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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 Signing of Building Lease Option Agreement Presupposing Extension of the Building
(Funabashi Hi-tech Park Factory I)

Star Asia Investment Management Co., Ltd. (the “Asset Manager”), to which Star Asia Investment Corporation (“SAR”) entrusts the management of its assets, announces today that, concerning “Funabashi Hi-tech Park Factory I” (the Property”) which is an asset managed by SAR, a Building Lease Option Agreement (the “Lease Option Agreement”) has been signed with the current tenant which presupposes the building extension of the Property (the “Building Extension”). Details are stated below.

1. The Purpose and Reason for the Building Extension and Signing of the Lease Option Agreement

SAR, as a part of active management aiming to maximize unitholders’ interests and with the aim to improve profitability of the portfolio, is considering multiple options for each of the assets held, such as redevelopment, building extension, and asset replacement etc.

At the property, unused floor area (under floor area ratio restrictions) has been confirmed, and as possibilities for internal growth by using such unused floor area was considered and verified, a request was received from the current tenant to extend the building to enhance capacity. In response to the request, the Asset Manager confirmed the specific requests for building extension with the current tenant, calculated the building extension cost based on such information, negotiated the lease conditions after the building extension with the current tenant, and considered the profitability for the Property after the building extension, and was able to confirm that the profitability of the Property would improve by effective use of the unused floor area by building extension. Therefore, the Building Extension and signing of the Lease Option Agreement which presupposes acquisition of the Building Extension portion of the building was decided. The Lease Option Agreement sets forth the agreement that when the Building Extension construction works is completed (to be confirmed based on the confirmation application drawing) and the tenant commences using such extended portion, the lease agreement will transfer to a lease agreement for the entire Property which includes the Building Extension portion, and will provide for a non-cancellable period of 10 years, and therefore, it is envisioned that it would contribute to long-term stable increase in revenues. To note, the construction contract for the Building Extension has not yet been signed as of today, and will be announced after it is signed.

The key points of the Building Extension and signing of the Lease Option Agreement are as follows.

【Key Points of the Building Extension and Signing of the Lease Option Agreement】

(1)	<p>Revenue improvement measure for a long-term span</p> <p>Contribute to increase in revenues, as rents will arise for the extended building portion. Also, by providing for a non-cancellable period for the 10-year ordinary lease will contribute to long-term stable revenues.</p>
(2)	<p>Effective use of unused floor area under floor area ratio restrictions</p> <p>Increase NOI and significant increase of appraisal value by effective use of unused floor area.</p>
(3)	<p>Rent revenues will continue to be received during the construction period</p> <p>During the construction period, the current lease agreement will continue to be in effect, and there is no downtime for rent revenues.</p>

2. Details of the Lease Option Agreement (Note1)

Contract counterparty	Current tenant (Number of tenants: 1)
Name of Property	Funabashi Hi-tech Park Factory I
Net rentable area	8,819.65 m ²
Leased area	8,819.65 m ²
Rent	Not disclosed (Note2)
Deposit and Guarantee Money	Not disclosed (Note3)
Signing date of building lease option agreement	March 16, 2023 (scheduled date)
Type of lease contract	Ordinary building lease contract
Term of lease contract	10 years from the delivery date, with provision for automatic renewal every 3 years.
Revision of Rents	Revision possible at the time of contract renewal.
Early termination	Not allowed for 10 years.

(Note 1) The above is described based on the Option Lease Agreement signed today.

(Note 2) The other party to the contract is not a related party of SAR or the Asset Manager.

(Note 3) "Rent" and "Deposit and Guarantee Money" are not disclosed, as consent for disclosure has not been obtained from the tenant.

3. Effect of the Building Extension

	Before extension	After extension	Increase/Decrease
Total rentable area	8,340.98 m ²	8,819.65 m ²	478.67 m ² (+5.7%) (Note 1)
Floor area usage ratio (Note 2) (Current / Designated)	62.16 % / 200 %	66.03% / 200%	(+3.87 %)
Appraisal value (Survey value)	1,710 million yen	2,070 million yen	360 (+21.1%)
Annual NOI	110 million yen (Note 3)	134 million yen (Note 4)	24 million yen (+21.8 %)

(Note 1) 0.1% of the total leasable area of the assets held as of the end of the fiscal period ending January 31, 2023.

(Note 2) Gross floor area (area subject to floor area ratio restrictions) ÷ site area × 100

(Note 3) The figures stated are 2 times the actual figures recorded for the fiscal period ended January 2023.

(Note 4) The is the annual estimate figure, based on the rents stated in the Lease Option Agreement, and after

excluding special factors of the year of construction completion.

4. General Description of the Property

Property No.	LGC-09	The Property (before extension)	The Property (after extension) (Note 1)
Name of specified asset		Funabashi Hi-tech Park Factory I	
Type of specified asset		Trust beneficial interest	
Trustee		Mitsubishi UFJ Trust and Banking Corporation	
Location		606-11 Suzumi-cho, Funabashi-shi, Chiba and others	
Date acquired		August 1, 2020	End of December 2023 (expected)
Land	Form of ownership	Proprietary ownership	
	Site area	13,420.44 m ²	
	Use district	Industrial district	
	Building coverage ratio (specified)	32.72% (60%)	34.88% (60%)
	Floor area ratio (specified)	62.16% (200%)	66.03% (200%)
Building	Form of ownership	Proprietary ownership	
	Total floor area	8,340.98 m ² (Note 2)	8,868.22 m ² (Note 3)
	Use	Factory	Factory
	Timing of construction	May 19, 2003	Construction works to begin in June 2023 (expected)
	Structure/ no. of stories	Steel construction, galvanized steel roof, 2-stories high	
PM Company		Tokyo Capital Management Co., Ltd.	
Master lease company		Master Lessee Mars Limited GK	
Type of master lease		Pass-through	
Security		Unsecured	
Specia notations		None	
Designer		Toyo Construction Co. Ltd. First Class Architect Office	To be announced after the construction contract is signed.
Contractor		Toyo Construction Co. Ltd.	To be announced after the construction contract is signed.

(Note1) Stated based on the plan assumed by the Asset Manager based on the Lease Option Agreement and the construction confirmation application drawings etc. as of today. As of today, the construction contract for the Building Extension has not been signed. Furthermore, an appraisal report related to the appraisal value after the Building Extension and the seismic risk evaluation report regarding earthquake resistance have not been obtained. Such appraisal report and seismic risk evaluation report regarding earthquake resistance are planned to be obtained after the construction is completed.

(Note2) Total floor space indicates the leasable floor space in the building lease agreement before the expansion.

(Note3) The total floor area is the area of the entire building as indicated in the application for confirmation (building) for the building expansion.

5. General description of the Survey Report

(Unit: JPY)

General Description of the Survey Report		
Property Name	Funabashi Hi-tech Park Factory I	
Appraisal value (survey value)	2,070,000,000 yen	
Appraisal institution	Japan Real Estate Institute	
Date of valuation	March 13, 2023	
Items	Details	General Description etc.
Value indicated by income approach	2,070,000,000	Calculated by linking the value by direct capitalization method and the value by the DCF method.
Value by Direct Capitalization Method	2,100,000,000	
(1) Operating revenues (A – B)	147,897,000	
A. Potential total revenue	147,897,000	Appraised rent and common-area fees etc. which can be stably earned in the mid- to long-term based on the option agreement.
B. Losses from vacancies etc.	0	Losses from vacancies etc. not booked, as it is determined that vacancy risk is considered within the capitalization rate.
(2) Operating expenses	13,401,000	
Maintenance and operation costs	204,000	Recorded the master lease fees and bank fees.
Utility charges	0	Not recorded, as under the lease agreements, utility charges are borne by the lessees.
Repair costs	561,000	Recorded by reference to actual recorded costs, and also by taking into account the expense levels at similar real estate properties and the repair and renewal costs in the ER.
PM Fee	1,800,000	Recorded by referring to contract condition as well as levels at similar real estate properties.
Tenant solicitation costs etc.	0	Considering that the lease agreement is a long-term lease for a whole building, this is covered in the capitalization rate.
Taxes and public dues	10,587,000	Recorded taking into account tax and dues related documents, replacement value of the extended building, and tax amounts etc. of similar real estate properties.
Non-life insurance premiums	249,000	Appraised taking into account insurance premiums and the building insurance premiums etc. of similar buildings.
Other expenses	0	None
(3) Net Operating Income (NOI=(1)–(2))	134,496,000	
(4) Investment income of temporary funds	1,137,000	Investment yield assessed at 1.0%.
(5) Capital expenditures	1,348,000	Appraised taking into account the level of capital expenditures of similar real estate properties, number of years since construction completion, and repair and renewal costs in the ER.
(6) Net income (NCF=(3)+(4)–(5))	134,285,000	
(7) Capitalization Rate	6.4%	Appraised taking into account the competitiveness of the subject real estate property and transaction yield etc. of similar real estate properties.
Value by DCF method	2,040,000,000	
Discount ratio	6.3%	Appraised by comprehensively taking into account the individual features etc. of the subject real estate property.
Terminal Cap Rate	6.7%	Appraised by comprehensively taking into account future trends, risks pertaining to the subject real estate property, and market risks etc.
Value indicated by cost approach	-	-
Land ratio	-	-
Building ratio	-	-
Matters considered upon adjusting the preliminary calculation value and upon determining the appraisal value.	As the value indicated by the cost approach is not confirmed, the value indicated by income approach was adopted.	

6. Schedule of signing of the Building Lease Option Agreement and Building Extension

March 16, 2023	Sign Building Lease Option Agreement
Beginning of April 2023 (expected)	Sign construction contract(expected)
Around June 2023 (expected)	Commence building extension construction works (expected)
Around December 2023 (expected)	Complete building extension construction works (expected)
Around January 2024 (expected)	Commence operations of extended building / 新賃料へ移行(expected)

7. Timing of payment and amount of construction costs for the Building Extension

The payment schedule will be announced again, after the construction contract for construction works of the Building Extension is signed.

8. Future Outlook

The signing of the Lease Option Agreement and the Building Extension are included in the assumptions underlying management status forecast announced in the “Financial Report for Fiscal Period Ended January 31, 2023” announced today, and thus there are no revisions to the management status forecasts for the fiscal period ending July 2023 (February 1, 2023 to July 31, 2023) and for the fiscal period ending January 2024 (August 1, 2023 to January 31, 2024).

9. Other matters necessary for investors to appropriately understand the relevant information and make decisions

Concerning the risks related to signing of the Lease Option Agreement and the Building Extension, there are no changes to the contents described in “Part I: Fund Information / Section 1 - Status of the Fund / 3. Investment Risks” of the Securities Report submitted on October 28, 2022.

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

<Appendix>

Reference document: Image drawing of building extension of Funabashi Hi-tech Park Factory I

<Other press releases announced today>

- (REIT) Financial Report for Fiscal Period Ended January 31, 2023
- Notice Concerning the Transfer of Trust Beneficial Interests of Domestic Real Estate (Urban Park Gokokuji)
- Notice Concerning signing of Right of First Refusal Agreement for Acquisition of Assets (Preferred Equity Securities) and Receipt of a Letter of Intent regarding Lending of the Preferred Equity Securities (HAKUSAN HOUSE)
- Notice Concerning Partial Amendment to the Management Guidelines of the Asset Manager

This is an English translation of the announcement in Japanese dated March 16, 2023. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

<Appendix>
architectural perspective

