

May 10, 2019

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

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 ~

<Today's Timely Disclosure >

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

This document was drafted by Lion Partners GK and presented to the unitholders of Sakura Sogo REIT Investment Corporation. Refer to today's Supplementary Explanatory Material 2 regarding the "Notice Regarding the Proposal for Merger of Star Asia Investment Corporation and Sakura Sogo REIT Investment Corporation by the Star Asia Group" and the relevant press release for the material drafted by Star Asia Investment Corporation and Star Asia Investment Management and presented to unitholders of Star Asia Investment Corporation

Unitholders of Sakura Sogo REIT Investment Corporation

Proposal for Merger of Sakura Sogo REIT Investment Corporation and Star Asia Investment Corporation

May 10, 2019

A Message to Unitholders of Sakura Sogo REIT
Investment Corporation from Star Asia Group



- Star Asia Group has a firm and unwavering commitment to the growth and success of the Star Asia Investment Corporation (SAR)
- SAR has a strong track record of growth and generating robust unitholder value
- We are one of the largest unitholders of Sakura Sogo REIT Investment Corporation (SSR), holding 11,971 units or about 3.6% in total
- **This is a merger proposed by one of the largest unitholders for the benefit of ALL unitholders**

Malcolm F. MacLean IV
Star Asia Group
Managing Partner

(signature)

Taro Masuyama
Star Asia Group
Managing Partner

(signature)

Toru Sugihara
Lion Partners GK (Star Asia Group)
Representative Director

(signature)

Contents

- | | |
|---|-------------|
| 1. Proposal for Merger | P. 4 |
| 2. How a Merger will Benefit SSR's Unitholders | P.13 |
| 3. Post Merger Growth Strategy | P.24 |

1. Proposal for Merger

~Proposal of a Merger Between SSR and SAR ~

Proposal for Merger (1)

Improving Unitholder Value through a Merger with SAR

As a unitholder of Sakura Sogo REIT (SSR), we would like to propose a merger between SSR and Star Asia Investment Corporation (SAR) to significantly improve SSR's unitholder current and future value
We are confident that the proposed merger will benefit all of SSR's unitholders

SSR's Current Status

Declining DPU

- ✓ Lowered its DPU forecast for FP2018/12 from ¥2,700 to ¥2,600 as it sold properties but did not acquire assets in June 2018, resulting in a decline of revenue from the next financial period (announced in August 2018)
- ✓ Due to the significant impact of tenant departures, SSR lowered its DPU forecast for FP2019/12 to ¥2,427, which is a substantial reduction from the initial DPU target (approximate 10% decline)

Lower AUM

- ✓ NO follow-on offerings
- ✓ Sold two properties but only acquired one property since IPO, resulting in a negative AUM growth rate of -2.2% on an acquisition cost basis

High Cost Operations

- ✓ Asset management fee of 0.55 - 0.56% per annum is higher than J-REIT average
- ✓ Average borrowing interest is 0.87%, exceeding that of SAR(0.63%)

Poor Corporate Governance/Alignment (Non-unitholder oriented asset management)

- ✓ Does not distribute gains on sales of properties to unitholders except for some part (FP2018/6)
- ✓ The asset manager receives property sale fees despite SSR lowering its financial forecast

Proposal for Merger



Proposal of a merger
of unitholders,
by unitholders,
and for unitholders

Advantages of Merger with SAR

Higher/Stabilized DPU

- ✓ Higher DPU as a result of improved operational efficiencies and lower management costs by leveraging economies of scale
- ✓ Increased flexibility in investments taking the market environment into consideration and being strategic investors (active management)

Expansion of AUM

- ✓ Operating revenue and distribution payments stabilized through expanded AUM and a diversified portfolio
- ✓ Continued external growth, leveraging pipeline support from Star Asia Group

Lower Operational Costs

- ✓ Lower asset management fee
- ✓ Lower average interest rate

Maximization of Unitholder Value (Unitholder oriented and aligned asset management)

- ✓ In view of the standard of unit price, seeks to maximize unitholder value by considering and implementing unique, flexible, and diverse initiatives

Proposal for Merger (2)

Merger between SSR and SAR

We, as one of the largest unitholders of SSR, strongly believe that given the current underwhelming situation of SSR, a merger between SSR and SAR is clearly the best decision to maximize unitholder value
We aim to improve market valuation and target sustainable growth by leveraging the increase in AUM due to the merger

Diversified REIT

AUM: **¥56bn**

Number of properties: **17**

Target properties: offices, retail properties, residences, and others



Diversified REIT

AUM: **¥102.3bn**

Number of properties: **34**

Target properties: offices, retail properties, residences, logistics facilities, hotels, and student accommodations



Post Merger REIT, Pipeline Support and Asset Management

AUM:

158.4bn

Number of properties:

51

Target properties: offices, retail properties, residences, logistics facilities, hotels, student accommodations, and others

Pipeline Support from Star Asia Group

- Provides pipeline support for external growth
- Provides warehousing function
- Provides experience to generate internal growth

Asset Management by Star Asia Investment Management

- Continues to execute active management strategy to maximize unitholder value

Accelerate Growth to Maximize Unitholder Value



► Why a Merger with SAR?

Common Features of SSR and SAR

1. Diversified REIT

- Post-merger growth strategies can be implemented without significantly changing investment strategies as SSR and SAR have highly-compatible, diversified portfolios of mid-sized properties

2. Same level of AUM within the J-REIT sector

- Among 63 J-REITs, SSR's and SAR's AUM are relatively on the same level. With Merger, DPU can be increased, as AUM will increase through a merger with SAR
- Unitholders of both SSR and SAR can enjoy benefits from a merger as both REITs are similar in valuation (DPU yield)



Proposal for Merger (3)

Sakura Sogo REIT's Corporate Actions that are Contrary to its Basic Principles

Sakura Sogo REIT's basic principles (Excerpt from disclosure documents)

The basic philosophy of the Investment Corporation is to leverage its core feature as a diversified REIT, to secure a stable income over the medium to long-term and maximize unitholder value by building a portfolio which the Investment Corporation believes to be optimal in light of the real estate investment environment and pursuing both cash-flow growth and stability.



Confomall Sapporo

Gains on sales	¥142million
Disposal Date	6/28/2018
Disposal Price	¥ 1,640million
Purchasing Price	¥ 1,400million

Sold

Gains from Sale

Not distributed

Broken Deal Costs (Professional Fees)

Failed

- Gains from sale of Confomall, which were supposed to be distributed to the investors were used to offset fees paid to professional service providers
- Revenue projections have been lowered due to the sale of the property

Terminated agreement for proposed acquisition of a property portfolio



Costly preparation for an overseas follow-on offering

What does "Maximize Unitholder Value" mean for Sakura Sogo REIT Investment Corporation?

► Validation results of the above corporate actions

Cash-flow growth (Growth)
Cash-flow stability (Stability)

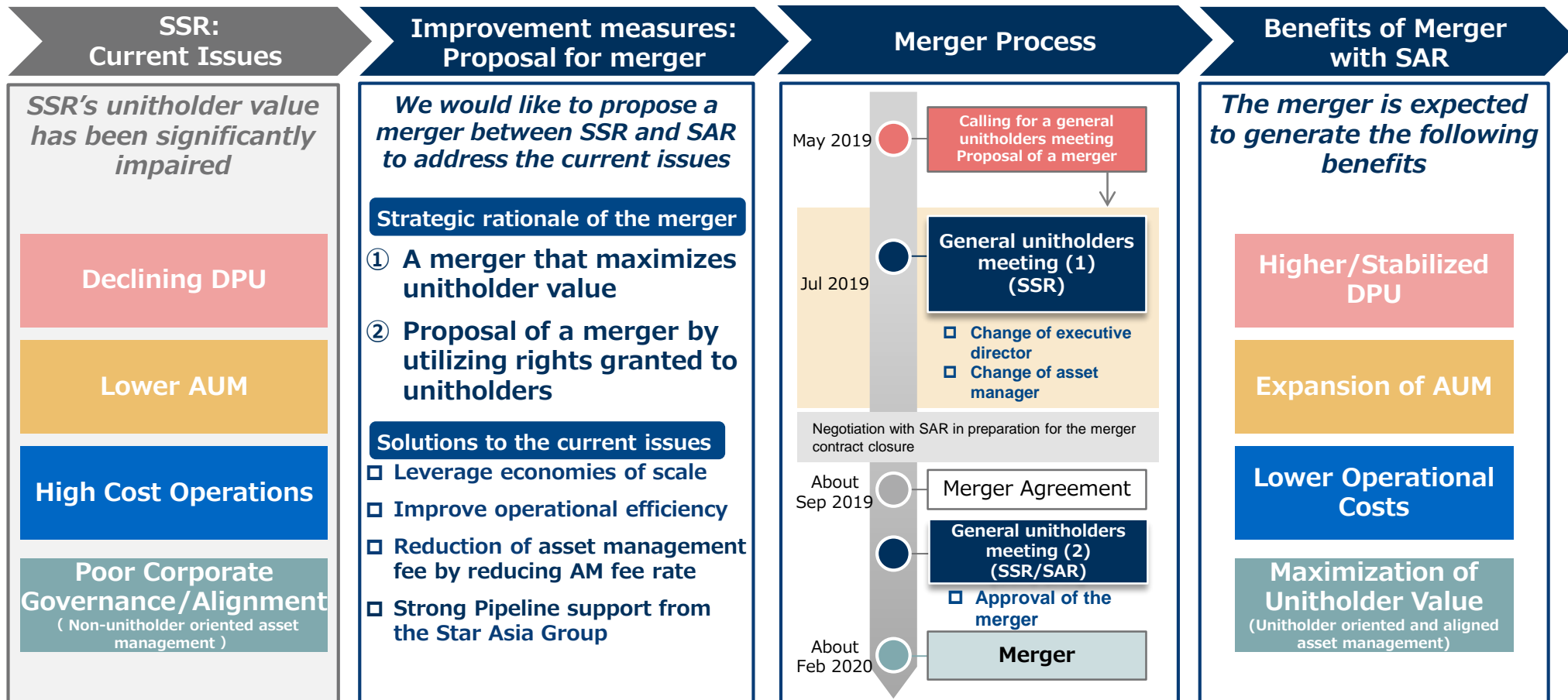
Decrease in AUM
Downward revision of revenue projections
Use of gains from sale to offset professional costs

Destruction of Unitholder Value

Proposal for Merger (4)

Overview of Merger Process

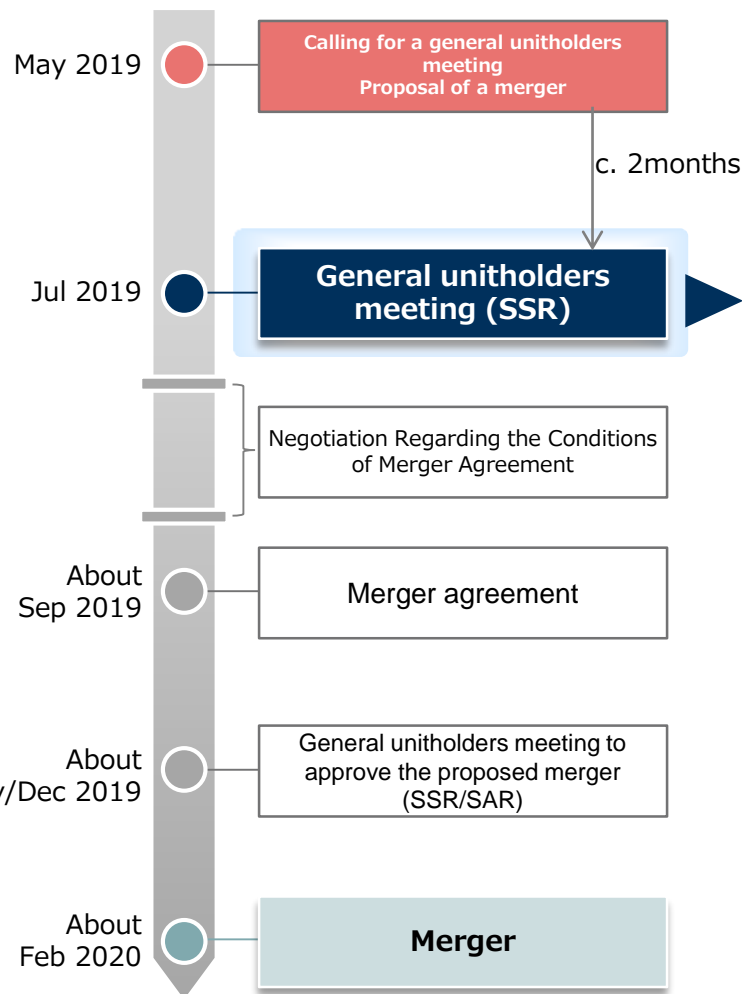
- In order to consummate the merger, convening of two general unitholders meetings is scheduled for the purpose of (1) replacing the executive director and asset manager of Sakura Sogo REIT Investment Corporation and (2) approval of the merger.
- We would like for unitholders to vote for the agenda items proposed by the Star Asia Group at the first Sakura Sogo REIT Investment Corporation general unitholders meeting requested by the Star Asia Group (see the next page for details)



Proposal for Merger (5)

About agenda items of SSR's general unitholders meeting

- Lion Partners GK, a Star Asia Group Company, called for an SSR general unitholders meeting on May 10, 2019 to deliver our proposal to replace the current Executive Director and Asset Manager as an interim step towards the ultimate goal of a merger between SSR and SAR
- Based on the following proposal, we respectfully seek for you to submit a proxy letter to Lion Partners GK or vote FOR the proposed agendas



We would like to ask you to take one of the following actions:

1. Provide us with an authorization letter (POA)

2. Vote for our proposals at the unitholders' meetings

3. Vote for our proposals by sending the voting forms

Agenda items to be submitted to SSR's general unitholders meeting, and the rationale for each

Change of executive director

- **Agenda 1 Dismissal of the current executive director**
- **Agenda 2 Appointment of new executive director**
 - ✓ We propose the removal of the existing Executive Director and the appointment of Toru Sugihara (see page 11 for details), Representative Director of Lion Partners GK (an SSR unitholder), as the new Executive Director in order to depart from non-unitholder oriented asset management

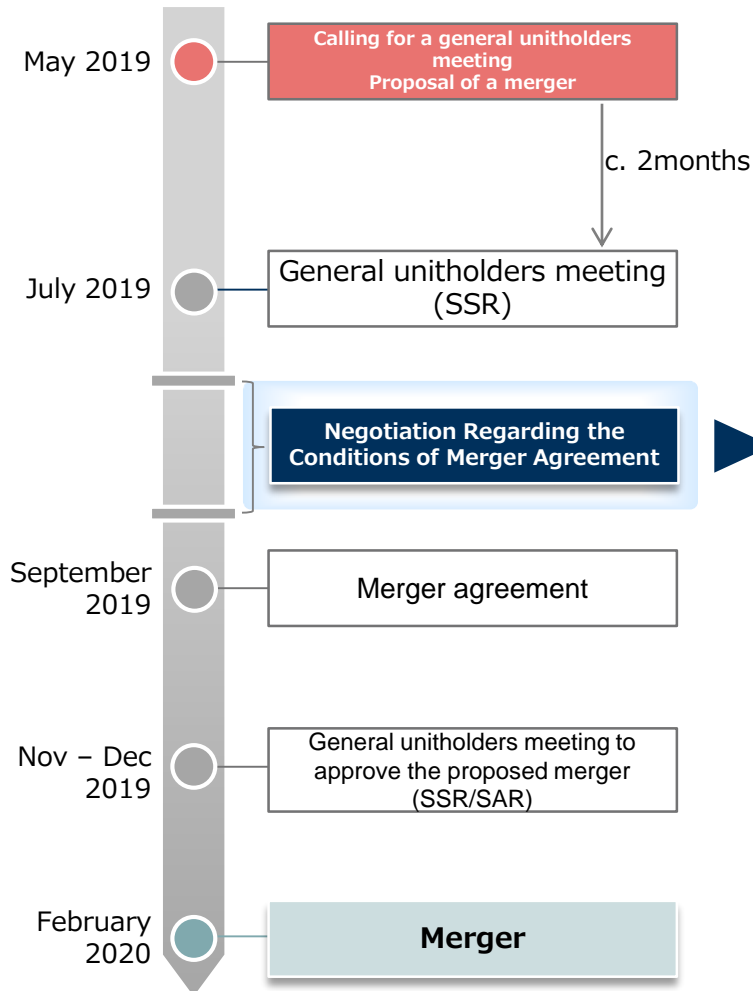
Change of asset manager

- **Agenda 3 Terminate the contract with the current asset manager**
- **Agenda 4 Enter into an agreement with a new asset manager**
 - ✓ Enter into a new agreement with Star Asia Investment Management (SAR's asset manager) which has a strong track record of delivering and maximizing unitholder's value

(Reference) Negotiation on Conditions of the Merger Agreement

~ Negotiation on optimal and fair conditions for unitholders of SSR and SAR

- Toru Sugihara was appointed as the new executive director at SSR's general unitholders meeting. If the asset management entrustment contract with Star Asia Investment Management is approved, then we will negotiate conditions to conclude a merger agreement
- SSR and SAR shall independently mandate advisors to negotiate the best conditions for unitholders of both SSR and SAR and to ensure fairness to all unitholders



Negotiation Regarding the Conditions of Merger Agreement

Members of SSR's board of directors meeting

- **New Executive Director (Toru Sugihara): One person**
- **Supervisory Directors (Shigeru Kaneda, Hirotaka Isayama): Two people**
 - ✓ It is necessary to receive approval from SSR's board of directors to conclude a merger agreement
 - ✓ SSR's board of directors consists of an executive director and two independent auditors and supervises the execution of duties of the executive director

Mandate of an independent advisor

- **SSR will mandate an advisor who represent SSR's unitholders**
- **SAR will do the same**
 - ✓ SSR and SAR shall independently mandate advisors to avoid one-sided merger conditions and ensure fairness to all unitholders

Ensure fairness for all unitholders of SSR and SAR

Proposal for Merger (6)

Introduction of our nominee for the new Executive Director

We would like to propose removal of the existing Executive Director and appointment of Toru Sugihara, Representative Director of Lion Partners GK (a Star Asia Group), as the new Executive Director in order to depart from non-unitholder oriented asset management

Our nominee for the new Executive Director of SSR



Toru Sugihara

Representative Director of Lion Partners GK (Star Asia Group Company)
(Former Director and CFO of Star Asia Investment Corporation)

Ever since the creation of the J-REIT market, I have focus on and desired its growth from the standpoint of a securities firm and as a REIT sponsor. Since June 2015, I have worked as a REIT asset manager to win the trust of investors as widely as possible through the optimal management of assets. Based on a deep understanding of the systems and history of the J-REIT market I am conducting corporate action through an unprecedented use of the unitholders' right to call for a general unitholders meeting in order to benefit the J-REIT market and its investors and to aid further market development

This proposal is a call for a general unitholders meeting, aiming for a merger for unitholders by minority unitholders, which would be a first for the J-REIT market, and it is my strong conviction that the proposal will undoubtedly benefit all unitholders

Bio

April 1991	Joined Nomura Securities Co., Ltd.	Involved in ECM, DCM, and investment trust sales activities for retail and corporate investors in the Shin-Urayasu and Ueno branch offices In 2000, became responsible for the real estate sector, and was involved in IPOs/POs of companies and J-REITs, securitization of real estate, and origination of private real estate funds
October 2006	Joined Barclays Securities Japan Limited	Provided and arranged non-recourse real estate loans as an officer responsible for the Japanese real estate sector. Involved in the origination and restructuring of CMBSS
July 2012	Joined Kenedix, Inc.	Developed investment proposals relating to real estate, real estate loans, etc. Originated bridge funds for the group's REIT
February 2015	Joined the Tokyo Branch of Star Asia Management Japan Ltd.	Joined the company as an officer responsible for planning and implementation of group strategies
June 2015	Seconded to Star Asia Investment Management Co., Ltd. as Executive Director and CFO	Seconded to Star Asia Investment Management as an officer responsible for origination of J-REITs
August 2015	Director and CFO of Star Asia Investment Management Co., Ltd.	Achieved IPO for the company as planned by negotiating with authorities, developing investment policies, and funding by way of investment corporations. After the IPO, executed three capital increases and developed proposals for mezzanine loan investments
April 2019	Representative Director of Lion Partners GK (Star Asia Group Company)	Responsible for making the proposal to realize the first merger of J-REITs by minority unitholders for unitholders

Proposal for Merger (7)

Introduction of new asset management company candidate and proposals concerning the new asset management agreement

We would like to consummate a new asset management entrustment agreement with Star Asia Investment Management.

Star Asia Investment Management has a strong track record of generating and maximizing unitholder value as the asset manager of SAR (see page 19 for details)

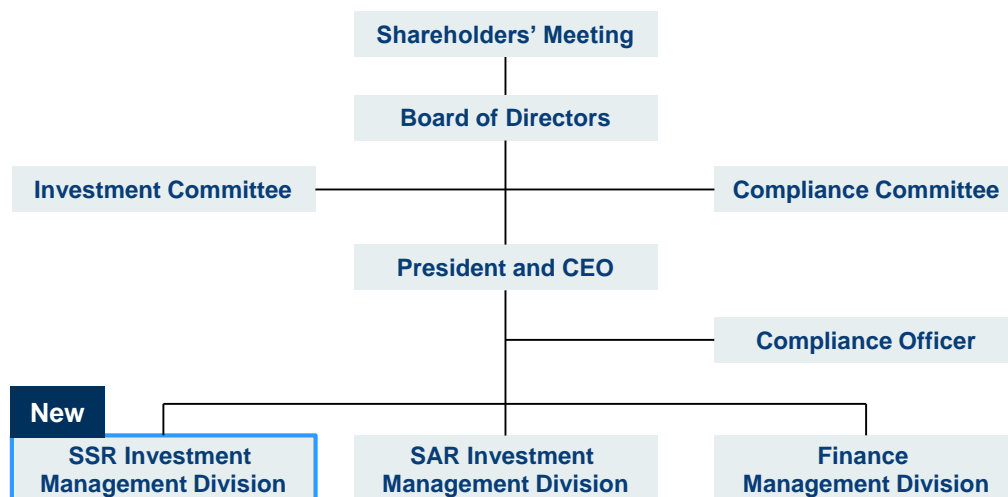
If the replacement of the asset manager is approved at SSR's general unitholders meeting, then we would like to propose that employees of Sakura Real Estate Funds Management transfer to Star Asia Investment Management

Star Asia Group's proposal for Employees of Sakura Real Estate Funds Management

- If the above proposed agenda is approved at SSR's general unitholders meeting, we would like to propose that employees of Sakura Real Estate Funds Management transfer to Star Asia Investment Management upon replacing the asset manager in order to maintain consistency with current asset management

Organization chart of Star Asia Investment Management after the merger

- This is a draft organization of Star Asia Investment Management during the period from the effective date of the new asset management entrustment agreement to the merger



Key members of Star Asia Investment Management



Name **Atsushi Kato**
Position President and CEO
Bio After entering Nomura Real Estate Development Co., Ltd., he worked for Showa Ota Ernst & Young, and then entered Nomura Securities Co., Ltd. After being involved in the asset finance business including support in establishing J-REITs, he joined Star Asia Investment Management Co., Ltd

Name **Satoshi Obara**
Position Director and CEO
Bio After joining Nissho Iwai Corporation (current: Sojitz Corporation), he worked for Morgan Stanley Capital K.K where he engaged in acquisition and asset management of private funds. After entering Hulic Co.,Ltd, he engaged in REIT management at Hulic REIT Management Co.,Ltd



Name **Akiko Kanno**
Position Director and CFO (General Manager of the Finance Management Department)
Bio Involved in IR, legal, management planning tasks, etc. at Fujita Corporation. Thereafter, involved in startup work for an overseas base of the GMO Internet Group and oversaw management departments of several overseas bases

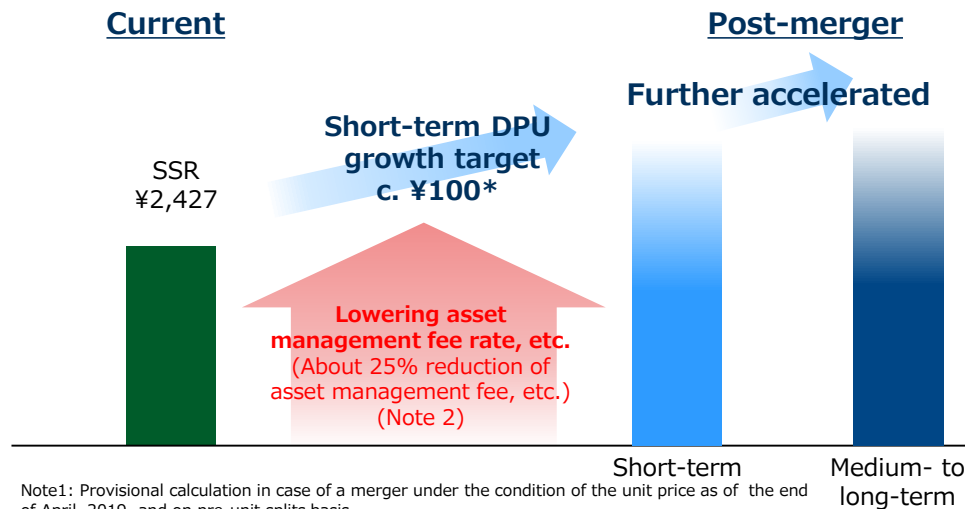
2. How a Merger will Benefit SSR's Unitholders

How a Merger will Benefit SSR's Unitholders (1)

Improving unitholder value--Growth in DPU and Market Cap

Post Merger DPU

- The post-merger REIT will aim to increase the DPU by ¥100 in the short term and increase it further in the medium to long term through cost reductions (lowering the asset management fee rate, etc.)



Note1: Provisional calculation in case of a merger under the condition of the unit price as of the end of April, 2019, and on pre-unit splits basis

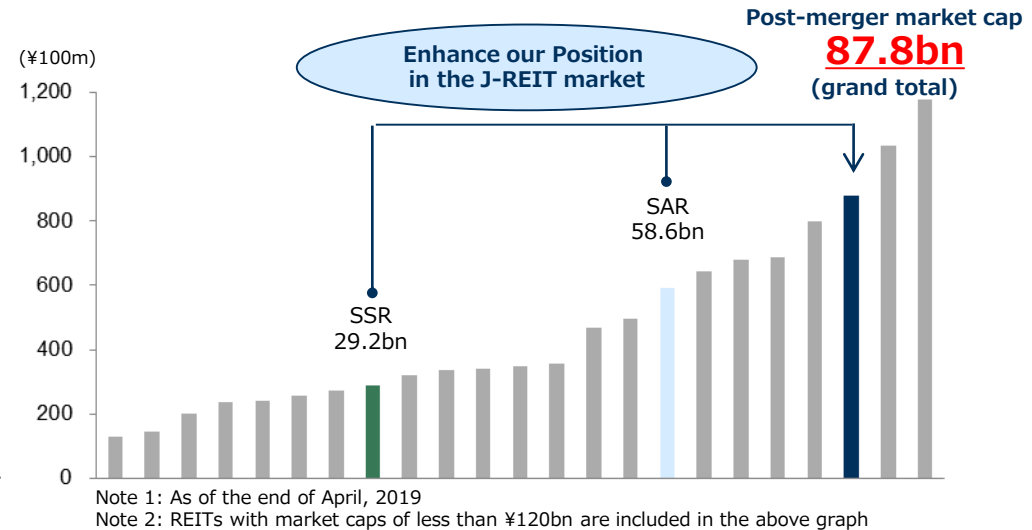
Note 2: As of May 10, 2019, a roughly 25% reduction of asset management fee which is currently paid by Sakura Sogo REIT Investment Corporation to Sakura Real Estate Management is envisaged by bringing it in line with the fee paid by Star Asia Investment Corporation to Star Asia Investment Management

Post Merger DPU Growth Scenario

- | | |
|---|--|
| <p>➤ Short-term cost synergies (Aiming for reducing ¥100m or more)</p> <ul style="list-style-type: none"> - Lower asset management fee - About 25% reduction of asset management fee - Reduction in remuneration for directors - Reduction in costs for general administration/asset custody - Reduction of professional service fees, etc. | <p>➤ Medium to long-term synergies</p> <ul style="list-style-type: none"> - Lower cost of debt (incl. bank loans) - Reduction in asset management costs as a result of increased AUM (economies of scale) - Improved profitability of assets as a result of active management by Star Asia Group |
|---|--|

Post Merger Market Cap

- Post-merger market cap will increase by 3.0x to ¥87.8bn (total)
- Improved trading volume/liquidity and expansion of the unitholder base can be expected



■ Benefits of a Larger Market Cap

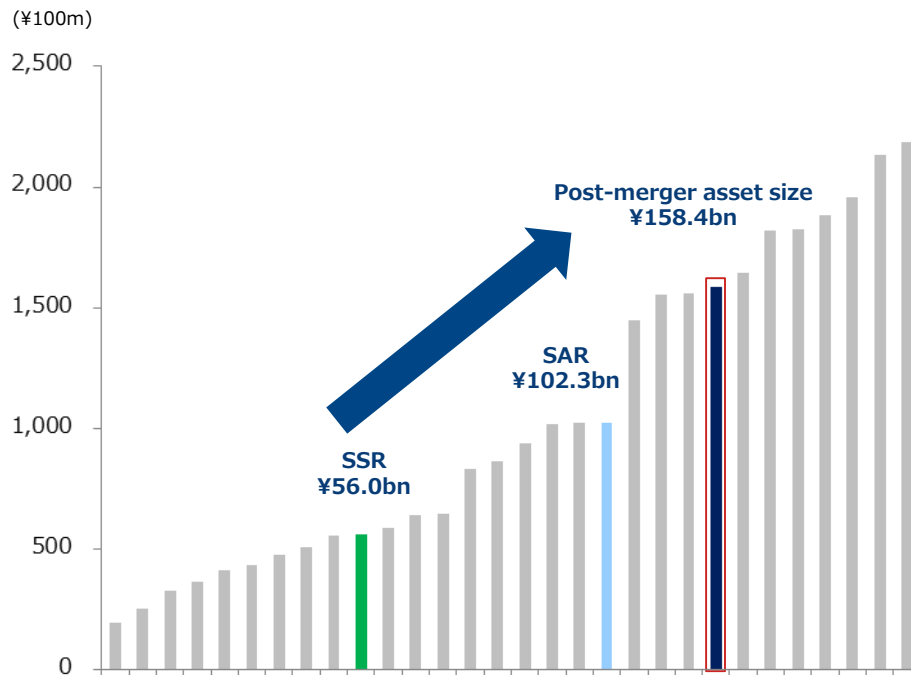
- ✓ Increased trading volume and liquidity
- ✓ Stability in unit price
- ✓ Acquisition of credit rating
- ✓ More likely to be included in major REIT indices
- ✓ Increased visibility in the institutional investor community
- ✓ Expansion of unitholder base

How a Merger will Benefit SSR's Unitholders (2)

Improvement of Unitholders value: Increase in AUM, Portfolio reinforcement

An expanded AUM will improve SSR's position in the J-REIT market

- SSR's current AUM is ¥56bn (on an acquisition price basis)
- Post-merger, the total AUM will be ¥158.4bn (increase by around 2.8x), and enhancement of the market position can be expected
- Increased potential for obtaining a credit rating and inclusion into several indexes



Rating / Inclusion in major indices



● represents a JCR rating of AA-, and ● represents a JCR rating of A-, A or A+

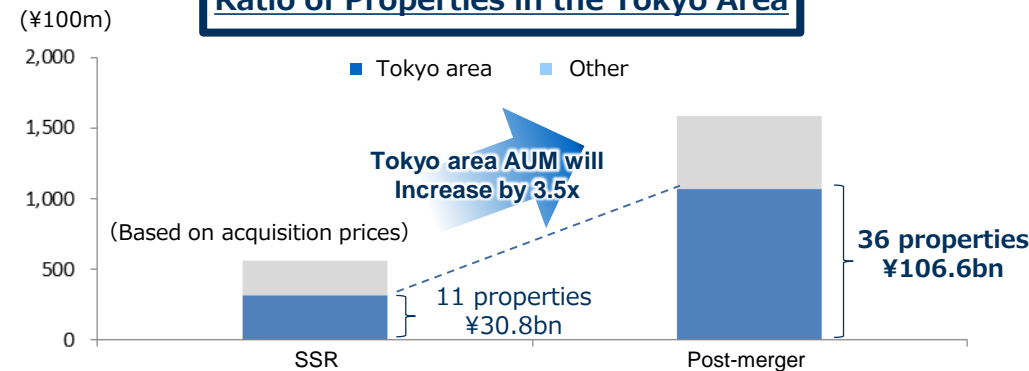
Note 1: As of May 29, 2019 (Based on acquisition prices)

Note 2: 29 REITs with AUM of less than ¥220bn are displayed in the above graph

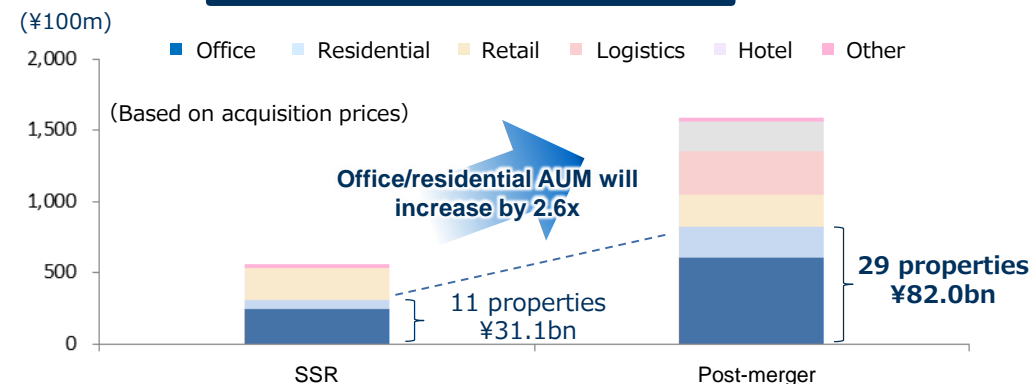
Portfolio Quality and progress of dispersion

- The ratio of properties located in the Tokyo area where revenues are expected to stably grow will increase. Portfolio quality is also expected to significantly improve as a result of an increased ratio of medium-size office and residential assets (particularly attractive categories from an investor demand perspective)
- More proactive asset replacement, which maximizes unitholder value, will be possible as the number of liquid properties will increase
- By the progress of portfolio dispersion, stability will be improved

Ratio of Properties in the Tokyo Area



Ratio of Office/Residential Assets



How a Merger will Benefit SSR's Unitholders (3)

Comparison between SSR's and SAR's Asset Management Track Record Since IPO (1)

If SSR's asset manager is replaced with Star Asia Investment Management, improvement in unit price performance can be expected



さくら総合リート投資法人

(Listed on September 8, 2016)



(Listed on April 20, 2016)

<p>¥57.3bn (18 properties)</p> <p>➔</p> <p>¥56.0bn (17 properties)</p> <p>-2.2%</p>	AUM growth	<p>¥61.4bn (18 properties)</p> <p>➔</p> <p>¥102.3bn (34 properties)</p> <p>+66.5%</p>
1	Number of properties acquired after IPO	20
0	Number of follow-on offerings conducted after IPO	3
10.7%	Market cap growth rate	79.3%
3.8%	Total returns (per annum)	9.1%
5.2%	Ratio of same-boat investment by the Sponsor	17.9%
0.55~0.56%	Asset management fee/ year-end total asset ratio (per annum)	0.42~0.49%
0.87%/4.3 years	Average interest rate / borrowing period of debt	0.63%/4.4 years

Notes :

AUM growth: Based on acquisition prices since IPO

Number of properties acquired after IPO: Gross total of properties acquired since IPO. Assets acquired at the time of the IPO are excluded (18 properties for each)

Number of follow-on offerings conducted after IPO: Assets acquired at the time of the IPO are excluded

Number of follow-on offerings conducted after IPO: Excludes IPO

Market cap growth rate: From the closing price of the IPO date to the end of April 2018

Total returns(per annum): Calculated based on total DPU from the IPO through the latest FP and increase/decrease from the IPO price as of April 29, 2019

Ratio of same-boat investment by the Sponsor: As of the latest fiscal period end

"Asset management fee/year-end total asset ratio (per annum)" is calculated based on asset management fees (excluding acquisition and transfer fees) which are stated in the investment report

Average interest rate/borrowing period of debt: As of the latest fiscal period end, weighted average based on the debt amount

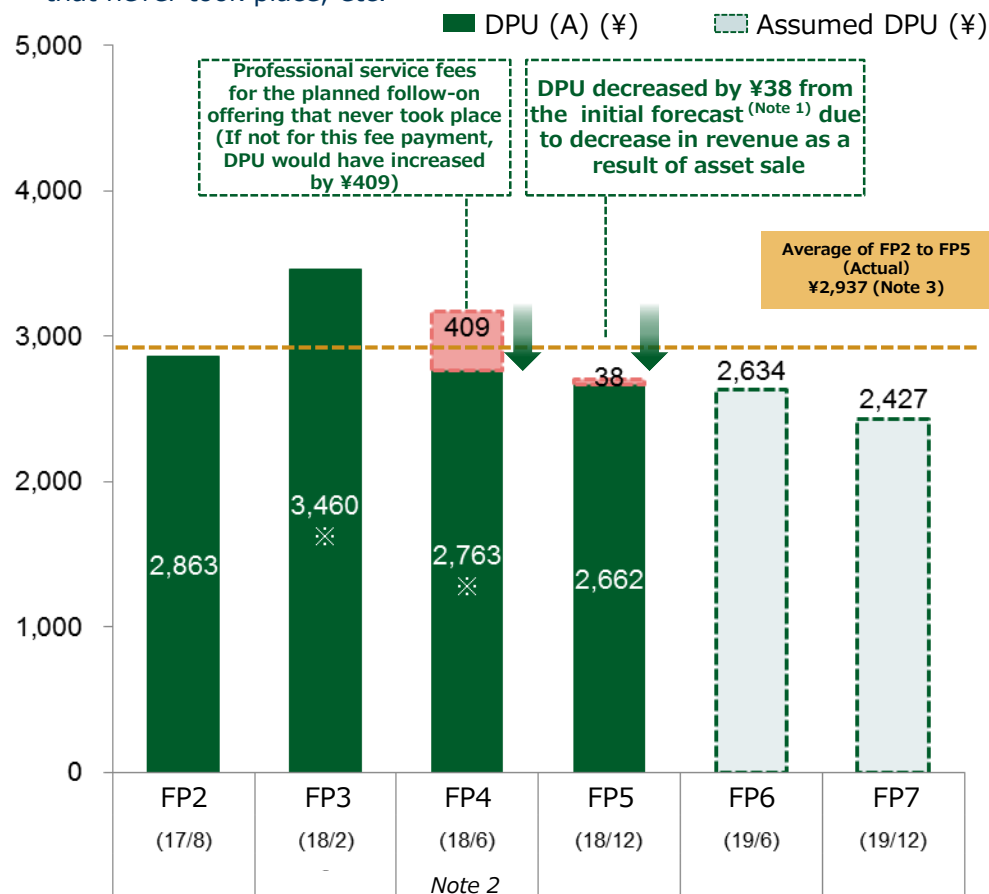
How a Merger will Benefit SSR's Unitholders (4)

Comparison between SSR's and SAR's Asset Management Track Record Since IPO (2)

If SSR's asset manager is replaced with Star Asia Investment Management, then post-merger REIT will tactically manage assets by focusing on stability and growth of DPU

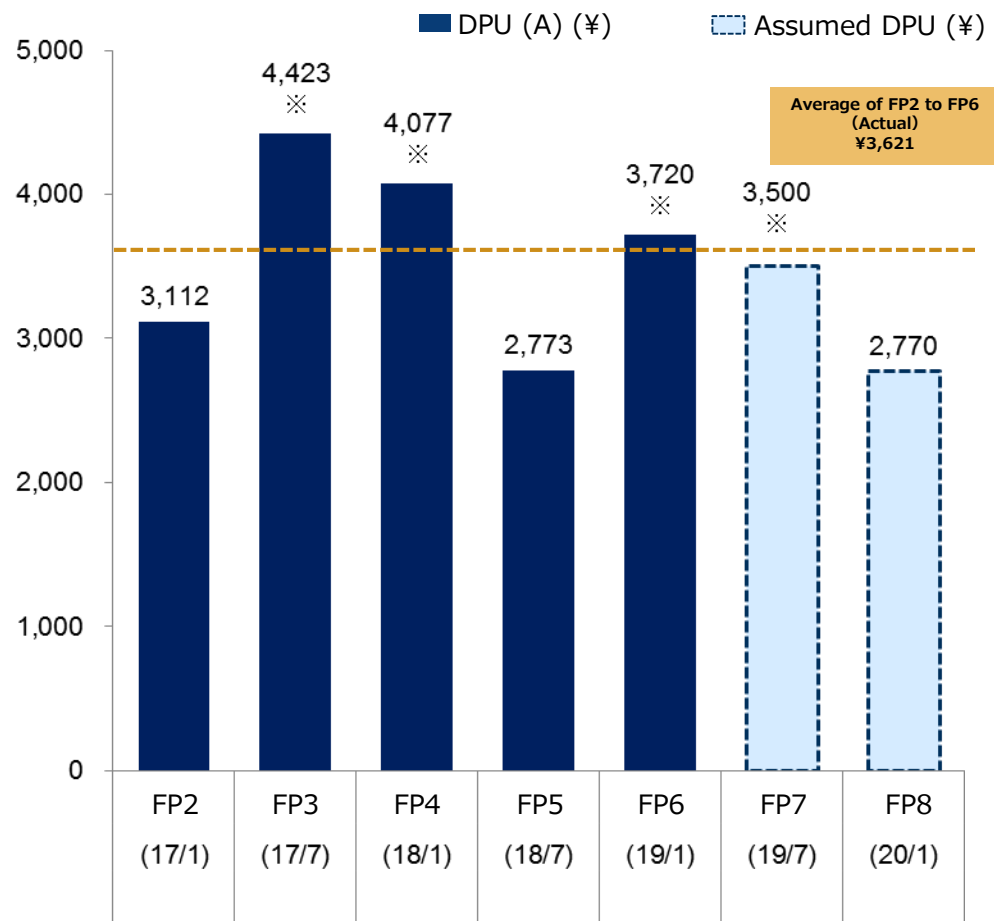
SSR's historical DPU

- DPU decreased due to failure to close property acquisition deals, professional service fees related to the planned follow-on offering that never took place, etc.



SAR's historical DPU

- Solid track record of delivering shareholder returns by actively replacing assets and securing gain on property sales



Note 1: Announced in May 2018

Note 2: As Sakura Sogo REIT Investment Corporation's FP4 covers four months, DPU is calculated with the following formula ((Total historical DPU - gain on property sales + related costs including issuance cost of investment units) x (6 / 4) + gain on property sales - related costs including issuance cost of investment units) / total number of issued investment units as of the end of FP4

Note 3: The average was computed assuming that FP4 DPU was ¥2,763 (actual DPU was ¥1,848)

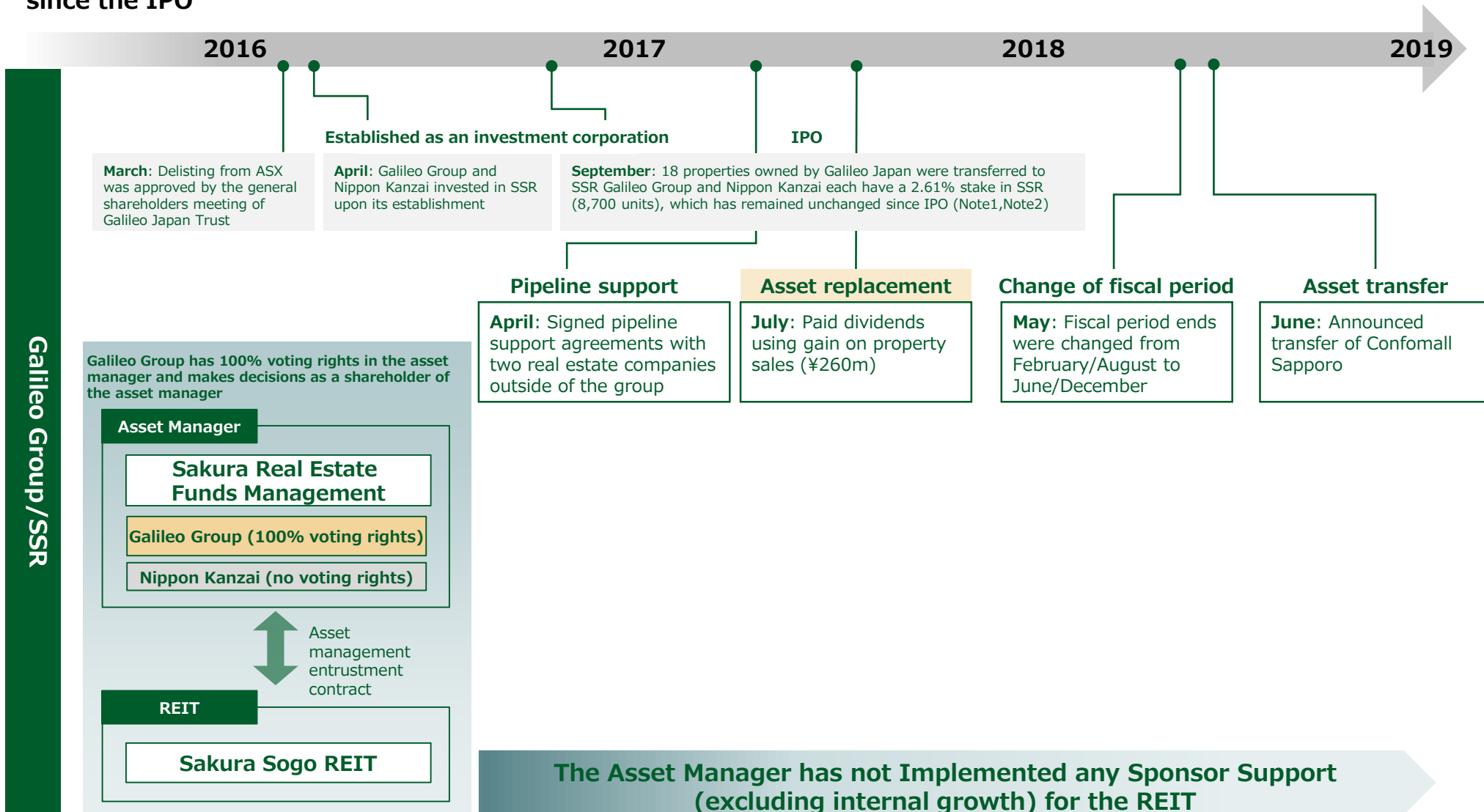
Note 4: DPUs of SSR and SSA with "*" include capital gains

How a Merger will Benefit SSR's Unitholders (5)

Comparison of Corporate Actions (including Sponsor Support)

between SSR and SAR Since IPO (1) ~ Asset Management for SSR ~

Galileo Group only has a 2.6% stake in SSR, which it acquired upon IPO, and has only provided limited support since the IPO



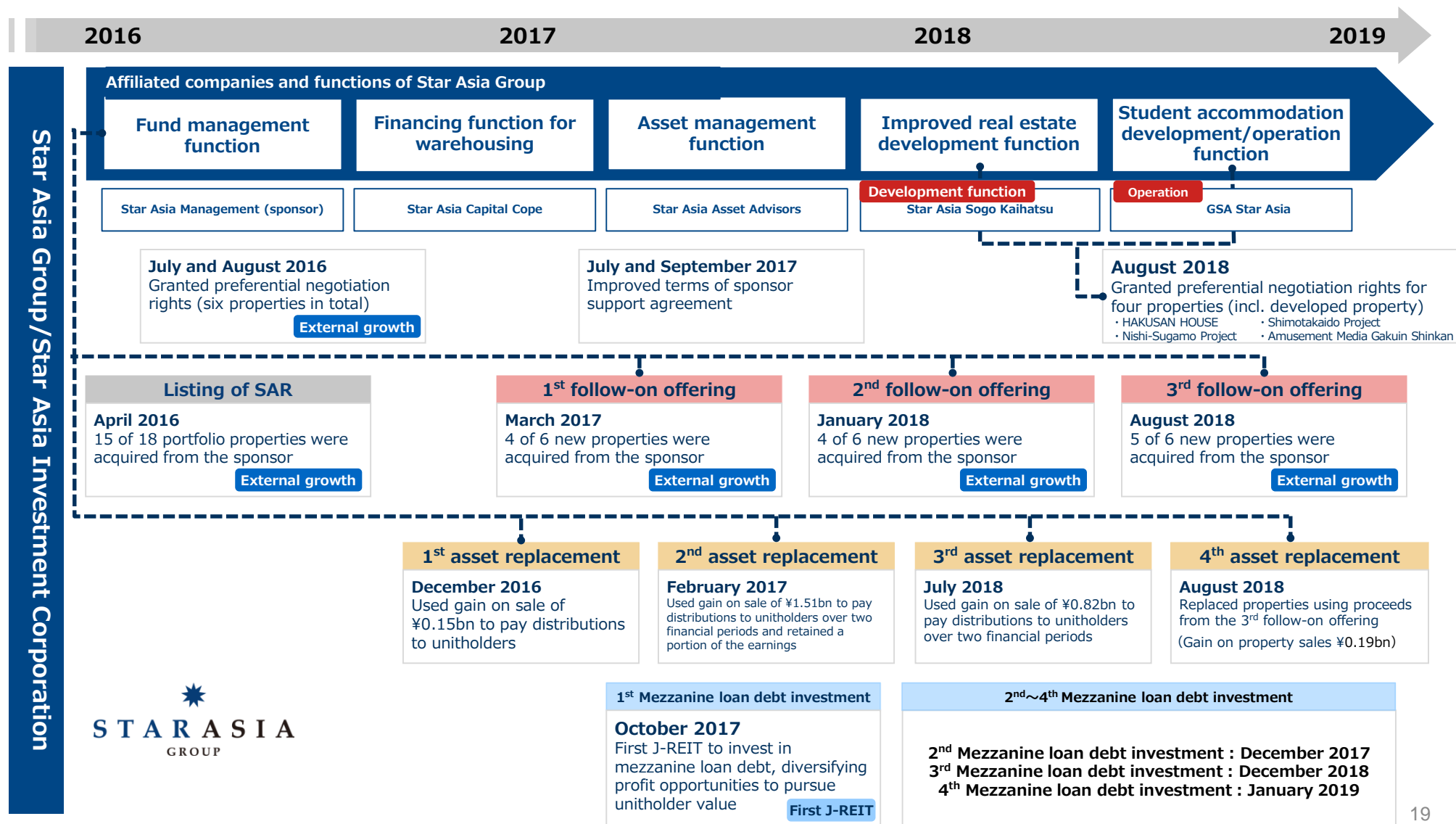
Note 1: Investment through Tokyo Capital Management, a fully-owned subsidiary of Nippon Kanzai

Note 2: Investment through Galaxy JREIT Pty Limited, a fully-owned subsidiary of Galileo Sydney Holdings Pty Limited

How a Merger will Benefit SSR's Unitholders (6)

Comparison of Corporate Actions (including Sponsor Support)
between SSR and SAR Since IPO (2) ~ Asset Management for SAR ~

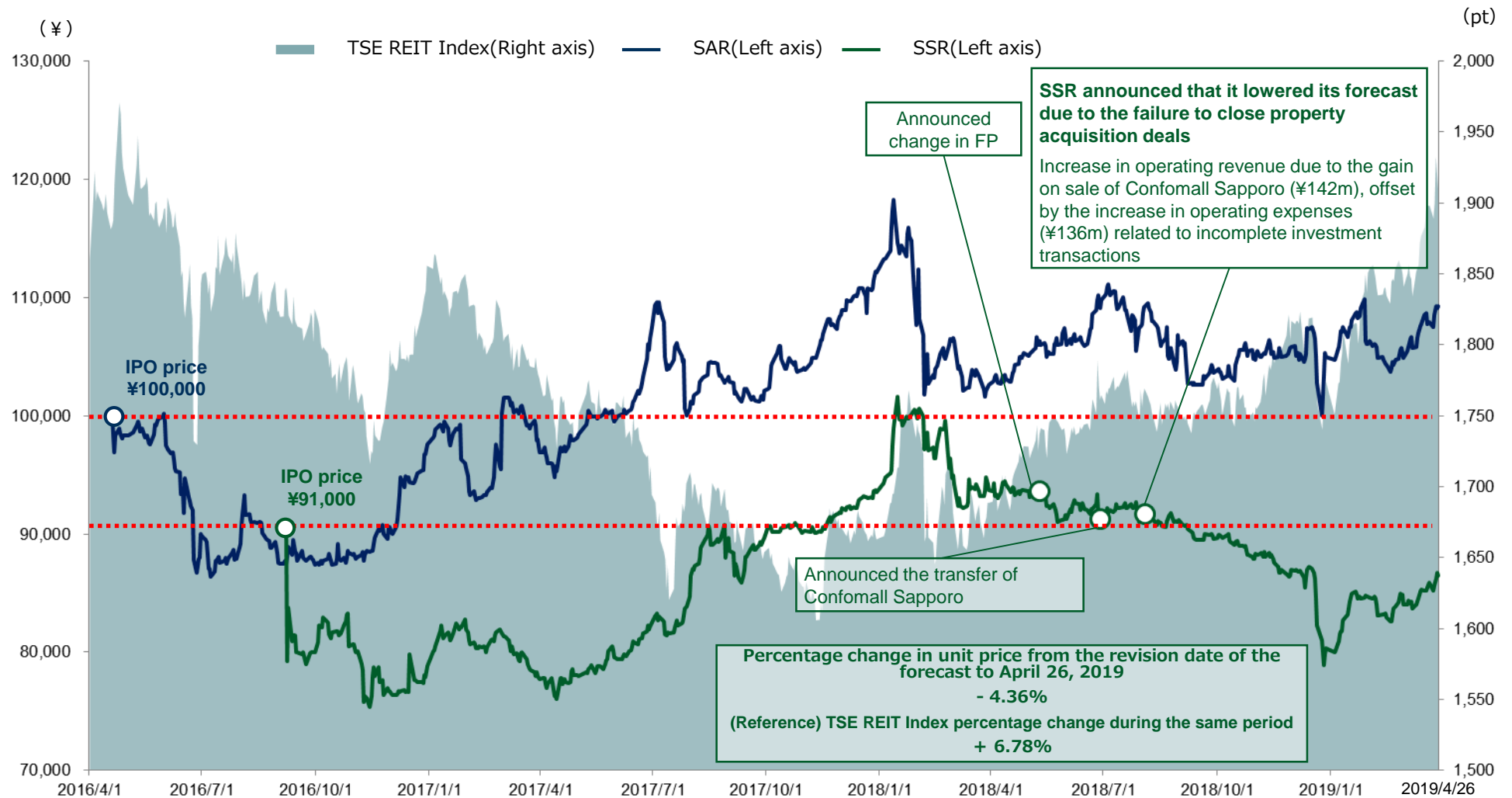
We made a same-boat investment of ¥9.7bn in SAR, thereby expanding group functions and maintaining its commitment to supporting the growth of SAR (holding ratio: 17.9%)



How a Merger will Benefit SSR's Unitholders (7)

Investment Unit Price Chart of the Two REITs Since IPO

SSR's unit price has been trending downwards since it announced that it lowered its forecast as SSR failed to close acquisition deals even with sellers with whom it concluded pipeline support agreements



How a Merger will Benefit SSR's Unitholders (8)

Example of SSR's Asset Management Lowering DPU

Our opinions about failure to acquire property from sellers with whom it concluded pipeline support agreements

We believe that it was not unitholder friendly management to use gains on sale of Confomall Sapporo (¥428/unit) for preparation of a unit issue that was not completed and the gains were used to pay professional fees

Excerpts from SSR's IR presentation on financial results for FP4 ended June 30, 2018

■ FP4 (operating period: 4 months) – forecast vs. actual

	FP4 forecast Announced on May 10	FP4 actual	Difference
Operating revenue	1,628	1,768	140
Operating expenses	926	914	(12)
Operating profit	702	854	152
Non-operating expenses	102	239	137
Ordinary profit	600	615	15
Net profit	600	615	15
DPU (¥)	1,801	1,848	47

Comments
■ Operating revenue increased by ¥140m primarily due to ¥142m gain on sale of Confomall Sapporo
■ Non-operating expenses increased by ¥137m primarily due to professional service fees of ¥136m for incomplete investment deals

■ FP5 – Forecast vs. adjusted forecast

	FP5 forecast announced on May 10	FP5 adjusted forecast	Difference
Operating revenue	2,429	2,361	(68)
Operating expenses	1,368	1,333	(35)
Operating profit	1,061	1,028	(33)
Non-operating expenses	161	161	0
Ordinary profit	900	867	(33)
Net profit	900	866	(33)
DPU (¥)	2,700	2,600	(100)

Comments
■ Rental revenue and expenses both decreased due to the sale of Confomall Sapporo (Management fee also decreased due to the decrease in rental revenue)

SAR's opinions as a unitholder

- SSR explained that professional service fees were payments for legal, tax, accounting, and property appraisal experts related primarily to the preparation of a overseas follow-on offering. **If SSR closed the property acquisition deals and conducted the follow-on offering as planned, then it would have been able to return more to unitholders (¥428/unit)**
- **Despite the large amount of professional service fees that arose, the maximum rate of 1% for property sales commission has been received. In addition, we do not believe that it was unitholder-friendly management to reduce the management fee in FP1 and FP2 due to IPO**
- Given the fact that it failed to close acquisition deals even with sellers with whom it concluded pipeline support agreements and could not refund capital gains to unitholders, **we highly doubt Sakura Real Estate Funds Management's ability to effectively negotiate property acquisitions and to manage properties**
- On May 10, 2018, during FP4, SSR suddenly released notices concerning the change in its fiscal periods and revisions to its distribution forecast. **Such important notices should have been announced further in advance given impact to unitholders**

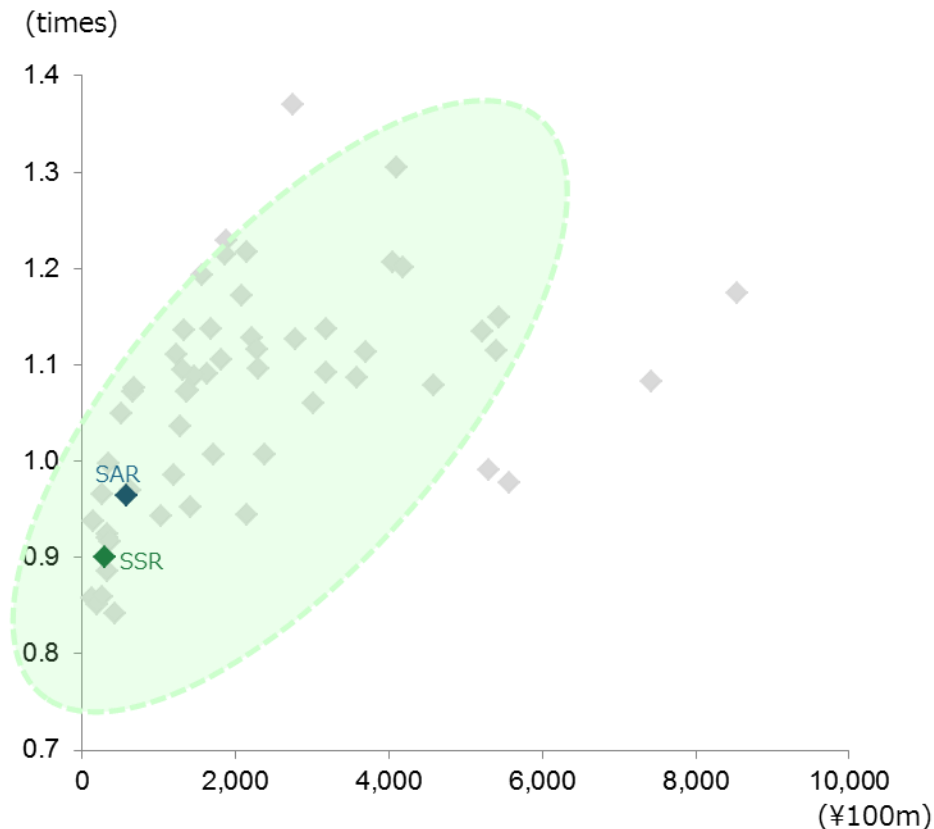
We do not believe that the current Executive Director and asset manger manage operations based on unitholders' benefit

(Reference) Benefits of Merger (1)

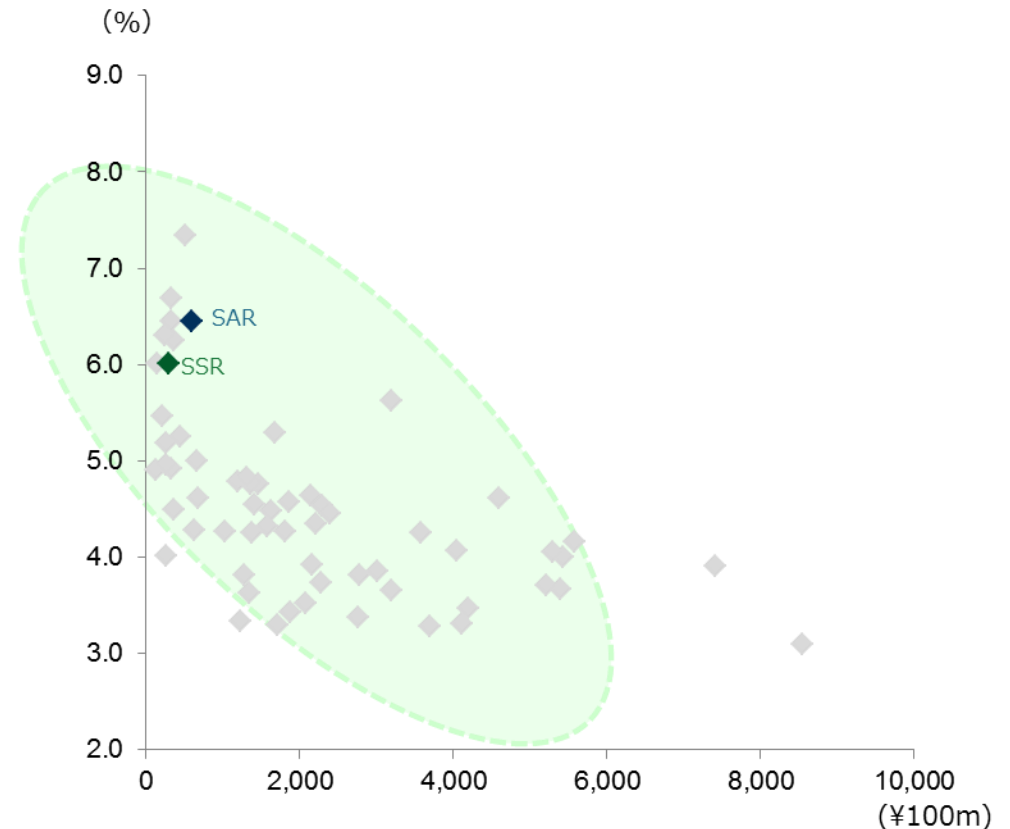
Improving Valuation from Market Cap Increase

A certain correlation is observed between market cap and Market valuations
When the market cap increases with a merger, then market valuations are expected to improve

Distribution of P/NAV and market cap of 63 J-REITs



Distribution of DPU yield and market cap of 63 J-REITs



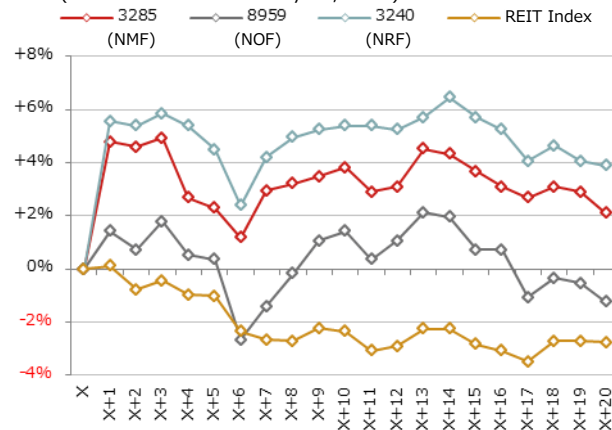
(Reference) Benefits of Merger (2)

Impact of the Merger on Unit Price

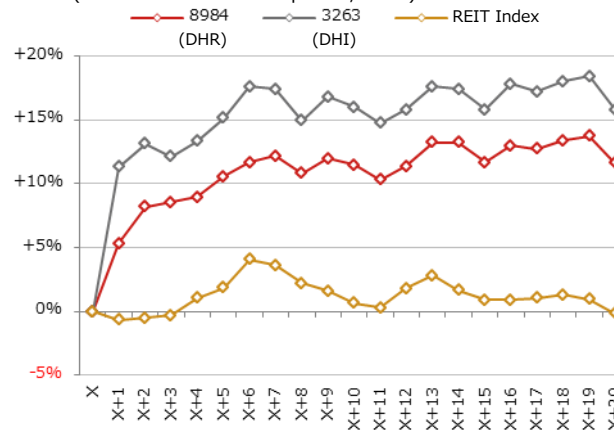
In the five most recent mergers, the merging REITs received solid investor support and experienced a surge in unit price on the day following the announcement of the merger

Unit price performance in five most recent M&A deals (20 business days after the announcement)

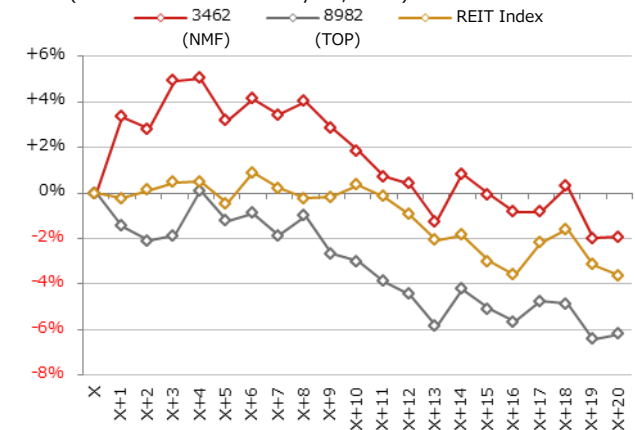
(1) Nomura Real Estate Group's three REITs
(Announcement date: May 27, 2015)



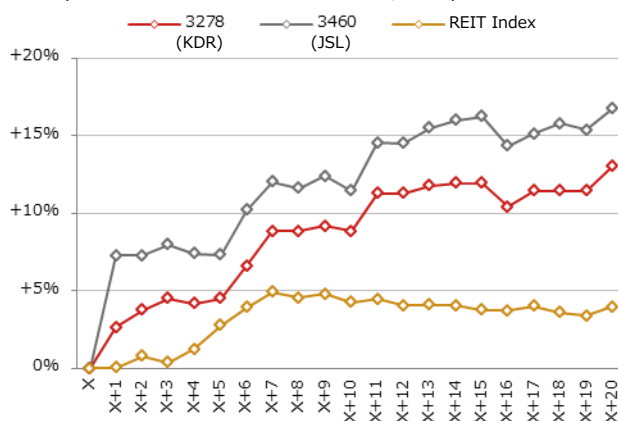
(2) Daiwa House Group's two REITs
(Announcement date: April 15, 2016)



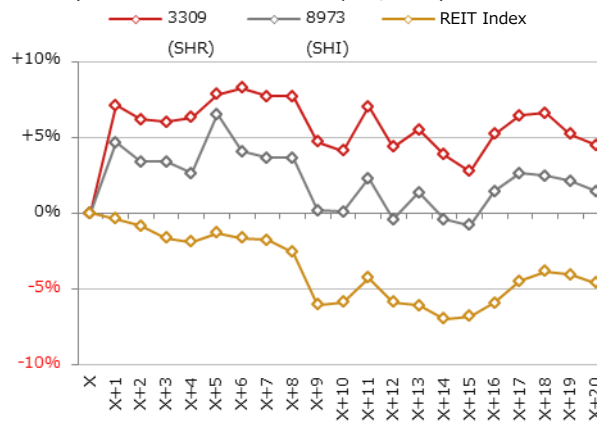
(3) Nomura Real Estate Master Fund and Top REIT
(Announcement date: May 26, 2016)



(4) Kenedix Residential Next and Japan Senior Living
(Announcement date: November 10, 2017)



(5) Sekisui House Group's two REITs
(Announcement date: January 24, 2018)



Note: Indexed unit prices with X being the announcement date

3. Post Merger Growth Strategy

Sponsor Support from Star Asia Group

Active Management by Star Asia Investment Management

Post Merger Growth Strategy (1)

Commitment of Sponsor Support by Star Asia Group

Star Asia Group is expanding its business operations and promises to continuously provide the various support which has been offered to SAR to the post-merger REIT

Malcolm F. MacLean IV
Managing Partner



Taro Masuyama
Managing Partner

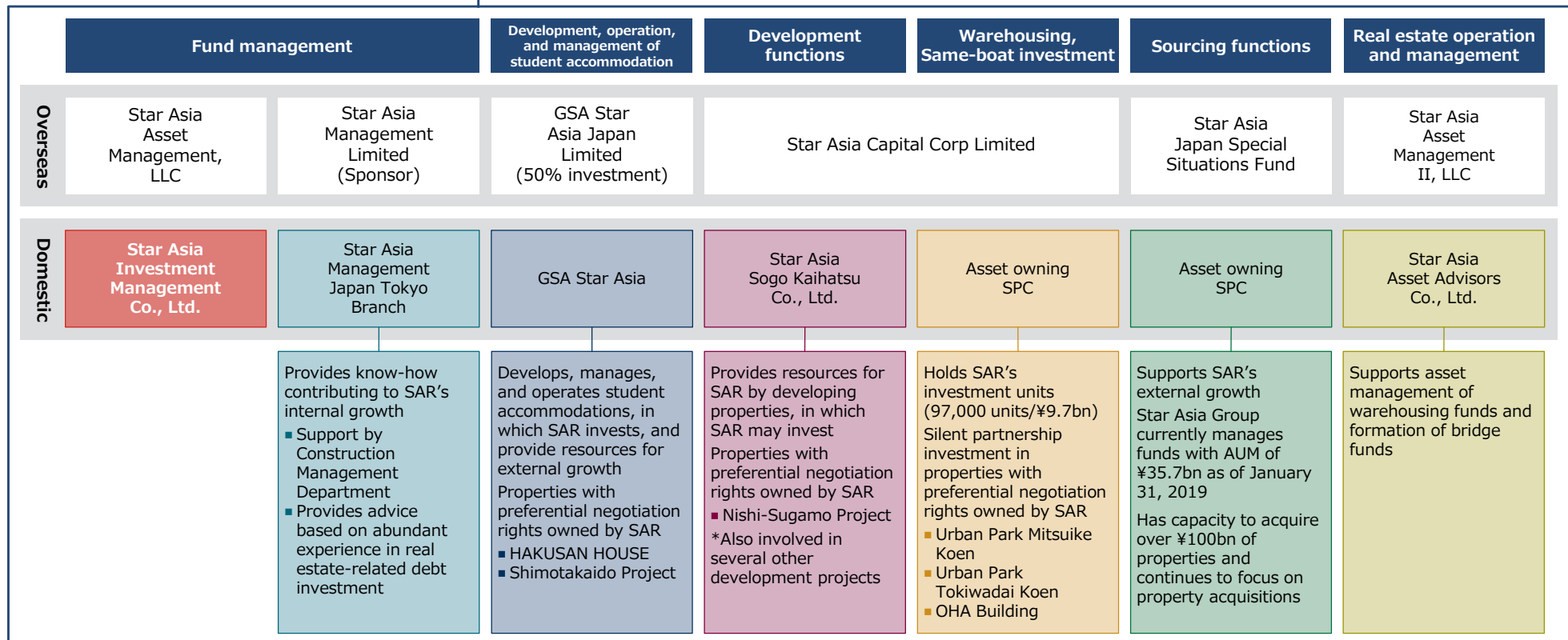


Star Asia Group, LLC

Overview of Star Asia Group

- Main Offices: Tokyo, New Jersey (US)
- Number of officers and employees: 393 people (*)
- Star Asia Management Limited is registered as an investment advisor with the US Securities and Exchange Commission

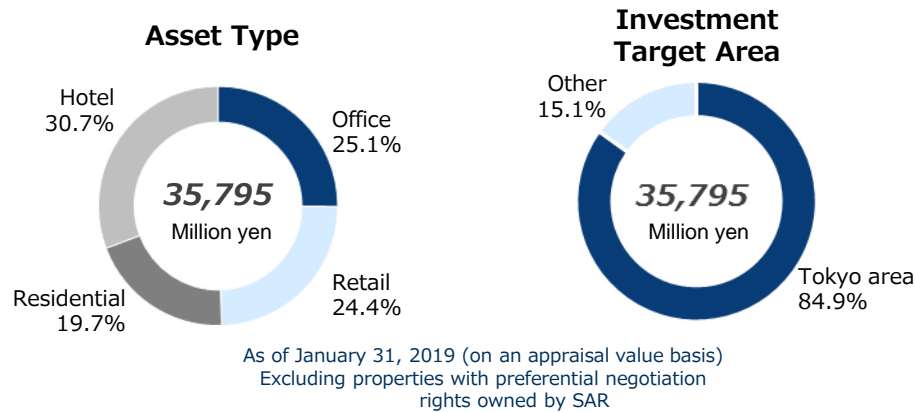
*As of March 31, 2019. Including officers and employees of the affiliated entities



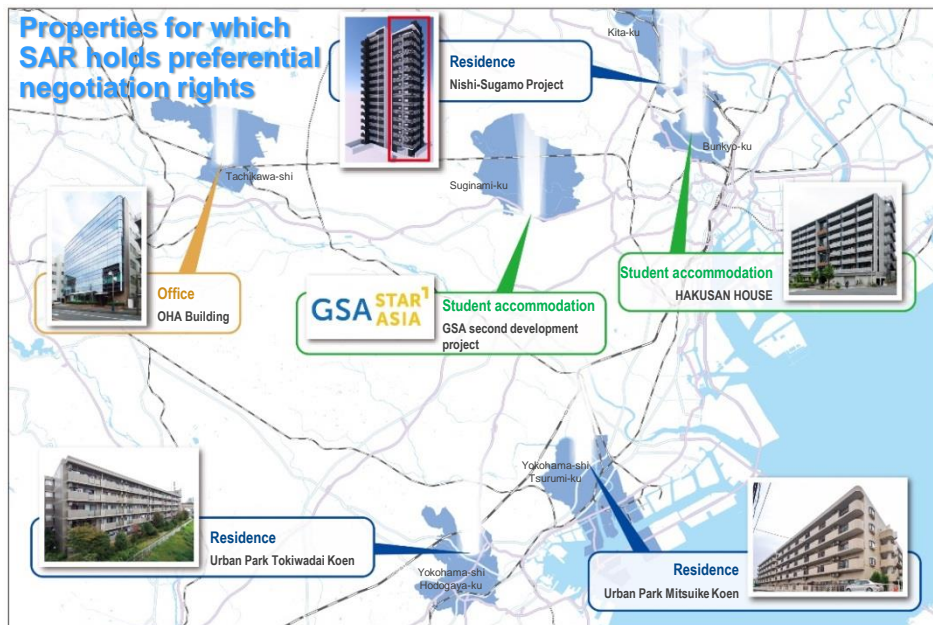
Post Merger Growth Strategy (2)

Commitment of sponsor support by Star Asia Group

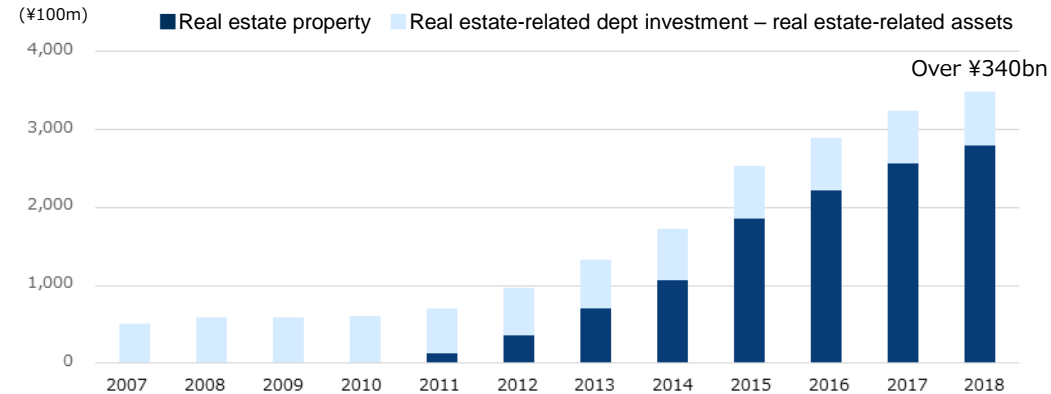
AUM of Sponsor Group



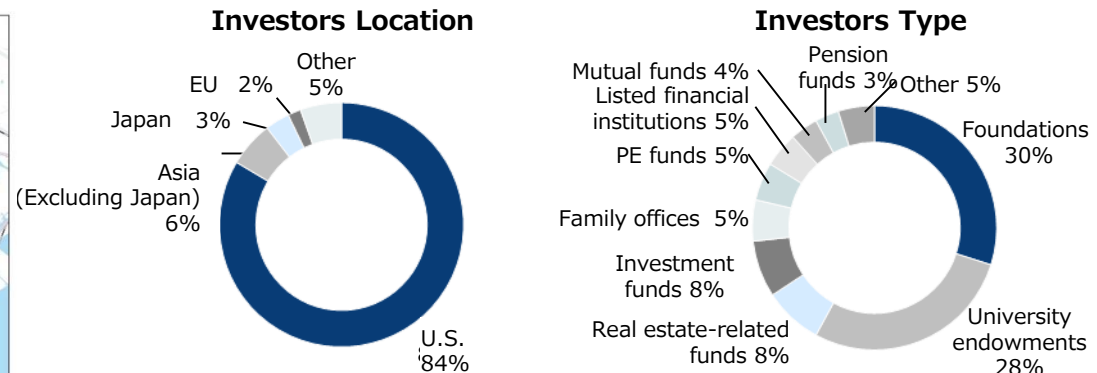
List of Preferential Negotiation Rights



Star Asia Group's Accumulated Investment in real estate and related assets in Japan



Star Asia Group's Blue-Chip Investor Base



Investors	Location	Investment ratio	Total assets under management(trillion yen)
1 A. Endowment fund	U.S.	20.1%	2.2
2 B. Foundation	U.S.	10.2%	2.6
3 C. Foundation	U.S.	7.0%	6.5
4 Real estate-related fund	Asia	5.6%	1.5
5 E. Foundation	U.S.	5.4%	6.2

Post Merger Growth Strategy (3)

Overview of Star Asia Investment Corporation, which is Managed by Star Asia Investment Management

Characteristics and Investment Policy of SAR

Characteristics

1. A Diversified REIT

Portfolio developed with diversified assets located mainly in the Tokyo Area(Note)

2. Steady and Accretive Growth

Pursuit of internal growth by the Asset Manager with abundant experience and know-how as well as external growth based on asset managed performance by the Star Asia Group

3. Initiatives Focusing on Unitholder Value

Constant, "out-of-the-box" active management

(Note)"Tokyo area" refers to Tokyo's 23 wards, Kawasaki city and Yokohama city for office properties and retail facilities, and Tokyo and three prefectures of Kanagawa, Saitama and Chiba for residential properties, logistics facilities and hotels.

Investment Policy



Prioritized, focused investment in the Tokyo area
Investment ratio of 70% of higher in the Tokyo Area



Achieving income stability and growth through diversification of

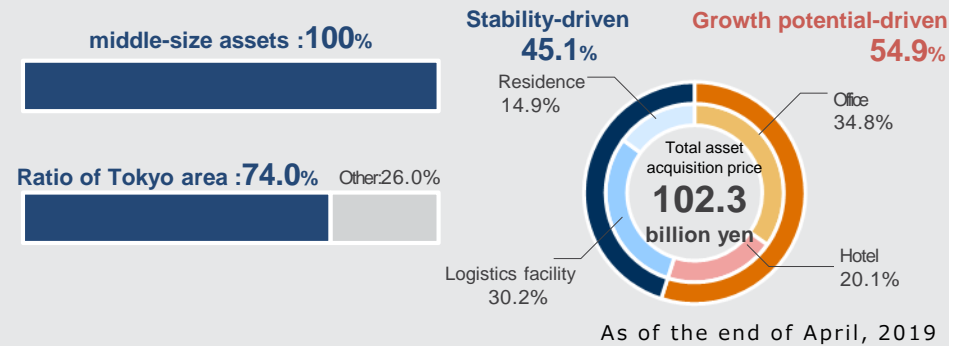


Investment primarily in middle-size assets(Note)

(Note)
"Middle-size assets" refer to real estate, etc. with acquisition price less than 10 billion yen, and "large-size assets" refer to real estate, etc. with acquisition price of 10 billion yen or more.

Investment target area, ratio of asset type and primary asset of SAR

Investment target area and ratio of asset type



Primary Assets of SAR

Office



Honmachibashi Tower

Residence



Urban Park Daikanyama

Logistics facility



Funabashi Logistics

Hotel



Best Western Tokyo Nishikasai Grande



Amusement Media Gakuin Shinkan



Urban Park Azabujuban



Baraki Logistics



Hotel WBF Fukuoka Tenjin Minami

Post Merger Growth Strategy (4)

Star Asia Investment Management will Manage Assets to Maximize Unitholder Value

Star Asia Investment Management is implementing active management by, for example, being the first J-REIT to invest in mezzanine loan debt and replacing assets four times in three years since being listed. We promise that the post-merger REIT will manage assets to maximize unitholder value.

Asset Acquisition History

Assets acquired from Star Asia Group's pipelines

Acquired 28 properties which Star Asia Group initially invested in by utilizing special situation investments and leveraging a wide range of relationships



Honmachibashi Tower



Urban Park Daikanyama



Baraki Logistics



Best Western Tokyo Nishikasai Grande

Total acquisition price
¥91bn
(Ratio of properties acquired from the sponsor: 82.1%)

Assets acquired through the asset manager's own network

Acquired nine properties through the asset manager's own network

Utilized warehousing function



Urban Park Gokokuji



Urban Park Kashiwa



Urban Park Koenji



Higashi-Kobe Center Building

Total acquisition price
¥19.9bn
(Ratio of properties acquired from third parties: 17.9%)

Continued external growth by acquiring properties from Star Asia Group and through Star Asia Investment Management's own network

Mezzanine Loan Debt Investment

Four investments series (Star Asia Mezzanine Loan Debt Investment Series)

Four investments from October 2017 onwards

Series 1

(Underlying asset)
Haneda Hotel Development GK

Series 2

(Underlying asset)
Sasazuka South Building

(Redeemed)

Series 3

(裏付不動産)
The Royal Garden Residence白金台

Series 4

(Underlying asset)
Premier Kaigan Building

Invest in debt by using its own funds to increase profits available for distribution

Increase capital and investment budget through the merger

Asset Replacement

Four asset replacements

Four asset replacements from December 2016 onwards

1st asset replacement

Transfer



Urban Park Yoyogikoen

Acquisition



Urban Park Gokokuji

3rd asset replacement

Transfer



Hakata-eki Higashi 113 Building

Acquisition



Hotel WBF Fukuoka Tenjin Minami

2nd asset replacement

Transfer



Oak Minami-Azabu

Acquisition



Baraki Logistics

4th asset replacement

Transfer



Urban Park Shin-Yokohama

Acquisition



GLANSIT AKIHABARA

Estimated capital gains of ¥2,690mn

Continue to consider asset replacement opportunities to strengthen the portfolio

Star Asia Investment Management will conduct active management to generate and maximize unitholder value for ALL unitholders

Post Merger Growth Strategy (5)

Post Merger External Growth Target

The post-merger REIT will aim to achieve ¥200bn in AUM by leveraging sponsor support from Star Asia Group and Star Asia Investment Management's ability to develop properties
We already strive to acquire properties, which will be resources for future external growth

Properties with preferential negotiation rights owned by SAR at this time



HAKUSAN HOUSE



Nishi-Sugamo Project



Urban Park Mitsuike Koen



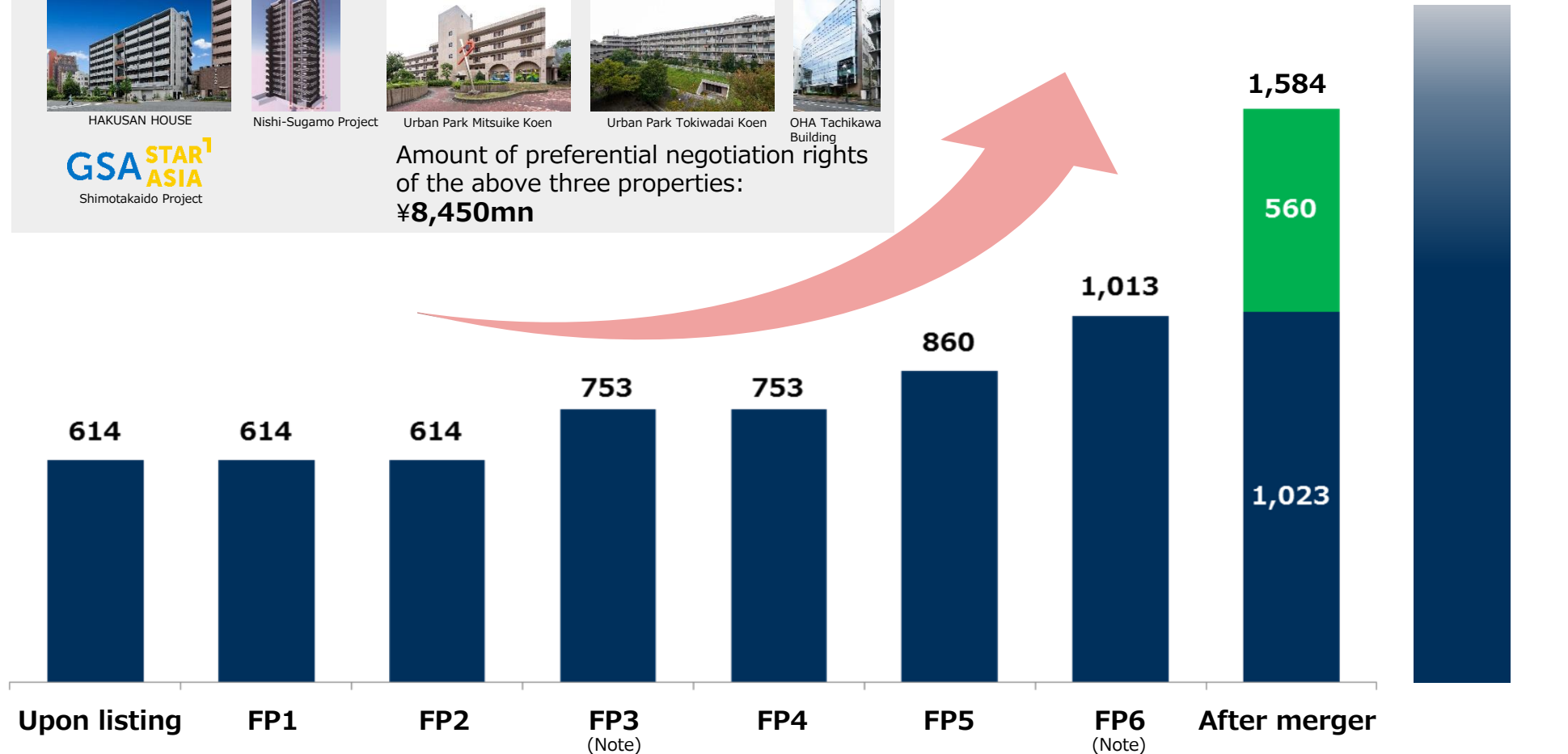
Urban Park Tokiwadai Koen



OHA Tachikawa Building



Amount of preferential negotiation rights of the above three properties:
¥8,450mn



Note: As Oak Minami Azabu (quasi co-ownership 51%) held at the end of FP3 and the Hakata Eki Higashi 113 bldg. (quasi co-ownership 51%) held at the end of FP6 were transferred at the start of the following FPs, they have been removed from the FP-end balances

<Inquiries regarding this material>

Lion Partners GK

■ **Tel: 03-4577-7871**

■ **E-mail: info@starasia-lp.com**

■ **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
- Copying, reprinting or any other use of the contents of this document without prior approval is strictly prohibited. This document includes charts, graphs, data, etc. publicized by third parties. It also includes descriptions related to analysis, judgments and other opinions by Star Asia Group