

July 19, 2019

For Immediate Release

Real Estate Investment Trust:

MIRAI Corporation
Michio Suganuma, Executive Director
(Securities Code: 3476)

Asset Management Company:

Mitsui Bussan & IDERA Partners Co., Ltd.
Michio Suganuma, Representative Director, President
Contact: Shosaku Ikeda, Executive Director, CFO
TEL: +81-3-6632-5950

Real Estate Investment Trust:

Sakura Sogo REIT Investment Corporation
Makoto Muranaka, Executive Director
(Securities Code: 3473)

Asset Management Company:

Sakura Real Estate Funds Management, Inc.
Makoto Muranaka, Representative Director and President
Contact: Mayumi Kobiki, Chief Financial Officer
TEL: +81-3-6272-6608

Notice Concerning Execution of Memorandum of Understanding regarding
Merger of MIRAI Corporation and Sakura Sogo REIT Investment Corporation

MIRAI Corporation (hereinafter “MIRAI”) and Sakura Sogo REIT Investment Corporation (hereinafter “Sakura”) announce that they resolved at the respective board of directors meetings held today to enter into the Memorandum of Understanding (hereinafter the “MOU”) regarding the merger between MIRAI and SAKURA as follows, and entered into the MOU on the same date.

1. Purpose of the MOU

MIRAI and Sakura, through asset management companies of each (Mitsui Bussan & IDERA Partners Co., Ltd. (hereinafter “MIP”) and Sakura Real Estate Funds Management, Inc. (hereinafter “SREFM”)) have been discussing in good faith measures to maximize unitholder value for both MIRAI and Sakura. As a result of such discussions, MIRAI and Sakura entered into the MOU today setting forth key principles with regards to the merger between MIRAI and Sakura (hereinafter the “Merger”) having concluded that the Merger will have various synergetic effect (for details of the synergetic effect, please refer to “3. Significance of Merger (1) Realization of Major Synergies of Merger” below).

MIRAI and Sakura recognize that the Merger leads to strengthening of the governance for further development of the J-REIT industry. MIRAI and Sakura encourage unitholders to exercise their voting rights in favor of the Merger after consideration of the rationale and benefits of the Merger (for more details please refer to “Supplementary Material” announced today).

In accordance with the MOU, MIRAI and Sakura will continue to jointly discuss and consult in order to enter into the Merger Agreement between MIRAI and Sakura by August 6, 2019.

MIRAI and Sakura will timely and properly announce to unitholders, if there is any new matter to be announced.

2. Background of MOU

(1) MIRAI

MIRAI has achieved the targets announced in June 2017 under mid-term management plan “Repower 2020” 1.5 years earlier than the original target and newly established the expanded mid-term management plan, “Repower 2020-ER” (Note) in December 2018, for the period ending at the end of 2020. MIRAI has steadily carried out the measures that can be implemented by a single investment corporation, such as making progress in risk diversification of the portfolio, enhancement of financial base and replacing the assets, in order to materialize the various quantitative targets such as the level of distribution per unit and the reduction of the risk premium formulated in such mid-term management plan, “Repower 2020-ER”. MIRAI has also explored the opportunity to realize a merger between J-REITs through communicating with multiple asset management companies, in line with the strategic management option internally set from the IPO in December 2016. During the process by Sakura seeking for a partnership including a merger with third party, MIRAI received a request for proposal through Mitsui & Co. Asset Management Holdings Ltd, a shareholder of MIP. As a result, MIRAI has commenced its serious consideration, and now entered into the MOU regarding a merger with Sakura as a strategic option to achieve the “Repower 2020-ER” earlier than the target.

(Note) For more details please refer to page 8 of “Supplementary Material” announced today.

(2) Sakura

Sakura has reevaluated the growth strategies including the possibility of the future merger recognizing that Sakura has not realized the external growth in line with the initial plan after IPO in September 2016. Sakura received a request on May 10, 2019 from Lion Partners Godo Kaisha, a minority unitholder controlled by Star Asia Group holding approximately 3.6% of the outstanding units of Sakura, to convene a unitholders’ meeting. The agenda items for the requested unitholders’ meeting are replacing the executive director of Sakura and its asset management company with a person related to Star Asia Group and the asset management company of Star Asia Investment Corporation (hereinafter “Star Asia REIT”), as a first stage toward the merger between Sakura and Star Asia REIT. The proposal of Star Asia Group is to replace Sakura’s management with Star Asia Group through such a general meeting of unitholders which requires a lower approval threshold than applicable for a normal merger approval without proposing any merger terms or other key information, including the merger ratio, at such time, and, determine all economic terms, such as calculation of merger ratio virtually by Star Asia Group, the related party to the counterparty of the merger, Star Asia REIT, after such management change. This proposal therefore entails risk of damage to Sakura’s unitholder value when determination merger ratio and creating serious conflict of interest within Star Asia Group resulting from managing two listed J-REITs having same investment target and policy and having material difference in ownership ratio of Star Asia Group (Note). Based on such serious concern, Sakura and SREFM retained an independent financial advisor and made requests for proposal to around 20 candidates, including multiple investment corporations and domestic and foreign funds other than Star Asia Group, for an alliance or other measures including a merger while examining Sakura’s standalone growth strategies.

(Note) For more details of such serious conflict of interest issue, please refer to “Take No Action in respect of any instruction from Star Asia regarding their Proposals” announced on June 20, 2019 by Sakura.

(3) Discussion and Entrance into MOU

Sakura, with guidance and advice from its independent financial advisor, selected three proposals as final candidates from multiple proposals. These were assessed based on their potential to contribute to maximizing unitholders’ value considering the situation that external growth is not easy by the overheated real estate market conditions, their feasibility, synergistic effects, and consideration provided to investors. In assessing each proposal, Sakura, with the assistance of its financial adviser, consistently focused on which proposal would contribute to maximize the unitholders’ value, and conducted calm and fair comparative considerations. With regard to such considerations, Sakura discussed with each such candidate under the thought that unitholder value will be maximized by negotiating the economic terms of the merger or other transactions on an arms-length, equal footing basis and present such proposal to unitholders for approval at the general meeting of unitholders including the final economic terms as determined through such negotiation. From the beginning of July 2019, Sakura chose the merger with MIRAI as the most attractive proposal, and both investment corporations have since specifically discussed the feasibility of the merger, and determined to enter into the MOU. Both investment corporations believe that the Merger will contribute to maximize the unitholder value of both as described in “3. Significance of the Merger” below, particularly in comparison with the proposal by Star Asia Group. For more details of the comparison with the proposal by Star Asia Group, please refer to page 9 to 11 of “Supplementary Material” announced today.

3. Significance of Merger

(1) Major Synergies of Merger

MIRAI and Sakura confirm in the MOU that both parties aim to realize the following synergies through integration of the real estate portfolio of MIRAI and Sakura and the sponsor support after the Merger. MIRAI and Sakura recognize the rationale and benefits for the Merger as stated in “2. Background of MOU” above, and believe that synergetic effect of the Merger will eliminate such issues and lead to the medium to term growth.

<Major Synergetic Effect of Merger>

- (i) Improvement of the management cost efficiency
 - (ii) Enhancement of the profitability and the distribution per unit
 - (iii) Increase in aggregate market capitalization and liquidity of units
 - (iv) Improvement in diversification of assets and tenants
 - (v) Improvement in the growth prospect and the reduction of the cost of capital
- (2) Governance System that takes into consideration the Maximization of Unitholders’ Interest
- MIRAI and Sakura confirmed and agreed in the MOU that MIP will serve as the asset management company of the investment corporation after the Merger and there is no plan of current and former directors and employees of SREFM to become directors of MIP upon the Merger. Further, there is no plan of SREFM and its sponsor Galileo Group and NIPPON KANZAI Group, to participate in management of MIP, the asset management company after the Merger (Note).

(Note) SREFM will agree to terminate each sponsor support agreement with Galileo Sydney Holdings Pty Limited, NIPPON KANZAI Co., Ltd. and Tokyo Capital Management Co., Ltd. on the effective date of the Merger (Please refer to “8. Post-Merger Statute (5) Amendment to Agreement with Sponsor, etc.”).

The sponsors of the investment corporation after the Merger will be Mitsui & Co. Asset Management Holdings, which is a wholly-owned subsidiary of Mitsui & Co., LTD. (Established in July 1947, listed on Tokyo Stock Exchange 1st section, business results for the fiscal year ended March 31, 2019 : consolidated revenue 6,957.5 billion yen, net income 414.2 billion yen, consolidated total assets 11,945.7 billion yen) and IDERA Capital Management Ltd. Each of the sponsors has independently supported MIRAI’s asset management and maintained firmly the compliance system of MIP.

Upon completion of the Merger, Sakura’s portfolio will be integrated into MIRAI’s portfolio and will benefit from a strong financial base and management by MIP which has a reliable and transparent compliance system. In addition, MIP has determined the cost allocation between MIRAI and MIP based on the cost allocation items as set forth in the asset management agreement between MIRAI and MIP, and sunk costs for failed acquisition of properties has been borne by MIP. This cost allocation policy will continue after the Merger as MIP will be the asset management company, and it is expected that the Merger leads to strengthen the governance for Sakura’s unitholders.

(3) Overview of Investment Corporation after Merger and Realization of Synergetic Effect

MIRAI and Sakura consider that the early implementation of the Merger is expected to realize synergetic effect stated in “(1) Major Synergies of Merger” above and currently envisage the major indices after the Merger as follows. MIRAI and Sakura continue to discuss the merger terms in order to explain further synergetic effect when the Merger Agreement will be executed. For the overview of the investment corporation after the Merger, please refer to page 6 to 7 of “Supplementary Material” announced today.

- (i) A high-quality diversified J-REIT with a significant weighting to offices in the Tokyo area (the ratio of offices in Tokyo area: 46.9%)
- (ii) Strong financial base backed by creditworthiness of Mitsui & Co. Group (average remaining maturity: 7.2 years, average interest rate: 0.53%, credit rating: JCR A+ (positive), R&I A (stable))
- (iii) Improvement in the market presence through enhancing asset size and increasing the liquidity through the Merger (asset size: 200.7 billion yen, market capitalization: 112.0 billion yen (Note))

(Note) (i) is based on the acquisition price of assets of MIRAI and Sakura (excluding the asset to be disposed), (ii) is the information of MIRAI only as of the end of April 2019 and (iii) is a simple sum (approximate) of the acquisition price of assets of MIRAI and Sakura (excluding the asset to be disposed and market capitalization (closing price as of June 28, 2019) of MIRAI and Sakura, respectively).

4. Summary of Merger

MIRAI and Sakura confirmed and agreed as follows regarding the schedule of, method for and allocation of units upon, the Merger.

(1) Schedule of Merger

	MIRAI	Sakura
Public Notice on Record Date for the General Meeting of Unitholders	July 10, 2019	June 29, 2019
Record Date for the General Meeting of Unitholders	July 25, 2019	June 30, 2019
Board of Directors Meeting to Approve Merger Agreement	By August 6, 2019 (Note1)	
Execution Date of Merger Agreement		
Date of the General Meeting of Unitholders	A date separately agreed between MIRAI and Sakura (Note2)	August 30, 2019 (Note1)
Date of Delisting	-	October 30, 2019 (Scheduled)
Effective Date of Merger	November 1, 2019 (Scheduled)	
Registry Date of Merger	November 2019 (Scheduled)	

(Note1) At the general meeting of unitholders of Sakura to be held on August 30, 2019, Sakura plans to submit the agenda for approval of the merger agreement with MIRAI. In regard with such schedule, Sakura will enter into the merger agreement with MIRAI on or prior to August 6, 2019.

(Note2) The date of the general meeting of unitholders of MIRAI approving the merger agreement will be a date separately agreed between MIRAI and Sakura. Such date will be announced immediately upon determination.

(2) Method for Merger

The Merger will be an absorption-type merger with MIRAI as the surviving corporation and Sakura as the absorbed corporation, and Sakura will be dissolved upon the Merger.

(3) Allocation of Units upon Merger

Not yet been determined and will be announced upon determination. In the MOU, MIRAI and Sakura agreed that they shall separately appoint financial advisors for each and discussed in good faith to determine fair Merger Ratio (Note).

(Note) "Merger Ratio" is the ratio of the number of MIRAI units which shall be allocated to Sakura unitholders per one unit of Sakura.

MIRAI and Sakura have each appointed their respective financial advisor as set forth below and have commenced discussions on the Merger Ratio in good faith.

MIRAI	Sakura
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	SMBC Nikko Securities Inc.

Neither such financial advisors is a related party of MIRAI and Sakura, as defined in Article 67, Paragraph 4 of the Ordinance on Accounting of Investment Corporations and do not have any material interests in the Merger that shall be disclosed.

(4) Amendment to Articles of Incorporation of Surviving Corporation

Not yet been determined and will be announced upon determination.

(5) Agreement on Exclusive Negotiation

Neither MIRAI nor Sakura shall proactively, either directly or indirectly, provide information, solicit, consult, negotiate, agree, or implement any transactions to or with a third party with regard to a transaction similar to this transaction (including transfer of all or part of important assets, merger and any other act that substantially has the effect of transferring business or important assets irrespective of any other method; the same shall apply hereinafter), during the effective period of the MOU, except in cases where otherwise agreed upon mutual consultation.

MIRAI and Sakura shall promptly notify the other party of the facts and contents of any proposals received from a third party with regard to the similar transactions during the effective period of the MOU and discuss the response to such proposal in good faith.

(6) Effective Period of MOU

The MOU shall cease to be effective upon the occurrence of any of the following events. Provided, however, the specific rules such as the obligation of confidentiality and the cost and expenses, etc under the MOU shall remain effective after the termination of MOU:

- (i) The Merger agreement has not been entered into by the end of September 2019 (unless extended as separately agreed by MIRAI and Sakura);
- (ii) In the event the Merger Agreement ceases to be effective after the execution of the Merger Agreement;

- (iii) In the event that the Merger Agreement has not been approved by the general meeting of unitholders of MIRAI or Sakura by the day immediately before the effective date of the Merger or it becomes clear that such approval will not be obtained by such date; or
- (iv) If otherwise agreed by MIRAI and Sakura.

5. Grounds for Calculation of Merger Ratio

(1) Basis and the Background of Calculation

Not yet been determined and will be announced upon conclusion of the Merger Agreement.

(2) Relationship with Financial Advisors

Will be announced upon conclusion of the Merger Agreement.

(3) Prospect of Delisting and Reasons Thereof

The Merger is expected to be an absorption-type merger, whereby MIRAI is the surviving corporation and Sakura is dissolved in accordance with Article 143 of the Act Concerning Investment Trusts and Investment Corporations, and the investment units issued by Sakura are expected to be delisted on October 30, 2019, two business days prior to the effective date of the Merger, in accordance with the criteria for delisting set out by the Tokyo Stock Exchange, Inc.

(4) Measures to Support the Fairness

Not yet been determined and will be announced upon conclusion of the Merger Agreement.

In the course of their consideration of the MOU, MIRAI and Sakura has reported on a timely manner as to the status of the considerations to their respective Board of Directors, with each board being composed of the respective investment corporation's executive director and its two supervisory directors, whose independence from the asset management companies is secured pursuant to the Act on Investment Trusts and Investment Corporations, taking into consideration the advice from each independent financial advisor, and the respective Board of Directors has deliberated and resolved at their respective meeting to enter into the MOU.

Further, Makoto Muranaka, the executive director of Sakura, does not have any special interests in MIRAI and its related parties. However, in respect of ensuring fairness, he did not participate in the discussion and resolution of such Board of Directors, because the agenda to approve the MOU with MIRAI is contradicting the proposal by Star Asia Group which proposes his dismissal.

6. Outline of Merging Parties

	Surviving Corporation upon Merger		Absorbed Corporation upon Merger	
Name	MIRAI Corporation		Sakura Sogo REIT Investment Corporation	
Location	2-1, Nishi-Kanda 3-chome, Chiyoda-ku, Tokyo		8-11, Kudan Minami 3-chome, Chiyoda-ku, Tokyo	
Name of Executive Directors	Michio Suganuma		Makoto Muranaka	
Unitholders' Capital	69,074 million yen		29,254 million yen	
Date of Incorporation	December 4, 2015		April 1, 2016	
Total Number of Outstanding Investment Units	1,581,640 units		333,001 units	
End of Fiscal Period	April, October		June, December	
Main AUMs	Real estate beneficiary interests in trust		Real estate beneficiary interests in trust	
Total Number of Assets (as of today)	Office	8	Office	8
	Retail	5	Retail	4
	Hotel	15	Residence	4
	Others	1	Others	2
	Total	29	Total	18
End Book Value (Note)	Office	80.9 billion yen	Office	26.5 billion yen
	Retail	27.7 billion yen	Retail	22.2 billion yen
	Hotel	29.6 billion yen	Residence	6.5 billion yen
	Others	86 billion yen	Others	2.3 billion yen
	Total	146.9 billion yen	Total	57.7 billion yen
Main Financial Banks	Sumitomo Mitsui Banking Corporation		Sumitomo Mitsui Banking Corporation	
Large Unitholders and Holding Ratio (Note)	The Master Trust Bank of Japan, Ltd. (Trust account)	13.3%	The Master Trust Bank of Japan, Ltd. (Trust account)	7.6%
	Japan Trustee Services Bank, Ltd. (Trust account)	10.7%	Japan Trustee Services Bank, Ltd. (Trust account)	6.2%
	The Nomura Trust and Banking Co., Ltd. (Investment trust account)	3.7%	Lion Partners Godo Kaisha	3.6%
	Mizuho Trust & Banking Co., Ltd.	2.4%	The Nomura Trust and Banking Co., Ltd. (Investment trust account)	3.1%
	Morgan Stanley MUFG Securities Co., Ltd.	1.6%	BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE – AC)	3.0%
Name of Asset Management Company	Mitsui Bussan & IDERA Partners Co., Ltd.		Sakura Real Estate Funds Management, Inc.	
Location of Asset Management Company	2-1, Nishi-Kanda 3-chome, Chiyoda-ku, Tokyo		8-11, Kudan Minami 3-chome, Chiyoda-ku, Tokyo	
Name and Post of Representative of Asset Management Company	Michio Suganuma, Representative Director, President		Makoto Muranaka, Representative Director and President	
Relationship among Parties Involved	There is no capital, personnel and business relationships required to be disclosed between MIRAI/Sakura and MIP/SREFM, and They do not fall under related parties.			

(Note) The above figures of the end book value and the status of unitholders are as of April 30, 2019 for MIRAI, and as of June 30, 2019 for Sakura. The end book value is rounded down to the nearest unit, and the holding ratio is rounded to the nearest tenth. In addition, the end book value of Sakura is unaudited figures.

7. Business Results for Last 3 Fiscal Periods

(million yen unless otherwise specified)

	MIRAI Corporation (Surviving Corporation)			Sakura Sogo REIT Investment Corporation (Absorbed Corporation) (Note 1)		
	Apr. 2018	Oct. 2018	Apr. 2019	Feb. 2018	Jun. 2018	Dec. 2018
Operating Revenue	3,958	4,417	4,959	2,662	1,768	2,362
Operating Profit	1,907	2,122	2,531	1,304	854	1,046
Ordinary Profit	1,698	1,867	2,270	1,153	615	885
Net Profit	1,706	1,922	2,271	1,152	615	886
Net Profit per Unit (yen)	5,807	1,440 (Note 2)	1,437 (Note 2)	3,460	1,847	2,661
Distributions per Unit (yen)	5,807	5,668	5,745	3,460	1,848	2,662
Net Assets per Unit (yen)	182,253	45,392 (Note 2)	44,797 (Note 2)	91,312	89,700	90,513
Net Asset	53,536	61,590	70,854	30,407	29,870	30,141
Total Asset	117,022	131,772	152,493	63,197	62,752	61,643

(Note 1) Sakura changed its fiscal period end from the end of February and August to the end of June and December of each year, upon a resolution adopted at the second general meeting of unitholders held on May 31, 2018. As a result, the fiscal period ended June 30, 2018 ended four months from March 1, 2018 to June 30, 2018.

(Note 2) MIRAI implemented a four-for-one investment unit split with April 30, 2019 as record date and May 1, 2019 as effective date. Net Profit per Unit and Net Assets per Unit are shown pro forma per unit information which has been adjusted to reflect the unit split as if it had been effective at the beginning of the fiscal period ended October 31, 2018.

8. Post-Merger Statute

(1) Statutes of Surviving Corporation

Name	MIRAI Corporation
Location	2-1, Nishi-Kanda 3-chome, Chiyoda-ku, Tokyo
Name of Executive Directors	Michio Suganuma
Unitholders Capital	Not yet been determined, and will be announced once determined.
Fiscal Period End	April, October
Net Assets	Not yet been determined, and will be announced once determined
Total Assets	Not yet been determined, and will be announced once determined
Name of Asset Management Company	Mitsui Bussan & IDERA Partners Co., Ltd.
Location of Asset Management Company	2-1, Nishi-Kanda 3-chome, Chiyoda-ku, Tokyo
Name and post representative of Asset Management Company	Michio Suganuma, Representative Director, President

(2) Major Unitholders and Unit Holding Ratio before and after Merger
Not yet been determined, and will be announced once determined.

(3) Amendment to Asset Management Agreement
Not yet been determined, and will be announced once determined.
Further, MIRAI, Sakura, SREFM and MIP have agreed that no merger fee will be paid to the asset management company of Sakura upon the Merger under which Sakura will be the absorbed corporation.

(4) Amendment to Investment Policy
Not yet been determined, and will be announced once determined.

(5) Amendment to Agreement with Sponsor, etc.
MIRAI and MIP have entered into the sponsor support agreement each with Mitsui & Co. Asset Management Holdings LTD. and IDERA Capital Management Ltd., and there is no change to such agreements after the Merger.
SREFM will agree terminate each sponsor support agreement with Galileo Sydney Holdings Pty Limited, NIPPON KANZAI Co., Ltd. and Tokyo Capital Management Co., Ltd. on the effective date of the Merger.

- (6) Provisions concerning Officers of Surviving Corporation after the Merger
There is no plan of current and former directors and employees of SREFM to become director of MIP upon the Merger.

9. Outline of Accounting Method
Not yet been determined, and will be announced once determined.

10. Outlook
MIRAI and Sakura have not determined the outlook going forward, such as performance after the Merger at this time, but will announce once determined. The effect of the execution of the MOU on management situation of MIRAI in the fiscal period ending October 31, 2019 (from May 1, 2019 to October 31, 2019) is minor and there is no change to the forecast. The effect of the execution of the MOU on management situation of Sakura in the fiscal period ending December 31, 2019 (from July 1, 2019 to December 31, 2019) is minor and there is no change to the forecast.

(End)

* URL

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 7/19/2019 "Merger of MIRAI Corporation and Sakura Sogo REIT Investment Corporation Execution of Memorandum of Understanding regarding - Supplementary Material for the Press Release Dated July 19, 2019 -"