

Securities Code 3468



Sixth Asset Replacement

Acquisition: Urban Park Tokiwadai Koen (Residence) / Disposition: Suroy Mall Nagamine (Retail)

Supplementary Explanatory Material
Regarding October 5, 2020 Press Release

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Real Estate Investment Trust Securities Issuer

Star Asia Investment Corporation

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Execution of 6th Asset Replacement

- Early realization of the post-merger portfolio strategy to “sell suburban-type commercial/retail facilities”.
- Aim to strengthen the portfolio and maximize unitholders' value through continued implementation of active management.
- The transfer is expected to generate a loss-on-sale for tax purposes, and consequently a part of the accounting gain-on-sale is expected to be retained as internal reserve.

Asset to be acquired

<Urban Park Tokiwadai Koen>



| | |
|---------------------------|-----------------------|
| Planned acquisition price | JPY 3,506 mm |
| Appraised value | JPY 3,770 mm (note 1) |
| Appraised cap rate | 5.6 % (note 2) |
| Age | 26.5 years (note 3) |

- ✓ Use of Preferential Negotiation Rights
- ✓ In 2016, the common-use area and exclusive areas have been fully renovated, and the property is highly competitive.
- ✓ In the surrounding area, there is a leafy park and the Yokohama National University campus, and together with the 3LDK layout for all units, the property is highly appealing to families (in particular households rearing children).

Asset to be Transferred

<Suroy Mall Nagamine>



| | |
|--------------------|-----------------------|
| Planned sale price | JPY 3,500 mm |
| Appraised value | JPY 3,450 mm (note 1) |
| Appraised cap rate | 5.8 % (note 2) |
| Age | 13.1 years (note 3) |

- ✓ It is likely that the number of brick-and-mortar stores may decrease in the mid- to long-term due to a reduction in population in trade zones, and due to the advance of e-commerce.
- ✓ Find buyer candidates by utilizing the broad network of Star Asia Investment Management Co., and achieve a sale above the appraisal value (SAR's acceptance price).

The Approach to this Asset Replacement

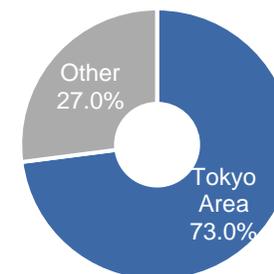
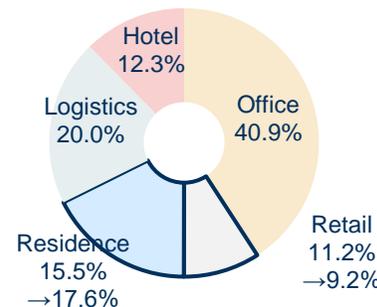
- From a macro perspective, concerning suburban-type commercial/retail facilities in rural areas, there is a concern regarding maintaining of asset value.
- Even under COVID-19, occupancy rates of family-type residences in the large metropolitan area have been maintained at high levels and revenues are stable.

Implementation policy for Asset Replacement

- 1.Future revenue contribution of the assets to be replaced (strengthen SAR's portfolio)
- 2.Real Estate Market Conditions by Asset Type
- 3.Level of the investment unit price of SAR

※please refer to “Supplementary Material Concerning Acquisition and Transfer (Asset Replacement) of Real Estate Beneficiary Interests in Trust” announced on July 23, 2018

<The Portfolio after the 6th Asset Replacement>



- The ratio of residence which is believed to be a defensive asset type to increase.

Residence: 15.5% → 17.6%
Retail: 11.2% → 9.2%

- The ratio of the Tokyo metropolitan area to increase due to sale of the commercial retail facility in the rural area and purchase of residence in the Tokyo metropolitan area.:
70.4% → 73.0%

※The above stated ratio has been calculated based on the asset size of JPY166.5 billion (purchase price basis) after execution of the 6th asset replacement and the sale of 60% quasi-co-ownership interest in Alphabet Seven.

(Note 1) The appraisal value states the appraisal value as of September 1, 2020 (for Urban Park Tokiwadai Koen) and as of July 31, 2020 (for Suroy Mall Nagamine) as stated in the appraisal reports obtained by SAR. (Note 2) Appraisal NOI Yield is calculated by dividing the Net Operating Income (NOI) stated in each appraisal report by the expected acquisition price with respect to assets expected to be acquired, and by the expected assignment price with respect to assets expected to be assigned, respectively. (Note 3) For the years since completion, the number of years lapsed as of July 31, 2020 from construction completion is stated.

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