

May 10, 2018

To All Concerned Parties

REIT Securities Issuer
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Representative: Makoto Muranaka,
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Notice Concerning Revision to the Operating and Distribution Forecasts
for the Fiscal Periods Ending June 2018 and December 2018
resulting from Change of Fiscal Period

Sakura Sogo REIT (hereinafter the “Investment Corporation”) announces its operating forecasts and distribution forecasts for the fourth fiscal period (from March 1, 2018 to June 30, 2018, hereinafter “FP4”) and for the fifth fiscal period (from July 1, 2018 to December 31, 2018, hereinafter “FP5”) as follows.

1. Reasons for this notice

The change in FP 4 operating forecasts and distributions reflect the change in period end date from 31 August 2018 to 30 June 2018. Underlying operating forecasts and distributions have not changed from previous forecast other than FP4 now representing 4 months only (previously 6 months).

2. Details of revision to operating forecasts and distribution forecasts

(1) FP4

	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)
(A) Previous	2,448	1,054	900	899	2,700	0
(A') = (A)/6x4	1,632	702	600	599	1,800	0
(B) Revised forecast	1,628	702	600	600	1,801	0
Variance (B-A')	-4	0	0	1	1	0
Variance (B-A') (%)	-0.2	0.0	0.0	0.2	0.1	-

(Reference) FP4: number of investment units forecast on issue: 333,001 units, forecast net income per unit: 1,801 yen

(2) FP5

	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)
(A) Previous forecast	2,418	1,065	900	900	2,702	0
(B) Revised forecast	2,429	1,061	900	899	2,700	0
Variance (B-A)	11	-4	0	-1	-2	0
Variance (B-A) (%)	0.5	-0.4	0.0	-0.1	-0.1	-

(Reference) FP5: number of investment units forecast on issue: 333,001 units, forecast net income per unit: 2,700 yen

(Note 1) The operating forecasts and distribution forecasts for FP4 and FP5 are figures based on currently available information calculated based on the assumptions described in the attachment "Assumptions for Operating Forecasts for FP4 and FP5." 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.

Assumptions for Operating Forecasts for FP4 and FP5

Item	Assumptions															
Calculation period	<ul style="list-style-type: none"> ➤ FP4 (From March 1, 2018 to June 30, 2018) (122 days) ➤ FP5 (From July 1, 2018 to December 31, 2018) (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) owned as at 2 May 2018. ➤ Changes may arise to the current portfolio in the event of acquiring new properties or disposing of existing properties. 															
Operating revenue	<ul style="list-style-type: none"> ➤ Rental revenue from the current portfolio is calculated based on the rents described in the lease agreements that are effective as of today. ➤ The forecast of operating revenue 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="0" style="margin-left: 40px; width: 100%;"> <thead> <tr> <th></th> <th style="text-align: center;">FP4</th> <th style="text-align: center;">FP5</th> </tr> </thead> <tbody> <tr> <td>Expenses related to leasing business Included</td> <td style="text-align: right;">734 million yen</td> <td style="text-align: right;">1,109 million yen</td> </tr> <tr> <td style="padding-left: 20px;">- Property expenses</td> <td style="text-align: right;">561 million yen</td> <td style="text-align: right;">851 million yen</td> </tr> <tr> <td style="padding-left: 20px;">- Depreciation</td> <td style="text-align: right;">173 million yen</td> <td style="text-align: right;">258 million yen</td> </tr> <tr> <td>Expenses not directly related to property</td> <td style="text-align: right;">191 million yen</td> <td style="text-align: right;">259 million yen</td> </tr> </tbody> </table> ➤ Of expenses related to the leasing business of the current portfolio, 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 current portfolio and by reflecting variable factors. ➤ Repair expenses for buildings are projected to be, based on the repair plans drawn by the Asset Management Company, 29 million yen for FP4 and 29 million yen for FP5. 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 173 million yen for FP4 and 258 million yen for FP5 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 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. 		FP4	FP5	Expenses related to leasing business Included	734 million yen	1,109 million yen	- Property expenses	561 million yen	851 million yen	- Depreciation	173 million yen	258 million yen	Expenses not directly related to property	191 million yen	259 million yen
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Non-operating expenses	<ul style="list-style-type: none"> ➤ Interest expenses and other borrowing related expenses are projected to be 102 million yen for FP4, 161 million yen is projected for FP5.
Debt financing	<ul style="list-style-type: none"> ➤ The total of interest-bearing liabilities outstanding is assumed to be 29,000 million yen at the end of FP4 and FP5. ➤ LTV at end of FP4 is projected to be about 46.3% and LTV at the end of FP5 is projected to be about 46.0 %. <p>The following formula is used in the calculation of LTV. $LTV = \text{Total interest-bearing liabilities} \div \text{Total assets}$</p>
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 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. ➤ Forecasts are based on the assumption there will be no unforeseen material changes in general economic and real estate market conditions.