20 June 2019

To All Concerned Parties

REIT Securities Issuer
Sakura Sogo REIT Investment Corporation
3-8-11 Kudan Minami, Chiyoda-ku, Tokyo
Makoto Muranaka
Executive Director
(Securities Code 3473)

Asset Management Company
Sakura Real Estate Funds Management, Inc. (“SREFM”)
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Take No Action in respect of any instruction from Star Asia regarding their Proposals

Sakura Sogo REIT (hereinafter “Sakura”), as previously announced on May 11, 2019 and May 17, 2019, received a request from Lion Partners Godo Kaisha (hereinafter “Lion Partners”), a minority unitholder of Sakura, to convene an extraordinary unitholders’ meeting, and Lion Partners has filed a petition for permission on convocation of unitholders’ meeting with the Director-General of Kanto Local Finance Bureau (hereinafter “DKLFB”). The determination by DKLFB has not been reached as of today.

Please take no action in respect of any instruction from Lion Partners and its group company, Star Asia group, regarding their hostile takeover attempt.

As for the detail, please see the attached.

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

Dear Unitholders,

Take No Action

in Respect of any Instruction from Star Asia/Lion Partners Regarding their Proposals

Thank you for your continued support for Sakura Sogo REIT.

On May 10th, 2019, Star Asia Group ("Star")/Lion Partners GK ("Lion") announced an unsolicited proposal to replace the current Executive Director and Asset Manager of Sakura Sogo REIT ("Sakura"). It is extremely regrettable that such an unsolicited proposal is made by Star/Lion which has created the feeling of anxiety among Sakura investors. This is an unprecedented attempt at a hostile takeover in the J-REIT market and is **not in the best interests of Sakura Unitholders**.

As we outlined in statements on May 17th 2019 and May 23rd 2019, we strongly believe that Star/Lion's unsolicited and hostile approach will not only threaten but will damage the value of your investment. We also believe that assertions made by Star/Lion relating to Sakura's management are misleading and intended to deceive Sakura unitholders. Please refer to the appended document for further explanation.

Sakura and Sakura Real Estate Funds Management ("SREFM") are currently investigating several strategic options, including forming an alliance with potential new partners. Sakura and SREFM's interest is aligned with unitholders and Sakura and SREFM seek to identify the best options and business strategies to optimize future returns for Sakura unitholders.

Based on ongoing discussions, we are confident that our strategic business review will deliver a more certain, value-enhancing and attractive proposal than that proposed by Star/Lion.

Therefore, we urge you to **Take No Action** in respect of any instruction or information sent by Star/Lion and wait for our further announcements. Only then will you be able to determine which alternative offers the best prospects of enhancing the value of your investment.

Maximizing unitholder value to support the needs of our investors remains our absolute priority. Thank you, as always, for your investment in Sakura Sogo REIT Investment Corporation.

Sincerely yours,

June 20, 2019

Sakura Sogo REIT Investment Corporation
Makoto Muranaka, Executive Director

Reasons Why this Hostile Takeover Attempt Threatens Your Investment

Star/Lion have made no attempt to engage in bona-fide negotiations with Sakura about a possible merger, nor have they communicated key elements for a legitimate merger proposal, in particular the merger ratio. We strongly believe that this threatens your investment for the following reasons:

1. Star/Lion are attempting a hostile takeover of Sakura after acquiring only 3.6% of outstanding units. They propose replacing Sakura's executive director and asset manager with parties that are directly controlled by Star.
2. If their proposal passes, then Star Asia Asset Management, as asset manager, will be managing the assets of two listed REITs with the same investment mandates. There is no precedent in the listed J-REIT sector for this to happen due to the serious conflicts of interest that it creates.
3. Star will have a strong incentive to give Star Asia Investment Corporation ("Star Asia REIT") preferential treatment when managing two REITs as Star owns 17.9% of Star Asia REIT and only 3.6% of Sakura. This is highly likely to lead to erosion of value for Sakura Unitholders.
4. Moreover, in these circumstances, Star Asia Asset Management will be able to unilaterally set the merger ratio which is highly likely to be unfavorable to Sakura Unitholders.
5. This is a serious conflict of interest which will harm the value of your investment in Sakura.

Correcting Misleading Points Raised by Star/Lion as Rationale for Replacing Executive Director and Asset Manager of Sakura

1. Star/Lion Partners has asserted that SREFM has destroyed unitholder value.

   SREFM's response – The best and most tangible measure of value creation is compound annual growth in net assets per unit. The fact is Sakura has outperformed Star Asia REIT over the last four fiscal periods in this measure (Sakura +2.22% vs Star Asia REIT+1.27%). Therefore, this assertion is both misleading and factually incorrect

2. Star/Lion asserts that Sakura did not distribute gains on the sale of Confomall in FP4.

   SREFM's response – This is also misleading as 100% of the gain on sale of Confomall was included in the distribution paid to unitholders in the fiscal period in which the sale occurred. The original decision to sell the Confomall asset was made due to the opportunity to take advantage of an attractive sale price, and the sale was also intended to provide a portion of the funding for the anticipated Public Offer (PO) transaction.

   Sakura ultimately determined that it was not in Unitholders best interest to proceed with the PO. This decision was made due to a material and unforeseen change in circumstances in the target portfolio outside of Sakura's control. The PO transaction did not complete and professional service fees associated with that transaction were expensed in FP4 and reported separately.

3. Star/Lion is critical of Sakura for selling two assets and only acquiring one since IPO, resulting in negative AUM growth

   SREFM's response - When deciding on the best use of proceeds from the sale of Confomall Sakura remained disciplined in its investment approach and initially repaid debt of JPY 1.4 billion and waited to identify a suitable replacement asset. Sakura completed the acquisition of The Portal Akihabara office building in early June 2019, which further enhances the portfolio. Following this acquisition, it is clear that this criticism is no longer valid.

4. Star/Lion is critical that Sakura's DPU was reduced for FP2019/12 due to significant impact of tenant departures

   SREFM's response - The reason for the decline in forecast DPU for the fiscal period ending on 31 December 2019 relates to a single tenant cancellation in the NK Building. SREFM made full disclosure of this event immediately after the tenant issued its cancellation notice, and SREFM has since implemented a very successful leasing strategy. This strategy will result in an overall increase in rental revenue for this asset relative to the current passing rent when complete with limited down time[1]. Star/Lion fail to acknowledge or mention that Star Asia REIT has also reduced its forecast DPU for the period ending January 2020 for similar reasons, that is, tenant departures and rent holidays at logistics facilities.

5. Star/Asia asserts that SREFM has poor corporate governance.

   SREFM's response – This is also a misleading statement since SREFM has a very strong corporate governance framework that is always strictly adhered to. As for the point on costs associated with the PO transaction that was cancelled, there are many precedents of PO cancellations prior to or after launch. The regulations that prohibit loss indemnification would generally result in such J-REIT bearing these PO related costs, even though not specifically disclosed on cost allocation.

   Rather, Star has its own governance concerns when you consider that six assets purchased by Star Asia REIT, which were acquired from the related party sponsor, now have valuation issues, (i.e. unrealized losses). This means that the current appraisal value for these six assets is lower than current book value.

[1] Refer announcement 19 June 2019 – "Sakura attracts new tenants to NK Building"

There are NO Legitimate Reasons to Replace the Executive Director or Asset Manager of Sakura and We Take this Opportunity to Remind Sakura Unitholders of the Following Key Facts

1. Sakura has outperformed Star Asia REIT over the last four fiscal periods in terms of compound annual growth in net asset value per unit. (Sakura +2.22% vs Star Asia REIT +1.27%)
2. 20% of Star Asia REIT portfolio (seven assets) have unrealized losses totaling JPY429 million. In simple terms this means the latest independent appraisal is less than the book value for those assets. Sakura does not have a single asset with unrealized losses.
3. Sakura has consistently outperformed Star Asia REIT in terms of portfolio occupancy since listing.
4. Sakura's portfolio has a weighting of 42.1% to the Central Tokyo office sector versus only 13.2% for Star Asia REIT. The Central Tokyo office sector is widely acknowledged as the strongest sector of the Japanese real estate market at present
5. Sakura's average distribution per unit ("DPU") yield on the initial public offer price has been higher than Star (5.8% Sakura vs 5.3% Star Asia REIT)[2]

[2] Annual average DPU excluding gains on asset sales / IPO issue price