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

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Lion Partners Files Petition with Tokyo District Court Seeking Injunction Given Illegal Acts Conducted by the Executive Director of Sakura Sogo REIT (“SSR”). Also Takes Other Further Actions to Protect and Defend the Best Interests of SSR Unitholders.

Star Asia Investment Corporation (“SAR”) and Star Asia Investment Management Co., Ltd. (the “Asset Manager”), both members of Star Asia Group, were informed by Lion Partners GK (“LPGK”, Representative Director: Toru Sugihara) about its recent actions.

LPGK is currently one of the largest unitholders, of Sakura Sogo REIT Investment Corporation (“SSR”), holding 3.59% (11,971 units) of the total investment units. LPGK’s actions are in response to the unitholders’ meeting called by SSR itself (“SSR-Side Unitholders Meeting”) as referred to in the “Announcement Regarding the Determination to Allow Convocation of an Extraordinary Unitholders’ Meeting” disclosed by SSR on June 28, 2019 (“SSR Disclosed Document”). LPGK has submitted to the Tokyo District Court a petition for provisional disposition to seek injunction of illegal acts by SSR’s Executive Director (a petition to prohibit holding of SSR-Side Unitholders Meeting), as well as other matters as described below.

LPGK is scheduled to hold a unitholders’ meeting of SSR on August 30, 2019, based on the permission received from the Director-General of the Kanto Local Finance Bureau dated June 28, 2019 (KZS permit no.2-397) (the “Permission”).

1. LPGK’s position given the actions taken by SSR and its asset management company Sakura Real Estate Funds Management, Inc. (“Sakura AM”).

As detailed further in Section 2 below, LPGK strongly asserts that the actions taken by SSR and Sakura AM to date are in bad faith, are in contravention of several laws, are solely for self-preservation of their asset management fee stream, and are clearly not in the best interest of SSR unitholders.

As a result of these past actions as well as any future, harmful actions, LPGK will hold SSR and its supervisory directors, Sakura AM and its sponsors, their officers, as well as any counterparty that transacts with them (“Transaction Counterparty”) financially and legally liable for their actions that are not in the best interest of SSR unitholders. Furthermore, for the avoidance of doubt, if Sakura AM enters into any transaction that results in payments or other economic benefit paid or given to Sakura AM, LPGK will view these payments as a clear conflict of interest and a breach of their fiduciary duties, and, therefore, not in the best interest of SSR unitholders. As such, Sakura AM will leave LPGK with no other option but to hold SSR

and its supervisory directors, Sakura AM and its sponsors, their officers as well as any Transaction Counterparty legally and financially liable for these payments or economic benefit. Such payments or economic benefit would only be in the best interest of Sakura AM and its sponsors and not in the best interest of SSR unitholders.

As stated in the “Notice Concerning Proposal for Merger between Sakura Sogo REIT Investment Corporation and Star Asia Investment Corporation” announced on May 10, 2019, LPGK has made a merger proposal to unitholders for a merger “of the unitholders, by the unitholders, for the unitholders”, and we promise to undertake only actions to maximize value for all SSR unitholders.

2. LPGK’s Views towards the SSR-Side Unitholders Meeting

The schedule for the SSR Unitholders’ Meeting to be held by LPGK based on the Permission, and the SSR-Side Unitholders Meeting as announced in the SSR Disclosed Document are as follows. In response to the permission, SSR states in its SSR Disclosed Document, that “Sakura [=SSR] is deeply concerned with the Director-General of the Kanto Local Finance Bureau’s judgment which rejected our assertions”. This statement is inconscionable given that during the review procedures conducted by the Kanto Local Finance Bureau with respect to the Permission, SSR was given many opportunities to hold the requested SSR unitholders Meeting and has consistently expressed its objection towards the convocation such meeting.

<Convocation by LPGK of Unitholders’ Meeting of SSR>

June 28, 2019	LPGK receives notice of Permission from the Director-General of the Kanto Local Finance Bureau to Convene a unitholders’ meeting
June 29 th	LPGK posts public notice to hold unitholders’ meeting (see Note)
August 30 th , 10:00 a.m. (scheduled)	LPGK scheduled to hold unitholders’ meeting

(Note) Pursuant to the main clause of paragraph 1 of Article 91 of the Act on Investment Trusts and Investment Corporations (the “Investment Trust Law”), 2 months’ prior public notice is required to hold a unitholders’ meeting of SSR, even in the case of holding a unitholders’ meeting based on the Permission, and such public notice has been made based on the provisions of the same Act.

<Convocation of SSR-Side Unitholders Meeting announced in the SSR Disclosed Document>

June 28, 2019	SSR notified of the fact that the Director-General of the Kanto Local Finance Bureau has given permission to LPGK to convene a unitholders’ meeting. SSR Disclosed Document announced (at 19:55 on the same day)
June 29 th	Public notice of holding of the SSR-Side Unitholders Meeting posted (see Note)
August 30 th	SSR-Side Unitholders Meeting scheduled to be held

(Note) Pursuant to the main clause of paragraph 1 of Article 91 of the Investment Trust Law, 2 months’ prior public notice is required to hold a unitholders’ meeting of SSR. It is believed that the public notice was posted for the SSR-Side Unitholders Meeting as well based on the provisions of the same Act.

As stated above, during the course of review procedures by the Kanto Local Finance Bureau, SSR has consistently expressed its objection towards convening the unitholders’ meeting based on the Permission. Furthermore, SSR stated in an attachment to the press release dated June 20, 2019 titled (in English) “Take

No Action in respect of any instruction from Star Asia regarding their Proposal”, that SSR was “currently investigating several strategic options, including forming an alliance with potential new partners.” As of the same day, even though it was obviously foreseen that a circumstance may arise where a unitholders meeting would become necessary, SSR had not made a public notice for holding a unitholders’ meeting up to the time when the Permission was granted.

For the reasons stated below, LPGK believes that the decision by SSR to hold the SSR-Side Unitholders Meeting under the circumstances described above infringe upon the rights of SSR unitholders, and also undermines the Permission clearly obtained by LPGK from the Director-General of the Kanto Local Finance Bureau regarding convening the unitholders’ meeting.

- (1) The date of holding of the SSR-Side Unitholders Meeting is said to be August 30, 2019 which is the same day as the SSR unitholders’ meeting to be legitimately held by LPGK based on the permission for convocation received from the Director-General of the Kanto Local Finance Bureau, and such decision of the date of holding the SSR-Side Unitholders Meeting will not only cause confusion among the SSR unitholders, but also involves the risk that it may eliminate the opportunity for SSR unitholders to participate in the unitholders’ meeting to be held based on the Permission, and therefore is an act which is legally problematic as described below.
 - It is clear that holding multiple unitholders’ meetings on the same day with differing agenda topics is a problem from the standpoint of execution of accountability of directors as well as securing the opportunity for unitholders to attend the meetings (to note, LPGK is not permitted under laws and regulations to conduct deliberations on and resolve the same subject matters as those for which LPGK has received permission at the SSR-Side Unitholders Meeting.)
- (2) It is clear that, as the SSR unitholders will receive two sets of convocation notices and voting rights exercise notices etc. from two different sponsors which state differing agenda items for deliberation at the same time, this will cause significant confusion among the unitholders. As a result, even if a unitholder has the intention to agree to an agenda topic, it is foreseen that these notices may be sent in error may increase given such confusion, and there is a possibility that the proper intentions of unitholders may not be accurately reflected at the unitholders’ meetings. SSR had consistently continued to reject the proposal from LPGK as unitholder to convene a unitholders’ meeting, but as soon as LPGK received the Permission for convocation. SSR decided to hold the SSR-Side Unitholders Meeting convened on its own at the earliest possible date that LPGK could hold the unitholders’ meeting.
- (3) In addition to (2) above, even though it was obviously foreseen by SSR as of June 20, 2019 that a circumstance may arise where a unitholders meeting would become necessary, SSR had not made a public notice for holding a unitholders’ meeting up to the time when the Permission was granted. SSR took the opportunistic behavior that it would continue operations if the permission for convocation of the unitholders’ meeting was not granted, and that it would make a public notice to hold the SSR-Side Unitholders Meeting if the permission was granted.
- (4) The agenda matters to be taken up at the SSR-Side Unitholders Meeting which SSR has decided to hold on its own are not yet decided, and no detailed agenda proposals have been presented.

It is abundantly clear, that these actions by SSR are, in the very least, in bad faith and not in the best interest of SSR unitholders.

3. LPGK submits a petition for provisional disposition with the Tokyo District Court seeking injunction of illegal acts by SSR’s executive director
LPGK’s position is that holding of the SSR-Side Unitholders Meeting involves many legal and procedural

problems as described above. While LPGK is considering various countermeasures including taking further legal action, LPGK has already taken the following actions.

- A petition has been submitted to the Tokyo District Court for “provisional disposition seeking injunction of illegal acts by the executive director” which includes contents prohibiting holding of the SSR-Side Unitholders Meeting.
 - The fact that SSR’s current Executive Director Makoto Nakamura has intentionally decided to hold the SSR-Side Unitholders Meeting while knowing that LPGK had received the Permission is an act which unduly infringes on the unitholders’ right of attendance of unitholders’ meetings and constitutes an illegal act by the Executive Director, and more specifically, his actions pose a serious risk that such actions may cause irrecoverable damages to SSR and its unitholders.
- A petition will be made to the Director-General of the Kanto Local Finance Bureau to obtain permission to inspect and copy the meeting minutes of the board of officers’ meeting of the investment corporation (SSR).
 - With respect to the request made by LPGK on May 10, 2019 to inspect and copy the meeting minutes of the board of officers, even after the Permission was granted, SSR has continued to unlawfully reject such request. Therefore, a petition for permission to inspect and copy the meeting minutes of the board of officers of the investment company will be submitted to the Director-General of the Kanto Local Finance Bureau. In addition to the request made on May 10, 2019 to inspect and copy the meeting minutes of the board of officers for the period between March 31, 2018 to the end of September 2018, the petition will be made for permission to inspect and copy the meeting minutes of the board of officers related to the decision regarding the date of holding the SSR-Side Unitholders Meeting. As stated above, SSR’s decision to hold the SSR-Side Unitholders Meeting was made immediately after the decision was conveyed by the Kanto Local Finance Bureau to LPGK to permit convening the unitholders’ meeting, and it is likely that there is some doubt about the appropriateness of such procedures.

4. Exercise of the Unitholders’ Right of Proposal towards SSR in relation to the SSR-Side Unitholders Meeting
- LPGK believes that there are many legal issues with respect to the SSR-Side Unitholders Meeting as described above. However, if the SSR-Side Unitholders Meeting is still held, in order to secure the interests of the unitholders to the maximum extent possible, pursuant to paragraph 2 of Article 303 of the Companies Act which is applied mutatis mutandis by paragraph 1 of Article 94 of the Investment Trust Law, a unitholder proposal has been submitted for the following proposal for amendment of the certificate of incorporation to be taken up as an agenda item at the SSR-Side Unitholders Meeting.

<General Description of the Unitholder Proposals>

(1) Reduction of the asset management fee

- As described in the “Supplementary Explanatory Material Regarding Today’s Timely Disclosure (1) ~Proposal Material from the Star Asia Group to all unitholders of Sakura Sogo REIT Investment Corporation ~” announced on May 10, 2019, SSR’s asset management fee is above the average level among all J-REITs. Therefore, in the case where the Asset Manager is entrusted with the management of SSR’s assets, it is planned that the asset management fees should be reduced, however, in order to clarify this matter, the following rates were proposed.

	Current Fee Rates (Maximum)	Proposed Fee Rates (Maximum)
Asset management fee (1)	0.40 %	0.30 %

Asset management fee (2)	3.0 %	2.3 %
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- (2) Proposal that no merger fee will be paid under certain circumstances
- In order to clarify that the Asset Manager will not receive a merger fee from SSR in order to “maximize unitholders’ value”, when the Asset Manager becomes the asset management company of SSR and merger between SAR and SSR is realized, it was proposed that the certificate of incorporation be amended to set forth that no merger fees shall be received except in the case where SSR is the surviving corporation in an absorption-type merger.
- (3) Proposal to amend the certificate of incorporation in order to secure a normal decision-making process for unitholders, and to protect unitholders’ interests
- Although the agenda items for the SSR-Side Unitholders Meeting called by SSR have not yet been decided, LPGK has determined that it is highly likely that matters which may have a significant influence on the management and operation of SSR (“Third-Party Merger and Other Agenda Items for Approval”) such as, at minimum, the approval of a merger agreement for SSR to merge with another investment corporation other than SSR, the dissolution of SSR, the appointment of an executive director of SSR, and approval of an asset management entrustment agreement with an asset management company other than the current asset management company may become proposed agenda items at the SSR-Side Unitholders Meeting.
 - However, as stated in section 2 above, even though it was obviously foreseen by SSR as of June 20, 2019 that a circumstance may arise where a unitholders meeting would become necessary, SSR had not made a public notice for holding a unitholders’ meeting up to the time when the Permission was granted. SSR took the opportunistic behavior that it would continue operations if the permission for convocation of the unitholders’ meeting was not granted, and that it would make a public notice to hold the unitholders’ meeting in order to avoid the shake-up if the permission was granted. SSR is planning to hold their SSR-Side Unitholders Meeting on the same day as the unitholders’ meeting to be held by LPGK based on the Permission, which behavior is in bad faith and ignores the best interests of unitholders.
 - Therefore, LPGK has made a unitholder proposal to have a provision set forth in the certificate of incorporation generally to the effect that the Third-Party Merger and Other Agenda Items for Approval will not be allowed to be resolved at the SSR-Side Unitholders Meeting, until all matters which are contrary to or competing with SSR’s Third-Party Merger and Other Agenda Items for Approval which are put forward for resolution at the unitholders’ meeting held by minority unitholders based on the permission from the Director-General of the Kanto Local Finance Bureau are rejected. LPGK has determined that it will be possible to secure the normal decision-making process for unitholders and protect the interests of unitholders by having the above provisions prescribed in the certificate of incorporation of SSR.

For details of the unitholder proposals made by LPGK, please refer to (Appendix 1. Details of the Unitholder Proposals).

LPGK is proceeding with preparations towards holding the SSR unitholders’ meeting on August 20, 2019 based on the convocation permission received from the Director-General of the Kanto Local Finance Bureau, concurrently with implementation of the above described countermeasures.

5. Reference Information

Please also refer to the following press releases for further information.

<Disclosed on May 10th, 2019>

- Notice Concerning Proposal for Merger between Sakura Sogo REIT Investment Corporation and Star Asia Investment Corporation
- Supplementary Explanatory Material Regarding Today's Timely Disclosure (1)
~Proposal Material from the Star Asia Group to all unitholders of Sakura Sogo REIT Investment Corporation~
- Supplementary Explanatory Material Regarding Today's Timely Disclosure (2)
~Explanatory Material to all unitholders of Star Asia Investment Corporation~

<Disclosed on May 16th, 2019>

- Notice Concerning Application for Permission of Holding Sakura Sogo REIT Investment Corporation's Unitholders' Meeting by Star Asia Group

<Disclosed on June 28th, 2019>

- Star Asia Group Receives Approval to Hold Unitholders' Meeting of Sakura Sogo REIT Investment Corporation

5. Future Policy

If circumstances should arise which warrant further disclosures, such matters shall be disclosed as deemed appropriate in a timely manner.

- * SAR HP URL: <http://starasia-reit.com>
- * Star Asia Group HP URL: <http://starasiamanagement.com/>
- * SAR official YouTube channel URL: <https://www.youtube.com/channel/UCYasJn4xrns2fhyZFKMAELw>