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For Immediate Release

Real Estate Investment Trust Securities Issuer
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Notice Concerning Acquisition of Mezzanine Loan Debt
-Star Asia Mezzanine Loan Debt Investment Series 2 (Subordinate 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. (For SAR's definition of mezzanine loan debt investment, please refer to "<Attachment> 2. Definition of mezzanine loan debt targeted by SAR" at the end of this press release). Details are as follows.

Specifically, subordinate beneficiary interest (the "Subordinate Beneficiary Interest") of trust with loan claims to GK Japan B Asset (the "GK") as main asset in trust, which holds trust beneficiary interest (the "Collateral Asset") with Sasazuka South Building as main asset in trust, will be acquired (the "Acquisition").

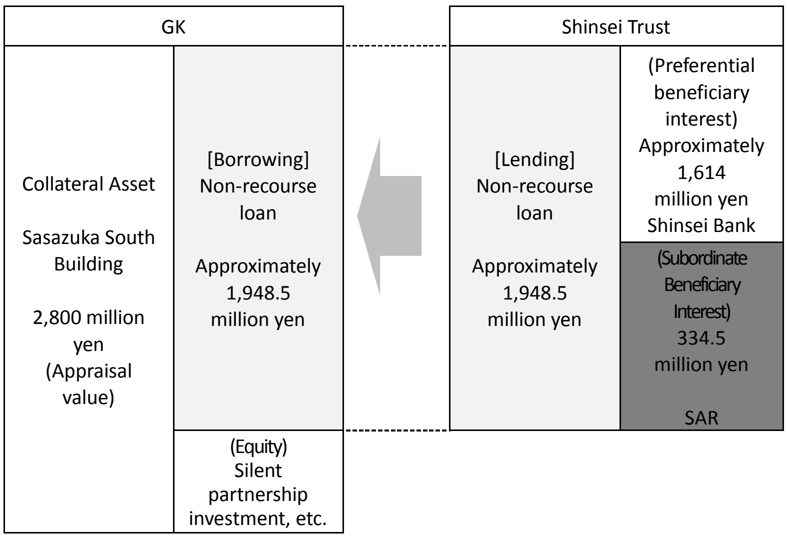
This will be SAR's second mezzanine loan debt investment following acquisition of mezzanine load debt already conducted by SAR as announced in "Notice Concerning Acquisition of Mezzanine Loan Debt (Subordinate Bonds)" dated October 25, 2017 (the "Series 1"), which was the first mezzanine loan debt investment by a listed real estate investment corporation.

SAR regards diversification of revenue-generating opportunities such as this 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)	Planned acquisition asset	Subordinate Beneficiary Interest: Subordinate beneficiary interest of trust with loan claims (non-recourse loan) to the GK as main asset in trust, which holds the Collateral Asset as collateral asset.
(2)	Name of asset to be acquired	Star Asia Mezzanine Loan Debt Investment Series 2
(3)	Trustee	Shinsei Trust & Banking Co., Ltd. ("Shinsei Trust")
(4)	Trust period	From December 22, 2017 to December 20, 2024
(5)	Collateral asset for loan claims (non-recourse loan) as asset in trust	Collateral Asset: Trust beneficiary interest with Sasazuka South Building as main asset in trust (Note 1)
(6)	Amount of the Subordinate Beneficiary Interest	334,500,000 yen

<table>
<tr><td>(7) Planned acquisition price of the Subordinate Beneficiary Interest</td><td>334,500,000 yen (excluding acquisition expenses, etc.)</td></tr>
<tr><td>(8) Planned dividend yield (Note 2)</td><td>Base rate (Note 3) +5%</td></tr>
<tr><td>(9) LTV of loan claims (non-recourse loan) as asset in trust</td><td>Approximately 69.6% (Note 4)
* The appraisal value of the Collateral Asset, which is used as the denominator for calculating LTV, is 2,800 million yen.</td></tr>
<tr><td>(10) Contract date of Subordinate Beneficiary Interest transfer agreement</td><td>December 20, 2017</td></tr>
<tr><td>(11) Planned acquisition date of Subordinate Beneficiary Interest</td><td>December 22, 2017</td></tr>
<tr><td>(12) Dividend payment date of Subordinate Beneficiary Interest</td><td>Last day of 1, 4, 7 and 10 (Four times a year)
(The first dividend payment date is April 27, 2017.)</td></tr>
<tr><td>(13) Final redemption date</td><td>December 22, 2023 (Note 5)</td></tr>
<tr><td>(14) Acquisition financing</td><td>Cash on hand</td></tr>
<tr><td>(15) Settlement method</td><td>Lump-sum settlement upon acquisition of the Subordinate Beneficiary Interest</td></tr>
<tr><td>(16) Seller</td><td>Shinsei Bank, Ltd. (“Shinsei Bank”)</td></tr>
<tr><td>(17) Overview of Subordinate Beneficiary Interest structure</td><td>Operator: GK Japan B Asset (GK)



1. Loan (non-recourse loan) as asset in trust of the Subordinate Beneficiary Interest will be executed by Shinsei Trust to the GK based on cash in trust of approximately 1,948.5 million yen to be provided by Shinsei Bank to Shinsei Trust on December 22, 2017.
2. On the same day, the loan claims to the GK will be deemed as beneficiary interest with preferential subordinate structure by Shinsei Trust and will be granted to Shinsei Bank.
3. Of the beneficiary interest granted to Shinsei Bank, SAR plans to</td></tr>
</table>

	acquire the subordinate portion (the Subordinate 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. 4. Dividend for the Subordinate Beneficiary Interest will be conducted based on the interest for the borrowing (non-recourse loan), which is paid to Shinsei Trust by the GK. * The Subordinate Beneficiary Interest is subordinated to preferential beneficiary interest in terms of dividend payment and redemption of principal. On the other hand, dividend payment and redemption of principal to Subordinate Beneficiary Interest are prioritized over those for “equity,” in principle. Particularly with redemption of principal, even when the value of the Collateral Asset falls, “equity” is the first to incur loss, and after all “equities” have incurred loss, then the principal of the Subordinate Beneficiary Interest incurs loss.	
(18) Relationship between SAR/the Asset Manager and the GK * Based on information as of December 20, 2017.	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 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 Subordinate 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 20, 2017) 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 Subordinate Beneficiary Interest to (b) the appraisal value indicated in the appraisal report obtained by SAR regarding the Collateral Asset upon acquisition of the Subordinate Beneficiary Interest, rounded to one decimal place.

(Note 5) The final redemption date of the Subordinate Beneficiary Interest is December 22, 2023. However, Subordinate Beneficiary Interest may be redeemed in line with early repayment of loans from Shinsei Shintaku 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. For the stance of SAR concerning mezzanine loan debt investment (investment criteria), please refer to “<Attachment> 3. Stance of SAR towards mezzanine loan debt investment (investment criteria)” at the end of this press release. The Asset Manager recognized the following points upon deciding the acquisition of the Subordinate Beneficiary Interest.

① The appraisal value of the Collateral Asset SAR has acquired is 2,800 million yen, and LTV against the amount of the Subordinate Beneficiary Interest and senior debts (approximately 1,948.5 million yen) calculated based on this figure is 69.6%. 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 69.6% of the appraisal value as explained in ① above, the certainty of redemption of the Subordinate 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 Subordinate 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 Subordinate 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.

(Note) For the definition of “middle-sized assets in the Tokyo area,” please refer to <Attachment> 4. Investment criteria for real estate, etc. at the end of this press release. The same applies hereinafter.

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

<Overview of Collateral Asset>

Property name		Sasazuka South Building
Type of specified asset		Real estate beneficiary interest in trust
Planned buyer		GK Japan B Asset
Location		1-64-8 Sasazuka, Shibuya-ku, Tokyo
Use (Note 1)		Office
Structure (Note 2)		Steel-framed reinforced concrete structure B1F/8F
Area	Land (Note 3)	Approximately 1,001.89 m^2
	Building (Total floor area) (Note 4)	Approximately 5,559.59 m^2
Type of ownership (Note 5)	Land	Proprietary ownership
	Building	Sectional ownership
Construction completion		January 1992
Earthquake PML		6.4% (Inspection body undisclosed)

Appraisal obtained by SAR (Note 6)	Appraisal value	2,800 million yen
	Appraisal NOI (Note 7)	124,512,414 yen
	Appraisal date	November 1, 2017
	Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Total number of end tenants		8 (As of October 31, 2017)
Occupancy rate (Note 8)		100.0% (As of October 31, 2017)
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 Sasazuka South Building stated in the real estate registry and may differ from the present state. The land which the planned buyer plans to acquire is approximately 95% of co-ownership interest.

(Note 4) "Building (Total floor area)" is the total floor area of Sasazuka South Building stated in the real estate registry and may differ from the present state. The building which the planned buyer plans to acquire is sectional ownership in the 1st to 7th floors (8th floor excluded) and accompanying common areas under agreement.

(Note 5) "Type of ownership" is the type of right held by the trustee of Sasazuka South Building.

(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 Collateral 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.

(Note 8) This figure indicates the ratio of total leased area to the total leasable area based on the information provided by the seller of the Subordinate Beneficiary Interest, rounded to one decimal place.

<Evaluation of the Underlying Asset by the Asset Manager>

(1) Location

The Collateral Asset is a multi-tenant office located approximately a 5-minute walk from Daitabashi Station on the Keio Line and approximately a 7-minute walk from Sasazuka Station on the same line, standing along Koshu Kaido Street. There are small and medium office buildings with shops along Koshu Kaido Street near the Collateral Asset, and its location is close to the Shinjuku sub-center area. For this reason, a substantial amount of tenant demand is expected, including needs for subsidiary offices/branch offices of companies headquartered in the area and needs for headquarters of small to medium companies which have clients in the area. Furthermore, since the area connects to the Metropolitan Expressway (near Eifuku IC) and is close to Koshu Kaido Street, Kan-nana-dori Street and Yamate-dori Street, access by car is excellent, which exhibits strong appeal to companies, etc. that use cars for business.

(2) Architectural performance

The Collateral Asset is a medium-sized office building with total floor area of approx. 1,633 tsubo, and meets criteria for "middle-sized assets in the Tokyo area" which SAR views as the main investment target. For-lease space on the standard floor is around 167 tsubo with a ceiling height of around 2.6 m and floor load of 300kg/m^2. In terms of facilities, it is equipped with raised floors, 4 elevators and 27 parking spaces, satisfying specifications/facilities demanded by tenants in general, and thus providing sufficient appeal to tenants from all business types.

(3) Tenant

Because the Collateral Asset offers a relatively low rent compared with offices in the Shinjuku sub-center area, it houses branch offices of listed companies headquartered in the area as well as headquarters of IT-related companies. In addition, since the asset stands near residential areas, such as the wards of Nakano and Suginami, medical-related companies are also among the tenants. These tenants are most likely to stay over the medium to long term due to locational features of the Collateral Asset and other reasons, and thus high and stable occupancy rates are expected to continue going forward.

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	807,944 million yen	
Total assets	8,051,781 million yen	
Major shareholders and shareholding ratio	SATURN IV SUB LP (JPMCB 380111) 11.76%	
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 20, 2017.
	Related party status	Not applicable.

(Note) The above is based on information as of March 31, 2017.

4. Transaction with interested person, etc.

The acquisition of the Subordinate 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 20, 2017

Contract date of the Subordinate Beneficiary Interest transfer agreement	December 20, 2017
Date of drawdown from Shinsei Trust to the GK	December 22, 2017
Planned acquisition date of the Subordinate Beneficiary Interest	December 22, 2017

(Note) The Acquisition will be conducted on the assumption that the GK acquires the Collateral Asset on December 22, 2017 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 Subordinate Beneficiary Interest 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/

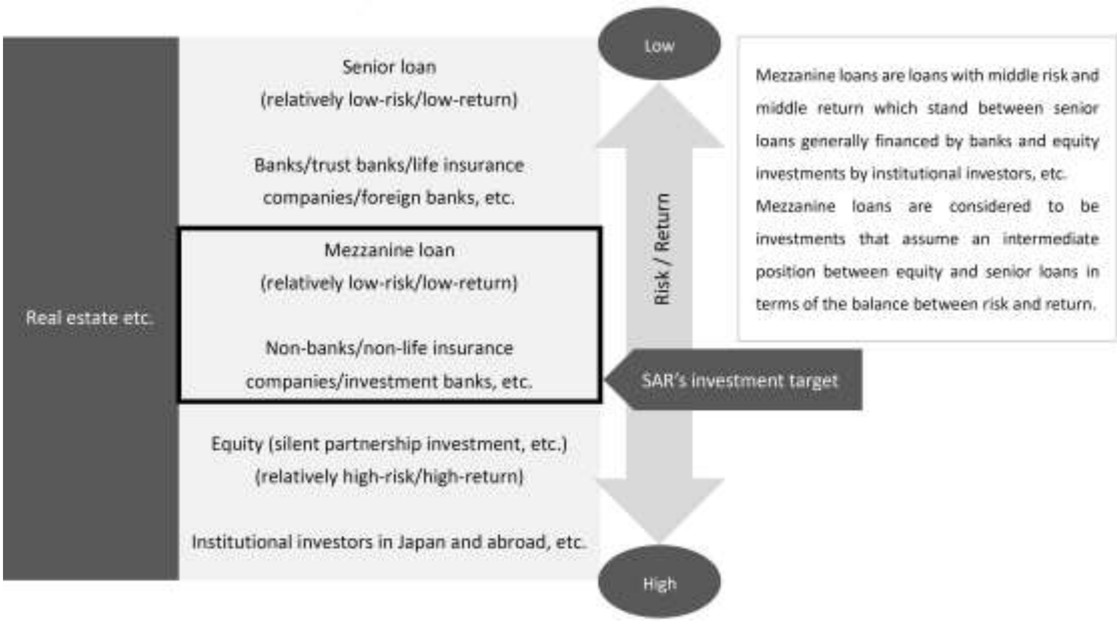
<Attachment>

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 in the rules of Tokyo Stock Exchange.

2. Definition of mezzanine loan debt targeted by SAR

Mezzanine loan debt of which acquisition SAR considers as an investment target are loan claims, etc. that satisfy the following conditions.

① Debt which is financed to an SPC, etc. holding only real estate and operating no other business, and of which repayment resource is limited to the property owned by the SPC, etc. and cash flow generated from the property.

② Regardless of the form (such as loans and corporate bonds), debt which is regarded as a loan, etc. with a fixed interest (including trust beneficiary interests).

③ Debt which is subordinated to senior debt (senior loans, etc.) and prioritized over equity investment such as investment in silent partnership in terms of repayment order.

3. 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 asset	Real estate, etc. as collateral or underlying assets shall satisfy the investment criteria (location, asset type, price, etc.) of SAR (Note 2).
Maximum LTV (Note 3)	85%
Interest rate	4% or higher, in principle

(Note 1) Mezzanine loan debts are loan claims for a special purpose company, etc. which holds the real estate, etc. considered as collateral or underlying asset as well as other claims, and are subordinated to senior debt (senior loans, etc.) and prioritized over equity investment such as investment in silent partnership in terms of repayment order, etc.

(Note 2) For details of the investment criteria of SAR for real estate, etc., please refer to "<Attachment> 4. Investment criteria for real estate, etc." at the end of this press release.

(Note 3) 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 collateral asset as the denominator.

4. 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 collateral asset but the total amount of mezzanine loan debt and its senior debt, which are investment targets of SAR, will be considered as "price (standard)."