

March 2, 2020

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

Real Estate Investment Trust Securities Issuer  
Sakura Sogo REIT Investment Corporation  
Representative: Toru Sugihara, Executive Director  
(Securities Code: 3473)

Asset Management Company  
Star Asia Investment Management Co., Ltd.  
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Notice Concerning the Forecast of Operating Results and Distributions Subsequent to the Merger of  
Star Asia Investment Corporation and Sakura Sogo REIT Investment Corporation  
for the Fiscal Periods Ending January 31, 2021 and July 31, 2021

As announced in the “Notice Concerning Execution of a Merger Agreement by and between Star Asia Investment Corporation and Sakura Sogo REIT Investment Corporation” released today, Star Asia Investment Corporation (“SAR”) and Sakura Sogo REIT Investment Corporation (“SSR”) (SAR and SSR collectively, the “Investment Corporations”) plan to implement an absorption-type merger (the “Merger”) effective August 1, 2020, with SAR as the surviving corporation and SSR as the dissolving corporation, and have executed the merger agreement as of today.

Accordingly, the forecasts of the operating results and distributions of the surviving corporation after the Merger (“New SAR”) for the fiscal periods ending January 31, 2021 (10<sup>th</sup> Fiscal Period: August 1, 2020 to January 31, 2021) and July 31, 2021 (11<sup>th</sup> Fiscal Period: February 1, 2021 to July 31, 2021) are as follows.

**To unitholders in the United States:**

**The merger described in this press release involves securities of a foreign company. The offer is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial information included in this document, if any, was excerpted from financial statements prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies. In addition, it may be difficult for you to enforce your rights and any claim you may have arising under the U.S. federal securities laws, since the issuer is located in a foreign country and all of its officers and directors are residents of a foreign country. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court’s judgment.**

**You should be aware that the issuer may purchase securities otherwise than under the merger, such as in the open market or through privately negotiated purchases.**

**This document has been translated from the Japanese-language original document for reference purposes only. In the event of any conflict or discrepancy between this document and the Japanese-language original, the Japanese-language original shall prevail in all respects.**

Particulars

	Operating Revenue (Million yen)	Operating Income (Million yen)	Ordinary Income (Million yen)	Net income (Million yen)	Cash distribution per unit (not including cash distribution in excess of earnings) (yen)	Cash distribution in excess of earnings per unit(yen)	Cash distribution per unit (including cash distribution in excess of earnings) (yen)
Fiscal period ending January 31, 2021 (10 <sup>th</sup> Fiscal Period)	6,634	3,226	2,776	2,775	1,658	0	1,658
Fiscal period ending July 31, 2021 (11 <sup>th</sup> Fiscal Period)	5,616	2,876	2,437	2,436	1,455	0	1,455

(Notes)

- The annual operating periods of the New SAR are, from February 1 to July 31 and from August 1 to January 31 of the following year and, accordingly, there is no change in SAR's original operating period before and after the Merger.
- The forecasted total number of outstanding investment units of New SAR as of the end of both fiscal periods are 1,674,389 units.
- The forecasts are calculated as of today, based on the assumptions set forth in the Attachment "Assumptions for the Forecast of Operating Results and Distributions for the Fiscal Periods Ending January 31, 2021 and July 31, 2021". The actual operating revenue, operating income, ordinary income, net income and distributions per unit (excluding distributions in excess of earnings) may differ due to future acquisitions or sale of properties, changes in the real estate market, fluctuations in interest rates and other factors affecting New SAR. The forecasts do not guarantee the accuracy of the amount of distributions indicated above.
- The Merger is expected to generate goodwill or negative goodwill, but as this amount is pending, such goodwill, or negative goodwill, has not been factored into the Forecasts. For details, please refer to the "Goodwill, negative goodwill" section of the Attachment, "Assumptions for the Forecast of Operating Results and Distributions for the Fiscal Periods Ending January 31, 2021 and July 31, 2021". We will announce the estimated goodwill or negative goodwill and any revisions to the forecasts of operating results and distributions on or after August 1, 2020, the effective date of the Merger, as soon as such figures are confirmed.
- Revisions may be made to the forecasts once pending values, including goodwill or negative goodwill, are confirmed or if we anticipate a discrepancy of more than a certain threshold between our forecasts and the actual figures.
- Amounts less than one unit have been rounded down; the same hereafter.

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\* This press release is to be distributed to: the Kabuto Club (the press club of the Tokyo Stock Exchange); the Ministry of Land, Infrastructure, Transport, and Tourism Press Club; and the Ministry of Land, Infrastructure, Transport, and Tourism Press Club for Construction Publications.

\*Addresses of the websites of the Investment Corporations

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

Sakura Sogo REIT Investment Corporation: <http://sakurasogoreit.com/en/>

<Other press releases published today by SAR and SSR in their joint names>

- Notice Concerning Execution of a Merger Agreement by and between Star Asia Investment Corporation and Sakura Sogo REIT Investment Corporation
- Supplemental Materials Concerning the Documents Published Today

*This is an English translation of the announcement in Japanese dated March 2, 2020. However, no assurance or warranties are given for the completeness or accuracy of this English translation.*

[Attachment]

Assumptions for the Forecast of Operating Results and Distributions  
for the Fiscal Periods Ending January 31, 2021 and July 31, 2021

Items	Preconditions
Calculation period	<ul style="list-style-type: none"> <li>➤ Fiscal period ending January 31, 2021 (the 10th fiscal period): August 1, 2020 - January 31, 2021 (184 days)</li> <li>➤ Fiscal period ending July 31, 2021 (the 11th fiscal period): February 1, 2021 - July 31, 2021 (181 days)</li> <li>➤ It is assumed that the Merger will take effect on August 1, 2020 pursuant to the satisfaction of condition precedents, such as the Merger being approved at the general meeting of unitholders of SSR scheduled on March 30, 2020 and the general meeting of unitholders of SAR scheduled on March 31, 2020.</li> <li>➤ It is assumed that the Accounting Standard for Business Combinations (ASBJ Statement No. 21, revised January 16, 2019) (the “Business Combinations Accounting Standard”) will be applied to the Merger, and the Merger will be accounted for as a purchase with SAR as the acquiring entity and SSR as the acquired entity.</li> </ul>
Assets under Management	<ul style="list-style-type: none"> <li>➤ It is assumed that in addition to the assets held by SAR today (34 real estate trust beneficiary interests, 3 mezzanine loan debts, and 2 equities in investments in silent partnerships (collectively, “Currently Held Assets”, with those in the form of real estate trust beneficiary interests being referred to as “Currently Held Assets (Real Estates.)”, those in the form of mezzanine loan debts being referred to as “Currently Held Assets (Mezzanine)”, and those in the form of equities investments in silent partnerships being referred as “Currently Held Assets (Silent Partnership)”), (i) as a result of the Merger, New SAR will assume the real estate trust beneficiary interests currently held by SSR (comprising a total of 18 properties) (the “Assets Planned to be Succeeded”), (ii) SAR will acquire real estate trust beneficiary interests in respect of Urban Park Ichigao <sup>(Note 1)</sup> and Urban Park Gyotoku <sup>(Note 2)</sup> (with such real estate trust beneficiary interests being collectively referred to as the “Assets Planned to be Acquired (Real Estate)”) as described in &lt;Acquisitions&gt; below, (iii) SAR will acquire Star Asia Mezzanine Loan Investment Series 5 (Class B beneficiary interest) (the “Assets Planned to be Acquired (Mezzanine)”) and together with the Assets Planned to be Acquired (Real Estate), “Assets Planned to be Acquired”) as described in &lt;Acquisitions&gt; below, and (iv) SAR will sell the real estate trust beneficiary interest in respect of Alphabet Seven which is currently owned by SAR (the “Asset Planned to be Transferred”) as described in &lt;Transfer&gt; below. Please refer to the “Notice Concerning the Acquisition and Transfer of Trust Beneficiary Interests in Domestic Real Estates (5th Asset Replacement)” and the “Notice Concerning Acquisition of Mezzanine Loan Debt – (Star Asia Mezzanine Loan Investment Series 5 (Class B</li> </ul>

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	<p>beneficiary interest)) -" released by SAR today for details of the Assets Planned to be Acquired and the Asset Planned to be Transferred.</p> <p>(Note 1) This property will be given this name after the acquisition by SAR. The property is currently named "Chrysanthemum Ichigao" but will change its name to the name specified above immediately after its acquisition by SAR; the same hereafter.</p> <p>(Note 2) This property will be given this name after the acquisition by SAR. The property is currently named "La Soeur Gyotoku" but will change its name to the name specified above immediately after its acquisition by SAR; the same hereafter.</p> <p>&lt;Acquisitions&gt;        Name of property: Urban Park Ichigao        Scheduled date of acquisition: March 13, 2020</p> <p>Name of property: Urban Park Gyotoku        Scheduled date of acquisition: March 13, 2020</p> <p>Name of asset: Star Asia Mezzanine Loan Debt Investment Series 5 (Class B beneficiary interest)        Scheduled date of acquisition: March 6, 2020</p> <p>&lt;Transfer&gt;        Name of property: Alphabet Seven        Scheduled date of transfer: July 1, 2020 40% of the quasi-co-ownership interests        December 1, 2020 60% of the quasi-co-ownership interests</p> <p>➤ It is assumed that there are no changes in the amount of assets under management (such as acquisitions of additional properties or sale of existing properties and the like) other than the acquisition of the Assets Planned to be Acquired or the transfer of the Asset Planned to be Transferred.</p>
<p style="text-align: center;">Operating Revenue</p>	<p>➤ Calculation of leasing business revenue from Currently Held Assets (Real Estates.) and Assets Planned to be Succeeded and the calculation of leasing business revenue from Assets Planned to be Acquired (Real Estates.) takes into consideration, among others, market trends, based on details of the lease agreements in effect as of today, and information received from current holders and details of lease agreements planned to be in effect as of the planned acquisition date, respectively. Operating revenue is calculated based on the assumption that tenants will not be delinquent on their rent or fail to pay their rent.</p> <p>➤ Interest on or distribution revenue from Currently Held Assets (Mezzanine) is calculated based on the prospectus that sets forth details of Currently Held Assets (Mezzanine) in effect as of the date hereof, and on details of loan agreements or trust agreements. Interest on or distribution revenue from Assets Planned to be Acquired (Mezzanine) is calculated based on details of agreements planned to be executed. Operating revenue is calculated based on the assumption that there is no failure to pay interests or dividends.</p> <p>➤ The forecast dividend income from Currently Held Assets (Silent Partnership) is calculated based on the assumption that the real estate by which cash flow is backed</p>

	<p>maintains a stable operating condition.</p> <ul style="list-style-type: none"> <li>➤ Gain on sale of the Asset Planned to be Transferred is expected to be 970 million yen in the fiscal period ending January 31, 2021.</li> </ul>
<p>Operating Expenses</p>	<ul style="list-style-type: none"> <li>➤ Among leasing business expenses, which are primary operating expenses, expenses other than depreciation and amortization have been calculated by reflecting the factors behind the fluctuation in expenses based on past results.</li> <li>➤ The property tax and city planning taxes of 431 million yen and 434 million yen are expected to be recorded as expenses for the fiscal period ending January 31, 2021 and the fiscal period ending July 31, 2021, respectively. The property tax and city planning taxes of Assets Planned to be Acquired (Real Estate) are expected to be settled with the seller at the time of acquisition calculated on a pro rata basis for the holding period. However, since SAR includes an amount equal to such settlement in the acquisition cost, the FY2020 property tax and city planning taxes pertaining to Assets Planned to be Acquired (Real Estate) will not be recorded as expenses in the fiscal period ending January 31, 2021. Property tax and city planning taxes pertaining to Assets Planned to be Acquired (Real Estate) is expected to be recorded as expenses for the fiscal period ending July 31, 2021.</li> <li>➤ Building repair expenses are expected to be 147 million yen for the fiscal period ending January 31, 2021 and 128 million in the fiscal period ending July 31, 2021, based on the repair plan established by Star Asia Investment Management Co., Ltd., the asset management company of SAR and SSR. However, actual repair expenses may be significantly different from the forecast amount due to, for example, the possibility of sudden repair expenses caused by damage, etc. to buildings based on factors that are difficult to foresee, or the general tendency of such amounts varying significantly from year to year, and does not bearing the characteristics of regularly recurring expenses.</li> <li>➤ Depreciation and amortization are calculated using the straight-line method, including incidental expenses, etc., and are expected to be 639 million yen in the fiscal period ending January 31, 2021, and 648 million yen in the fiscal period ending July 31, 2021.</li> <li>➤ Other operating expenses are expected to be 1,160 million yen in the fiscal period ending January 31, 2021 and 516 million yen in the fiscal period ending July 31, 2021.</li> <li>➤ The other operating expenses mentioned above for the fiscal period ending January 31, 2021 include expected merger-related fees of 538 million yen (including a merger fee of 315 million yen to be paid by New SAR to its asset management company, Star Asia Investment Management Co., Ltd.). Such fees are one-off expenses related to the Merger for the fiscal period ending January 31, 2021.</li> </ul>

NOI	<ul style="list-style-type: none"> <li>➤ NOI for the entire portfolio is expected to be 4,032 million yen in the fiscal period ending January 31, 2021 and 4,017 million yen in the fiscal period ending July 31, 2021.</li> <li>➤ NOI is calculated using the following formula.  <math display="block">\text{NOI} = \text{real estate leasing business revenue} - \text{real estate leasing business expenses (excluding depreciation and amortization)}</math> </li> </ul>
Non-operating Expense	<ul style="list-style-type: none"> <li>➤ The sum of interest expenses and other financing-related expenses is expected to be 449 million yen in the fiscal period ending January 31, 2021 and 439 million yen in the period ending July 31, 2021.</li> </ul>
Goodwill, negative goodwill	<ul style="list-style-type: none"> <li>➤ The Merger is expected to generate goodwill or negative goodwill, but SAR's investment unit price as of the consummation of the Merger, which will form the basis for calculating the acquisition cost of the Assets Planned to be Succeeded) is not known today. Therefore it is not certain whether goodwill or negative goodwill will be generated, and the amount of such goodwill or negative goodwill is also unknown. As a result, these have not been factored into the figures in the Forecast and it is assumed that no goodwill or negative goodwill will be generated. We will report the estimated goodwill or negative goodwill and any revisions to forecasts for earnings results and distributions forecast on or after August 1, 2020, which is the effective date of the Merger.</li> <li>➤ If the Merger generates goodwill, the goodwill will be recorded as assets and amortized over 20 years using the straight-line method in accordance with the Business Combinations Accounting Standard. If the Merger generates negative goodwill, the gain on negative goodwill will be recorded as a lump sum as extraordinary income in the fiscal period ending January 31, 2021 (the 10th fiscal period).</li> <li>➤ Under the Business Combinations Accounting Standard, the total assets of SSR as the acquired corporation are expected to be 68,422 million yen, and total assumed liabilities are expected to be 33,857 million yen.</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>➤ As of today, SAR has outstanding debt of 51,580 million yen. In addition, 3,460 million yen of additional debt will be raised from qualified institutional investors as stipulated in Article 2(3)(i) of the Financial Instruments and Exchange Act on March 13, 2020. The Investment Corporations assume that 720 million yen and 1,080 million yen of such borrowings will be repaid in the fiscal period ending July 31, 2020 and the fiscal period ending January 31, 2021, respectively, with proceeds from the sale of the Asset Planned to be Transferred.</li> <li>➤ As of July 31, 2020, The Investment Corporations have assumed that SSR has outstanding debt of 29,200 million yen, and that New SAR will succeed to this amount in full.</li> <li>➤ The Investment Corporations have assumed that the borrowings of SSR with</li> </ul>

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	<p>repayment deadlines in the fiscal period ending January 31, 2021 and the fiscal period ending July 31, 2021, will be fully refinanced.</p> <ul style="list-style-type: none"> <li>➤ After the Merger, the LTV as of the end of the fiscal periods ending January 31, 2021 and July 31, 2021 is estimated to be approximately 45.8 %.</li> <li>➤ LTV is calculated using the following formula:  <math display="block">\text{LTV} = \frac{\text{total amount of interest-bearing debts}}{\text{total amount of assets}} \times 100</math> </li> </ul>
Investment Units	<ul style="list-style-type: none"> <li>➤ SAR has assumed that, in addition to SAR's issued investment units of 540,824 units as of today, SAR will, upon the Merger, conduct a unit split (Split) to divide one unit into two units (resulting in 1,081,648 units in total), with the resulting total units to be added to the new investment units of 592,741 units to be issued by SAR upon the Merger, which will lead to 1,674,389 units in total.</li> <li>➤ The number of new investment units to be issued by SAR upon the Merger has not yet been confirmed at this point and may change due to treatment of fractional amounts, etc. New SAR will announce the number of such new investment units promptly when it is confirmed on or after August 1, 2020, which is the effective date of the Merger.</li> <li>➤ SAR has assumed that, until the end of the fiscal period ending July 31, 2021, there will be no change in the number of investment units (other than the above) due to newly issued investment units and for other reasons.</li> </ul>
Distribution per Unit (excluding Distributions in Excess of Earnings)	<ul style="list-style-type: none"> <li>➤ SAR calculates its distribution per unit (excluding distributions in excess of earnings) pursuant to its cash distributions policy as set forth in its Articles of Incorporation.</li> <li>➤ SAR conducts derivative transactions (interest rate swaps). It is assumed that deferred hedge losses as a net asset deduction item (i.e., the items set forth in Article 2, Item 30, (b) of "Ordinances on Accounting of Investment Corporation") will not be incurred in the fiscal periods ending January 31, 2021 and July 31, 2021, and the distribution per unit (excluding distributions in excess of earnings) was calculated on the assumption that changes in the net asset deduction item have no impact on distribution per unit (excluding distributions in excess of earnings).</li> <li>➤ Distribution per unit (excluding distributions in excess of earnings) may change due to various factors, including changes in the portfolio, changes in leasing income caused by changes in tenants, and unforeseen repairs. In addition, distribution per unit (excluding distributions in excess of earnings) may be affected by changes in the net asset deduction item.</li> <li>➤ SAR assumes that in cases where a gain on negative goodwill described in the "Goodwill, negative goodwill" is recognized upon the Merger, SAR would secure the full amount of the retained earnings as well as satisfy the tax requirements for conduit status, by setting aside reserve for temporary difference adjustments. SAR plans to use the retained earnings mainly to mitigate any negative impact caused by temporary decrease in income or incurred expense, on distributions in asset</li> </ul>



	<p>management, and to avoid the occurrence of corporate and other tax expenses as a result of any inconsistency between tax and accounting, beginning from the fiscal period ending January 31, 2021 (the 10<sup>th</sup> fiscal period).</p>
Distributions in Excess of Earnings per Unit	<ul style="list-style-type: none"> <li>➤ SAR plans to use retained earnings when there is any goodwill generated as described in the “Goodwill, negative goodwill” above or any inconsistencies between tax and accounting in excess of income upon the Merger. When there is insufficient retained earnings, however, it plans to avoid generation of corporate and other tax expenses by setting aside an allowance for temporary difference adjustment, thereby making distribution in excess of earnings. At this point, SAR has no plans to make any allowance for temporary difference adjustment other than for the above purpose.</li> <li>➤ Moreover, at this point, for taxation purposes, SAR has no plans to make distributions in excess of earnings that fall into a capital distribution by decreasing investment capital, etc. for tax purposes.</li> </ul>
Others	<ul style="list-style-type: none"> <li>➤ SAR assumes that no amendments affecting the above forecasted numbers will be made to the relevant laws and regulations, tax policies, accounting standards, listing rules, rules of investment trusts associations, etc.</li> <li>➤ SAR assumes that there will be no unforeseen material change in general economic conditions or real estate market conditions, etc.</li> </ul>