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For Immediate Release

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

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Notice Concerning Acquisition of Mezzanine Loan Debt
-Star Asia Mezzanine Loan Debt Investment Series 3 (C Beneficiary Interest)-

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 to invest in mezzanine loan debt (the acquisition of mezzanine loan debt is hereinafter referred to as the “Acquisition”). Details are as follows.

The Acquisition is the third investment following the Star Asia Mezzanine Loan Debt Investment Series 1 and 2 as announced in “Notice Concerning Acquisition of Mezzanine Loan Debt (Subordinate Bonds)” dated October 25, 2017 and “Notice Concerning Acquisition of Mezzanine Loan Debt -Star Asia Mezzanine Loan Debt Investment Series 2 (Subordinate Beneficiary Interest)-” dated December 20, 2017. SAR regards the continued diversification of revenue-generating opportunities such as these as a differentiation strategy in pursuit of maximization of unitholder value. Going forward, SAR will continue to discuss measures to create new investment opportunities corresponding to the state of the real estate market, without being bound by previous examples.

1. Overview of the Acquisition

(1) Asset to be acquired	The C Beneficiary Interest: Beneficiary interest of trust with the base loan claims as asset in trust (the base loan shall be a nonrecourse loan to GK CHK (the “GK”), whose collateral asset shall be the trust beneficiary interest with The Royal Garden Residence Shirokanedai as the main asset in trust (the “Collateral Asset”)) (Note 1)
(2) Name of asset to be acquired	Star Asia Mezzanine Loan Debt Investment Series 3
(3) Trustee	Shinsei Trust & Banking Co., Ltd. (“Shinsei Trust”)
(4) Trust period	From December 26, 2018 to December 26, 2026
(5) Collateral asset for loan claims (non-recourse loan) as asset in trust	Collateral Asset: The beneficiary interest in trust with The Royal Garden Residence Shirokanedai as the main asset in trust
(6) Amount of the C Beneficiary Interest	126,000,000 yen
(7) Planned acquisition price of the C Beneficiary Interest	126,000,000 yen (excluding acquisition expenses, etc.)
(8) Planned dividend yield (Note 2)	Base rate (Note 3) +5%
(9) LTV of loan claims (non-recourse loan) as asset in trust	Approximately 65.2% (Note 4) The appraisal value of the Collateral Asset, which is used as the denominator for calculating LTV, is 1,850 million yen.

(10) Contract date of C Beneficiary Interest transfer agreement	December 21, 2018												
(11) Planned acquisition date of C Beneficiary Interest	December 26, 2018												
(12) Dividend payment date of C Beneficiary Interest	Last day of January, April, July and October (Four times a year) (The first dividend payment date is April 30, 2019.)												
(13) Final redemption date	December 26, 2024 (Note 5)												
(14) Acquisition financing	Cash on hand												
(15) Settlement method	Lump-sum settlement upon acquisition of the C Beneficiary Interest												
(16) Seller	Shinsei Bank, Ltd. (“Shinsei Bank”)												
(17) Overview of C Beneficiary Interest structure	<p>Operator: GK</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">GK</th> <th colspan="2" style="text-align: center;">Shinsei Trust</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; vertical-align: middle;">Collateral Asset The Royal Garden Residence Shirokanedai 1.850 million yen (Appraisal value)</td> <td style="text-align: center; vertical-align: middle;">[Borrowing] Non-recourse loan Approximately 1,207 million yen</td> <td style="text-align: center; vertical-align: middle;">[Lending] Non-recourse loan Approximately 1,207 million yen</td> <td style="text-align: center; vertical-align: middle;"> (A-ABL Lender) Approximately 781 million yen Shinsei Bank (B-ABL Lender) Approximately 300 million yen Shinsei Bank (C Beneficiary Interest) 126 million yen SAR (D Beneficiary Interest) Approximately 0.01 million yen Shinsei Bank </td> </tr> <tr> <td></td> <td style="text-align: center; vertical-align: middle;">(Equity) Silent partnership investment, etc.</td> <td></td> <td></td> </tr> </tbody> </table> <p style="text-align: center; margin-top: 10px;">  </p> <ol style="list-style-type: none"> 1. Loan (non-recourse loan) as asset in trust of the C Beneficiary Interest will be executed by Shinsei Trust to the GK based on cash totaling approximately 1,207 million yen comprising of approximately 781 million yen to be loaned to Shinsei Trust, the trustee, from Shinsei Bank on December 26, 2018 as A-ABL (monetary loan with limited special contract for non-exempt property), approximately 300 million yen to be loaned as B-ABL, approx. 126 million yen to be entrusted for the C Beneficiary Interest and approx. 0.01 million yen to be entrusted for the D Beneficiary Interest. 2. Of the C Beneficiary Interest and D Beneficiary Interest granted to Shinsei Bank, SAR plans to acquire the C Beneficiary Interest from Shinsei Bank. The GK plans to acquire the Collateral Asset using the payment for silent partnership investment, etc. and the borrowing (non-recourse loan) from Shinsei Trust on the same day. 3. Dividend for the C Beneficiary Interest will be conducted based on the interest for the borrowing (non-recourse loan), which is paid to Shinsei Trust by the GK. We expect to receive 1% of principal per year. 4. The C Beneficiary Interest is subordinated to the A-ABL lender and B-ABL lender, but is prioritized over the D Beneficiary Interest in terms of dividend payment and redemption of principal. On the other hand, dividend payment to the C Beneficiary Interest and redemption of principal and interest of the non-recourse loan from Shinsei Trust to the GK are prioritized over those for “equity (silent partnership investment, etc.),” in principle. Particularly with redemption of principal, even when the value of 	GK		Shinsei Trust		Collateral Asset The Royal Garden Residence Shirokanedai 1.850 million yen (Appraisal value)	[Borrowing] Non-recourse loan Approximately 1,207 million yen	[Lending] Non-recourse loan Approximately 1,207 million yen	(A-ABL Lender) Approximately 781 million yen Shinsei Bank (B-ABL Lender) Approximately 300 million yen Shinsei Bank (C Beneficiary Interest) 126 million yen SAR (D Beneficiary Interest) Approximately 0.01 million yen Shinsei Bank		(Equity) Silent partnership investment, etc.		
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	the Collateral Asset should fall, “equity (silent partnership investment, etc.)” of the GK is the first to incur loss, and after all “equities (silent partnership investment, etc.)” have incurred loss and all the D Beneficiary Interest have incurred loss, then the principal of the C Beneficiary Interest incurs loss.	
(18) Relationship between SAR/the Asset Manager and the GK * Based on information as of December 20, 2018.	Capital relationship	There is no capital relationship to report between SAR/the Asset Manager and the GK.
	Personnel relationship	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.
	Business relationship	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 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 an overview of the Collateral Asset, please refer to 2. Reason for the Acquisition <Overview of the Collateral Asset>.

(Note 2) SAR is scheduled to receive an up-front fee upon the acquisition of the C Beneficiary Interest separately from the scheduled dividend. 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/>). For each interest calculation period, the rate announced at 11 a.m. (Tokyo time) two business days prior to the last day of the previous calculation period of the relevant calculation period (The first date is December 21, 2018) will be applied as the base rate.

(Note 4) The figure indicates the ratio of (a) amount procured from the GK’s loans through a loan claim (non-recourse loan), which is the main trust asset of trust pertaining to the C Beneficiary Interest (approximately 1,207 million yen) to (b) the appraisal value indicated in the appraisal report obtained by SAR regarding the Collateral Asset (1,850 million yen), rounded to one decimal place.

(Note 5) The final redemption date of the C Beneficiary Interest is December 26, 2024. However, C Beneficiary Interest may be redeemed in line with early repayment of loans from Shinsei Trust due to the sale of the Collateral Asset and other reasons.

2. Reason for the Acquisition

The Acquisition will not only realize diversification of investment targets, but also likely boost distributable profits since it will be conducted with cash on hand held by SAR, allowing SAR to receive dividend income (planned dividend yield: more than 5%) from effective use of own funds. Therefore, SAR has decided on the Acquisition judging that such will contribute to maximization of unitholder value. The Asset Manager recognized the following points upon deciding the acquisition of the C Beneficiary Interest.

- ① The appraisal value of the Collateral Asset GK has acquired is 1.850 million yen, and LTV against the amount of the C Beneficiary Interest and senior debts (approximately 1,207 million yen) calculated based on this figure is 65.2%. Therefore, risk of loss while holding the Subordinate Beneficiary Interest is judged to be low.
- ② The Collateral Asset is an office building that falls under the category of “middle-sized assets in the Tokyo area (Note)” defined by SAR and is believed to have strong liquidity. In addition, since the loan can be redeemed at 65.2% of the appraisal value as explained in ① above, the certainty of redemption of the C Beneficiary Interest through sale of the Collateral Asset or refinancing is judged to be high.
- ③ The certainty of interest payment for the loan claim of the trust asset of the C Beneficiary Interest is assessed to be high since its rent income is highly stable as shown in the evaluation of the Collateral Asset below.

- ④ As planned dividend yield of the C Beneficiary Interest is “base rate + 5%” (please refer to 1. Overview of the Acquisition above.), securement of profits that surpass the after-amortization yield of real estate portfolio can be expected.
- ⑤ The Collateral Asset, a newly constructed property and planned for transaction with no occupancy, has certain appeal to potential tenants who desire to live in the Shirokanedai area, as described in <Evaluation of the Underlying Asset by the Asset Manager> below. Furthermore, it is confirmed to secure dividend income with the allowance, etc. for the interest payment for borrowings.

(Note) Refers to real estate, etc. with an acquisition price lower than 10 billion yen.

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

<Overview of Collateral Asset>

Type of specified asset		Real estate beneficiary interest in trust
Property name		The Royal Garden Residence Shirokanedai
Planned acquisition date		December 26, 2018
Planned buyer		GK CKH
Location		3-80-11 Shirokanedai, Minato-ku, Tokyo
Use (Note 1)		Residence
Structure (Note 2)		Reinforced concrete structure 1 floor below ground / 8 floors above ground
Area	Land (Note 3)	443.40 m ²
	Building (Total floor area) (Note 4)	1,606.61 m ²
Type of ownership (Note 5)	Land	Proprietary ownership
	Building	Proprietary ownership
Construction completion		June 22, 2018
Earthquake PML (Note 6)		6.5%
Appraisal obtained by the GK (Note 7)	Appraisal value	1,850 million yen
	Appraisal NOI (Note 8)	70,707,771 yen
	Appraisal date	December 1, 2018
	Appraiser	Rich Appraisal Institute co.,Ltd
Total number of end tenants (Note 9)		0
Occupancy rate (Note 9)		0%
Special notation		Not applicable.

(Note 1) “Use” indicates the use stated in the real estate registry, and may differ from the present state.

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

(Note 3) “Land” is the entire land area of The Royal Garden Residence Shirokanedai stated in the real estate registry and may differ from the present state.

(Note 4) “Building (Total floor area)” is the total floor area of The Royal Garden Residence Shirokanedai stated in the real estate registry and may differ from the present state.

(Note 5) “Type of ownership” is the type of right held by the trustee of The Royal Garden Residence Shirokanedai.

(Note 6) The PML (probable maximum loss) calculated in the evaluation of seismic risk analysis conducted by Tokio Marine & Nichido Consulting Co., Ltd., which was entrusted by the GK upon acquisition of the Collateral Asset as part of efforts to grasp the appropriate price of the real estate is indicated. “Probable Maximum Loss” means the probable maximum loss that may result from an earthquake and, herein, refers to the extent of damage that may be suffered due to an earthquake of the assumed maximum scale (earthquake with a probability of occurring once in 475 years = earthquake with a probability of occurrence in 50 years of more than 10%) in the scheduled use period (50 years

= useful life of a general building), expressed as the estimated cost of restoring such damage (physical loss corresponding to a probability of more than 90% in the event of occurrence of such earthquake) as a percentage (%) of the replacement cost

(Note 7) Items other than the indicated above that are stated in the real estate appraisal report the GK has obtained for grasping the appropriate price of the real estate at the time of its acquisition of the Collateral Asset are not disclosed as consent has not been obtained from the planned buyer of the Collateral Asset.

(Note 8) "Appraisal NOI" indicates the amount of net operating income (NOI) obtained through the direct capitalization method, stated in the real estate appraisal report.

(Note 9) No leasing has begun as of this date.

<Evaluation of the Underlying Asset by the Asset Manager>

The Royal Garden Residence Shirokanedai, the Collateral Asset, is a newly built apartment house located an approximately 2-minute walk from Shirokanedai Station on the Tokyo Metro Namboku Line and Toei Mita Line. The Collateral Asset is situated in a quiet residential area behind Meguro-dori Street and Sakurada-dori Street. Shirokanedai is one of the foremost high-end residential districts in Tokyo and has a corresponding brand strength. Moreover, access to major office areas such as Otemachi and Nagatacho is excellent.

The Collateral Asset has the same level of specifications, quality, etc. as condominiums, such as in having a disposer installed. There is diversity in the layout of each room for the 16 units. The residential room on the top floor in particular is a maisonette room with approximately 200 m² of exclusive area. As such, the Asset Management Company believes that the Collateral Asset will have a corresponding appeal to rental demanders who prefer the Shirokanedai area.

3. Seller profile

Name	Shinsei Bank, Ltd.
Location	Nihonbashi Muromachi Nomura Building 2-4-3 Nihonbashi-Muromachi, Chuo-ku, Tokyo
Representative	Hideyuki Kudo, Representative Director, President
Main business description	(1) Acceptance of deposits and installment savings, extending loans, discounting bills and notes and exchange transactions (2) Guarantee of obligations, acceptance of bills and notes and any other business incidental to the banking business mentioned in the preceding item (3) Underwriting of, handling of offering and placing of, and sale and purchase of Japanese government bonds, municipal bonds, government-guaranteed bonds, handling of private offering and other securities, etc. (4) In addition to the previous items, any business in which banks are permitted to engage under the Banking Act, the Secured Bond Trust Act, the Company Bond Registration Act and other laws (5) Any other business incidental or relating to the businesses mentioned in any of the foregoing items
Capital	512.2 billion yen
Established	December 1, 1952
Net assets	827,350 million yen
Total assets	8,288,448 million yen
Major shareholders and shareholding ratio	SATURN IV SUB LP (JPMCB 380111) 13.18%
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	SAR has debt financed by the seller as of December 21, 2018.
Related party status	Not applicable.

(Note) The above is based on information as of September 30, 2018.

4. Transaction with interested person, etc.

The acquisition of the C Beneficiary Interest 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.

5. Schedule for the transaction

Decision date of the Acquisition	December 21, 2018
Contract date of the C Beneficiary Interest transfer agreement	December 21, 2018
Date of drawdown from Shinsei Trust to the GK	December 26, 2018
Planned acquisition date of the C Beneficiary Interest	December 26, 2018

(Note) The Acquisition will be conducted on the assumption that the GK acquires the Collateral Asset on December 26, 2018 using the borrowings from Shinsei Trust and payment for silent partnership investment, etc.

6. Settlement method

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

7. Future outlook

Since the impact of the acquisition of the C Beneficiary Interest on the forecast for operating results for the 6th fiscal period ending January 31, 2019 (August 1, 2018 to January 31, 2019) and the 7th fiscal period ending July 31, 2019 (February 1, 2019 to July 31, 2019) announced on September 13, 2018 is minimal, there is no change to the forecast.

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