

January 30, 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 Execution of Memorandum of Understanding Regarding
Merger with Sakura Sogo REIT Investment Corporation

Star Asia Investment Corporation (“SAR”) announces that SAR resolved at its board of directors meeting held today to enter into the Memorandum of Understanding (hereinafter referred to as the “MOU”) pertaining to the merger of SAR and Sakura Sogo REIT Investment Corporation (“SSR”). SAR believes that the execution of the MOU is a major step towards the merger of SAR and SSR (hereinafter referred to as the “Merger”). The execution of the MOU will accelerate the process towards consummating the Merger of SAR and SSR.

1. Purpose of Execution of MOU

(1) Background of Execution of MOU

Since there has been certain progress with the petitions filed against SSR by SSR’s unitholder as detailed below, SAR and SSR agreed to enter into further detailed discussions and procedure toward the Merger and, therefore, executed the MOU with the goal to maximize value for all unitholders of SAR and SSR through the Merger. Among other things, the value creation of the Merger will be generated by reducing operational costs and expanding the portfolio to enhance the return to unitholders with higher and stabilized distribution payments and to realize continued external growth through the expansion of asset size.

Understanding of Developments Leading Up to Execution of MOU:

Lion Partners GK (“LPGK”), an affiliate of Star Asia Group, announced a proposal for the Merger on May 10, 2019 and called for a general meeting of unitholders of SSR as part of the necessary actions to consummate 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 Proposed Agenda Item 1 has been withdrawn since Executive Director Makoto Muranaka resigned.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, but both agenda items were approved as per the original proposals.)

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:	Entering into an asset management entrustment agreement with Star Asia Investment Management Co., Ltd.

In connection with the Unitholders’ Meeting Convened by LPGK, Galaxy JREIT Pty Limited, a SSR unitholder as well as the shareholder owning 100% voting rights of Sakura Real Estate Funds Management, Inc , later filed an action seeking rescission of resolutions of unitholders’ meeting as well as a petition for an order of injunction to suspend 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”). There has been certain progress with the status of the Petitions as one of the Petitions was dismissed by the court (provided, however, the petitioner filed an immediate appeal against the court decision) and another one of the Petitions was withdrawn by the petitioner.

Furthermore, we have been notified by SSR that SSR received an opinion on January 30, 2020 from the special committee established by SSR in the course of its review of the Merger and discussions with SAR that it concluded that it is reasonable for SSR to enter into the MOU and conduct reviews, negotiations, and due diligence towards the expedited completion of a definitive agreement. The special committee consists 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.,

(2) Significance of Merger

SAR was listed on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange in April 2016 as a diversified real estate investment corporation with 18 properties (total acquisition price: 61.5 billion yen). To date, SAR has conducted three public offerings to acquire properties and developed a portfolio with diversified assets, including office buildings, residence, logistics facilities, and hotels, predominantly in the Tokyo area. With its basic philosophy since listing being to maximize unitholders' interests, SAR has creatively implemented various initiatives for "out-of-the-box" active management. SAR has implemented four rounds of asset replacements so far which led to the enhancement of its portfolio as well as the distributions of gains on sale to unitholders. Another typical example is its investment in mezzanine loan debt. As of today, SAR is the only J-REIT that has a track record in mezzanine loan investments. As described above, SAR has managed its portfolio for 7 fiscal periods since its listing, and manages a portfolio consisting of 34 properties (total acquisition price: 102.3 billion yen) as of today.

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

(3) Measures to Ensure Fairness

Details regarding the measures to ensure fairness will be announced upon final determination of the merger ratio for the Merger.

In the course of the consideration of the MOU, SAR has reported on a timely manner as to the status of the consideration to the board of directors of SAR, being composed of SAR's executive director and SAR's two supervisory directors, whose independence from the asset management company is secured pursuant to the Act on Investment Trusts and Investment Corporations. Also, the board of directors has deliberated and resolved at its meeting to enter into the MOU.

Also, SAR and SSR have agreed in the MOU that, in principle, neither shall engage in any solicitation or negotiation with any other third party, including having a third party (including, but not limited to, its own asset management company) engage in such act, with a purpose to achieve a merger or other transactions that is incompatible with the Merger, until a merger agreement pertaining to the Merger is executed.

2. Summary of Merger

(1) Schedule of Merger

SAR and SSR will proceed the necessary process including due diligence and aim to execute

merger agreement promptly.

(2) Method of Merger

The method of the Merger will be determined upon subsequent discussions between SAR and SSR.

(3) Allocation of Units upon Merger

SAR and SSR will determine the final merger ratio for the Merger upon discussion in good faith based on the results of due diligence and third party assessment.

(4) Effective Term of MOU

The effective term of the MOU is from the date of executing the MOU to the earlier of: (i) May 31, 2020; or (ii) approval of the merger agreement by the general meeting of unitholders of both SAR and SSR following execution of the merger agreement. However, the term may be extended with the written agreement of SAR and SSR.

3. Outline of Merging Parties

	SAR	SSR
(1) Name	Star Asia Investment Corporation	Sakura Sogo REIT Investment Corporation
(2) Location	Atago Green Hills Mori Tower 18F, 2-5-1, Atago, Minato-ku, Tokyo	3-8-11, Kudan Minami, Chiyoda-ku, Tokyo
(3) Name of Executive Director	Atsushi Kato	Toru Sugihara
(4) Unitholders' Capital	52,745 million yen	29,254 million yen
(5) Date of Incorporation	December 1, 2015	April 1, 2016
(6) Total Number of Outstanding Investment Units (Note 1)	540,824 units	333,001 units
(7) Fiscal Period-Ends	January and July	June and December
(8) Main Assets under Management	Real estate and real estate beneficiary interests in trust	Real estate and real estate beneficiary interests in trust
(9) Total Number of Assets (Note 1)	Office buildings 11 Residence 7 Logistics facility 8 Hotel 8	Office buildings 8 Retail 4 Residence 4 Others 2

(10)	Book Value at End of Fiscal Period (Note 1)	Office buildings 36,068 million yen Residence 15,571 million yen Logistics facility 30,877 million yen Hotel 20,634 million yen	Office buildings 26,544 million yen Retail 22,214 million yen Residence 6,583 million yen Others 2,378 million yen																								
(11)	Main Financial Banks	Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., and nine other banks	Sumitomo Mitsui Banking Corporation, and seven other banks																								
(12)	Large Unitholders and Holding Ratio (Note 1)	<table border="0"> <tr> <td>The Master Trust Bank of Japan, Ltd. (Trust account)</td> <td style="text-align: right;">9.2%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust account)</td> <td style="text-align: right;">7.1%</td> </tr> <tr> <td>STAR ASIA CAPITAL I LLC</td> <td style="text-align: right;">4.5%</td> </tr> <tr> <td>STAR ASIA CAPITAL II LLC</td> <td style="text-align: right;">4.5%</td> </tr> <tr> <td>STAR ASIA CAPITAL III LLC</td> <td style="text-align: right;">4.5%</td> </tr> <tr> <td>STAR ASIA CAPITAL IV LLC</td> <td style="text-align: right;">4.5%</td> </tr> </table>	The Master Trust Bank of Japan, Ltd. (Trust account)	9.2%	Japan Trustee Services Bank, Ltd. (Trust account)	7.1%	STAR ASIA CAPITAL I LLC	4.5%	STAR ASIA CAPITAL II LLC	4.5%	STAR ASIA CAPITAL III LLC	4.5%	STAR ASIA CAPITAL IV LLC	4.5%	<table border="0"> <tr> <td>The Master Trust Bank of Japan, Ltd. (Trust account)</td> <td style="text-align: right;">7.6%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust account)</td> <td style="text-align: right;">6.2%</td> </tr> <tr> <td>Lion Partners Godo Kaisha</td> <td style="text-align: right;">3.6%</td> </tr> <tr> <td>The Nomura Trust and Banking Co., Ltd. (Investment trust account)</td> <td style="text-align: right;">3.1%</td> </tr> <tr> <td>BNY GCM</td> <td></td> </tr> <tr> <td>CLIENT ACCOUNT JPRD AC ISG (FE-AC)</td> <td style="text-align: right;">3.0%</td> </tr> </table>	The Master Trust Bank of Japan, Ltd. (Trust account)	7.6%	Japan Trustee Services Bank, Ltd. (Trust account)	6.2%	Lion Partners Godo Kaisha	3.6%	The Nomura Trust and Banking Co., Ltd. (Investment trust account)	3.1%	BNY GCM		CLIENT ACCOUNT JPRD AC ISG (FE-AC)	3.0%
The Master Trust Bank of Japan, Ltd. (Trust account)	9.2%																										
Japan Trustee Services Bank, Ltd. (Trust account)	7.1%																										
STAR ASIA CAPITAL I LLC	4.5%																										
STAR ASIA CAPITAL II LLC	4.5%																										
STAR ASIA CAPITAL III LLC	4.5%																										
STAR ASIA CAPITAL IV LLC	4.5%																										
The Master Trust Bank of Japan, Ltd. (Trust account)	7.6%																										
Japan Trustee Services Bank, Ltd. (Trust account)	6.2%																										
Lion Partners Godo Kaisha	3.6%																										
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	3.1%																										
BNY GCM																											
CLIENT ACCOUNT JPRD AC ISG (FE-AC)	3.0%																										
(13) Business Results for Last 3 Fiscal Periods																											
(in units of million yen unless otherwise specified; figures rounded down to the nearest unit)																											
Fiscal Period Ended:		Star Asia Investment Corporation			Sakura Sogo REIT Investment Corporation																						
		Jul. 2018	Jan. 2019	Jul. 2019	Jun. 2018	Dec. 2018	Jun. 2019																				
Operating Revenue		2,810	3,844	3,785	1,768	2,362	2,394																				
Operating Profit		1,576	2,406	2,225	854	1,046	1,037																				
Ordinary Profit		1,305	2,073	1,965	615	885	874																				
Net Profit		1,305	2,049	1,964	615	886	885																				
Net Profit per Unit (yen)		2,775	3,889	3,632	1,847	2,661	2,660																				
Distributions per Unit (yen)		2,773	3,720	3,625	1,848	2,662	2,660																				
Net Assets per Unit (yen)		100,477	101,400	101,215	89,700	90,513	90,512																				
Net Assets		47,287	54,839	54,739	29,870	30,141	30,140																				
Total Assets		93,553	111,079	110,240	62,752	61,643	63,389																				
(14)	Name of Asset Management Company	Star Asia Investment Management Co., Ltd. (Note 2)			Sakura Real Estate Funds Management, Inc. (Note 2)																						
(15)	Location of Asset Management Company	Atago Green Hills Mori Tower 18F, 2-5-1, Atago, Minato-ku, Tokyo			3-8-11, Kudan Minami, Chiyoda-ku, Tokyo																						

(16)	Name and Title of Representative of Asset Management Company	Atsushi Kato, President and CEO	Robert Shoji Morikuni, Representative Director and President
(17)	Relationship between Parties Involved		
	Capital Relationship (Note 2)	While there is no capital relationship required to be disclosed between SAR and SSR, the asset management company for both SAR and SSR is expected to be Star Asia Investment Management Co., Ltd., on and after March 1.	
	Personnel Relationship (Note 2)	While there is no personnel relationship required to be disclosed between SAR and SSR, it should be noted that Toru Sugihara, Executive Director of SSR, is an employee of the Tokyo Branch of Star Asia Management Japan Ltd., a subsidiary of Star Asia Management Ltd., with which SAR and Star Asia Investment Management Co., Ltd., SAR's asset management company, have each executed a sponsor support agreement.	
	Business Relationship (Note 2)	There is no business relationship required to be disclosed between: (a) SAR and its asset management company, and their related persons and affiliates; and (b) SSR and its asset management company, and their related persons and affiliates.	
	Status as Related Party (Note 2)	SAR and SSR do not fall under related parties that are required to be disclosed. However, the asset management company for both SAR and SSR is expected to be Star Asia Investment Management Co., Ltd., on and after March 1.	

(Note 1) The relevant figures are as of July 31, 2019 for SAR, and as of June 30, 2019 for SSR. The “holding ratio” is rounded to the nearest tenth.

(Note 2) As stated in “Announcement Concerning Notice of Termination of Asset Management Agreement” dated September 5, 2019 published by SSR, SSR notified its cancellation of the asset management entrustment agreement with Sakura Real Estate Funds Management, Inc. (“SREFM”) on August 30, 2019. SSR plans to execute a new asset management entrustment agreement with Star Asia Investment Management Co., Ltd., and the asset management entrustment agreement with SREFM is scheduled to be cancelled as of February 29, 2020.

4. Post-Merger Status

(1) Status of Surviving Corporation

		Surviving Corporation after Merger
(1)	Name	Star Asia Investment Corporation
(2)	Location	Atago Green Hills Mori Tower 18F, 2-5-1, Atago, Minato-ku, Tokyo

(3)	Name of Executive Director	Atsushi Kato
(4)	Unitholders' Capital	Not yet been determined, and will be announced once determined.
(5)	Fiscal Period-Ends	Not yet been determined, and will be announced once determined.
(6)	Net Assets	Not yet been determined, and will be announced once determined.
(7)	Total Assets	Not yet been determined, and will be announced once determined.
(8)	Name of Asset Management Company	Star Asia Investment Management Co., Ltd.
(9)	Location of Asset Management Company	Not yet been determined, and will be announced once determined.
(10)	Name and Title of Representative of Asset Management Company	Not yet been determined, and will be announced once determined.

- (2) Major Unitholders and Unit Holding Ratio before and after Merger
Not yet been determined, and will be announced once determined.
- (3) Amendment to Asset Management Agreement
As stated in "Announcement Concerning Notice of Termination of Asset Management Agreement" dated September 5, 2019 published by SSR, SSR notified its cancellation of the asset management entrustment agreement with SREFM on August 30, 2019. Star Asia Investment Management Co., Ltd plans to execute a new asset management entrustment agreement with SSR pursuant to the resolution of Unitholders' Meeting Convened by LPGK and will continue to provide asset management services to the merged investment corporation following the Merger.
- (4) Amendment to Investment Policy
Not yet been determined, and will be announced once determined.
- (5) Amendment to Agreement with Sponsor, Etc.
Not yet been determined, and will be announced once determined.
5. Impact on Distributions per Unit
Not yet been determined, and will be announced once determined.
6. Outlook
We will make announcements when further material progress is made.
The impact of the execution of the MOU on SAR's business results in the fiscal period ending January 2020 (from August 1, 2019 to January 31, 2020) is minor and there is no change to the forecast.

* This press release is distributed to the Kabuto Club; the Ministry of Land, Infrastructure, Transport and Tourism Press Club; and the Ministry of Land, Infrastructure, Transport and Tourism Press Club for Construction Publications.

* SAR HP URL: <http://starasia-reit.com/en>

This is an English translation of the announcement in Japanese dated January 30, 2020. However, no assurance or warranties are given for the completeness or accuracy of this English translation.