there will be no unforeseen material changes in general economic and real estate market conditions, etc.</li> </ul>

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