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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
Star Asia Mezzanine Loan Debt Investment Series 5 (B 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 SAR’s fifth mezzanine loan debt investment and SAR regards the continued diversification of revenue-generating opportunities, as a part of the active managements, 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	Subordinated beneficiary interest : Beneficiary interest of trust (the “B Beneficiary Interest”) with the base loan claims as asset in trust (the base loan shall be a non-recourse loan to GK (undisclosed due to the request from the “GK”), whose collateral asset shall be the trust beneficiary interest with Sanmaison Ohorikoenkita 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 5
(3) Trustee	Undisclosed (Undisclosed due to the request from the trustee (the “Trustee”).
(4) Trust period (Planned)	From March 6, 2020 to March 31, 2030
(5) Collateral asset for loan claims (non-recourse loan) as asset in trust	Collateral Asset: The Beneficiary Interest in trust with Sanmaison Ohorikoenkita as the main asset in trust
(6) Amount of the B Beneficiary Interest	150,000,000 yen
(7) Planned acquisition price of the B Beneficiary Interest	150,000,000 yen (excluding acquisition expenses, etc.)
(8) Planned dividend yield (Note 2)	Base rate (Note 3) +5.19%
(9) LTV of loan claims (non-recourse loan) as asset in trust	Approximately 76.3% (Note 4)
(10) Planned contract date of B Beneficiary Interest transfer agreement	March 6, 2020

(11) Planned acquisition date of the B Beneficiary Interest	March 6, 2020								
(12) Planned dividend payment date of the B Beneficiary Interest	20 of March, June, September and December (Four times a year) (The first dividend payment date is June 20, 2020.)								
(13) Final redemption date (Planned)	September 6, 2025 (Note 5)								
(14) Acquisition financing	Cash on hand								
(15) Settlement method	Lump-sum settlement upon acquisition of the B Beneficiary Interest								
(16) Seller	Undisclosed (Undisclosed due to the request from the seller (the "Seller").								
(17) Overview of the B Beneficiary Interest structure	<p>Operator: GK</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">GK</th> <th colspan="2" style="text-align: center;">Trustee</th> </tr> <tr> <td style="width: 25%; vertical-align: top;">Collateral Asset Sanmaison Ohorikoenkita 1,140 million yen (Appraisal value)</td> <td style="width: 25%; text-align: center; vertical-align: middle;">[Borrowing] Non-recourse loan</td> <td style="width: 25%; vertical-align: top;">[Loan] Non-recourse loan</td> <td style="width: 25%; text-align: center; vertical-align: middle;">(A-ABL Lender) (B Beneficiary Interest) 150 million yen SAR (C Beneficiary Interest)</td> </tr> </table> <p style="text-align: center;">1. Loan (non-recourse loan) as asset in trust of the B Beneficiary Interest will be executed on March 6, 2020 by the Trustee to the GK based on an aggregate of A-ABL (monetary loan with limited special contract for non-exempt property), approx. 150 million yen to be entrusted for the B Beneficiary Interest and cash entrusted for the C Beneficiary Interest.</p> <p style="text-align: center;">2. Of the B Beneficiary Interest and the C Beneficiary Interest granted to the Seller, SAR plans to acquire the B Beneficiary Interest from the Seller. The GK plans to acquire the Collateral Asset using the payment for silent partnership investment, etc. and the borrowing (non-recourse loan) from the Trustee on the same day.</p> <p style="text-align: center;">3. Dividend for the B Beneficiary Interest will be conducted based on the interest for the borrowing (non-recourse loan).</p> <p style="text-align: center;">4. The B Beneficiary Interest is subordinated to the A-ABL lender, but is prioritized over the C Beneficiary Interest in terms of dividend payment and redemption of principal. On the other hand, interest of the non-recourse loan from the Trustee to the GK, which is the base for dividend payment to the B Beneficiary Interest and redemption of principal, are prioritized over those for "equity (silent partnership investment, etc.)" of GK. If the value of 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 C Beneficiary Interest have incurred loss, then the principal of the B Beneficiary Interest incurs loss.</p>	GK		Trustee		Collateral Asset Sanmaison Ohorikoenkita 1,140 million yen (Appraisal value)	[Borrowing] Non-recourse loan	[Loan] Non-recourse loan	(A-ABL Lender) (B Beneficiary Interest) 150 million yen SAR (C Beneficiary Interest)
GK		Trustee							
Collateral Asset Sanmaison Ohorikoenkita 1,140 million yen (Appraisal value)	[Borrowing] Non-recourse loan	[Loan] Non-recourse loan	(A-ABL Lender) (B Beneficiary Interest) 150 million yen SAR (C Beneficiary Interest)						

(18) Relationship between SAR/the Asset Manager and the GK * Based on information as of March 2, 2020.	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 Collateral Asset>.

(Note 2) SAR is scheduled to receive an up-front fee upon the acquisition of the B Beneficiary Interest separately from the planned dividend payment.

(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 two business days prior to the drawdown date of the loan claim of the trust asset of the B Beneficiary Interest) 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) to (b) the appraisal value indicated in the appraisal report obtained by GK regarding the Collateral Asset (1,140 million yen), rounded to one decimal place.

(Note 5) The final redemption date of the B Beneficiary Interest is September 6, 2025. However, the B Beneficiary Interest may be repaid earlier 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 interest income (planned interest rate: 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 B Beneficiary Interest.

- ① The appraisal value of the Collateral Asset is 1,140 million yen, and LTV against the amount of the B Beneficiary Interest and senior debts calculated based on this figure is 76.3%. Therefore, risk of loss while holding the B Beneficiary Interest is judged to be low.
- ② The trust asset of the Collateral Asset is a residential building located in Fukuoka area, which falls under the category of investment target defined by SAR and is believed to have strong liquidity. In addition, since the loan can be fully repaid at 76.3% of the appraisal value as explained in ① above, the certainty of redemption of the B 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 B 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, the dividend rate of the B Beneficiary Interest is "base rate + 5.19%" (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 It has been determined that the certainty of interest payment for the loan claim of the trust asset of the B Beneficiary Interest is high, even if capital expenditures and repair expenses arise more than assumed.
- ⑥ The Collateral Asset is a newly constructed property and planned to be transferred with no occupancy. However, allowance for management operations including leasing expense and the interest payment for borrowings will be made, thereby securing dividend income for certain period.

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

<Overview of Collateral Asset>

Asset type		Real estate beneficiary interest in trust
Property name		Sanmaison Ohorikoenkita
Planned acquisition date		March 6, 2020
Planned buyer		GK
Location		2-1-28 Minato, Chuo-ku, Fukuoka-shi, Fukuoka
Use (Note 1)		Residence
Structure (Note 2)		Reinforced Concrete (RC) structure with flat rooftop, 14 floors
Area	Land (Note 3)	457.57 m ²
	Building (Total floor area) (Note 4)	2,005.85 m ²
Type of ownership (Note 5)	Land	Proprietary ownership
	Building	Sectional ownership (100%)
Construction completion		August 5, 2019
Earthquake PML (Note 6)		4.37%
Appraisal obtained by the GK (Note 7)	Appraisal value	1,140 million yen
	Appraisal NOI (Note 8)	49,445,516 yen
	Appraisal date	February 1, 2020
	Appraiser	DAIWA REAL ESTATE APPRAISAL CO.,LTD.
Total number of units		25
Occupancy rate (Note 9)		0.0% (as of January 2020)
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 stated in the real estate registry and may differ from the present state.

(Note 4) "Building (Total floor area)" is the total floor area 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 Sanmaison Ohorikoenkita.

(Note 6) The PML (probable maximum loss) calculated in the evaluation of seismic risk analysis conducted by DAIWA REAL ESTATE APPRAISAL 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 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 January 2020.

<Evaluation of the Collateral Asset by the Asset Manager>

Sanmaison Ohorikoenkita, the Collateral Asset, is a residential property located at an approximately 7-minute walk from “Ohori-koen” on the Fukuoka Municipal Subway Airport Line. “Ohori-koen” station has good access to the Tenjin district and Hakata district, as it is 3 minutes from “Tenjin” station and 8 minutes from “Hakata” station. Furthermore, it is approximately 16 minutes to Hakata station by bicycle, and is conveniently located for commuting to both work and school, and is an area which is highly appealing to families as it is nearby Ohori-koen Park and Maizuru-koen Park with rich greenery. In terms of property aspects, the all of the residential units are equipped with IH cooking heaters and dishwashers, and also functional and stylish facilities with LED lightings and the natural refrigerant CO2 heat pump water heater EcoCute makes for the newest type eco-housing specifications which is highly safe and helps to save energy. Furthermore, the newest type of security system allowing for hands free key system as well as 24-hour integrated security system have been installed. A housing performance evaluation system where a third-party entity conducts screening has been used, and a “design performance evaluation report” and “construction performance evaluation report” have been obtained.

Each of the 25 units mainly consists of 2LDK and 3LDK layout. The Collateral Asset, which has been newly built, has high standard of privacy protection as the top floor contains only one exclusive unit and other floors have two units per floor, which makes the Collateral Asset competitive compared with other properties.

3. Seller profile

The Seller is a domestic financial institution. However, details are undisclosed as consent for disclosure has not been obtained from the Seller. There is no capital or personnel relationship to report between SAR/the Asset Manager and the Seller as of today, but SAR has debt financed by the Seller.

In addition, the Seller does not fall under the category of a related party of SAR or the Asset Manager.

4. Transaction with interested person, etc.

The acquisition of the B 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, as amended) or interested person, etc. defined in the “Rules on Transactions with Interested Parties” set forth by the Asset Manager.

5. Schedule for the Acquisition

Decision date of the Acquisition	March 2, 2020
Contract date of the B Beneficiary Interest transfer agreement	March 6, 2020
Date of drawdown from the Trustee to the GK	March 6, 2020
Planned acquisition date of the B Beneficiary Interest	March 6, 2020

(Note) The Acquisition will be conducted on the assumption that the GK acquires the Collateral Asset on March 6, 2020 using the borrowings from the Trustee 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.

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

<For Reference>

Other press releases etc. disclosed dated today.

- Notice Concerning Conclusion of a Merger Agreement by and between Star Asia Investment Corporation and Sakura Sogo REIT Investment Corporation
- Notice Concerning Split of Investment Units
- Notice Concerning the Forecast of Operating Results and Distributions Subsequent to the Merger of Star Asia Investment Corporation and Sakura Sogo REIT Investment Corporation for the Fiscal Periods Ending January 31, 2021 and July 31, 2021
- Notice Concerning Acquisition and Transfer (5th Asset Replacement) of Real Estate Beneficiary Interests in Trust
- Notice Concerning Debt Financing
- Notice Concerning Revision to Forecasts of Operating Results and Distributions for the Fiscal Periods ending January 31, 2020 and July 31, 2020
- Notice Concerning Partial Amendment to the Management Guidelines of the Asset Manager
- Supplementary Explanatory Material Regarding Press Releases dated today (March 2)

This is an English translation of the announcement in Japanese dated March 2, 2020.

However, no assurance or warranties are given for the completeness or accuracy of this English translation.