



August 5, 2019

For Immediate Release

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Notice Concerning the Forecast of Operating Results and Distributions 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

As announced in the “Notice Concerning Execution of Merger Agreement by and between MIRAI Corporation and Sakura Sogo REIT Investment Corporation” released today, MIRAI Corporation (hereinafter “MIRAI”) and Sakura Sogo REIT Investment Corporation (hereinafter “SAKURA”) (hereinafter the “Two Investment Corporations” collectively with MIRAI and SAKURA), plan to implement an absorption-type merger (the “Merger”) effective November 1, 2019, with MIRAI as the surviving corporation and SAKURA as the dissolving corporation, and they have executed a merger agreement dated today.

As a result, details regarding the forecast of operating results and distributions of the surviving corporation after the merger (hereinafter “New MIRAI”) for the fiscal periods ending April 2020 (8th Fiscal Period: from November 1, 2019 to April 30, 2020) and October 2020 (9th Fiscal Period: from May 1, 2020 to October 31, 2020) are provided below.

To unitholders in the United States:

This exchange offer or business combination is made for the securities of a foreign company. The offer is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer is located in a foreign country, and some or all of its officers may be residents of a foreign country. You may not be able to sue a foreign company or its officers in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court’s judgment.

You should be aware that the issuer may purchase securities otherwise than under the exchange offer, such as in open market or privately negotiated purchases.

	Operating revenue	Operating profit	Ordinary profit	Net profit	Distributions per unit (including distributions in excess of earnings)	Distributions per unit (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit
Fiscal Period Ending April 2020	¥7,654m	¥2,730m	¥2,364m	¥3,420m	¥1,600	-	-
Fiscal Period Ending October 2020	¥7,815m	¥3,874m	¥3,507m	¥3,506m	¥1,640	-	-

(Information)

The fiscal period ending April 2020: The estimated number of investment units outstanding as of the end of the period: 2,137,751 units*

The fiscal period ending October 2020: The estimated number of investment units outstanding as of the end of the period: 2,137,751 units*

*Please refer to the “Total number of investment units issued” shown in the attached “Assumptions Underlying Forecasts for the Fiscal Periods Ending April 30, 2020 and October 31, 2020”.

(Note 1) The operating periods of New MIRAI are annually from November 1 to April 30, and from May 1 to October 31, meaning there is no change from the operating periods of MIRAI before and after the Merger.

(Note 2) The above forecasts are calculated as of today, based on the assumptions set forth in the attached exhibit, “Assumptions Underlying Forecasts for the Fiscal Periods Ending April 30, 2020 and October 31, 2020”. The actual operating revenues, operating profit, ordinary profit, net profit, distributions per unit (excluding distributions of excess earnings) and distributions in excess of earnings per unit may differ due to a potential difference from the assumptions caused by future acquisition or sale of properties, changes in the real estate market, exercise of appraisal rights of investment units concerning the Merger and the number of investment units issued associated with the merger, interest rate trends and any other changes in circumstances surrounding New Mirai. The above forecasts are not a guarantee of any actual financial performances or amount of distributions.

(Note 3) In the above forecasts, an amount of negative goodwill to be generated associated with the Merger is estimated at 1,056 million yen, which will be recorded as a lump sum as extraordinary income in the Fiscal Period Ending April 2020. For details, please refer to “Extraordinary Income (Gain on negative goodwill)” shown in the attached “Assumptions Underlying Forecasts for the Fiscal Periods Ending April 30, 2020 and October 31, 2020”.

(Note 4) The forecasts may be revised if a significant deviation is expected.

(Note 5) Figures below each unit are rounded down while percentage figures are rounded to the nearest tenth.

(End)

*URL of the Two Investment Corporations:

MIRAI Corporation : <http://3476.jp/en>

Sakura Sogo REIT Investment Corporation : <http://sakurasogoreit.com/en>

This press release is the English translation of the announcement in Japanese on MIRAI and SAKURA’s website. However, no assurance or warranties are given for the completeness or accuracy of this English translation

(Reference press release, etc.)

Dated 6/21/2019	MIRAI	“Notice Concerning Disposition of Real Estate Trust Beneficiary in Japan (MIUMIU Kobe)”
Dated 6/21/2019	MIRAI	“Disposition of MIUMIU Kobe -Supplementary Material for the Press Release Dated June 21, 2019-”
Dated 8/5/2019	MIRAI and SAKURA	“Notice Concerning Execution of Merger Agreement by and between MIRAI Corporation and Sakura Sogo REIT Investment Corporation”
Dated 8/5/2019	MIRAI and SAKURA	“Merger of MIRAI Corporation and Sakura Sogo REIT Investment Corporation Execution of Merger Agreement - Supplementary Material for the Press Release Dated August 5, 2019-”
Dated 8/5/2019	MIRAI	“Notice Concerning Holding of General Meeting of Unitholders”
Dated 8/5/2019	SAKURA	“Notice Concerning Forecast of Operating Results for the Fiscal Period Ending October 2019 (the Final Fiscal Period) and Payment on the Merger”
Dated 8/5/2019	SAKURA	“Notice Concerning Convocation of General Meeting of Unitholders Regarding the Approval of Merger Agreement, etc.”

<Attachment>

“Assumptions Underlying Forecasts for the Fiscal Periods Ending April 30, 2020 and October 31, 2020”

Assumptions Underlying Forecasts for the Fiscal Periods Ending April 30, 2020 and October 31, 2020

Item	Assumptions
Calculation period and effectiveness of merger	<ul style="list-style-type: none"> The Fiscal Period Ending April 30, 2020: from November 1, 2019 to April 30, 2020 (182 days) The Fiscal Period Ending October 31, 2020: from May 1, 2020 to October 31, 2020 (184 days) It is assumed that the Merger will take effect on November 1, 2019 pursuant to satisfaction of prior conditions such as approval of the Merger at a general meeting of unitholders of MIRAI scheduled on September 10, 2019 and that of SAKURA scheduled on August 30, 2019. It is assumed that the Accounting Standard for Business Combinations (ASBJ Statement No. 21, revised on January 16, 2019) (the "Business Combinations Accounting Standard") will apply to the Merger, and the accounting treatment will be by the purchase method with MIRAI as the acquiring corporation and SAKURA as the acquired corporation.
Portfolio assets	<ul style="list-style-type: none"> It is assumed that in addition to the real estate trust beneficiary interests held by MIRAI today (a total of 29 properties), (i) as a consequence of the Merger, New MIRAI will succeed to the real estate trust beneficiary interests currently held by SAKURA (a total of 18 properties), and (ii) MIUMIU Kobe (quasi co-ownership interest 71%) (the "Assets to be Disposed") will be disposed of as below. For details of the Assets to be Disposed, please refer to "Notice Concerning Disposition of Real Estate Trust Beneficiary in Japan (MIUMIU Kobe)" announced by MIRAI on June 21, 2019. Fiscal Period Ending April 2020: quasi co-ownership interest 33% (scheduled disposition date: November 29, 2019) Fiscal Period Ending October 2020: quasi co-ownership interest 38% (scheduled disposition date: June 30, 2020) The forecasts do not assume any changes (any acquisitions or sale) among the portfolio assets other than the disposition of the Assets to be Disposed Changes may occur in realty due to changes in the Portfolio Assets.
Total number of investment units issued	<ul style="list-style-type: none"> It is assumed that, in addition to MIRAI's total outstanding investment units of 1,581,640 as of today, MIRAI will upon the Merger newly issue 556,111 investment units, for a total of 2,137,751 units. The number of new investment units issued by MIRAI upon the Merger has not been fixed yet, and will change according to rounding and the like. Such number will be announced immediately upon determination on or after November 1, 2019, the Effective Date of Merger. It is assumed that there will be no other change to the number of investment units such as the issuance of new investment units in the Fiscal Period Ending October 2020.
Interest-bearing debt	<ul style="list-style-type: none"> The MIRAI's balance of outstanding interest-bearing debt is 74,700 million yen as of today. It is assumed that all the balance of outstanding interest-bearing debt of SAKURA as of October 31, 2019, estimated at 29,200 million yen, will be succeeded by New MIRAI. It is assumed that the repayment for the amount of the 4,900 million yen of borrowings with repayment deadlines in the Fiscal Period Ending April 2020 and the amount of 6,000 million yen of borrowings with repayment deadlines in the Fiscal Period Ending October 2020, will be fully financed by borrowings. The interest-bearing debt outstanding as of April 30, 2020 and October 31, 2020 is expected to be 103,900 million yen, respectively. The LTV (based on total assets) as of the effective date of the Merger is expected to be approximately 47.7%, and the LTV as of April 30, 2020 and October 31, 2020 is expected to be around at the same level. The calculation of the LTV (based on total assets) uses the following formula: LTV (based on total assets) = total amount of interest-bearing debt outstanding / total assets×100
Operating revenue	<ul style="list-style-type: none"> Lease business revenue from the portfolio assets is calculated primarily by taking into account leasing contracts effective as of today and trends in the real estate leasing market (vacancy rates, rent levels, etc.). It is expected to receive 415 million yen for the Fiscal Period Ending April 2020 and 481 million yen for the Fiscal Period Ending October 2020 in gain on sales of real estate properties (disposition gain), based on the planned disposal of the Assets to be Disposed among the above "Portfolio assets" by the end of the Fiscal Periods Ending April 2020 and October 2020, respectively.
Operating expenses	<ul style="list-style-type: none"> Expenses for the lease business other than depreciation are based on past records, reflecting other variable factors into consideration. Total repair expenses for buildings are calculated based on the repair plans developed by Mitsui Bussan & IDERA Partners Co., Ltd., the Asset Management Company of MIRAI, and takes into account the engineering reports and appraisal reports, and are accrued in each fiscal period. It should be noted, however, that the actual repair expenses in each fiscal period may differ considerably from the estimates, mainly due to urgent repair expenses for any damages of assets arising from unexpected factors, significant yearly fluctuations in the amount of repair expenses and the nature of repair expenses whereby they do not arise on a regular basis.

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	<ul style="list-style-type: none"> • Depreciation including incidental expenses is calculated using the straight-line method. The book value of the real estate, etc. that New MIRAI will succeed from SAKURA has, as of today, not yet been fixed, and may change. • The breakdown of expenses for the lease business is as follows: <table style="margin-left: 40px; border-collapse: collapse; width: 100%;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: right;">Fiscal Period Ending April 2020</th> <th style="text-align: right;">Fiscal Period Ending October 2020</th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">Outsourcing services:</td> <td style="text-align: right;">669 million yen</td> <td style="text-align: right;">650 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Utilities:</td> <td style="text-align: right;">602 million yen</td> <td style="text-align: right;">699 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Taxes and dues:</td> <td style="text-align: right;">568 million yen</td> <td style="text-align: right;">592 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Repair expenses:</td> <td style="text-align: right;">110 million yen</td> <td style="text-align: right;">114 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Other expenses for lease business:</td> <td style="text-align: right;">350 million yen</td> <td style="text-align: right;">357 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation:</td> <td style="text-align: right;">779 million yen</td> <td style="text-align: right;">777 million yen</td> </tr> </tbody> </table> • Other expenses for leasing business includes 75 million yen for the Fiscal Period Ending April 2020 and 86 million yen for the Fiscal Period Ending October 2020 as expenses related to measures to improve profitability of the Portfolio Assets in the medium term. • Other operating expenses (asset management fees (excluding merger fees), administrative service fees(excluding merger-related fees), etc.) are estimated to be 592 million yen for the Fiscal Period Ending April 2020 and 749 million yen for the Fiscal Period Ending October 2020. • One-off expenses related to the Merger in the Fiscal Period Ending April 2020 are expected to be asset management fees in the form of merger fees of 650 million yen, which are to be paid by MIRAI to the Asset Management Company, Mitsui Bussan & IDERA Partners Co., Ltd., and merger-related fees of 600 million yen. 		Fiscal Period Ending April 2020	Fiscal Period Ending October 2020	Outsourcing services:	669 million yen	650 million yen	Utilities:	602 million yen	699 million yen	Taxes and dues:	568 million yen	592 million yen	Repair expenses:	110 million yen	114 million yen	Other expenses for lease business:	350 million yen	357 million yen	Depreciation:	779 million yen	777 million yen
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Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses and borrowing-related expenses are estimated to be 365 million yen for the Fiscal Period Ending April 2020, and 366 million yen for the Fiscal Period Ending October 2020. 																					
Extraordinary income (Gain on negative goodwill)	<ul style="list-style-type: none"> • An amount to be recorded as the gain on negative goodwill upon the Merger is estimated at 1,056 million yen, which will be recorded as a lump sum as extraordinary income according to the Business Combinations Accounting Standard for the Fiscal Period Ending April 2020. Such estimated amount is based on the assumptions that, under the Business Combinations Accounting Standard, the total assets of SAKURA as the acquired corporation are expected to be 65,524 million yen, its total assumed liabilities are expected to be 33,270 million yen and the consideration of acquisition regarding the Merger is expected to be 31,197 million yen (estimated using the closing price of 56,100 yen on July 29, 2019 for an investment unit of acquiring corporation MIRAI; this will be the acquisition price). An amount of the gain on negative goodwill as of the effective date of the Merger has not yet been determined, and may change from the amount as above. Such amount will be announced immediately upon determination on or after November 1, 2019, the effective date of the Merger. 																					
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> • Distributions per unit (excluding distributions in excess of earnings) are calculated based on the cash distribution policy described in the Articles of Incorporation of New MIRAI. • It is assumed that the total amount to be distributed for the Fiscal Period Ending April 2020 will be 3,421 million yen, calculated by allocating the gains on negative goodwill to partial payment of merger fees and merger-related fees. • The amount of distributions per unit (excluding distributions in excess of earnings) may fluctuate due to various factors such as acquisitions and sales of assets, changes in rent income caused by tenant relocations, unexpected repairs incurred, and interest rate fluctuations. • Derivatives transactions (interest rate swap transaction) will be continuously in place during the Fiscal Periods Ending April 2020 and October 2020. It is estimated that deferred losses on hedges as deduction from net assets (as specified in Item 30-B, Clause 2, Article 2 of the Calculation Rules for Investment Corporations) is 491 million yen, which is the same amount as the Fiscal Period Ended April 2019. It is calculated on the assumption that there is no change in the market value of interest rate swaps. 																					
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> • As described above, no change in the amount of deferred losses on hedges as deduction from net assets is assumed in the Fiscal Periods Ending April 2020 and October 2020, and distributions in excess of earnings related to the allowance for temporary difference adjustment are not scheduled at present. • Distributions in excess of earnings by decreasing unitholders' capital under taxation are not scheduled at present. 																					
Others	<ul style="list-style-type: none"> • The forecasts assume that no revisions that may impact the above projections will be made to laws and regulations, taxation, accounting standards, listing rules, the rules of the Investment Trust Association, Japan, or others. • The forecasts assume no unforeseeable significant changes in the general economic trends and real estate market conditions. 																					