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Star Asia Announces Preferential Negotiation Rights for the Acquisition of Four Additional Assets

Star Asia Investment Corporation (“SAR”), in order to secure assets for future growth, has entered into agreements for preferential negotiation rights with Star Asia Sogo Kaihatsu Co., Ltd. which is a member of the Sponsor Group (as defined below) as well as with the limited liability companies (*Godo Kaisha*) which belong to the Sponsor Group. The 4 properties include the following: “(Tentative Name) Hakata-ku Hataka-eki Minami 3-Chome Office Project” (office), “URBAN CENTER MIDOSUJI” (office), “Nishi-Ikebukuro 1 Chome Building” (commercial facility), and “Chrysanthemum-ichigao” (residence) (hereinafter, to be individually referred to as the “Relevant Property”, and collectively referred to as “the Four Properties”). Details are as follows.

1. Reason for Signing of the Agreements on Preferential Negotiation Rights

SAR continues to maintain its external growth objective of “asset size of JPY 200 billion by Year 2020” and has expanded its asset size by 1.6 times since commencing operations. SAR has grown from JPY 61.4 billion at the time of listing to JPY 102.3 billion (as of today), as a result of strong support from the Sponsor Group.

SAR has recently newly entered into agreements for preferential negotiation rights with the Sponsor Group (Note1) for the Four Properties (2 office property, 1 commercial facility property, and 1 residential property). SAR believes that this is an additional powerful step forward to secure future external growth and achieving its asset size objective. Furthermore, the acquisition of such properties in the future is expected to improve the stability, diversification as well as the continued growth in profitability of the portfolio.

Furthermore, SAR has already secured preferential negotiation rights for another 6 properties in addition to the Four Properties (1 office property, 3 residential properties, and 2 student accommodation properties). As a result, SAR now holds preferential negotiation rights for a total of 10 properties (the total value of the preferential negotiation prices or appraisal values etc. totals approximately JPY 31.2 billion (Note2)).

SAR will aim to achieve its external growth objective by utilizing the preferential negotiation rights for the 10 properties and by continuing to work closely with Star Asia Group going forward to maximize value for all unitholders.

(Note 1) The Sponsor Group means Star Asia Management Limited, Star Asia Management Japan Limited, Star Asia Asset Management LLC, Star Asia Group LLC, Star Asia Asset Advisors Co., Ltd., Star Asia Sogo Kaihatsu Co. Ltd., KACHIKAIHATSU, Malcolm F. MacLean IV, Taro Masuyama and investment destination of funds (excluding minority investments) for which Malcolm F. MacLean IV and Taro Masuyama make investment decisions (a) that are in Japan and own or acquire investment assets such as real estates or investment vehicles or (b) that own or acquire investment units of SAR / investment vehicles relating with SAR. The same applies below.

(Note 2) For definitions of the preferential negotiation prices etc. and appraisal values etc. and details of the total value,

please refer to section "4. Preferential Negotiation Rights held by SAR" below.

2. Summary of the agreements on preferential negotiation rights with respect to the Four Properties

(1) (Tentative Name) Hakata-ku Hataka-eki Minami 3-Chome Office Project

Counterparty	Star Asia Sogo Kaihatsu Co., Ltd. (Note1)
Major rights given	SAR is given the right to receive information on the sale of the Property ahead of any third party from the counterparty during the below-specified Preferential Negotiation Period. If SAR wishes to acquire the Property, the counterparty is obligated to negotiate with SAR in good faith to agree on basic terms and conditions on the sale.
The Property	(Tentative Name) Hakata-ku Hataka-eki Minami 3-Chome Office Project
Preferential Negotiation Period	From the day on which Agreement is entered into through the corresponding day of the 12th month after the date
Scheduled completion of construction of the Property	September 2020 (Note2)

(Note1) Star Asia Sogo Kaihatsu Co., Ltd. belongs to the Star Asia Group and functions as the sponsors' investment arm for Japanese real estate.

(Note2) Scheduled completion of construction of the property as of this moment, subject to change depending on the progress of the plan.

(2) URBEN CENTER MIDOSUJI

Counterparty	GK RS
Major rights given	SAR is given the right to receive information on the sale of the Property ahead of any third party from the counterparty during the below-specified Preferential Negotiation Period. If SAR wishes to acquire the Property, the counterparty is obligated to negotiate with SAR in good faith to agree on basic terms and conditions on the sale.
The Property	URBEN CENTER MIDOSUJI

(3) Nishi-Ikebukuro 1 Chome Building

Counterparty	GK Contender
Major rights given	SAR is given the right to receive information on the sale of the Property ahead of any third party from the counterparty during the below-specified Preferential Negotiation Period. If SAR wishes to acquire the Property, the counterparty is obligated to negotiate with SAR in good faith to agree on basic terms and conditions on the sale.
The Property	Nishi-Ikebukuro 1 Chome Building
Desired purchase price	3,340,000,000 yen (excluding consumption tax and local consumption tax)

(4) Chrysanthemum-ichigao

Counterparty	Star Asia Sogo Kaihatsu Co., Ltd.
Major rights given	The counterparty is expected to acquire the Relevant Property by the end of March 2020, and in the case where the counterparty commences activities towards sale of the Relevant Party during the below-specified preferential negotiation period, SAR is given the right to receive information regarding the assignment by the counterparty of its status as purchaser under the sale and purchase agreement ahead of any third

	party. If SAR wishes to acquire the Property, the counterparty is obligated to negotiate with SAR in good faith to agree on basic terms and conditions of the sale.
The Property	Chrysantheme-ichigao

- ✓ The date of signing of the agreements on preferential negotiation rights with respect to the Four Properties is today (August 6, 2019), and of such properties, the preferential negotiation period (subject period) for (2) URBAN CENTER MIDOSUJI, (3) Nishi-Ikebukuro 1 Chome Building, and (4) Chrysantheme-ichigao begins from today and ends on the corresponding day which is 12 months from today. The preferential negotiation period (subject period) for (1) (Tentative Name) Hakata-ku Hataka-eki Minami 3-Chome Office Project shall begin on the construction completion date and end on the corresponding day which is 12 months from the construction completion date.
- ✓ When deciding to acquire the Four Properties, it is necessary for Star Asia Investment Management Co., Ltd. to take necessary procedures including conducting due diligence which includes obtaining real-estate appraisals, and SAR has no obligation to acquire the Four Properties.
- ✓ Upon entering into the agreements on preferential negotiation rights, SAR shall not pay any consideration to the counterparties.

3. General Description of the Four Properties

(1) (Tentative Name) Hakata-ku Hataka-eki Minami 3-Chome Office Project

Name of the Property	(Tentative Name) Hakata-ku Hataka-eki Minami 3-Chome Office Project
Address	Minami 3-Chome 6, Hakata-eki, Hakata-ku, Fukuoka-shi, Fukuoka Prefecture (lot number)
Access from nearby train stations	Approximately a 9-minute walk from “Higashi-hie” Station on the Subway Kuko Line Approximately an 11-minute walk from “Hakata” Station on the Sanyo Shinkansen Line
Asset type	Office
Site area	657.42 m ² (Note 1)
Total floor area	3,662.84 m ² (Note 2)
Structure / Number of Stories	Steel-framed structure, 8 floors above ground (Note 2)
Planned completion	September, 2020 (Note 2)
Features	<p>The Relevant Property is an office building located within walking distance from Hakata Station, and a 9-minute walk from “Higashi-hie” station on the Fukuoka City Subway Kuko Line which is 1 station away from Fukuoka Airport.</p> <p>The Hakata area is the center of business within the Kita-Kyushu region, where office demand is tight and there is strong demand for leasing of newly-built offices, and it is anticipated that the Relevant Property will be profitable and competitive in the market.</p> <p>The Relevant Property is situated on a corner lot and faces two roads, and the external walls give a thick and massive impression due to the curtain wall specifications. Furthermore, the rentable area of the standard floor exceeds 100 tsubo, which is very rare, and the building allows for flexible dividing of the floors. Construction is planned to appeal to tenants in a wide range of businesses, targeting both local companies as well as branch offices in the Kyushu area.</p>

(Note 1) Site area is based on the lot plan dated May 8, 2019.

(Note 2) Figures shown are current plans and subject to change until completion.

(2) URBAN CENTER MIDOSUJI

Name of the Property	URBAN CENTER MIDOSUJI
Address	4-3-5 Awaji-cho, Osaka-shi, Osaka Prefecture (residence indication)
Access from nearby train stations	Approximately a 4-minute walk from “Honmachi” Station on the Osaka Metro Midosuji Line, Yotsubashi Line, and Chuo Line. Approximately a 5-minute walk from “Yodoyabashi” Station on the Osaka Metro Midosuji Line and Keihan Main Line.
Asset type	Office
Site area	392.38 m ² (Note)
Total floor area	2,291.40 m ² (Note)
Structure / Number of stories	Steel-framed reinforced concrete (SRC) structure, 11 floors above ground.
Completion	April, 2019
Features	The Relevant Property is an office building located at approximately a 4-minute walk from “Honmachi” Station and approximately a 5-minute walk from “Yodoyabashi” Station on the Osaka Metro lines. Also, the Relevant Property is in a convenient business area, as it can access “Umeda” Station, the largest downtown area in the western Japan region, in approximately 2 minutes, and “Shin-Osaka” Station in approximately 9 minutes by using the Shinkansen bullet train, by changing at “Yodoyabashi” Station. The Relevant Property’s construction was completed in April 2019, and are newly built middle size offices which are rare in the Osaka area. The external walls are made of glass curtain walls which give an open atmosphere inside the offices. It has 2 elevators installed which is rare for a middle size property, and given its high spec facilities such as individual air-conditioning system, security system and OA facilities, it will have high appeal.

(Note) Site area is based on information from the real estate registry.

(3) Nishi-Ikebukuro 1 Chome Building

Name of the Property	Nishi-Ikebukuro 1 Chome Building
Address	1-33-2 Nishi-ikebukuro, Toshima-ku, Tokyo Prefecture (residence indication)
Access from nearby train stations	Approximately a 3-minute walk from “Ikebukuro” station various JR and Tokyo Metro lines.
Asset type	Retail
Site area	264.15 m ² (Note)
Total floor area	1,497.45 m ² (Note)
Structure / Number of stories	Steel-framed reinforced concrete (SRC) structure, flat roof, 2 floors underground plus 8 floors above ground (Note)
Completion	November 20, 1992
Features	The Relevant Property is a commercial building located at approximately a 3-minute walk from “Ikebukuro” Station on the JR lines and Tokyo Metro Lines. “Ikebukuro” Station is a terminal station where 8 train lines cross over, including Tobu Railways and Seibu Railways. Ikebukuro is a complex which has businesses, entertainment, and sightseeing spots for foreigners traveling from abroad, which have generated an extremely busy commercial district. The Relevant Property is located near the west side of the station where a redevelopment project is being planned, and it is an area which is expected to prosper as a commercial area in the future as well.

	The Relevant Property is fully leased to a single-tenant entertainment company, and is expected to bring stability of income.
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(Note) Based on information from the real estate registry.

(4) Chrysantheme-ichigao

Name of the Property	Chrysantheme-ichigao
Address	1170-1 Ichigao-cho, Aoba-ku, Yokohama-shi, Kanagawa Prefecture (residence indication)
Access from nearby train stations	Approximately a 3-minute walk from “Ichigao” Station on the Den-en-toshi Line
Asset type	Residence
Site area	1,758.84 m ² (Note)
Total floor area	5,243.85 m ² (Note)
Structure / Number of stories	Reinforced Concrete (RC) structure, flat roof, 1 floor underground, 8 floors above ground (Note)
Completion	July 10, 1998
Features	<p>The Relevant Property is located approximately a 3-minute walk from “Ichigao” station on the Den-en-toshi Line, and is a family type apartment building consisting of 62 housing units in total, which are mainly 3LDKs. “Ichigao” station has good access to main areas of central Tokyo, as “Shibuya” station is approximately 38 minutes away and also “Otemachi” Station can be accessed in approximately 1 hour due to mutual sharing of tracks with the Hanzomon Line. Surrounding the Relevant Property, there are administrative agencies such as the Aoba Ward Office and public hall, and there are also many parks and pedestrian paths etc., and convenient living facilities are gathered in front of the station, and it is a highly convenient residential area for living.</p> <p>The Relevant Property is a property which has high appeal to families who tend to aspire for residential areas which combine convenience in living and natural environment.</p>

(Note) Based on information from the real estate registry.

4. Preferential Negotiation Rights held by SAR

As of today, SAR has entered into agreements on preferential negotiation rights for acquiring properties, with respect to the following 10 properties in total which include the Four Properties.

No.	Name of the Property	Asset Type	Location	Value Etc.	Completion/Planned completion
1	OHA Building	Office	Tachikawa-shi, Tokyo	Total amount of the preferential negotiation prices etc. 13.6 Billion yen (Note 1)	May 1990
2	Nishi-Ikebukuro 1 Chome Building	Retail	Toshima-ku, Tokyo		November 1992
3	Urban Park Mitsuike Koen	Residential	Yokohama-shi, Kanagawa		March 1992
4	Urban Park Tokiwadai Koen	Residential	Yokohama-shi, Kanagawa		February 1994
5	Chrysantheme-ichigao	Residential	Yokohama-shi, Kanagawa		July 1998

6	HAKUSAN HOUSE	Purpose-built student accommodation	Bunkyo-ku, Tokyo	Total amount of the appraisal values etc. 17.6 Billion yen (Note 2)	February 2018
7	Project Shimotakaido	Purpose-built student accommodation	Suginami-ku, Tokyo		December 2019 (planned)
8	Project Nishi-sugamo	Residential	Kita-ku, Tokyo		April 2020 (planned)
9	(Tentative Name) Hakata-ku Hataka-eki Minami 3-Chome Office Project	Office	Fukuoka-shi, Fukuoka		September 2020 (planned)
10	URBAN CENTER MIDOSUJI	Office	Osaka-shi, Osaka		April 2019

(Note 1) The total amount of the preferential negotiation prices etc. means the total amount of (1) if a preferential negotiation price or desired purchase price is stated in the agreement on preferential negotiation rights, such price, and (2) if not stated, the scheduled purchase price at which Star Asia Group is expecting to purchase the property.

(Note 2) The total amount of the appraisal values etc. means the total amount of (1) if an appraisal value has been obtained, such appraisal value, and (2) if not obtained, the scheduled price at which Star Asia Group is expecting to acquire the property.

5. Future Prospects

Signing of the above-mentioned agreements on preferential negotiation rights are not expected to have any impact on the performance of SAR.

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

* Star Asia Group HP URL: <http://starasiamanagement.com/en/>

* SAR official YouTube channel URL: <https://www.youtube.com/channel/UCYasJn4xrns2fhyZFKMAELw>

This is an English translation of the announcement in Japanese dated August 6, 2019. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

<Annex documents>

Photographs of properties and conceptual drawings

OHA Building



Urban Park Mitsuike Koen



Urban Park Tokiwadai Koen



Chrysanthemum-ichigao



Nishi-Ikebukuro 1 Chome Building



HAKUSAN HOUSE



Project Shimotakaido



Project Nishi-sugamo (Note)



(Tentative Name) Hakata-ku Hataka-eki
Minami 3-Chome Office Project



URBAN CENTER MIDOSUJI



(Note) Project Nishi-sugamo is the building surrounded by a red dotted line in the image above, however, it is conceptual drawing by the other operator in the project and may differ from actual interior after completion.