



Supplementary Material – Rebuttal to Star Asia

Sakura Sogo REIT Investment Corporation (Code: 3473)

Message to Sakura Unitholders

- Hostile approach taken by Star Asia creates a dangerous precedent and threatens the value of Sakura unitholders' investment and the stability of the entire J-REIT sector
- Sakura can demonstrate superior performance relative to Star Asia and that the Sakura REIT portfolio is of a higher quality than the Star Asia REIT portfolio
- The “merger proposal” put forward by a unitholder controlled by a competitor (Star Asia) is NOT in the best interests of Sakura unitholders



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Section 1

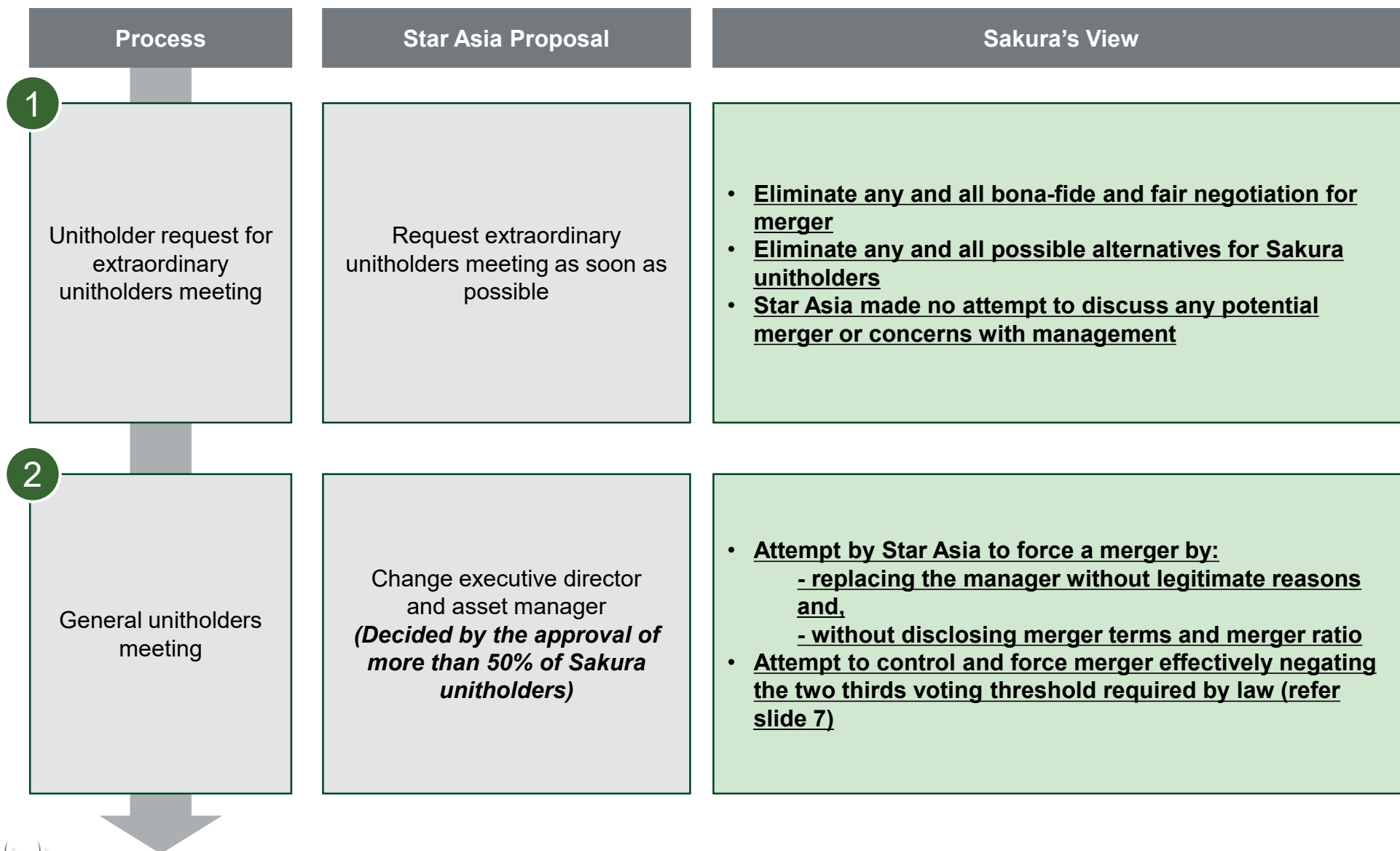
Dangerous precedents for J-REIT Sector

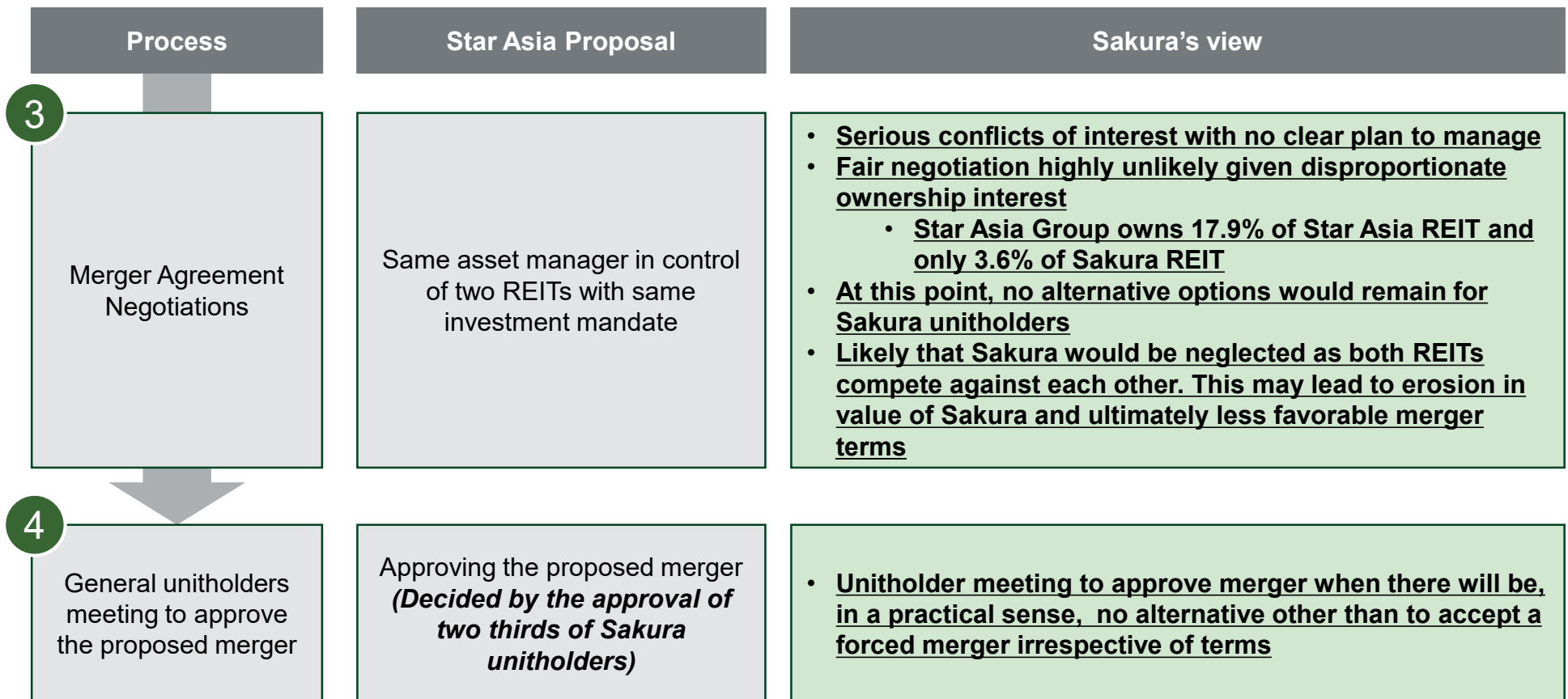
Star Asia is attempting to bypass fair merger protocols

Approach taken by Star Asia creates dangerous precedents for the J-REIT sector

- Unitholder using tactics to benefit a related party with misaligned interests with all other Sakura unitholders
- Attempt to eliminate any bone-fide and fair negotiations for a merger
- Attempt to eliminate any possible alternative proposals that may offer superior value for Sakura unitholders
- Attempt to replace existing manager without legitimate reasons, or expressing any concern with the manager prior to issuing the notice
- Unitholder taking a strategic stake in Sakura REIT for the sole purpose of taking this abusive action
- Attempt to take advantage of “Deemed Approval” system which exposes all unitholders to significant risk in these circumstances (refer slide 7)
- Proposing a merger without disclosing any meaningful information about the merger terms, the merger ratios or the merger benefits, if any, to Sakura unitholders
- Proposing to have a single manager for two REITs with the same or very similar investment mandate creating serious conflicts of interest
- Providing no detail about how, or if, these conflicts of interest can be satisfactorily managed
- Ultimate objective is to force Sakura unitholders to a meeting where they will have no option other than to accept a forced merger, irrespective of the proposed terms

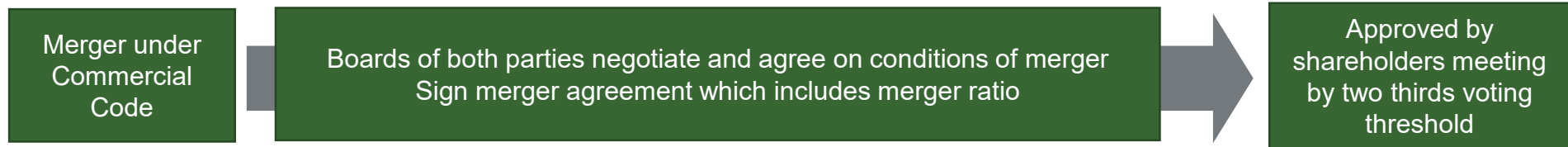
Potential to severely disadvantage other J-REIT unitholders, not just Sakura unitholders



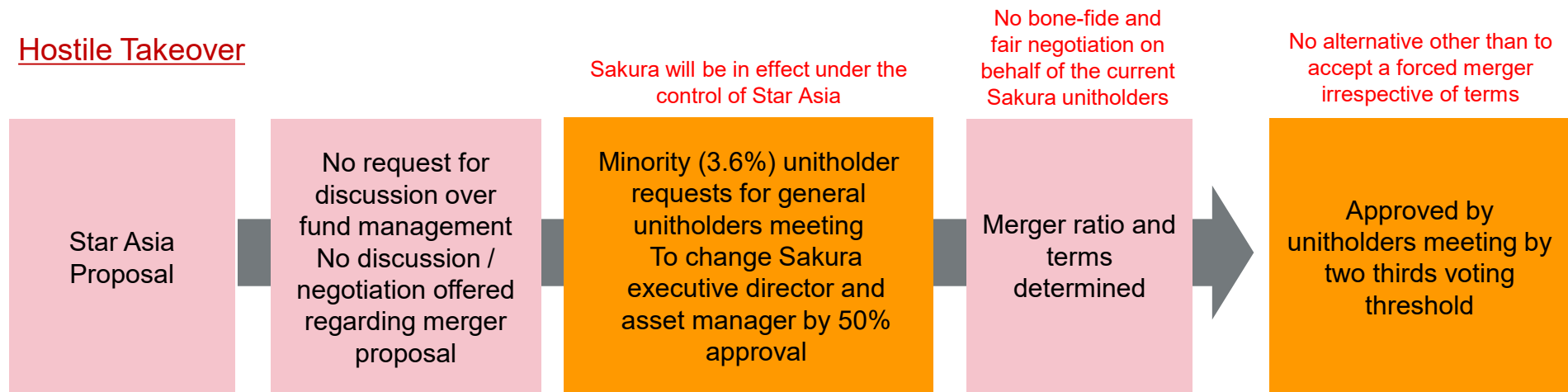


The process proposed by Star Asia Group to effect the merger is not consistent with the normal merger protocol (Refer to slide 7)

Normal Merger



Hostile Takeover



Key concern with abusing the Deemed Approval System

1. There is a unique system to investment corporations called “deemed approval system”, i.e. unitholders who do not exercise their voting rights will be deemed to have agreed to the proposal
2. Unitholders of a REITs are not proactive in exercising their voting rights at general unitholders meeting, which means Star Asia can leverage its 3.6% holding. For example, if 50% of unitholders do not vote, the Star Asia proposal will be deemed to been approved by 53.6%
3. Therefore, the Star Asia Proposal could be approved even if half or more (in the case of a merger, more than one third) of the Sakura unitholders who cast their vote dissenting from the Star Asia Proposal

Section 2

Sakura Management and portfolio superior to Star Asia

Sakura REIT can demonstrate superior performance

Sakura REIT can demonstrate superior performance relative to Star Asia REIT and that the Sakura REIT portfolio is of a higher quality than the Star Asia REIT

- Higher annual compound growth in net assets per unit (last four Fiscal Periods)
- Distribution
 - more sustainable, lower volatility
 - higher average distribution yield on IPO issue price¹
- No unrealised losses vs Star Asia REIT (7 properties/ 429mn JPY)
- Superior portfolio asset mix
- Consistently higher occupancy vs Star Asia REIT



*There are no legitimate reasons to replace
the Executive Director or Asset Manager of Sakura REIT*



| | Sakura REIT | Star Asia REIT | | | | | | | | | | | | | | | | | | | |
|---|---|---|-----------|-----|--------|-----|--------|-----|--------|-----|--------|---|---------------|-----------|-----|---------|-----|---------|-----|---------|-----|
| Growth in net assets (NAV) per unit (Note 1)(Note 2) | “Sakura REIT has demonstrated clear outperformance from 1 February 2017. This is the period during which Star Asia REIT has completed 3 follow-on public offerings.” | | | | | | | | | | | | | | | | | | | | |
| | <p>(Yen)</p> <table border="1"> <tr><th>Fiscal Period</th><th>NAV (Yen)</th></tr> <tr><td>FP2</td><td>95,779</td></tr> <tr><td>FP3</td><td>96,470</td></tr> <tr><td>FP4</td><td>96,882</td></tr> <tr><td>FP5</td><td>97,405</td></tr> </table> <p>CAGR 2.22% (FP2-FP5)</p> | Fiscal Period | NAV (Yen) | FP2 | 95,779 | FP3 | 96,470 | FP4 | 96,882 | FP5 | 97,405 | <p>(Yen)</p> <table border="1"> <tr><th>Fiscal Period</th><th>NAV (Yen)</th></tr> <tr><td>FP3</td><td>111,884</td></tr> <tr><td>FP4</td><td>112,412</td></tr> <tr><td>FP5</td><td>112,965</td></tr> <tr><td>FP6</td><td>112,537</td></tr> </table> <p>CAGR 1.27% (FP3-FP6)</p> | Fiscal Period | NAV (Yen) | FP3 | 111,884 | FP4 | 112,412 | FP5 | 112,965 | FP6 |
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| Properties with unrealized losses (# of properties / amount) | “No property in Sakura’s portfolio has an appraisal value less than book value. In contrast, Star Asia REIT has 7 assets (20% of the portfolio) with unrealized losses. This suggests they are either paying too much for each property or the properties are under performing post acquisition” | | | | | | | | | | | | | | | | | | | | |
| | No unrealized losses | 7 properties with 429 mn yen total unrealized losses (as of the end of FP6) | | | | | | | | | | | | | | | | | | | |
| Average DPU yield on IPO issue price (ex. gains on sale) (Note 3) | “Sakura has achieved a higher average distribution yield post IPO relative to Star Asia REIT” | | | | | | | | | | | | | | | | | | | | |
| | 5.8% | 5.3% | | | | | | | | | | | | | | | | | | | |

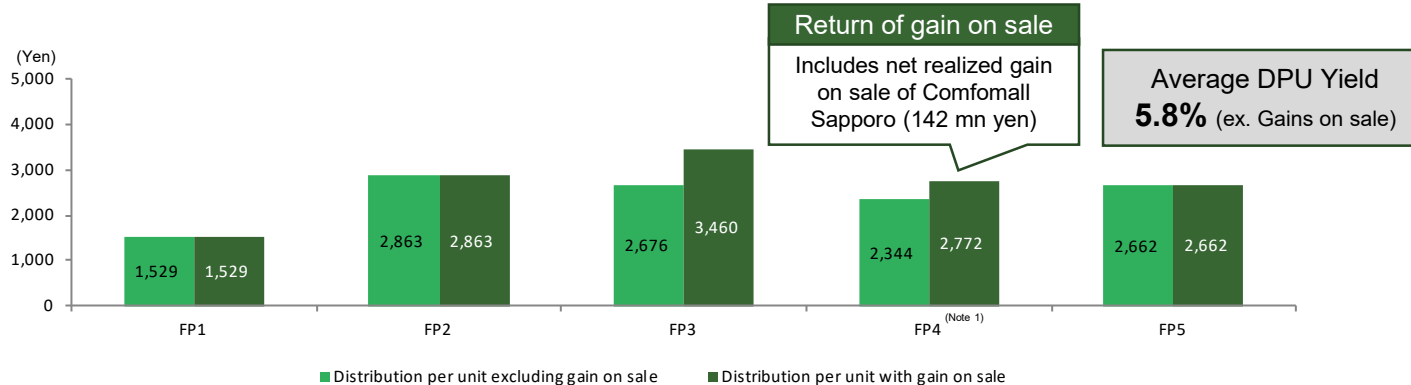
Note 1: Net assets (NAV) per unit = ((net assets – total amount of DPU+ appraisal based unrealized gain) / total number of investment units issued and outstanding)

Note 2: CAGR of NAV = (Growth in net assets (NAV) per unit for the past 4 FP)^(1 / operating fiscal period)-1

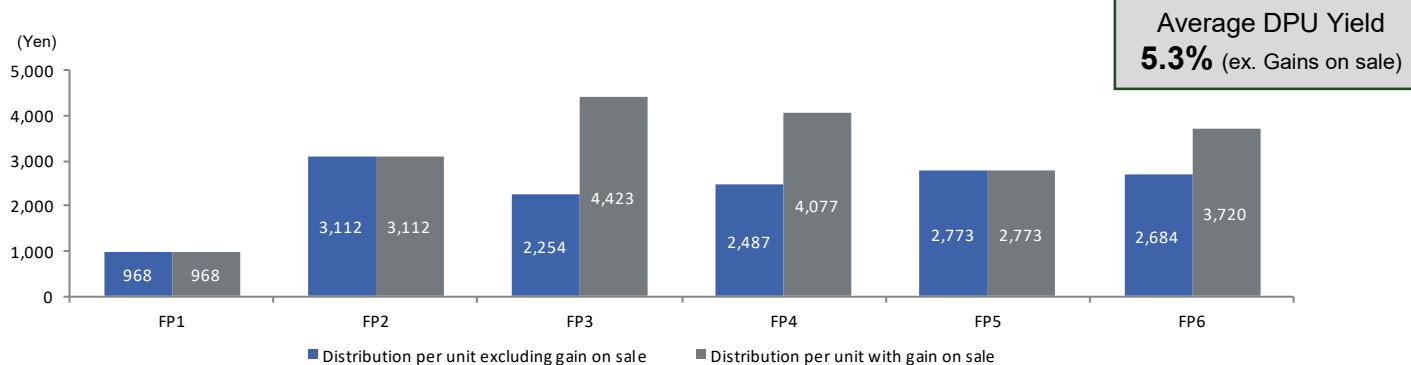
Note 3: Average distribution yield per unit based on actual distributions (ex. gains on asset sales) / IPO issue price

Distribution per unit (DPU)

“Sakura’s actual DPU is less volatile and supported by strong underlying portfolio performance”

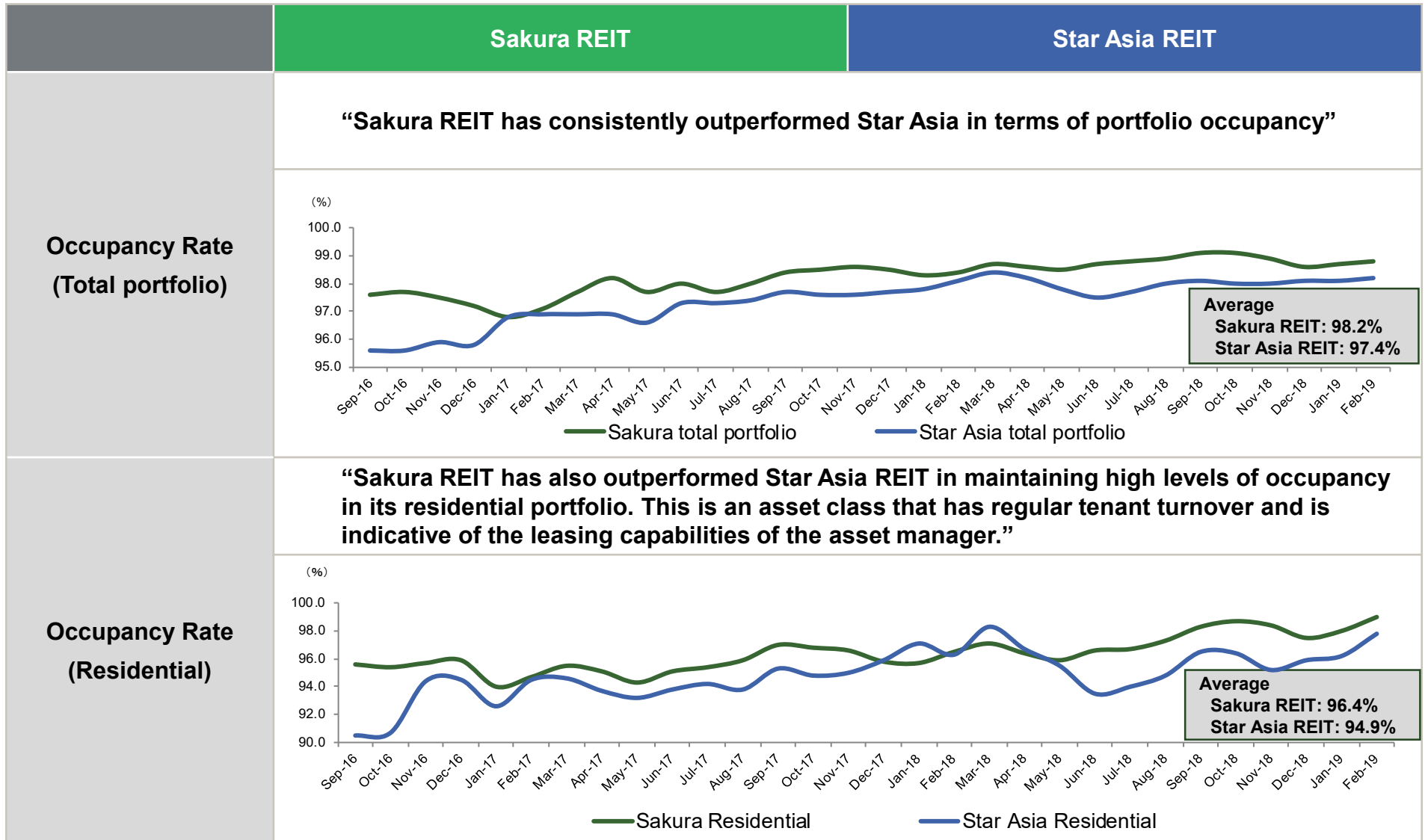


“In contrast Star Asia’s DPU has been volatile and relies on asset sale gains in several fiscal periods. This is unsustainable longer term”



Note 1: The figure is calculated after conversion to 6 months

| | Sakura REIT | Star Asia REIT |
|---|--|--|
| Investment Ratio: Central Tokyo Office | <p>“Sakura’s portfolio has a disproportionately high weighting to Central Tokyo office. This is widely acknowledged as the strongest sector currently in the Japan real estate market”</p> | |
| | <p>Central Tokyo Office 40.5%</p> <p>Other 59.5%</p> | <p>Central Tokyo Office 13.2%</p> <p>Other 86.8%</p> |
| Investment Ratio by Asset Type | <p>“Sakura’s portfolio is well balanced for growth (office / residential) and stability (retail / other). Star Asia REIT has a significant weighting to logistics and hotels (50+%). Almost half of the hotels in Star Asia REIT’s portfolio have appraisal values less than current book value”</p> | |
| | <p>Office 44.0%</p> <p>Retail 40.0%</p> <p>Residential 11.7%</p> <p>Other 4.3%</p> | <p>Office 34.8%</p> <p>Logistics 30.3%</p> <p>Hotel 20.1%</p> <p>Residential 14.9%</p> |



Section 3

Conclusion

The “merger proposal” from Star Asia is NOT in the best interests of Sakura unitholders

Sakura REIT considers the notice to be abusive and ignores the interests of Sakura unitholders.

Sakura REIT considers the notice as a “hostile takeover” attempt and rejects such notice and request without hesitation.

The Executive Director of Sakura and Sakura Real Estate Funds Management remain fully committed to continue to protect the best interests of Sakura unitholders at all times.



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Abode Yoyogi Parkside
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Nara Building
/ Shin Yokohama



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Azabu Amerex Building
/ Minato-Ku

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