



**MIRAI**  
Corporation



# **Execution of Merger Agreement by and between MIRAI Corporation and Sakura Sogo REIT Investment Corporation**

- Supplementary Material for the Press Release  
Dated August 5, 2019 -

MIRAI Corporation  
Security Code:3476  
AM Company: Mitsui Bussan & IDERA Partners Co., Ltd.  
<http://3476.jp/en>

Sakura Sogo REIT Investment Corporation  
Security Code:3473  
AM Company: Sakura Real Estate Funds Management, Inc.  
<http://sakurasogoreit.com/en>

- MIRAI Corporation (hereinafter, "MIRAI") and Sakura Sogo REIT Investment Corporation (hereinafter, "SAKURA" and collectively referred to as "Investment Corporations", "We") have completed due diligence, negotiated in good faith key factors such as strategy after the merger, merger ratio and DPU growth and anticipate that merging the Investment Corporations together will generate various synergies that will benefit all unitholders (hereinafter, "Merger"). A merger agreement has been executed today based on the mutual understanding that this Merger is the best solution to maximize value for all unitholders of MIRAI and SAKURA.
- MIRAI and SAKURA believe that this Merger represents a catalyst leading to improved governance in the entire J-REIT industry and is therefore a positive step for sector overall. This Merger is a tangible alternative to the unilateral proposal from Star Asia Group which entails uncertainty.
- We believe this Merger is the best solution to maximize the unitholders' value of MIRAI and SAKURA. Therefore we would like all unitholders to support the Merger by exercising your voting rights.

## Dear Investors of MIRAI and SAKURA

We would like to express our gratitude to our unitholders for their support.

Since its listing date on the stock exchange in December 2016, MIRAI Corporation, where I serve as an executive officer, has worked to maximize unitholders' value through aggressive corporate actions, including the replacement of property, acquisition of new type assets, formulation and implementation of a medium-term management plan, and public offering for the second consecutive year. As a result of the continuous implementation of these measures, we have recovered our P/NAV ratio of 1.0x for unit price, which had been in a slump immediately after our listing, and are ready to take the next step.

Through this Merger, we would like to propose to all unitholders of SAKURA that we work together toward the next "MIRAI".

The Merger of the two investment corporations not only increases the asset size and market capitalization, but also increases the possibility of entering the "Global Index" and the acquisition of "AA - Rating" at the time of the review in early 2020. We believe that the Merger will improve the valuation of the unit price. Also, we would like to ask to agree to the Merger, as we propose the merger ratio in which the amount of DPU is increased for unitholders of both investment corporations.

The unitholders of SAKURA are requested to calmly and objectively compare the proposed Merger with other proposals, and the investors of MIRAI are requested to support and approve the Merger, based on the firm evaluation of the growth after the Merger.

We would like to thank you, the investors of MIRA, for your continued support and approval of the Merger.

Michio Suganuma  
Executive Officer  
MIRAI Corporation



菅沼通夫

## Dear Investors of SAKURA and MIRAI

We would like to express our gratitude to our unitholders for your continuous support since listing SAKURA.

SAKURA has implemented various initiatives in these three years to achieve organic growth. We have worked on not only maintaining high occupancy rate for each of the properties in the portfolio, but also improving profitability of the entire portfolio through replacing with better properties and uplifting rents particularly for the office portfolio.

However, like many smaller scale J-REIT 's, external growth has been challenging particularly given the very competitive Japanese real estate market. We have continued to explore the best way to achieve our growth targets to satisfy unitholder expectations, and have now identified an attractive business opportunity which we believe is the best solution.

The opportunity is the proposed merger with MIRAI, which delivers clear benefits, certainty, and ensures consistency with SAKURA's philosophy since listing; "Concurrent pursuit of growth and stability" for the unitholders of SAKURA through expanded size of AUM, reduction in cost of capital and diversification of funding source due to strong credit rating. One of the key advantages of this Merger is that the attractive portfolio characteristics of SAKURA, particularly our strong Tokyo office weighting will not be diluted as a result of the Merger. While disappointing that Sakura Real Estate Funds Management will not continue as your asset manager post the Merger we have confidence in, and trust that Mitsui & Co. and IDERA Partners who will be the manager of MIRAI after the merger will maximize value for SAKURA unitholders.

We are confident that this merger is also beneficial for the unitholders of MIRAI given that SAKURA's stable and profitable properties are sure to contribute to financial performance of the new MIRAI. We would like you to value and support this proposition given the further growth in performance prospected thanks to this merger.

Makoto Muranaka  
Executive Officer  
Sakura Sogo REIT Investment Corporation



村中誠

## 1 Provide MIRAI and SAKURA unitholders a tangible option to maximize unitholder value

- SAKURA unitholders will have a tangible option by MIRAI making a “counter offer” to Star Asia while all MIRAI unitholders post-merger will enjoy additional growth opportunities
- The Merger is expected to deliver enhanced earnings and distributions per unit for all unitholders

## 2 Strong support from dual sponsors, Mitsui & Co. and IDERA Capital. Experienced management focused on maximizing unitholders’ value

- Post-Merger, Mitsui & Co. and IDERA Partners will be the sole managers of MIRAI. SAKURA Real Estate Funds Management Ltd. (hereinafter, “SREFM”), and Galileo Group, a sponsor of SAKURA will withdraw from those roles
- Achieve medium and long-term improvement in unitholders’ value based on a strong financial base and governance aligned to maximize benefits to unitholders

## 3 A quality, diversified REIT focusing on the strong office sector in the Tokyo area

- A portfolio with stability and growth potential, comprised largely of office buildings in the Tokyo area with stable demand, low vacancy and attractive short to medium term rental growth potential
- The ratio of offices in Tokyo area is expected to be 47.3% <sup>(Note 1)</sup> after the Merger
- Enhanced diversification by asset and tenant type

## 4 Enhanced market presence by increasing scale and liquidity

- AUM after the Merger is expected to be 204.0 billion yen <sup>(Note 1)</sup>, enhancing the presence in the REIT market
- Market capitalization after the Merger is anticipated to be 122.2 billion yen <sup>(Note 2)</sup> which should result in enhanced liquidity, potential inclusion in Global index and increased demand from institutional investors
- These factors should result in a lower cost of capital and enhanced growth prospects for MIRAI post Merger

Note 1: Since assets of SAKURA is expected to be acquired at the market value by MIRAI through the Purchase method, AUM (based on the acquisition price) and the ratio, etc. after the Merger is calculated by the sum of acquisition price of assets of MIRAI as of July 31, 2019, acquisition price of assets of SAKURA as of December 31, 2018 and appraisal value of assets of SAKURA acquired during fiscal period ended June 2019. The same applies on the asset size (acquisition price base), ratios, etc. of the portfolios of the Investment Corporations after the Merger hereinafter.

Note 2: Simple aggregation of market capitalization of MIRAI and SAKURA as of August 2, 2019. The same applies hereinafter

# Issues Resolved by the Merger – Greater value to unitholders than the proposal by Star Asia Group 4

Sakura supports the merger with MIRAI having identified a broad range of alternative proposals. All of Lion Partner (Star Asia)s' concerns are resolved by the proposed merger and both SAKURA and MIRAI believe that it is the best way to maximize value for all unitholders. Lion Partners proposal is considered to be far less attractive and only acting on behalf of Star Asia, therefore is already irrelevant to Sakura unitholders.

## Issues raised by Lion Partners (Star Asia)

1	Distributions to unitholders	2	Scale and growth in AUM	3	Cost Operations	4	Governance
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### Effect of the Merger (merger with MIRAI)

- Growth of DPU for SAKURA unitholders**
  - DPU of Post-Merger <sup>(Note 2)</sup> will be 1,600 yen (fiscal period ending April 2020) / 1,640 yen (fiscal period ending October 2020)
  - 11.5% increase from 2,427 yen, which is forecasted DPU before the Merger <sup>(Note 3)</sup>

**DPU growth 11.5%**
- AUM expansion (billion yen)**
  - AUM after the Merger is expected to be more than 200 billion yen and market presence. Possibility of inclusion in global indexes in terms of market capitalization
  - The assets of MIRAI have increased by 44.3 billion yen in 2.4 years since its listing (16/12), pre-merger with SAKURA.

**204.0**
- Pursuit of cost efficiency**
  - A reduction of ¥43 million <sup>(Note 6)</sup> in the case of the average borrowing rate of MIRAI is set at 0.53%
  - Aiming for "AA-" rate at the next review with Mitsui Group credit.
  - MIRAI-standardized management with high efficient expenses for the lease business and general administration
  - Expect lower equity costs

**Savings in cost of capital and general and administrative expenses <sup>(Note 6)</sup>**
- Governance structure for maximization of unitholders interest**
  - MIP will be AM of MIRAI (SREFM will leave the management)
  - MIP have continued the unitholder-centered operation, including clear disclosure of AM fees.

**Strict governance of Mitsui & Co. Group**

VS

### Proposal of Star Asia Group (merger with SAR <sup>(Note 1)</sup>)

- DPU increase / stabilization**
  - Aiming for DPU increase by efficient management with size expansion, control cost reduction etc.
  - Growth target against 2,427 yen of SAKURA's forecast DPU is +100 yen <sup>(Note 4)</sup>

**DPU growth 4.1%**
- AUM expansion (billion yen)**
  - Expansion of AUM and progress of portfolio diversification, leading to stabilization of profit and DPU
  - The assets of SAR have increased by 40.8 billion yen in 2.8 years since the listing (16/4)

**163.2 <sup>(Note 5)</sup>**
- Reduction of operation cost**
  - Finance cost (average interest rate) of SAR: 0.63% <sup>(Note 4)</sup>
  - Reduction of Rate of AM fee (▲25%)

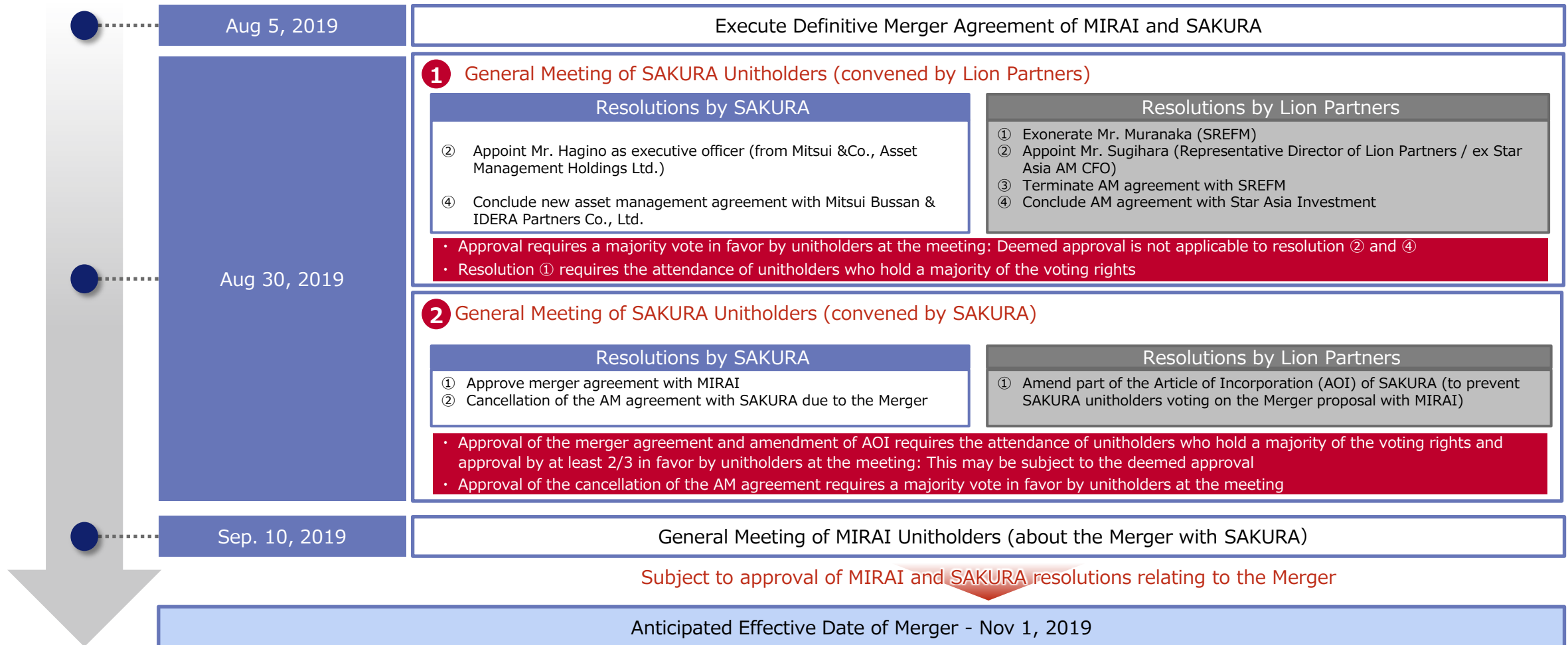
**Cost reduction mainly from reducing asset management fee**
- Maximization of unitholders interest**
  - Based on the level of unit price, pursue maximization of unitholders interest by consider and exercise zero-based, flexible and wide-variety effort.

**Only a conceptual claim**

Note 1: SAR is abbreviation of Star Asia Real Estate Investment Corporation. Each estimated figures for proposal of Star Asia Group are calculated by the Investment Corporations based on the SAR's disclosure materials.  
 Note 2: For details of the forecast operating results and distributions after the Merger in this document, please refer to the "Notice Concerning the Forecast of Operating Results and Distributions Subsequent to the Merger of MIRAI Corporation and SAKURA Sogo REIT Investment Corporation for the Fiscal Periods Ending April 30, 2020 and October 31, 2020" announced on August 5, 2019. The same applies hereinafter. Also refer to slide 13,  
 Note 3: Calculated based on the forecast DPU of after the Merger of ¥1,600 (fiscal period ending April 2020) and ¥1,640 (fiscal period ending October 2020) divided by 2 × 1.67 (merger ratio) and the estimated DPU of ¥2,427 for SAKURA for fiscal period ending December 2019.  
 Note 4: Star Asia Investment Corporation "Supplementary Explanatory Material Regarding Today's Timely Disclosure (1)" released on May 10, 2019.  
 Note 5: Calculated by the sum of the total acquisition value of SAR's assets as of the end of January 2019, the total appraisal value of SAKURA's assets as of the end of December 2018 and the appraisal value of SAKURA's asset acquired during the fiscal period ending June 2019. SAR does not include other assets under management (Mezzanine loan fixed income investments and equity investments in anonymous associations) and the acquisition price of the Amusement Media Gakuin Shinkan (the acquisition price of ¥1,020 million), which was completed on February 1, 2019.  
 Note 6: SAKURA's interest-bearing debt outstanding as of the end of July 2019 × (Average borrowing rate of SAKURA - the average borrowing rate of MIRAI) ÷ 2.

# Indicative Timetable for Merger Implementation

On August 30, 2019, two general meetings of unitholders are scheduled to be held relating to SAKURA. A meeting convened by SAKURA will consider the merger proposal with MIRAI. A separate meeting convened by a minority unitholder (Lion Partners) will consider a change in executive officer and Asset Manager. MIRAI will hold its own general meeting to consider the merger on September 10, 2019.



Sep. 10, 2019

General Meeting of MIRAI Unitholders (about the Merger with SAKURA)

Subject to approval of MIRAI and SAKURA resolutions relating to the Merger

Anticipated Effective Date of Merger - Nov 1, 2019

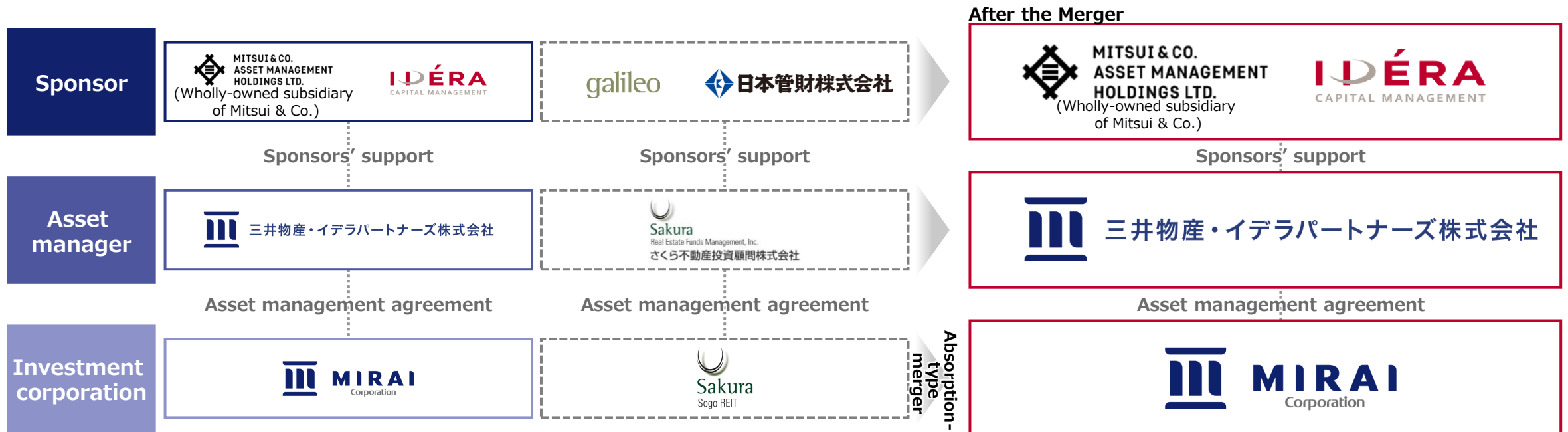
Note: The above timeline and described propositions at the general meetings of unitholders scheduled on August 30, 2019 are tentative as of the date of this presentation and subject to change. For further details of the general meetings of unitholders, please refer to the convocation notice and reference materials issued for the respective general meetings of unitholders.

## Merger Scheme (Investment Corporation)

## Merger Ratio

<p>Merger method</p>	<p>Absorption-type merger with MIRAI being the surviving entity and SAKURA being the absorbed entity after the Merger</p>	<p>Voting/ Approval</p>	<p>The merger is subject to approval by unitholders of each investment corporation (Note)</p>	<p>MIRAI : SAKURA = 1 : 1.67</p>
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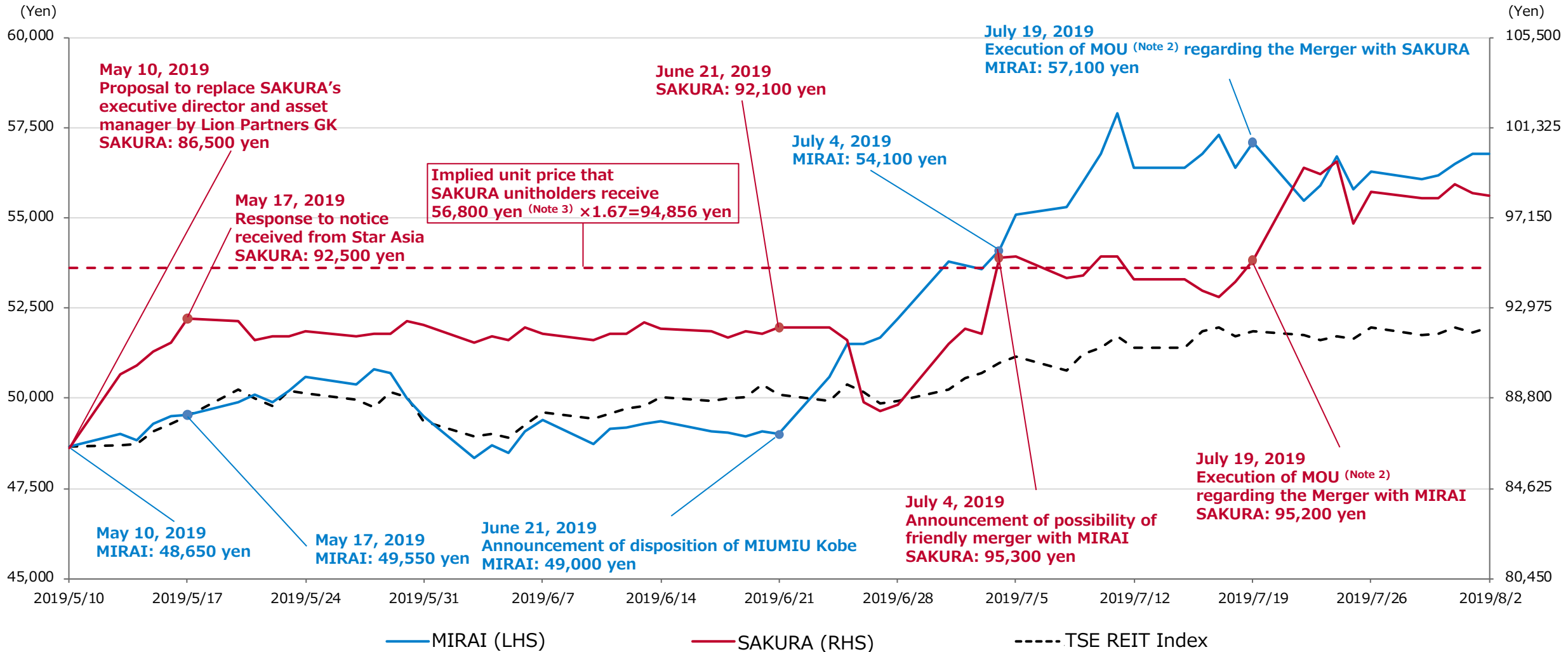
## Overview of the Merger



Note: Approval based on an extraordinary resolution and requires the attendance of unitholders holding a majority of the outstanding investment units at the general meeting of unitholders and a two thirds (2/3) or more affirmative votes of the voting rights held by such unitholders in attendance. In the case of there are no counter proposals, the deemed approval applies.

# Historical Unit Price

The unit prices of both MIRAI and SAKURA have performed well since the announcement of the proposed Merger. SAKURA's unit price has only traded above 95,000 yen since possible merger with MIRAI was announced

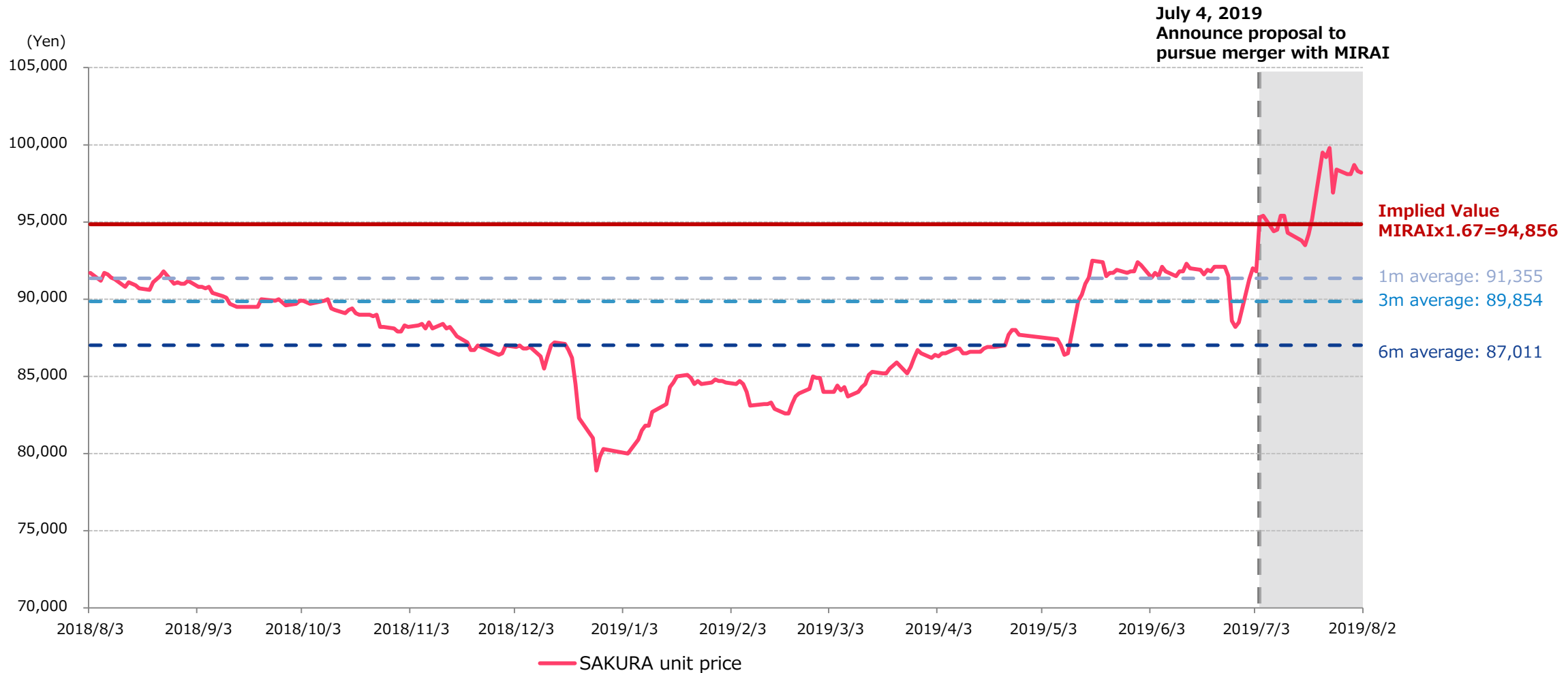


Note 1: As of August 2, 2019. Relative performance of TSE REIT Index is calculated based on the closing price of MIRAI as of May 10, 2019.  
 Note 2: Memorandum of Understanding  
 Note 3: The closing price of MIRAI as of August 2, 2019.



# Implied Value from the Merger

The implied value (the unit price of MIRAI x 1.67) SAKURA unitholders will receive is 94,856 yen (Note 1), which represents a premium over 1 month/3 months/6 months average unit price of SAKURA (Note 2), the day before July 4 of +3.8% / +5.6% / +9.0%, respectively. In addition, SAKURA unitholders will benefit from an attractive increase in DPU (11.5%), potential capital gain, and stronger growth potential resulting from a lower cost of capital for the new merged entity.



Note 1 : Calculated by multiplying the closing price (¥56,800) of MIRAI as of August 2, 2019 by the merger ratio.

Note 2: Average unit price for SAKURA for 1 month / 3 months / 6 months based on average closing price, from June 4, 2019 to July 3, 2019, from April 4, 2019 to July 3, 2019, and from January 4, 2019 to July 3, 2019, respectively.

# Overview of Investment Corporation after Merger

		MIRAI (Note 1)	+	SAKURA (Note 1)	→	MIRAI (after the Merger)
Portfolio	AUM (million yen) (Based on acquisition price)	143,129		57,580		<b>204,030</b>
	Number of properties	29		18		<b>47</b>
	Total assets (million yen) As of the end of fiscal period	152,493		61,643		<b>214,137</b>
	Appraisal NOI yield (%) (Note 2)	5.0		5.1		5.0
	Average property age (years)	20.5		22.6		21.2
	Occupancy rate (Note 3) (%)	99.5		97.9		99.3
Financials	Interest-bearing debt (million yen)	74,700		29,200		<b>103,900</b>
	Credit Rating	A+ (Positive) (JCR) A (Stable) (R&I)		-		A+ (Positive) (JCR) / A (Stable) (R&I)
Unitholder Value	NAV per unit (Note 4) (yen)	47,920		97,405		50,048
	Forecast DPU (Note 5) (yen) (based on MIRAI DPU)	1,560		1,453		1,600
	Adjusted forecast DPU (Note 5) (yen) (based on SAKURA DPU)	2,605		2,427		2,672

Note 1: Figures for the fiscal period ended April 2019 and as of June 28, 2019 of MIRAI and the fiscal period ended December 2018 and as of June 28, 2019 of SAKURA are presented, respectively.

Note 2: Appraisal NOI yield of MIRAI (after the Merger) is calculated based on a weighted average of acquisition prices.

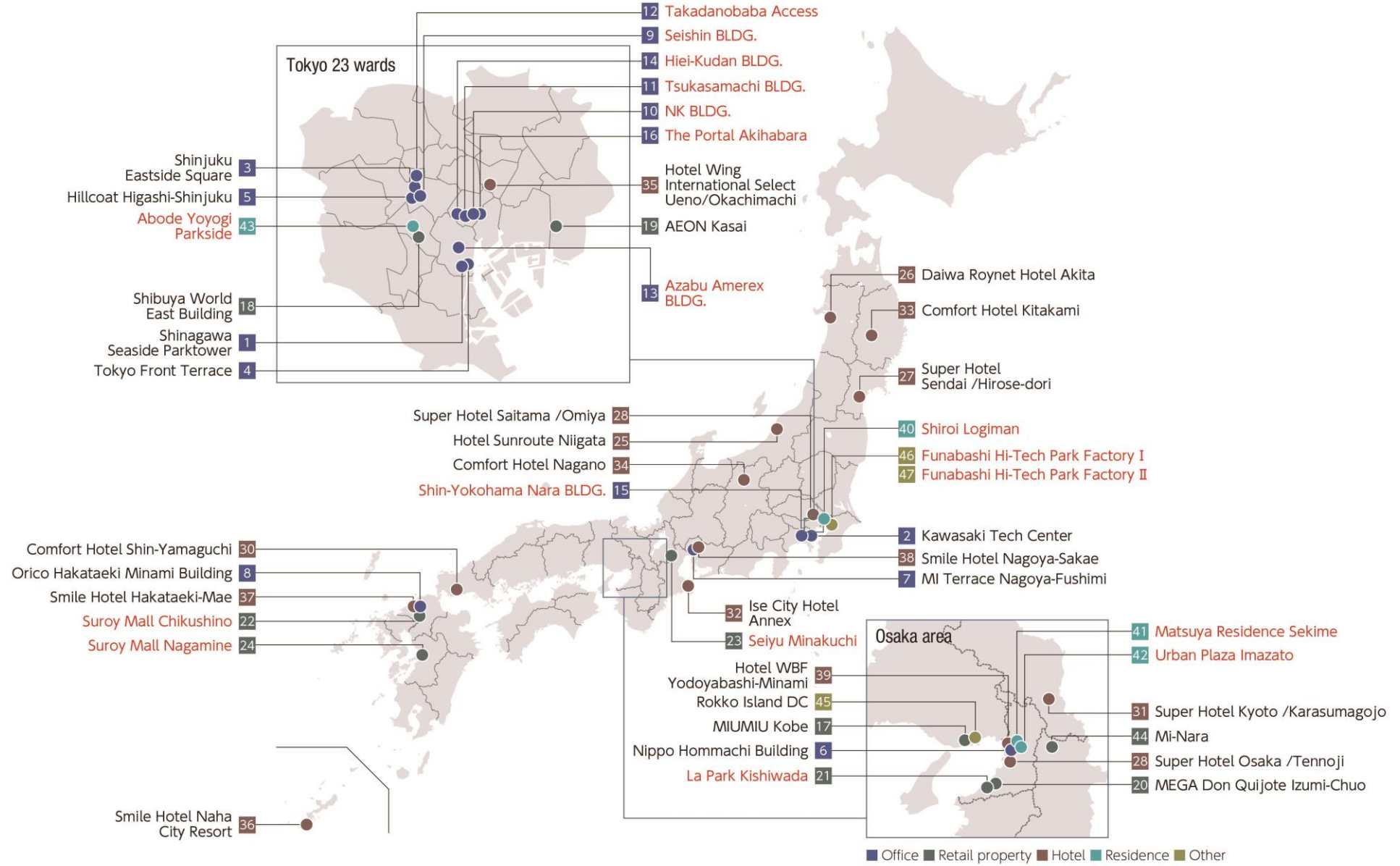
Note 3: As of the end of June 2019.

Note 4: NAV per unit=(Unitholders' capital + Unrealized gain)÷Total number of investment units.

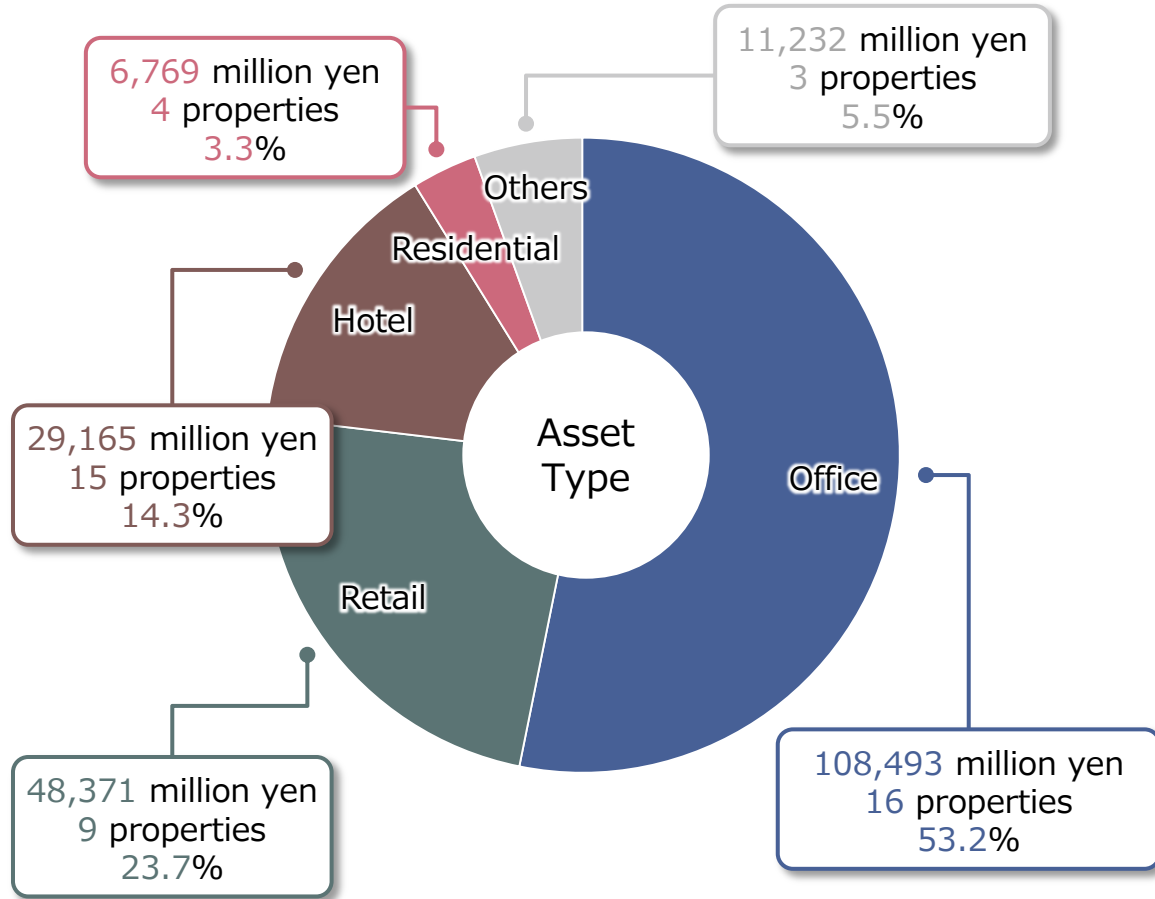
Note 5: Forecast DPU of MIRAI for 7th fiscal period ending October 2019 announced on June 21, 2019, and forecast DPU of SAKURA for the 7th fiscal period ending December 2019 announced on February 14, 2019.

(based on MIRAI DPU) and (based on SAKURA DPU) are the estimated DPU adjusted for the merger ratio. The operating results of MIRAI (after the Merger) are forecast for 8th fiscal period ending April 2020.

# Portfolio Map (after the Merger)

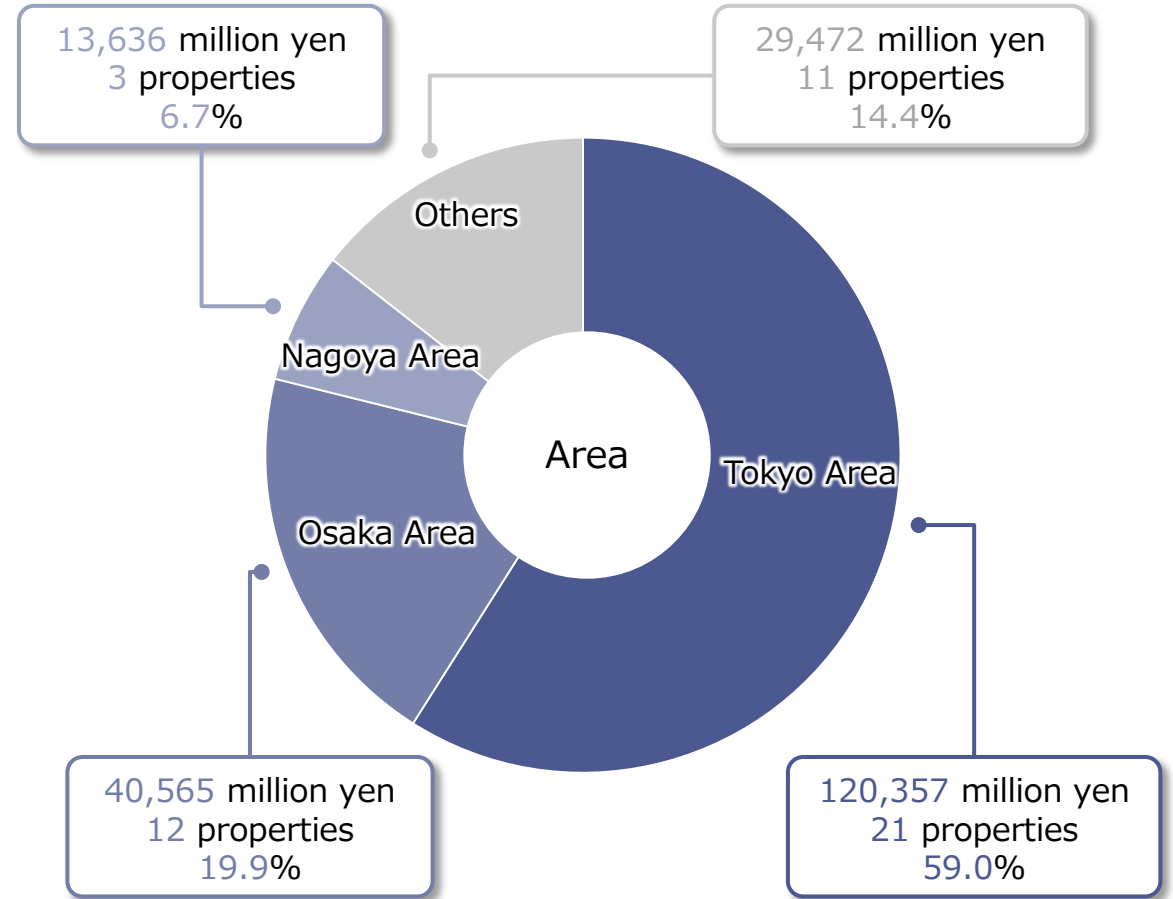


### Asset type



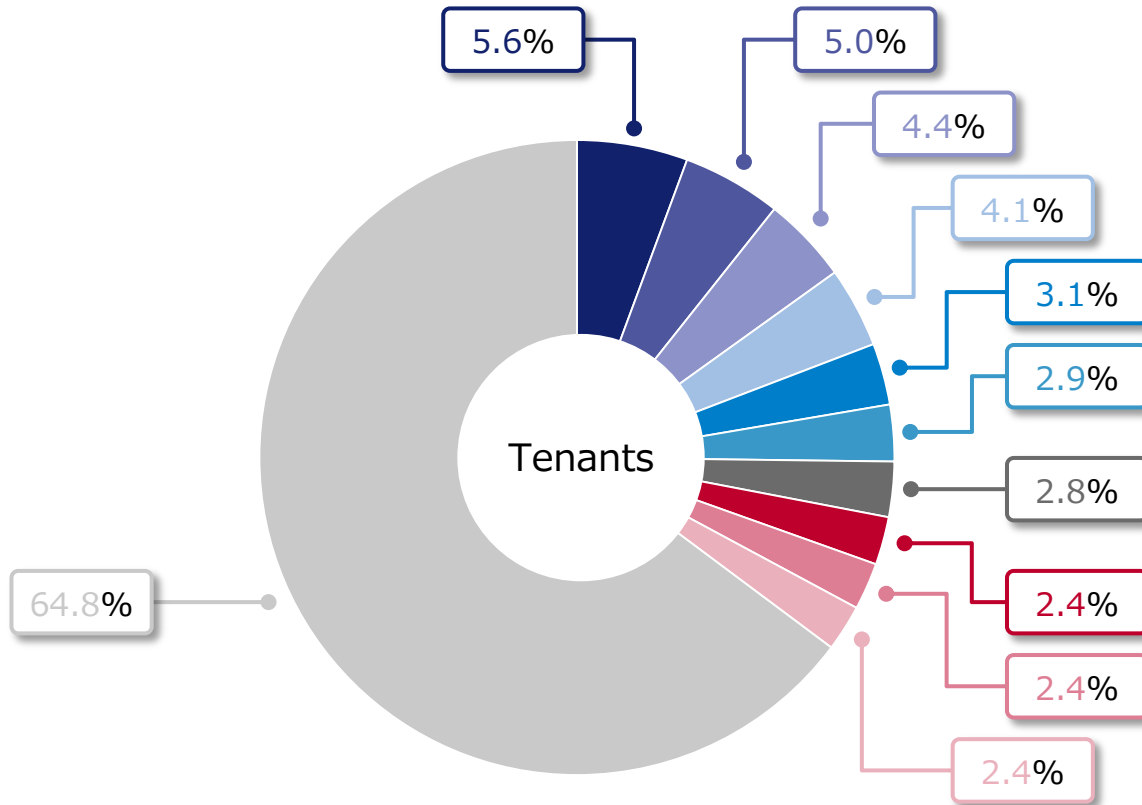
Maintain high weighting to office

### Area diversification



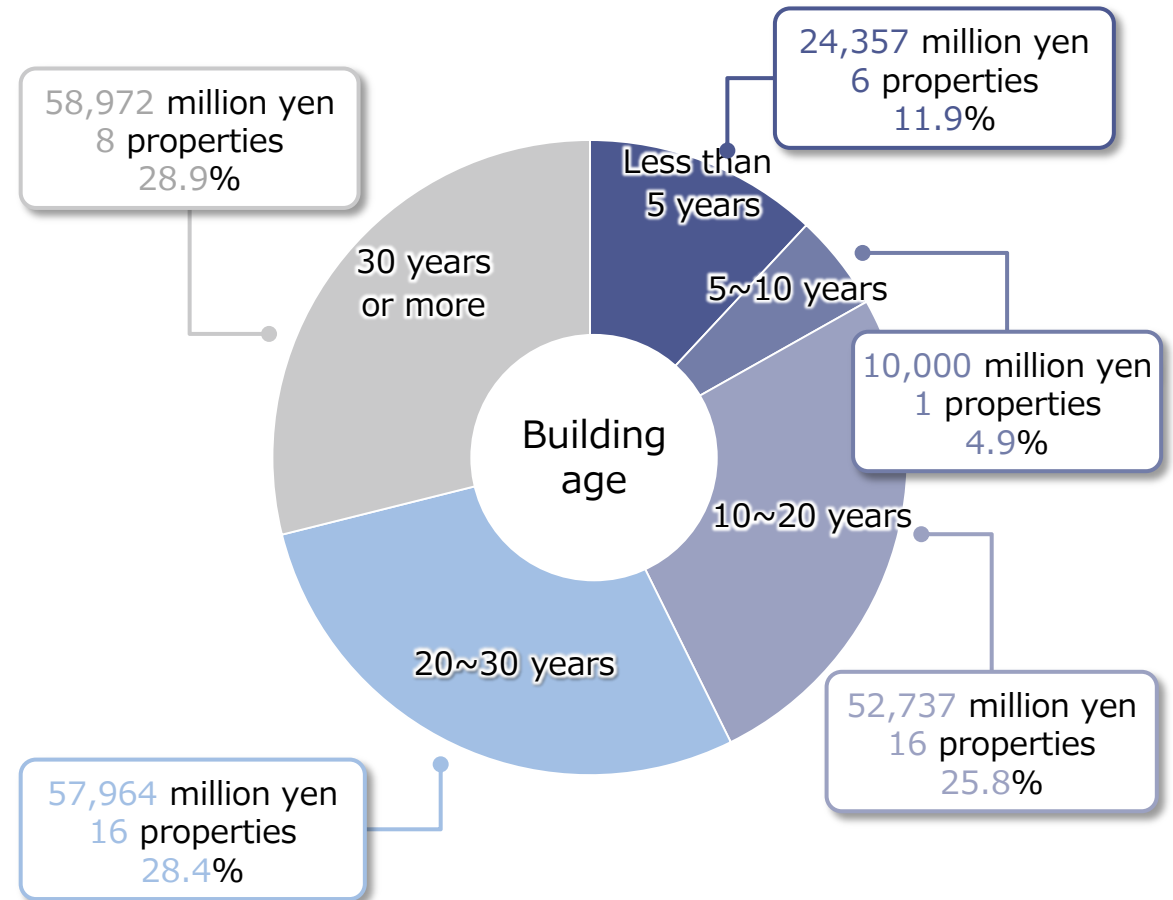
Over 85% of assets located in 3 major metropolitan areas

### Top 10 tenants (Note)



Enhanced diversification

### Building age



21.2 years of average building age

Note : Based on the rents per tenant as of July 29, 2019.

	8th FP (Ending April 2020) Forecast	9th FP (Ending October 2020) Forecast	Variance
Operating revenues (yen)	7,654 million	7,815 million	+160 million
Operating income (yen)	2,730 million	3,874 million	+1,144 million
Ordinary income (yen)	2,364 million	3,507 million	+1,143 million
Net income (yen)	3,420 million	3,506 million	+86 million
Total amount distributions (yen)	3,421 million	3,507 million	+86 million
Distributions of earnings (total) (yen)	3,421 million	3,507 million	+86 million
Distributions per unit (yen)	<b>1,600</b>	<b>1,640</b>	<b>+40</b>

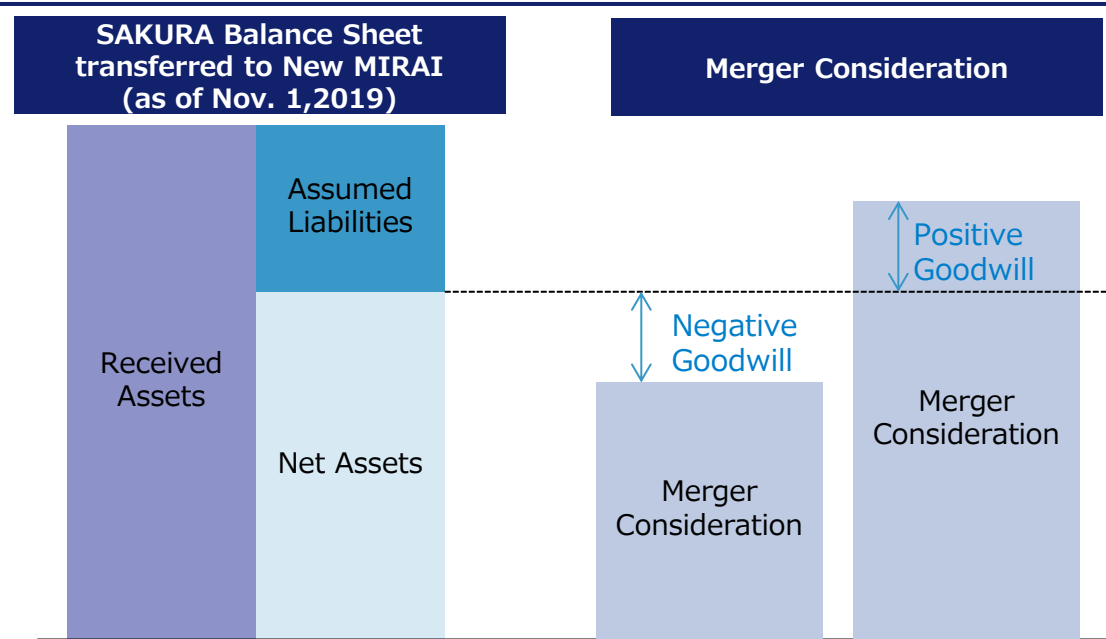
## Comparison with DPU before the Merger

	Forecast before the Merger	8th FP (Ending April 2020) Forecast	Δ from forecast before the Merger	9th FP (Ending October 2020) Forecast	Δ from forecast before the Merger
MIRAI 8th FP (Ending April 2020) Forecast	1,570 yen	1,600 yen	+30 yen (+1.9%)	1,640 yen	+70 yen (+4.5%)
SAKURA 7th FP (Ending December 2019) Forecast	2,427 yen	2,672 yen	+245 yen (+10.1%)	2,738 yen	+311 yen (+12.8%)

Note: Distributions in excess of earnings is expected to be 0.

Goodwill is calculated on the difference between “SAKURA net assets” and “merger consideration” at implementation and the final amount will be determined based on the MIRAI’s unit price when the Merger takes effect.

## Conceptual Diagram



Merger consideration  
 = MIRAI’s unit price (as of time when the Merger takes effect)  
 × 556,111 units (no. of new units issued)

- In the case where MIRAI’s unit price increases, the merger consideration will increase
  - Decrease in negative goodwill or increase in positive goodwill
- In the case where MIRAI’s unit price decreases, the merger consideration will decrease
  - Increase in negative goodwill or decrease in positive goodwill

## Accounting and Financial Effects

	Positive Goodwill	Negative Goodwill
<b>Handling on Balance Sheet</b>	<ul style="list-style-type: none"> <li>■ Recorded as an intangible assets</li> </ul>	<ul style="list-style-type: none"> <li>■ The portion not applied to distributions in the first Fiscal Period of New MIRAI is recorded in net assets as “reserve for temporary difference adjustment (RTA)”</li> </ul>
<b>Handling on Profit and Loss</b>	<ul style="list-style-type: none"> <li>■ Straight-line amortization within 20 years as an operating expenses</li> </ul>	<ul style="list-style-type: none"> <li>■ Recorded as extraordinary income in the first Fiscal Period of New MIRAI</li> </ul>
<b>Impact on Distributions</b>	<ul style="list-style-type: none"> <li>■ Amount equal to goodwill amortization expenses distributed as “allowance for temporary difference adjustment (ATA)”</li> </ul>	<ul style="list-style-type: none"> <li>■ At least 1% of the initial RTA reserve amount is drawn down continuously and applied to distributions</li> <li>■ Can be used flexibly as source of distribution added to net income</li> </ul>

## Accounting and Tax Handling for Unitholders who Received Distributions

	Accounting Handling	Tax Handling
<b>Distribution of earnings /drawdown of RTA</b>	<ul style="list-style-type: none"> <li>■ Distribution of profit</li> </ul>	<ul style="list-style-type: none"> <li>■ Treated as dividend income</li> </ul>
<b>ATA</b>	<ul style="list-style-type: none"> <li>■ “Distribution of profit” or “Refund of capital” depending on the accounting policies of each unitholders</li> </ul>	<ul style="list-style-type: none"> <li>■ Treated as dividend income</li> </ul>
<b>(reference) Distribution of excess profit</b>	<ul style="list-style-type: none"> <li>■ Refund of capital (reduction of book value)</li> </ul>	<ul style="list-style-type: none"> <li>■ Is a “reduction in capital for tax purposes” and is treated as “deemed dividends” and “deemed gain on sale”</li> </ul>

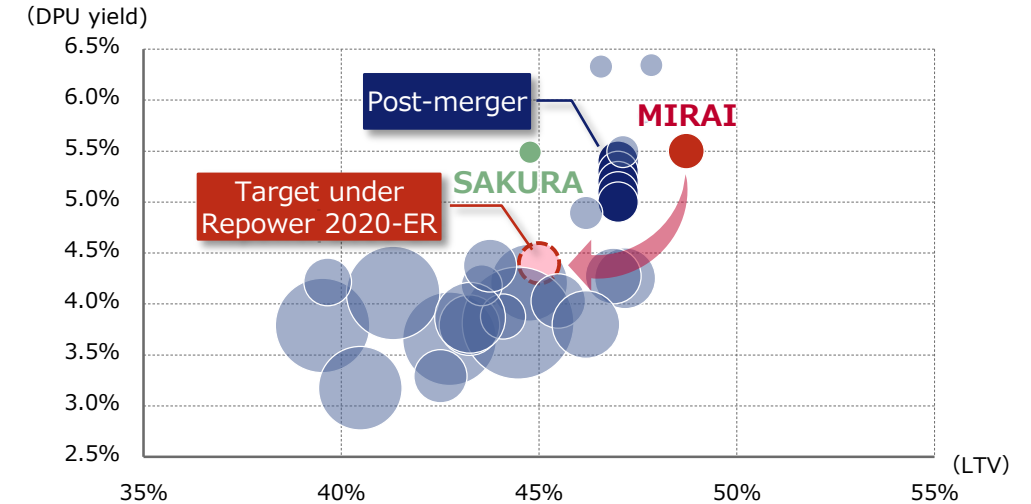
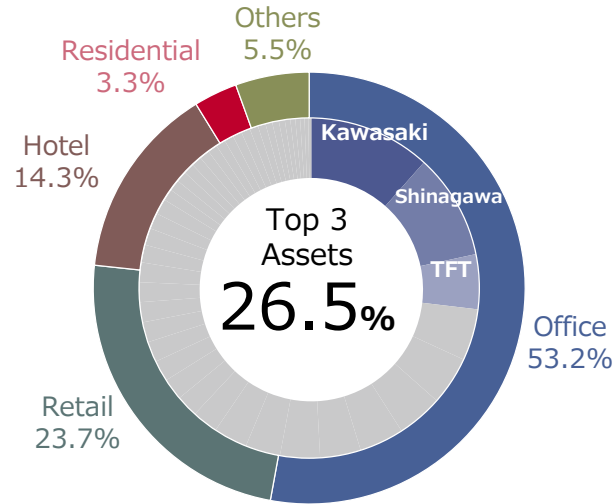
# Positioning after the Merger

The Merger would improve a number of key indicators such as risk diversification, and enhance market capitalization and increase liquidity, leading to inclement of institutional investor demand and future global index inclusion, in addition to improvement of valuation.

## After the Merger

## Positioning analysis of diversified J-REITs (Note 3)

Portfolio diversification



Top 10 lease contracts (Note 1) (% of total revenue)	35.2
Appraisal NOI yield (Note 2) (%)	5.0
Tokyo area office ratio (%)	47.3
Average property age (years)	21.2

MIRAI FP7th (2019/10) DPU forecast (Pre-Merger)	Current DPU yield (Note 4)	Current MIRAI unit price (Note 5) (yen)
1,560 yen	5.5%	56,800円

MIRAI FP9th (2020/10) DPU forecast (Post-Merger)	Potential DPU yield (Note 4)	Potential unit price level Post-Merger (yen)(Note 6)	
		MIRAI	SAKURA (Note 7)
1,640 yen	5.4%	60,500	101,000
	5.3%	61,700	103,000
	5.2%	62,900	105,000
	5.1%	64,100	107,000
	5.0%	65,400	109,200

Note 1 : Calculated based on leases with end-tenants at the end of the most recent fiscal year.

Note 2 : Calculated by weighted average of acquisition price.

Note 3 : The chart was prepared based on the disclosure materials of REITs as of the end of May 2019, and there is a possibility that the actual situation may differ. The size of the circle indicates the size of the market capitalization.

Note 4 : Dividend yield = forecasted dividend × (365 days/number of days of operation)/unit price

Note 5 : As of August 2, 2019.

Note 6 : Rounding down below 100yen

Note 7 : Calculated by multiplying the merger ratio by unit price level after the Merger of MIRAI.

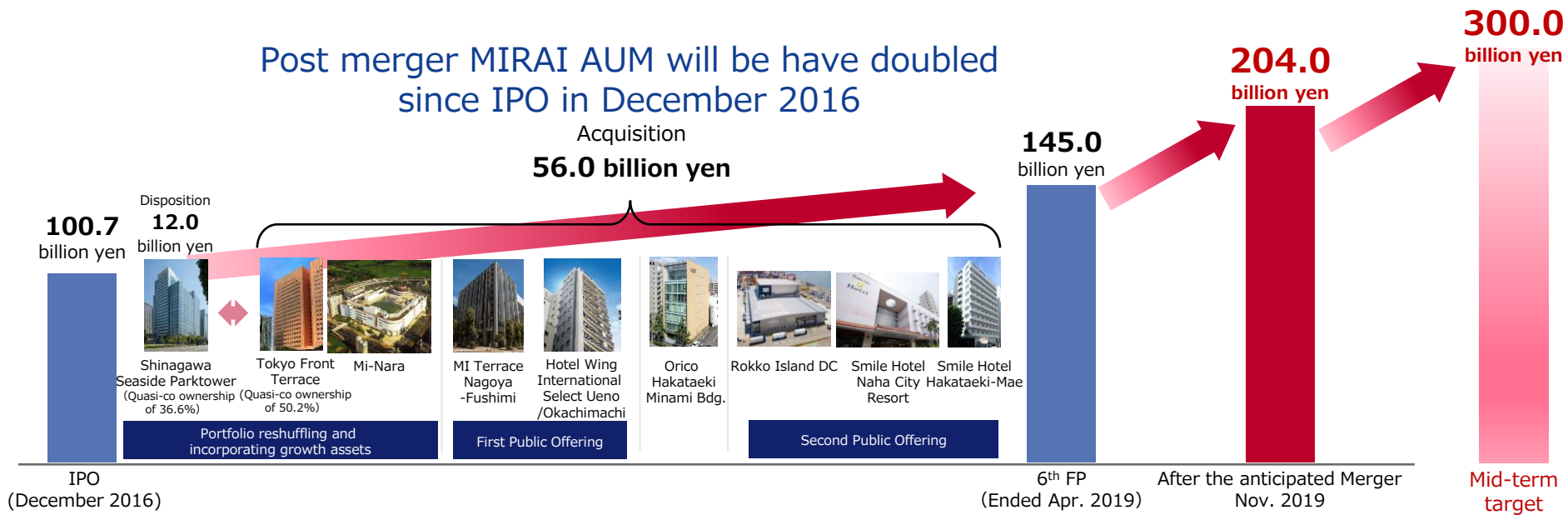


To improve various quantitative KPIs through maintenance and improvement of DPU as well as reduction of risk premium.

Expanded Mid-term Management Plan "Repower 2020-ER"

Quantitative target	
DPU (yen per unit)	=> (1,425)
Top 3 assets (%)	(< 40)
NOI yield (%) (after depreciation)	(=> 4.0)
LTV (%)	(< 45)
AUM (bn yen)	(> 200)

Post - merger		
DPU (yen per unit)	1,570 →	1,600 <b>Clear!</b>
Top 3 assets (%)	34.8 →	26.5 <b>Clear!</b>
NOI yield (after depreciation)	4.0 →	(target 4.0~)
LTV (%)	48.9 →	47.7
AUM (bn yen)	143.1 →	204.0 <b>Clear!</b>



**Targets**

Short-term:

- Rating: to acquire AA-
- To be a constituent of Global index

Mid-term:

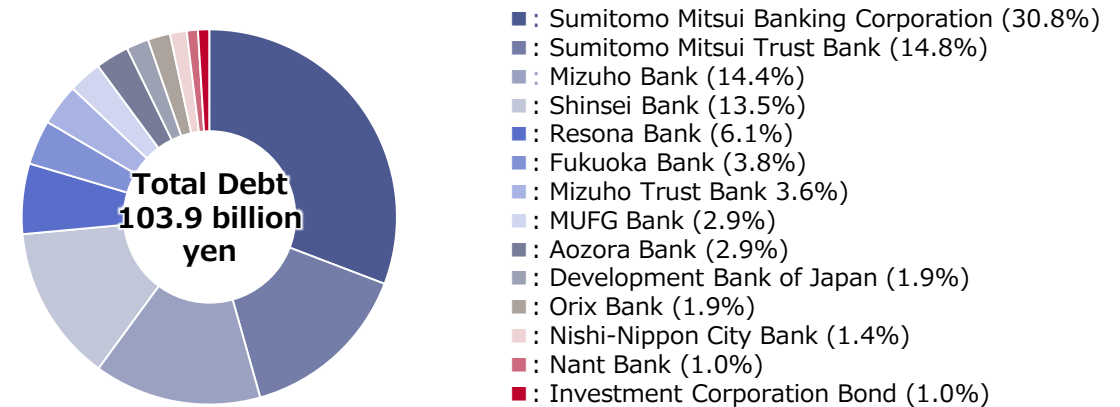
AUM 300 billion yen

After the Merger, LTV will remain at a conservative level. Backed by the credibility of the Mitsui & Co., Ltd. Group and strong A+ credit rating, MIRAI will pursue cost reduction of borrowings and extension of average term to maturity of loans

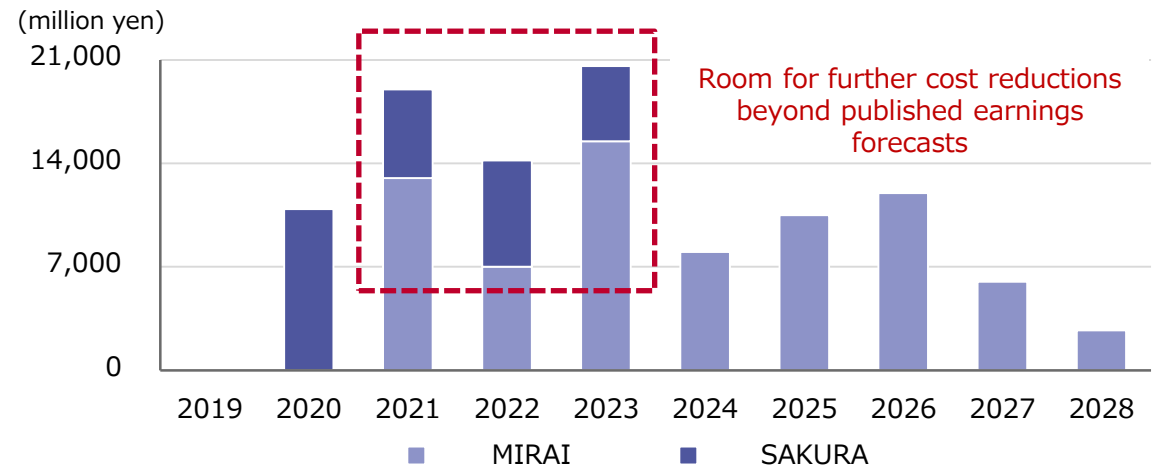
## Changes in Financial Indicators

	MIRAI (Note 1)	SAKURA (Note 1)	Post-Merger (Note 1)
Interest-bearing debt	74.7 billion yen	29.2 billion yen	103.9 billion yen
LTV (Total assets)	49.0%	44.8%	47.7%
Commitment line	3.0 billion yen	-	3.0 billion yen <i>Room for improvement after the merger</i>
Finance cost (Interest rate)	0.53%	0.83%	0.59%
Average borrowing period	7.2 years	4.2 years	5.7 years
Fixed interest debt ratio (Note 2)	100.0%	76.4%	89.5%
Lenders	10	8 ※Syndicated Loans Only	13

## Diversified Funding Source



## Debt Maturity Ladder



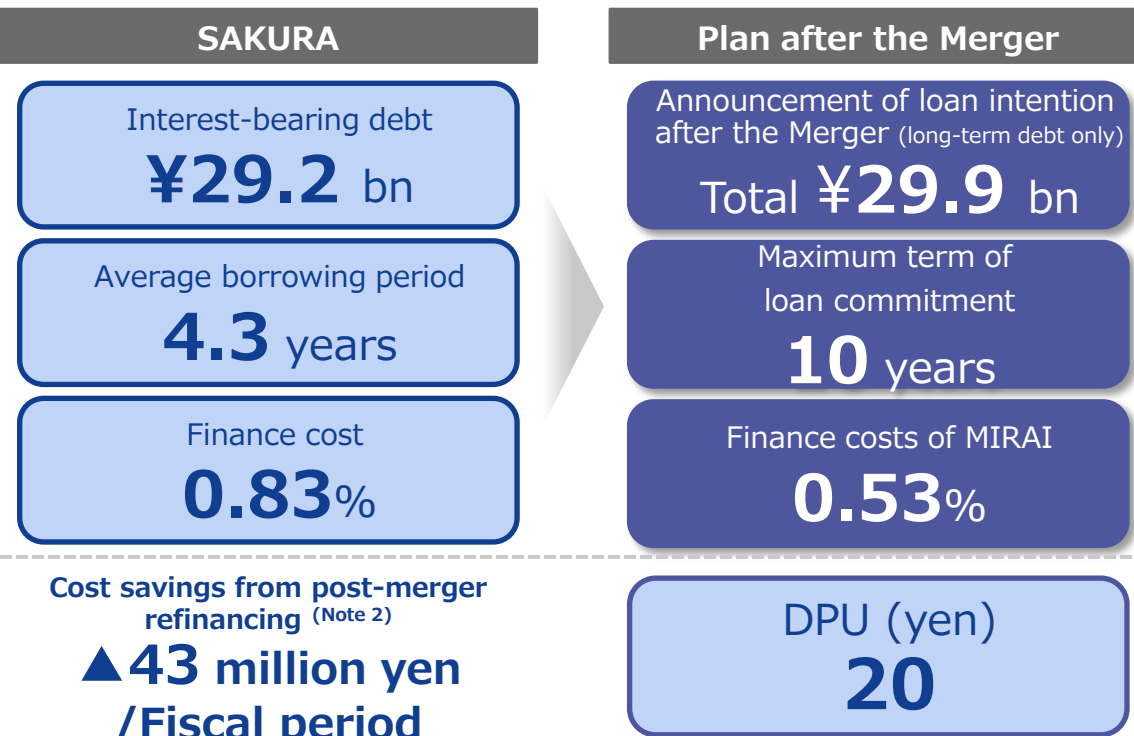
Note 1 : Figures for MIRAI and SAKURA as of June 28, 2019 are used as the basis for calculating the combined figures. However, LTV of total assets is as of the end of April 2019 for MIRAI and as of the end of December 2018 for SAKURA.

Note 2 : Figures represent floating-rate borrowings, including those with interest rate swap agreements.

A comprehensive strategy has been developed for refinancing after the Merger. At the next review, MIRAI will target an upgrade of Long-term issuer rating based on the benefits of the Merger

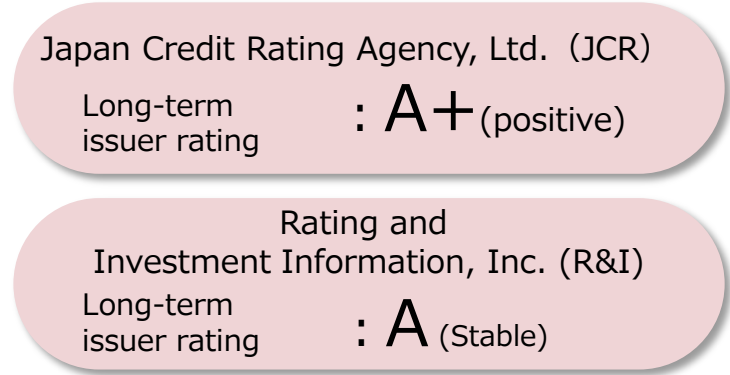
## Refinance plan after the Merger

Discussions are underway with several major financial institutions on a post-merger support system, and a loan intention <sup>(Note 1)</sup>, including the presentation of specific economic conditions, has been received. With the aim of achieving sustainable growth in DPU after the merger, New MIRAI will promote cost reductions and the establishment of a long-term stable financial base, backed by the creditworthiness of the Mitsui & Co., Ltd. Group.

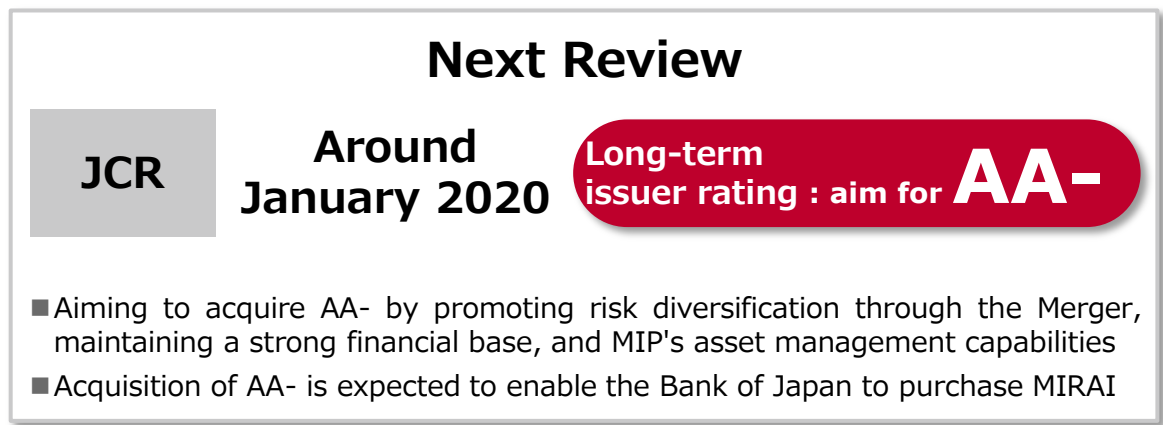


## Status of Long-Term Issuer Credit Rating

### MIRAI (before the Merger)



### After the Merger



Note 1 : A number of financial institutions have expressed their intention to extend loans, stating the amount and duration of the loans (scheduled). However, these financial institutions are required to conclude loan contracts that are reasonably satisfactory and to fulfill all the loan assumptions that are separately set forth. In order for the financial institutions to actually extend loans, the final approval of the loan examination procedures must be completed. The financial institution shall not be obligated to provide loans to the Investment Corporations after the Merger.

Note 2 : SAKURA's interest-bearing debt outstanding as of the end of July 2019 × (Average borrowing rate of SAKURA - the average borrowing rate of investment corporations) / 2.

By utilizing the expertise and support of Mitsui Group & IDERA Capital, aim to improve the value of real estate on a long term basis.



Increase the value that leads to progress in risk diversification and improved profitability with sponsor support. Promote portfolio stabilization by utilizing the asset management company's management knowledge and managing risks ahead.

## Office



Kawasaki Tech Center

- Invite convenience stores in one corner of the lobby
- Improve tenant satisfaction and profitability in common areas
- Successfully invited 9 new tenants while changing usage




Dec. 2016  
96.0%/19 tenants

Value up + tenant replacement after acquisition by MIRAI

Apr. 2019  
97.5%/26 tenants



Tokyo Front Terrace

- Significantly renovated the first and second floors to the grand entrance
- Change of air conditioning system in the entire building, all lighting LED, expansion of ceiling height, renewal from women's viewpoint, etc




Aug. 2014  
100%/1 tenant


Sponsor bridge + acquired by MIRAI after value up

Apr. 2019  
100%/22 tenants



MI Terrace Nagoya-Fushimi

- Improve illumination and energy conservation in common areas and elevator halls
- Large-scale multi-tenant construction succeeded in attracting tenants from a wide range of industries





Dec. 2016  
100%/1 tenant

Sponsor bridge + acquired by MIRAI after value up


Apr. 2019  
100%/9 tenants

## Retail / Hotel





Shibuya World East Building

- Redevelopment around Miyashita Park increases real estate value
- Switch from apparel to drugstores with strong inbound demand on the first and second floors
- Rent increases by more than 10% for other existing tenants in the most recent 1 year period





Miyashita Park Redevelopment Area






MEGA Don Quijote Izumi-Chuo



- Success in a tenant replacement without no vacant period
- Conducted a search for new tenant candidates in parallel with reduction negotiations with the previous tenant
- Attracting different types of tenants to stabilize earnings



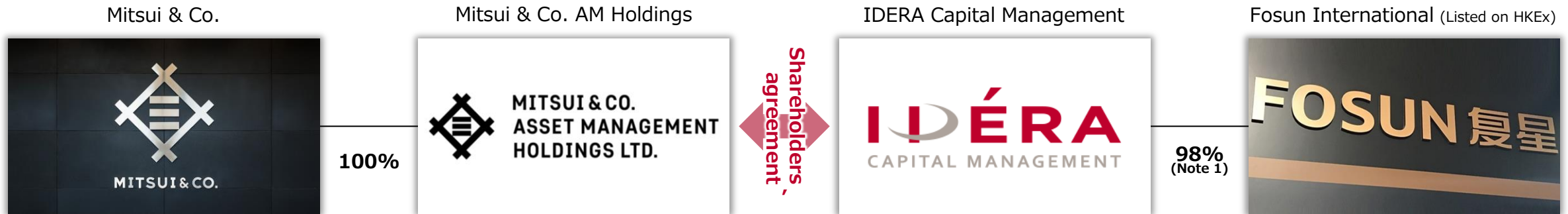
Hotel Sunroute Niigata

- Underground stores not operated at the time of acquisition was excluded from the scope of rent and the contract has been extended
- Skeletonization of underground stores to expand tenant candidates
- Successful long-term contract with an Izakaya chain that is expected to have a synergistic effect with hotels
- Energy conservation work taking advantage of subsidies

# Strong Ongoing Support from Dual Sponsors

Mitsui & Co AM Holdings and IDERA Capital Management have a firm commitment to support future growth of MIRAI.



Scale of Mitsui & Co. business (Note 2)

Total Assets	Revenue
<b>11.9</b> trillion yen	<b>6.95</b> trillion yen
Profit (bn yen)	
<b>414.2</b>	
Number of offices	Number of employees
<b>139</b>	<b>43,993</b>

50% 50%

**MIRAI**  
Corporation

Asset Manager  
(Mitsui Bussan & IDERA Partners)

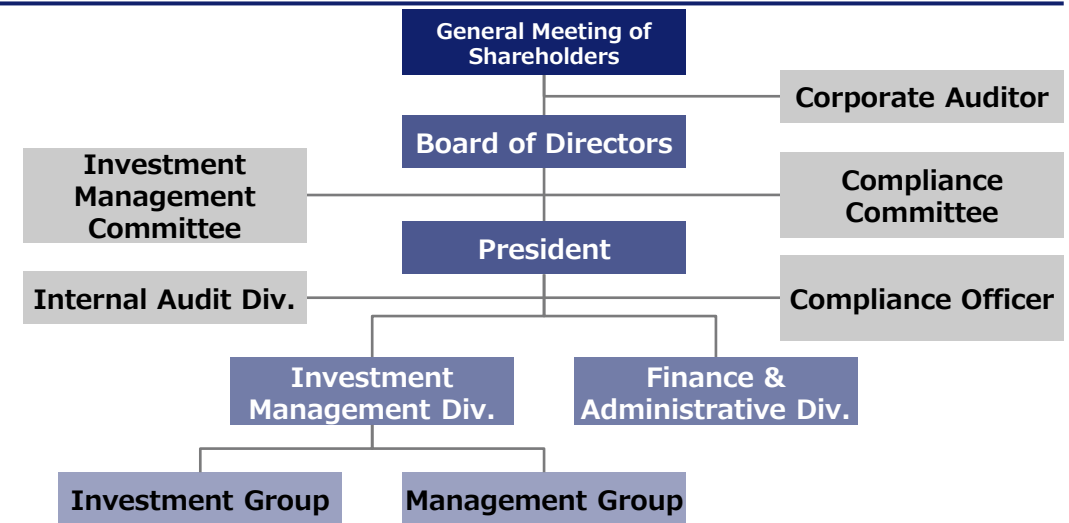
Scale of Fosun business (Note 3)

Total Assets	Revenue
<b>10.1</b> trillion yen	<b>1.74</b> trillion yen
Profit (bn yen)	
<b>213.7</b>	
Number of Major International bases	Number of employees
<b>50</b>	Approx. <b>63,000</b>

Note 1: As of end of May 2019. Fosun International owns stake in IDERA Capital Management indirectly.  
 Note 2: Total assets, revenue and profit are those for the fiscal period ended March 2019. Profit refers to profit attributable to owners of parent. The number of offices and the number of consolidated employees are as of April 1, 2019.  
 Note 3: Total assets, revenue and profit are those for the fiscal period ended December 2018. For convenience, the Chinese yuan is calculated by converting it into the yen at the closing price (1 yuan = 15.93 yen) on Yahoo! Finance on December 31, 2018. Major international bases are as of March 26, 2019. The number of consolidated employees is based on the Forbes 2019 GLOBAL 2000.

## Asset Manager

<b>Name</b>	<b>Mitsui Bussan &amp; IDERA Partners co., Ltd.</b>
<b>Address</b>	3-2-1 Nishi-kanda Chiyoda-ku, Tokyo 101-0065, Japan
<b>Management</b>	Representative Director, President/ Michio Suganuma Representative Director, Vice President CIO/ Hiroyuki Iwasaki Executive Director, CFO, Head of Finance & Administrative Division/ Shosaku Ikeda (Note 1) Executive Director, Investment Management Division/ Akira Nagahama Director (part-time)/ Tamotsu Hagino Director (part-time)/ Takuya Yamada Corporate Auditor (part-time)/ Ichiro Tsutsumi
<b>Shareholders</b>	Mitsui & Co. Asset Management Holdings Ltd.(50%) IDERA Capital Management Ltd.(50%)
<b>Paid-in capital</b>	¥ 200 million
<b>Registration &amp; Licenses</b>	Building lots and building transaction business; Tokyo Governor's Office license(1) No.98041 Discretionary transaction agent; Minister of Land, Infrastructure, and Transport Approval No.94 Financial Instruments Business Operator (Director of Kanto Finance Bureau(Kinsho) No.2876)



## Governance Structure of MIRAI



Note 1 : Nobuaki Takuchi is scheduled to assume the post of Director, CFO and General Manager of Operations on August 8, 2019.  
 Note 2 : Sponsor support agreements are entered into separately between each of the sponsor company and the Asset Management Company and MIRAI.

After the Merger, the management policy on governance will reflect following three aspects.

## Alignment with unitholders' to maximize value

Management system	<ul style="list-style-type: none"> <li>MIRAI's executive director will replace SAKURA's executive director if approved at by unitholders on August 30, 2019</li> <li>Major unitholder, director structure, etc. of MIRAI after the Merger will remain unchanged, with no investment, management or director involvement by SREFM or Galileo</li> </ul>
Handling of merger fee	<ul style="list-style-type: none"> <li>SAKURA's Articles of Incorporation specify that even if SAKURA becomes an absorbed corporation, merger fee shall be paid; SREFM has agreed to waive this fee to support successful implementation of this proposal</li> <li>MIRAI will pay the merger fee stipulated in its Articles of Incorporation (up to 1% of appraisal value on the effective date) to the Asset Management Company, and the amount will be disclosed in presentation materials, etc.</li> </ul>
Clarification of cost burden	<ul style="list-style-type: none"> <li>MIRAI and Mitsui Bussan &amp; IDERA Partners determine cost burden of the Investment Corporation and the Asset Manager on the basis of burden classification stipulated in the asset management agreement</li> <li>Although it depends on the policy and each business agreement, Mitsui Bussan &amp; IDERA Partners confirm that all costs associated with planned acquisition that is not completed will be the burden of the Asset Manager and not the Investment Corporation</li> </ul>

## Investment Corporation-Centric Operational Strategy (Asset Manager)

Offer best asset management service for the investment corporation

### Pursuit of best interest of the investment corporation

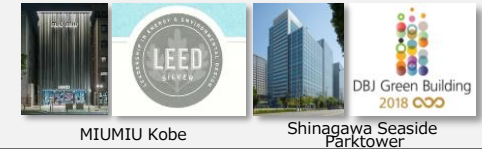
As an asset management company that is charged with the management of the investment corporation, the Asset Manager will aim for the best interest of the investment corporation through creativity and ingenuity with high level of expertise and ethics. In addition, as part of KPI of this strategy, the Asset Manager will formulate mid-term management plan of the investment corporation and work toward realizing the target.

- Important information is quickly disclosed through TDnet and on the website of investment corporation for dissemination.**

### Improvement of sustainability

The Asset Manager will work together with the investment corporation to aim for improvement of sustainability of the society through investment management activities. The Asset Manager will actively promote to address issues centering on EGS (Environmental, Social and Governance).

**Environmental certification:**  
**18.6%** (based on acquisition price)  
of assets obtained



Make important information easily understood

### Clarify fees

The Asset Manager will clearly state the fee structure to be paid by the investment corporation and will disclose the actual figures of each item in result announcement of the investment corporation.

- Each item of the Asset Manager's fees is disclosed in the result presentation materials for clarification.**

Asset Management Fee Structure / Result (5<sup>th</sup> and 6<sup>th</sup> FP)




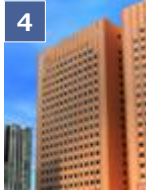

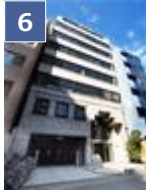


















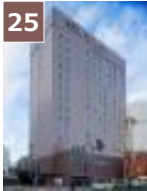

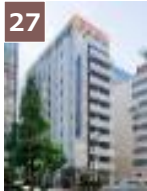




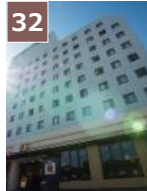
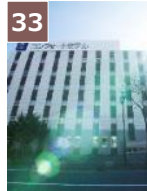














Asset Management Fee Structure / Result		Amount of 5 <sup>th</sup> FP	Amount of 6 <sup>th</sup> FP
AM Fee I (Based on AUM)	Up to 0.5% per year x total assets <sup>(1)</sup>	24 million yen	18 million yen
AM Fee II (Based on EBITDA)	Up to 0.002% x EBITDA before AM Fee II x NDI after depreciation	11 million yen	18 million yen
Acquisition Fee	Up to 1.0% x the acquisition price	141 million yen	211 million yen
Disposition Fee	Up to 1.0% x the disposition price	None	None
Merger Fee	Up to 1.0% x the appraisal value of real estate related assets the counterparties of the merger hold at the time of merger to be transferred to and to be held by the new merged entity	None	None



# Appendix

## Assets

■ Office   
 ■ Retail   
 ■ Hotel   
 ■ Residential   
 ■ Industrial   
   Properties owned by SAKURA

 1 Shinagawa Seaside Parktower	 2 Kawasaki Tech Center	 3 Shinjuku Eastside Square	 4 Tokyo Front Terrace	 5 Hillcoat Higashi-Shinjuku	 6 Nippo Hommach Building	 7 MI Terrace Nagoya-Fushimi	 8 Orico Hakataeki Minami Building	 9 Seishin BLDG.	 10 NK BLDG.	 11 Tsukasamachi BLDG.	 12 Takadanobaba Access
 13 Azabu Amerex BLDG.	 14 Hiei-Kudan BLDG.	 15 Shin-Yokohama Nara BLDG.	 16 The Portal Akihabara	 17 MIUMIU Kobe	 18 Shibuya World East Building	 19 AEON Kasai	 20 MEGA Don Quijote Izumi-Chuo	 21 La Park Kishiwada	 22 Suroy Mall Chikushino	 23 Seiyu Minakuchi	 24 Suroy Mall Nagamine
 25 Hotel Sunroute Niigata	 26 Daiwa Roynet Hotel Akita	 27 Super Hotel Sendai/Hirose-dori	 28 Super Hotel Osaka/Tennoji	 29 Super Hotel Saitama/Omiya	 30 Super Hotel Kyoto Karasumagojo	 31 Comfort Hotel Shin-Yamaguchi	 32 Ise City Hotel Annex	 33 Comfort Hotel Kitakami	 34 Comfort Hotel Nagano	 35 Hotel Wing International Select Ueno/Okachimachi	 36 Smile Hotel Naha City Resort
 37 Smile Hotel Hakataeki-Mae	 38 Smile Hotel Nagoya-Sakae	 39 Hotel WBF Yodoyabashi-Minami	 40 Shiroi Logiman	 41 Matsuya Residence Sekime	 42 Urban Plaza Imazato	 43 Abode Yoyogi Parkside	 44 Mi-Nara	 45 Rokko Island DC	 46 Funabashi Hi-Tech Park Factory I	 47 Funabashi Hi-Tech Park Factory II	

# Portfolio List (after the Merger) (2)

	Asset Type		Property Name	Address	(Assumptions) Acquisition Price (mn yen)	% of the Portfolio	Occupancy Rate
Core Assets	Office	Large-Scale	Shinagawa Seaside Parktower	Shinagawa-ku, Tokyo	20,288	9.9%	100.0%
			Kawasaki Tech Center	Kawasaki-shi, Kanagawa	23,182	11.4%	97.5%
			Shinjuku Eastside Square	Shinjuku-ku, Tokyo	10,000	4.9%	94.9%
			Tokyo Front Terrace	Shinagawa-ku, Tokyo	10,592	5.2%	100.0%
		Mid-Scale	Hillcoat Higashi-Shinjuku	Shinjuku-ku, Tokyo	3,900	1.9%	100.0%
			Nippo Hommachi Building	Osaka-shi, Osaka	1,465	0.7%	97.3%
			MI Terrace Nagoya-Fushimi	Nagoya-shi, Aichi	8,886	4.4%	100.0%
			Orico Hakataeki Minami Building	Fukuoka-shi, Fukuoka	1,680	0.8%	100.0%
			Seishin BLDG.	Shinjuku-ku, Tokyo	8,900	4.4%	100.0%
			NK BLDG.	Chiyoda-ku, Tokyo	4,010	2.0%	100.0%
			Tsukasamachi BLDG.	Chiyoda-ku, Tokyo	4,060	2.0%	100.0%
			Takadanobaba Access	Shinjuku-ku, Tokyo	3,550	1.7%	100.0%
			Azabu Amerex BLDG.	Minato-ku, Tokyo	2,310	1.1%	100.0%
			Hiei-Kudan BLDG.	Chiyoda-ku, Tokyo	2,120	1.0%	100.0%
			Shin-Yokohama Nara BLDG.	Yokohama-shi, Kanagawa	2,030	1.0%	100.0%
			The Portal Akihabara	Chiyoda-ku, Tokyo	1,520	0.7%	100.0%
	<b>Office (16 properties)</b>				<b>108,493</b>	<b>53.2%</b>	<b>99.1%</b>
	Retail	Urban	MIUMIU Kobe <sup>(Note)</sup>	Kobe-shi, Hyogo	4,757	2.3%	100.0%
			Shibuya World East Building	Shibuya-ku, Tokyo	3,200	1.6%	100.0%
		Community Based	AEON Kasai	Edogawa-ku, Tokyo	9,420	4.6%	100.0%
			MEGA Don Quijote Izumi-Chuo	Izumi-shi, Osaka	3,000	1.5%	100.0%
			La Park Kishiwada	Kishiwada-shi, Osaka	6,650	3.3%	97.8%
			Suroy Mall Chikushino	Chikushino-shi, Fukuoka	7,790	3.8%	99.6%
			I Seiyu Minakuchi	Koka-shi, Shiga	4,140	2.0%	100.0%
			Suroy Mall Nagamine	Kumamoto-shi, Kumamoto	4,470	2.2%	99.3%
	<b>Retail (8 properties)</b>				<b>43,427</b>	<b>21.3%</b>	<b>99.2%</b>

  : New properties

	Asset Type		Property Name	Address	(Assumptions) Acquisition Price (mn yen)	% of the Portfolio	Occupancy Rate
Core Assets	Hotel	Budget	Hotel Sunroute Niigata	Niigata-shi, Niigata	2,108	1.0%	100.0%
			Daiwa Roynet Hotel Akita	Akita-shi, Akita	2,042	1.0%	100.0%
			Super Hotel Sendai/Hirose-dori	Sendai-shi, Miyagi	1,280	0.6%	100.0%
			Super Hotel Osaka/Tennoji	Osaka-shi, Osaka	1,260	0.6%	100.0%
			Super Hotel Saitama/Omiya	Saitama-shi, Saitama	1,123	0.6%	100.0%
			Super Hotel Kyoto/Karasumagojo	Kyoto-shi, Kyoto	1,030	0.5%	100.0%
			Comfort Hotel Shin-Yamaguchi	Yamaguchi-shi, Yamaguchi	902	0.4%	100.0%
			Ise City Hotel Annex	Ise-shi, Mie	1,800	0.9%	100.0%
			Comfort Hotel Kitakami	Kitakami-shi, Iwate	820	0.4%	100.0%
			Comfort Hotel Nagano	Nagano-shi, Nagano	580	0.3%	100.0%
			Hotel Wing International Select Ueno/Okachimachi	Taito-ku, Tokyo	3,720	1.8%	100.0%
			Smile Hotel Naha City Resort	Naha-shi, Okinawa	4,000	2.0%	100.0%
			Smile Hotel Hakataeki-Mae	Fukuoka-shi, Fukuoka	3,800	1.9%	100.0%
			Smile Hotel Nagoya-Sakae	Nagoya-shi, Aichi	2,950	1.4%	100.0%
			Hotel WBF Yodoyabashi-Minami	Osaka-shi, Osaka	1,750	0.9%	100.0%
	<b>Hotel (15 properties)</b>				<b>29,165</b>	<b>14.3%</b>	<b>100.0%</b>
	Residential	Residential	Shiroi Logiman	Shiroi-shi, Chiba	2,170	1.1%	97.8%
			Matsuya Residence Sekime	Osaka-shi, Osaka	1,970	1.0%	97.9%
			Urban Plaza Imazato	Osaka-shi, Osaka	949	0.5%	97.1%
			Abode Yoyogi Parkside	Shibuya-ku, Tokyo	1,680	0.8%	91.3%
<b>Residential (4 properties)</b>				<b>6,769</b>	<b>3.3%</b>	<b>97.5%</b>	
Retail	Community Based	Mi-Nara	Nara-shi, Nara	4,944	2.4%	100.0%	
Growth Assets	Industrial	Industrial	Rokko Island DC	Kobe-shi, Hyogo	8,650	4.2%	100.0%
			Funabashi Hi-Tech Park Factory I	Funabashi-shi, Chiba	1,800	0.9%	100.0%
			Funabashi Hi-Tech Park Factory II	Funabashi-shi, Chiba	782	0.4%	100.0%
			<b>Industrial (3 properties)</b>				<b>11,232</b>
<b>Total</b>					<b>204,030</b>	<b>100.0%</b>	<b>99.3%</b>

Note : As of June 28, 2019, the disposition of 29% of the quasi-co-ownership interest was completed. Subsequently, dispositions of 33% of the quasi-co-ownership interest on November 29, 2019 and 38% of the quasi-co-ownership interest on June 30, 2020 are planned, respectively.

# Disclaimer

Monetary amounts are rounded down to the nearest unit.

Percentage figures are rounded off to the first decimal place.

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-Financial Instruments Business Operator (Director of Kanto Finance Bureau (Kinsho) No.2876)

Asset Manager : Sakura Real Estate Funds Management, Inc.

-Financial Instruments Business Operator (Director of Kanto Finance Bureau (Kinsho) No.2907)