

March 11, 2020

For Immediate Release

Real Estate Investment Trust Securities Issuer
Star Asia Investment Corporation
Representative: Atsushi Kato, Executive Officer
(Code: 3468)

Asset Management Company
Star Asia Investment Management Co., Ltd.
Representative: Atsushi Kato
President and CEO
Contact: Akiko Kanno
Director and CFO
TEL: +81-3-5425-1340

Notice Concerning Unitholders' Meeting Regarding Approval of the Merger Agreement Etc.

Star Asia Investment Corporation ("SAR"), by resolution of its board of directors meeting held today, decided the proposed agenda items for SAR's 4th general meeting of unitholders scheduled to be held on March 31, 2020 (the "Unitholders' Meeting") as described below.

The following matters shall come to effect upon passing of the resolutions at the Unitholders' Meeting.

1. Contents of Proposed Agenda Items and the Reasons for the Proposals

As stated in the press release dated March 2, 2020 entitled "Notice Concerning Execution of a Merger Agreement by and between Star Asia Investment Corporation and Sakura Sogo REIT Investment Corporation", SAR has agreed to execute an absorption-type merger (the "Merger") where SAR will be the surviving corporation and Sakura Sogo REIT Investment Corporation will be the dissolving corporation to take effect on August 1, 2020, and signed a merger agreement with respect to the Merger. The merger agreement will be presented to the Unitholders' Meeting for approval.

Furthermore, given the planned Merger, a partial amendment to the articles of incorporation will be proposed (the "Amendment of Articles of Incorporation"), (1) in order to clarify the definition of acquisition price which is used in the calculation of on-going fees I in the case where SAR executes the Merger, necessary wording will be added to Article 37, Paragraph 1, Item 1 of the Articles of Incorporation, and (2) in order to clarify the treatment of the goodwill amortization amount upon calculating on-going fees II in the case where goodwill arises due to SAR executing the Merger, necessary wording will be added to Article 37 Paragraph 1 Item 2 of the Articles of Incorporation .

(Please refer to the attachment "Convocation Notice of the 4th General Meeting of Unitholders" for details of the proposed agenda items.)

We kindly ask all unitholders to support and approve the Merger and the Amendment to the Articles of Incorporation.

2. Schedule of Unitholders' Meeting

March 11, 2020	Proposed Agenda Items for the Unitholders' Meeting approved by the Board.
March 11, 2020	Send out Convocation Notice for the Unitholders' Meeting

March 31, 2020 Unitholders' Meeting (scheduled)

<Attachment>

Convocation Notice of the 4th General Meeting of Unitholders

<For Reference>

March 2, 2020 Notice Concerning Execution of a Merger Agreement by and between Star Asia Investment Corporation and Sakura Sogo REIT Investment Corporation

* Star Asia Investment Corporation website address: <http://starasia-reit.com/en/>

This is an English translation of the announcement in Japanese dated March 11, 2020. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

March 11, 2020

To our unitholders

Atago Green Hills Mori Tower 18F,
2-5-1, Atago, Minato-ku, Tokyo

Star Asia Investment Corporation

Atsushi Kato, Executive Director

Convocation Notice of the 4th General Meeting of Unitholders

We would like to announce and invite you to attend the 4th General Meeting of Unitholders (the “General Meeting of Unitholders”) of Star Asia Investment Corporation (“SAR”), which will be held as described below.

If you are unable to attend the General Meeting of Unitholders, you may exercise your voting rights by using the Voting Rights Exercise Form. In such a case, please consider the Reference Documents for the General Meeting of Unitholders set out below, indicate your approval or disapproval on the enclosed Voting Rights Exercise Form, and return it so that it reaches SAR by 6:00 P.M. on Monday, March 30, 2020.

Furthermore, SAR has set forth the provisions regarding “deemed approval” as follows in Article 14 of its Articles of Incorporation, in accordance with Article 93, Paragraph 1 of the Act on Investment Trusts and Investment Corporations. **Therefore, please note that if you are unable to attend the General Meeting of Unitholders and do not exercise your voting rights by using the Voting Rights Exercise Form, you will be deemed as having approved each of the proposals submitted to the General Meeting of Unitholders, and the number of your voting rights will be included in the number of voting rights of the unitholders present thereat.**

<Excerpt from Current Articles of Incorporation>

Articles of Incorporation

Article 14 Deemed Approval

1. Unitholders who do not attend a general meeting of unitholders and do not exercise voting rights shall be deemed to approve the proposals for resolution (excluding proposals whose purposes conflict with each other in cases where multiple proposals are submitted) submitted to the general meeting of unitholders.
2. The number of voting rights of unitholders deemed to approve the proposals for resolution in accordance with the provision of the preceding paragraph shall be included in the number of voting rights of attending unitholders.

Meeting Details

1. **Date and Time:** 10:00 A.M. on Tuesday, March 31, 2020
(The reception desk is scheduled to open at 9:30 A.M.)
2. **Location:** AP Shinbashi, A-PLACE Shinbashi-ekimae, 1-12-9, Shinbashi,
Minato-ku, Tokyo
(Please refer to the map to the location at the end of this document.)
3. **Purpose of the Meeting:**
Matters to be Resolved
Proposal 1: Approval of Agreement on Absorption-Type Merger with Sakura Sogo REIT Investment Corporation
Proposal 2: Partial Amendments to the Articles of Incorporation

[Requests]

- When attending the General Meeting of Unitholders, please submit the enclosed Voting Rights Exercise Form to the reception desk at the venue.
- When exercising your voting rights by proxy, another unitholder holding the voting rights may attend the General Meeting of Unitholders as your proxy. In such a case, please submit a document certifying the authority of the proxy (including the qualification of the proxy) together with a Voting Rights Exercise Form to the reception desk at the venue. Please note that a person other than a unitholder entitled to exercise his/her voting rights, such as a proxy who is not a unitholder or any

accompanying person, is not permitted to enter the venue.

[Notice]

▪ **How to Announce the Amendments to the Reference Documents for the General Meeting of Unitholders**

If any amendment has been made to the Reference Documents for the General Meeting of Unitholders by the day immediately preceding the General Meeting of Unitholders, the amended version will be posted on SAR's website (<http://starasia-reit.com/>) on the Internet.

Reference Documents for the General Meeting of Unitholders

Proposals and Reference Matters

Proposal 1 Approval of Agreement on Absorption-Type Merger with Sakura Sogo REIT Investment Corporation

1. Reason of the absorption type merger

SAR and Sakura Sogo REIT Investment Corporation (“SSR”), based on the Memorandum of Understanding Regarding Merger executed between SAR and SSR on January 30, 2020 (the “MOU”), resolved to execute an absorption-type merger, with August 1, 2020 as the effective date, whereby SAR will be the surviving corporation and SSR will be the dissolving corporation in the merger (the “Merger”). SAR and SSR subsequently executed a merger agreement (the “Merger Agreement”) to that effect on March 2, 2020.

(1) History of SAR

SAR was listed on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange (the “Tokyo Stock Exchange”) in April 2016 as a diversified REIT with 18 properties (with a total acquisition price of 61.4 billion yen). SAR entrusts its asset management functions to Star Asia Investment Management Co., Ltd. (“SAIM”), which belongs to Star Asia Group (Note 1), an independent property investment group. SAR has expanded its capital base through public offerings for property acquisitions three times so far, and has been developing its portfolio with diversified assets, including office buildings, residences, logistics facilities and hotels mainly in the Tokyo area. Since its listing, SAR has been advocating active management, the basic principle of which is to maximize unitholder value. SAR examines and take various measures by thinking outside the box. Typical examples include four asset replacements (Note 2) that enabled distribution of profits on sale to the unitholders of SAR by enhancing the portfolio quality and producing profits on the sale of such properties, as well as investments in mezzanine debt which only SAR alone has conducted among the listed REITs as of March 2, 2020. As of March 2, 2020, SAR has had seven fiscal periods of operating history since its listing and manages a portfolio of 34 properties (with a total acquisition price of 102.3 billion yen).

(Note 1) “Star Asia Group” is a group led by Malcolm F. MacLean IV and Taro Masuyama, who founded the group and remain key players of the group to this day. “Star Asia Group” consists of all related entities and investment destinations (funds in which both Malcolm F. MacLean IV and Taro Masuyama are involved in the decision-making and the investment destinations of such funds).

(Note 2) The fifth asset replacement scheduled by SAR is not included.

(2) History of SSR

SSR was listed on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange in September 2016 as a diversified REIT holding 18 properties (with a total acquisition price of 57.3 billion yen), sponsored by the Galileo Group (Note 1), an Australian independent property and fund management group, and the Nippon Kanzai Group (Note 2). SSR has had seven fiscal periods of operating history since its listing and manages a portfolio of 18 properties (with a total acquisition price of 57.5 billion yen) as of March 2, 2020.

However, SSR has not received sufficient support from the Galileo Group, its main sponsor, and despite SSR being listed at around the same time as SAR, its asset size as of March 2, 2020 is roughly the same as the size as of SSR’s listing. Additionally, SSR has never expanded its capital base through a public offering. Furthermore, a relatively high level of asset management fees and average interest on loans were among the factors hindering the growth of distributions per unit. Moreover, SSR has only sold properties but has not conducted any acquisition in the fiscal period ended in June 2018. This has resulted in the lowered earning capacity of the portfolio, and profits on sale have been allocated to costs of preparing suspended issuances of investment units instead of being distributed to unitholders. This management approach is not considered to be prioritizing unitholders, and distributions per unit have been stagnant since the second fiscal period after SSR’s listing, in which it became unaffected by factors such as fixed property tax. Therefore, SSR has been reconsidering a growth strategy which includes the

possibility of a merger.

(Note 1) “Galileo Group” is an Australia-based business group led by Galileo Sydney Holdings Pty Limited, Galaxy JREIT Pty Limited and Werrett Family Pty Ltd, and engages in the property development and fund management businesses. (Note 2) “Nippon Kanzai Group” is a business group led by Nippon Kanzai Co., Ltd. (which is listed on the first section of the Tokyo Stock Exchange).

(3) Background of execution of the Merger Agreement

In light of the situation of SSR as described above, Lion Partners GK (“LPGK”), an affiliate of Star Asia Group, announced a proposal for the Merger (the “Proposal”) on May 10, 2019 and requested to hold a general meeting of unitholders of SSR as part of the necessary procedures for consummation of the Merger. Subsequently, on June 28, 2019, LPGK received approval from the Director-General of the Kanto Local Finance Bureau to convene SSR’s general meeting of unitholders and held the general meeting of unitholders at 10:00 am on August 30, 2019 (hereinafter referred to as the “Unitholders’ Meeting Convened by LPGK”).

Among the following Proposed Agenda Items 1 through 4, the Unitholders’ Meeting Convened by LPGK voted on Proposed Agenda Items 2 through 4. Proposed Agenda Item 1 was withdrawn because Executive Director Makoto Muranaka had resigned. All voted agenda items, Proposed Agenda Item 2 through Proposed Agenda Item 4, were adopted and approved by resolution as per the original proposals. (With respect to Proposed Agenda Item 2 and Proposed Agenda Item 4, an attending unitholder submitted a motion requesting amendment of the proposal, but both of such motions were rejected.)

Proposed Item 1:	Agenda	Removal of Executive Director Makoto Muranaka
Proposed Item 2:	Agenda	Appointment of Executive Director Toru Sugihara
Proposed Item 3:	Agenda	Cancellation of the asset management entrustment agreement with Sakura Real Estate Funds Management, Inc.
Proposed Item 4:	Agenda	Entering into an asset management entrustment agreement with Star Asia Investment Management Co., Ltd.

In connection with the resolutions at the Unitholders’ Meeting Convened by LPGK, Galaxy JREIT Pty Limited, which is a unitholder of SSR and the shareholder that owns all of the voting rights in Sakura Real Estate Funds Management, Inc. (“SREFM”), which had been the asset management company of SSR until February 29, 2020, later filed an action seeking rescission of the resolutions adopted at the unitholders’ meeting with the Tokyo District Court (the “Action for Rescission of Resolutions”) as well as a petition for an order of injunction to suspend the performance of duties and to appoint an acting representative for SSR’s executive director, a petition for an order of injunction to suspend the effects of resolutions of general meeting of unitholders, etc., and a petition for an order of injunction to prohibit certain acts on the basis of seeking to preserve the right to seek an injunction against illegal acts (hereinafter collectively referred to as the “Petitions”). However, the Action for Rescission of Resolutions has been dismissed by the Tokyo District Court on February 27, 2020. Each of the Petitions has been either dismissed by the court (A petition for permission to appeal, however, has been filed against the Tokyo high court’s dismissal of the immediate appeal as to one of the Petitions.) or withdrawn by the petitioner (furthermore, a petition for a provisional disposition order against SSR relating to the rights under the asset management agreement has been separately filed by SREFM).

In the course of its discussions with SAR to review the Merger, SSR has established a special committee (the “Special Committee”) consisting of Shigeru Kaneda and Hirotaka Isayama, Supervisory Directors of SSR, who are independent from Star Asia Group and the result of the Merger, and Kiyoshi Kondaibo, a third party. SSR has executed the MOU supported by an opinion on January 30, 2020 from the Special Committee concluding that it is reasonable for SSR to enter into the MOU and to review, negotiate, and conduct due diligence with a view toward an expedited execution of a definitive agreement.

After executing the MOU, each of SAR and SSR has conducted due diligence and entered into discussions regarding the terms of the Merger based on the MOU. SAR and SSR have executed the Merger Agreement on March 2, 2020 because they have agreed to the terms of the Merger, including the merger ratio.

(4) Purpose of the Merger

SAR believes that the Merger will contribute to: (i) further diversification of its portfolio both in terms of geographical area and asset type and increase stability of portfolio revenue through the expansion of asset size; (ii) improved efficiency of operational costs; and (iii) larger market capitalization and improved liquidity.

As for SSR, the Merger is also expected to enable it to achieve its initial goal of having 150 billion yen of assets under management. Additionally, the Merger is expected to increase the stability of SSR’s portfolio revenue through diversification both in terms of area and asset type due to the expansion in asset size, and realize improved efficiency of SSR’s operational costs and increase its market capitalization and the liquidity of its investment units. Furthermore, SSR believes the Merger is the best option because a management approach that seeks to maximize unitholder value can be expected after the Merger as a result of active management by SAIM and the promotion of external growth by taking advantage of the preferential negotiating rights that SAR enjoys.

The asset size of SAR after the Merger is expected to be 53 properties (Note) with a value of 166.8 billion yen (Note), which is a significant step toward the asset size of 200 billion yen, which SAR has set as the goal for external growth. In addition, SAR believes that expansion of the asset size (and increase in the number of properties held) will increase its flexibility in conducting active management. After the Merger, SAR will seek to maximize unitholder value of the SAR after the Merger, taking advantage of the strong support from the Star Asia Group in contributing to SAR’s external growth.

(Note) Total of number of properties and asset size (based on the acquisition price) after the acquisition and sale of the asset described in the “3. Summary of the contents of the matters set forth in Items 1 to 3, Paragraph 1, Article 194 of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations, (3) Matters concerning the surviving corporation in the absorption-type merger” scheduled by SAR, and the number of properties and the estimated acquisition price of the assets held by SSR (which price is as described in the appraisal report as of November 1, 2019 obtained by SAR), respectively.

We would appreciate it if you could agree with the content of the Merger and approve the Merger Agreement.

2. Summary of the contents of the Merger Agreement

As described in Attachment 1 hereto.

3. Summary of the contents of the matters set forth in Items 1 to 3, Paragraph 1, Article 194 of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations

(1) Matters regarding appropriateness of provisions for number of investment units of the surviving corporation delivered to the unitholders of the dissolving corporation in lieu of their investment units by the surviving corporation for the absorption-type merger or calculation method of number of such investment units and total amount of unitholders' capital of the surviving corporation and allocation of investment units of the surviving corporation to unitholders of the dissolving corporation

(i) Matters regarding appropriateness of provisions for number of investment units of the surviving corporation delivered to the unitholders of the dissolving corporation in lieu of their investment units by the surviving corporation for the absorption-type merger or calculation method of number of such investment units and allocation of investment units of the surviving corporation to unitholders of the dissolving corporation

(a) Number of investment units of SAR or amount of money to be allocated for each investment unit of SSR

	SAR (Surviving corporation in the absorption-type merger)	SSR (Dissolving corporation in the absorption- type merger)
--	-----------------------------------------------------------------	-------------------------------------------------------------------

Allocation of investment units under the Merger	1	1.78
		(Reference): Prior to taking into consideration the Investment Unit Split 0.89

(Note 1) The number of new SAR investment units (the “Investment Units”) to be issued as a result of the Merger (the number of units after the Investment Unit Split of SAR): 592,741 investment units

(Note 2) SAR plans to split one investment unit into two investment units with July 31, 2020 as the record date for splitting the investment units and August 1, 2020 as the effective date of the split (the “Investment Unit Split”); the allocation ratio shown above and the number of new investment units SAR will allocate and deliver are subject to the Investment Unit Split taking effect. The merger ratio before the Investment Unit Split is SSR 0.89 to SAR 1; however, on the basis of that ratio, against one SSR investment unit, 0.89 SAR Investment Units would be allocated and delivered, and this would result in many SSR unitholders being allocated fractions of less than one Investment Unit. To make it possible for SSR unitholders to continue holding Investment Units after the Merger, a split of the investment units will be carried out before the effective date of the Merger, in the ratio of two investment units to one Investment Unit for purpose of delivering to all SSR unitholders at least one Investment Unit, and for every one SSR investment unit, 1.78 Investment Units post-Investment Unit Split will be allocated and delivered.

(Note 3) As a result of allocating 1.78 Investment Units to SSR unitholders for each SSR investment unit held, fractions of less than one investment unit will occur in the number of investment units that must be delivered. Those fractional units of less than one share will be sold through market transactions, and the proceeds from such sale will be delivered to the unitholders allocated fractional shares in accordance with the fractions held pursuant to the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended, the “Investment Trust Act”).

(Note 4) In addition to the abovementioned investment units, SAR intends to pay SSR unitholders (the unitholders stated or recorded in the final unitholders’ register on the day before the effective date of the Merger (excluding those SSR unitholders who have demanded the purchase of their investment units pursuant to Article 149-3 of the Investment Trust Act) (hereinafter referred to as the “Unitholders Subject to Allocation”), in lieu of cash distributions for the business period of SSR from January 1, 2020 to July 31, 2020, a merger consideration in the form of cash distribution based on SSR’s distributable income for that same period of an amount (disregarding fractions of a yen) which is the quotient resulting from a division of the amount of SSR’s distributable income on the date before the effective date of the Merger by the number of issued SSR investment units on that date as reduced by the number of investment units held by unitholders other than the Unitholders Subject to Allocation. The merger consideration will be paid within a reasonable period from the effective date of the Merger.

In addition, SSR will submit before a general meeting of its unitholders, which is scheduled to be held on March 30, 2020, a proposal for an amendment to be made to its articles of incorporation with a view to changing its fiscal periods from the current dates of June 30 and December 31 to January 31 and July 31. If the aforementioned amendment is approved in the general meeting of the unitholders, the last period before the effective date of the Merger is expected to be a seven -month business period from January 1, 2020 to July 31, 2020, and cash distributions with June 30, 2020 as the record date will not be distributed (and instead, as mentioned above, a merger consideration in the form of cash distributions based on SSR’s distributable income for that same period will be paid).

(b) Basis for the calculations

SAR has appointed Nomura Securities Co., Ltd. (“Nomura Securities”), and SSR has appointed Mizuho Securities Co., Ltd. (“Mizuho Securities”), respectively, as their financial advisors for the Merger. SAR and SSR have requested their respective financial advisors to conduct financial analysis with regard to the merger ratio used in the Merger in order to calculate the

merger ratio used in the Merger in a fair manner. Summaries of the calculations made by Nomura Securities and Mizuho Securities each indicate figures prior to taking into account the Investment Unit Split, by SAR, of one investment unit into two investment units as mentioned in the section “(a) Number of investment units of SAR or amount of money to be allocated for each investment unit of SSR” above.

Because the investment units in SAR and SSR are both listed on the Tokyo Stock Exchange and market prices are available, Nomura Securities used average market investment unit price analysis, and because there are multiple listed investment corporations comparable to each of SAR and SSR and an analogical estimate based on comparable investment corporations is possible, it also used a comparable investment corporation analysis. To reflect the state of future business operations in the calculations, Nomura Securities conducted a discounted cash flow analysis (“DCF Analysis”). Further, to reflect in its estimations the amount of the impact of fair value and realizable value on net assets, Nomura Securities also used the adjusted net asset method in its calculations. A summary of Nomura Securities’ calculations is shown below. The range of values for the merger ratio shown indicates the range of estimates for SSR when the value for one Investment Unit is considered to be 1.

In its average market investment unit price analysis, Nomura Securities used the simple average of the closing prices on May 10, 2019 (the “First Calculation Base Date”), the five business days including and preceding the First Calculation Base Date, the one-month period including and preceding the First Calculation Base Date, the three-month period including and preceding the First Calculation Base Date, and the six-month period including and preceding the First Calculation Base Date, as well as the simple arithmetic average of the closing prices on February 27, 2020 (the “Second Calculation Base Date”), the five business days including and preceding the Second Calculation Base Date, the one-month period including and preceding the Second Calculation Base Date, the three-month period including and preceding the Second Calculation Base Date, and the six-month period including and preceding the Second Calculation Base Date, respectively.

SAR’s business plan that Nomura used as the basis for the DCF Analysis includes certain fiscal periods for which significant increase or decrease in profits is expected. A substantial increase in profits from the previous period is expected for the fiscal period ending July 2020 with an operating profit of 2,346 million yen, an ordinary profit of 2,072 million yen, and a net profit of 2,072 million yen. A substantial decrease in profits from the previous period is expected for the fiscal period ending July 2021 with an operating profit of 1,755 million yen, an ordinary profit of 1,477 million yen, and a net profit of 1,476 million yen. These are due to gain on the sale of Alphabet Seven, which is planned to be sold in the fiscal periods ending July 2020 and January 2021.

For details of the supplemental explanation regarding the assumptions and disclaimers of Nomura Securities’ analysis, please refer to (Note 1) at the end of this paragraph.

Valuation Method	Range of Merger Ratio
Average Market Investment Unit Price Analysis (First Calculation Base Date)	0.80 - 0.81
Average Market Investment Unit Price Analysis (Second Calculation Base Date)	0.83 - 0.84
Comparable Investment Corporation Analysis	0.89 - 1.09
DCF Analysis	0.83 - 0.93
Adjusted Net Asset Method	0.90

In performing its analysis, Mizuho Securities has reviewed the financial information disclosed by SAR and SSR as well as the published information available to the public and other information. Because the investment units of SAR and SSR are both

listed on the Tokyo Stock Exchange and market prices are available, Mizuho Securities used a market investment unit price based analysis. In addition because there are multiple listed investment corporations that are similar to SAR and SSR to a certain degree in terms of, among others, owned real property portfolio and others from the viewpoint of analyzing the range of merger ratio, although they are not directly comparable with SAR and SSR, and an analogical estimate of the unitholder value based on comparable investment corporations is possible, Mizuho Securities also conducted a comparable investment corporation analysis. In addition, Mizuho Securities constructed the dividend discount models analysis as a method of calculation (“DDM Analysis”) of the unitholder value based on dividends that unitholders of SAR and SSR could expect to receive in the future. For purposes of reflecting the market value of properties held by each of SAR and SSR, Mizuho Securities also used the adjusted net asset method.

The calculated ranges of the merger ratio shown below are ranges of the number of SAR investment units to be allocated for each Investment Unit.

Valuation Method	Range of Merger Ratio
Market Investment Unit Price Based Analysis	0.83 - 0.84
Comparable Investment Corporation Analysis	0.81 - 1.04
DDM Analysis	0.80 - 1.09
Adjusted Net Asset Method	0.87 - 0.90

In performing the market investment unit price based analysis, Mizuho Securities has adopted February 27, 2020 as the reference date (the “Reference Date”) and has reviewed the investment unit price on the Reference Date and the average of the closing investment unit prices over the most recent five business days, the most recent month, the most recent three-month period and the most recent six-month period, each ending on the Reference Date.

In performing the DDM Analysis, Mizuho Securities assessed the unitholder’s value for SSR and SAR by discounting each investment corporation’s future theorized dividend based on financial forecasts at a certain discount rate to the present value. When estimating SSR’s future theorized dividend based on financial forecasts, for purposes of the financial forecasts prepared by SREFM for the period from June 2020 to December 2022, Mizuho Securities took into consideration that the asset management fee rate will decrease due to the change of the asset management company from SREFM to SAIM, as the Special Committee concluded it reasonable to do so. On the other hand, when estimating SAR’s future theorized dividend based on financial forecasts, Mizuho Securities amended the financial forecasts prepared by SAIM for the period from July 2020 to January 2023, so that it will not take into consideration the sale of properties owned by SAR and the acquisition of new properties, as the Special Committee concluded it reasonable to do so. The financial forecasts of SAR and SSR used as the basis for the calculation in the DDM Analysis were not created on the assumption that the Merger will be implemented. There were no fiscal years in which a significant increase or decrease in profit was expected in the future profit plans of SAR and SSR, on which Mizuho Securities relied in performing the DDM Analysis.

For details of the supplemental explanation regarding the assumptions and disclaimers for Mizuho Securities’ analysis, please refer to (Note 2) at the end of this paragraph.

(Note 1) In determining the merger ratio, Nomura Securities assumed that public information and all information provided to Nomura Securities were accurate and complete without independent verification of the accuracy or completeness of such information. Nomura Securities neither conducted an independent evaluation, appraisal or assessment nor requested a third-party institution to appraise or assess the assets or liabilities (including derivatives products, off-balance-sheet assets and liabilities and other contingent liabilities) of SAR and SSR, including the analysis and evaluation of individual assets and liabilities. It is assumed that the information included in the financial forecasts of

each of SAR and SSR (including profit plans and other information) has been reasonably examined or prepared based on the best and good faith forecasts and judgment of the management of SAR and SSR that are currently available. Nomura Securities' calculation reflects the information obtained by Nomura Securities by February 27, 2020 and prevailing economic conditions. Nomura Securities' calculation was made for the sole purpose of assisting the institution that determines the business execution of Star Asia Investment Corporation to assess the fairness of the merger ratio.

(Note 2) In determining the merger ratio, Mizuho Securities has relied upon and assumed the accuracy and completeness of all public information examined by Mizuho Securities and the financial or other information that was furnished to Mizuho Securities by SAR and SSR or the asset management company of each of SAR and SSR (including a former asset management company the asset management agreement of which was terminated at the time of delivery of the written merger ratio calculation report; hereinafter the same) or discussed between Mizuho Securities and SAR and SSR and the Special Committee, and upon which calculation of the merger ratio is substantially based. Mizuho Securities did not independently verify (nor does it assume responsibility or liability for independently verifying) the accuracy or completeness of such information. The contents of Mizuho Securities' written merger ratio calculation report could potentially be different if there are matters that would make the information provided to Mizuho Securities or discussed between Mizuho Securities and SAR and SSR and the Special Committee materially incorrect, or if there is a fact or circumstance not disclosed at the time of delivery of the written merger ratio calculation report, or which occurs subsequent to the delivery of the written merger ratio calculation report (including facts which potentially existed at the time of delivery of the written merger ratio calculation report and which are clarified subsequently). Mizuho Securities has assumed that the executive directors of each of SAR and SSR or officers and employees of the asset management company of each of SAR and SSR were unaware of any fact that would make the information provided to or discussed with Mizuho Securities incomplete or misleading. In addition, Mizuho Securities did not conduct an independent valuation or appraisal of any assets or liabilities (including derivatives, off-balance sheet assets and liabilities and other contingent liabilities), or the reserves of either company or its affiliates. Mizuho Securities was not independently provided with any such valuation or appraisal by a third party, nor did Mizuho Securities make any request to any third party for any such valuation or appraisal. Mizuho Securities has not assumed any obligation to conduct any inspection of the properties or facilities of SAR or SSR, nor has Mizuho Securities evaluated the capitalization, solvency or fair value of SAR or SSR under any law relating to bankruptcy, insolvency or similar matters. With respect to any information that Mizuho Securities has requested in connection with the calculation of the merger ratio but which SAR and SSR have not provided or disclosed to Mizuho Securities by SAR and SSR, or information that was provided or disclosed to Mizuho Securities, but whose impact on the unitholder value of SAR and SSR is undetermined at present (including lawsuits and petitions pending at the time of delivery of the written merger ratio calculation report), or which could not otherwise be used by Mizuho Securities as a basis of Mizuho Securities' evaluation, Mizuho Securities has made certain assumptions it believed to be reasonable and appropriate, or was based on the premise that there was no such impact. Mizuho Securities has not verified the impact of such assumptions or premise on the future financial conditions of SAR and SSR if such assumptions prove to be materially inaccurate. With respect to the financial forecasts and other forward-looking information provided to Mizuho Securities, Mizuho Securities has assumed that such information was reasonably prepared by the executive directors of each of SAR and SSR or officers and employees of the asset management company of each of SAR and SSR on a basis reflecting the best currently available estimates and judgments of the executive directors as to the expected future results of the operations and financial conditions of the companies. In addition, Mizuho Securities made certain adjustments to the financial forecasts and business plans of each of SAR and SSR based on the Special Committee's request, subject to the condition that the details of such adjustments and details of the financial forecasts and business plans before the adjustment were reported to the Special Committee, and the Special Committee has confirmed the reasonableness of the details and preconditions of such adjustment. Mizuho Securities relies on the financial forecasts and business plans after the adjustment or modification and does not rely on independent verification of the feasibility

of such financial forecasts and business plans. Mizuho Securities has expressed no view as to any analyses or forecasts referred to in the written merger ratio calculation report or the assumptions on which they are based. Mizuho Securities is not a legal, regulatory, or tax expert and, accordingly, it has relied on the assessments made by the relevant advisors to SAR and SSR with respect to such issues. Mizuho has further assumed that the Merger will qualify as a tax-free reorganization for Japanese corporate tax purposes.

Mizuho Securities has provided the results of its financial analysis to SSR in response to SSR's request for the sole purpose of assisting the board of directors of SSR to determine the merger ratio. Mizuho Securities has not expressed its opinion that the merger ratio is fair from a financial perspective.

(c) Background to calculations

As a result of discussions and negotiations over an extended period comprehensively taking into consideration such factors as the financial performance and state of the assets and liabilities of each of SAR and SSR, their future business prospects, the merits of the Merger and the results of the analyses performed by their respective financial advisors, SAR and SSR determined that the above merger ratios are fair.

For the process regarding the assessment of the merger ratio by SSR, please also refer to "(e) Measures to Ensure Fairness i. Measures to ensure fairness in assessing the propriety of the Merger and the merger ratio" below.

(d) Relationships with the institutions which performed the calculations

Neither Nomura Securities nor Mizuho Securities is deemed a related party of SAR or SSR pursuant to Article 67, paragraph 4 of the Ordinance on Accounting at Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, including subsequent amendments) and neither has any material interests to be disclosed with respect to the Merger.

(e) Measures to ensure fairness

i. Measures to ensure fairness in assessing the propriety of the Merger and the merger ratio

In the course of assessing the terms of the Merger, SAR reported on a timely basis the status of its assessment to its board of directors composed of one executive director and two supervisory directors, whose independence from the asset management company is ensured in terms of the Investment Trust Act, and all material matters of its assessments were deliberated and approved by its board of directors.

In addition, SAR appointed Anderson Mori & Tomotsune as its legal advisor for the Merger, and received advice concerning the methodology and process relating to the procedures and decision-making process for the Merger.

With respect to SSR, Executive Director Toru Sugihara appointed by the Proposal had been a director of SAIM, which is SAR's asset management company, before the Proposal was submitted, and even thereafter he had been the representative director of LPGK, which made the Proposal. He is also an employee of Star Asia Management Japan Ltd., a subsidiary of Star Asia Management Ltd., with which SAR and SAIM have each executed a sponsor support agreement. Although, he has retired as director of SAIM and representative director of LPGK and is not engaging in any duties other than as executive director of SSR, it cannot be ruled out that he could be deemed to be potentially subject to the influence of Star Asia Group when making decisions. Further, since SSR's asset management company has been changed to SAIM as of March 1, 2020, such that SSR and SAR now share the same asset management company, it cannot be ruled out that the Merger may cause conflicts of interest due to its structure. Given the foregoing, SSR has taken the following measures to ensure the fairness of the Merger.

a. Obtaining Report from Independent Special Committee

Given that the potential conflicts of interest due to the Merger cannot be ruled out because of its structure as stated above, SSR has established the Special Committee consisting of three members, namely, Mr. Shigeru Kaneda and Mr. Hirotaka Isayama, Supervisory Directors of SSR, who are independent from Star Asia Group (including SAR) and the result of the Merger, and Mr. Kiyoshi Kondaibo who is a third party (for the independence and appropriateness of Mr. Kondaibo, please see the table below) at the meeting of its board of directors held on December 19, 2019, in order to ensure the fairness of the decisions to be

made when considering whether it is appropriate to carry out the Merger and the fairness of its terms. In addition, SSR delegated to the Special Committee the task of assessing the propriety of the Merger and to give its opinions to SSR's board of directors.

Career history	Main reason of the appointment
<p>April 1988: The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)</p> <p>December 1993: Mitsubishi Finance (Hong Kong) Limited</p> <p>August 1995: The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.), Singapore Branch</p> <p>February 2000: Financial Product Development Department, Securitization Group of the Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)</p> <p>July 2003: Head of REIT Business Promotion Department of Mitsubishi Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)</p> <p>August 2005: Head of Real Estate Investment Banking Group of Deutsche Securities Inc.</p> <p>February 2008: Managing Director and Head of Real Estate Investment Banking Group of Deutsche Securities Inc.</p> <p>December 2013: Director, Vice President and Head of Finance & Planning Division of Sojitz REIT Advisors K.K. (resigned in June 2017)</p>	<ul style="list-style-type: none"> - He is not an interested party of the Star Asia Group - As for the success and failure of the Merger, despite having 50 investment units of SSR, he is deemed to have independence because he shares a mutual interest with general unitholders - He has worked for Japanese financial institutions and foreign investment banks and has been involved in numerous M&A and REIT projects and has profound knowledge in finances - He has been officer of an asset management company of a Japanese investment corporation and has profound knowledge in REIT operation

In the resolution of SSR's board of directors to establish the Special Committee, SSR's board of directors also decided that: (i) the determination by the Special Committee, including its affirmative or negative opinions concerning the Merger, must be respected to the maximum extent when deciding on the Merger at a meeting of the board of directors; and (ii) if the Special Committee determines that the implementation of the Merger or its terms are not appropriate, the board of directors of SSR will decide against carrying out the Merger. Also in the resolution, SSR's board of directors authorized the Special Committee, among others, : (a) to negotiate with SAR about the Merger; (b) to appoint a financial or legal advisor for the Special Committee or designate or approve a financial or legal advisor for SSR; and (c) to receive information necessary to assess and appraise the Merger from the board of directors of SSR. Remuneration is paid to the members of the Special Committee based on the number of hours they spend performing their duties, respectively, regardless of the content of their opinions.

Upon such delegation, the Special Committee carefully consulted and discussed these issues by preparing reports, sharing information, deliberating and reaching decisions through its meetings that were held eleven times in total during the period from December 19, 2019 until February 28, 2020, and by other means such as e-mail as appropriate. In such discussions and assessment, the Special Committee received advice from Mori Hamada & Matsumoto, legal advisor of SSR, concerning the method of discussion and the content of determination and other matters related to the Merger.

The Special Committee received necessary information for assessment of the Merger, including detailed explanations and information on SAR's initial proposal for the Merger, SAR's proposal for the merger ratio of the Merger, the respective preparation procedures for and contents of business plans of SAR and SSR, assumptions for the calculation of the merger ratio by Mizuho Securities and the results thereof, and drafts of the timely disclosure and convocation notice of the general meeting of unitholders relating to the Merger. The Special Committee also received professional advice from the advisors, and thus it received sufficient information for its determination. In addition to negotiations with SAR on the MOU, the Special Committee was kept informed about the details of SAR's proposal for the merger ratio in a timely manner whenever SSR received any such proposal from SAR, since the time SSR received the first SAR proposal for the merger ratio on February 13, 2020 after the Unitholders' Meeting Convened by LPGK and discussed and reviewed such proposal taking into account financial advice

from Mizuho Securities. After such discussion and review and with a view to obtaining more favorable terms of the Merger than those in the merger proposal announced by Star Asia Group on August 7, 2019, the Special Committee negotiated with SAR the terms of the Merger by, among others, instructing and requesting Mizuho Securities to request SAR to increase the merger ratio and discussing directly with SAR. The anticipated merger ratio of the Merger announced by Star Asia Group on August 7, 2019 was to allocate 0.88 investment unit of SAR (before the Investment Unit Split) to one investment unit of SSR, but as a result of such negotiations by the Special Committee, it was finally agreed to allocate 0.89 investment unit of SAR (before the Investment Unit Split) to one investment unit of SSR. The Special Committee submitted its report as of March 2, 2020 to SSR's board of directors to the effect that it was appropriate for SSR to carry out the Merger since: (a) the Merger was deemed as capable of increasing the value of SSR; (b) fair procedures were being implemented to secure the interests of SSR's general unitholders upon the Merger; and (c) the terms of the Merger were deemed fair. The outline of the report is as follows:

(a) Assessment from the viewpoint of increasing the value of SSR

It is reasonable to determine that the Merger contributes to increasing the value of SSR since: (i) implementation of the Merger is expected to stabilize distributions, secure external growth potential and reduce certain operational costs, and therefore the Merger is considered beneficial to the resolution of various issues faced by SSR and to increasing the value of SSR; and (ii) with advice from Mizuho Securities, screening of investment corporations that may be a potential counterparty of a merger with SSR was conducted, and it was confirmed with several investment corporations that were highly likely to make a merger proposal challenging the Merger whether they intended to make a specific proposal for a merger with SSR, and even though an opportunity was provided for the making of such proposal over a long period of time, no proposal for a merger, acquisition, alliance or other similar transaction was made by any third party (except the Proposal and a proposal that was made during the market check conducted by SSR prior to a merger with MIRAI Corporation). Therefore, there are no actual options, other than the Proposal, that may contribute to increasing the value of SSR.

(b) Assessment from the viewpoint of securing the interests of general unitholders through fair procedures

It is recognized that, in connection with the Merger, (a) there are situations that may be deemed as equivalent to transactions between independent parties in the course of determining the terms and conditions of the transaction, (b) there are opportunities for general unitholders to make appropriate decisions based on sufficient information, and (c) fair procedures are implemented to secure the interests of general unitholders, by taking into consideration the following matters and others:

(i) the Special Committee, composed of independent members, was established for purposes of assessing the proposed Merger. The Special Committee discussed and assessed SAR's proposal for the Merger and negotiated with SAR over the terms of the Merger after receiving information necessary for assessing the Merger and obtaining advice from the advisors based on its professional knowledge and a written merger ratio calculation report from a third-party appraiser, and the Special Committee is recognized as having operated effectively.

(ii) As described in d. below, since it cannot be denied that SSR's Executive Director Mr. Sugihara may be deemed as potentially subject to the influence of Star Asia Group, he and SAIM, the asset management company, are not involved in the decision-making process and the assessment and negotiation of the Merger.

(iii) As described in e. below, the market check was conducted carefully.

(iv) Certain disclosure of information is scheduled in the timely disclosure of execution of the MOU, timely disclosure of execution of the Merger Agreement, Convocation Notice of General Meeting of Unitholders and others.

(c) Appropriateness of terms of transactions

The merger ratio of the Merger is appropriate, because (i) the preparation procedures and contents of SSR's business plan and SAR's business plan, which are the basis for calculation through the DDM Analysis in the written merger ratio calculation report prepared by Mizuho Securities, are not particularly unreasonable, (ii) the written merger ratio calculation report is not particularly unreasonable in terms of the methods and results of calculation, and can be deemed reliable, and the merger ratio of the Merger exceeds the upper limit of the valuation range based on the market investment unit price based analysis, and is

within the valuation range based on the comparable investment corporation analysis, the DDM Analysis and the adjusted net asset method, and (iii) the merger ratio is the ratio agreed upon as a result of good faith negotiations between the Special Committee and SAR. In addition, the terms of the Merger transactions are fair because no any unfavorable terms has been imposed on SSR in connection with the Merger.

(d) Conclusion

Based on (a) through (c) above, it is appropriate for SSR to consummate the Merger because (i) the Merger will contribute to the improvement of SSR's value, and (ii) there are fair procedures in place to protect the interests of SSR's general unitholders in connection with the Merger, and the terms of the Merger transactions are fair.

b. Receiving a calculation report from an independent third-party appraiser

SSR has appointed Mizuho Securities (which is independent of SAR and SSR) as its financial advisor and third-party appraiser for the Merger with the approval of the Special Committee, and received a written merger ratio calculation report on February 28, 2020. For a summary of the written merger ratio calculation report, please refer to "(b) Basis for the calculations" above. SSR's fee for Mizuho Securities is a contingent fee that will be paid subject to successful completion of the Merger and satisfaction of some other terms.

c. Obtaining advice from an independent legal advisor

SSR has appointed Mori Hamada & Matsumoto (which is independent of SAR and SSR) as its legal advisor for the Merger with the approval of the Special Committee, and obtained legal advice on such matters as the methods and process of deliberation on the Merger at the Special Committee, and details of measures to ensure fairness in considering the Merger.

d. Non-involvement of those who have an interest in the process of decision-making, examination and negotiations relating to the Merger

Since it cannot be ruled out that Mr. Sugihara, SSR's executive director, could be deemed to be influenced by the Star Asia Group when making decisions, he has not participated in the deliberation and resolution concerning the execution of the Merger Agreement at SSR's board of directors, nor has he participated in discussions and negotiations with SAR over the merger ratio of the Merger and other terms of the transaction. As he is SSR's sole executive director, Mr. Sugihara has provided necessary explanations and information to the Special Committee, and carried out various administrative procedures to examine the Merger. In the process of examining the Merger, however, the Special Committee expelled Mr. Sugihara from the floor and kept him out of the deliberation and examination of matters for which the Special Committee determined Mr. Sugihara should not participate in discussions from the standpoint of independence based on the advice from Mori Hamada & Matsumoto. Mr. Sugihara therefore has not been involved in the substantial deliberation and examination of the Merger at the Special Committee. In addition, SSR's asset management company was changed to SAIM, which is SAR's asset management company, on March 1, 2020, which means that SSR and SAR now retain the same asset management company. However, SAIM has never been involved in the examination of the terms of the Merger, including the appropriateness and merger ratio of the Merger, nor has it participated in discussions and negotiations with SAR over the terms of the Merger in its capacity as SSR's asset management company.

e. Conducting a market check

The Special Committee conducted a market check from the standpoint of identifying potential acquirers other than SAR and ensuring the fairness of the merger ratio. Specifically, the Special Committee checked the details of the market check conducted by SSR when the Proposal was made and, based on the results of the market check, confirmed with several investment corporations, through Mizuho Securities, whether they had the intention of considering the merger with SSR, taking into account the feasibility of the merger that will contribute to SSR's interests and other factors. As a result of the confirmation of their intentions, all the investment corporations replied that they had no ultimate intention to offer any specific proposal for the

merger with SSR.

In addition, SSR agreed upon its obligation to preferentially negotiate with SAR in the MOU. However, SSR also agreed that if a third party other than SAR makes a counterproposal, SSR may discuss and negotiate the counterproposal to the extent the Special Committee would consider reasonably necessary (except where such counterproposal is made based on its active contact with third parties after the execution of the MOU), which gives third parties an opportunity to make counterproposals. Although there was approximately a 10-month period between the date of the Proposal and the execution of the Merger Agreement, no third party offered any proposal for merger, acquisition, alliance or other transactions, except for those made in the market check conducted by SSR prior to its merger with MIRAI Corporation.

ii. Measures to ensure fairness in the calculation of the merger ratio

As discussed in (b) through (d) above, each of SAR and SSR has requested its respective financial advisor to perform a financial analysis in regard to the merger ratio and the merger ratio was determined by comprehensively taking into account the results of such analyses together with other factors.

SAR, in order to ensure the fairness of the Merger and for the benefit of its unitholders, obtained from Nomura Securities, an independent third-party financial advisor, a written merger ratio calculation report providing an analysis from a financial perspective based on certain assumptions in regard to the allocation under the Merger.

SSR, for its part, in order to ensure the fairness of the Merger and for the benefit of its unitholders, obtained from Mizuho Securities, an independent third-party financial advisor, a written merger ratio calculation report providing an analysis from a financial perspective based on certain assumptions in regard to the allocation under the Merger.

In addition, as mentioned in “i. Measures to ensure fairness in assessing the propriety of the Merger and the merger ratio” above, SSR’s Special Committee (i) received an explanation from Mizuho Securities about details of the calculation results, preconditions of the calculation, and matters taken into account in the course of the calculation in connection with the written merger ratio calculation report prepared by Mizuho Securities, (ii) had a question and answer session with Mizuho Securities, and (iii) fully deliberated and examined details of the written merger ratio calculation report. As a result, the special committee concluded that the contents of the written merger ratio calculation report prepared by Mizuho Securities are not particularly unreasonable, and made its report as stated in “i. Measures to ensure fairness in assessing the propriety of the Merger and the merger ratio” above.

SAR and SSR did not, however, obtain written opinions (so-called “fairness opinions”) from their respective financial advisors to the effect that the merger ratio is reasonable from a financial perspective for their respective unitholders.

(ii) Matters regarding appropriateness of provisions for matters regarding total amount of unitholders’ capital of the surviving corporation in the absorption-type merger

The total amount of unitholders’ capital and the capital surplus of SAR to be added at the time of the Merger will be as set forth below (although it should be noted that SAR and SSR may make amendments to such amounts upon discussion and agreement in consideration of the financial conditions of SAR and SSR on the date before the effective date of the Merger).

(a) Total amount of unitholders’ capital: JPY 0

(b) Capital surplus: An amount calculated by subtracting (a) from the amount of change in unitholders’ capital, as determined pursuant to Paragraph 1, Article 22 of the Ordinance on Accounting of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, as amended)

(2) Matters concerning the dissolving corporation in the absorption-type merger

(i) Contents of the financial documents, asset management report and statements on the distribution of monies related to the final fiscal period

As described in Attachment 2 hereto.

(ii) Details of material asset disposals, assumption of material debts and other events that materially affect the condition of

assets after the last day of the final fiscal period

(a) For the Merger, SSR has resolved to table before a general meeting of its unitholders, which is scheduled to be held on March 30, 2020, a proposal for an amendment to be made to its articles of incorporation with a view to changing its accounting periods from the current June 30 and December 31 to July 31 and January 31. If the aforementioned amendment is approved in the General Meeting of Unitholders, the final period for SSR before the effective date of the Merger is expected to be a seven-month fiscal period from January 1, 2020 to July 31, 2020.

(b) Galaxy JREIT Pty Limited, a unitholder of SSR, filed an action seeking rescission of resolutions of unitholders' meeting against SSR. As of February 27, 2020, such action has been dismissed.

(3) Matters concerning the surviving corporation in the absorption-type merger

(1) Details of the material asset disposals, assumption of material debts and other events that materially affect the condition of assets after the last day of the final fiscal period

(a) SAR has resolved to carry out the Investment Unit Split as follows.

i. Purpose of the split

The Merger will be conducted through an absorption-type merger with SAR being the surviving corporation in the absorption-type merger. The merger ratio before taking into consideration the Investment Unit Split is SSR 0.89 to SAR 1; however, on the basis of that ratio, against 1 SSR investment unit, 0.89 Investment Units would be allocated and delivered, which would result in many SSR unitholders being allocated a fraction of less than one Investment Unit. Accordingly, in order to make it possible for SSR unitholders to continue holding the Investment Units after the Merger, a split of the investment units will be carried out, in the ratio of 2 investment units to 1 Investment Unit for purposes of delivering to all SSR unitholders at least one Investment Unit.

ii. Method of the split

Investment units held by the unitholders stated or recorded in the final unitholders register on July 31, 2020, the date before the effective date of the Merger will be split in the ratio of 2 investment units to 1 Investment Unit. The Investment Unit Split will take effect on August 1, 2020, which is the effective date of the Merger under the condition that the Merger Agreement has not been canceled.

(b) SAR has executed a sale and purchase agreement on March 2, 2020, for the acquisition of real estate trust beneficiary interests in respect of Urban Park Ichigao and Urban Park Gyotoku from HASEKO Real Estate Development, inc. and LIXIL Realty Corporation respectively, with March 13, 2020 as the scheduled acquisition date.

(c) SAR has executed a sale and purchase agreement on March 2, 2020, for the transfer of real estate trust beneficiary interests in respect of Alphabet Seven (40% of quasi-co-ownership interest on July 1, 2020 and 60% of quasi-co-ownership interest on December 1, 2020) to Kanden Realty & Development Co., Ltd. with July 1, 2020 and December 1, 2020 as the scheduled transfer date.

Proposal 2 Partial Amendments to the Articles of Incorporation

1. Outline of and Reasons for Proposal

- (1) Given that it is planned to carry out the Merger, we hereby propose to add necessary words to Article 37, Paragraph 1, Item 1 of the Articles of Incorporation in order to clarify the definition of acquisition price which is used to calculate midterm fee I in the event that SAR carries out a merger.

Further, we hereby propose to add necessary words to Article 37, Paragraph 1, Item 2 of the Articles of Incorporation in order to clarify the treatment of the amount of amortization of goodwill and other relevant amounts when calculating midterm fee II in the event that goodwill arises as a result of a merger by SAR.

- (2) We hereby propose to add a new provision, Article 42 (Supplementary Provision), to the Articles of Incorporation in order to cause the amendments to the Articles of Incorporation stated in (1) above to become effective as of August 1, 2020, and to delete the said supplementary provision once the amendments become effective.

2. Details of Amendments

Details of the amendments are as follows.

(The underlined parts indicate the amendments.)

Current Articles of Incorporation	Amendment Proposal
<p>Article 37 (Standards for Payment of Asset Management Fees to Asset Management Company)</p> <p>1. The method of calculating fees payable to the asset management company to which the Investment Corporation entrusts the management of its investment assets (hereinafter, the “Asset Management Company”) shall be as follows:</p> <p>(1) Midterm fee I</p> <p>The midterm fee I shall be the amount (rounded down to the nearest yen) obtained by multiplying the total valuation amount of the investment assets by a rate to be agreed upon with the Asset Management Company, which shall be up to 0.3%. The total valuation amount of the investment assets shall be the total of A. and B. below:</p> <p>A. As for the real estate, etc. in Article 29, Paragraph 1, Item 1 (1) through (4), the total of the amounts obtained by multiplying (i) the appraisal value (if no appraisal value is obtained as of the end of the relevant fiscal period, the selling price (meaning the price stipulated in the relevant sales agreement, etc., and excluding the consumption tax and local consumption tax (hereinafter, the “consumption tax, etc.”)) or acquisition price (meaning the price stipulated in the relevant sales agreement, etc., and excluding the acquisition fee and other expenses related to the acquisition and the consumption tax, etc.), whichever is lower, of each of the relevant assets as of the end of the relevant fiscal period by (ii) the number of days of holding each of the relevant assets in the relevant fiscal period, and dividing the resulting figure by the number of days in a year (365 days for a year other than a leap year, and 366 days for a leap year; hereinafter the same)</p> <p>B. As for the real estate, etc. in Article 29, Paragraph 1, Item 1 (5), real estate-backed securities in Article 29, Paragraph 1, Item 2, and assets related to the real estate-related loans and other monetary claims, etc. in Article 29, Paragraph 1, Item 3 (11) through (13) among the other specified assets in Article 29, Paragraph 1, Item 3, the total of the amounts obtained by multiplying (i) the value of each of the relevant</p>	<p>Article 37 (Standards for Payment of Asset Management Fees to Asset Management Company)</p> <p>1. The method of calculating fees payable to the asset management company to which the Investment Corporation entrusts the management of its investment assets (hereinafter, the “Asset Management Company”) shall be as follows:</p> <p>(1) Midterm fee I</p> <p>The midterm fee I shall be the amount (rounded down to the nearest yen) obtained by multiplying the total valuation amount of the investment assets by a rate to be agreed upon with the Asset Management Company, which shall be up to 0.3%. The total valuation amount of the investment assets shall be the total of A. and B. below:</p> <p>A. As for the real estate, etc. in Article 29, Paragraph 1, Item 1 (1) through (4), the total of the amounts obtained by multiplying (i) the appraisal value (if no appraisal value is obtained as of the end of the relevant fiscal period, the selling price (meaning the price stipulated in the relevant sales agreement, etc., and excluding the consumption tax and local consumption tax (hereinafter, the “consumption tax, etc.”)) or acquisition price (meaning the price, etc. stipulated in the relevant sales agreement, etc. <u>(or the acquisition value by the Investment Corporation if such asset is succeeded to by the Investment Corporation through an absorption-type merger in which the Investment Corporation becomes the surviving corporation)</u>, and excluding the acquisition fee and other expenses related to the acquisition and the consumption tax, etc.), whichever is lower, of each of the relevant assets as of the end of the relevant fiscal period by (ii) the number of days of holding each of the relevant assets in the relevant fiscal period, and dividing the resulting figure by the number of days in a year (365 days for a year other than a leap year, and 366 days for a leap year; hereinafter the same)</p> <p>B. As for the real estate, etc. in Article 29, Paragraph 1, Item 1 (5), real estate-backed securities in Article 29, Paragraph 1, Item 2, and assets related to the real estate-related loans and other monetary claims, etc. in Article 29, Paragraph 1, Item 3 (11) through (13) among the other specified assets in Article 29, Paragraph 1, Item 3, the total of the amounts obtained by multiplying (i) the value of each of the relevant</p>

<p>assets valued by the method set forth in Article 33, Paragraph 1 as of the end of the relevant fiscal period by (ii) the number of days of holding each of the relevant assets in the relevant fiscal period, and dividing the resulting figure by the number of days in a year.</p> <p>(2) Midterm fee II</p> <p>The midterm fee II shall be the amount (rounded down to the nearest yen) (i.e. the amount calculated by the following formula) obtained by multiplying (i) the amount obtained by dividing the distributable amount before deducting the midterm fee II as of the end of the relevant fiscal period of the Investment Corporation (if a loss carried forward is included in the net income before tax (before deducting the midterm fee II and nondeductible consumption tax, etc.) calculated in accordance with generally accepted corporate accounting standards in Japan, the amount after compensating for the amount of the loss carried forward) by the total number of issued and outstanding investment units as of the end of the relevant fiscal period (hereinafter, “distributions per unit before deducting midterm fee II”) by (ii) the “total real estate rental revenue minus real estate rental expenses (excluding depreciation expenses and losses on retirement of non-current assets) in the relevant fiscal period (hereinafter, “NOI”)” and (iii) a rate to be agreed upon with the Asset Management Company, which shall be up to 0.002%.</p> <p>Midterm fee II = Distributions per unit before deducting midterm fee II x NOI x a rate up to 0.002% (rounded down to the nearest yen)</p> <p>If the Investment Corporation holds its undisposed or uncanceled investment units as of the end of the relevant settlement date, the total number of issued and outstanding investment units shall mean the total number of issued and outstanding investment units as of the end of the relevant settlement date less the number of investment units held by the Investment Corporation. If investment units have been consolidated or split, the total number of issued and outstanding investment units as of the settlement date of the fiscal period in which the consolidation or split has been conducted and any subsequent fiscal periods shall be the number that is adjusted to the number of investment units before the consolidation or split using the consolidation ratio or split ratio.</p>	<p>assets valued by the method set forth in Article 33, Paragraph 1 as of the end of the relevant fiscal period by (ii) the number of days of holding each of the relevant assets in the relevant fiscal period, and dividing the resulting figure by the number of days in a year.</p> <p>(2) Midterm fee II</p> <p>The midterm fee II shall be the amount (rounded down to the nearest yen) (i.e. the amount calculated by the following formula) obtained by multiplying (i) the amount obtained by dividing the distributable amount before deducting the midterm fee II as of the end of the relevant fiscal period of the Investment Corporation (if a loss carried forward is included in the net income before tax <u>(excluding the gains on negative goodwill incurred and before deducting the amount of amortization of goodwill,</u> the midterm fee II and nondeductible consumption tax, etc.) calculated in accordance with generally accepted corporate accounting standards in Japan, the amount after compensating for the amount of the loss carried forward) by the total number of issued and outstanding investment units as of the end of the relevant fiscal period (hereinafter, “distributions per unit before deducting midterm fee II”) by (ii) the “total real estate rental revenue minus real estate rental expenses (excluding depreciation expenses and losses on retirement of non-current assets) in the relevant fiscal period (hereinafter, “NOI”)” and (iii) a rate to be agreed upon with the Asset Management Company, which shall be up to 0.002%.</p> <p>Midterm fee II = Distributions per unit before deducting midterm fee II x NOI x a rate up to 0.002% (rounded down to the nearest yen)</p> <p>If the Investment Corporation holds its undisposed or uncanceled investment units as of the end of the relevant settlement date, the total number of issued and outstanding investment units shall mean the total number of issued and outstanding investment units as of the end of the relevant settlement date less the number of investment units held by the Investment Corporation. If investment units have been consolidated or split, the total number of issued and outstanding investment units as of the settlement date of the fiscal period in which the consolidation or split has been conducted and any subsequent fiscal periods shall be the number that is adjusted to the number of investment units before the consolidation or split using the consolidation ratio or split ratio.</p>
<p>(3) to (5) [omitted]</p> <p>2. [omitted]</p>	<p>(3) to (5) [same as current provisions]</p> <p>2. [same as current provisions]</p>

(newly established)	<u>Article 42 (Supplementary Provision)</u> <u>The amendments to Article 37 shall become effective as of August 1, 2020. This Article shall be deleted as of the effective date of the amendments to Article 37.</u>
---------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Other Reference Matters

If any of the proposals submitted to the General Meeting of Unitholders conflicts with any of the others, the provision of “deemed approval” which is provided for in Article 93, Paragraph 1 of the Investment Trust Act and Article 14 of the Articles of Incorporation of SAR will not apply to any of such proposals.

Neither Proposal No. 1 nor Proposal No. 2 above constitutes such a conflicting proposal.

END

MERGER AGREEMENT

March 2, 2020

MERGER AGREEMENT

Star Asia Investment Corporation (“SAR”) and Sakura Sogo REIT Investment Corporation (“SSR”) enter into this merger agreement (the “Agreement”) as follows in relation to the merger between SAR and SSR (the “Merger”).

Article 1 Method of the Merger

In accordance with the provisions of this Agreement, SAR and SSR shall implement an absorption-type merger with SAR as the surviving corporation and SSR as the dissolving corporation under Article 147 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; the “Investment Trusts Act”).

Article 2 Names and addresses of merging parties

The names and addresses of the surviving corporation and the dissolving corporation are as follows.

(1) Name and address of the surviving corporation

Name: Star Asia Investment Corporation

Address: Atago Green Hills Mori Tower 18F, 2-5-1, Atago, Minato-ku, Tokyo

(2) Name and address of the dissolving corporation

Name: Sakura Sogo REIT Investment Corporation

Address: 3-8-11, Kudan Minami Chiyoda-ku, Tokyo

Article 3 Split of SAR’s investment units

Subject to satisfaction of all conditions precedent set forth in Article 13, SAR shall split the investment units owned by the unitholders stated or recorded on the final unitholders register of SAR as of the day immediately preceding the effective date of the Merger (“Effective Date”) into 2 investment units for every one investment unit on the Effective Date (“Investment Unit Split”).

Article 4 Method for calculating the number of investment units to be issued and allotted at the time of the Merger and matters regarding the allotment

4.1 At the time of the Merger, SAR shall issue new investment units after the split in accordance with Article 3 in such number as is calculated by multiplying by 1.78 the aggregate number of investment units in SSR owned by the unitholders stated or recorded in the final unitholders register of SSR as of the Effective Date (excluding SAR, SSR, and the unitholders of SSR who have requested the purchase of their investment units

in accordance with the provisions of Article 149-3 of the Investment Trusts Act (except for the unitholders who have withdrawn such request for the purchase); the “Allotted Unitholders”), and shall allot and deliver to the Allotted Unitholders 1.78 investment units in SAR after the split in accordance with Article 3 per one investment unit in SSR owned by the Allotted Unitholders. In this case, however, the effect of the allotment and delivery, as well as the Merger, shall be subject to the condition precedent that the Investment Unit Split takes effect on the Effective Date, and if the Investment Unit Split does not take effect on the Effective Date, SAR and SSR shall consult in good faith and reach an agreement for changing the Effective Date specified in Article 6 and for taking other necessary measures for the Merger to take effect.

- 4.2 In the case of the preceding paragraph, if there is any fraction of less than one investment unit in the investment units in SAR to be allotted to the Allotted Unitholders, SAR shall treat such fraction in accordance with the provisions of Article 149-17 of the Investment Trusts Act.

Article 5 Matters regarding total unitholders’ capital of the surviving corporation

The amount by which the total unitholders’ capital and the capital surplus of SAR will increase upon the Merger shall be as follows; provided, however, that SAR and SSR may change such amount upon agreement through consultation, taking into consideration the financial conditions of SAR and SSR on the day immediately preceding the Effective Date.

- (1) Unitholders’ Capital: 0 yen
- (2) Capital Surplus: The amount obtained by deducting the amount set out in the preceding item from the amount of increase or decrease in the unitholders’ equity, etc., set out in Article 22, Paragraph 1 of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, as amended)

Article 6 Effective Date

The effective date of the Merger shall be August 1, 2020; provided, however, that SAR and SSR may change the Effective Date upon agreement through consultation, if necessary in order to complete the procedures for the Merger or for any other reason.

Article 7 General meeting of unitholders

- 7.1 SAR shall hold a general meeting of unitholders on March 31, 2020 or a date separately determined by SAR and SSR upon agreement, and request such general meeting of unitholders to approve (i) this Agreement, in accordance with the provisions of Article 149-7, Paragraph 1 of the Investment Trusts Act, and (ii) other proposals separately determined by SAR and SSR upon agreement.
- 7.2 SSR shall hold a general meeting of unitholders on March 30, 2020 or a date separately determined by SAR and SSR upon agreement, and request such general meeting of unitholders to approve (i) this Agreement, in

accordance with the provisions of Article 149-2, Paragraph 1 of the Investment Trusts Act, (ii) termination of the asset management agreement as of the Effective Date subject to the Merger taking effect, and (iii) other proposals separately determined by SAR and SSR upon agreement.

Article 8 Post-merger trade name and related entities, etc. of SAR

- 8.1 SAR's post-merger trade name shall be Star Asia Investment Corporation.
- 8.2 SAR's asset manager (which shall mean an asset manager as referred to in Article 2, Paragraph 21 of the Investment Trusts Act; the same hereinafter), asset custody company (which shall mean an asset custody company as referred to in Article 2, Paragraph 22 of the Investment Trusts Act; the same hereinafter), administrative agent (which shall mean an administrative agent as referred to in Article 2, Paragraph 23 of the Investment Trusts Act to which the services set out in each item of Article 117 of the Investment Trusts Act shall be entrusted; the same hereinafter), and accounting auditor shall not be changed upon the Merger.
- 8.3 Subject to the effectiveness of the Merger, SSR shall, upon the Effective Date, terminate SSR's asset management agreement with its asset manager, asset custody agreement with its asset custody company, administration agreements with its administrative agents, audit agreement (excluding audits of SSR's financial statements required under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) for its fiscal period ending on July 31, 2020) with its accounting auditor, and any other agreement separately determined by SAR and SSR upon agreement.
- 8.4 Notwithstanding the preceding three paragraphs, SAR and SSR may change the provisions thereof upon agreement through consultation.

Article 9 Payment upon the merger

In lieu of cash distribution to the unitholders of SSR for SSR's fiscal period ending on the day immediately preceding the Effective Date, SAR shall make a payment to the Allotted Unitholders upon the merger. The amount of such payment shall be calculated by the following formula (with any fractional amount of less than one yen to be rounded down) per one investment unit in SSR owned by the Allotted Unitholders, and within a period after the Effective Date that is reasonable in consideration of the determination of profit for that fiscal period of SSR, the process of rendering payment upon the merger, and other factors:

$$\begin{array}{l} \text{Amount of payment upon} \\ \text{the merger per one} \\ \text{investment unit} \end{array} = \frac{\begin{array}{l} \text{Distributable profit of SSR} \\ \text{as of the day immediately} \\ \text{preceding the Effective Date} \end{array}}{\begin{array}{l} \text{Outstanding investment units in SSR} \\ \text{as of the day immediately} \\ \text{preceding the Effective Date} \end{array}}$$

In the formula set out above, the term "Outstanding investment units in SSR as of the day immediately preceding the

Effective Date” shall mean the number of investment units calculated by deducting the number of investment units held by the unitholders of SSR other than the Allotted Unitholders from the outstanding number of investment units in SSR as of the day immediately preceding the Effective Date.

Article 10 Cash distribution

- 10.1 Until the Effective Date, SAR shall not pay any cash distribution to its unitholders (except for the cash distribution paid to unitholders or investment unit pledge holders stated or recorded on the final unitholders register of SAR as of the January 31, 2020, the amount of which shall be up to the amount of distributable profits (which means the amount of profits as set forth in Article 136, Paragraph 1 of the Investment Trusts Act) for the fiscal period ended January 31, 2020) or purchase investment units for consideration by agreement with any unitholder.
- 10.2 Until the Effective Date, SSR shall distribute 704,630,116 yen in total (2,116 yen per investment unit) to unitholders or investment unit pledge holders stated or recorded on the final unitholders register of SSR as of December 31, 2019 as cash distributions for the fiscal period ended on December 31, 2019, and except for such cash distributions, shall not pay any cash distributions to any unitholder or purchase investment units for consideration by agreement with any unitholder.
- 10.3 Notwithstanding the preceding two paragraphs, if the Effective Date is changed to a date after August 1, 2020, SAR and SSR will determine the treatment of cash distributions upon agreement through consultation.

Article 11 Succession of corporate property

On the Effective Date, SAR shall succeed to any and all assets, liabilities, rights and obligations of SSR existing as of the Effective Date.

Article 12 Covenants

- 12.1 From the execution date of this Agreement to the Effective Date, SAR and SSR shall each conduct their respective businesses and manage and operate their respective properties with the due care of a prudent manager, and cause their respective asset managers, asset custody companies, administrative agents, and other third parties to do the same, and shall obtain the prior consent of the other party before taking any action that might materially affect their respective assets, rights or obligations (including, but not limited to, issuance of investment units, issuance of investment corporation bonds, incurrence of new borrowings (excluding any borrowing to pay existing loans), or entering into or performing a sale or purchase agreement for real property), unless otherwise expressly provided for herein or in any other agreement executed as of the execution date of this Agreement.
- 12.2 SAR and SSR shall immediately give notice to the other party, if, during the period on or before the Effective

Date, either party learns of any event which may reasonably have a material impact on their business, financial condition, or the Merger (including, but not limited to, an event such as a breach of any loan agreement, breach of law or ordinance by SAR or SSR, or a matter indicated by the relevant authorities). In this case, SAR and SSR shall discuss and consider how to deal with such event in good faith and shall use best efforts to resolve such issues.

Article 13 Conditions for the Merger

If any of the following conditions precedent to the Merger is not satisfied as of the day immediately before the Effective Date, or if it becomes clear that any of such conditions precedent to the Merger will not be satisfied on or before the day immediately preceding the Effective Date (in both cases, except if either party fails to satisfy the conditions precedent due to a reason attributable to itself or its asset manager), then either party may cancel this Agreement without assuming any liability or payment obligation to the other party by giving written notice to the other party before the Effective Date (except for any liability or payment obligation owed by the party which provided such notice pursuant to breach of any other provision of this Agreement):

- (1) approval at the general meetings of unitholders of both SAR and SSR (including, but not limited to, approvals for proposals set forth in Article 7, Paragraph 1 and Paragraph 2) and other procedures pursuant to applicable laws and ordinances have been completed, and all necessary permits and approvals have been obtained, as required in relation to the Merger or in order to implement the matters contemplated in connection with the Merger;
- (2) neither SAR nor SSR is in breach of a contractual obligation (including those under this Agreement) or financial covenant or delayed in payment of a monetary debt (including taxes and other public charges); provided, however, that minor breaches and delays in payment shall be excluded;
- (3) there is no occurrence of any acceleration event (including any event that would constitute an acceleration event either with the passage of time or notice, or both), suspension of payments, or insolvency by SAR or SSR;
- (4) consent has been obtained from each financial institution lending money to SAR or SSR with respect to conducting the Merger and the basic borrowing conditions applicable on or after the effective date of the Merger (for each loan agreement, including necessary measures so that no breach of financial covenant clause, breach of covenant clause, or acceleration event attributable to SAR occurs after the Merger), and such consent has not been withdrawn;
- (5) each of SAR and SSR has reasonably confirmed that the procedures for filing of Form F-4 are not necessary for the Merger under the U.S. Securities Act;
- (6) no petition for the commencement of bankruptcy procedures, civil rehabilitation procedures, or any other similar legal insolvency procedures is filed with respect to SAR or SSR;
- (7) SAR and SSR, as well as the asset managers of SAR and SSR, have not been subject to revocation of

registration by a supervisory agency, suspension of all or a part of its business, or other administrative disposition that materially impairs, or has a materially adverse effect on, the implementation of the Merger; and

- (8) in addition to the above, there is no event which is reasonably judged to materially impede the Merger or to make it impracticable.

Article 14 Change of conditions for the Merger and termination of this Agreement

If, during the period from the execution date of this Agreement to the Effective Date, (i) there is any material change in the assets or the business condition of SAR or SSR, (ii) it is reasonably concluded that the implementation of the Merger has become impossible or impracticable, (iii) it becomes difficult to achieve the purpose of the Merger for any other reason, or (iv) it becomes clear that there are grounds to believe that any of the above circumstances may arise, then SAR and SSR may, upon agreement through consultation in good faith, change the conditions of the Merger or any other provisions of this Agreement, or terminate this Agreement.

Article 15 Announcements

In the event SAR or SSR makes a public announcement in relation to the Merger such as the execution of this Agreement, its contents, or otherwise, the party shall make such announcement only with the prior consent of the other party hereto as to the announcement's content, timing, method, etc.

Article 16 Costs and expenses

Each of SAR and SSR shall be responsible for its own expenses incurred by each of them before the Effective Date relating to the execution and performance of this Agreement (including, but not limited to, fees to legal counsels, certified public accountants, tax accountants, research companies, advisers and other experts appointed by each of them; however, the expenses arising subject to the Merger taking effect are not included). SSR shall record the expenses that it is responsible for as expenses for the fiscal period ending before the Effective Date.

Article 17 Governing law

This Agreement shall be governed by and construed in accordance with the laws of Japan.

Article 18 Jurisdiction

SAR and SSR agree that the Tokyo District Court shall be the court of first instance having exclusive jurisdiction in any dispute related to this Agreement.

Article 19 Good faith consultation

Any necessary matters concerning the Merger as well as those provided for in this Agreement shall be separately determined through mutual consultation by SAR and SSR in accordance with the purpose of this Agreement.

(The remainder of this page has been intentionally left blank.)

This Agreement has been prepared in two originals, to which each of SAR and SSR shall affix its name and seal and retain one original.

March 2, 2020

SAR Star Asia Investment Corporation
Atago Green Hills Mori Tower 18F, 2-5-1, Atago, Minato-ku, Tokyo
Executive Director Atsushi Kato

SSR Sakura Sogo REIT Investment Corporation
3-8-11, Kudan Minami Chiyoda-ku, Tokyo
Executive Director Toru Sugihara

Financial Statements, Asset Management Report and Statement of Cash Distributions of Sakura Sogo REIT
Investment Corporation Regarding the Latest Fiscal Period

- I. Asset Management Report
- II. Balance Sheet
- III. Statement of Income
- IV. Statement of Unitholders' Equity
- V. Notes
- VI. Statement of Cash Distributions
- VII. Statement of Cash Flows (Reference Information)

I . Asset Management Report

I Overview of Asset Management

(1) Operation status of Sakura Sogo REIT Investment Corporation (SSR)

Fiscal period		3rd fiscal period September 1, 2017 to February 28, 2018	4th fiscal period (Note 1)(Note 2) March 1, 2018 to June 30, 2018	5th fiscal period July 1, 2018 to December 31, 2018	6th fiscal period January 1, 2019 to June 30, 2019	7th fiscal period July 1, 2019 to December 31, 2019
Operating revenue (Note 2)	(Million yen)	2,662	1,768	2,362	2,394	2,391
Of which, real estate leasing revenue (Note 2)	(Million yen)	2,400	1,625	2,362	2,394	2,391
Operating expenses (Note 2)	(Million yen)	1,357	913	1,316	1,357	1,345
Of which, real estate leasing expenses (Note 2)	(Million yen)	1,091	718	1,063	1,074	1,088
Operating income (Note 2)	(Million yen)	1,304	854	1,046	1,037	1,046
Ordinary income (Note 2)	(Million yen)	1,153	615	885	874	872
Net income (Note 2)	(Million yen)	1,152	615	886	885	704
Total assets	(Million yen)	63,197	62,752	61,643	63,389	63,111
[Period to period]	(%)	[0.1]	[(0.7)]	[(1.8)]	[2.8]	[(0.4)]
Net assets	(Million yen)	30,407	29,870	30,141	30,140	29,959
[Period to period]	(%)	[0.7]	[(1.8)]	[0.9]	[(0.0)]	[(0.6)]
Interest-bearing debt	(Million yen)	29,000	29,000	27,600	29,200	29,200
Unitholders' capital	(Million yen)	29,254	29,254	29,254	29,254	29,254
Total number of investment units issued and outstanding	(Units)	333,001	333,001	333,001	333,001	333,001
Net assets per unit	(Yen)	91,312	89,700	90,513	90,512	89,967
Total cash distribution	(Million yen)	1,152	615	886	885	704
Of which, total cash distribution of earnings	(Million yen)	1,152	615	886	885	704
Of which, total cash distribution in excess of earnings	(Million yen)	—	—	—	—	—
Cash distribution per unit	(Yen)	3,460	1,848	2,662	2,660	2,116
Of which, cash distribution of earnings per unit	(Yen)	3,460	1,848	2,662	2,660	2,116
Of which, cash distribution in excess of earnings per unit	(Yen)	—	—	—	—	—
Ratio of ordinary income to total assets (Note 5)	(%)	1.8	1.0	1.4	1.4	1.4
[Annualized value] (Note 6)	(%)	[3.7]	[2.9]	[2.8]	[2.8]	[2.7]
Return on equity (Note 5)	(%)	3.8	2.0	3.0	2.9	2.3

[Annualized value] (Note 6)	(%)	[7.7]	[6.1]	[5.9]	[5.9]	[4.7]
Equity ratio (Note 5)	(%)	48.1	47.6	48.9	47.5	47.5
[Period on Period change]	(%)	[0.3]	[(0.5)]	[1.3]	[(1.4)]	[0.0]
Cash distribution payout ratio (Note 5)	(%)	100.0	100.1	100.0	100.0	100.0
[Other reference information]						
Number of operating days (Note 6)	(Days)	181	122	184	181	184
Number of investment properties at end of period	(Properties)	18	17	17	18	18
Depreciation	(Million yen)	255	176	243	247	256
Capital expenditures	(Million yen)	128	172	203	205	231
Lease NOI (Net Operating Income) (Note 2)(Note 5)	(Million yen)	1,564	1,084	1,543	1,567	1,559
FFO (Funds from Operation) (Note 2)(Note 5)	(Million yen)	1,146	649	1,129	1,133	961
FFO per unit (Note 2)(Note 5)	(Yen)	3,441	1,951	3,392	3,403	2,886
Debt to total assets ratio at the end of period (LTV) (Note 5)	(%)	45.9	46.2	44.8	46.1	46.3

(Note 1) SSR changed the ends of its fiscal periods from the end of February and the end of August of each year to the end of June and the end of December of each year by a resolution adopted at the 2nd general meeting of unitholders held on May 31, 2018, and accordingly the fiscal period ended on the end of June, 2018 became a four-month period from March 1, 2018 to June 30, 2018.

(Note 2) The figures for the fiscal period ended on the end of June 2018 after the conversion into those for a six-month period by multiplying by 6/4 are as follows: operating revenue of 2,652 million yen, of which real estate leasing revenue of 2,438 million yen; operating expenses of 1,370 million yen, of which real estate leasing expenses of 1,077 million yen; operating income of 1,281 million yen; ordinary income of 923 million yen; net income of 923 million yen; lease NOI of 1,626 million yen; FFO of 974 million yen; and FFO per unit of 2,926 yen. These figures are merely indicative and are not subject to audit under Article 130 of the "Act on Investment Trusts and Investment Corporations."

(Note 3) The figures of operating revenue and others exclude consumption taxes.

(Note 4) Unless otherwise specified, all figures are rounded down to the nearest whole unit indicated and all percentages are rounded to the nearest first decimal place.

(Note 5) Calculated using the following formulas, respectively.

Ratio of ordinary income to total assets	$\text{Ordinary income} \div \{(\text{total assets at the beginning of period} + \text{total assets at the end of period}) \div 2\} \times 100$
Return on equity	$\text{Net income} \div \{(\text{net assets at the beginning of period} + \text{net assets at the end of period}) \div 2\} \times 100$
Equity ratio	$\text{Net assets at the end of period} \div \text{total assets at the end of period} \times 100$
Cash distribution payout ratio	$\text{Cash distribution per unit (not including cash distribution in excess of earnings)} \div \text{net income per unit} \times 100$
Lease NOI (net operating income)	Real estate leasing revenue - real estate leasing expenses + depreciation Only the amount of depreciation included in leasing expenses is used.
FFO (funds from operation)	Net income + depreciation - gain or loss on sales of real estate Only the amount of depreciation included in leasing expenses is used.
FFO per unit	$\text{FFO} \div \text{total number of investment units issued and outstanding}$
Debt to total assets ratio at the end of period (LTV)	$\text{Interest-bearing debt} \div \text{total assets at the end of period} \times 100$

(Note 6) Calculation to annualize a figure is made based on 365 days per year and 181 days for the 3rd fiscal period, 122 days for the 4th fiscal period, 184 days for the 5th fiscal period, 181 days for the 6th fiscal period and 184 days for the 7th fiscal period.

(2) Status of asset management during the 7th fiscal period

(i) Significant developments of the investment corporation

SSR was incorporated as of April 1, 2016 under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; the “Investment Trust Act”), with the capital of 100.1 million yen (1,001 units), for which Sakura Real Estate Funds Management, Inc. (the “Asset Management Company”) was the organizer, and registered with the Kanto Local Finance Bureau under the Investment Trust Act as of April 26, 2016 (Registration No.: Director General of the Kanto Local Finance Bureau No. 116). Afterwards, SSR issued and offered new investment units (29,154 million yen (332,000 units)) by way of a public offering, for which the due date of payment was September 7, 2016, and became listed on the J-REIT section of Tokyo Stock Exchange, Inc. (“TSE”) as of September 8, 2016 (Securities Code: 3473). Consequently, the amount of unitholders’ capital is 29,254 million yen and the total number of investment units issued and outstanding is 333,001 units as of the end of the 7th fiscal period.

The basic philosophy of SSR is to leverage its core feature as a diversified REIT, to secure a stable income over the medium to long-term and maximize unitholder value by building a portfolio which SSR believes to be optimal in light of the real estate investment environment and pursuing both cash-flow growth and stability.

(ii) Asset management environment and performance

(Asset management environment)

The Japanese economy during the 7th fiscal period (ended on the end of December 2019) was on a recovery track, with real GDP growth of 0.4% (annual growth of 1.8%) in the July-September 2019 period (according to the second preliminary report on quarter-on-quarter changes in seasonally adjusted GDP).

As to the office rental market, according to the data published by CBRE K.K., the vacancy rate of all-grade office buildings in the five major wards of Tokyo (Chiyoda-ward, Chuo-ward, Minato-ward, Shinjuku-ward, and Shibuya-ward) during the 4th quarter (October to December) of 2019 is 0.5%, which remains at the same level as the 4th quarter of 2018. The vacancy rate of Grade B offices in Tokyo (meaning the office buildings for rent within the office area in 23 wards in Tokyo, the floor area of a standard floor of which is 200 *tsubo* (approximately 661 m²) or more, the total floor area of which is 2,000 *tsubo* (approximately 6,612 m²) to no more than 7,000 *tsubo* (approximately 23,141 m²), conforming to the new earthquake-resistance standard) during the 4th quarter of 2019 is 0.7%, which also remains at the same level as the 4th quarter of 2018.

As to the retail facility rental market, the commercial market is in a difficult situation as can be seen from the retail sales in November 2019 which decreased by 6.5% from the same month of 2018 according to the final data on trends in retail sales published by the Ministry of Economy, Trade and Industry and the sales of existing shopping centers in December 2019 which decreased by 3.6% from the same month of 2018 according to the statistics report on the shopping center (“SC”) sales in December 2019 published by Japan Council of Shopping Centers. However, the tenants of the retail facilities owned by SSR are being replaced smoothly and their occupancy rates have generally been well.

In the metropolitan areas of Tokyo, Chiba, and Osaka, where SSR’s residential properties are located, demand remains stable due to an increase in population and the number of households because of their continued inflow from other areas, and high occupancy rates are being maintained and rent levels are rising.

(Asset management performance)

(Administration and management of assets held by SSR)

As of the end of the 7th fiscal period, the occupancy rate of properties increased by 1.1 point to 99.0% from 97.9% as of the end of the 6th fiscal period. As a result of SSR's continued effort to implement strategic and flexible leasing activities, SSR maintained, as of the end of the 7th fiscal period, high occupancy rates of 100 % for office buildings (100% as of the end of the 6th fiscal period), 98.8% for retail facilities (97.1% as of the end of the 6th fiscal period), 98.6% for residences (98.1% as of the end of the 6th fiscal period), and 100% for other facilities (100% as of the end of the 6th fiscal period). The results of asset administration and management by usage are as follows:

(Office buildings)

Although a lot of tenants of NK Building were replaced during the 7th fiscal period, we successfully executed leasing agreements with new tenants without a vacancy period except one tenant space which has been already occupied since November. As a result, the occupancy rates of all the eight properties as of the end of the 7th fiscal period reached 100% and SSR stably managed the properties with a high average occupancy rate of 99.3%.

(Retail facilities)

A stable management of retail facilities was maintained with a high occupancy rate of 98.8% as of the end of the 7th fiscal period and a high average occupancy rate of 98.4% during the 7th fiscal period. SSR has also been continuously carrying out capital expenditure works and strategic tenant solicitation activities in order to improve the ability of each property to attract customers, and since its listing, SSR is maintaining a high average occupancy rate during each fiscal period (98.0% for the fiscal period ended on the end of February 2017, 98.7% for the fiscal period ended on the end of August 2017, 98.9% for the fiscal period ended on the end of February 2018, 99.0% for the fiscal period ended on the end of June 2018, 99.0% for the fiscal period ended on the end of December 2018 and 97.6% for the fiscal period ended on the end of June 2019).

(Residences)

Since many of lease agreements with respect to Abode Yoyogi terminated as the timing of first renewal of such agreements after its construction occurred in the 7th fiscal period, its occupancy rate temporarily dropped to 71.8% (as of the end of September) but has recovered to 89.1% (as of the end of December) through SSR's active efforts for leasing. Other three properties maintained high occupancy rates and high rent levels and the average occupancy rate of all the residences held by SSR during the 7th fiscal period was 98.0%.

(Other facilities)

Both of two other facilities (factories) maintained a occupancy rate of 100% and their management remain stable.

(iii) Overview of procurement of funds

During the 7th fiscal period, SSR refinanced 4,900 million yen of borrowings (long-term borrowings: 4,000 million yen, short-term borrowings: 900 million yen) which became due on August 30, 2019, and, thereby, the amount of borrowings outstanding as of the end of the 7th fiscal period was 29,200 million yen (short-term borrowings: 4,900 million yen,

long-term borrowings to be repaid within one year: 6,000 million yen, long-term borrowings: 18,300 million yen). 6,000 million yen of long-term borrowings to be repaid within one year and 12,700 million yen out of long-term borrowings were obtained at a fixed rate, in order to avoid the risk of a rise in interest rates.

(iv) Overview of business performance and cash distribution

As a result of the asset management described above, the business results for the 7th fiscal period were as follows: operating revenue of 2,391 million yen; operating income of 1,046 million yen; ordinary income of 872 million yen; and net income of 704 million yen.

As to the cash distribution in the 7th fiscal period, SSR decided, in accordance with the distribution policy set forth in SSR's Article of Incorporation, to distribute 704,630,116 yen as a cash distribution of earnings, which is the maximum amount calculated by multiplying the total number of investment units issued and outstanding (333,001 units) by an integral number within the amount of earnings provided for in Article 136, Paragraph 1 of the Investment Trust Act. Accordingly, the amount of cash distribution per investment unit was 2,116 yen.

(3) Capital increases, etc.

The following are the changes in unitholders' capital and the total number of investment units issued and outstanding from the date of incorporation of SSR to the end of 7th fiscal period (which ended on December 31, 2019).

Date	Description	Unitholders' capital (Thousand yen)		Total number of investment units issued and outstanding (Units)		Remarks
		Change	Balance	Change	Balance	
April 1, 2016	Incorporation through private placement	100,100	100,100	1,001	1,001	(Note 1)
September 7, 2016	Capital increase through public offering	29,154,580	29,254,680	332,000	333,001	(Note 2)

(Note 1) Investment units were issued at an issue price of 100,000 yen per unit upon the incorporation of SSR.

(Note 2) New investment units were issued through a public offering at an issue price of 91,000 yen (issue value of 87,815 yen) per unit for the purpose of procuring funds for acquisition of new properties.

[Changes in trading price of investment units]

The highest and lowest prices (closing prices) of the investment units of SSR on TSE's J-REIT section by period are as follows:

Fiscal period	3rd fiscal period September 1, 2017 to February 28, 2018	4th fiscal period March 1, 2018 to June 30, 2018	5th fiscal period July 1, 2018 to December 31, 2018	6th fiscal period January 1, 2019 to June 30, 2019	7th fiscal period July 1, 2019 to December 31, 2019
Highest	101,600 yen	95,000 yen	92,700 yen	92,500 yen	101,100 yen
Lowest	85,900 yen	91,000 yen	78,900 yen	80,000 yen	90,200 yen

(4) Results of cash distribution, etc.

SSR decided to distribute all unappropriated retained earnings (excluding a fractional portion which, if otherwise distributed, per-unit cash distribution would contain an amount less than one yen) in the 7th fiscal period aiming to make the amount of cash distribution of earnings deductible to the maximum extent permitted by applying the special provisions under the taxation system (Article 67-15 of the Act on Special Measures Concerning Taxation), and as a result, the amount of cash distribution per unit was 2,116 yen.

Fiscal period	3rd fiscal period September 1, 2017 to February 28, 2018	4th fiscal period March 1, 2018 to June 30, 2018	5th fiscal period July 1, 2018 to December 31, 2018	6th fiscal period January 1, 2019 to June 30, 2019	7th fiscal period July 1, 2019 to December 31, 2019
Total unappropriated retained earnings for the period (Thousand yen)	1,152,373	615,536	886,466	885,939	704,679
Amount of retained earnings (Thousand yen)	189	150	17	156	49
Total cash distribution (Thousand yen)	1,152,183	615,385	886,448	885,782	704,630
[Cash distribution per unit] (Yen)	3,460	1,848	2,662	2,660	2,116
Of which, total cash distribution of (Thousand yen)	1,152,183	615,385	886,448	885,782	704,630

earnings					
[Cash distribution of earnings per unit] (Yen)	3,460	1,848	2,662	2,660	2,116
Of which, total contribution refunds (Thousand yen)	—	—	—	—	—
[Contribution refunds per unit] (Yen)	—	—	—	—	—

(5) Future investment policy and issues to address

(i) Investment environment

According to the “Monthly Economic Report (January 2020)” released by the Cabinet Office on January 22, 2020, the Japanese economy remains weak for the time being, but it is expected to continue to moderately recover, as the employment and income environments continue to improve and due to the effects of various measures. However, attention should be given to situations in overseas economies and influence of volatility in financial and capital markets, including the situations over trade issues such as U.S.-China trade friction, uncertainty of overseas economies, influence of volatility in financial and capital markets, the UK leaving the EU, and the state of affairs over the Middle East region, and attention should also be given to domestic consumption situations after a consumption tax increase. With regard to the real estate transaction market, it is expected that the overheating in the real estate acquisition environment and the upward trend in real estate transaction prices will continue due to a prolonged low interest rate environment resulting from the easy-money policy of the Bank of Japan.

(ii) Future management policy and issues to address

(Office buildings market)

We expect that the needs for relocation of offices due to office expansion or consolidation that were seen during the 7th fiscal period will continue in the next fiscal period. SSR’s assets under management also showed this trend. Some office spaces were cancelled because the existing tenants moved out from SSR’s assets due to office relocation to a larger office space or office consolidation, while some new tenants moved in for the same reasons. We will promote leasing activities to conclude lease agreements as soon as possible concerning office spaces that will be cancelled in the future. We will also continue negotiations with existing tenants for a rent rise, with the aim of further increasing rental revenue.

(Retail facilities market)

Sales at nationwide shopping centers increased, compared to the same month last year, in August 2019 when summer merchandise sales were strong due to rising temperatures, etc. and in September 2019 when sales were boosted by a rush of demand before the consumption tax increase, but thereafter fell below the same month last year due to slow purchase activity after the consumption tax increase and a warm winter. SSR looks to favorable consumer behavior after the end of such slow purchase activity due to the consumption tax increase, and strives to maintain and improve the sales of existing tenants by planning events to motivate customers to visit the tenants and carrying out capital expenditure works in a planned manner. SSR will also work to improve the stability of earnings from its properties by strategically switching tenants and soliciting new tenants while promptly assessing changes in consumer trends.

(Residence rental market)

We will continue our efforts, as we did in the 7th fiscal period, to strengthen ties with property management companies of SSR’s properties to ensure convenience and comfort for existing tenants. We will also conduct leasing activities taking advantage of rental market trends in each area and property characteristics, in order to further improve occupancy rates and profitability.

(a) External growth

Because of a prolonged low interest rate environment due to the easy-money policy of the Bank of Japan, transaction yields in each sector remain low. Although we are facing severe competition to acquire properties in the market, we will strive to create a system to get many and stable opportunities to acquire properties.

More specifically, we will strengthen relationships with various real estate holding companies and intermediaries, thereby collecting broad and much information and securing more opportunities to consider acquiring high-quality properties.

(b) Internal growth

In order to increase revenues, we will closely examine rent trends based on disclosed data and rents in the neighborhood, and if our current rents are lower than market rents, we will actively negotiate with tenants to increase respective rents.

We will also pursue a possibility of internal growth by improving tenant satisfaction through productive and efficient capital expenditure works and close communication with tenants.

(c) Financial policy

The basic policy of SSR is to create a stable and sound financial basis for maintaining and improving earnings over the medium- and long-term.

a. Equity financing

Aiming at the growth of the size and value of investment assets, we will flexibly issue new investment units with comprehensively taking into account the dilution of the rights of existing unitholders and a decrease in the transaction price of investment units that may be caused in association with such dilution, the timing of acquisition of new real estate-related assets, the ratio of interest-bearing debt to total assets (“LTV”), financial environment, economic and market conditions, and other factors.

b. Debt financing

- i . We will cap our LTV at 60% and control leverage in a flexible and careful manner while ensuring sufficient capital reserves.
- ii . The balance between the flexibility of financing and the stability of finances is taken into consideration when borrowing funds or issuing investment corporation bonds. We will also ensure a proper financing by negotiating with multiple financial institutions about terms and conditions thereof, including financing costs and period, and the necessity of collateral provision, and by comprehensively reviewing such terms and conditions taking into account interest rate trends, market levels, financial flexibility and stability, and the balance of composition of lenders.
- iii . In order to reduce the risks of an increase in interest rates and refinancing, we will consider lengthening the financing period, fixing interest rates and diversifying repayment dates, etc. as necessary.

(6) Significant subsequent events

Significant subsequent events occurred to SSR after the end of the 7th fiscal period (December 31, 2019) are as follows:

(a) Execution of a memorandum of understanding regarding a merger with Star Asia Investment Corporation

SSR established a special committee in order to ensure the fairness of decisions to be made when considering whether it was appropriate to carry out a merger with Star Asia Investment Corporation and the fairness of the terms of such merger. After these issues were deliberated by the special committee, SSR executed with Star Asia Investment Corporation a memorandum of understanding regarding the merger on January 30, 2020. SSR will discuss with Star Asia Investment Corporation for realizing the merger. (This event has been announced in the “Notice Concerning Execution of Memorandum of Understanding and Measures to Ensure Fairness Regarding Merger with Star Asia Investment Corporation” dated January 30, 2020.)

(b) Execution of an asset management agreement with Star Asia Investment Management Co., Ltd. and changes in specified associated corporations related thereto

The asset management agreement between SSR and the Asset Management Company terminates as of February 29, 2020. On February 18, 2020, SSR executed an asset management agreement with Star Asia Investment Management Co., Ltd. which is managing the assets of Star Asia Investment Corporation, and as of March 1, 2020, Star Asia Investment Management Co., Ltd. becomes SSR’s asset management company. In association with such change, the parent company of SSR’s asset management company and other specified associated corporations are also changed. (This event has been announced in the “Notice Concerning Execution of Asset Management Agreement with Star Asia Investment Management Co., Ltd. and Changes in Specified Associated Corporations Related Thereto” dated February 18, 2020.)

(Reference information)

(c) Filing of actions and petitions for an order of injunction, etc.

Actions and petitions for an order of injunction were filed against SSR and its Executive Director Toru Sugihara by Galaxy JREIT Pty Limited (“Galaxy”) which is a unitholder of SSR. The actions and petitions currently pending are as follows. It is expected that a decision will be rendered for the action stated in a. below on February 27, 2020.

- a. Filing by a unitholder of an action for rescission of a resolution of unitholder’s general meeting (This event has been announced in the “Notice Concerning Filing of an Action for Rescission of a Resolution of Unitholders’ Meeting and a Petition for Order of Injunction by Unitholder” dated September 24, 2019.)
- b. Filing by a unitholder of a petition for an order of injunction to suspend performance of duties by the executive director and to appoint an acting representative (This event has been announced in the “Notice Concerning Filing of an Action for Rescission of a Resolution of Unitholders’ Meeting and a Petition for Order of Injunction by Unitholder” dated September 24, 2019.)
- c. Filing by a unitholder of a petition for an order of injunction to suspend the effect of a resolution to terminate the asset management agreement with the Asset

Management Company and the effect of a resolution to execute an asset management agreement with Star Asia Investment Management Co., Ltd. (This event has been announced in the “Notice Concerning Court Ruling to Dismiss a Petition for Order of Injunction by Unitholder and Filing of Immediate Appeal by Unitholder against the Court Ruling” dated January 14, 2020.)

In addition, the following petition for an order of injunction was filed against SSR by the Asset Management Company, which is currently pending.

d. Filing by the Asset Management Company of a petition for an order of injunction to preserve its status as the asset management company (This event has been announced in the “Notice Concerning Filing of a Petition for Order of Injunction by Asset Management Company” dated January 20, 2020.)

(d) Receipt of a document for exercise of unitholder’s proposing rights
SSR received from Galaxy a document for exercise of unitholder’s proposing rights dated January 31, 2020 with respect to the proposals for the general meeting of unitholders to be held on March 30, 2020. (This event has been announced in the “Notice Concerning Receipt of a Document for Exercise of Unitholder’s Proposing Rights” dated February 3, 2020.)

2 Overview of SSR

(1) Status of capital contributions

Fiscal period	3rd fiscal period (February 28, 2018)	4th fiscal period (June 30, 2018)	5th fiscal period (December 31, 2018)	6th fiscal period (June 30, 2019)	7th fiscal period (December 31, 2019)
Total number of investment units authorized (Units)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total number of investment units issued and outstanding (Units)	333,001	333,001	333,001	333,001	333,001
Unitholders' capital (Million yen)	29,254	29,254	29,254	29,254	29,254
Number of unitholders (Number)	17,423	17,922	17,893	17,371	13,757

(2) Matters concerning unitholders

The top ten unitholders in terms of the percentage of unit holdings as of December 31, 2019 are as follows:

Name	Investment units held (Units)	Ownership ratio of investment units outstanding (Note) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	24,915	7.5
Japan Trustee Services Bank, Ltd. (Trust account)	22,652	6.8
Lion Partners Godo Kaisha	16,896	5.1
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE – AC) Standing Proxy MUFG Bank, Ltd.	14,907	4.5
Morgan Stanley MUFG Securities Co., Ltd.	12,684	3.8
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	10,634	3.2
EVO FUND	10,144	3.0
NIPPON KANZAI Co., Ltd.	8,700	2.6
GALAXY JREIT PTY LIMITED Standing Proxy SMBC Nikko Securities Inc.	8,700	2.6
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	8,651	2.6
Total	138,883	41.7

(Note) The ownership ratio of investment units outstanding is rounded to the nearest first decimal place.

(3) Matters concerning directors, etc.

(i) The Executive Director, Supervisory Directors, and Accounting Auditor during the 7th fiscal period are as follows:

Title of position	Name	Main concurrent positions, etc.	Total remuneration for each position in the fiscal period (Thousand yen)
Executive Director	Toru Sugihara (Note 1)	—	40

Supervisory Directors (Note 2)	Shigeru Kaneda	URYU & ITOGA Attorney-at-law	1,500
	Hiroataka Isayama	Isayama Certified Public Accountant Office President	1,500
Accounting Auditor	PricewaterhouseCoopers Aarata LLC	—	6,500

(Note 1) At the extraordinary general meeting of unitholders held on August 30, 2019, Mr. Makoto Muranaka resigned as executive director and Mr. Toru Sugihara was appointed.

The amount of remuneration for Mr. Makoto Muranaka during the 7th fiscal period is 1,000 thousand yen.

(Note 2) Supervisory directors may be officers of other corporations other than the corporations stated above, but none of such corporations, including the corporations stated above are related parties of SSR.

(ii) Policy for deciding on the removal or non-reappointment of the accounting auditor
The accounting auditor will be removed if it is found that such accounting auditor falls under any of the items of Article 105, Paragraph 1 of the Investment Trust Act. Non-reappointment of the accounting auditor will be considered at a meeting of SSR's board of directors, comprehensively taking into account the quality of its audits, the amount of audit fees, and other various factors.

(4) The Asset Management Company, Custodian, and General Administrative Agent

The asset management company, custodian, and general administrative agent as of December 31, 2019 are as follows:

Category of entrusting	Name
Asset Management Company	Sakura Real Estate Funds Management, Inc.
Custodian	Sumitomo Mitsui Trust Bank, Limited
General Administrative Agent (Unitholder registry administration and organization management services)	Sumitomo Mitsui Trust Bank, Limited
General Administrative Agent (Accounting and other services)	Kaneyama & Associates

(Note) As of the date of this Report, it is expected that Sakura Real Estate Funds Management, Inc. will cease to be SSR's asset management company as of February 29, 2020 and thereafter Star Asia Investment Management Co., Ltd. will be SSR's asset management company.

3 Status of assets held by SSR

(1) Composition of SSR's assets

The composition of SSR's assets as of December 31, 2019 is as follows:

Type of assets	Usage of assets	Geographic area (Note 1)	6th fiscal period (As of June 30, 2019)		7th fiscal period (As of December 31, 2019)	
			Total amount held (Million yen) (Note 2)	As a percentage of total assets (%) (Note 3)	Total amount held (Million yen) (Note 2)	As a percentage of total assets (%) (Note 3)
Real estate in trust	Office buildings	Tokyo metropolitan area	26,544	41.9	26,582	42.1
		Regional major cities	—	—	—	—
		Others	—	—	—	—
	Retail facilities	Tokyo metropolitan area	—	—	—	—
		Regional major cities	18,177	28.7	18,167	28.8
		Others	4,036	6.4	4,004	6.3
	Residences	Tokyo metropolitan area	3,730	5.9	3,710	5.9
		Regional major cities	2,852	4.5	2,863	4.5
		Others	—	—	—	—
	Other facilities	Tokyo metropolitan area	2,378	3.8	2,366	3.7
		Regional major cities	—	—	—	—

	Others	—	—	—	—
	Subtotal	57,720	91.1	57,695	91.4
	Deposits and other assets	5,669	8.9	5,416	8.6
	Total assets	63,389	100.0	63,111	100.0

- (Note 1) "Tokyo metropolitan area" means Tokyo, Kanagawa, Chiba and Saitama prefectures; the same apply hereinafter.
"Regional major cities" means cities designated by Cabinet Order and surrounding commutable areas, excluding Tokyo metropolitan area; the same apply hereinafter.
"Others" means areas other than Tokyo metropolitan area and regional major cities; the same apply hereinafter.
- (Note 2) "Total amount held" is based on the figures on the balance sheet as of the end of each fiscal period (excluding real estate in trust, the value of which is based on the depreciated book value). "Total amount held" is rounded down to the nearest million yen.
- (Note 3) "As a percentage of total assets" is rounded to the nearest first decimal place.

(2) Principal assets held

An overview of the principal assets (top ten properties based on the values on the balance sheet) held by SSR as of December 31, 2019 is as follows:

Name of real estate, etc.	Book value (Million yen)	Leasable area (m ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	As a percentage of total leasing revenue (%) (Note 4)	Primary use
Seishin Building	7,973	5,616.80	5,616.80	100.0	10.2	Office building
Suroy Mall Chikushino	7,563	32,110.04	31,344.51	97.6	12.0	Retail facility
La Park Kishiwada	6,502	40,875.16	40,289.18	98.6	21.4	Retail facility
Suroy Mall Nagamine	4,101	12,600.67	12,600.67	100.0	7.8	Retail facility
Seiyu Minakuchi	4,004	23,814.87	23,814.87	100.0	Not disclosed (Note 5)	Retail facility
Tsukasamachi Building	3,860	3,250.68	3,250.68	100.0	5.1	Office building
NK Building	3,811	3,394.35	3,394.35	100.0	4.6	Office building
Takadanobaba Access	3,431	3,691.49	3,691.49	100.0	4.6	Office building
Shiroi Logiman	2,103	21,971.25	21,760.65	99.0	6.2	Residences
Azabu Amerex Building	2,034	2,240.03	2,240.03	100.0	3.0	Office building
Total	45,387	149,565.34	148,003.23	99.0	Not disclosed (Note 5)	—

(Note 1) "Leasable area" is the area of the building of each real estate in trust (including its annex buildings, warehouses and other similar buildings but excluding its parking area and rooms for various usages) as of December 31, 2019, which is deemed to be leasable based on the relevant lease agreement, building drawing or other document.

(Note 2) "Leased area" is the total of leased areas (excluding areas used for events) of the building of real estate in trust (including its annex buildings, warehouses and other similar buildings but excluding its parking areas and rooms for various usages) as of December 31, 2019 specified in the lease agreements, respectively. If the master lease company has executed a pass-through-type master lease agreement with the lessor or other relevant party, "leased area" is the total of areas leased to end-tenants specified in the sub-lease agreements concerning the real estate in trust as of December 31, 2019. Please note that some lease agreements include in the leased area a certain area which is not included in the total floor area and thus the total leased area may exceed the total floor area of such building. With respect to La Park Kishiwada, Suroy Mall Chikushino and Suroy Mall Nagamine, the areas where ATMs are installed are excluded.

(Note 3) "Occupancy rate" is the occupancy rate as of December 31, 2019 (the ratio of leased area to leasable area) and is rounded to the nearest first decimal place.

(Note 4) "As a percentage of total leasing revenue" is rounded to the nearest first decimal place.

(Note 5) The figures are not disclosed because the consent of respective tenants regarding disclosure has not been obtained and if such figures are otherwise disclosed, disadvantages such as a difficulty to maintain the respective lease agreements for a long period of time may be caused as a relationship of trust between SSR and such tenants may be destroyed, thereby ultimately causing damage to interests of unitholders.

(3) Details of real estate portfolio assets

An overview of the assets held by SSR as of December 31, 2019 is as follows:

Usage	Geographic area	Name of real estate, etc.	Location	Form of ownership	Leasable area (m ²) (Note 1)	Book value (Million yen)	Appraisal value at the end of period (Million yen) (Note 2)
Office buildings	Tokyo metropolitan area	Seishin Building	Shinjuku-ward, Tokyo	Beneficial interest in trust	5,616.80	7,973	9,610
		NK Building	Chiyoda-ward, Tokyo	Beneficial interest in trust	3,394.35	3,811	4,650
		Tsukasamachi Building	Chiyoda-ward, Tokyo	Beneficial interest in trust	3,250.68	3,860	4,300
		Takadanobaba Access	Shinjuku-ward, Tokyo	Beneficial interest in trust	3,691.49	3,431	3,720
		Azabu Amerex Building	Minato-ward, Tokyo	Beneficial interest in trust	2,240.03	2,034	2,470
		Hiei Kudan Building	Chiyoda-ward, Tokyo	Beneficial interest in trust	2,298.86	1,969	2,190
		Shin Yokohama Nara Bldg	Yokohama city, Kanagawa	Beneficial interest in trust	4,057.89	1,941	2,070
		The Portal Akihabara	Chiyoda-ward, Tokyo	Beneficial interest in trust	941.69	1,559	1,620
Subtotal					25,491.79	26,582	30,630
Retail facilities	Regional major cities	La Park Kishiwada	Kishiwada city, Osaka	Beneficial interest in trust	40,875.16	6,502	6,550
		Suroy Chikushino Mall	Chikushino city, Fukuoka	Beneficial interest in trust	32,110.04	7,563	7,510
	Others	Seiyu Minakuchi	Koka city, Shiga	Beneficial interest in trust	23,814.87	4,004	4,130
	Regional major cities	Suroy Mall Nagamine	Kumamoto city, Kumamoto	Beneficial interest in trust	12,600.67	4,101	4,470
Subtotal					109,400.74	22,171	22,660
Residences	Tokyo metropolitan area	Shiroi Logiman	Shiroi city, Chiba	Beneficial interest in trust	21,971.25	2,103	2,190
		Abode Yoyogi Parkside	Shibuya-ward, Tokyo	Beneficial interest in trust	1,286.50	1,607	1,760
	Regional major cities	Matsuya Residence Sekime	Osaka city, Osaka	Beneficial interest in trust	7,767.37	1,907	1,970
		Urban Plaza Imazato	Osaka city, Osaka	Beneficial interest in trust	4,648.64	956	952

	Subtotal					35,673.76	6,574	6,872	
Other facilities	Tokyo metropolitan area	Funabashi Park I	Hi	Tech	Funabashi city, Chiba	Beneficial interest in trust	Not disclosed (Note 3)	1,683	1,800
		Funabashi Park II	Hi	Tech	Funabashi city, Chiba	Beneficial interest in trust	Not disclosed (Note 3)	682	782
	Subtotal					Not disclosed (Note 3)	2,366	2,582	
Total						183,141.19	57,695	62,744	

(Note 1) "Leasable area" is the area of the building of each real estate in trust (including its annex buildings, warehouses and other similar buildings but excluding its parking area and rooms for various usages) as of December 31, 2019, which is deemed to be leasable based on the relevant lease agreement, building drawing or other document.

(Note 2) "Appraisal value at the end of period" is the appraisal value in the real estate appraisal report (the appraisal date: as of December 31, 2019) prepared by Daiwa Real Estate Appraisal Co., Ltd., which is rounded down to the nearest million yen. The appraisal value does not guarantee or assure that a sale and purchase of such building is or will be carried out at such value. Daiwa Real Estate Appraisal Co., Ltd. which conducted the appraisal has no special interest in SSR or the Asset Management Company.

(Note 3) The figures are not disclosed because the consent of respective tenants regarding disclosure has not been obtained and if such figures are otherwise disclosed, disadvantages such as a difficulty to maintain the respective lease agreements for a long period of time may be caused as a relationship of trust between SSR and such tenants may be destroyed, thereby ultimately causing damage to interests of unitholders.

The leasing status of real estate, etc. held by SSR is as follows:

Usage	Geographic area	Name of real estate, etc.	6th fiscal period (January 1, 2019 to June 30, 2019)				7th fiscal period (July 1, 2019 to December 31, 2019)			
			Number of tenants (Note 1)	Occupancy rate (%) (end of the period) (Note 2)	Leasing revenue (during the period) (Million yen) (Note 5)	As a percentage of total leasing revenue (%) (Note 3) (Note 5)	Number of tenants (Note 1)	Occupancy rate (%) (end of the period) (Note 2)	Leasing revenue (during the period) (Million yen)	As a percentage of total leasing revenue (%) (Note 3) (Note 3)
Office buildings	Tokyo metropolitan area	Seishin Building	22	100.0	229	9.6	22	100.0	243	10.2
		NK Building	5	100.0	124	5.2	9	100.0	109	4.6
		Tsukasamachi Building	6	100.0	115	4.8	6	100.0	121	5.1
		Takadanobaba Access	9	100.0	106	4.5	9	100.0	108	4.6
		Azabu Amerex Building	6	100.0	69	2.9	6	100.0	71	3.0
		Hiei Kudan Building	10	100.0	67	2.8	10	100.0	66	2.8
		Shin Yokohama Nara Bldg	16	100.0	82	3.5	16	100.0	83	3.5
		The Portal Akihabara	8	100.0	4	0.2	8	100.0	35	1.5
	Subtotal	82	100.0	800	33.4	86	100.0	840	35.1	
Retail facilities	Regional major cities	La Park Kishiwada	48	98.5	498	20.8	49	98.6	512	21.4
		Suroy Mall Chikushino	22	92.2	353	14.8	24	97.6	287	12.0
	Others	Seiyu Minakuchi	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)
	Regional major cities	Suroy Mall Nagamine	21	99.3	179	7.5	22	100.0	185	7.8
	Subtotal	92	97.1	Not disclosed (Note 4)	Not disclosed (Note 4)	96	98.8	Not disclosed (Note 4)	Not disclosed (Note 4)	
Residences	Tokyo metropolitan area	Shiroi Logiman	292	97.7	139	5.8	295	99.0	148	6.2
	Regional major cities	Abode Yoyogi Parkside	28	100.0	45	1.9	26	89.1	42	1.8
		Matsuya Residence Sekime	128	98.7	86	3.6	129	98.9	85	3.6
	Urban Plaza Imazato	67	98.5	39	1.7	67	98.5	38	1.6	
Subtotal	515	98.1	311	13.0	517	98.6	315	13.2		
Other facilities	Tokyo metropolitan area	Funabashi Hi Tech Park I	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)
		Funabashi Hi Tech Park II	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)
	Subtotal	2	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	2	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	
Total	691	97.9	2,394	100.0	701	99.0	2,391	100.0		

(Note 1) "Number of tenants" is the total number of tenants (excluding those of warehouses, signboards, parking areas, etc.) under the lease agreements concerning each real estate in trust as of the end of each fiscal period. If a single tenant is leasing multiple rental units in a property under the same tenant name, the tenant is counted as one tenant regardless of the number of rental units. If a pass-through type master lease agreement has been concluded for the property, the total number of end-tenants (excluding those of warehouses, signboards,

parking areas, etc.) is stated. With respect to La Park Kishiwada, Suroy Mall Chikushino and Suroy Mall Nagamine, the tenants and their sub-lessees who are renting the areas to install ATMs are excluded.

(Note 2) "Occupancy rate" is the occupancy rate as of the end of each fiscal period (the ratio of leased area to leasable area) and is rounded to the nearest first decimal place.

(Note 3) "As a percentage of total leasing revenue" is rounded to the nearest first decimal place.

(Note 4) The figures are not disclosed because the consent of respective tenants regarding disclosure has not been obtained and if such figures are otherwise disclosed, disadvantages such as a difficulty to maintain the respective lease agreements for a long period of time may be caused as a relationship of trust between SSR and such tenants may be destroyed, thereby ultimately causing damage to interests of unitholders.

(Note 5) The Portal Akihabara was acquired on June 3, 2019 and the figures are based on leasing revenue for 28 days.

(4) Specific transaction contract amounts and fair value

Not applicable.

(5) Status of other assets

As of December 31, 2019, no specified assets are included in SSR's investment targets portfolio, other than those stated in "(3) Details of real estate portfolio assets" above.

(6) Status of assets by country and region

No assets are held in countries and regions other than Japan.

4 Capital expenditures on real estate held

(1) Schedule of capital expenditures

Name of real estate, etc.	Location	Purpose	Period	Estimated construction costs (Thousand yen)		
				Total amount	Amount of payment during 7th fiscal period	Total amount already paid
Seishin Building	Shinjuku-ward, Tokyo	Upgrading of air conditioning system	From: April 2020 To: May 2020	20,000	—	—
		Upgrading of automatic fire alarm system and emergency announcement system	From: July 2020 To: July 2020	16,200	—	—
		Upgrading of air conditioning system	From: October 2020 To: October 2020	38,000	—	—
NK Building	Chiyoda-ward, Tokyo	Upgrading of transformer	From: April 2020 To: April 2020	10,000	—	—
		Upgrading of elevator	From: July 2020 To: July 2020	24,000	—	—
Tsukasamachi Building	Chiyoda-ward, Tokyo	Upgrading of air conditioning system	From: April 2020 To: May 2020	21,000	—	—
		Upgrading of parts of automated parking facility	From: December 2020 To: December 2020	10,540	—	—
Shin Yokohama Nara Bldg	Yokohama city, Kanagawa	Upgrading of air conditioning system	From: May 2020 To: June 2020	50,550	—	—
		Upgrading of air conditioning system	From: October 2020 To: November 2020	48,000	—	—
		Upgrading of elevator	From: October 2020 To: November 2020	24,000	—	—
Suroy Mall Chikushino	Chikushino city, Fukuoka	Renewal of tenant areas	From: March 2020 To: March 2020	12,892	—	—
Seiyu Minakuchi	Koka city, Shiga	Replacement of air conditioning system	From: January 2020 To: June 2020	42,000	—	—
Matsuya Residence Sekime	Osaka city, Osaka	Repair of external walls of parking tower	From: September 2020 To: September 2020	27,000	—	—
Funabashi Hi Tech Park II	Funabashi city, Chiba	Improvement of interior, equipment, etc.	From: June 2020 To: June 2020	16,667	—	—

(2) Capital expenditures during the fiscal period

An overview of main capital expenditure works conducted by SSR for its assets during the

7th fiscal period are as follows. The amount of expenses and costs for works conducted by SSR for all its assets during the 7th fiscal period totaled 274,909 thousand yen, out of which those falling under capital expenditures were 231,205 thousand yen, and those included in the expenses of the 7th fiscal period as repair expenses were 43,704 thousand yen.

Name of real estate, etc.	Location	Purpose	Period	Construction costs (Thousand yen)
NK Building	Chiyoda-ward, Tokyo	Renewal of rooms and common areas	From: July 2019 To: September 2019	49,830
Takadanobaba Access	Shinjuku-ward, Tokyo	5th repair work of external walls	From: November 2019 To: December 2019	21,992
La Park Kishiwada	Kishiwada city, Osaka	Renewal of tenant areas	From: December 2019 To: December 2019	16,350
		Upgrading of air conditioning system	From: October 2019 To: December 2019	12,037
Suroy Mall Chikushino	Chikushino city, Fukuoka	Renewal of tenant areas	From: September 2019 To: September 2019	26,630
Matsuya Residence Sekime	Osaka city, Osaka	Renewal of elevator	From: December 2019 To: December 2019	27,670

(3) Cash reserved for long-term repair and maintenance plan
Not applicable.

5. Expenses and liabilities

(1) Details of expenses related to asset management

(Unit: thousand yen)

Item	6th fiscal period	7th fiscal period
	January 1, 2019 to June 30, 2019	July 1, 2019 to December 31, 2019
Asset management fee (Note)	169,303	174,610
Custodian fee	3,074	3,159
General administrative agent fee	20,278	21,181
Director remuneration	6,000	4,040
Non-deductible consumption tax	11,140	8,173
Other expenses	72,744	45,243
Total	282,540	256,408

(Note) In addition to the amount above, asset management fee of 15,000 thousand yen was incurred as asset management fee relating to property acquisition included in the acquisition cost of THE PORTAL AKIHABARA in the 6th fiscal period. No additional fee was incurred in the 7th fiscal period.

(2) Status of borrowings

The status of borrowings as of December 31, 2019 is as follows:

Classification	Lender	Drawdown date	Balance at the beginning of current period (Million yen)	Balance at the end of current period (Million yen)	Average interest rate (Note 1)	Repayment date	Repayment method	Application	Remarks	
Short-term loans payable	Sumitomo Mitsui Trust Bank, Limited.	August 31, 2018	900	—	0.26736 %	August 30, 2019	Lump payment at term end	(Note 2)	Unsecured, no guarantee	
	Sumitomo Mitsui Banking Corporation	August 30, 2019	—	200	0.27427 %	February 28, 2020	Lump payment at term end	(Note 2)	Unsecured, no guarantee	
	Aozora Bank, Ltd.		—	1,000						
	The Nishi-Nippon City Bank, Ltd.		—	1,000						
	The Bank of Fukuoka, Ltd.		—	1,000						
	Sumitomo Mitsui Trust Bank, Limited.		—	900						
	Resona Bank, Limited		—	600						
	Shinsei Bank, Limited		—	200						
Subtotal			900	4,900						
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	September 9, 2016	200	—	0.71096 %	August 30, 2019	Lump payment at term end	(Note 2)	Unsecured, no guarantee	
	Shinsei Bank, Limited		200	—						
	Resona Bank, Limited		600	—						
	Aozora Bank, Ltd.		1,000	—						
	The Nishi-Nippon City Bank, Ltd.		1,000	—						
	The Bank of Fukuoka, Ltd.	1,000	—							
	Sumitomo Mitsui Banking Corporation	September 9, 2019	—	1,950	0.81842 %	August 31, 2020	Lump payment at term end	(Note 2)	Unsecured, no guarantee	
	Shinsei Bank, Limited		—	1,950						
	Resona Bank, Limited		—	600						
	Aozora Bank, Ltd.		—	500						
ORIX Bank Corporation		—	1,000							
Subtotal			4,000	6,000						
Long-term loans payable	Sumitomo Mitsui Banking Corporation	September 9, 2016	1,950	—	0.81842 %	August 31, 2020	Lump payment at term end	(Note 2)	Unsecured, no guarantee	
	Shinsei Bank, Limited		1,950	—						
	Resona Bank, Limited		600	—						
	Aozora Bank, Ltd.		500	—						
	ORIX Bank Corporation		1,000	—						
	Sumitomo Mitsui Banking Corporation	September 9, 2016	1,950	1,950	0.93842 %	August 31, 2021	Lump payment at term end	(Note 2)	Unsecured, no guarantee	
	Shinsei Bank, Limited		1,950	1,950						
	Resona Bank, Limited		600	600						
Aozora Bank, Ltd.	500		500							
ORIX Bank Corporation		1,000	1,000							

Sumitomo Mitsui Banking Corporation	August 31, 2017	2,500	2,500	0.87191 %	August 31, 2022	Lump payment at term end	(Note 2)	Unsecured, no guarantee
Resona Bank, Limited		600	600					
Shinsei Bank, Limited		2,500	2,500					
Sumitomo Mitsui Banking Corporation	August 31, 2018	1,950	1,950	1.07777 %	February 28, 2023	Lump payment at term end	(Note 2)	Unsecured, no guarantee
Shinsei Bank, Limited		1,950	1,950					
Aozora Bank, Ltd.		800	800					
Resona Bank, Limited		400	400					
Sumitomo Mitsui Banking Corporation	June 3, 2019	450	450	0.76853 %	May 31, 2022	Lump payment at term end	(Note 2)	Unsecured, no guarantee
The Nishi-Nippon City Bank, Ltd.		500	500					
Shinsei Bank, Limited		450	450					
Aozora Bank, Ltd.		200	200					
Subtotal		24,300	18,300					
Total		29,200	29,200					

(Note 1) "Average interest rate" is the weighted average interest rate during the fiscal period, rounded to the fifth decimal place.

(Note 2) The uses of funds are funds for the purchase of real estate or real estate beneficiary interests in trust, funds for refinancing borrowings, and working capital.

(3) Status of investment corporate bonds

Not applicable.

(4) Status of short-term investment corporate bonds

Not applicable.

(5) Status of subscription rights for new investment units

Not applicable.

6. Acquisitions and transfers during the fiscal period

(1) Acquisitions and transfers of real estate, asset-backed securities, infrastructure assets, and infrastructure-related assets

Not applicable.

(2) Purchases and sales of other assets

Not applicable.

(3) Surveys on the prices, etc. of specific assets

Not applicable.

(4) Status of transactions with interested persons, etc.

(i) Status of sales and purchase transactions with interested persons, etc.

Not applicable.

(ii) Status of lease to interested persons, etc.

Name of lessee	Total Rental revenue (Thousand yen)
Sakura Real Estate Funds Management, Inc.	6,117
Japan Property Solutions Co., Ltd.	546

(iii) Amounts of commissions paid, etc.

Item	Total amount of commissions paid, etc. (A) (Thousand yen)	Breakdown of transactions with interested persons, etc.		As a percentage of total amount (B/A) (%)
		Paid to	Paid amount (B) (Thousand yen)	
Outsourcing expenses	351,634	Nippon Kanzai Co., Ltd.	34,370	9.8
		Tokyo Capital Management Co., Ltd.	81,924	23.3
		Japan Property Solutions Co., Ltd.	23,902	6.8
		Master Lessee Mars Limited GK	1,620	0.5
Other expenses related to rent business	34,236	Nippon Kanzai Co., Ltd.	3,677	10.7
		Japan Property Solutions Co., Ltd.	0	0.0

(Note 1) "Interested persons, etc." means the interested persons, etc. of the Asset Management Company prescribed in Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations ("Order for Enforcement of the Investment Trusts Act") and Article 26, Paragraph 1, Item 27 of the Regulation on Asset Management Reports, etc. concerning Investment Trusts and Investment Corporations issued by The Investment Trusts Association, Japan.

(Note 2) Apart from the transactions and commissions paid, etc. stated above, the amounts paid for repair work, etc. which were ordered to interested persons, etc. during the fiscal period are as follows:

Paid to	Paid amount (Thousand yen)
Nippon Kanzai Co., Ltd.	59,913
Tokyo Capital Management Co., Ltd.	2,119
Japan Property Solutions Co., Ltd.	262

(5) Status of transactions between the Asset Management Company related to concurrent operations conducted by that Asset Management Company

Sakura Real Estate Funds Management, Inc. that is the Asset Management Company of SSR is not concurrently engaged in the type I financial instruments trading business, type II financial instruments trading business, real estate brokerage business and real estate specified joint enterprise business, and thus there are no such transactions.

7. Accounting status

(1) Status of assets, liabilities, capital, and profit and loss

For details, refer to “II. Balance Sheet,” “III. Statement of Income,” “IV. Statement of Unitholders’ Equity,” “V. Notes,” and “VI. Statement of Cash Distributions” below.

(2) Changes in the method for calculating depreciation

Not applicable.

(3) Changes in the appraisal method for real estate and infrastructure assets

Not applicable.

8. Others

(1) Notices

(i) Unitholders’ Meeting

(a) The general meeting of unitholders was held by Lion Partners GK, a minority unitholder, on August 30, 2019 and the following resolutions were made:

Proposal	Content of the resolution
Proposal 1: Removal of Executive Director Makoto Muranaka	Because Executive Director Makoto Muranaka resigned as Executive Director of SSR prior to the opening of the general meeting, no deliberations and votes were held on this matter.
Proposal 2: Appointment of Executive Director Toru Sugihara	Although a proposal for appointment of Tamotsu Hagino as Executive Director was submitted as a motion to amend this matter, this matter was adopted and approved as per the original proposal, and Mr. Toru Sugihara was appointed.
Proposal 3: Cancellation of the asset management entrustment agreement with Sakura Real Estate Funds Management, Inc.	This matter was adopted and approved as per the original proposal.
Proposal 4: Entering into an asset management entrustment agreement with Star Asia Investment Management Co., Ltd.	Although a proposal for the execution of an asset management entrustment agreement with Mitsui Bussan & Idera Partners Co., Ltd. was submitted as a motion to amend this matter, this matter was adopted and approved as per the original proposal.

(b) The 3rd general meeting of unitholders was held on August 30, 2019. The results of the meeting were as follows:

Proposal	Results
Proposal 1: Approval of an agreement on absorption-type merger with MIRAI Corporation	This matter was not submitted to the meeting because the quorum was not met.
Proposal 2: Cancellation of the asset management entrustment	This proposal was subject to the approval of Proposal 1, but Proposal 1

agreement with Sakura Real Estate Funds Management, Inc. on the condition that the merger with MIRAI Corporation comes into force	was not submitted to the meeting; therefore, this proposal was withdrawn.
Proposal 3: Partial amendments to the articles of incorporation	This matter was not submitted to the meeting because the quorum was not met.

(ii) Board of Directors of SSR

The following is a summary of the execution and changes in major agreements approved at the board meeting of SSR during the 7th fiscal period.

Date of the board meeting	Agenda	Summary
August 5, 2019	Execution of a merger agreement with MIRAI Corporation	Following the adoption and approval of this agenda, SSR entered into a merger agreement with MIRAI Corporation, under which MIRAI Corporation was the surviving corporation and SSR was the dissolving corporation in the absorption-type merger, with the effective date of the merger being November 1, 2019. However, such merger was not submitted to the meeting because a quorum was not met at the general meeting of unitholders held on August 30, 2019 as stated in 1)(a) above.
September 13, 2019	Cancellation of a merger agreement with MIRAI Corporation	Based on the results at the 3rd general meeting of unitholders held on August 30, 2019, the cancellation of a merger agreement executed with MIRAI Corporation was adopted and approved.

(2) Status of investment trust beneficiary certificates set by own company

The investment units of SSR held by Sakura Real Estate Funds Management, Inc., the Asset Management Company, are as follows.

a. Status of acquisition, etc.

Date of acquisition	Number of units acquired (Units)	Number of units disposed (Units)	Number of units held (Units)	Remarks
April 1, 2016	1	—	1	(Note)
Total	1	—	1	

(Note) Investment units were acquired at 100,000 yen per unit upon the incorporation of SSR.

b. Status of holding, etc.

		Number of units held at end of period (Units)	Total amount held at end of period	(Reference) Unit price at end of period (Yen)	As a percent age of total number of units issued (%)	(Reference) Total number of units issued at end of period (Units)
1st fiscal period	April 1, 2016 to February 28, 2017	1	81,800	81,800	0.0	333,001
2nd fiscal period	March 1, 2017 to August 31, 2017	1	89,700	89,700	0.0	333,001

3rd fiscal period	September 1, 2017 to February 28, 2018	1	94,700	94,700	0.0	333,001
4th fiscal period	March 1, 2018 to June 30, 2018	1	91,200	91,200	0.0	333,001
5th fiscal period	July 1, 2018 to December 31, 2018	1	80,300	80,300	0.0	333,001
6th fiscal period	January 1, 2019 to June 30, 2019	1	88,500	88,500	0.0	333,001
7th fiscal period	July 1, 2019 to December 31, 2019	1	97,500	97,500	0.0	333,001

(Note) Calculated by multiplying the number of units held at the end of the period by the unit price at the end of the period.

(3) Status of overseas real estate holding company and real estate held by it

Not applicable.

(4) Rounding of amounts and percentages

Unless otherwise specifically noted, amounts are rounded down to the unit displayed and percentages are rounded to the first decimal place in this document.

|| . Balance Sheet

(Unit: thousand yen)

	6th fiscal period (reference) (As of June 30, 2019)	7th fiscal period (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	598,134	518,328
Cash and deposits in trust	4,532,632	4,356,576
Operating accounts receivable	62,540	66,422
Prepaid expenses	84,124	92,744
Deposits paid	18,455	16,350
Other	11	394
Total current assets	5,295,899	5,050,817
Non-current assets		
Property, plant and equipment		
Buildings in trust	14,923,172	15,132,852
Accumulated depreciation	(1,230,637)	(1,464,891)
Buildings in trust, net	13,692,534	13,667,960
Structures in trust	449,193	450,855
Accumulated depreciation	(101,384)	(118,659)
Structures in trust, net	347,809	332,195
Machinery and equipment in trust	34,797	40,961
Accumulated depreciation	(4,949)	(6,740)
Machinery and equipment in trust, net	29,848	34,220
Tools, furniture and fixtures in trust	36,636	50,336
Accumulated depreciation	(10,194)	(13,509)
Tools, furniture and fixtures in trust, net	26,442	36,826
Land in trust	42,953,181	42,953,181
Total property, plant and equipment	57,049,815	57,024,385
Intangible assets		
Leasehold rights in trust	670,865	670,865
Other	12,391	9,611
Total intangible assets	683,257	680,477
Investments and other assets		
Deferred tax assets	19	17
Long-term prepaid expenses	113,236	85,252
Long-term deposits	237,580	261,037
Other	10,000	10,000
Total investments and other assets	360,835	356,307
Total non-current assets	58,093,908	58,061,170
Total assets	63,389,808	63,111,987

	(Unit: thousand yen)	
	6th fiscal period (reference) (As of June 30, 2019)	7th fiscal period (As of December 31, 2019)
Liabilities		
Current liabilities		
Operating accounts payable	331,858	250,346
Short-term loans payable	900,000	4,900,000
Current portion of long-term loans payable	4,000,000	6,000,000
Accounts payable - other	174,205	155,659
Income taxes payable	997	971
Accrued consumption taxes	5,217	44,176
Advances received	360,835	361,908
Other	35,978	57,288
Total current liabilities	5,809,092	11,770,351
Non-current liabilities		
Long-term loans payable	24,300,000	18,300,000
Tenant leasehold and security deposits in trust	3,140,097	3,082,276
Total non-current liabilities	27,440,097	21,382,276
Total liabilities	33,249,189	33,152,627
Net assets		
Unitholders' equity		
Unitholders' capital	29,254,680	29,254,680
Surplus		
Unappropriated retained earnings (undisposed loss)	885,939	704,679
Total surplus	885,939	704,679
Total unitholders' equity	30,140,619	29,959,359
Total net assets*1	30,140,619	29,959,359
Total liabilities and net assets	63,389,808	63,111,987

|||. Statement of Income

(Unit: thousand yen)

	6th fiscal period (reference) From: January 1, 2019 To: June 30, 2019	7th fiscal period From: July 1, 2019 To: December 31, 2019
Operating revenue		
Lease business revenue*1	2,022,934	2,054,703
Other lease business revenue*1	371,966	337,004
Total operating revenue	2,394,901	2,391,708
Operating expenses		
Expenses related to rent business*1*2	1,074,650	1,088,711
Asset management fee	169,303	174,610
Asset custody fee	3,074	3,159
Administrative service fee	20,278	21,181
Directors' compensations	6,000	4,040
Non-deductible consumption tax	11,140	8,173
Other operating expenses*2	72,744	45,243
Total operating expenses	1,357,190	1,345,120
Operating income	1,037,710	1,046,588
Non-operating income		
Interest income	23	23
Other	180	13
Total non-operating income	203	37
Non-operating expenses		
Interest expenses	119,656	121,295
Borrowing related expenses	43,344	52,870
Total non-operating expenses	163,000	174,166
Ordinary income	874,912	872,459
Extraordinary income		
Insurance income*3	48,804	—
Total extraordinary income	48,804	—
Extraordinary loss		
Loss on disaster*3	36,802	—
Expenses related to general meetings of unitholders and merger, etc. *4	—	166,961
Total Extraordinary loss	36,802	166,961
Income before income taxes	886,915	705,498
Income taxes - current	1,000	974
Income taxes-deferred	(7)	1
Total income taxes	993	975
Net income	885,921	704,522

Retained earnings brought forward	17	156
Unappropriated retained earnings (undisposed loss)	885,939	704,679

IV. Statement of Unitholders' Equity

6th fiscal period (reference) (from January 1, 2019 to June 30, 2019)

(Unit:
thousand yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of the period	29,254,680	886,466	886,466	30,141,146	30,141,146
Changes of items during the period					
Dividends from surplus	—	(886,448)	(886,448)	(886,448)	(886,448)
Net income	—	885,921	885,921	885,921	885,921
Total changes of items during the period	—	(526)	(526)	(526)	(526)
Balance at end of the period	(*1) 29,254,680	885,939	885,939	30,140,619	30,140,619

7th fiscal period (from July 1, 2019 to December 31, 2019)

(Unit:
thousand yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of the period	29,254,680	885,939	885,939	30,140,619	30,140,619
Changes of items during the period					
Dividends from surplus	—	(885,782)	(885,782)	(885,782)	(885,782)
Net income	—	704,522	704,522	704,522	704,522
Total changes of items during the period	—	(181,259)	(181,259)	(181,259)	(181,259)
Balance at end of the period	(*1) 29,254,680	704,679	704,679	29,959,359	29,959,359

V. Notes

[Notes on the Going Concern Assumption]

6th fiscal period (reference) (From: January 1, 2019 To: June 30, 2019)	7th fiscal period From: July 1, 2019 (To: December 31, 2019)
Not applicable.	Not applicable.

[Notes on Matters Concerning Significant Accounting Policies]

Item	6th fiscal period (reference) (From: January 1, 2019 To: June 30, 2019)	7th fiscal period From: July 1, 2019 (To: December 31, 2019)																				
1. Method of depreciation of non-current assets	<p>(1) Property, plant and equipment (including trust assets)</p> <p>The straight-line method is adopted. The useful life of primary property, plant and equipment is as follows:</p> <table style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">Buildings</td> <td style="text-align: right;">2-70 years</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">2-70 years</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">10 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: right;">6-15 years</td> </tr> </table> <p>(2) Intangible assets</p> <p>The straight-line method is adopted.</p> <p>The remaining period or useful life of primary intangible assets is as follows:</p> <table style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">Software</td> <td style="text-align: right;">5 years</td> </tr> </table>	Buildings	2-70 years	Structures	2-70 years	Machinery and equipment	10 years	Tools, furniture and fixtures	6-15 years	Software	5 years	<p>(1) Property, plant and equipment (including trust assets)</p> <p>The straight-line method is adopted. The useful life of primary property, plant and equipment is as follows:</p> <table style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">Buildings</td> <td style="text-align: right;">2-70 years</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">2-70 years</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">10 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: right;">6-15 years</td> </tr> </table> <p>(2) Intangible assets</p> <p>The straight-line method is adopted.</p> <p>The remaining period or useful life of primary intangible assets is as follows:</p> <table style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">Software</td> <td style="text-align: right;">5 years</td> </tr> </table>	Buildings	2-70 years	Structures	2-70 years	Machinery and equipment	10 years	Tools, furniture and fixtures	6-15 years	Software	5 years
Buildings	2-70 years																					
Structures	2-70 years																					
Machinery and equipment	10 years																					
Tools, furniture and fixtures	6-15 years																					
Software	5 years																					
Buildings	2-70 years																					
Structures	2-70 years																					
Machinery and equipment	10 years																					
Tools, furniture and fixtures	6-15 years																					
Software	5 years																					
2. Standards for revenue and expense recognition	<p>Accounting for fixed property tax, etc.</p> <p>Accounting for fixed property tax, city planning tax, depreciable asset tax, etc. on real estate or beneficiary interest in trust for real estate held is that, of the tax amount assessed and determined, the amount corresponding to the concerned calculation period is expensed as expenses related to rent business.</p> <p>The amount equivalent to fixed property tax, etc. in the initial fiscal year borne by SSR upon acquisition of real estate or beneficiary interest in trust for real estate is not recognized as expenses but included in the cost of acquisition of the concerned real estate, etc. In the 6th fiscal period, the amount equivalent to</p>	<p>Accounting for fixed property tax, etc.</p> <p>Accounting for fixed property tax, city planning tax, depreciable asset tax, etc. on real estate or beneficiary interest in trust for real estate held is that, of the tax amount assessed and determined, the amount corresponding to the concerned calculation period is expensed as expenses related to rent business.</p> <p>The amount equivalent to fixed property tax, etc. in the initial fiscal year borne by SSR upon acquisition of real estate or beneficiary interest in trust for real estate is not recognized as expenses but included in the cost of acquisition of the concerned real estate, etc. In the 7th fiscal period, the amount equivalent to</p>																				

fixed property tax, etc. included in the cost of acquisition of real estate, etc. was 1,783 thousand yen.

fixed property tax, etc. included in the cost of acquisition of real estate, etc. was nil.

Item	6th fiscal period (reference) (From: January 1, 2019 To: June 30, 2019)	7th fiscal period From: July 1, 2019 (To: December 31, 2019)
3. Other significant matters serving as the basis for preparation of financial statements	<p>(1) Accounting for beneficiary interest in trust for real estate, etc.</p> <p>Concerning beneficiary interest in trust for real estate, etc. held, all accounts of assets and liabilities within trust assets as well as all accounts of revenue and expenses from the trust assets are recognized in the relevant account item of the balance sheet and the statement of income.</p> <p>The following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet.</p> <p>1) Cash and deposits in trust 2) Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust 3) Leasehold rights in trust 4) Tenant leasehold and security deposits in trust</p> <p>(2) Accounting for consumption tax, etc. he accounting for consumption tax and local consumption tax are excluded from the transaction amounts. Non-deductible consumption tax is expensed as expenses for the 6th fiscal period.</p>	<p>(1) Accounting for beneficiary interest in trust for real estate, etc.</p> <p>Concerning beneficiary interest in trust for real estate, etc. held, all accounts of assets and liabilities within trust assets as well as all accounts of revenue and expenses from the trust assets are recognized in the relevant account item of the balance sheet and the statement of income.</p> <p>The following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet.</p> <p>1) Cash and deposits in trust 2) Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust 3) Leasehold rights in trust 4) Tenant leasehold and security deposits in trust</p> <p>(2) Accounting for consumption tax, etc. he accounting for consumption tax and local consumption tax are excluded from the transaction amounts. Non-deductible consumption tax is expensed as expenses for the 7th fiscal period.</p>

[Notes to the Balance Sheet]

6th fiscal period (reference) (As of June 30, 2019)	7th fiscal period (As of December 31, 2019)
<p>*1. Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations:</p> <p style="text-align: right;">50,000 thousand yen</p>	<p>*1. Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations:</p> <p style="text-align: right;">50,000 thousand yen</p>

[Notes to the Statement of Income]

6th fiscal period (reference) (From: January 1, 2019 To: June 30, 2019)	7th fiscal period From: July 1, 2019 (To: December 31, 2019)																																																																																				
<p>*1. Breakdown of operating income (loss) from real estate leasing</p> <p style="text-align: right;">(Unit: thousand yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">A. Operating revenue from real estate leasing</td> </tr> <tr> <td colspan="2">Lease business revenue</td> </tr> <tr> <td>Rental revenue</td> <td style="text-align: right;">1,734,012</td> </tr> <tr> <td>Common area maintenance revenue</td> <td style="text-align: right;">288,921 2,022,934</td> </tr> <tr> <td colspan="2">Other lease business revenue</td> </tr> <tr> <td>Utilities reimbursement</td> <td style="text-align: right;">156,861</td> </tr> <tr> <td>Parking revenue</td> <td style="text-align: right;">96,269</td> </tr> <tr> <td>Other rental revenue</td> <td style="text-align: right;">118,835 371,966</td> </tr> <tr> <td>Total operating revenue from real estate leasing</td> <td style="text-align: right;">2,394,901</td> </tr> <tr> <td colspan="2">B. Operating expenses from real estate leasing</td> </tr> <tr> <td colspan="2">Expenses related to rent business</td> </tr> <tr> <td>Outsourcing expenses</td> <td style="text-align: right;">342,986</td> </tr> <tr> <td>Utilities expenses</td> <td style="text-align: right;">174,799</td> </tr> <tr> <td>Taxes and dues</td> <td style="text-align: right;">190,999</td> </tr> <tr> <td>Repair expenses</td> <td style="text-align: right;">63,047</td> </tr> <tr> <td>Insurance premium</td> <td style="text-align: right;">4,880</td> </tr> <tr> <td>Trust fee</td> <td style="text-align: right;">13,036</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">247,378</td> </tr> <tr> <td>Other expenses related to rent business</td> <td style="text-align: right;">37,521</td> </tr> <tr> <td>Total operating expenses from real estate leasing</td> <td style="text-align: right;">1,074,650</td> </tr> <tr> <td>C. Operating income (loss) from real estate leasing (A – B)</td> <td style="text-align: right;">1,320,250</td> </tr> </table>	A. Operating revenue from real estate leasing		Lease business revenue		Rental revenue	1,734,012	Common area maintenance revenue	288,921 2,022,934	Other lease business revenue		Utilities reimbursement	156,861	Parking revenue	96,269	Other rental revenue	118,835 371,966	Total operating revenue from real estate leasing	2,394,901	B. Operating expenses from real estate leasing		Expenses related to rent business		Outsourcing expenses	342,986	Utilities expenses	174,799	Taxes and dues	190,999	Repair expenses	63,047	Insurance premium	4,880	Trust fee	13,036	Depreciation	247,378	Other expenses related to rent business	37,521	Total operating expenses from real estate leasing	1,074,650	C. Operating income (loss) from real estate leasing (A – B)	1,320,250	<p>*1. Breakdown of operating income (loss) from real estate leasing</p> <p style="text-align: right;">(Unit: thousand yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">A. Operating revenue from real estate leasing</td> </tr> <tr> <td colspan="2">Lease business revenue</td> </tr> <tr> <td>Rental revenue</td> <td style="text-align: right;">1,757,227</td> </tr> <tr> <td>Common area maintenance revenue</td> <td style="text-align: right;">297,476 2,054,703</td> </tr> <tr> <td colspan="2">Other lease business revenue</td> </tr> <tr> <td>Utilities reimbursement</td> <td style="text-align: right;">178,589</td> </tr> <tr> <td>Parking revenue</td> <td style="text-align: right;">96,121</td> </tr> <tr> <td>Other rental revenue</td> <td style="text-align: right;">62,293 337,004</td> </tr> <tr> <td>Total operating revenue from real estate leasing</td> <td style="text-align: right;">2,391,708</td> </tr> <tr> <td colspan="2">B. Operating expenses from real estate leasing</td> </tr> <tr> <td colspan="2">Expenses related to rent business</td> </tr> <tr> <td>Outsourcing expenses</td> <td style="text-align: right;">351,634</td> </tr> <tr> <td>Utilities expenses</td> <td style="text-align: right;">191,766</td> </tr> <tr> <td>Taxes and dues</td> <td style="text-align: right;">191,012</td> </tr> <tr> <td>Repair expenses</td> <td style="text-align: right;">43,704</td> </tr> <tr> <td>Insurance premium</td> <td style="text-align: right;">6,344</td> </tr> <tr> <td>Trust fee</td> <td style="text-align: right;">13,376</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">256,635</td> </tr> <tr> <td>Other expenses related to rent business</td> <td style="text-align: right;">34,236</td> </tr> <tr> <td>Total operating expenses from real estate leasing</td> <td style="text-align: right;">1,088,711</td> </tr> <tr> <td>C. Operating income (loss) from real estate leasing (A – B)</td> <td style="text-align: right;">1,302,997</td> </tr> </table>	A. Operating revenue from real estate leasing		Lease business revenue		Rental revenue	1,757,227	Common area maintenance revenue	297,476 2,054,703	Other lease business revenue		Utilities reimbursement	178,589	Parking revenue	96,121	Other rental revenue	62,293 337,004	Total operating revenue from real estate leasing	2,391,708	B. Operating expenses from real estate leasing		Expenses related to rent business		Outsourcing expenses	351,634	Utilities expenses	191,766	Taxes and dues	191,012	Repair expenses	43,704	Insurance premium	6,344	Trust fee	13,376	Depreciation	256,635	Other expenses related to rent business	34,236	Total operating expenses from real estate leasing	1,088,711	C. Operating income (loss) from real estate leasing (A – B)	1,302,997
A. Operating revenue from real estate leasing																																																																																					
Lease business revenue																																																																																					
Rental revenue	1,734,012																																																																																				
Common area maintenance revenue	288,921 2,022,934																																																																																				
Other lease business revenue																																																																																					
Utilities reimbursement	156,861																																																																																				
Parking revenue	96,269																																																																																				
Other rental revenue	118,835 371,966																																																																																				
Total operating revenue from real estate leasing	2,394,901																																																																																				
B. Operating expenses from real estate leasing																																																																																					
Expenses related to rent business																																																																																					
Outsourcing expenses	342,986																																																																																				
Utilities expenses	174,799																																																																																				
Taxes and dues	190,999																																																																																				
Repair expenses	63,047																																																																																				
Insurance premium	4,880																																																																																				
Trust fee	13,036																																																																																				
Depreciation	247,378																																																																																				
Other expenses related to rent business	37,521																																																																																				
Total operating expenses from real estate leasing	1,074,650																																																																																				
C. Operating income (loss) from real estate leasing (A – B)	1,320,250																																																																																				
A. Operating revenue from real estate leasing																																																																																					
Lease business revenue																																																																																					
Rental revenue	1,757,227																																																																																				
Common area maintenance revenue	297,476 2,054,703																																																																																				
Other lease business revenue																																																																																					
Utilities reimbursement	178,589																																																																																				
Parking revenue	96,121																																																																																				
Other rental revenue	62,293 337,004																																																																																				
Total operating revenue from real estate leasing	2,391,708																																																																																				
B. Operating expenses from real estate leasing																																																																																					
Expenses related to rent business																																																																																					
Outsourcing expenses	351,634																																																																																				
Utilities expenses	191,766																																																																																				
Taxes and dues	191,012																																																																																				
Repair expenses	43,704																																																																																				
Insurance premium	6,344																																																																																				
Trust fee	13,376																																																																																				
Depreciation	256,635																																																																																				
Other expenses related to rent business	34,236																																																																																				
Total operating expenses from real estate leasing	1,088,711																																																																																				
C. Operating income (loss) from real estate leasing (A – B)	1,302,997																																																																																				

*2. The amounts incurred for depreciation are as follows:

(Unit: thousand yen)

	6th fiscal period (reference) (From: January 1, 2019) (To: June 30, 2019)	7th fiscal period From: July 1, 2019 (To: December 31,) 2019
Expenses related to rent business		
Property, plant and equipment	247,378	256,635
Other operating expenses		
Intangible assets	2,780	2,780

*3. Consists of repair expenses incurred upon the occurrence of a natural disaster and corresponding insurance proceeds.

*4. Consists of expenses for responding to the request to hold the general meeting of unitholders made by one of the minority unitholders, Lion Partners GK, expenses incurred for seeking and considering measures against the proposal for merger made by Star Asia Investment Corporation, expenses incurred for considering merger with MIRAI Corporation, expenses incurred for holding the general meetings of unitholders organized respectively by Lion Partners GK and SSR on August 30, 2019, and expenses for responding to the litigations filed by one of the minority unitholders, Galaxy JREIT Pty Limited with respect to the results of both general meetings of unitholders.

[Notes to the Statement of Unitholders' Equity]

6th fiscal period (reference) (From: January 1, 2019 To: June 30, 2019)	7th fiscal period From: July 1, 2019 (To: December 31,) 2019
*1. Total number of investment units authorized and total number of investment units issued and outstanding	*1. Total number of investment units authorized and total number of investment units issued and outstanding
Total number of investment units authorized	Total number of investment units authorized
10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	Total number of investment units issued and outstanding
333,001 units	333,001 units

[Notes on Tax-Effect Accounting]

6th fiscal period (reference) (As of June 30, 2019)	7th fiscal period (As of December 31, 2019)
1. Breakdown of main causes for occurrence of deferred tax assets and deferred tax liabilities (Unit: thousand yen)	1. Breakdown of main causes for occurrence of deferred tax assets and deferred tax liabilities (Unit: thousand yen)
Deferred tax assets	Deferred tax assets
Non-deductible accrued enterprise tax	Non-deductible accrued enterprise tax
19	17
Total	Total
19	17
Deferred tax assets, net	Deferred tax assets, net
19	17
2. Breakdown of major components that caused any significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting (Unit: %)	2. Breakdown of major components that caused any significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting (Unit: %)
Statutory tax rate	Statutory tax rate
31.51	31.51
(Adjustments)	(Adjustments)
Deductible distributions payable	Deductible distributions payable
(31.47)	(31.47)
Other	Other
0.07	0.10
Effective income tax rate	Effective income tax rate
0.11	0.14
after application of tax-effect accounting	after application of tax-effect accounting

[Notes on Fixed Assets Exercised Through a Lease]

6th fiscal period (reference) (From: January 1, 2019 To: June 30, 2019)	7th fiscal period From: July 1, 2019 (To: December 31,) 2019
Not applicable.	Not applicable.

[Notes on Financial Instruments]

6th fiscal period (reference) (from January 1, 2019 to June 30, 2019)

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

SSR shall procure funds to allocate to acquisition of real estate related assets, repayment of interest - bearing liabilities, etc. through mainly issuance of investment units, borrowing from financial institutions, issuance of investment corporation bonds, etc. Upon procuring funds through interest - bearing liabilities, SSR aims to stagger maturities, extend borrowing periods and lower and fix interest on borrowings in order to establish a stable asset management foundation in the medium and long term, and due consideration shall be given to fund procurement agility and financial stability.

(2) Description of financial instruments and associated risks, and risk management system

The funds procured through loans, which shall be for the purpose of mainly acquisition of assets, are exposed to liquidity risk and interest rate fluctuation risk, but the concerned risks are managed by dispersing the procurement destinations and staggering the maturities, and by considering using surplus and procuring funds from capital markets through issuance of investment units

(3) Supplementary explanation to matters concerning fair value, etc. of financial instruments

The fair value of financial instruments include value based on market price, and in the absence of market price, value reasonably calculated. In the calculation of such value, the adoption of certain conditions precedent may result in the difference between values, depending on different conditions precedent.

2. Matters concerning fair value, etc. of financial instruments

The carrying amount and fair value as of June 30, 2019, and the amount of difference between these, are as follows:

Financial instruments for which estimation of fair value is recognized to be difficult are not included. Please refer to “Note 2” below.

	Carrying amount (Unit: thousand yen)	Fair value (Unit: thousand yen)	Amount of difference (Unit: thousand yen)
(1) Cash and deposits	598,134	598,134	—
(2) Cash and deposits in trust	4,532,632	4,532,632	—
Assets total	5,130,766	5,130,766	—
(3) Short-term loans payable	900,000	900,000	—
(4) Current portion of long-term loans payable	4,000,000	3,999,490	(510)
(5) Long-term loans payable	24,300,000	24,338,547	38,547
Liabilities total	29,200,000	29,238,037	38,037

(Note 1) Method of calculation of the fair value of financial instruments

(1) Cash and deposits; (2) Cash and deposits in trust

Because these are settled in a short period of time, the fair value is approximately the same as the book value and thus stated at that book value.

(3) Short-term loans payable

Because these are settled in a short period of time, and are based on floating interest rates, the fair value is approximately the same as the book value and thus stated at that book value.

(4) Current portion of long-term loans payable; (5) Long-term loans payable

These are calculated by the present value obtained by discounting the total principal and interest by the rate expected when similar funds are additionally borrowed in correspondence with the remaining term.

(Note 2) Financial instruments for which estimation of fair value is recognized to be extremely difficult (Unit: thousand yen)

Category	Carrying amount
Tenant leasehold and security deposits in trust	3,140,097

With respect to tenant leasehold and security deposits in trust, since there is no market price and the lease agreement is likely to be cancelled or extended and/or renewed even with a specified lease term, and it is difficult to calculate the actual deposit period, it is impossible to reasonably estimate cash flows. Therefore, since estimation of cash flows is recognized to be extremely difficult, tenant leasehold and security deposits in trust are not subject to valuation at fair value.

(Note 3) Amount of redemption of monetary claims scheduled to be due after the date of settlement of accounts (Unit: thousand yen)
(June 30, 2019)

	Not later than 1 year
Cash and deposits	598,134
Cash and deposits in trust	4,532,632
Total	5,130,766

(Note 4) Amount of repayment of loans scheduled to be due after the date of settlement of accounts (Unit: thousand yen)
(June 30, 2019)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Short-term loans payable	900,000	—	—	—	—	—
Long-term loans payable	4,000,000	6,000,000	7,600,000	10,700,000	—	—
Total	4,900,000	6,000,000	7,600,000	10,700,000	—	—

7th fiscal period (from July 1, 2019 to December 31, 2019)

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

SSR shall procure funds to allocate to acquisition of real estate related assets, repayment of interest - bearing liabilities, etc. through mainly issuance of investment units, borrowing from financial institutions, issuance of investment corporation bonds, etc. Upon procuring funds through interest - bearing liabilities, SSR aims to stagger maturities, extend borrowing periods and lower and fix interest on borrowings in order to establish a stable asset management foundation in the medium and long term, and due consideration shall be given to fund procurement agility and financial stability.

(2) Description of financial instruments and associated risks, and risk management system

The funds procured through loans, which shall be for the purpose of mainly acquisition of assets, are exposed to liquidity risk and interest rate fluctuation risk, but the concerned risks are managed by dispersing the procurement destinations and staggering the maturities, and by considering using surplus and procuring funds from capital markets through issuance of investment units.

(3) Supplementary explanation to matters concerning fair value, etc. of financial instruments

The fair value of financial instruments include value based on market price, and in the absence of market price, value reasonably calculated. In the calculation of such value, the adoption of certain conditions precedent may result in the difference between values, depending on different conditions precedent.

2. Matters concerning fair value, etc. of financial instruments

The carrying amount and fair value as of December 31, 2019, and the amount of difference between these, are as follows:

Financial instruments for which estimation of fair value is recognized to be difficult are not included. Please refer to “Note 2” below.

	Carrying amount (Unit: thousand yen)	Fair value (Unit: thousand yen)	Amount of difference (Unit: thousand yen)
(1) Cash and deposits	518,328	518,328	—
(2) Cash and deposits in trust	4,356,576	4,356,576	—
Assets total	4,874,905	4,874,905	—
(3) Short-term loans payable	4,900,000	4,900,000	—
(4) Current portion of long-term loans payable	6,000,000	5,997,753	(2,246)
(5) Long-term loans payable	18,300,000	18,314,800	14,800
Liabilities total	29,200,000	29,212,554	12,554

(Note 1) Method of calculation of the fair value of financial instruments

(1) Cash and deposits; (2) Cash and deposits in trust

Because these are settled in a short period of time, the fair value is approximately the same as the book value and thus stated at that book value.

(3) Short-term loans payable

Because these are settled in a short period of time, and are based on floating interest rates, the fair value is approximately the same as the book value and thus stated at that book value.

(4) Current portion of long-term loans payable; (5) Long-term loans payable

These are calculated by the present value obtained by discounting the total principal and interest by the rate expected when similar funds are additionally borrowed in correspondence with the remaining term.

(Note 2) Financial instruments for which estimation of fair value is recognized to be extremely difficult

(Unit: thousand yen)

Category	Carrying amount
Tenant leasehold and security deposits in trust	3,082,276

With respect to tenant leasehold and security deposits in trust, since there is no market price and the lease agreement is likely to be cancelled or extended and/or renewed even with a specified lease term, and it is difficult to calculate the actual deposit period, it is impossible to reasonably estimate cash flows. Therefore, since estimation of cash flows is recognized to be extremely difficult, tenant leasehold and security deposits in trust are not subject to valuation at fair value.

(Note 3) Amount of redemption of monetary claims scheduled to be due after the date of settlement of accounts (December 31, 2019)

(Unit: thousand yen)

	Not later than 1 year
Cash and deposits	518,328
Cash and deposits in trust	4,356,576
Total	4,874,905

(Note 4) Amount of repayment of loans scheduled to be due after the date of settlement of accounts (December 31, 2019)

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Short-term loans payable	4,900,000	—	—	—	—	—
Long-term loans payable	6,000,000	6,000,000	7,200,000	5,100,000	—	—
Total	10,900,000	6,000,000	7,200,000	5,100,000	—	—

[Notes on Investment and Rental Properties]

6th fiscal period (reference) (from January 1, 2019 to June 30, 2019)

SSR owns office buildings, retail facilities, residences, etc. mainly in the Tokyo metropolitan area and regional major cities for the purpose of earning revenue from leasing. The carrying amount, amount of increase (decrease) during the period and fair value of these investment and rental properties are as follows:

(Unit: thousand yen)

Carrying amount	
Balance at beginning of period	56,199,434
Amount of increase (decrease) during period	1,521,246
Balance at end of period	57,720,680
Fair value at end of period	61,511,000

(Note 1) Carrying amount is the amount of the cost of acquisition, less accumulated depreciation.

(Note 2) Of the amount of increase (decrease) during the period, the amount of increase is mainly attributable to acquisition of beneficiary interests in trust of 1 property (1,563,289 thousand yen) and capital expenditure (205,335 thousand yen), while the amount of decrease is mainly attributable to depreciation (247,378 thousand yen).

(Note 3) Fair value at the end of the period is the appraisal value determined by an external real estate appraiser.

The income (loss) concerning investment and rental properties for the fiscal period ended June 30, 2019 (6th fiscal period) are as stated in “Notes to the Statement of Income” earlier in this document.

7th fiscal period (from July 1, 2019 to December 31, 2019)

SSR owns office buildings, retail facilities, residences, etc. mainly in the Tokyo metropolitan area and regional major cities for the purpose of earning revenue from leasing. The carrying amount, amount of increase (decrease) during the period and fair value of these investment and rental properties are as follows:

(Unit: thousand yen)

Carrying amount	
Balance at beginning of period	57,720,680
Amount of increase (decrease) during period	(25,430)
Balance at end of period	57,695,250
Fair value at end of period	62,744,000

(Note 1) Carrying amount is the amount of the cost of acquisition, less accumulated depreciation.

(Note 2) Of the amount of increase (decrease) during the period, the amount of increase is mainly attributable to capital expenditure (231,205 thousand yen), while the amount of decrease is mainly attributable to depreciation (256,635 thousand yen).

(Note 3) Fair value at the end of the period is the appraisal value determined by an external real estate appraiser.

The income (loss) concerning investment and rental properties for the fiscal period ended December 31, 2019 (7th fiscal period) are as stated in “Notes to the Statement of Income” earlier in this document.

[Notes on Restriction of Asset Management]

6th fiscal period (reference) (from January 1, 2019 to June 30, 2019)

Not applicable.

7th fiscal period (from July 1, 2019 to December 31, 2019)

Not applicable.

[Notes on Related-Party Transactions]

6th fiscal period (reference) (from January 1, 2019 to June 30, 2019)

Attribute	Name of company, etc. or person	Description of business or occupation	Percentage of voting rights held (%)	Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
Asset management company	Sakura Real Estate Funds Management, Inc.	Investment management business	0.0 (held)	Real estate leasing	6,117	Advances received	1,101
				Tenant leasehold in trust	—	Tenant leasehold and security deposits in trust	5,098
				Temporary payment of expenses	58	Accounts payable	58
Custodian	Sumitomo Mitsui Trust Bank, Limited	Banking and trust business	—	—	—	Short-term loans payable	900,000
				Interest expenses	1,165	Others (current liabilities)	19
				Trust fee	2,000	Operating accounts payable	66
Interested Party	NIPPON KANZAI Co., Ltd.	Real estate management business	2.6 (held)	Payment of outsourcing expenses	28,920	Operating accounts payable	5,134
				Repair work (Note 2)	67,292	Operating accounts payable	42,183
				Payment of other expenses related to rent business	3,028	Operating accounts payable	679
Interested Party	Tokyo Capital Management Co., Ltd.	Establishment of, management of and advice on domestic and international real estate funds	—	Payment of outsourcing expenses	82,439	Operating accounts payable	15,347
				Repair work (Note 2)	1,192	Operating accounts payable	620
				Payment of other expenses related to rent business	0	—	—

Interested Party	Master Lessee Mars Limited GK	Acquisition, holding, management, disposition or the like of real estate or real estate trust	—	Payment of outsourcing expenses	1,544	—	—
Interested Party	Japan Property Solutions Co., Ltd.	Property management, outsourcing and/or management and operation	—	Real estate leasing	3,276	Advances received	589
				Payment of outsourcing expenses	24,174	Operating accounts payable	4,572
				Repair work (Note 2)	102	Operating accounts payable	110
				Payment of other expenses related to rent business	0	Operating accounts payable	0

(Note 1) Of the amounts above, the transaction amount does not include consumption tax, etc., while the balance at the end of the period includes consumption tax, etc.

(Note 2) Repair work includes repair expenses and capital expenditure.

(Note 3) The transaction terms and conditions are determined based on agreement.

7th fiscal period (from July 1, 2019 to December 31, 2019)

Attribute	Name of company, etc. or person	Description of business or occupation	Percentage of voting rights held (%)	Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
Asset management company	Sakura Real Estate Funds Management, Inc.	Investment management business	0.0 (held)	Real estate leasing	6,117	Advances received	1,121
				Tenant leasehold in trust	—	Tenant leasehold and security deposits in trust	5,098
				Temporary payment of expenses	38	Accounts payable	38
Custodian	Sumitomo Mitsui Trust Bank, Limited	Banking and trust business	—	—	—	Short-term loans payable	900,000
				Interest expenses	1,292	Others (current liabilities)	72
				Trust fee	2,000	Operating accounts payable	—
				—	—	Deposits paid	5,930
Interested Party	NIPPON KANZAI Co., Ltd.	Real estate management business	2.6 (held)	Payment of outsourcing expenses	34,370	Operating accounts payable	11,951
				Repair work (Note 2)	59,913	Operating accounts payable	45,112
				Payment of other expenses related to rent business	3,677	Operating accounts payable	537
Interested Party	Tokyo Capital Management Co., Ltd.	Establishment of, management of and advice on domestic and international real estate funds	—	Payment of outsourcing expenses	81,924	Operating accounts payable	15,847
				Repair work (Note 2)	2,119	Operating accounts payable	703
Interested Party	Master Lessee Mars Limited GK	Acquisition, holding, management, disposition or the like of real estate or real estate trust	—	Payment of outsourcing expenses	1,620	—	—

Interested Party	Japan Property Solutions Co., Ltd.	Property management, outsourcing and/or management and operation	—	Real estate leasing	546	Advances received	—
				Payment of outsourcing expenses	23,902	Operating accounts payable	4,451
				Repair work (Note 2)	262	Operating accounts payable	181
				Payment of other expenses related to rent business	0	Operating accounts payable	—

(Note 1) Of the amounts above, the transaction amount does not include consumption tax, etc., while the balance at the end of the period includes consumption tax, etc.

(Note 2) Repair work includes repair expenses and capital expenditure.

(Note 3) The transaction terms and conditions are determined based on agreement.

[Notes on Per Unit Information]

	6th fiscal period (reference) (From: January 1, 2019 To: June 30, 2019)	7th fiscal period From: July 1, 2019 (To: December 31,) 2019
Net assets per unit	90,512 yen	89,967 yen
Net income per unit	2,660 yen	2,115 yen

(Note 1) Net income per unit is calculated by dividing net income by the average number of investment units during the period. In addition, diluted net income per unit is not stated, because there are no diluted investment units.

(Note 2) The basis for calculation of net income per unit is as follows:

	6th fiscal period (reference) From: January 1, 2019 (To: June 30, 2019)	7th fiscal period From: July 1, 2019 (To: December 31,) 2019
Net income (thousand yen)	885,921	704,522
Amount not attributable to common unitholders (thousand yen)	—	—
Net income attributable to common investment units (thousand yen)	885,921	704,522
Average number of investment units during period (units)	333,001	333,001

[Notes on Significant Subsequent Events]

6th fiscal period (reference) (from January 1, 2019 to June 30, 2019)

Execution of a Merger Agreement by and between SSR and MIRAI Corporation

SSR and MIRAI Corporation have, at their respective board of directors meetings held on August 5, 2019, resolved to undertake an absorption-type merger, with November 1, 2019 as the effective date as described below, whereby MIRAI Corporation will be the surviving corporation and SSR will be the dissolving corporation in the merger (the “Merger”), and have executed a merger agreement (the “Merger Agreement”).

a. Purpose of the Merger

SSR and MIRAI Corporation have held good faith discussions through their respective asset management companies (Sakura Real Estate Funds Management, Inc. and Mitsui Bussan & Idera Partners Co., Ltd.). As a result of such discussions, SSR and MIRAI Corporation have determined that various synergistic effects are expected from the Merger, and have executed a memorandum of understanding regarding merger on July 19, 2019 (the “MOU”) and have executed the Merger Agreement on August 5, 2019.

b. Overview of the Merger

(i) Schedule of the Merger

	MIRAI Corporation	SSR
Date of announcement of 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	August 5, 2019	
Date of execution of the merger agreement		
Date of general meeting of unitholders	September 10, 2019	August 30, 2019
Date of delisting	—	October 30, 2019 (tentative)
Effective date of merger	November 1, 2019 (tentative)	
Registration date of merger	Early November 2019 (tentative)	

(ii) Form of the Merger

MIRAI Corporation will be the surviving corporation in the absorption-type merger and SSR will be the dissolving corporation in the absorption-type merger, and SSR will be dissolved in the Merger.

(iii) Allocation of Investment Units under the Merger

	MIRAI Corporation (Surviving corporation in the absorption-type	SSR (Dissolving corporation in the absorption-type
--	-----------------------------------------------------------------------	----------------------------------------------------------

	merger)	merger)
Allocation of investment units under the Merger	1	1.67

(Note 1) The number of new MIRAI Corporation investment units to be issued as a result of the Merger: 556,111 investment units (tentative)

(Note 2) As a result of allocating 1.67 MIRAI Corporation investment units to SSR unitholders for each SSR investment unit held, fractions of less than one investment unit will occur in the number of investment units that must be delivered. Those fractional units of less than one unit will be sold through market transactions, and the proceeds from such sale will be delivered to the unitholders allocated fractional units in accordance with the fractions held pursuant to the law.

(Note 3) In addition to the abovementioned investment units, MIRAI Corporation intends to pay the unitholders stated or recorded in the final unitholders' register on the day before the effective date of the Merger (excluding those SSR unitholders who have demanded the purchase of their investment units pursuant to Article 149-3 of the Investment Trust Act) (hereinafter referred to as the "Unitholders Subject to Allocation") or registered pledgee of its investment units, in lieu of cash distributions by SSR to unitholders for the business period of SSR from July 1, 2019 to October 31, 2019, a merger consideration in the form of cash distribution based on SSR's distributable income for that same period of an amount (disregarding fractions of a yen) which is the quotient resulting from a division of the amount of SSR's distributable income on the date before the effective date of the Merger by the total number of issued SSR investment units on that date as reduced by the number of investment units held by unitholders other than the Unitholders Subject to Allocation.

c. Outline of the Surviving Corporation in the Absorption-type Merger (MIRAI Corporation) for the Immediately Preceding Period (fiscal period ended April 2019)

Operating revenue	4,959 million yen
Net profit	2,271 million yen
Total Assets	152,493 million yen
Liabilities	81,639 million yen
Net Assets	70,854 million yen

7th fiscal period (from July 1, 2019 to December 31, 2019)

(1) Execution of a memorandum of understanding regarding a merger with Star Asia Investment Corporation

SSR established a special committee in order to ensure the fairness of decisions to be made when considering whether it was appropriate to carry out a merger with Star Asia Investment Corporation and the fairness of the terms of such merger. After these issues were deliberated by the special committee, SSR executed with Star Asia Investment Corporation a memorandum of understanding regarding the merger on January 30, 2020. SSR will discuss with Star Asia Investment Corporation for realizing the merger. (This event has been announced in the "Notice Concerning Execution of Memorandum of Understanding and Measures to Ensure Fairness Regarding Merger with Star Asia Investment Corporation" dated January 30, 2020.)

(2) Execution of an asset management agreement with Star Asia Investment Management Co., Ltd. and changes in specified associated corporations related thereto

The asset management agreement between SSR and the Asset Management Company terminates as of February 29, 2020. On February 18, 2020, SSR executed an asset management agreement with Star Asia Investment Management Co., Ltd. which is managing the assets of Star Asia Investment Corporation, and as of March 1, 2020, Star Asia Investment Management Co., Ltd. becomes SSR's asset management company. In association with such change, the parent company of SSR's asset management company and other specified associated corporations are also changed. (This event has been announced in the "Notice Concerning Execution of Asset Management Agreement with Star Asia Investment Management Co., Ltd. and Changes in Specified Associated Corporations Related Thereto" dated February 18, 2020.)

V|. Statement of Cash Distributions

(Unit: yen)

Classification	6th fiscal period (reference) January 1, 2019 (to June 30, 2019)	7th fiscal period July 1, 2019 to (December 31, 2019)
I Unappropriated retained earnings	885,939,413	704,679,619
II Cash distribution [Cash distribution per unit]	885,782,660 (2,660)	704,630,116 (2,116)
III Retained earnings carried forward	156,753	49,503
Method of calculation of amount of cash distribution	Pursuant to the cash distribution policy provided in Article 46, Paragraph 1 of SSR's Articles of Incorporation, SSR shall make cash distribution in an amount up to the amount of the earnings and in excess of the amount equivalent to 90% of the amount of distributable earnings of SSR as defined in Article 67-15 of the Act on Special Measures Concerning Taxation. In accordance with such policy, the decision was made to distribute cash distribution of earnings of 885,782,660 yen as the maximum value of an integral multiple of the total number of issued investment units of 333,001 units, in an amount not in excess of earnings. SSR does not make cash distribution in excess of earnings as set forth in Article 46, Paragraph 2 of SSR's Articles of Incorporation.	Pursuant to the cash distribution policy provided in Article 46, Paragraph 1 of SSR's Articles of Incorporation, SSR shall make cash distribution in an amount up to the amount of the earnings and in excess of the amount equivalent to 90% of the amount of distributable earnings of SSR as defined in Article 67-15 of the Act on Special Measures Concerning Taxation. In accordance with such policy, the decision was made to distribute cash distribution of earnings of 704,630,116 yen as the maximum value of an integral multiple of the total number of issued investment units of 333,001 units, in an amount not in excess of earnings. SSR does not make cash distribution in excess of earnings as set forth in Article 46, Paragraph 2 of SSR's Articles of Incorporation.

VII. Statement of Cash Flows (Reference Information)

	(Unit: thousand yen)	
	6th fiscal period (reference) January 1, 2019 (to June 30, 2019)	7th fiscal period July 1, 2019 to (December 31,) 2019
Cash flows from operating activities		
Income before income taxes	886,915	705,498
Depreciation	250,158	259,415
Interest income	(23)	(23)
Interest expenses	119,656	121,295
Insurance income	(48,804)	—
Disaster loss	36,802	—
Expenses for General Meeting of Unitholders and Merger, etc.	—	166,961
Decrease (increase) in operating accounts receivable	(2,559)	(3,882)
Decrease (increase) in consumption taxes refund receivable	44,418	—
Decrease (increase) in prepaid expenses	5,992	(8,619)
Decrease (increase) in deposits paid	(6,505)	2,105
Decrease (increase) in long-term prepaid expenses	18,478	27,983
Decrease (increase) in long-term deposits paid	(8,122)	(23,456)
Decrease (increase) in other assets	35	(382)
Increase (decrease) in operating accounts payable	37,650	(32,430)
Increase (decrease) in accounts payable	27,016	(26,457)
Increase (decrease) in consumption taxes refund payable	5,217	38,959
Increase (decrease) in advances received	21,596	1,073
Increase (decrease) in other liabilities	(19,779)	21,422
Subtotal	1,368,142	1,249,462
Interest income received	23	23
Interest expenses paid	(119,365)	(122,744)
Insurance income received	117,619	—
Disaster loss paid	(69,445)	(7,817)
Expenses for General Meeting of Unitholders and Merger, etc. paid	—	(147,694)
Corporate taxes, etc. paid	(844)	(1,001)

Cash flows from operating activities	1,296,129	970,229
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(1,709,034)	(283,825)
Repayments of tenant leasehold and security deposits in trust	(141,389)	(215,380)
Proceeds from tenant leasehold and security deposits in trust	187,454	157,560
Deposit of deposits in trust with limited use	(187,454)	(157,560)
Proceeds from repayment of deposits in trust with limited use	141,389	215,380
Cash flows from investing activities	(1,709,034)	(283,825)
Cash flows from financing activities		
Proceeds from short-term loans receivable	—	4,900,000
Repayments of short-term loans payable	—	(900,000)
Proceeds from long-term loans receivable	1,600,000	—
Repayments of long-term loans payable	—	(4,000,000)
Dividends paid	(885,097)	(884,444)
Cash flows from financing activities	714,902	(884,444)
Increase (decrease) in cash and cash equivalents	301,996	(198,040)
Cash and cash equivalents at beginning of period	1,688,672	1,990,669
Cash and cash equivalents at end of period (*1)	1,990,669	1,792,628

(Note) The statement of cash flows was prepared under the “Regulation on the Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963) and attached as reference information. This statement of cash flows has not been audited by an accounting auditor, as it is not subject to an audit by an accounting auditor based on the provisions of Article 130 of the Act on Investment Trusts and Investment Corporations.

[Notes on Matters Concerning Significant Accounting Policies] (Reference Information)

Classification	6th fiscal period (reference) (January 1, 2019 to June 30, 2019)	7th fiscal period July 1, 2019 to (December 31,) 2019
Scope of funds in the statement of cash flows	The funds (cash and cash equivalents) in the statement of cash flows comprise cash on hand and cash in trust, deposits withdrawable on demand at any time and deposits in trust, as well as short-term investments with a maturity of 3 months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.	The funds (cash and cash equivalents) in the statement of cash flows comprise cash on hand and cash in trust, deposits withdrawable on demand at any time and deposits in trust, as well as short-term investments with a maturity of 3 months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.

[Notes to the Statement of Cash Flows] (Reference Information)

6th fiscal period (reference) (January 1, 2019 to June 30, 2019)	7th fiscal period July 1, 2019 to (December 31,) 2019																
<p>*1 Reconciliation of cash and cash equivalents at end of period to the amount of balance sheet items (Unit: thousand yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">598,134</td> </tr> <tr> <td>Cash in trust and deposits in trust</td> <td style="text-align: right;">4,532,632</td> </tr> <tr> <td>Deposits in trust with limited use (Note)</td> <td style="text-align: right;">(3,140,097)</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">1,990,669</td> </tr> </table> <p>(Note) Deposits in trust reserved to return tenant leasehold and security deposits deposited from tenants.</p>	Cash and deposits	598,134	Cash in trust and deposits in trust	4,532,632	Deposits in trust with limited use (Note)	(3,140,097)	Cash and cash equivalents	1,990,669	<p>*1 Reconciliation of cash and cash equivalents at end of period to the amount of balance sheet items (Unit: thousand yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">518,328</td> </tr> <tr> <td>Cash in trust and deposits in trust</td> <td style="text-align: right;">4,356,576</td> </tr> <tr> <td>Deposits in trust with limited use (Note)</td> <td style="text-align: right;">(3,082,276)</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">1,792,628</td> </tr> </table> <p>(Note) Deposits in trust reserved to return tenant leasehold and security deposits deposited from tenants.</p>	Cash and deposits	518,328	Cash in trust and deposits in trust	4,356,576	Deposits in trust with limited use (Note)	(3,082,276)	Cash and cash equivalents	1,792,628
Cash and deposits	598,134																
Cash in trust and deposits in trust	4,532,632																
Deposits in trust with limited use (Note)	(3,140,097)																
Cash and cash equivalents	1,990,669																
Cash and deposits	518,328																
Cash in trust and deposits in trust	4,356,576																
Deposits in trust with limited use (Note)	(3,082,276)																
Cash and cash equivalents	1,792,628																

Map to the Location of the 4th General Meeting of Unitholders

[omitted]