

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,
 / Inquiries Representative Director and
 President
 Mayumi Kobiki,
 Chief Financial Officer
 Tel: +81-3-6272-6608

Notice Concerning Disposition of Domestic Trust Beneficiary Right
(Confomall Sapporo)

Sakura Sogo REIT Investment Corporation (hereinafter the “Investment Corporation” or “SKR”) announces that Sakura Real Estate Funds Management, Inc. (hereinafter “SREFM”), its asset management company, has passed a resolution to dispose of an asset (hereinafter referred to as the “Disposition”) as outlined below:

1. Overview of the Disposition

| | | |
|--------------------------------|---|---|
| Disposition asset | : | 100% beneficiary interest in Trust |
| Name of asset | : | Confomall Sapporo |
| Contract date | : | 28 June 2018 |
| Disposition date | : | 28 June 2018 |
| Disposition price ¹ | : | ¥1,640 million |
| Acquisition price ² | : | ¥1,400 million |
| Appraisal value ³ | : | ¥1,440 million |
| Book value ⁴ | : | ¥1,429 million |
| Net realized gain ⁵ | : | ¥133 million |
| Purchaser | : | Please refer to 4. Profile of the Purchaser below |
| Settlement method | : | Payment in full on settlement |

¹ Disposition price as agreed to and indicated in the Purchase and Sale Agreement (Excluding disposition related costs, consumption tax and local consumption tax). The same applies below.

² Acquisition price as agreed to and indicated in the Purchase and Sale Agreement (Exclusive of disposition related costs and consumption tax) when acquired by SKR on 9 September 2016

³ Appraisal value indicated in the appraisal report provided by Daiwa Real Estate Appraisal Co., Ltd. with effective date of 28 February 2018. The same applies below.

⁴ Book value as at 31 May 2018. The same applies below.

⁵ Difference in value between the above disposition price and the above book value less related costs. The difference is different from the actual net realized gain on sale. The same applies below.

2. Reasons for the Disposition

SREFM, is focused on implementing initiatives that enhance both SKR diversified portfolio characteristics and unitholder value. This includes exploring opportunities to dispose of assets where it can do so at an attractive premium to book value and reinvest those proceeds to enhance portfolio characteristics. Taking into consideration the portfolio's NOI yield post depreciation, average building age, weighting by location strategy, etc., SKR decided to sell the Confomall Sapporo from the viewpoint of strategic asset replacement to improve unitholder value.

3. Description of the Disposition Asset

| | | | | |
|--|--|-------------|-------------|-------------|
| Property name – OT-03 Confomall Sapporo | | | | |
| Zoning | Commercial | | | |
| Asset type | Mixed Use (retail, fitness club and 45-residential units) | | | |
| Type of Specified Asset | 100% beneficiary interest in Trust | | | |
| Trustee | Mitsubishi UFJ Trust Bank, Ltd. | | | |
| Trust term | From 4 February 2005 until 8 September 2026 | | | |
| Location | 1005-4 Minami 4-jo Nishi 10-chome, Chuo-ku Sapporo-shi, Hokkaido | | | |
| Access | Nishi 11 Chome Station (approximately 7-minute walk) Tozai subway line | | | |
| Completion Date | 10 March 2003 | | | |
| Structure / Number of Stories | Steel framed reinforced concrete structure / B1/10F | | | |
| Site Area | 2,742.6 square meters | | | |
| Gross Building Area | 13,366.3 square meters | | | |
| Building Coverage Ratio | 80% | | | |
| Floor Area Ratio | 400% | | | |
| Property Management Company | Japan Property Solutions Co., Ltd. | | | |
| Seismic Risk (PML) | 2.8% | | | |
| Acquisition Price | 1,400 million yen | | | |
| Disposition Price | 1,640 million yen | | | |
| Book Value | 1,429 million yen | | | |
| Estimated Net Realized Gain | 133 million yen | | | |
| Appraisal value | 1,440 million yen | | | |
| Appraisal Firm | Daiwa Real Estate Appraisal Co., Ltd. | | | |
| Total number of tenants (As at 30 April 2018) | 43 | | | |
| Appraisal NOI | 81,125,325 yen | | | |
| Security and Guarantee Deposits | 116,457 thousand yen | | | |
| Total Leasable Floor Space | 5,941.81 square meters | | | |
| Total Leased Floor Space (As at 30 April 2018) | 5,630.60 square meters | | | |
| Historical Occupancy Rate (By quarter) | 30 Jun 2017 | 30 Sep 2017 | 31 Dec 2017 | 30 Apr 2018 |
| | 96.5% | 93.1% | 96.5% | 94.8% |
| Special Comments | There are no applicable matters. | | | |

4. Profile of the Purchaser

| | | | | |
|-------------------------------------|--|--|--|--|
| Company Name | Hokkaido Syokuryosangyo Co., Ltd. | | | |
| Head Office | 19 Minami 2-7 Hondori, Shiroishi-ku, Sapporo-shi, Hokkaido | | | |
| Representative | Satoru Toyota, Representative Director and President | | | |
| Principal Business | General wholesale trade | | | |
| Capital (As at 30 April 2018) | 40 million yen | | | |
| Established | 31 August 1956 | | | |
| Relationships with SKR and/or SREFM | | | | |
| Capital | There is no capital relationship to report | | | |
| Personal | There is no personal relationship to report | | | |

| | |
|----------------------|---|
| Business | There is no business relationship to report |
| Related Party Status | The Purchaser does not fall under the definition of a related party of SKR or SREFM |

5. Overview of Brokerage

| | |
|-------------------------------------|--|
| Company Name | Mitsui Fudosan Realty Co., Ltd. |
| Head Office | 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo |
| Representative | Yasuhiko Yamashiro, President and Chief Executive Officer |
| Principal Business | Real estate brokerage |
| Capital (As at 31 March 2018) | 20 billion yen |
| Established | 15 July 1969 |
| Relationships with SKR and/or SREFM | |
| Capital | There is no capital relationship to report |
| Personal | There is no personal relationship to report |
| Business | There is no business relationship to report |
| Related Party Status | The Broker does not fall under the definition of a related party of SKR or SREFM |
| Notes | The Broker would not allow broker fee to be disclosed |

6. Use of proceeds

The net realized gain on sale from the Disposition is planned to be distributed as profit distribution. The residual amount will be retained as cash on hand and anticipated to be allocated to part fund future acquisitions of assets, related expenses or part repayment of existing borrowings. Details of future acquisition properties or the repayment of existing borrowings will be announced once determined.

7. Future Outlook

SREFM is currently investigating potential reinvestment options for the proceeds from the Disposition including those from pipeline support partners. Forecasts for performance and distribution per unit for the fiscal periods ending 30 June 2018 (hereinafter "FP4") and 31 December 2018 (hereinafter "FP5") will be affected by implementation and the details of such reinvestment, therefore, revised forecasts will be announced promptly once such reinvestment is determined or it becomes clear that such reinvestment will not be made. Further, if any, or all of these reinvestment options are not completed, certain costs may be expensed in FP4.

8. Overview of Appraisal Report

Unit: ¥ mil

| | | |
|---|---------------------------------------|--|
| Property Name | Confomall Sapporo | |
| Appraisal Value | 1,440 | |
| Appraiser | Daiwa Real Estate Appraisal Co., Ltd. | |
| Effective Date | 28 February 2018 | |
| Item | Details | Description |
| Indicated value by income approach | 1,440 | Both the direct capitalization method and DCF method were applied, but it was judged that the value based on the DCF method which determined value by specifying the fluctuation of future net profit was more convincing. Also verified from the value by the direct capitalization method and calculated the value by the income approach. |
| Indicated value by direct capitalization method | 1,450 | Assessed by adopting appraised cap rates from similar properties based on analysis of market trends and appropriate rents. |

3

Disclaimer: This press release is for public announcement in regards to the Investment Corporation's disposition, and has not been prepared for the purpose of solicitation of investment.

| | | | |
|---|--------------------------------|-------|---|
| (i) Operating revenue ((a)-(b)) | | 142 | |
| | (a) Gross potential income | 146 | Mid to long term stabilized income from retail and residential rent revenue, car park, signage. |
| | (b) Vacancy loss etc. | 4 | Assessed based on a vacancy rate considered stable in the medium to long term. |
| (ii) Operating expenses | | 61 | |
| | Maintenance and management fee | 9 | Adopted terms of planned service agreement which are judged consistent with market terms. |
| | Utilities expense | 22 | Based on the actual amounts, utilities expenses were assessed as ¥1,000 yen/tsubo per month for rentable area. |
| | Repair expenses | 4 | Based on repair expenses of similar real estate, assessed equivalent to 0.12% of building replacement cost. The maintenance cost of the rental room accompanying the past was assessed as ¥6,000/tsubo, taking into consideration the tenant's reinstatement expenses. |
| | Property management fee | 2 | Applied rate of 1.3% of existing agreement. |
| | Tenant leasing costs, etc. | 1 | Adopted leasing costs based on actuals from comparable properties and referencing historical data. Based on the tenant leasing costs of similar properties, a fee of 1.0 months rent were assessed. |
| | Property taxes | 19 | Land: assessed based on actual 2017 taxes, land value trends. Building: adopted 2017 actuals. |
| | Insurance premiums | 1 | Adopted terms of current insurance which are judged consistent with market terms. |
| | Other expenses | 4 | For other expenses such as miscellaneous expenses, expendable items, etc. it was assessed as ¥80/tsubo per month per rentable area. |
| (iii) Net operating income (NOI = (i)-(ii)) | | 81 | |
| (iv) Financial interests on deposits | | 1 | Appraised investment return of 1.0% |
| (v) Capital expenditures | | 7 | Appraised by reference to the renewal expenses in the ER and expenses of comparable properties at 0.28% of replacement value of the building. |
| (vi) Net cash flow (NCF = (iii)+(iv)-(v)) | | 75 | |
| (vii) Capitalization rate | | 5.2% | - |
| Indicated value of DCF method | | 1,430 | Assessed by assuming current lease agreement terms and conditions and tenant characteristics, appropriately reflecting the change in future cash flows and terminal value. |
| | Discount rate | 5.0% | Assessed based on discount rates of comparative real estate transactions and comparing with yields of other financial products. |
| | Terminal capitalization rate | 5.4% | Assessed taking into consideration the marketability of the subject real estate at the end of the DCF analysis period. |
| Indicated value by cost approach | | 1,790 | Assessed by applying depreciation price correction to the replacement cost as well as taking the marketability of the land and building as a single piece of real estate into consideration. |
| | Ratio of land | 51.1% | - |
| | Ratio of building | 48.9% | - |
| Other matters of consideration | | | Regarding the appraisal value, it is necessary to reconsider the selection, consideration and utilization of materials, suitability of utilization in accordance with the principle on real estate prices in a timely manner, analysis of general factors, compliance with regional analysis and individual analysis. Consistency of the judgment on price formation factor common to all the relationships between the unit price and the total amount was reviewed again. Furthermore, from the viewpoints of the compatibility |

| | |
|--|--|
| | of the results of regional analysis and individual analysis concerning the target real estate with each method, the characteristics of the materials adopted in the application of each method and the relative reliability due to limitations, etc., the persuasive power of each trial price is considered and decided according to conscience as a professional occupation. |
|--|--|

Reference Materials

- Reference Material 1 Portfolio List after the Disposition
- Reference Material 2 Summary of Engineering Report and Earthquake Risk Analysis after the Disposition

The original Japanese version of this press release is distributed to the press club of the Tokyo Stock Exchange (Kabuto Club), the press club of the Ministry of Land, Infrastructure, Transport and Tourism, and the press club for construction trade publications of the Ministry of Land, Infrastructure, Transport and Tourism.

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

Reference Material 1. Portfolio List after the Disposition

| Property No. | Property name | Location | Acquisition price (¥m) | Real estate appraisal value (¥m) ¹ | Investment ratio (%) ² |
|-----------------------|-----------------------------|-------------------------|------------------------|---|-----------------------------------|
| OF-01 | Seishin Building | Shinjuku-ku, Tokyo | 7,880 | 8,850 | 14.1 |
| OF-02 | NK Building | Chiyoda-ku, Tokyo | 3,730 | 3,980 | 6.7 |
| OF-03 | Tsukasamachi Building | Chiyoda-ku, Tokyo | 3,820 | 4,040 | 6.8 |
| OF-04 | Takadanobaba Access | Shinjuku-ku, Tokyo | 3,330 | 3,510 | 5.9 |
| OF-05 | Azabu Amerex Building | Minato-ku, Tokyo | 2,020 | 2,270 | 3.6 |
| OF-06 | Hiei Kudan Building | Chiyoda-ku, Tokyo | 1,960 | 2,090 | 3.5 |
| OF-07 | Shin Yokohama Nara Building | Yokohama-shi, Kanagawa | 1,910 | 2,020 | 3.4 |
| Office sub-total | | | 24,650 | 26,760 | 44.0 |
| RT-01 | La Park Kishiwada | Kishiwada-shi, Osaka | 6,460 | 6,640 | 11.5 |
| RT-02 | Suoy Mall Chikushino | Chikushino-shi, Fukuoka | 7,670 | 7,790 | 13.7 |
| RT-03 | Seiyu Minakuchi | Koka-shi, Shiga | 4,150 | 4,220 | 7.4 |
| RT-04 | Suoy Mall Nagamine | Kumamoto-shi, Kumamoto | 4,180 | 4,470 | 7.5 |
| Retail sub-total | | | 22,460 | 23,120 | 40.0 |
| RS-01 | Shiroi Logiman | Shiroi-shi, Chiba | 2,180 | 2,160 | 3.9 |
| RS-02 | Matsuya Residence Sekime | Osaka-shi, Osaka | 1,820 | 1,930 | 3.2 |
| RS-04 | Urban Plaza Imazato | Osaka-shi, Osaka | 940 | 945 | 1.7 |
| RS-05 | Abode Yoyogi Parkside | Shibuya-ku, Tokyo | 1,600 | 1,610 | 2.9 |
| Residential sub-total | | | 6,540 | 6,645 | 11.7 |
| OT-01 | Funabashi Hi Tech Park I | Funabashi-shi, Chiba | 1,720 | 1,800 | 3.1 |
| OT-02 | Funabashi Hi Tech Park II | Funabashi-shi, Chiba | 710 | 778 | 1.3 |
| Other sub-total | | | 2,430 | 2,578 | 4.3 |
| Total Portfolio | | | 56,080 | 59,103 | 100.0 |

¹ Appraisal value indicated in the appraisal reports provided by Daiwa Real Estate Appraisal Co., Ltd. with valuation effective date of 28 February 2018.

² "Investment ratio" is the ratio of acquisition prices for each asset to the total of acquisition prices, rounded down to the first decimal place.

Reference Material 2. Summary of Engineering Report and Earthquake Risk Analysis after the Disposition

| Property No. | Property name | Engineering Firm | Engineering Report Investigation Date | Short term repair expenses ¹ (thousand yen) | Medium to long term repair expenses (thousand yen) ² | PML (%) ³ |
|--------------|------------------------------|-------------------|---------------------------------------|--|---|----------------------|
| OF-01 | Seishin Building | TRC ⁴ | 5 October 2015 | 0 | 18,603 | 5.5 |
| OF-02 | NK Building | TRC ⁴ | 8 October 2015 | 0 | 16,031 | 8.4 |
| OF-03 | Tsukasamachi Building | TRC ⁴ | 8 October 2015 | 0 | 12,823 | 9.4 |
| OF-04 | Takadanobaba Access Building | TRC ⁴ | 5 October 2015 | 0 | 16,108 | 3.5 |
| OF-05 | Azabu Amerex Building | TRC ⁴ | 5 October 2015 | 0 | 5,682 | 9.3 |
| OF-06 | Hiei Kudan Building | TRC ⁴ | 8 October 2015 | 0 | 17,234 | 3.5 |
| OF-07 | Shin Yokohama Nara Building | TRC ⁴ | 16 October 2015 | 0 | 13,798 | 4.4 |
| | | | | | | |
| RT-01 | La Park Kishiwada | TRC ⁴ | 5,6 October 2015 | 0 | 71,684 | 14.8 |
| RT-02 | Suroy Mall Chikushino | TRC ⁴ | 21,22 June 2016 | 0 | 30,314 | 1.7 |
| RT-03 | Seiyu Minakuchi | TRC ⁴ | 9 October 2015 | 0 | 14,058 | 4.2 |
| RT-04 | Suroy Mall Nagamine | TRC ⁴ | 26 June 2016 | 0 | 14,857 | 8.1 |
| | | | | | | |
| RS-01 | Shiroi Logiman | TRC ⁴ | 13 October 2015 | 0 | 48,374 | 3.6 |
| RS-02 | Matsuya Residence Sekime | TRC ⁴ | 7 October 2015 | 0 | 22,752 | 11.6 |
| RS-04 | Urban Plaza Imazato | TRC ⁴ | 7 October 2015 | 0 | 7,993 | 12.0 |
| RS-05 | Abode Yoyogi Parkside | JCIA ⁵ | 11 July 2017 | 0 | 642 | 7.3 |
| | | | | | | |
| OT-01 | Funabashi Hi Tech Park I | TRC ⁴ | 16 October 2015 | 0 | 1,901 | 4.6 |
| OT-02 | Funabashi Hi Tech Park II | TRC ⁴ | 16 October 2015 | 0 | 3,123 | 4.6 |
| | | | | | | |
| | | | | | 315,950 | 3.9 |

¹ "Short term repair expenses" are the expenses stated in the Engineering Report as expenses in need and repair required within roughly one year, rounded to the nearest thousand yen.

² "Medium to long-term repair expenses" is the average amount per year of the repair and renewal expenses projected for the next 12 years stated in the Engineering Report, rounded to the nearest thousand yen.

³ "PML" ("Probable Maximum Loss") for the properties and overall PML is extracted from the Earthquake Risk Valuation Report provided by Tokio Marine & Nichido Risk in June 2018.

⁴ Tokio Marine & Nichido Risk Consulting Co., Ltd.

⁵ JCIA (Japan Constructive Inspect Association)