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For Immediate Release

Real Estate Investment Trust Securities Issuer
Star Asia Investment Corporation
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(Code: 3468)

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Notice Concerning Acquisition of Mezzanine Loan Debt
Star Asia Mezzanine Loan Debt Investment Series 8
(Class A Beneficial Interest and Class B Beneficial 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 8th mezzanine loan debt investment transaction for SAR, and is to be made leveraging on Star Asia Group’s deal sourcing and structuring cooperation, as well as support provided by Tokyo Capital Management Co. Ltd. (hereinafter referred to as “TCM”) who is a sub-sponsor of SAR together with NIPPON KANZAI Co., Ltd. through the provision of a bridge scheme etc.

The proceeds for the Acquisition are expected to be appropriated from the assignment proceeds of the Asset to be Transferred as described in the announcement today entitled “Notice Concerning the Transfer of Trust Beneficial Interests of Domestic Real Estate (Funabashi Hi-Tech Park Factory II)”, and such assignment and the Acquisition are collectively positioned as the “8th Asset Replacement”.

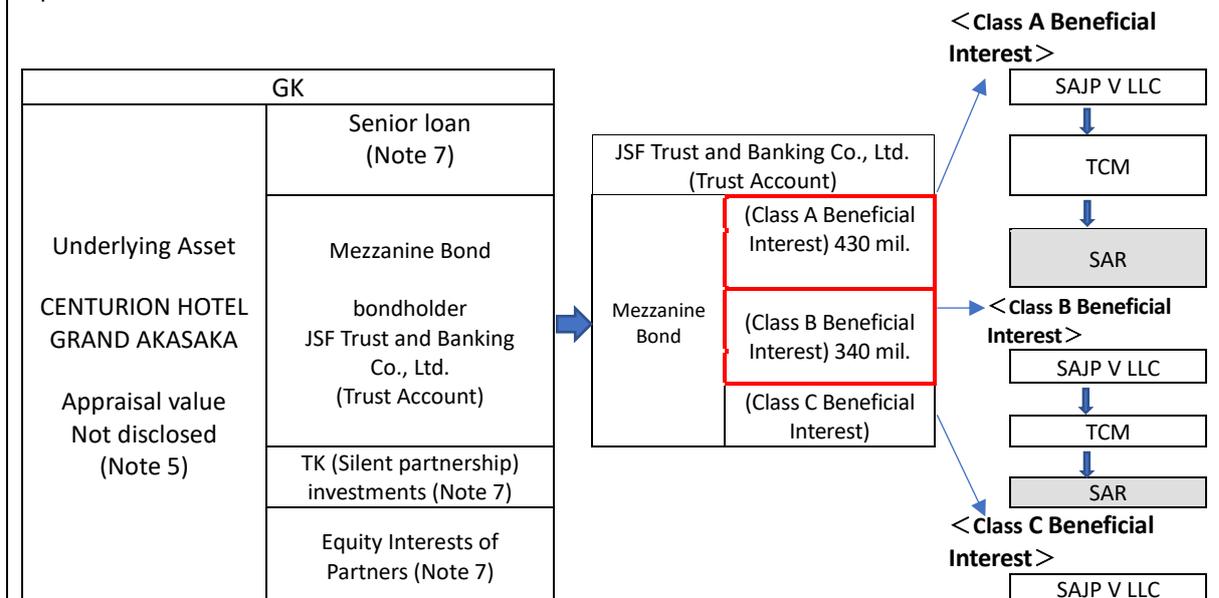
SAR regards such continued investments in mezzanine loan debt as a part of the active management strategy adopted by SAR and the Asset Manager, and is also aligned with SAR’s differentiation strategy in pursuit of maximization of unitholder value. Going forward, SAR will continue to consider mezzanine loan debt investment opportunities which are expected to have the effect of increasing distributions per unit.

1. Overview of the Acquisition

(1) Asset to be acquired	The Trust Beneficial Interests: The Class A Beneficial Interest (hereinafter referred to as the “Class A Beneficial Interest”) which corresponds to the Class A Bonds issued by Centurion Two Godo Kaisha (hereinafter referred to as the “GK”) whose main underlying asset (Note 1) is CENTURION HOTEL GRAND AKASAKA (hereinafter referred to as the “Underlying Asset”), and the Class B Beneficial Interest which corresponds to the Class B Bonds issued by the GK (hereinafter referred to as the “Class B Beneficial Interest”, and the Class A Beneficial Interest and the Class B Beneficial Interest shall be collectively referred to as the “Beneficial Interests”).
(2) Name of asset to be acquired	Star Asia Mezzanine Loan Debt Investment Series 8
(3) Trustee of the asset to be acquired	JSF Trust and Banking Co., Ltd.
(4) Trust period of the asset to be acquired	From November 29, 2022 to the scheduled redemption date or the final redemption date
(5) Face Amount of the Beneficial Interests	Class A Beneficial Interest: 430,000,000 yen Class B Beneficial Interest: 340,000,000 yen Total: 770,000,000 yen

(6) Acquisition price of the Beneficial Interests	Class A Beneficial Interest: 430,000,000 yen (Note 2) Class B Beneficial Interest: 340,000,000 yen (Note 3) Total: 770,000,000 yen (excluding acquisition expenses)
(7) Expected Dividend Yield	Class A Beneficial Interest: Base rate (Note 4) + 5.30% Class B Beneficial Interest: Base rate (Note 4) + 7.30%
(8) LTV against Underlying Assets	Not disclosed (Note 5)
(9) Planned signing date of the Beneficial Interest Sale and Purchase Agreement	February 1, 2023
(10) Planned acquisition date of the Beneficial Interests	Class A Beneficial Interest: August 31, 2023 or such other date to be separately agreed by SAR and the seller. Class B Beneficial Interest: February 20, 2023
(11) Scheduled dividend payment dates of the Beneficial Interests	The business day immediately following last day of February, May, August, November (Four times a year) (The first interest payment date of the Class B Beneficial Interest is the business day immediately following the last day of February 2023)
(12) Scheduled redemption date	Class A Beneficial Interest: November 29, 2027 (Note 6) Class B Beneficial Interest: November 29, 2027 (Note 6)
(13) Final redemption date	Class A Beneficial Interest: November 29, 2029 (Note 6) Class B Beneficial Interest: November 29, 2029 (Note 6)
(14) Funding for acquisition	Transfer proceeds of the Asset to be Transferred as described in the announcement today entitled “Notice Concerning the Transfer of Trust Beneficial Interests of Domestic Real Estate (Funabashi Hi-Tech Park Factory II)”.
(15) Settlement method	Refer to 7. Settlement method
(16) Seller	TCM

(17) Overview of the structure of the Beneficial Interests
Operator: The GK



- On November 29, 2022, SAJP V LLC established at trust with itself as the trustor and the beneficiary, and JSF Trust and Banking Co. Ltd. as the trustee, and the trust account purchased the mezzanine bonds issued by the GK and issued the Class A Beneficial Interest corresponding to the Class A Bonds, the Class B Beneficial Interest corresponding to the Class B Bonds, and the Class C Beneficial Interest corresponding to the Class C Bonds. SAJP V LLC is a member of Star Asia Group.

2. On the same day, SAJP V LLC assigned the Class A Beneficial Interest and the Class B Beneficial Interest to TCM, and TCM paid the full amount of the transfer proceeds for the Beneficial Interests to SAJP V LLC, and acquired the Beneficial Interests.
3. On February 1, 2023, SAR and TCM signed the “Trust Beneficial Interest Sale and Purchase Agreement” with respect to the Beneficial Interests.
4. On February 20, 2023, with respect to the Class B Beneficial Interest, SAR will pay the purchase proceeds of 340,000,000 yen after deducting the assignment fee of 1,870,000 yen (including consumption tax), and simultaneously receive assignment of the Class B Beneficial Interest from TCM and succeed to the status as holder of and to the rights and obligations of the Class B Beneficial Interest.
5. On August 31, 2023 or such other date to be separately agreed between SAR and TCM, SAR will pay the purchase proceeds for the Class A Beneficial Interest of 340,000,000 yen after deducting the assignment fee of 2,365,000 yen (including consumption tax)(provided, however, that if the transfer date is not August 31, 2023, the assignment fee shall be recalculated and determined), and simultaneously SAR will receive assignment of the Class A Beneficial Interest from TCM and succeed to the status as holder of and to the rights and obligations of the Class A Beneficial Interest.
6. The Class A Beneficial Interest, with respect to the payment of dividends and repayment of principal, shall be subordinated to the senior loan claims, however, shall be paid in preference to the Class B Beneficial Interest, Class C Beneficial Interest, the TK (silent partnership) investments and equity interests of partners of the GK. In particular, with respect to redemption of principal, even in the case where the value of the Underlying Asset declines, the equity interests of partners and TK investments of the GK will bear first loss, and principal of the Class A Beneficial Interest will incur a loss for the first time only after the full principal amounts of the equity interests of partners and TK investments of the GK, the Class C Beneficial Interest and the Class B Beneficial Interest have been damaged and lost.
7. The Class B Beneficial Interest, with respect to the payment of dividends and repayment of principal, shall be subordinated to the senior loan claims and Class A Beneficial Interest, however, shall be paid in preference to the Class C Beneficial Interest, the TK (silent partnership) investments and equity interests of partners of the GK. In particular, with respect to redemption of principal, even in the case where the value of the Underlying Asset declines, the equity interests of partners and TK investments of the GK will bear first loss, and principal of the Class B Beneficial Interest will incur a loss for the first time only after the full principal amounts of the equity interests of partners and TK investments of the GK and the Class C Beneficial Interest have been damaged and lost.

(18) Relationship between SAR/ the Asset Manager and the GK * Based on information as of January 31, 2023.	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 Underlying Asset>.

(Note 2) An amount after deducting fees related to the assignment of the Class A Beneficial Interest (2,365,000 yen (including consumption tax) will be paid.

(Note 3) An amount after deducting fees related to the assignment of the Class B Beneficial Interest (1,870,000 yen (including consumption tax) will be paid. Provided, however, that if the acquisition date is not August 31, 2023, fees related to the assignment shall be recalculated and determined.

- (Note 4) 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 will be applied as the base rate. The amount to be received after deduction of the trust fees is calculated by the rates below.
Class A Beneficial Interest: Base rate + 5.047%
Class B Beneficial Interest: Base rate + 7.047%
- (Note 5) The appraisal value stated in the appraisal report obtained by the Asset Manager for the Underlying Asset is not disclosed, because consent to disclosure has not been obtained from the current owner. The LTV which is the ratio of the total amount of the Beneficial Interests and senior claims to the appraisal value is lower than 85%, which is SAR's investment standard for investments in mezzanine loan debts (announced in the "Notice Concerning Acquisition of Mezzanine Loan Debt (Subordinate Bonds)" dated October 25, 2017. The same applies below.)
- (Note 6) The scheduled redemption date of the Beneficial Interests is November 29, 2027. However, the Beneficial Interests may be repaid prior to the scheduled redemption date for certain reasons such as the sale of the Collateral Asset.
- (Note 7) The lender(s) of the senior loan(s), the TK investors and members of the GK are not disclosed, as consents for such disclosures have not been obtained.

2. Reason for the Acquisition

The Acquisition has been decided as it will not only realize diversification of investment targets, but will also likely boost distributable profits since it will allow SAR to receive dividend income (dividend yield of more than 5% (as of the date of this announcement)) from effective use of own funds and it will contribute to maximization of unitholder value. The Asset Manager recognized the following points upon deciding on the Acquisition of the Beneficial Interests.

- (1) The LTV of the amount of the Beneficial Interests together with senior claims calculated based on the appraisal value of the Underlying Asset is lower than SAR's investment standard (85% of the appraisal amount), and the risk of incurring a loss during the period of holding the Beneficial Interests is judged to be low.
- (2) As the Beneficial Interests and the senior claims, as stated in (1) above, can be fully repaid by the amount calculated based on the LTV which is SAR's investment standard, it is determined that the certainty of redemption of the Beneficial Interests by sale of the Underlying Asset or by refinancing is high.
- (3) From the evaluation of the Underlying Asset by the Asset Manager as described below, it is judged that the rent revenues from the Underlying Asset will be highly stable, and the certainty of interest payments on the mezzanine bonds which are the trust assets of the Beneficial Interests is also high.
- (4) The expected dividend yields on the Beneficial Interests are "base rate + 5.3%" and "base rate + 7.3%", respectively, (please refer to 1. Overview of the Acquisition above), it is anticipated that profits exceeding the post-depreciation yield of the currently held real estate portfolio will be secured.

Real estate investment corporations, under securities listing regulations of the Tokyo Stock Exchange (TSE), are only permitted to hold assets other than real estate etc., real estate-related assets and current assets up to a maximum of 5% of the total amount of assets under management. The Asset to be Acquired does not fall under any one of real estate etc., real estate-related assets, or current assets etc., however, the ratio of "real estate etc., real estate-related assets and current assets" to the total amount of SAR's assets under management after the 8th asset replacement is expected to be no less than 95%.

(Note) Determined based on the amount calculated by deducting the book value of the Asset to be Transferred as of July 31, 2022 from the total assets of the balance sheet as of July 31, 2022, and then adding the acquisition amount of the asset to be acquired.

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

<Overview of Underlying Asset>

Asset type		Trust beneficiary interests of real estate
Property name		CENTURION HOTEL GRAND AKASAKA
Owner		The GK
Location		3-19-3 Akasaka, Minato-ku, Tokyo
Use (Note 1)		Hotel, Sauna
Structure (Note 2)		Steel reinforced concrete (SCR) structure with flat roof, 14 stories with 1 basement floor.
Area	Land (Note 3)	668.02 m ²
	Building (Total floor area) (Note 4)	2,516.83 m ²
Form of ownership (Note 5)	Land	Proprietary ownership
	Building	Proprietary ownership
Construction completion		July 16, 2013
Earthquake PML (Note 6)		6.0%
Appraisals	Appraisal value	Not disclosed (Note 7)
	Appraisal NOI	Not disclosed (Note 7)
	Appraisal date	January 1, 2023
	Appraiser	JLL Morii Valuation & Advisory K.K.
Occupancy rate		100.0% (as of January 31, 2023)
Special notation		No matters worthy of mention.

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

(Note 2) "Structure", for buildings, indicates the structure stated in the real estate registry.

(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) "Form of ownership" is the type of rights held by the trustee of CENTURION HOTEL GRAND AKASAKA.

(Note 6) The PML (probable maximum loss) calculated based on the seismic risk evaluation conducted by Tokyo Marin dR Co., Ltd. based on SAR's request is stated. "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) The contents of the real estate appraisal report obtained by SAR for grasping the appropriate price of the Underlying Asset are not disclosed as consent for disclosure has not been obtained from the current holder of the Underlying Asset.

<Evaluation of the Underlying Asset by the Asset Manager>

CENTURION HOTEL GRAND AKASAKA which is the Underlying Asset is a business hotel located in Akasaka of Minato-ku, Tokyo.

Due to Centurion Hotels sales strategy, it has acquired demand of inbound visitors showing signs of recovery as well as from domestic travel, and its operating results are already on a recovery trend since 2020 which was affected by the COVID-19 pandemic.

With respect to the property aspects, the hotel has a total of 82 guest rooms of various types, including twin bed rooms, double bed rooms, as well as family-type rooms accommodating up to 6 guests, and is available for a variety of uses such as business use, group travel use and family use. Furthermore, the hotel is competitive in that it has differentiated itself from other accommodation facilities located in the nearby area, by providing ancillary facilities such as a large bath and sauna facilities.

Given the above stated reasons, the Asset Manager has evaluated the Underlying Asset as a property which can acquire stable cashflow.

3. Impact on SAR's finance in the case where the forward commitments etc. are not performed.

Within the Acquisition, the acquisition of the Class A Beneficial Interest falls under forward commitment etc. by an investment company (Note 1) as set forth in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." prescribed by the Financial Services Agency.

If SAR or the seller has breached any provisions of this Agreement prior to the execution of the Class A Beneficial Interest after transfer of the Class B Beneficial Interest, the non-breaching party may cancel this Agreement, and the Class B Beneficial Interest must be restored to its original state as of the day of signing of this Agreement. However, given that it is planned to appropriate the assignment proceeds from the Asset to be Transferred as described in the announcement today entitled "Notice Concerning the Transfer of Trust Beneficial Interests of Domestic Real Estate (Funabashi Hi-Tech Park Factory II)" towards the purchase proceeds for the Class A Beneficial Interest, and also given that even if by any chance the assignment of the Asset to be Transferred is not executed SAR has determined that it is possible to purchase the Class A Beneficial Interest from cash on hand, SAR is of the view that the possibility that the forward commitment etc. related to the purchase of the Class A Beneficial Interest may have a significant impact on SAR's finance or payment of distributions etc. is low.

(Note 1) This refers to forward dated sale and purchase agreements, where it is intended that settlement or delivery is to occur after 1 month or more from the date of signing of the agreement, and any other similar agreements.

4. Overview of the Seller

Name of Seller	Tokyo Capital Management Co., Ltd.	
Location	1-14-2 Shimbashi SY Building, Nishi- Shimbashi, Minato-ku, Tokyo	
Description of the limited partnership's business	<ol style="list-style-type: none"> 1. Asset management (AM) business 2. Property management (PM) business 3. Real estate management consulting business 4. Construction management business 5. Tenant brokerage business, etc. 6. Rental conference room operating business 7. Parking lot operating business 	
Stated Capital	100,000,000 yen	
Date of Establishment	January 24, 2007	
Representative	Chief Executive Officer, Akihiko Soga	
Major Shareholder	NIPPON KANZAI Co., Ltd. 100%	
Total assets	Not disclosed (Note)	
Net assets	Not disclosed (Note)	
Relationship between SAR/ the Asset Manager and the Seller	Capital relationship	There is no capital relationship to report.
	Personnel relationship	There is no personnel relationship to report.
	Business relationship	For the fiscal period ended January 31, 2022, in addition to the property management services outsourced for properties held by SAR (16 properties), there are transactions related to the following agreements:

		<ul style="list-style-type: none"> • Comprehensive support agreement for property acquisitions and property management and operations (Sub-sponsor Support Agreement) • Business outsourcing agreement • Property survey service agreement
	Related party status	There is no related party status to report between the relevant company and SAR/the Asset Manager. Furthermore, the company does not fall under interested person, etc. under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) (hereinafter referred to as the "Investment Trust Law").

(Note) Not disclosed, because consent for disclosure has not been obtained from the Seller.

5. Transaction with interested person, etc.

The Acquisition 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 parties as defined in the "Rules on Transactions with Interested Parties" set forth by the Asset Manager. However, as the seller is a sub-sponsor who has signed a "Comprehensive Support Agreement for Property Acquisitions and Product Management and Operations" with SAR and the Asset Manager, and also since the Acquisition uses the bridge scheme, procedures based on the guidelines prescribed by the Financial Services Agency (FSA) have been taken.

6. Schedule for the Acquisition

Date of decision to acquire the Beneficial Interests	February 1, 2023
Signing date of the Beneficial Interests Sale and Purchase Agreement.	February 1, 2023
Planned acquisition date of the Class A Beneficial Interest	August 31, 2023 or such other date to be separately agreed by SAR and the seller.
Planned acquisition date of the Class B Beneficial Interest	February 20, 2023

7. Settlement method

SAR intends to settle by making lump-sum payment of the full amount of the acquisition proceeds, on the planned date of acquisition of the Class A Beneficial Interest and the planned date of acquisition of the Class B Beneficial Interest, respectively.

8. Future Outlook

As a result of the Acquisition, changes will arise to the assumptions used for the forecast of operating results for the fiscal period ending July 31, 2023 (February 1, 2023 to July 31, 2023) which was announced in the "(REIT) Financial Report for Fiscal Period Ended July 31, 2022" on September 13, 2022. For details, please refer to the press release announced today "Notice Concerning Revision to Forecasts for Operating Results and Distributions for the 15th Fiscal Period Ending July 31, 2023".

<Other press releases announced today>

- Notice Concerning the Transfer of Trust Beneficiary Interests of Domestic Real Estate (Funabashi Hi-Tech Park Factory II)
- Notice Concerning Early Repayment of Borrowings
- Notice Concerning Revision to Forecasts for Operating Results and Distributions for the 15th Fiscal Period Ending July 31, 2023

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

This is an English translation of the announcement in Japanese dated February 1, 2023.

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