

November 14, 2016

To All Concerned Parties

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Executive Director:  
(Securities Code 3473)

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Notice Concerning Revision to Operating and Distribution Forecasts for the Fiscal Periods  
Ending February 2017 and August 2017

Sakura Sogo REIT (hereinafter the "Investment Corporation") announces revision to its operating forecasts and distribution 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.

1. Details of revision to operating forecasts and distribution forecasts

(1) Fiscal period ending February 2017 (April 1, 2016 – February 28, 2017)

	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)	2,291	910	101	101	305	0
Revised forecast (B)	2,280	965	387	387	1,164	0
Increase/decrease (B-A)	-11	55	286	286	859	0
Increase/decrease rate	-0.5%	6.0%	283.2%	283.2%	281.6%	-

(Reference) Fiscal period ending February 2017: Number of investment units forecast to be issued: 333,001 units, forecast net income per unit: 1,164 yen

(2) Fiscal period ending August 2017 (March 1, 2017 – August 31, 2017)

	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)

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Previous forecast (A)	2,418	1,090	953	953	2,863	0
Revised forecast (B)	2,419	1,090	953	953	2,863	0
Increase/decrease (B-A)	1	0	0	0	0	0
Increase/decrease rate	0%	0%	0%	0%	0%	-

(Reference) Fiscal period ending August 2017: Number of investment units forecast to be issued: 333,001 units, forecast net income per unit: 2,863 yen

(Note 1) Calculation periods 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 asset management period in the first fiscal period is from September 9, 2016, which is the property acquisition date, to February 28, 2017 (173 days).

(Note 2) The operating forecasts and distribution 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 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 3) The forecasts may be subject to revision when a disparity beyond a certain degree is expected between the above forecasts and actual figures.

(Note 4) Amounts are rounded down to the nearest specified unit.

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

In the process of settling the interim accounts for the fiscal period ending February 2017, it was determined that there would be a 30% or more deviation in ordinary income and net income as well as a 5% or more deviation in distributions per unit (excluding distributions in excess of earnings) from the respective figures for the fiscal period ending February 2017 announced on September 8, 2016. Thus, the Investment Corporation revises its operating forecasts and distribution forecasts accordingly. The main factors for the revision are the 65 million yen decrease expected in operating expenses due to the decision to record fixed property taxes, city planning taxes, depreciable assets taxes, etc. (hereinafter the "Fixed Property Taxes, etc.") for fiscal 2017 as expenses in the fiscal periods ending August 2017 and February 2018 in the finalized amount based on the tax notice which the Investment Corporation is scheduled to receive in March 2017 or later and the 222 million yen decrease expected in non-operating expenses due to projection that expenses associated with issuance of new investment units, listing of investment units, public offering, etc. will fall below the previous forecasts. The Investment Corporation also reviews the operating forecasts for the fiscal period ending August 2017 and revises forecast on operating revenue.

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.

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

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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>➤ With regard to the real estate trust beneficiary interests of the properties (18 properties in total) newly acquired on September 9, 2016 (hereinafter the "Currently Owned Assets"), it is assumed that there will be no change (acquisition of new properties, disposition of portfolio properties, etc.) to the 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 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.</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 style="margin-left: 40px; border-collapse: collapse; width: 100%;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center;">First Fiscal Period</th> <th style="text-align: center;">Second Fiscal Period</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Expenses related to leasing business [Total]</td> <td style="text-align: center;">912 million yen</td> <td style="text-align: center;">1,124 million yen</td> </tr> <tr> <td style="text-align: left;">    Management fees</td> <td style="text-align: center;">279 million yen</td> <td style="text-align: center;">296 million yen</td> </tr> <tr> <td style="text-align: left;">    Of which:</td> <td style="text-align: center;">202 million yen</td> <td style="text-align: center;">214 million yen</td> </tr> <tr> <td style="text-align: left;">    Maintenance and management fee</td> <td style="text-align: center;"></td> <td style="text-align: center;"></td> </tr> <tr> <td style="text-align: left;">    Of which: Property management fee</td> <td style="text-align: center;">77 million yen</td> <td style="text-align: center;">82 million yen</td> </tr> <tr> <td style="text-align: left;">    Repair expenses</td> <td style="text-align: center;">17 million yen</td> <td style="text-align: center;">16 million yen</td> </tr> <tr> <td style="text-align: left;">    Taxes and dues</td> <td style="text-align: center;">0 million yen</td> <td style="text-align: center;">202 million yen</td> </tr> <tr> <td style="text-align: left;">    Depreciation</td> <td style="text-align: center;">240 million yen</td> <td style="text-align: center;">243 million yen</td> </tr> <tr> <td style="text-align: left;">Other than expenses related to leasing business [Total]</td> <td style="text-align: center;">403 million yen</td> <td style="text-align: center;">204 million yen</td> </tr> <tr> <td style="text-align: left;">    Asset management fee</td> <td style="text-align: center;">108 million yen</td> <td style="text-align: center;">128 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 based on information provided by the previous owners of the Currently Owned Assets and by reflecting variable factors.</li> <li>➤ Repair expenses for buildings are projected to be, based on the repair plans drawn by the Asset Management Company, 17 million yen for the fiscal period ending February 2017 and 16 million yen for the fiscal period ending August 2017. However, due to reasons such as repair expenses that may urgently arise for building damages, etc. caused by unforeseeable factors, the amount</li> </ul>		First Fiscal Period	Second Fiscal Period	Expenses related to leasing business [Total]	912 million yen	1,124 million yen	Management fees	279 million yen	296 million yen	Of which:	202 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	16 million yen	Taxes and dues	0 million yen	202 million yen	Depreciation	240 million yen	243 million yen	Other than expenses related to leasing business [Total]	403 million yen	204 million yen	Asset management fee	108 million yen	128 million yen
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	<p>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.</p> <ul style="list-style-type: none"> <li>➤ Depreciation calculated using the straight-line method, including incidental expenses, are projected to be 240 million yen for the fiscal period ending February 2017 and 243 million yen for the fiscal period ending August 2017 respectively.</li> <li>➤ Upon acquisition of real estate and other properties, the Investment Corporation 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, 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.</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 to be calculated based on the fee rate to be applied 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 48 million yen for the fiscal period ending February 2017 and approximately 46 million yen for the fiscal period ending August 2017.</li> </ul> <p>* 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%.</p>
<p>Non-operating expenses</p>	<ul style="list-style-type: none"> <li>➤ Deferred organization expenses of 51 million yen and expenses associated with issuance of new investment units and listing of investment units of 193 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 333 million yen for the fiscal period ending February 2017 and 136 million yen for the fiscal period ending August 2017.</li> </ul>

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Debt financing	<ul style="list-style-type: none"> <li>➤ The total of interest-bearing liabilities outstanding is assumed to be 30,900 million yen at the end of the fiscal period ending February 2017 and 29,000 million yen at the end of the fiscal period ending August 2017.</li> <li>➤ Debt financing of 30,900 million yen in total was made on September 9, 2016 from the qualified institutional investors defined under Article 2 Paragraph 3 item 1 of Financial Instruments and Exchange Act.</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 (First Fiscal Period) is projected to be about 48.6% and LTV at the end of the fiscal period ending August 2017 (Second Fiscal Period) is projected to be about 46.6%. 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> </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 333,0001 units of investment units issued and outstanding as of today through to the end of the fiscal period ending August 2017.</li> </ul>
Distribution per Unit (excluding Distributions in Excess of Earnings)	<ul style="list-style-type: none"> <li>➤ 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.</li> <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, and occurrence of unexpected repairs.</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.</li> </ul>

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