October 25, 2017

For Immediate Release

Real Estate Investment Trust Securities Issuer
Star Asia Investment Corporation
Representative: Atsushi Kato, Executive Director
(Code: 3468)

Asset Management Company
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Notice Concerning Acquisition of Mezzanine Loan Debt (Subordinate Bonds)

Star Asia Investment Corporation ("SAR") announces that Star Asia Investment Management Co., Ltd. (the "Asset Manager"), to which SAR entrusts the management of its assets, has decided today on the acquisition (the "Acquisition") of subordinate bonds (the "Subordinate Bonds") issued by Haneda Hotel Development GK (the "GK") for the purpose of acquiring the real estate beneficiary interests in trust mainly comprised of HOTEL RELIEF Premium Haneda as trust asset (the "Underlying Asset"). Details are as follows.

1. Significance of the Acquisition

In the belief that investment in mezzanine loan debt is an effective method to maximize unitholder value based on the reasons below, SAR has been in search of suitable investment targets.

Investments in mezzanine loan debt:

1. Attractive investment alternative when real estate equity prices are expensive;
2. Increased revenue due to higher after-amortization yields of real estate portfolios;
3. Serves as an effective investment using current cash on hand (cash and deposits) for accretion;
4. Are judged most likely to assure repayment of principal and interest so typically considered lower risk than investment in real estate equity.

This investment in mezzanine loan debt, which is the first such case by a listed real estate investment corporation (i.e. the acquisition of Subordinate Bonds), utilizes the cash on hand of SAR. As this is likely to contribute to the improvement of portfolio earnings, it is believed this is an investment that seeks maximization of unitholder value and embodies the posture of SAR towards asset management that is "discussing various measures to maximize unitholder value by defying stereotypes and implementing said measures."

When SAR invests in mezzanine loan debt, selected cases are those in which repayment of principal and interest of the mezzanine loan debt is very certain to be executed, and also of which the underlying assets (real estate, etc.) satisfy the investment criteria of SAR (Note 1). Furthermore, SAR requires that the amount of funds procured through loans, including debt with higher repayment priority such as senior loan debt, is 85% or less of the appraisal value obtained by SAR regarding the underlying real estate, etc. The Asset Manager has judged that the Subordinate Bonds nearly satisfy all of these requirements.

Stance of SAR towards mezzanine loan debt investment (investment criteria)

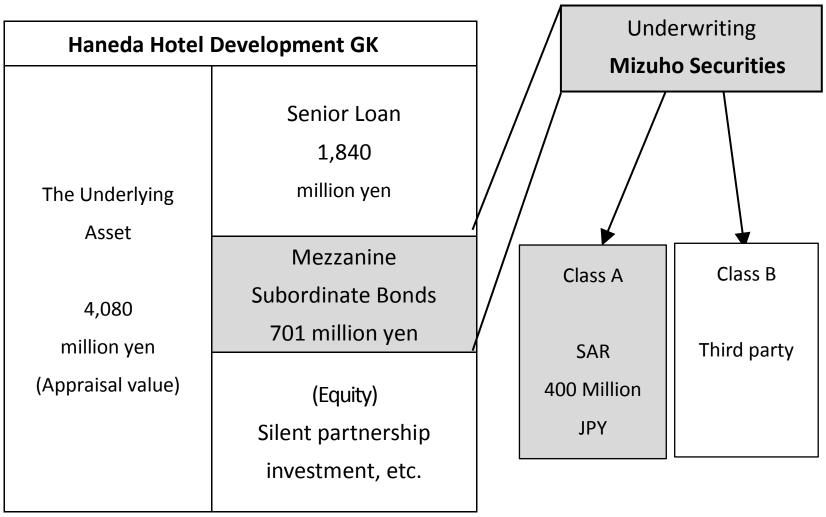
Investment balance	Investment balance after investment in debts such as mezzanine loans is 5% or less of total assets at the end of the immediately preceding fiscal period. (However, if total assets drastically fluctuate due to property acquisition/disposition during the fiscal period, the matter shall be discussed separately.)
Collateral or underlying assets	Real estate, etc. as underlying assets shall satisfy the investment criteria (location, asset type, price, etc.) of SAR (Note 1).
Maximum LTV (Note 2)	85%
Period	Over 3 years, in principle
Interest rate	4% or higher, in principle

(Note 1) For details of the investment criteria of SAR for real estate, etc., please refer to Attachment 2 at the end of this press release.

(Note 2) LTV is calculated using the amount including mezzanine loan debt which SAR considers as an investment target and its senior debt as the numerator; and the appraisal value stated in the appraisal report SAR has obtained regarding the underlying asset as the denominator.

2. Overview of the Acquisition

(1) Planned acquisition asset	Subordinate Bonds (400,000,000 yen of total issued amount 701,000,000 yen)
(2) Name of asset to be acquired	Star Asia Mezzanine Loan Debt Investment Series 1
(3) Underlying Asset	Real estate beneficiary interests in trust mainly comprised of HOTEL RELIEF Premium Haneda as trust asset (Note 1)
(4) Trustee of Underlying Asset	Mitsubishi UFJ Trust and Banking Corporation
(5) Trust period of Underlying Asset	From October 31, 2017 to October 31, 2027
(6) Amount of Subordinate Bonds to be acquired	Total: 400,000,000 yen
(7) Issue price of Subordinate Bonds	400,000,000 yen 100 yen per 100 yen of face amount of each Subordinate Bond
(8) Expected interest rate (Note 2)	Base rate (Note 3) +5.0%
(9) LTV	Approximately 62.3% (Note 4) * The appraisal value of the Underlying Asset, which is used as the denominator for calculating LTV, is 4,080 million yen.
(10) Contract date of Subordinate Bonds transfer agreement	October 25, 2017
(11) Planned acquisition date of Subordinate Bonds	October 31, 2017
(12) Interest payment date for Subordinate Bonds	Last day of February, May, August and November (Four times a year) (The first Interest payment date is November 30, 2017.)
(13) Final redemption date	October 31, 2023
(14) Acquisition financing	Cash on hand
(15) Settlement method	Lump-sum settlement upon acquisition of Subordinate Bonds
(16) Seller	Mizuho Securities Co., Ltd. (“Mizuho Securities”)

<table>
<tr><td>(17) Overview of Subordinate Bonds structure</td><td colspan="2">

1. Mizuho Securities shall underwrite the entire amount of Subordinate Bonds on October 31, 2017.
2. The GK shall acquire the real estate beneficiary interests in trust mainly comprised of HOTEL RELIEF Premium Haneda as trust asset using the payment for senior loans and the Subordinate Bonds on the same day.
3. SAR shall pay the entire amount of issued price of Subordinate bonds on the same day and acquire them from Mizuho Securities.
* Between the bondholders, the will of SAR shall take precedence since SAR holds the majority. There is no priority subordinate relationship between bondholders, and bondholders are treated equally in redemption and interest payment.
* The Subordinate Bonds are subordinated to senior loans in terms of interest payment and redemption of principal. On the other hand, interest payment and redemption of principal to Subordinate Bonds are prioritized over those for “equity,” in principle. Particularly with redemption of principal, even when the value of underlying assets falls, “equity” is the first to incur loss, and after all “equities” have incurred loss, then the Subordinate Bonds incur loss.</td></tr>
<tr><td rowspan="3">(18) Relationship between SAR/the Asset Manager and the GK

*Based on information as of October 25, 2017.</td><td>Capital relationship</td><td>There is no capital relationship to report between SAR/the Asset Manager and the GK.</td></tr>
<tr><td>Personnel relationship</td><td>There is no personnel relationship to report between SAR/the Asset Manager and the GK. Furthermore, there is no personnel relationship to report between associated persons and associated companies of SAR/the Asset Manager and associated persons and associated companies of the GK.</td></tr>
<tr><td>Business relationship</td><td>There is no business relationship to report between SAR/the Asset Manager and the GK. Furthermore, there is no business relationship to report between associated persons and associated companies of SAR/the Asset Manager and associated persons and associated</td></tr>
</table>

		companies of the GK.
	Related party status	There is no related party status to report between SAR/the Asset Manager and the GK.

(Note 1) For overview of the Underlying Asset, please refer to 3. Reason for the Acquisition <Overview of the Underlying Asset>.

(Note 2) SAR is scheduled to receive an up-front fee upon the acquisition of the Subordinate Bonds separately from the scheduled interest. The up-front fee will be offset with the acquisition expenses, etc. and the remaining amount, if any, will be recorded as revenue.

(Note 3) Base rate is JBA 3 month JPY TIBOR. The Japanese yen TIBOR by JBA can be confirmed on the website of the JBA TIBOR Administration (http://www.jbatibor.or.jp/english/rate/).

(Note 4) The figure indicates the ratio of (a) amount procured from the GK's loans (Subordinate Bonds and non-recourse loan) through a loan claim (non-recourse loan) to the subordinate beneficiary interests to (b) the appraisal value indicated in the appraisal report obtained by SAR regarding the Underlying Asset upon acquisition of the Subordinate Bonds, rounded off to one decimal place.

3. Reason for the Acquisition

The Acquisition can expect to boost distributable profits since the acquisition will be conducted with SAR's cash on hand, allowing SAR to receive interest income (expected return: more than 5%) from effective use of own funds. Judging that investment in mezzanine loan debt, such as the Acquisition, realizes diversification of investment targets and contributes to maximization of unitholder value, Asset Manager has decided on the Acquisition.

The Asset Manager recognized the following points upon deciding the acquisition of the Subordinate Bonds.

① As planned interest rate of the Subordinate Bonds is more than 5% (please refer to 2. Overview of the Acquisition above.), securement of profits that surpass the after-amortization yield of real estate portfolio can be expected.

② The certainty of interest payment for the loan claim of the trust asset of the Subordinate Bonds is assessed to be high since its rent income indicates not only stability but also growth potential as shown in the evaluation of the Underlying Asset below.

③ The appraisal value of the Underlying Asset SAR has acquired is 4,080 million yen, and LTV against the amount of the Subordinate Bonds and senior debts (approximately 2,539.8 million yen) calculated based on this figure is 62.3%. Therefore, risk of loss while holding the Subordinate Bonds is judged to be low.

④ The Underlying Asset is a hotel that falls under the category of "middle-sized assets in the Tokyo area (Note)" defined by SAR and is believed to have strong demand. In addition, since the loan can be redeemed at 62.3% of the appraisal value as explained in ① above, the certainty of redemption of the Subordinate Bonds through sale of the Underlying Asset or refinancing is judged to be high.

(Note) For the definition of "middle-sized assets in the Tokyo area," please refer to Attachment 2 at the end. The same applies hereinafter.

Overview of Underlying Asset and evaluation of Underlying Asset by the Asset Manager are as follows.

< Overview of Underlying Asset>

Property name	HOTEL RELIEF Premium Haneda
Type of specified asset	Real estate beneficiary interest in trust
Planned buyer	Haneda Hotel Development GK
Location	1-25-2 Minamikamata, Ota-ku, Tokyo
Use (Note 1)	Hotel
Structure (Note 2)	Reinforced concrete structure with 12 floors

Area	Land (Note 3)	Approximately 691m^2
	Building (Total floor area) (Note 4)	Approximately 2,874m^2
Type of ownership (Note 5)	Land	Proprietary ownership (beneficiary interest in trust)
	Building	Proprietary ownership (beneficiary interest in trust)
Construction completion		September 2017
Earthquake PML		4.9% (Inspection body undisclosed)
Appraisal obtained by SAR (Note 6)	Appraisal value	4,080 million yen
	Appraisal NOI (Note 7)	181,468,086 yen
	Appraisal date	October 31, 2017
	Appraiser	Japan Valuers Co., Ltd.
Total number of end tenants		1
Occupancy rate		100.0%
Special notation		Not applicable.

(Note 1) ”Use” indicates the use stated in the real estate registry.

(Note 2) ”Structure” indicates the structure stated in the real estate registry of the building.

(Note 3) ”Land” is the entire land area of HOTEL RELIEF Premium Haneda stated in the real estate registry (rounded off to the nearest whole number).

(Note 4) “Building (Total floor area)” is the total floor area of HOTEL RELIEF Premium Haneda building stated in the real estate registry (rounded off to the nearest whole number).

(Note 5) “Type of ownership” is the type of right held by the trustee of HOTEL RELIEF Premium Haneda.

(Note 6) Items other than the indicated above that are stated in the appraisal report SAR has obtained are not disclosed as consent has not been obtained from the planned buyer of the Underlying Asset.

(Note 7) ”Appraisal NOI” indicates the amount of net operating income (NOI) obtained through direct capitalization method, stated in the real estate appraisal report.

< Evaluation of the Underlying Asset by the Asset Manager >

(1) Location

The underlying asset is a business hotel located approximately a 5-minute walk from Keikyu Kamata Station on the Keikyu Line and approximately a 15-minute walk from Kamata Station on the JR Keihin Tohoku Line. The Kamata area where the property stands features medium- to small-sized office buildings with shops centering on Kampachi-dori Street and a residential area concentrated behind the office buildings. Recently, several business hotels similar to the underlying asset have been constructed mainly in the area surrounding Keikyu Kamata Station.

The property provides good transport convenience in offering access to the main business areas in Tokyo in about 20 to 30 minutes as well as access to Tokyo International Airport in about 10 minutes, and thus has a strong appeal to both business and leisure guests.

Operation of a free shuttle bus responding to early morning flights at Tokyo International Airport is also planned to provide highly convenient services to all customer groups using the airport (including passengers as well as airport staff).

(2) Hotel features

The hotel has a total of 120 rooms, comprised of 42 single rooms (approx. 14.1 to 14.2m^2), 11 double rooms (approx. 15.4m^2) and 67 twin rooms (approx. 16.2 to 28.2m^2), and provides multi-language tablets in all rooms to accommodate all types of business and leisure guests.

In addition, with the aim to increase the ratio of female guests, the hotel offers female-friendly content (placing organic cosmetic amenities/aroma oils and eco-friendly down quilts in collaboration with famous apparel brands, renting jogging and yoga wear, preparing breakfast using organic vegetables, gluten-free ingredients and other healthy food, etc.) to further strengthen its appeal.

(3) Tenants

Felice Co., Ltd. (“Felice”), the tenant-cum-operator of the underlying asset, has been operating four hotels across Japan and plans to open new hotels in Akasaka, Tokyo and Shinsaibashi, Osaka in 2018 and onward.

Furthermore, with investment from Central Group, one of the largest conglomerates in Thailand, Felice also engages in operation of café restaurants, hotel consulting, etc. in addition to hotel operation.

In regard to the underlying asset, Felice will also conduct highly competitive hotel operation, differentiating itself from other hotels by bringing forth in particular the female-friendly concept while taking in both business and leisure guest demand in a balanced manner through full utilization of accumulated hotel operation know-how.

4. Seller profile

Name	Mizuho Securities Co., Ltd.
Location	Otemachi First Square, 1-5-1 Otemachi, Chiyoda-ku, Tokyo
Representative	Tatsufumi Sakai, President & CEO
Main business description	(1) Purchase/sale of securities, market derivative transactions, foreign market derivative transactions (2) Brokerage, agent, proxy for purchase/sale of securities, market derivative transactions, foreign market derivative transactions (3) Brokerage, agent, proxy for consignment of purchase/sale of securities in financial instruments exchange market/foreign financial instruments market; or brokerage, agent, proxy for market derivative transactions or foreign market derivative transactions in in financial instruments exchange market/foreign financial instruments market (4) Over-the-counter derivative transactions; or brokerage, agent, proxy for over-the-counter derivative transactions (5) Brokerage for clearing of securities, etc. (6) Underwriting of securities (7) Offering or private offering of securities (8) Secondary offering of securities (9) Handling of offering or secondary offering of securities; or handling of private offering (10) Investment advisory/agency services (11) Investment management (12) Moneylending (13) Life insurance agent business (14) Banking agency services (15) In addition to the previous items, any business in which securities companies are permitted to engage under the Financial Instruments and Exchange Act and other law. (16) Any and all businesses incidental or related to each of the above.
Capital	125.1 billion yen
Established	July 1917
Net assets	878,896 million yen
Total assets	14,140,151 million yen
Major shareholders and shareholding ratio	Mizuho Financial Group Inc.: 95.80%
Relationship with SAR or the Asset Manager	
Capital relationship	There is no capital relationship to report.
Personnel relationship	There is no personnel relationship to report.
Business relationship	The seller is a securities company underwriting public offering of SAR conducted on April 6, 2017. Besides this, there is no business relation to report.
Related party status	The seller does not fall under the category of related party.

(Note) The above is based on information as of June 30, 2017.
However, the information on Major shareholders and shareholding ratio is based on information as of March 31, 2017.

5. Transaction with interested person, etc.

The acquisition of the Subordinate Bonds is not a transaction with an interested person, etc. under the Act on Investment Trusts and Investment Corporations Act No. 198 of 1951） or interested person, etc. defined in the “Rules on Transactions with Interested Parties” set forth by the Asset Manager.

6. Schedule for the transaction

Decision date of the Acquisition	October 25, 2017
Contract date of the Subordinate Bonds transfer agreement	October 25, 2017
Planned acquisition date of the Subordinate Bonds	October 31, 2017

7. Settlement method

The Acquisition is planned to be settled through lump-sum payment of the acquisition price on the planned acquisition date.

8. Future outlook

Since the impact on the forecast for operating results for the 4th fiscal period ending January 31, 2018 (August 1, 2017 to January 31, 2018) and the 5th fiscal period ending July 31, 2018 (February 1, 2018 to July 31, 2018) announced on September 13, 2017 is minimal, there is no change to the forecast.

* Star Asia Investment Corporation website address: http://starasia-reit.com/en/

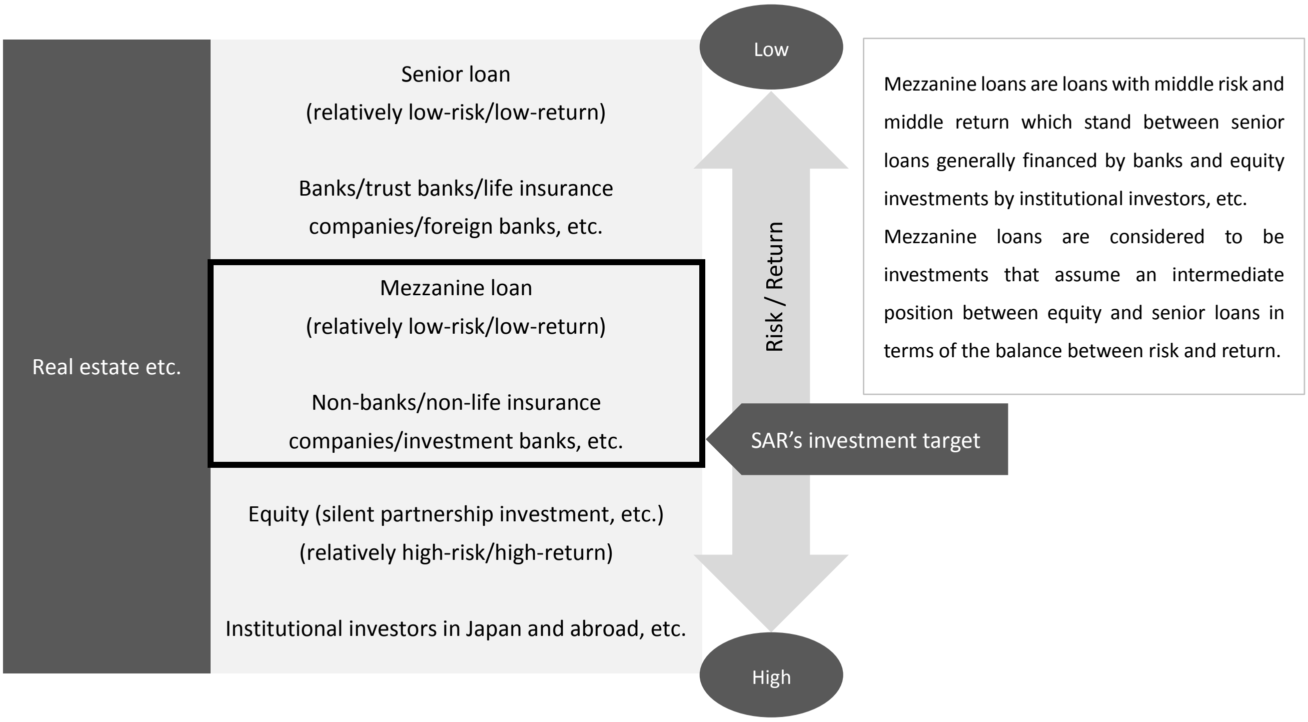
Attachment 1

【About investment in mezzanine loan debt】

<What are mezzanine loans?>

When real estate is liquidated using a special purpose company (the “SPC”), the SPC will generally procure funds for acquisition of real estate, etc. through silent partnership investment and other capital-like funds (equity) as well as through liabilities-like funds (debt) such as loans and issuance of corporate bonds. As a mean of procurement for liabilities-like funds, in addition to loans issued by banks and other financial institutions, there are cases where loans that have been subordinated in repayment priority, etc. are executed by non-banks, non-life insurance companies, investment banks, etc. Loans that have been subordinated in repayment priority, etc. explained above are referred to as mezzanine loans, and loans prioritized over mezzanine loans are called senior loans. In exchange for being subordinated to senior loans in repayment priority, etc., mezzanine loans are provided with higher interest rates than senior loans. Therefore, when principal is repaid as scheduled, mezzanine loans can generate higher revenue compared with senior loans. On the contrary, when the entire amount of principal of senior loans or mezzanine loans has not been repaid due to reasons such as a decrease in revenue from collateral or underlying real estate, etc., and a drop in the price of real estate, etc., payments for senior loans will be prioritized and as a result, payment for principal and interest of mezzanine loans will not be undertaken as scheduled. However, since payment for mezzanine loans is prioritized over payment for equity in principle, even when the price of real estate, etc. falls, principal of equity will incur loss first and the principal of mezzanine loans will not incur loss until all equities have incurred loss. Therefore, mezzanine loans are considered to be safer than equity.

As explained above, repayment for mezzanine loans is subordinated to that for senior loans. Therefore, if the senior loans creditor is allowed to immediately foreclose when the SPC does not make repayment for senior loans or mezzanine loans on the planned repayment date or loses the benefit of time for senior loans or mezzanine loans, the senior loans creditor will prioritize collection of its own claims. Since such may result in loss to mezzanine loans, in case of said event, a mezzanine loans creditor is generally granted with, for a set period of time thereafter, authority to instruct the SPC to sell the real estate for a price (or higher) that enables repayment of the entire amount of senior loans, or authority to purchase senior loans debt.



<Method of investing in mezzanine loan debt and risk management>

When SAR invests in mezzanine loan debt, the following are the most common cases in which SAR is assumed to incur loss; (a) the property is sold for a price less than the sum total of the amount of debt prioritized over mezzanine loan debt, such as senior loan debt, etc. (the "Amount of Senior Loans") and the amount of mezzanine loan debt (Note), and (b) SAR acquires the property for such a price. (In addition, SAR could incur loss when the price of real estate, etc. underlying the mezzanine loan debt falls and recording of allowance for doubtful accounts becomes necessary at period-end valuation.) Upon investing in mezzanine loan debt, SAR sets the maximum amount procured through loans, including the Amount of Senior Loans, at 85% of the appraisal value SAR obtains regarding the underlying real estate, etc. to avoid, to a certain degree, the aforementioned risk of the property price falling. Furthermore, in order to prevent loss from mezzanine loan debt investment to the best extent possible, SAR in general employs the following means for managing risk. In the following explanation, it is assumed that SAR is holding mezzanine loan debt while the SPC is holding real estate, etc. and the acquisition funds for real estate, etc. have been procured through a senior loan, mezzanine loan and equity.

(Note) Normally, the sales period initiated by a senior loan creditor is set to occur after the sales period initiated by a mezzanine loan creditor. During the mezzanine loan sales period, the mezzanine loan creditor will try to sell for a price that enables repayment of both the senior loan and the mezzanine loan, and if the period ends without success, the senior loan creditor assumes the sales activities. In such as case, it is possible that the sale may be concluded for a price at which the senior loan may be repaid in part or in full, albeit insufficient for repayment of the full amount of the mezzanine loan.

(I) Basic scenario

When the SPC has been able to sell the real estate, etc. for a price equal to/higher than the sum total of the Amount of Senior Loans and the amount of mezzanine loans before the planned repayment date for the senior loan debt and mezzanine loan debt, or able to refinance with an amount equal to/higher than the said amount, the principal and interest of the senior loans and the mezzanine loans will be repaid. In such case, the principal and interest to be paid for the mezzanine loan debt will be repaid in full to SAR, the mezzanine loan debt creditor.

(II) Risk scenario

When the SPC does not make repayment for senior loans or mezzanine loans on the planned repayment date, or loses the benefit of time for senior loans or mezzanine loans, SAR will choose an action from among the following measures.

(i) In cases with real estate liquidation, the planned repayment date may be set to roughly one to two years before the final repayment date of senior loans and mezzanine loans. The asset management company entrusted with asset management by SPCs, equity investors, mezzanine loan debt creditors, senior loan debt creditors, etc. carry out sales activities for the real estate, etc. held by the SPC during the period from the planned repayment date to the final repayment date. The authority to sell the real estate, etc. is generally granted in order of decreasing subordination in repayment priority. SAR shall consider repayment of senior loans and collection of mezzanine loans by seeking a buyer for the underlying real estate, etc. and having the SPC sell to the willing buyer within the period in which SAR, the mezzanine loan debt creditor, is granted the authority to sell the property. When the buyer purchases the real estate, etc. for a price equal to/higher than the sum total of the amount of senior loan debt and other debts which are prioritized over mezzanine loans and the amount of mezzanine loan debt, the principal and interest to be paid for the mezzanine loan debt will be repaid in full to SAR, the mezzanine loan debt creditor.

(ii) When the purchase price of the underlying real estate, etc. is below the total sum of the amount of senior loans and mezzanine loan debt in (i) above, SAR will not be able to receive the repayment for the principal and interest of mezzanine loan debt in full if SAR has the SPC sell the real estate, etc. In such case, SAR shall consider preventing finalization of loss on mezzanine loan debt in preventing senior loan creditors from disposing the real estate, etc. through foreclosure on the subject real estate or other means by refinancing senior loans or purchasing senior loan debt before the period in which the mezzanine loan debt creditor is granted the authority to sell the real estate, etc. ends and the senior loan debt creditor gains the authority for disposition through foreclosure for the subject real estate or other means. When considering this action, it is essential that SAR has the capability to procure funds to purchase the senior loan debt. SAR sets the upper limit of LTV (interest-bearing liabilities as a percentage of total assets) at 60% and abides by the policy not to, in principle, execute debt financing beyond said limit. Therefore, when investing in mezzanine loan debt, SAR shall consider having the SPC continue with management by keeping LTV at a lower level, and if a commitment line has been set, by executing debt financing as necessary through application of the commitment line as well.

(iii) SAR shall consider preventing finalization of loss on mezzanine loan debt by preventing senior loan creditors from disposing the real estate, etc. through foreclosure on the subject real estate or other means, by refinancing senior loans. This will be executed through SAR becoming an equity investor by shifting the amount of mezzanine loan debt to silent partnership investment (SAR will invest in the SPC through silent partnership, etc. and the SPC repays mezzanine loans using the funds). However, if investment by SAR exceeds 50% of silent partnership investment, joint investment with the sponsor group will be presupposed as such will not meet conduit requirements in tax treatment.

(iv) SAR shall acquire the underlying real estate, etc. from the SPC, and the SPC will repay senior loans using the proceeds. As is with (ii) above, SAR's capability to procure funds for acquiring the real estate, etc. will be crucial. Therefore, when investing in mezzanine loan debt, SAR will keep LTV at a lower level and consider setting a commitment line as is with the case in (ii) above.

<Major risks of mezzanine loan investment>

(a) Risk related to mezzanine loan structure

In general, risk of default for mezzanine loan debt is higher than that for senior loan debt since mezzanine loan debt is subordinated to senior loan debt in repayment priority while a higher interest rate is provided.

(b) Risk of real estate price falling

In general, the mezzanine loan takes a form of non-recourse loan in which the SPC is financed and only the underlying real estate, etc. and revenue from the underlying real estate, etc. serves as allowance. Therefore, when foreclosure, etc. are executed as a result of debt default by the SPC, part of/the entire principal and interest of mezzanine loan debt may not be repaid if the price of the underlying real estate, etc. falls below the amount invested by equity investors and the proceeds from the sale, if sold, does not reach the total amount of principal and interest of senior loan debt and mezzanine loan debt and other expenses payable by the SPC.

(c) Risk related to underlying real estate, etc.

The sources for payment of interest and principal of mezzanine loan debt are rent and other revenues from the underlying real estate, etc. as well as proceeds from the sale of the real estate, etc. Therefore, when rent revenue, etc. from the real estate, etc. declines due to a decrease in the occupancy rate and such, or risks such as liquidity of the real estate are exposed, such may adversely affect the payment for principal and interest of mezzanine loan debt.

(d) Liquidity risk

Mezzanine loans have lower liquidity compared with stocks and other securities that are traded at the established secondary market such as a financial instruments exchange, and thus transfer to a third party at the timing and price SAR regards appropriate may be difficult. Furthermore, even if a transfer is executed, SAR may have no choice but to execute such transfer at a price lower than what it considers appropriate.

(e) Risk of SPC

Related agreements concluded by the SPC generally includes non-recourse loan covenant and provisions concerning limited covenant of right to file compulsory seizure and right to file bankruptcy proceedings. However, there seems no definite preceding court cases judging whether these covenants will be acknowledged as agreements that would be valid in the execution proceedings or bankruptcy proceedings, as provided in the covenants. Therefore, if validity of these covenants is denied in actual execution proceedings or bankruptcy proceedings for the SPC, execution proceedings or bankruptcy proceedings for the SPC may be conducted in a manner not intended by the related agreements, and thus may adversely affect the execution of right by mezzanine loan debt creditors.

(f) Risk of delisting

If mezzanine loan debt exceeds 5% of total assets at the end of each calculation period and the figure does not improve to 5% or less within one year, delisting is possible since such circumstance fall under the delisting criteria specified the rules of Tokyo Stock Exchange.

STARASIA Investment Corporation

Attachment 2

[Investment criteria for real estate, etc.]

Main investment criteria of SAR for real estate, etc. are as follows.

Use: Office, retail, residential, logistics facility and hotel

Investment target areas:

Area category	Asset type (Use)	Target area
Tokyo Area	Office, retail facility	Greater Tokyo, Kawasaki-shi and Yokohama-shi
	Residence, logistics facility and hotel	Tokyo, Kanagawa, Saitama and Chiba
Osaka Area	All asset types	Osaka-shi, Osaka (Note 1)
Nagoya Area		Nagoya-shi, Aichi (Note 2)
Fukuoka Area		Fukuoka-shi, Fukuoka (Note 3)
Sapporo Area		Sapporo-shi, Hokkaido
Other government-designated cities		Sendai-shi, Miyagi Niigata-shi, Niigata Kyoto-shi, Kyoto Sakai-shi, Osaka Kobe-shi, Hyogo Hiroshima-shi, Hiroshima Kitakyushu-shi, Fukuoka

(Note 1) This includes neighboring areas of Osaka-shi, Osaka for residential and logistics facilities.

(Note 2) This includes neighboring areas of Nagoya-shi, Aichi for residential and logistics facilities.

(Note 3) This includes neighboring areas of Fukuoka-shi, Fukuoka for residential and logistics facilities.

Price: Middle-sized assets (under 10 billion yen) will be the main investment target.

In mezzanine loan debt investment, however, not the transaction price of the underlying asset but the total amount of mezzanine loan debt and its senior debt which are SAR's investment target will be considered as "price (standard)."