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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 Construction Contract for Building Extension
(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, it has been decided to sign a construction contract for the building extension of the Property (the “Building Extension”). Details are stated below.

1. The Purpose and Reason for the Building Extension

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

As announced on March 16, 2023 in the press release “Notice Concerning Signing of Building Lease Option Agreement Presupposing Extension of the Building (Funabashi Hi-tech Park Factory I)”, concerning the Property, while possibilities for internal growth by utilizing unused floor area were being considered and verified, a request was received from the current tenant to extend the building in order to enhance capacity. The Asset Manager confirmed the current tenant’s specific request for the building extension and calculated the cost for building extension based on such request, negotiated post-extension lease conditions with the current tenant, and considered the profitability of the property after the building extension, and was able to confirm that the profitability of the Property would be improved by effectively utilizing unused floor area by implementing the building extension, and signed the “Building Lease Amendment (Option) Agreement” (hereinafter referred to as the “Lease Option Agreement”) which presupposed the Building Extension and acquisition of the extended portion of the Building Extension.

Now it has been decided to sign the “Construction Contract” for the Building Extension. Details are as follows.

The key points of the Building Extension are as follows.

【Key Points of the Building Extension】

(1)	Revenue improvement measure for a long-term span
	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.

(2)	Effective use of unused floor area under floor area ratio restrictions Increase NOI and significant increase of appraisal value by effective use of unused floor area.
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(3)	Rent revenues will continue to be received during the construction period During the construction period, the current lease agreement will continue to be in effect, and there is no downtime for rent revenues.
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2. General Description of the Building Extension

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 (expected)		August 1, 2020	December 28, 2023 (expected)
Land	Form of ownership	Proprietary ownership	
	Site area	13,420.44 m ²	
	Use district	Industrial district	
	Building coverage ratio (designated)	32.72% (60%)	34.88% (60%)
	Floor area ratio (designated)	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 expected 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		SAR	
Type of master lease		Pass-through	
Security		Unsecured	
Special notations		None	
Designer		Toyo Construction Co. Ltd. First Class Architect Office	JFE CONFORM Co. Ltd.
Contractor		Toyo Construction Co. Ltd.	JFE CONFORM Co. Ltd.

(Note 1) Stated based on the plan assumed by the Asset Manager based on the Lease Option Agreement, the construction confirmation application drawings etc., and the construction contract, etc, as of today. As of today, 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.

(Note 2) Total floor space indicates the leasable floor space in the building lease agreement before the extension.

(Note 3) The total floor area is the area of the entire building as indicated in the application for confirmation (building) for the building extension.

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 ended 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 31, 2023.

(Note 4) This 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 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 conditions 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.	

5. The timing and amounts of payment of the total project cost for the Building Extension

The total project cost of the Building Extension is estimated to be approximately 244 million yen (excluding taxes) (Note 1). Such construction costs are expected to be paid in installments in accordance with the progress of construction works, and will be recorded as assets in the construction-in-progress account for each period depending on the timing of payments. The payments are planned to be made by appropriating own funds.

The schedule of payments are as follows:

Amount expected to be paid in fiscal period ending July 31, 2023 (15 th fiscal period)	36 million yen (estimated amount)
Amount expected to be paid in fiscal period ending January 31, 2024 (16 th fiscal period)	208 million yen (estimated amount)
Total	244 million yen (estimated amount)

(Note) Includes design supervision fee, survey costs etc.

6. General Description of the Contractor

(1) Construction Contract (expected)

Name	JFE CONFORM Co. Ltd. (Note)
Location	Keihin Building 7 th Floor 1-1 Minami-wataridacho, Kawasaki-ku, Kawasaki-shi, Kanagawa
Representative	Representative Director and President, Akira Kido
Main Business	<ol style="list-style-type: none"> 1. Contract and consulting work for the design, supervision, and implementation of civil engineering and construction works. 2. Contract and consulting work for the design, supervision, and implementation of extension, renovation, remodeling, repair, refurbishment works of residences, office buildings, factories and other buildings and ancillary facilities. Real estate appraisal work. 3. Design, supervision, and construction of exteriors and landscapes accompanying the preceding item and related consulting work. Consulting related to personal property. 4. Manufacturing, sale, and construction implementation of lighting, air conditioning, plumbing facilities, furniture, interior decorations etc. related to each of the preceding items. 5. Various demolition works. 6. All businesses incidental to or related to each of the above items.
Capital	300 million yen
Established	August 31, 1972
Net asset	Not disclosed, as consent for such disclosure has not been obtained from the company.
Total asset	
Major shareholders and shareholding ratio	JFE Civil Engineering & Construction Corp. 100%
Relationship with SAR and the Asset Manager	
Capital relationship	There is no capital relationship to report.
Personnel relationship	There is no personnel relationship to report.
Business relationship	There is no business relationship to report, other than the signing of the construction contract for the Building Extension.
Related party or not	The company is not a related party of SAR or the Asset Manager.

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

(2) Construction Management Agreement

Name	SHIN Design Office Co. (Note)
Location	4-5-4 Kamezawa, Sumida-ku, Tokyo Plume Bldg. 5F
Representative	Representative Director Akira Ageba
Main Business	1. design of buildings 2. Supervision of construction of buildings 3. direction and supervision of building construction 4. investigation or appraisal of buildings 5. All business incidental to each of the preceding items
Capital	15million yen
Established	November 8, 1984
Net asset	Not disclosed, as consent for disclosure has not been obtained from the company.
Total asset	
Major shareholders and shareholding ratio	
Relationship with SAR and the Asset Manager	
Capital relationship	There is no capital relationship to report.
Personnel relationship	There is no personnel relationship to report.
Business relationship	There is no business relationship to report, other than the signing of the construction management agreement for the Building Extension.
Related party or not	The company is not a related party of SAR or the Asset Manager.

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

7. Details of the Lease Option Agreement (Note1)

Contract counterparty	Current tenant (Number of tenants: 1) (Note 2)
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 (Note 3)
Deposit and Guarantee Money	Not disclosed (Note 3)
Signing date of building lease option agreement	March 16, 2023
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 on March 16, 2023.

(Note 2) The contract counterparty 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 current tenant.

8. Building Extension Time Schedule

April 28, 2023	Sign construction contract
Around June 2023	Commence building extension construction works (expected)
Around December 2023	Complete building extension construction works (expected)
Around January 2024	Begin operations of the extended building (expected)

9. Future Outlook

The Building Extension is included in the assumptions underlying management status forecast announced in the “Financial Report for Fiscal Period Ended January 31, 2023” dated March 16, 2023, and thus there are no revisions to the management status forecasts for the fiscal period ending July 31, 2023 (February 1, 2023 to July 31, 2023) and for the fiscal period ending January 31, 2024 (August 1, 2023 to January 31, 2024).

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

Concerning the risks related to 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: <https://starasia-reit.com/en/>

This is an English translation of the announcement in Japanese dated April 26, 2023. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

<Appendix>

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



(Note) The above image of the exterior of the building is based on the plan under consideration as of today, and may differ from the actual completed building.