

August 14, 2019

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## Supplementary Explanatory Material

### Regarding Timely Disclosure Announced on August 7, 2019

#### Proposal for Merger between Sakura Sogo REIT Investment Corporation and Star Asia Investment Corporation Merger Ratio ~ Supplementary Explanation Regarding Increased Post-Merger Distribution

<Timely Disclosure Announced on August 7, 2019>

- Star Asia Group Announces Detailed Proposal for Merger between Sakura Sogo REIT and Star Asia Investment Corporation

This document was drafted by Lion Partners GK and presented to the unitholders of Sakura Sogo REIT Investment Corporation.

This is an English translation of the announcement in Japanese dated August 14, 2019. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

# Unitholders of Sakura Sogo REIT Investment Corporation

## **Proposal for Merger between Sakura Sogo REIT Investment Corporation and Star Asia Investment Corporation Merger Ratio ~ Supplementary Explanation Regarding Increased Post- Merger Distribution**

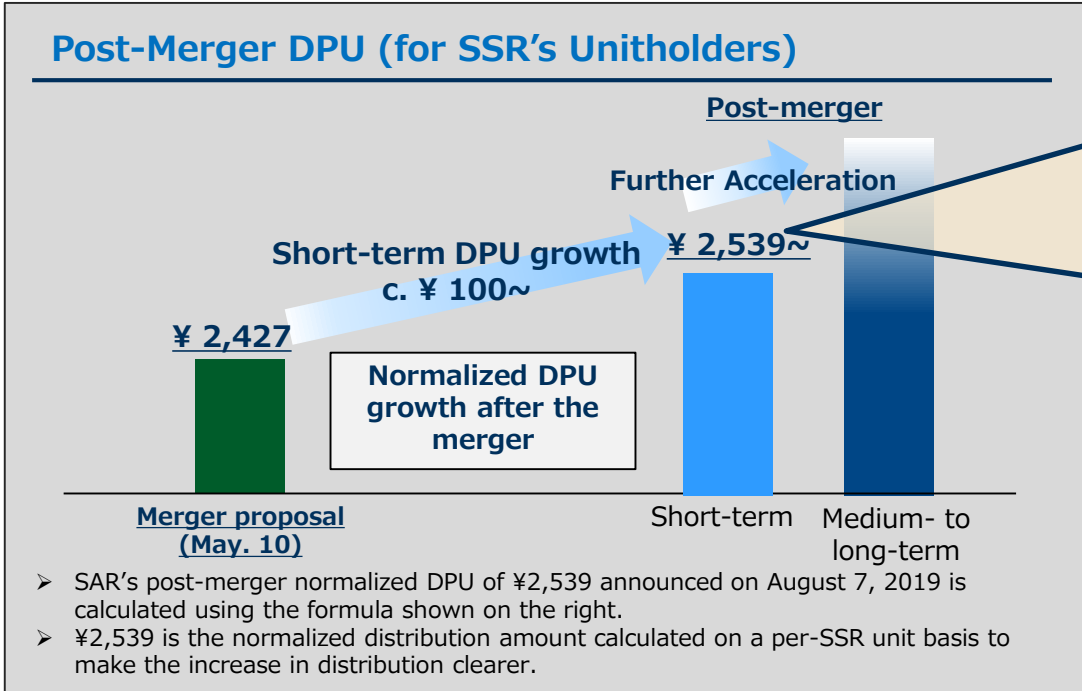
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# Post-Merger Increased Distribution (Supplement No.1)

- Based on the proposed merger ratio and the expected cost synergies, the post-merger normalized DPU<sub>(note1)</sub> is assumed to be ¥2,886. The normalized DPU an investor holding 1 SSR unit would receive would be ¥2,539 based on the post-merger normalized DPU

<From the document released on August 7, 2019> \* In this material, the merger ratio is set at 1:0.88 in order to simplify the calculation, but the actual ratio is assumed to be 1:0.88 or more. (note1) Normalized DPU refers to the average amount of distribution per unit that excludes temporary factors such as gains on the sale of properties



Post-merger normalized distribution calculated on a per-SSR unit basis

¥ 2,539

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Post-merger normalized DPU

¥ 2,886

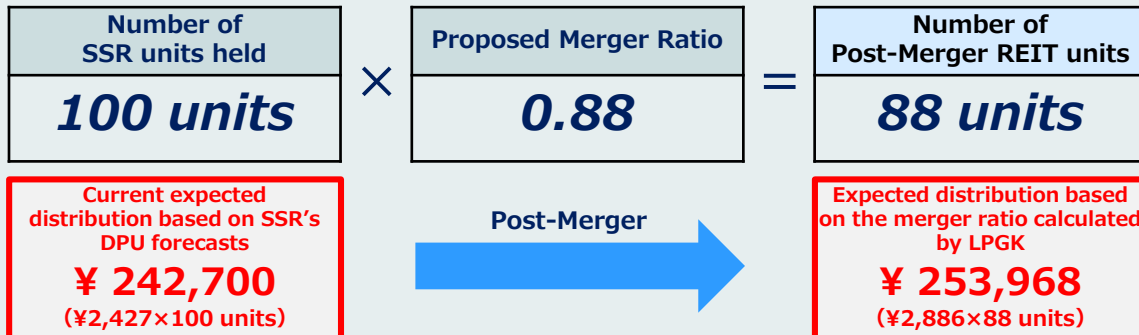
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Merger Ratio

1 : 0.88

- Post-merger normalized distribution calculated on a per-SSR unit basis
- Post-merger normalized DPU calculated based on the merger ratio proposed by Star Asia Group and the expected cost synergies
- Merger Ratio calculated by Star Asia Group
- The merger ratio will be determined based on historical unit price performance and a merger ratio calculated by financial advisors and other third parties

## <Allocation of post-merger investment units ~example of an investor holding 100 units of SSR>



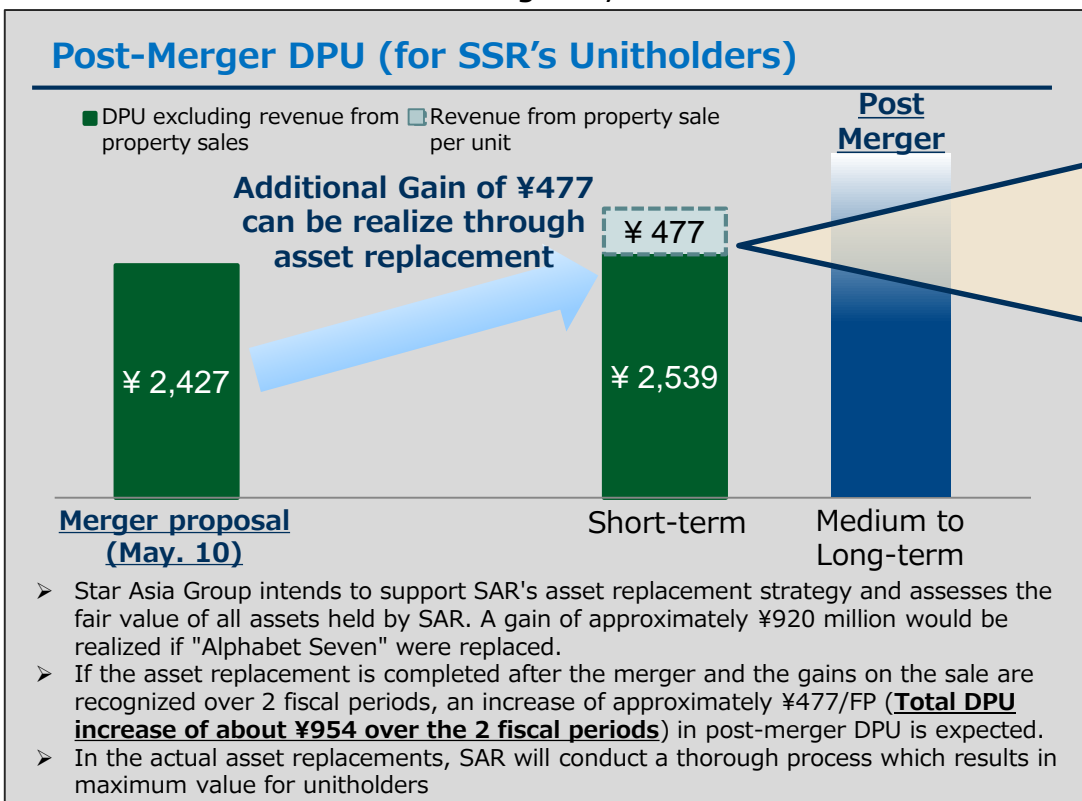
## <About fractional investment units>

- The number of investment units to be delivered may be a fraction of one unit for some of the investors subject to allotment
- Fractional investment units are to be sold on the market in accordance with the provisions of law, and proceeds from the sale will be distributed to the investors who have received those fractional units
- SAR will consider unit splits at appropriate ratios

# Post-Merger Increased Distribution (Supplement No.2)

Below is the supplementary information for “Proposal for Merger between Sakura Sogo REIT Investment Corporation and Star Asia Investment Corporation Merger Ratio ~ Star Asia Group’s Unitholder Friendly Concept”

<From the document released on August 7, 2019>



Additional post-merger distribution calculated on a per-SSR unit basis

¥ 477

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Additional post-merger distribution

¥ 542

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Anticipated merger ratio

1 : 0.88

The amount calculated by converting the amount of increase in DPU that would be realized through asset replacement of "Alphabet Seven" with Star Asia Group, into 1 investment unit of SSR

The expected amount of increase in the post-merger DPU from the replacement of "Alphabet Seven"

The amount of increase in the post-merger DPU of ¥542 is calculated as follow:  
 ¥542= Gains from the sale of "Alphabet Seven" (49% quasi-co-ownership), divided by expected post-merger outstanding units= ¥452 million / 833,865 units

Expected post-merger outstanding units are calculated as follow:  
 833,865 units= SAR's outstanding investment units plus SSR's outstanding investment units, multiplied by the expected merger ratio =540,824 units + (333,001 units × 0.88)

No final determination yet on the replacement of "Alphabet Seven" by SAR

- Star Asia Group will continue to provide robust support for the merged REIT in several ways. As an example, in order to facilitate flexible asset transfers, Star Asia Group periodically calculates the acquisition prices for all properties held by SAR to determine value-add opportunities to maximize DPU and NAV
- A gain of approximately ¥920 million could be realized if "Alphabet Seven" is realized through asset replacement with Star Asia Group
- The above chart shows the additional DPU increase of ¥542 (per-SSR unit basis: ¥477), if the asset is transferred over 2 fiscal periods
- When executing asset replacements, SAR will conduct a thorough process which results in maximum value for unitholders

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■ Video concerning this material:

<https://www.youtube.com/channel/UCYasJn4xrns2fhyZFKMAELw>

- This document has been prepared solely for the purpose of providing information relating to Lion Partners GK's proposal of a merger between SSR and SAR, and not for offering, soliciting or selling any specific product
- Please refer to "Star Asia Group Announces Detailed Proposal for Merger between Sakura Sogo REIT and Star Asia Investment Corporation" announced on August 7, 2019
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