

August 6, 2019

For Immediate Release

Real Estate Investment Trust Securities Issuer

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SANKEI REAL ESTATE Inc.

Representative: Yuichi Ota, Executive Director

(TSE code: 2972)

Asset Management Company

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Notice Concerning Revisions to Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending August 31, 2019, Fiscal Period Ending February 29, 2020, Fiscal Period Ending August 31, 2020 and Fiscal Period Ending February 28, 2021

SANKEI REAL ESTATE Inc. ("SANKEI REAL ESTATE") announces the following revisions to the operating forecasts and distribution forecasts for the fiscal period ending August 31, 2019 (from November 19, 2018 to August 31, 2019), fiscal period ending February 29, 2020 (from September 1, 2019 to February 29, 2020), fiscal period ending August 31, 2020 (from March 1, 2020 to August 31, 2020) and fiscal period ending February 28, 2021 (from September 1, 2020 to February 28, 2021) announced on March 12, 2019.

1. Details of revisions to operating forecasts and distribution forecasts

(1) Fiscal period ending August 31, 2019 (1st fiscal period) (from November 19, 2018 to August 31, 2019)

	Operating revenue (million yen)	Operating profit (million yen)	Ordinary profit (million yen)	Net profit (million yen)	Distribution per unit (yen) (including distributions in excess of earnings)	Distribution per unit (yen) (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit (yen)
Previous forecasts announced (A)	1,140	632	264	263	1,099	1,099	-
Revised forecasts (B)	1,154	638	269	268	1,121	1,121	-
Change (B-A)	14	6	5	5	22	22	-
Change rate	1.2%	0.9%	1.9%	1.9%	2.0%	2.0%	-

(Reference) Fiscal period ending August 31, 2019

Forecast number of investment units issued and outstanding at end of period: 239,600 units; Forecast earnings per unit: 1,121 yen

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(2) Fiscal period ending February 29, 2020 (2nd fiscal period) (from September 1, 2019 to February 29, 2020)

	Operating revenue (million yen)	Operating profit (million yen)	Ordinary profit (million yen)	Net profit (million yen)	Distribution per unit (yen) (including distributions in excess of earnings)	Distribution per unit (yen) (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit (yen)
Previous forecasts announced (A)	1,222	634	579	578	2,414	2,414	-
Revised forecasts (B)	1,951	1,100	960	959	2,689	2,689	-
Change (B-A)	729	466	381	381	275	275	-
Change rate	59.7%	73.5%	65.8%	65.9%	11.4%	11.4%	-

(Reference) Fiscal period ending February 29, 2020

Forecast number of investment units issued and outstanding at end of period: 356,800 units; Forecast earnings per unit: 2,689 yen

(3) Fiscal period ending August 31, 2020 (3rd fiscal period) (from March 1, 2020 to August 31, 2020)

	Operating revenue (million yen)	Operating profit (million yen)	Ordinary profit (million yen)	Net profit (million yen)	Distribution per unit (yen) (including distributions in excess of earnings)	Distribution per unit (yen) (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit (yen)
Previous forecasts announced (A)	1,279	588	533	532	2,223	2,223	-
Revised forecasts (B)	2,005	928	842	841	2,358	2,358	-
Change (B-A)	726	340	309	309	135	135	-
Change rate	56.8%	57.8%	58.0%	58.1%	6.1%	6.1%	-

(Reference) Fiscal period ending August 31, 2020

Forecast number of investment units issued and outstanding at end of period: 356,800 units; Forecast earnings per unit: 2,358 yen

(4) Fiscal period ending February 28, 2021 (4th fiscal period) (from September 1, 2020 to February 28, 2021)

	Operating revenue (million yen)	Operating profit (million yen)	Ordinary profit (million yen)	Net profit (million yen)	Distribution per unit (yen) (including distributions in excess of earnings)	Distribution per unit (yen) (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit (yen)
Previous forecasts announced (A)	1,295	590	536	535	2,235	2,235	-
Revised forecasts (B)	2,025	932	848	847	2,374	2,374	-
Change (B-A)	730	342	312	312	139	139	-
Change rate	56.4%	58.0%	58.2%	58.3%	6.2%	6.2%	-

(Reference) Fiscal period ending February 28, 2021

Forecast number of investment units issued and outstanding at end of period: 356,800 units; Forecast earnings per unit: 2,374 yen

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- (Note 1) The business periods of SANKEI REAL ESTATE are every year from March 1 to the last day of August and from September 1 to the last day of February in the following year, but the business period of the fiscal period ending August 31, 2019 (1st fiscal period) is from November 19, 2018, the date of incorporation of SANKEI REAL ESTATE, to the last day of August 2019. Please note that the actual business period of the fiscal period ending August 31, 2019 (1st fiscal period) is from March 12, 2019 to the last day of August 2019 (173 days).
- (Note 2) The operating forecasts and distribution forecasts for the fiscal period ending August 31, 2019, fiscal period ending February 29, 2020, fiscal period ending August 31, 2020 and fiscal period ending February 28, 2021 are the current forecasts calculated based on the assumptions stated in the attachment “Assumptions Underlying the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending August 31, 2019, Fiscal Period Ending February 29, 2020, Fiscal Period Ending August 31, 2020 and Fiscal Period Ending February 28, 2021.” Accordingly, discrepancies with the assumptions may arise due to various factors, such as future additional acquisition or sale of real estate, etc., trends of the real estate market, etc., interest rate fluctuations, actually determined number of new investment units to be issued and issue price, and other changes in circumstances surrounding SANKEI REAL ESTATE. As a result, the actual operating revenue, operating profit, ordinary profit, net profit, distribution per unit (excluding distributions in excess of earnings) and distributions in excess of earnings per unit may vary. In addition, the forecasts are not a guarantee of the amount of distributions.
- (Note 3) The forecasts may be revised in the event that a discrepancy above a certain level from the forecasts above is expected.
- (Note 4) Figures are rounded down to the nearest specified unit, and change rate is rounded to one decimal place.

2. Reason for revisions to operating forecasts and distribution forecasts and announcement of such

“Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending August 2019, Fiscal Period Ending February 2020, Fiscal Period Ending August 2020 and Fiscal Period Ending February 2021” announced in “Notice Concerning Operating Forecasts for the Fiscal Period Ending August 2019, Fiscal Period Ending February 2020, Fiscal Period Ending August 2020 and Fiscal Period Ending February 2021” dated March 12, 2019 and “Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending August 2019 (from November 19, 2018 to August 31, 2019) and Fiscal Period Ending February 2020 (from September 1, 2019 to February 29, 2020)” announced in “(REIT) Interim Financial Report for the Fiscal Period Ending August 2019” dated June 14, 2019 have been changed in line with the acquisition of to-be-acquired assets announced today (defined in the attachment “Assumptions Underlying the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending August 31, 2019, Fiscal Period Ending February 29, 2020, Fiscal Period Ending August 31, 2020 and Fiscal Period Ending February 28, 2021”) and the resolution on issuance of new investment units passed at the meeting of the board of directors of SANKEI REAL ESTATE held today. Due to the above and other reasons, a difference of more than 10% will occur in the operating revenue forecast, a difference of more than 30% will occur in the ordinary profit and net profit forecasts, for the fiscal period ending February 29, 2020, the fiscal period ending August 31, 2020 and the fiscal period ending February 28, 2021, respectively, SANKEI REAL ESTATE made the revisions accordingly.

(Note) For details of the to-be-acquired assets, please refer to “Notice Concerning Acquisition and Leasing of Trust Beneficiary Rights in Domestic Real Estate” announced today.

* SANKEI REAL ESTATE Inc. website: <https://www.s-reit.co.jp/en/>

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[Attachment]

Assumptions Underlying the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending August 31, 2019, Fiscal Period Ending February 29, 2020, Fiscal Period Ending August 31, 2020 and Fiscal Period Ending February 28, 2021

Item	Assumptions																																													
Accounting period	<ul style="list-style-type: none">• Fiscal period ending August 31, 2019 (1st fiscal period) (from November 19, 2018 to August 31, 2019) (286 days)• Fiscal period ending February 29, 2020 (2nd fiscal period) (from September 1, 2019 to February 29, 2020) (182 days)• Fiscal period ending August 31, 2020 (3rd fiscal period) (from March 1, 2020 to August 31, 2020) (184 days)• Fiscal period ending February 28, 2021 (4th fiscal period) (from September 1, 2020 to February 28, 2021) (181 days)• Note that the actual business period of the 1st fiscal period is from March 12, 2019 to the last day of August 2019 (173 days).																																													
Assets under management	<ul style="list-style-type: none">• The assumption is that, in addition to the real estate and real estate trust beneficiary rights (8 properties in total) (hereinafter, the “acquired assets”) SANKEI REAL ESTATE holds as of today, the real estate trust beneficiary rights to 4 properties that are planned to be acquired after the issuance of new investment units for which resolution was passed at the meeting of the board of directors of SANKEI REAL ESTATE held on August 6, 2019 (hereinafter, the “to-be-acquired assets”) will be acquired on September 3, 2019, and that these will continue to be held and there will be no acquisition of new properties other than these through to the end of the fiscal period ending February 28, 2021.• In actual practice, change may arise due to acquisition of new properties other than the to-be-acquired assets, disposition of portfolio properties, etc.																																													
Operating revenue	<ul style="list-style-type: none">• Leasing business revenue of the acquired assets is calculated by taking into account various factors, such as lease agreements that have been concluded and are valid as of today, tenant trends and market trends.• Leasing business revenue of the to-be-acquired assets is calculated by taking into account various factors, such as lease agreements that have been concluded, tenant trends and market trends, based on the information provided by the current owners of to-be-acquired assets.• Note that the calculations take into account increase in leasing business revenue due to the end of the rent-free period for some tenants, among other factors.• The assumption is that there will be no delinquent or unpaid rent by tenants.																																													
Operating expenses	<ul style="list-style-type: none">• Of operating expenses, the main components are as follows:<div>(Unit: million yen)</div><table><tr><th></th><th>Fiscal period ending Aug. 2019</th><th>Fiscal period ending Feb. 2020</th><th>Fiscal period ending Aug. 2020</th><th>Fiscal period ending Feb. 2021</th></tr><tr><td>Expenses related to leasing business [Total]</td><td>335</td><td>645</td><td>828</td><td>843</td></tr><tr><td> Management fee</td><td>91</td><td>161</td><td>161</td><td>161</td></tr><tr><td> Utilities expenses</td><td>59</td><td>122</td><td>122</td><td>122</td></tr><tr><td> Repair expenses</td><td>27</td><td>63</td><td>60</td><td>71</td></tr><tr><td> Property taxes</td><td>0</td><td>23</td><td>215</td><td>215</td></tr><tr><td> Depreciation</td><td>121</td><td>217</td><td>207</td><td>209</td></tr><tr><td>Other than expenses related to leasing business [Total]</td><td>180</td><td>205</td><td>247</td><td>249</td></tr><tr><td> Asset management fee</td><td>104</td><td>135</td><td>177</td><td>174</td></tr></table>• Of expenses related to leasing business, which are the main operating expenses, the expenses other than depreciation are calculated on the basis of historical data and by taking into consideration the factors causing fluctuation in each of the expenses.		Fiscal period ending Aug. 2019	Fiscal period ending Feb. 2020	Fiscal period ending Aug. 2020	Fiscal period ending Feb. 2021	Expenses related to leasing business [Total]	335	645	828	843	Management fee	91	161	161	161	Utilities expenses	59	122	122	122	Repair expenses	27	63	60	71	Property taxes	0	23	215	215	Depreciation	121	217	207	209	Other than expenses related to leasing business [Total]	180	205	247	249	Asset management fee	104	135	177	174
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Item	Assumptions
	<ul style="list-style-type: none"> • Depreciation is calculated using the straight-line method. • In general, in conducting transactions of real estate, etc., fixed asset tax, city planning tax, etc. to bear are calculated on a pro rata basis and reimbursed between a new owner and a current owner at the time of property acquisition. At SANKEI REAL ESTATE, the amount equivalent to the reimbursement is included in the cost of acquisition and thus not recorded as expenses in the business period in which the property acquisition date falls in the case of the properties for which such reimbursement is made at the time of transaction. Fiscal 2019 fixed asset tax, city planning tax, etc. are recorded as expenses starting from the fiscal period ending February 29, 2020 (see “Property taxes” above). • Repair expenses for buildings are the amount estimated based on medium- to long-term repair plans formulated by the asset management company. However, repair expenses possibly increasing in amount or additionally arising from unforeseeable factors may result in repair expenses differing materially from the forecast amount.
Non-operating expenses	<ul style="list-style-type: none"> • As temporary expenses, 58 million yen of organization expenses and 67 million yen of expenses related to the issuance of new investment units, listing of investment units and public offering are assumed for the fiscal period ending August 31, 2019. • As investment unit issuance expenses for the issuance of new investment units for which resolution was passed at the meeting of the board of directors of SANKEI REAL ESTATE held today, 38 million yen is planned to be recorded for the fiscal period ending August 31, 2019 and 43 million yen for the fiscal period ending February 29, 2020. • As interest expenses and other borrowing-related expenses, 204 million yen is estimated for the fiscal period ending August 31, 2019, 97 million yen for the fiscal period ending February 29, 2020, 86 million yen for the fiscal period ending August 31, 2020 and 84 million yen for the fiscal period ending February 28, 2021.
Interest-bearing liabilities	<ul style="list-style-type: none"> • The assumption is that total interest-bearing liabilities will be 22,313 million yen at the end of the fiscal period ending August 31, 2019, 34,000 million yen at the end of the fiscal period ending February 29, 2020, 33,500 million yen at the end of the fiscal period ending August 31, 2020 and 33,500 million yen at the end of the fiscal period ending February 28, 2021. • The assumption is that (i) A total amount of 12,900 million yen will be newly borrowed on September 3, 2019 from qualified institutional investors as provided in Article 2, Paragraph 3, Item 1 of the Financial Instruments and Exchange Act, (ii) If new investment units are issued through third-party allotment in the number of 5,581 units (maximum) as stated in “Investment units” below, then the proceeds from such and funds on hand will be used as the source of funds to repay a portion (600 million yen) of the abovementioned borrowings during the fiscal period ending February 29, 2020, (iii) As the consumption taxes for the fiscal period ending August 31, 2019 are scheduled to be refunded during the fiscal period ending February 29, 2020, the relevant refund, etc. will be used as the source of funds to repay a portion (613 million yen) of the existing borrowings during the fiscal period ending February 29, 2020, (iv) As the consumption taxes for the fiscal period ending February 29, 2020 are scheduled to be refunded during the fiscal period ending August 31, 2020, the relevant refund, etc. will be used to repay a portion (500 million yen) of the existing borrowings during the fiscal period ending February 29, 2020, and (v) There will be no change in the balance of borrowings other than the above through to the end of the fiscal period ending February 28, 2021. • LTV ratio is expected to be 46.8% at the end of the fiscal period ending August 31, 2019, 46.0% at the end of the fiscal period ending February 29, 2020, 45.6% at the end of the fiscal period ending August 31, 2020 and 45.6% at the end of the fiscal period ending February 28, 2021. LTV ratio is calculated using the following formula and rounded to one decimal place. $\text{LTV ratio} = \text{Total interest-bearing liabilities} \div \text{Total assets} \times 100$ • LTV ratio may vary depending on the number of new investment units to be issued and issue price of the new issuance.
Investment units	<ul style="list-style-type: none"> • The assumption is that, in addition to the number of investment units issued and outstanding as of today of 239,600, the number of new investment units planned to be newly issued in the issuance of new investment units through public offering (111,619

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Item	Assumptions
	<p>units) and through third-party allotment (5,581 units (maximum)) for which resolution was passed at the meeting of the board of directors of SANKEI REAL ESTATE held today, totaling 117,200 units at a maximum, will all be issued.</p> <ul style="list-style-type: none"> • The assumption is that there will be no change in the number of investment units due to issuance of new investment units, etc. other than the above through to the end of the fiscal period ending February 28, 2021. • Distribution per unit (excluding distributions in excess of earnings) is calculated using the number of investment units issued and outstanding as of today (239,600 units) for the fiscal period ending August 31, 2019; and the forecast number of investment units issued and outstanding at the end of the fiscal period (356,800 units), which includes the abovementioned maximum number of investment units to be newly issued (117,200 units), for the fiscal period ending February 29, 2020, the fiscal period ending August 31, 2020 and the fiscal period ending February 28, 2021.
Distribution per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> • Distribution per unit (excluding distributions in excess of earnings) is calculated based on the assumption that distribution of earnings will be in accordance with the policy on distribution of cash provided in SANKEI REAL ESTATE's articles of incorporation. • Distribution per unit (excluding distributions in excess of earnings) may vary due to various factors, such as fluctuation in leasing business revenue accompanying change in assets under management, change in tenants or other event, or incurrence of unexpected repairs.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> • No cash distribution in excess of earnings is planned to be made at this point in time.
Other	<ul style="list-style-type: none"> • The assumption is that there will be no amendment of laws and regulations, tax systems, accounting standards, listing regulations provided by Tokyo Stock Exchange, Inc., rules provided by The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. • The assumption is that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.

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