

August 7, 2019

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

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

Star Asia Investment Corporation (“SAR”) and Star Asia Investment Management Co., Ltd., the asset manager for SAR (the “Asset Manager”), received a notice today from Lion Partners GK (“LPGK”, Representative Director: Toru Sugihara), an affiliate of Star Asia Group. LPGK is the largest unitholder of Sakura Sogo REIT Corporation (“SSR”) holding 5.1% of the total investment units of SSR (as of August 6, 2019/on a trade basis). Details are as follows:

1. Star Asia Group’s Purpose of Announcing the Merger Ratio

As announced in the “Notice Concerning Proposal for Merger between Sakura Sogo REIT Investment Corporation and Star Asia Investment Corporation” on May 10, 2019, Star Asia Group, as one of the largest unitholders of SSR, firmly believes that the merger between SSR and SAR (hereinafter referred to as “the Proposed Merger”) will “maximize value for all unitholders”.

As of August 6, 2019, Star Asia Group, holds 16,896 investment units (approximately 5.1%) of SSR and 97,000 investment units (approximately 17.9%) of SAR. Upon completion of the Proposed Merger between SAR and SSR, Star Asia, is expected to become the largest unitholder of the combined company (hereinafter referred to as “Post-Merger REIT”) (Based on the merger ratio stated below, it is calculated that Star Asia Group will hold 13.4% of the Post-Merger REIT after the merger.)

Star Asia Group, as the largest unitholder of the Post-Merger REIT, is fully aligned with all unitholders and is unquestionably committed to the continued successful growth of the Post-Merger REIT.

2. Star Asia Group’s Announces the Merger Ratio between SSR and SAR

Star Asia Group has calculated the merger ratio between SSR and SAR for the Proposed Merger is indisputably more advantageous for SSR unitholders as compared to the proposal made by MIRAI Corporation for a merger between it and SSR. The merger ratio has been calculated by incorporating various data points and considerations from various perspectives, such as the historical trend in the price of SSR investment units, Star Asia Group’s assessment of SSR’s portfolio, and the assumed distribution payments (per unit) on a cruising basis (see Note) after the merger between SSR and SAR.

(Note) Distribution payments (per unit) on a cruising basis means equalized distribution payments (per 1 investment unit) after excluding temporary factors such as gains on sale of properties. The same applies below. In some cases, it may be

written as “distribution payments per unit (cruising basis)” instead of “distribution payments (per unit) on a cruising basis”.

The main items calculated by Star Asia Group are described below. For details, please refer to “Supplementary Explanatory Material Regarding Today’s Timely Disclosure - Proposal for Merger between Sakura Sogo REIT Investment Corporation and Star Asia Investment Corporation”. The merger ratio and distribution payments per unit on a cruising basis which Star Asia Group has disclosed in the “Proposal for Merger between Sakura Sogo REIT Investment Corporation and Star Asia Investment Corporation – The Way of Thinking behind the Merger Ratio” are contents which have been confirmed by each director of SAR and have been approved as information to be provided to SSR unitholders.

<Merger Ratio> 1: 0.88 or more

- Based on the assumed merger ratio described above and the investment unit price of SAR, the unit price for SSR unitholders is calculated as **101,728** yen per unit. Below are reference indicators.

Investment Unit Price Adopted Calculation Period	Ratio as of the Relevant Period (Note 1)	Ratio against the Merger Ratio (Note2)
Closing price on August 5, 2019	0.85	+3.4%
Most recent 5 business days average	0.84	+4.3%
Most recent 1-month average	0.81	+8.1%
Most recent 3-month average	0.80	+9.7%
Most recent 6-month average	0.80	+9.8%

(Note 1) The SSR investment unit Price during the relevant period, when the SAR investment unit price is calculated as 1 during the same period.

(Note 2) Based on the Ratio as of the Relevant Period, the differential ratio against the merger ratio calculated by Star Asia Group.

- The current assessment value of SSR’s portfolio as evaluated by Star Asia Group is JPY 63 billion, and based on such assessment value, the NAV per unit calculated by Star Asia Group is **104,000** yen per unit.
- The final merger ratio will be determined after completing due diligence and taking into account trends in the investment unit price etc. and based on calculations, etc. made by hiring third-party financial advisors.

< Distribution Payments per Unit (cruising basis) of SSR after the Merger> 2,539 yen

- Star Asia Group has taken into consideration the short-term cost reductions described below and has prepared estimated financial statements of the Post-Merger REIT based on the above stated merger ratio and has calculated the distribution payments on a cruising basis of the Post-Merger REIT to be **2,886** yen per unit.

Reduction of asset management fees	Approximately 40,000 thousand yen/ period
Lowering of rental business costs	Approximately 40,000 thousand yen/ period
Reduction of other management costs	Approximately 20,000 thousand yen/ period
Total of short-term cost reductions	Approximately 100,000 thousand yen/ period

- Such distribution payments on a cruising basis recalculated per SSR investment unit held by SSR unitholders is **2,539** yen as stated above.
- The amount of 2,539 yen per unit exceeds the expected distribution payment per unit for the fiscal period ending December 2019 (disclosed by SSR on February 14, 2019) of 2,427 yen, by more than 100 yen.

3. Growth Strategy of the Post-Merger REIT

Star Asia Group's view of the growth strategy of the Post-Merger REIT is as follows.

<Strong Pipeline of Already Secured Acquisitions>

- As of today, SAR holds preferential negotiation rights for 10 properties (3 office properties, 1 commercial facility property, 4 residential properties, and 2 student residence properties).
- Of these 10 properties, 5 properties (1 office property, 1 commercial facility property, and 3 residential properties) have stable operations and thus can be incorporated immediately.

Indicators related to the above stated 5 properties.

Total of minimum purchase prices	JPY 13.6 billion (Note 3)
Average NOI Yield	4.9% (Note 4)
Average NOI Yield after depreciation	4.3% (Note 5)

(Note 3) The total of the appraisal values for properties which have calculated appraisal values and, the acquisition prices by Star Asia Group where no appraisal values have been calculated.

(Note 4) The yield derived by dividing the total amount of NOI assumed by Star Asia Group. based on the cash flow status of each property as of the end of June 2019, by the "total amount of the minimum purchase prices etc."

(Note 5) The yield derived by dividing the amount obtained by deducting the depreciation cost for each property assumed by Star Asia Group. from the above stated assumed NOI, by the "total amount of the minimum purchase prices etc."

- We believe that it will be possible to implement various initiatives which will contribute to the increase in value for unitholders of the Post-Merger REIT, by utilizing the properties for which SAR holds preferential negotiation rights including the above mentioned 5 properties as well as the properties currently managed by Star Asia Group.

(1) Early expansion of asset size

(2) Implementing active replacement of assets – if gains on sale are realized, make special dividends to Post-Merger REIT unitholders

(3) Consider replacement of assets at SSR prior to the merger

As an option for before the merger, if the Asset Manager becomes the asset management company for SSR, replacement of above mentioned 5 properties with the assets held by SSR will be considered. In the case where asset replacements are conducted prior to the merger, the merger ratio may differ from the above stated merger ratio due to changes to the portfolio constitution and realization of gains on sale etc. In such case, a merger ratio which properly reflects the results of the asset replacements will be adopted giving consideration to fairness to all SAR and SSR unitholders.

<Increase in Amount of Distributable Profits due to Further Cost Reductions Etc.>

- Reduction of borrowing costs of bank borrowings etc.
- Reduction of management fees etc. leveraging on economies of scale due to increase in the number of properties.
- Improvement of profitability of properties by implementing active management by SSR.

<Star Asia Group Commits to Growth of the Post-Merger REIT>

- Star Asia Group maintains "Client First" at the top of its Code of Conduct and, as a real estate fund manager, has sustained a clear objective to execute on investments which surpass the expectations of investors.

- Since Star Asia Group has continued to meet investors' expectations over many years and possesses a strong investment track record. Star Asia Group manages real estate investment vehicles which have a high degree of investment flexibility, and by leveraging such flexibility, it has uncovered a wide range of investment opportunities including equity and debt backed by real estate properties. Star Asia Group has realized attractive returns on these investments.
- Star Asia Group commits, to support the Post Merger REIT with all of its Group resources given that the Post Merger REIT will be the one and only investment corporation within the Group.
- Star Asia Group's 'same boat' investment ratio in the Post-Merger REIT REIT, is 13.4 %, which underpins the promise for support and strong alignment with all unitholders.

For details, please refer to "Supplementary Explanatory Material Regarding Today's Timely Disclosure - Notice Concerning Proposal for Merger between Sakura Sogo REIT Investment Corporation and Star Asia Investment Corporation".

4. SSR's general meetings of unitholders of SSR to be held on August 30, 2019

On August 30, 2019, the SSR general meeting of unitholders convened by LPGK and a SSR general meeting of unitholders convened by SSR are scheduled to be held.

<Background leading to holding of two SSR general unitholders meetings on the same day>

- On May 10, 2019, LPGK made a request to convene a general meeting of unitholders to take up the following proposed agenda items, however, SSR rejected holding such general meeting of unitholders.

Proposed Agenda Item 1	Removal of Executive Director Makoto Muranaka
Proposed Agenda Item 2	Appointment of Executive Director Toru Sugihara
Proposed Agenda Item 3	Cancellation of the asset management entrustment agreement with Sakura Real Estate Funds Management, Inc.
Proposed Agenda Item 4	Enter into an asset management entrustment agreement with Star Asia Investment Management Co., Ltd.
- On May 16, 2019, LPGK files an application to the Kanto Finance Bureau to receive permission to hold a general meeting of unitholders convened by unitholders.
 - SSR consistently continues to reject the holding of the general meeting of unitholders.
- On June 28, 2019, the Director General of the Kanto Finance Bureau gives permission to LPGK to hold a general meeting of unitholders convened by unitholders.
 - As soon as the permission to convene the unitholders' meeting was received, SSR immediately announces holding of a separate general meeting of unitholders called by SSR itself.
- On June 29, 2019, a public announcement to hold the general meeting of unitholders convened by LPGK and a public announcement to hold the general meeting of unitholders convened by SSR itself are made.

SSR, while having rejected the request from LPGK as unitholder to hold a general meeting of unitholders, announced that it will hold a general meeting of unitholders called by itself, as soon as LPGK received permission to hold the general meeting of unitholders called by it. Star Asia Group strongly asserts that SSR's behavior is solely based on prioritizing its self-protection, rather than to "maximize value for unitholders" which Star Asia Group has continued to advocate.

According to materials disclosed by SSR, with respect to the process leading up to choosing to merge with MIRAI Corporation, SSR commented "In assessing each proposal, (SSR) consistently focused on which proposal would contribute to maximize the unitholders' value, and conducted calm and fair comparative considerations". However, as described above, the actions taken by SSR's management and asset management

company were not in good faith and primarily focused on its self-protection as the first priority. Therefore, no calm and fair comparative considerations were made, that would result in maximizing unitholders' value. If SSR was indeed "calm and fair", it should have at the very least listened to the views of LPGK (as one of SSR's largest unitholders) with an open-mind and in a sincere manner.

We kindly ask all SSR unitholders to make a "calm and fair" decision as to the proposal which will contribute to "maximizing the value for all unitholders", by supporting the Proposed Merger made by Star Asia Group.

5. Reference Information

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

1	May 10th, 2019	Notice Concerning Proposal for Merger between Sakura Sogo REIT Investment Corporation and Star Asia Investment Corporation
2	May 10th, 2019	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~
3	May 10th, 2019	Supplementary Explanatory Material Regarding Today's Timely Disclosure (2) ~Explanatory Material to all unitholders of Star Asia Investment Corporation~
4	May 16th, 2019	Notice Concerning Application for Permission of Holding Sakura Sogo REIT Investment Corporation's Unitholders' Meeting by Star Asia Group
5	June 28th, 2019	Star Asia Group Receives Approval to Hold Unitholders' Meeting of Sakura Sogo REIT Investment Corporation
6	July 1st, 2019	Notice Concerning Holding Unitholders' Meeting of Sakura Sogo REIT Investment Corporation by Star Asia Group
7	July 4th, 2019	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
8	July 5th, 2019	Supplementary Explanatory Material Regarding Timely Disclosure announced on July 4th, 2019
9	July 17th, 2019	Lion Partners to Acquire Additional Investment Units of Sakura Sogo REIT
10	July 19th, 2019	Lion Partners — Further Increases Amount of Additional Acquisition of Sakura Sogo REIT Units —
11	July 24th, 2019	Important Notice Regarding the Sakura Sogo REIT Unitholders' Meeting to be Convened by Lion Partners (Scheduled to begin from 10:00 am on Friday August 30, 2019)
12	July 25th, 2019	Star Asia Group Supports Nippon Kanzai's Views on Merger Star Asia Also Strongly Believes Merger Between Star Asia REIT and Sakura Sogo REIT Is in the Best Interest of All Unitholders
13	July 29th, 2019	(correction) Star Asia Group Supports Nippon Kanzai's Views on Merger Star Asia Also Strongly Believes Merger Between Star Asia REIT and Sakura Sogo REIT Is in the Best Interest of All Unitholders
14	August 2, 2019	Notice Concerning Withdraw of Petition filed by LPGK for Injunction of Illegal Acts Conducted by the Executive Director of Sakura Sogo REIT
15	August 6, 2019	Notice Concerning Obtainment of Preferential Negotiation Rights Pertaining to Acquisition of Assets

6. 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>

This is an English translation of the announcement in Japanese dated August 7, 2019. However, no assurance or warranties are given for the completeness or accuracy of this English translation.