

August 21, 2018

For Immediate Release

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

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Notice Concerning Execution of Agreements on Preferential Negotiation Rights  
to secure Acquisition Pipeline for Future Growth

Star Asia Investment Corporation (“SAR”) announces that in order to secure a sufficient pipeline for future growth, it executed agreements on preferential negotiation rights (the “Agreement”) today for ① the Project Shimotakaido (the second development project of GSA Star Asia K.K, (Note 1) (“GSA Star Asia”)), a purpose-built student accommodation currently under development by GSA Star Asia, ② Kita-ku Takinogawa 3-Chome Mansion Keikaku a.k.a. Project Nishi-sugamo (the first development project of Star Asia Sogo Kaihatsu Co., Ltd. (Note 2) (“SASK”)), a housing complex developed by SASK, and ③ Amusement Media Gakuin Shinkan, an office asset invested by Star Asia Special Situation Fund (Note 3) (individually referred to as the “Property” and collectively referred to as the “3 Properties”), as described below.

SAR’s asset manager, Star Asia Investment Management Co., Ltd. (the “Asset Manager”), has amended the management guidelines to newly add “purpose-built student accommodations” as an investment target asset type. Please refer to “Notice Concerning Partial Amendment to the Management Guidelines of the Asset Manager” announced today for more details.

SAR intends to accelerate its external growth with the support of the Star Asia Group, which is currently expanding its business domain. Drawing on support from the Star Asia Group, which has expanded its business into operational assets (Note 4), SAR has already executed an agreement on preferential negotiation rights on HAKUSAN HOUSE (Note 5), a purpose-built student accommodation developed by GSA Star Asia and operated by its subsidiary. SAR understands that the execution of the Agreements of the 3 Properties is a continuation of Star Asia Group’s sponsor support. (Properties whose preferential negotiation rights have already been obtained by SAR are referred to as the “Properties with the Agreement”.)

- (1) Project Shimotakaido (the second development project of GSA Star Asia)
- As a joint effort with the Global Student Accommodation Group (Note 1) (“GSA Group”), the Star Asia Group has expanded its outreach into development, operation, and management of purpose-built student accommodations for international students, expected to continue increasing going forward,

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as well as Japanese students who seek inter-cultural exchange with international students.

- Project Shimotakaido is the second development project of a purpose-built student accommodation for international students, following the HAKUSAN HOUSE. The project is developed and operated by GSA Star Asia (Note 6) which is wholly-owned by the entity, GSA Star Asia Japan Limited (Note 1), to which Star Asia Group and GSA Group invest 50%, respectively. The operation and management of the Property is scheduled to be either GSA Star Asia or its subsidiary.
- GSA Star Asia aims to continue developing student residences going forward and its target is to supply 20,000 beds in a mid-to-long term.
- SAR expects that through GSA Star Asia, the Star Asia Group will continue being involved in developing and supplying purpose-built student accommodations as well as granting preferential negotiation rights to SAR for them like HAKUSAN HOUSE and Project Shimotakaido.

(2) Project Nishi-sugamo (the first development project of SASK)

- In November 2017, the Star Asia Group, which is currently expanding its business domain, has incorporated SASK into its group and has integrated their real estate development expertise.
- Project Nishi-sugamo represents SASK's first housing development project.
- As the development arm of the Star Asia Group, SASK is expected to continue developing housing complexes and provide them as pipeline properties for SAR and other group entities going forward.

(3) Amusement Media Gakuin Shinkan

- Sponsor Group (Note 7) continues to operate special situation funds which invest in real estate and real estate related asset. As of April 30, 2018, total AUM was 45.3 billion yen (appraisal value basis) (Note 8) excluding the six anticipated acquisitions as announced in the "Notice Concerning Acquisition and Transfer (Asset Replacement) of Real Estate Beneficiary Interests in Trust" dated July 23, 2018, and the "Notice Concerning Acquisition and Lease Contract with New Tenants, and Transfer of Real Estate Beneficiary Interests in Trust" dated today, as well as the Properties with the Agreement.
- Amusement Media Gakuin Shinkan is an office asset in which a special situation fund is investing.
- Sponsor Group intends to continue operating this special situation fund going forward, and in accordance with the Sponsor Support Agreement, it will continue to provide SAR with property information.

(Note 1) GSA Star Asia K.K. ("GSA Star Asia") is a wholly-owned subsidiary of GSA Star Asia Japan Limited. Based on its expectation that the number of international students will increase going forward backed by the "Super Global Daigaku Sosei Shien Jigyuu" project promoted by the Japanese government, GSA Star Asia aims to develop, manage and operate purpose-built student accommodations for international students and Japanese students looking for inter-cultural exchange with international students.

GSA Star Asia Japan Limited is a 50/50 joint venture established by GSA Group (a global player in the management and operations of the purpose-built student accommodation sector), and Star Asia Group. GSA Group has been engaged in purpose-built student accommodation development, management and operations globally for 10 years or more since it launched its operations in London and Australia in 2007.

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- (Note 2) Star Asia Sogo Kaihatsu Co., Ltd. belongs to the Star Asia Group and functions as the sponsors' investment arm for Japanese real estate.
- (Note 3) Special situation funds are core funds operated by the Star Asia Group which invest in Japanese real estate. Currently, the Star Asia Group is managing Special Situation Fund #3 and #4.
- (Note 4) Operational assets refer to real estate where the architectural space planning and optimization of such space from an operational perspective is integrated such as hotels and other similar assets where the operational capabilities (management and operation) have a significant impact on the profitability of the property. The same shall apply hereinafter.
- (Note 5) HAKUSAN HOUSE is a purpose-built student accommodation, located in Hakusan, Bunkyo-ku in Tokyo, which was developed, managed and operated by GSA Star Asia.
- (Note 6) In accordance with an agreement executed between GSA Star Asia and its joint venture partner, GSA Star Asia or an entity designated by GSA Star Asia will purchase the land owned by the joint venture partner as well as the building which will be constructed by the joint venture partner over the land in the manner designed by GSA Star Asia. The same shall apply hereinafter.
- (Note 7) Sponsor Group refers to the entities which support SAR based on the Sponsor Support Agreement and have strong relationship with SAR.
- (Note 8) Appraisal values above are calculated based on the values listed on the most recent appraisal reports on the properties owned by the Sponsor Group as of the end of April 2018 (properties with no appraisal reports are excluded). Here in after the same.

## 1. Summary of the agreement on preferential negotiation rights

### (1) Project Shimotakaido (the second development project of GSA Star Asia)

Counterparty	GSA Star Asia Japan Limited
Major rights given	SAR is given the right to receive information from the counterparty on the sale of the Property by the Property Purchasing Entity (as defined below), which GSA Star Asia is involved in its development in accordance with an agreement with a joint venture partner, ahead of any third party during the below-specified Preferential negotiation period contingent that the Property Purchasing Entity will acquire such Property from the joint venture partner after its completion. 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	Project Shimotakaido (the second development project of the GSA Star Asia)
Date of agreement	August 21, 2018
Preferential negotiation Period	18-month period from April 1, which arrives right after the date on which the special purpose company established by GSA Star Asia or GSA Star Asia Japan Limited, or a group company of GSA Star Asia (the "Property Purchasing Entity") each of which is planning to acquire the Property after the completion of construction has acquired the property.
Scheduled completion of construction of the Property	December, 2019 (Note)

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Other	<p>① In accordance with the agreement with the joint venture partner, GSA Star Asia may nominate the Property Purchasing Entity.</p> <p>② Decision to acquire the Property shall be made after necessary due diligence, including appraisal of the property value, as well as due procedures implemented by the Asset Manager.</p> <p>③ The fact that SAR executed this Agreement shall not mean that SAR is obligated to acquire the Property; therefore, SAR may decide not to acquire the Property. Please note that SAR does not pay any consideration to the counterparty in connection with execution of this Agreement.</p> <p>④ The fact that the counterparty executed this Agreement shall not mean that it is obligated to sell the Property; therefore, it may decide not to sell the Property to SAR.</p> <p>⑤ In the event that conditions stipulated in the Agreement with the joint venture partner are not met, there is a possibility that the Property Purchasing Entity will not be able to purchase the Property from the joint venture partner.</p>
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(Note) Scheduled completion of construction of the property as of this moment, subject to change depending on the progress of the plan.

(2) Project Nishi-sugamo (the first development project of SASK)

Counterparty	Star Asia Sogo Kaihatsu Co., Ltd.
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	Project Nishi-sugamo (the first development project of the SASK)
Date of agreement	August 21, 2018
Preferential negotiation Period	From the day on which the Property is completed through the corresponding day of the 12th month after the completion
Scheduled completion of construction of the Property	April, 2020 (Note)
Other	<p>① Decision to acquire the Property shall be made after necessary due diligence, including appraisal of the property value, as well as due procedures implemented by the Asset Manager</p> <p>② The fact that SAR executed this Agreement shall not mean that SAR is obligated to acquire the Property; therefore, SAR may decide not to acquire the Property. Please note that SAR does not pay any consideration to the counterparty in connection with execution of this Agreement.</p> <p>③ The fact that the counterparty executed this Agreement shall not mean that it is obligated to sell the Property; therefore, it may decide not to sell the Property to</p>

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

(3) Amusement Media Gakuin Shinkan

Counterparty	GK El Toro
Major rights given	SAR is given the right to receive information from the counterparty on the sale of the Property ahead of any third party during the below-specified Preferential negotiation period. If SAR offers to purchase the Property, the requested purchase price must be equivalent to or higher than the minimum purchase price specified below. Also, 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	Amusement Media Gakuin Shinkan
Date of agreement	August 21, 2018
Preferential negotiation period	From the day on which Agreement is entered into through the corresponding day of the 12th month after the date
Minimum purchase price	1,020,000,000 yen (excluding consumption tax and local consumption tax)
Other	<p>① Decision to acquire the Property shall be made after necessary due diligence, including appraisal of the property value, as well as due procedures implemented by the Asset Manager</p> <p>② The fact that SAR executed this Agreement shall not mean that SAR is obligated to acquire the Property; therefore, SAR may decide not to acquire the Property. Please note that SAR does not pay any consideration to the counterparty in connection with execution of this Agreement.</p> <p>③ The fact that the counterparty executed this Agreement shall not mean that it is obligated to sell the Property; therefore, it may decide not to sell the Property to SAR.</p>

2. Background

SAR assumes that Star Asia Group's growth and business domain expansion will contribute to SAR's external growth. Currently, the Star Asia Group is focused on insourcing property management and development capabilities in addition to its fund management capabilities. Star Asia Group intends to expand its foothold into a business domain where competition is not so intense while ample differentiation is deemed to be achieved: one such domain is the entry into operational assets such as the management of purpose-built student accommodations. The Star Asia Group plans to invest in other operational assets, in addition to purpose-built student accommodations, where competition is relatively low. Also, the Star Asia Group now has the platform to pursue development projects as it has obtained key real estate development capabilities upon incorporating SASK as a group company in November 2017.

To capitalize on such transformations that Star Asia Group has undergone, SAR has executed the Agreement on the 3 Properties to maintain a sufficient pipeline for future growth.

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(1) Project Shimotakaido (the second development project of GSA Star Asia)

Following Hakusan House, which is currently under a preferential negotiation period, this property is the second development project of an international purpose-built student accommodation that GSA Star Asia has participated in. Against the backdrop of the Japanese government's initiative promoting "Super Global Daigaku Sosei Shien Jigyuu", GSA Star Asia estimates that foreign exchange students will increase in the future. In light of such expectations, GSA Star Asia will develop, operate, and manage purpose-built student accommodations for international students as well as Japanese students who seek inter-cultural exchange with international students. The planned development provides common space intended to be used for communal activities and concierge services making this purpose-built student accommodation a cutting-edge facility as it incorporates innovative aspects from the perspective of construction and operational management (e.g. ideal for student events). Also, the operation and management of the purpose-built student accommodation will be conducted by a subsidiary of GSA Star Asia. From an operational standpoint, the communal aspects and student services draw on GSA Group's operational know-how and experience accumulated from managing purpose-built student accommodation globally.

In light of expectations that the number of foreign exchange students to Japan as well as needs for purpose-built student accommodation will increase going forward, SAR assumes that stable revenue can be captured from GSA Star Asia's anticipated development of international purpose-built student accommodations.

As a goal, GSA Star Asia plans to supply a total of 20,000 beds for student residence use by either new developments or converting existing buildings to accommodate such dwelling units for foreign exchange students to Japan and Japanese students seeking cultural exchange with their international colleagues in a mid-to-long term.

(2) Project Nishi-sugamo Project (the first development project of SASK)

In November 2017, the Star Asia Group purchased stock of SASK through an entity managed by the Sponsor to integrate SASK into the Sponsor Group. Upon amending the Sponsor Support Agreement with SAR, SASK's real estate development capabilities were added as another sponsor support channel for SAR. SASK will serve as the developer for real estate projects that Star Asia Group will be investing in; particularly unique operational assets such as purpose-built student accommodations. Moreover, SASK is developing real estate that is subject to investment by SAR. The Project Nishi-sugamo represents the first case of such development. Given that the property is a residential asset and is located in Takinogawa, Kita-ku, this property is congruent with SAR's investment guidelines.

This residential asset will be built to accommodate primarily singles and DINKs and SAR expects this property to generate stable revenue.

(3) Amusement Media Gakuin Shinkan

This property is an investment by Star Asia Japan Special Situation Fund which is a core fund managed by the Sponsor Group. It is an office building, located in Shibuya-ku Higashi, fully leased to a single tenant. Currently, the ownership is retained by the Star Asia Japan Special Situation Fund.

Since its completion, this building has been fully leased by a vocational school for an extended period

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of time and SAR expects to capture stable revenue from this property. The tenant for this property is the same entity as the tenant for Amusement Media Gakuin Honkan, which SAR anticipates to acquire, as announced today in “Notice Concerning Acquisition and Lease Contract with New Tenants, and Transfer of Real Estate Beneficiary Interests in Trust.” Amusement Media Gakuin Honkan and Amusement Media Gakuin Shinkan are managed and operated in a consistent and united manner.

Apart from this property, the Sponsor Group continues to invest in Japanese real estate via the Star Asia Japan Special Situation Fund IV as of the date of this document. As of April 30, 2018, total AUM is 45.3 billion yen (total of appraisal value).

By executing the agreement on preferential negotiation rights on purpose-built student accommodations (operational assets), residential assets (coupled with development capabilities) as well as office assets (operated by Star Asia Group’s core fund) which are all new frontiers for the Sponsor Group’s business expansion initiatives, SAR expects to secure an acquisition pipeline for future external growth. Also, SAR assumes that Star Asia Group’s expansion into new frontiers is proof of Star Asia Group’s diversification of sponsor support channels.

Going forward, SAR plans to continue capitalizing on Star Asia Group’s evolution and growth as means to maximize unitholders’ value.

### 3. Details of the Properties

#### (1) Project Shimotakaido (the second development project of the GSA Star Asia)

Name of the Property	Project Shimotakaido (the second development deal of the GSA Star Asia)
Address	4-224-1 Shimotakaido, Suginami-ku, Tokyo-to, and other lots on the registry
Access from nearby train stations	About eleven-minute walk from Sakurajosui Station, Keio Line
Asset type	Purpose-built student accommodation
Site area	2,185.27 m <sup>2</sup> (Note 1)
Total floor area	4,509.84 m <sup>2</sup> (Note 2)
Structure /Number of Stories	Reinforced-Concrete / 8 stories above ground, 1 story underground (Note 2)
Planned completion	December, 2019 (Note 2)
Features	The Property is located about eleven-minute walk from Sakurajosui station on the Keio Line. Universities, such as Meiji University (Izumi Campus), Tokyo University (Komaba Campus), and Tokyo Woman’s Christian University, which are designated as “Super Global Daigaku Sosei Shien Jigyuu” by the Ministry of Education, Culture, Sports, Science and Technology are in commutable distance from the Property. Moreover, commuting students have access to Chuo University, Teikyo University, and Hosei University via the Keio Line.

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	According to the most recent architectural plans, 144 rooms / 326 beds (Note 2) are scheduled to be built. Similar to the HAKUSAN HOUSE, it will provide common space (shared kitchen, dining, theater room, etc.) intended to be used for communal activities. The architecture was planned so that it would appeal to foreign exchange students and Japanese students seeking inter-cultural exchange with such international students.
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(Note 1) Site area is based on the lot plan dated May 31, 2018.

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

(2) Project Nishi-sugamo (the first development project of the SASK)

Name of the Property	Project Nishi-sugamo (the first development project of the SASK)
Address	3-3-2 Takinogawa, Kita-ku Tokyo-to
Access from nearby train stations	About five-minute walk from Nishi-sugamo Station, Toei Subway Mita Line
Asset type	Residential
Site area	251.30 m <sup>2</sup> (Note 1)
Total floor area	1,671.95 m <sup>2</sup> (Note 2)
Structure /Number of stories	Reinforced concrete / 16 stories above ground (Note2)
Planned completion	April, 2020 (Note 2)
Features	The Property is located about five-minute walk from Nishi-sugamo station on the Toei Subway Mita Line. User convenience is high due to its close proximity to the station as well as business districts such as Otemachi, Hibiya, and Mita. Given that needs for rental mansions are high in this location, SASK purchased the land lot and expects to commence development.  The building is expected to consist of 44 dwelling units. Three types of rooms are expected to be available; one-room, 1K, and 1LDK (Note2). Intended targets for this rental mansion are singles and DINKS.

(Note 1) Site area is based on information from the real estate registry.

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

(3) Amusement Media Gakuin Shinkan

Name of the Property	Amusement Media Gakuin Shinkan
Address	2-85-1 Higashi, Shibuya-ku, Tokyo-to

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Access from nearby stations	from train	About seven-minute walk from Ebisu Station, JR Yamanote Line, Saikyo Line, Shonan-shinjuku Line and Tokyo Metro Hibiya Line
Asset type		Office
Site area		203.43m <sup>2</sup> (Note)
Total floor area		913.71m <sup>2</sup> (Note)
Structure /Number of stories		Reinforced concrete / construction roof seven floor (Note)
Completion		January 25, 1999
Features		The Property is located about seven-minute walk from Ebisu station on the JR Yamanote Line, Saikyo Line, Shonan-shinjuku Line and Tokyo Metro Hibiya Line. Also the property is close to the Asset to be Acquired stated in “Notice Concerning Acquisition and Lease Contract with New Tenants, and Transfer of Real Estate Beneficiary Interests in Trust” announced today, “Amusement Media Gakuin Honkan”, and the two properties are integrally operated by the same tenant.  Since its completion, this building has been fully leased by a vocational school for an extended period of time ensuring stable revenue. It is located in the Shibuya ward where office space is in high demand, and SAR expects revenue stability and growth from the property.

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

#### 4. Future Outlook

Execution of the Agreements has no impact on SAR’s forecasts for operating results. However, SAR announced “Notice Concerning Revision to Forecasts for Operating Results for the 6th Fiscal Period Ending January 31, 2019 and Forecasts for Operating Results and Distribution for the 7th Fiscal Period Ending July 31, 2019” today.

#### <Reference>

Other press releases published as of today

- Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units
- Notice Concerning Acquisition and Lease Contract with New Tenants, and Transfer of Real Estate Beneficiary Interests in Trust
- Notice Concerning Revision to Forecasts for Operating Results for the 6th Fiscal Period Ending January 31, 2019 and Forecasts for Operating Results and Distribution for the 7th Fiscal Period Ending July 31, 2019
- Notice Concerning Debt Financing
- Notice Concerning Partial Amendment to the Management Guidelines of the Asset Manager
- Notice Concerning Determination of the Planned Acquisition Date and Change of the Funds for Acquisition
- Supplementary Material on Press Releases (Acquisition of Properties through Public Offering) Announced as

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- \* This material is distributed to the press club of the Tokyo Stock Exchange (Kabuto Club), the press club of the Ministry of Land, Infrastructure, Transport and Tourism, and the press club for construction trade publications of the Ministry of Land, Infrastructure, Transport and Tourism.
- \* Star Asia Investment Corporation website address: <http://starasia-reit.com/en/>

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<Annex documents>

■ Project Shimotakaido



■ Project Nishi-sugamo (the first development project of Star Asia Sogo Kaihatsu Co., Ltd.)



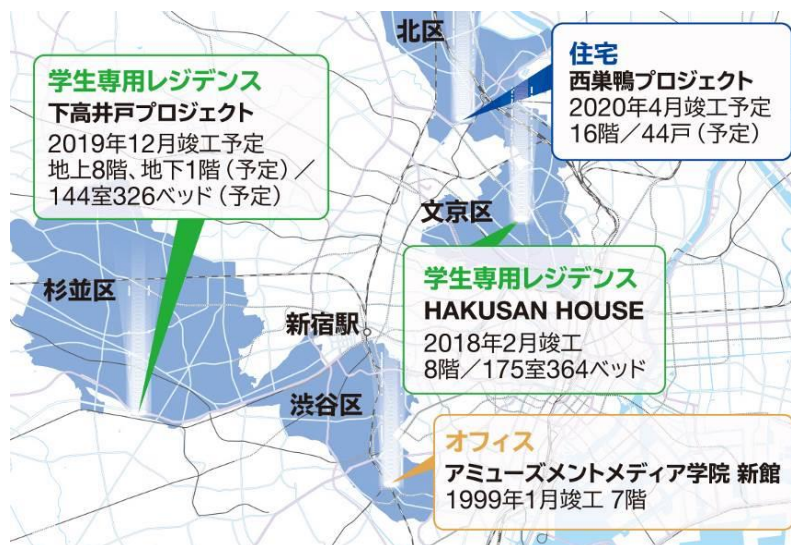
(Note) Project Nishi-sugamo is the building surrounded by a red dotted line in the image above, however, it is conceptual drawing by the other operator in the project and may differ from actual interior after completion.

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