

July 31, 2017

To All Concerned Parties

REIT Securities Issuer  
3-8-11 Kudan Minami, Chiyoda-ku, Tokyo  
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,  
/ Inquires: Representative Director and  
President  
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Notice Concerning Revision to Operating and Distribution Forecasts for the Fiscal Periods  
Ending August 2017 and February 2018

Sakura Sogo REIT (hereinafter the "Investment Corporation") announces revision to its operating forecasts and distribution forecasts for the second fiscal period (from March 1, 2017 to August 31, 2017, hereinafter "FP2") and for the third fiscal period (from September 1, 2017 to February 28, 2018, hereinafter "FP3") as follows.

1. Details of revision to operating forecasts and distribution forecasts

(1) FP2

	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)	2,428	1,071	934	933	2,803	0
Revised forecast (B)	2,419	1,068	934	933	2,803	0
Increase/decrease (B-A)	-9	-3	0	0	0	0
Increase/decrease rate	-0.4%	-0.3%	0.0%	0.0%	0.0%	-

(Reference) FP2: number of investment units forecast on issue: 333,001 units, forecast net income per unit: 2,803 yen

(2) FP3

	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)	2,441	1,051	900	899	2,700	0
Revised forecast (B)	2,639	1,261	1,109	1,108	3,330	0
Increase/decrease (B-A)	198	210	209	209	630	0
Increase/decrease rate	8.1%	20.0%	23.2%	23.2%	23.3%	-

(Reference) FP3: number of investment units forecast on issue: 333,001 units, forecast net income per unit: 3,330 yen

(Note 1) The operating forecasts and distribution forecasts for FP2 and FP3 are figures based on currently available information calculated based on the assumptions described in the attachment “Assumptions for Operating Forecasts for FP2 and FP3.” 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.

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

Due to the acquisition and disposition of real estate beneficiary interest in trust (hereinafter referred to as the “Acquisition” and “Disposition”) described in “Notice Concerning Acquisition and Disposition of Real Estate Beneficiary Interest in Trust” announced today and current conditions of operating assets, there were changes in the assumptions that underlie the forecast for FP3, which was announced on April 13, 2017. Thus, the Investment Corporation revises its operating forecasts and distribution forecasts accordingly. The Investment Corporation also revises the operating forecasts for FP2 based on the assumptions outlined in the attachment.

The main factor for the revision in FP3 is the realized gain on sale real estate property of 317 million yen before transaction costs. This equates to 224 million yen increase (245 million yen increase /on gain on sale of real estate property, 21 million yen increase in non-deductible consumption tax)..

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 trade publications of the Ministry of Land, Infrastructure, Transport and Tourism.

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

Assumptions for Operating Forecasts for FP2 and  
FP3

Item	Assumptions																																				
Calculation period	<ul style="list-style-type: none"> <li>➤ FP2 (From March 1, 2017 to August 31, 2017) (184 days)</li> <li>➤ FP3 (From September 1, 2017 to February 28, 2018) (181 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) 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.) in FP2.</li> <li>➤ Disposition will exercised on September 11, 2017 and Acquisition on September 29, 2017 respectively in FP3.</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> <li>➤ Gain on sale of real estate property from Disposition is expected to be 245 million yen for FP3.</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):</li> </ul> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center; width: 20%;">FP2</th> <th style="text-align: center; width: 20%;">FP3</th> </tr> </thead> <tbody> <tr> <td>Expenses related to leasing business [Total]</td> <td style="text-align: right;">1,126million yen</td> <td style="text-align: right;">1,089 million yen</td> </tr> <tr> <td>    Management fees</td> <td style="text-align: right;">340 million yen</td> <td style="text-align: right;">341 million yen</td> </tr> <tr> <td>    Of which:</td> <td style="text-align: right;">210 million yen</td> <td style="text-align: right;">205 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 style="text-align: right;">82 million yen</td> <td style="text-align: right;">80 million yen</td> </tr> <tr> <td>        Repair expenses</td> <td style="text-align: right;">53 million yen</td> <td style="text-align: right;">33 million yen</td> </tr> <tr> <td>        Taxes and dues</td> <td style="text-align: right;">202 million yen</td> <td style="text-align: right;">198 million yen</td> </tr> <tr> <td>        Depreciation</td> <td style="text-align: right;">253 million yen</td> <td style="text-align: right;">255 million yen</td> </tr> <tr> <td>Other than expenses related to leasing business [Total]</td> <td style="text-align: right;">224 million yen</td> <td style="text-align: right;">288 million yen</td> </tr> <tr> <td>    Asset management fee</td> <td style="text-align: right;">129 million yen</td> <td style="text-align: right;">172 million yen</td> </tr> <tr> <td>    Non-deductible consumption tax</td> <td style="text-align: right;">11 million yen</td> <td style="text-align: right;">32 million yen</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <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, 53 million yen for FP2 and 33 million yen for FP3. 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</li> </ul>		FP2	FP3	Expenses related to leasing business [Total]	1,126million yen	1,089 million yen	Management fees	340 million yen	341 million yen	Of which:	210 million yen	205 million yen	Maintenance and management fee			Of which: Property management fee	82 million yen	80 million yen	Repair expenses	53 million yen	33 million yen	Taxes and dues	202 million yen	198 million yen	Depreciation	253 million yen	255 million yen	Other than expenses related to leasing business [Total]	224 million yen	288 million yen	Asset management fee	129 million yen	172 million yen	Non-deductible consumption tax	11 million yen	32 million yen
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	<p>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 253 million yen for FP2 and 255 million yen for FP3 respectively.</li> <li>➤ 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.</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 FP3 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 FP2 is lower than the asset management fee to be calculated based on the fee rate to be applied for FP3 and subsequent fiscal periods. The amount of difference between the asset management fee for FP2 that would be payable if the asset management fee were to be at the fee rate that would apply to FP3 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 FP2.</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>➤ Interest expenses and other borrowing related expenses are projected to be 136 million yen for FP2. Due to additional interest cost associated with refinance of short term borrowings and extension of loan maturity profile, 151 million yen is projected for FP3.</li> </ul>
<p>Debt financing</p>	<ul style="list-style-type: none"> <li>➤ The total of interest-bearing liabilities outstanding is assumed to be 29,000 million yen at the end of FP2 and 29,000 million yen at the end of FP3.</li> <li>➤ LTV at end of FP2 is projected to be about 46.0% and LTV at the end of FP3 is projected to be about 45.7 %.</li> </ul> <p>The following formula is used in the calculation of LTV.  <math display="block">\text{LTV} = \text{Total interest-bearing liabilities} \div \text{Total assets}</math></p>
<p>Investment units</p>	<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 FP3.</li> </ul>
<p>Distribution per Unit</p>	<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</li> </ul>

	<p>with the cash distribution policy provided in the Articles of Incorporation of the Investment Corporation.</p> <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, 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>