

"Financial Results for the 2nd Fiscal Period Ended January 2017"



スターアジア不動産投資法人

Star Asia Investment Corporation (Securities CODE 3468)  
Star Asia Investment Management

スターアジア不動産投資法人 (3468)  
スターアジア投資顧問株式会社

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\* In this material, amounts less than specified units are rounded off while ratios are rounded to a specified unit.

\*Terms used in this material are defined as below.

"The Initiative": "The Initiative" refers to the asset replacement involving acquisition of six assets acquired through PO, transfer of Oak Minami-Azabu and acquisition of Baraki Logistics.

"Tokyo area": "Tokyo area" refers to Tokyo's 23 wards and the cities of Kawasaki and Yokohama for office properties and retail facilities, and Tokyo and the three prefectures of Kanagawa, Saitama and Chiba for residential properties, logistics facilities and hotels.

## **1. Initiatives after the 2nd Fiscal Period**

# 1. Initiatives after the 2nd Fiscal Period

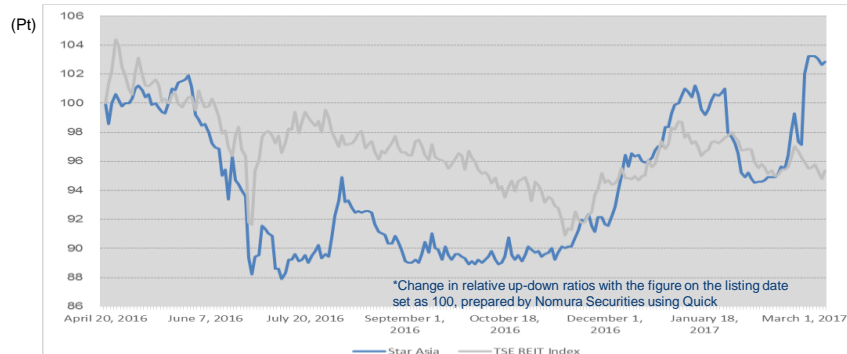
## ① Public Offering in March 2017

- Conducted public offering (PO) after about one year after listing. Strengthened and expanded the portfolio through asset replacement and new asset acquisition

### Overview of Public Offering

Offering Format	Domestic Offering
Newly Issued Units	69,600 units (Including O.A.)
Amount of offering	6,731 million yen
Offer price	96,720 yen
Issuance resolution date	March 17, 2017
Price determination date	March 28, 2017
Payment date	April 4, 2017
Number of investment units issued and outstanding after PO	414,300 units
Number of investment units held by the Sponsor Group (ratio)	97,000 units (23.4%)

### Changes in market price (Indexed with the price on the listing date set as 100)



### Offering highlights

1

**Expansion of portfolio through acquisition of “Tokyo area” x “middle-sized assets”**

Expansion of asset size to 75,350 million yen

2

**Pursuant of property acquisition by utilizing the Sponsor Group’s “property acquisition capability” x the asset manager’s “unique network”**

Utilization of diversified property acquisition methods

3

**Speedy implementation of “value enhancement” and “asset replacement”**

Active portfolio management

4

**Pursuant of “growth potential” and securement of “stability” of cash distribution**

Implementation of measures to pursue maximization of unitholders’ value

# 1. Initiatives after the 2nd Fiscal Period

## ① Public Offering in March 2017

- Expansion of the asset size from 61,490 million yen to 75,350 million yen

### Asset replacement 1

- Returning gain on sale from the transfer with a price exceeding the appraisal value to unitholders
- Realizing enhancement of stability of portfolio income



#### Transfer

Urban Park  
Yoyogikoen

Appraisal value  
**1,000** million  
yen

Transfer price  
**1,100** million  
yen

Acquisition  
price  
**875** million yen

Gain on sale  
**153** million yen



#### Acquisition

Urban Park  
Gokokuji

Appraisal value  
**1,480** million  
yen

Acquisition  
price  
**1,460** million  
yen

### Asset replacement 2

- Returning gain on sale from the transfer with a price exceeding the appraisal value to unitholders
- Improving portfolio quality by improving the average building age



#### Transfer

Oak Minami-Azabu  
Building

Appraisal value  
**3,470** million  
yen

Transfer price  
**5,020** million  
yen

Acquisition  
price  
**3,271** million  
yen

Expected gain  
on sale  
**1,504** million  
yen



#### Acquisition

Baraki Logistics

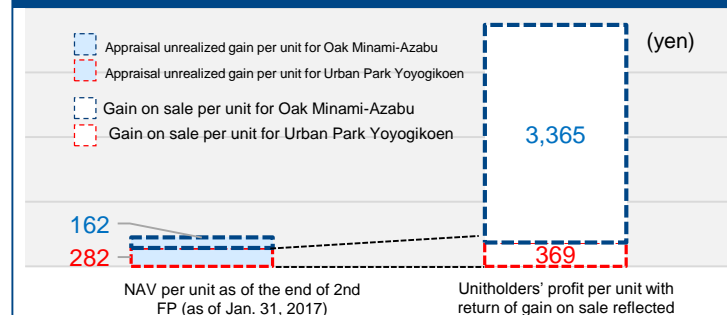
Appraisal value  
**4,860** million  
yen

Acquisition  
price  
**4,700** million  
yen

### Changes in the portfolio

	End of 2nd FP (As of Jan. 31, 2017)	After the Initiative
No. of properties	18 properties	23 properties
Total acquisition price	61.49 billion yen	75.35 billion yen
Average appraisal NOI yield	5.2%	5.1%
Number of tenants	388	532
Ratio of Tokyo area	78.4%	79.4%
LTV (based on total assets)	44.8%	45.1%
NAV per unit	109,727 yen	110,887 yen Reflecting return of gain on sale

### Return of gain on sale



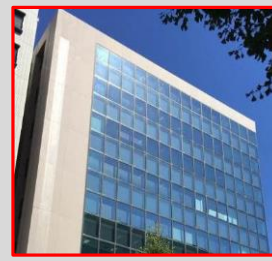
# 1. Initiatives after the 2nd Fiscal Period

## ② New Asset Acquisition

- List of assets acquired (properties in **red boxes** are properties acquired using preferential negotiation rights)



<b>Baraki Logistics</b>	Emphasizing stability
Use	Logistics facility
Location	Ichikawa, Chiba
Acquisition price	4,700 million yen
Appraisal NOI yield	4.5%



<b>Hakata-eki East Place</b>	Emphasizing growth potential
Use	Office
Location	Fukuoka, Fukuoka
Acquisition price	2,286 million yen
Appraisal NOI yield	5.2%



<b>Tokorozawa Logistics</b>	Emphasizing stability
Use	Logistics facility
Location	Tokorozawa, Saitama
Acquisition price	1,300 million yen
Appraisal NOI yield	6.0%



<b>BEST WESTERN Tokyo Nishikasai</b>	Emphasizing growth potential
Use	Hotel
Location	Edogawa Ward, Tokyo
Acquisition price	3,827 million yen
Appraisal NOI yield	4.8%



<b>Urban Park Kashiwa</b>	Emphasizing stability
Use	Residence
Location	Kashiwa, Chiba
Acquisition price	1,186 million yen
Appraisal NOI yield	5.1%



<b>BEST WESTERN Yokohama</b>	Emphasizing growth potential
Use	Hotel
Location	Yokohama, Kanagawa
Acquisition price	3,248 million yen
Appraisal NOI yield	4.8%



<b>Urban Park Gokokuji</b>	Emphasizing stability
Use	Residence
Location	Toshima Ward, Tokyo
Acquisition price	1,460 million yen
Appraisal NOI yield	5.2%

Properties acquired on April 6, 2017

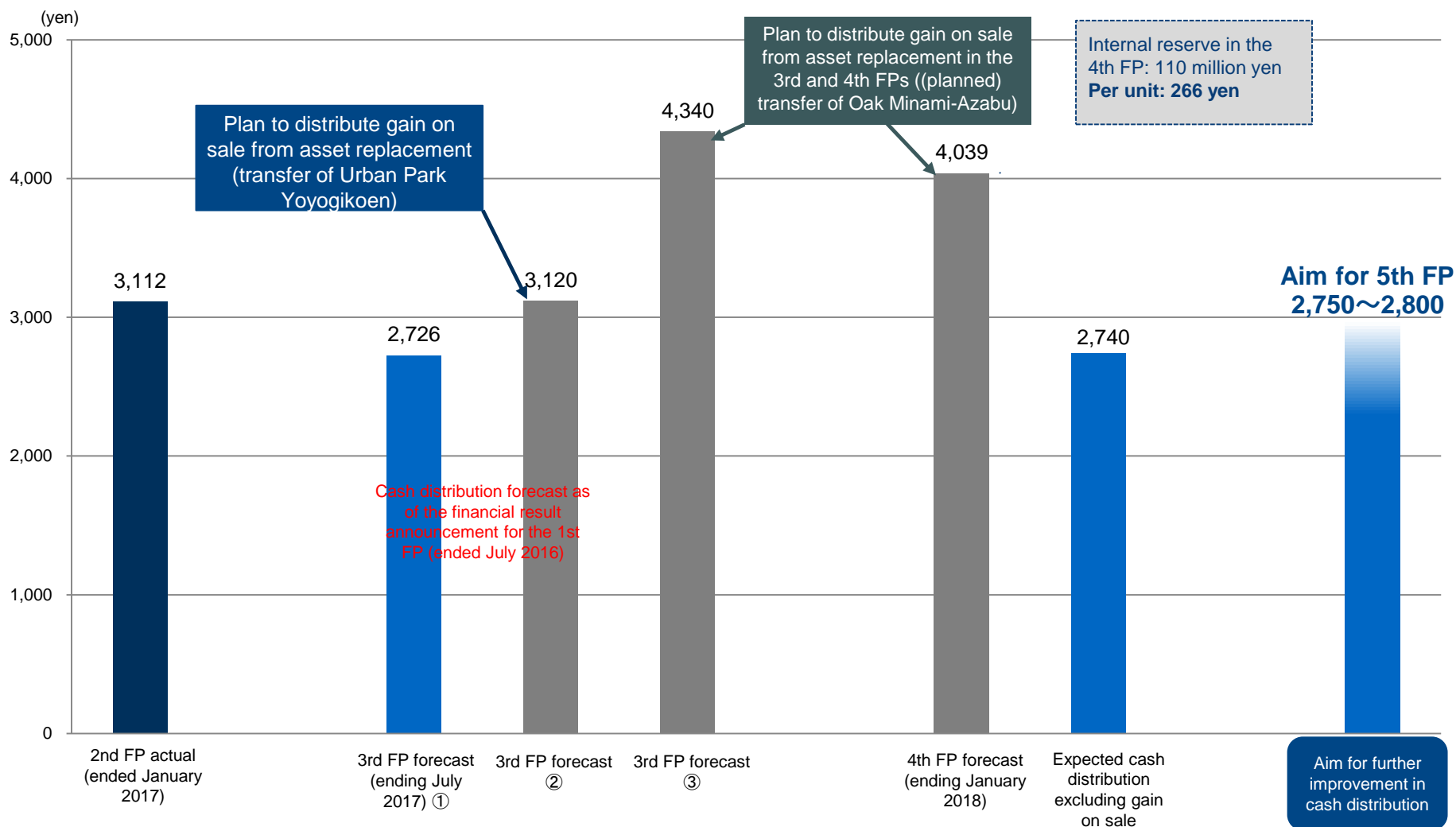
**Tokorozawa Logistics, Urban Park Kashiwa and Urban Park Gokokuji were acquired utilizing the unique network of the asset manager**

## **2. Performance of the 2nd Fiscal Period ended January 2017 and Future Measures**

## 2. Performance of the 2nd Fiscal Period ended January 2017 and Future Measures

### ① Change in Cash Distribution per Unit

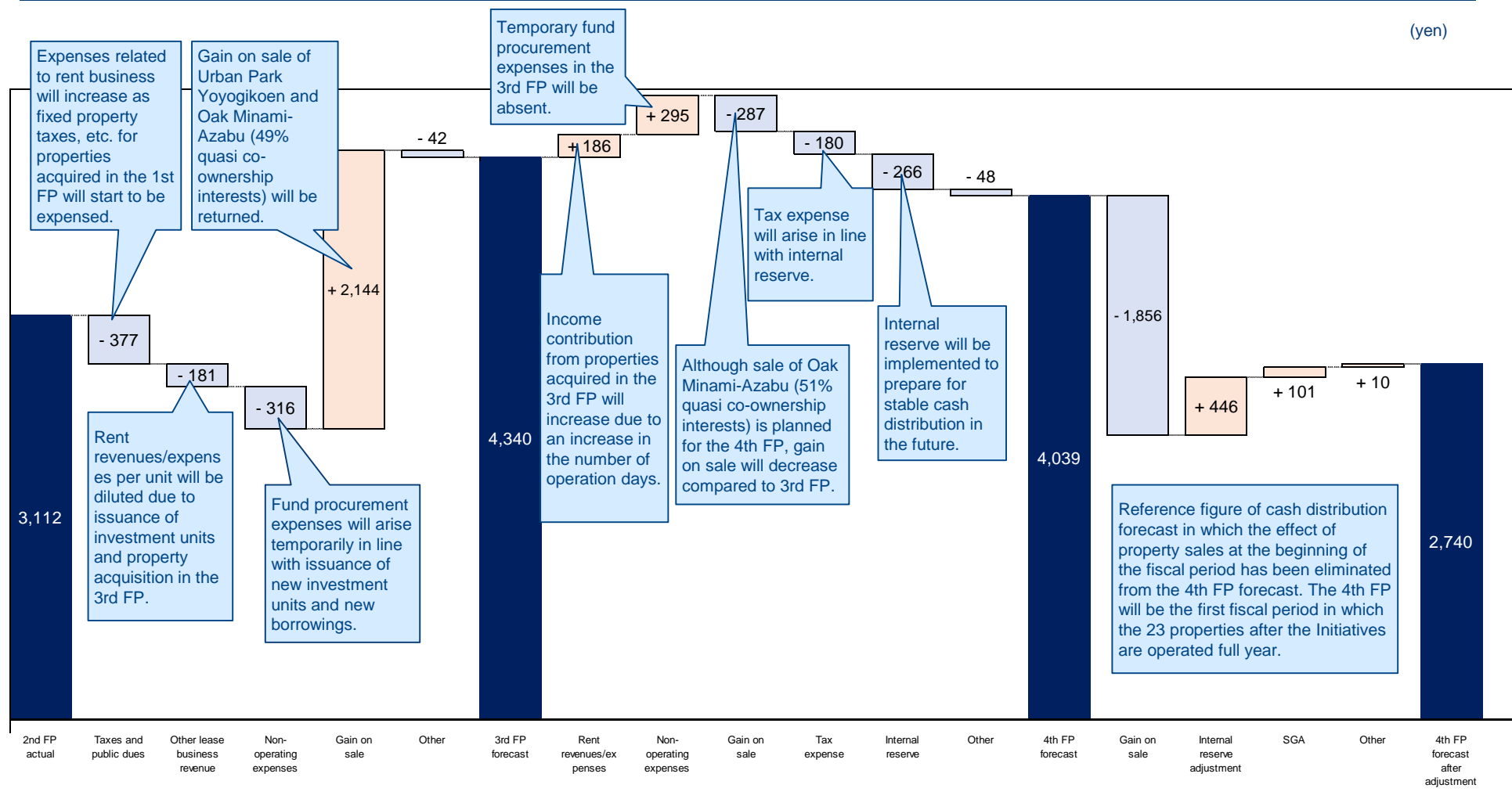
- Returning gain on sale of properties accompanying asset replacement to unitholders as cash distribution
- To secure stability of future cash distribution by internally reserving fund in the 4th fiscal period



## 2. Performance of the 2nd Fiscal Period ended January 2017 and Future Measures

### ② Cash Distribution Forecast and Factors for Changes

#### Change in cash distribution and factors for changes



## 2. Performance of the 2nd Fiscal Period ended January 2017 and Future Measures

### ③ Change in Business Results

- Cash distribution per unit for the 2nd fiscal period was 3,112 yen (+2.2% compared to forecast)

(Unit: million yen)

	1st FP (ended July 2016) actual	2nd FP (ended Jan. 2017) forecast (disclosed on Sept. 14, 2016)	2nd FP (ended Jan. 2017) actual	Comparison with forecast	Major factors for the difference from the forecast
Operating revenue	1,859	1,987	2,017	+29	
Office rent	634	798	802	+4	
Residence rent	325	351	349	-2	
Logistics rent	581	530	530	+0	
Hotel rent	142	140	120	-20	Downward swing in guestroom revenues
Other	174	167	215	+47	Mainly increase in utilities expenses
Operating expenses	711	817	826	+8	
Expenses related to rent business	568	615	624	+9	Mainly increase in tenant solicitation expenses and repair expenses upon tenant replacement
SGA	143	202	202	-0	
Operating income	1,147	1,169	1,190	+20	
Non-operating income	37	-	0	+0	
Non-operating expenses	812	118	117	-0	
Ordinary income	335	1,051	1,073	+22	
Net income	333	1,050	1,072	+22	
Cash distribution per unit	968 yen	3,046 yen	3,112 yen	+66 yen	
NOI	1,538	1,618	1,636	+18	
Rent revenues/expenses	1,291	1,372	1,392	+20	

## 2. Performance of the 2nd Fiscal Period ended January 2017 and Future Measures

### ④ Forecast

- Due to materialization of unrealized gain from transfer of owned assets, cash distributions are forecast to be; 3rd FP: 4,340 yen

(Unit: million yen)

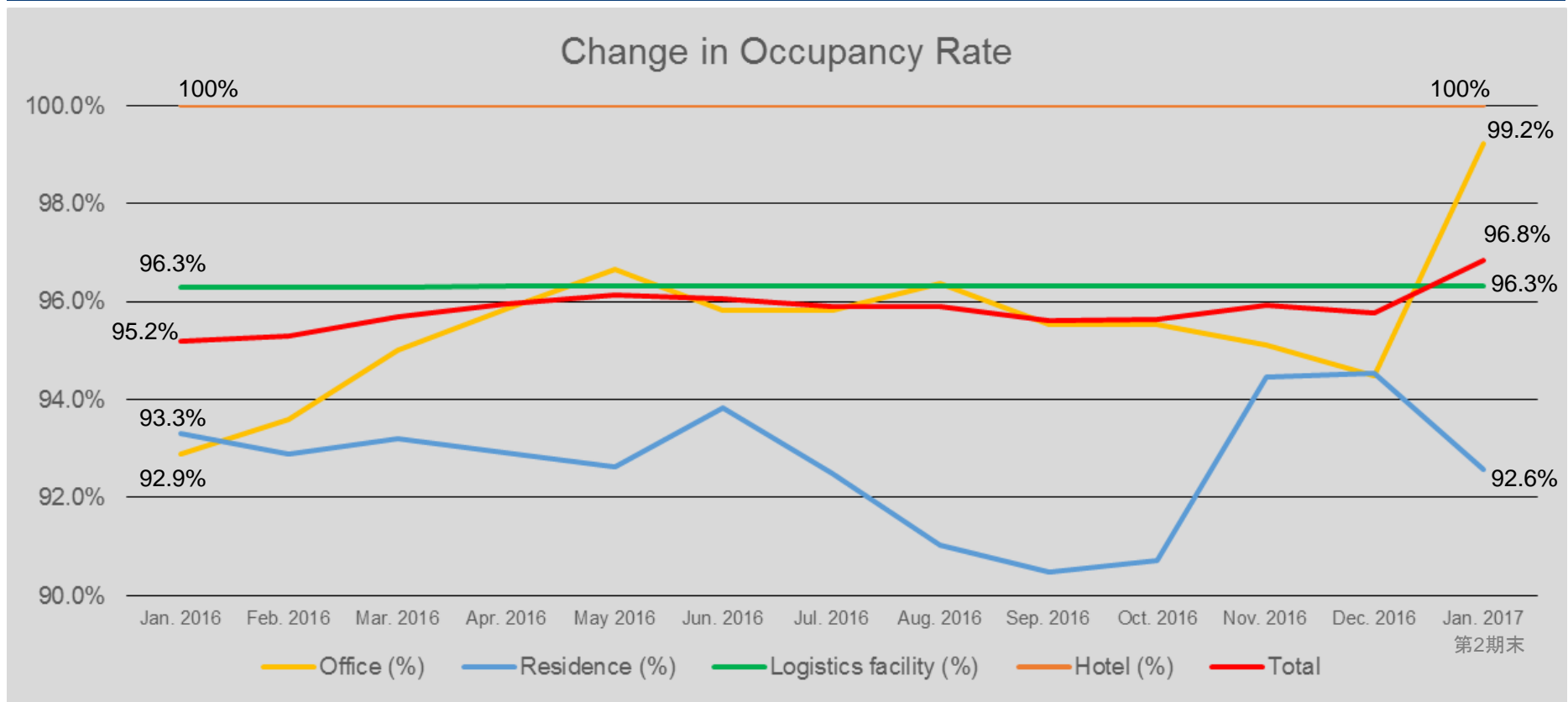
	2nd FP (ended Jan. 2017) actual (A)	3rd FP (ending July 2017) forecast (B)	4th FP (ending Jan. 2018) forecast (C)	Increase/ decrease (B-A)	Increase/ decrease (C-B)	Major factors for the increase/decrease	
Operating revenue	2,017	3,135	3,103	+1,117	-31	<b>Factors for increase/decrease in 3rd FP (compared to 2nd FP actual)</b>	<b>Factors for increase/decrease in 4th FP (compared to 3rd FP forecast)</b>
Rent revenues/expenses	2,017	2,246	2,334	① +229	① +87	① Rent revenues/expenses +229 Assets acquired in 3rd FP+340 Assets sold in 3rd FP -56	① Rent revenues/expenses +87 Assets acquired in 3rd FP+168 Assets sold in 4th FP-88
Gain on sales of real estate properties	-	888	769	② +888	② -119	② Gain on sales of real estate properties +888 Sales of Urban Park Yoyogikoen and Oak Minami-Azabu (49%)	② Gain on sales of real estate properties - 119 Sale of Oak Minami-Azabu (51%)
Operating expenses	826	1,063	1,093	+236	+30	③ Expenses related to rent business +179 Start of expensing of fixed property taxes, etc. for assets acquired in 1st FP + 156 Assets acquired in 3rd FP +86 Assets sold in 3rd FP -17	③ Expenses related to rent business +10 Assets acquired in 3rd FP+33 Assets sold in 4th FP-42
Expenses related to rent business	624	804	814	③ +179	③ +10	④ SGA +57 Asset management fee +39	④ SGA +19 Asset management fee +14
SGA	202	259	279	④ +57	④ +19	⑤ Non-operating expenses +154 Investment unit issuance expenses + 50 Borrowing related expenses + 82	⑤ Non-operating expenses -122 Investment unit issuance expenses -50 Borrowing related expenses -76
Operating income	1,190	2,071	2,009	+880	-61	⑥ Income taxes +75	⑥ Income taxes +75 Increase due to internal reserve
Non-operating income	0	-	-	-0	-		
Non-operating expenses	117	272	150	⑤ +154	⑤ -122		
Ordinary income	1,073	1,798	1,859	+725	+60		
Income taxes	0	0	75	0	⑥ +75		
Net income	1,072	1,798	1,783	+725	-14		
Cash distribution per unit	3,112 yen	4,340 yen	4,039 yen	+1,228	-301 yen		
NOI	1,636	1,733	1,832	+96	+98		
Rent revenues/expenses	1,392	1,442	1,519	+49	+77		

## 2. Performance of the 2nd Fiscal Period ended January 2017 and Future Measures

### ⑤ Occupancy Rate Status

■ Period-end occupancy rate: 96.8%

Portfolio occupancy rate steadily increased as a result of leasing activities in collaboration with leasing agents based on leasing strategies which take into account the features of each property.



	Jan. 2016	Feb. 2016	Mar. 2016	Apr. 2016	May 2016	Jun. 2016	Jul. 2016	Aug. 2016	Sep. 2016	Oct. 2016	Nov. 2016	Dec. 2016	Jan. 2017
Office	92.9%	93.6%	95.0%	95.8%	96.7%	95.8%	95.8%	96.4%	95.5%	95.5%	95.1%	94.5%	99.2%
Residence	93.3%	92.9%	93.2%	92.9%	92.6%	93.8%	92.5%	91.0%	90.5%	90.7%	94.4%	94.5%	92.6%
Logistics facility	96.3%	96.3%	96.3%	96.3%	96.3%	96.3%	96.3%	96.3%	96.3%	96.3%	96.3%	96.3%	96.3%
Hotel	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total	95.2%	95.3%	95.7%	95.9%	96.1%	96.0%	95.9%	95.9%	95.6%	95.6%	95.9%	95.8%	96.8%

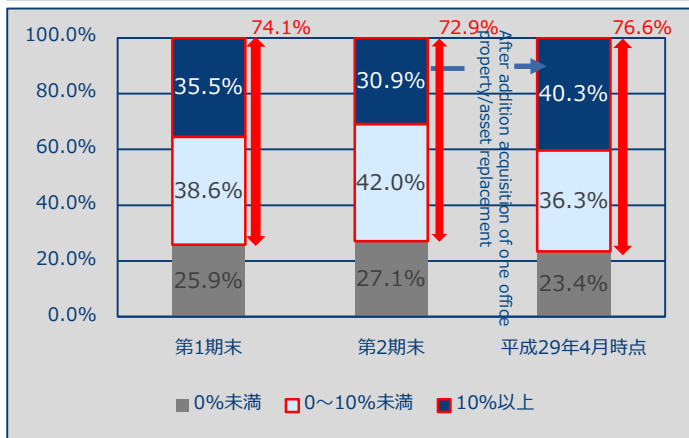
## 2. Performance of the 2nd Fiscal Period ended January 2017 and Future Measures

### ⑥ Office - Closing rent gap -

- With focused efforts to resolve rent gap, the gap decreased from 7.6% to 6.5% in the 2nd fiscal period.
- Rent gap expanded due to new property acquisition and asset replacement, leaving plenty of room for upward rent revision.

\* Market rent refers to the median of each property's expected new contract rent (range) assessed as at the end of the period by CBRE K.K., and rent gap refers to the disparity between the market rent and each tenant's contract rent.

#### ■ Status of Distribution of Rent Gap as at End of Period (based on areas)



Planning to pursue active negotiations for upward rent revision at the time of contract renewal.

Planning to hold negotiations for upward rent revision considering comprehensively other leasing terms and conditions, etc. at the time of contract renewal.

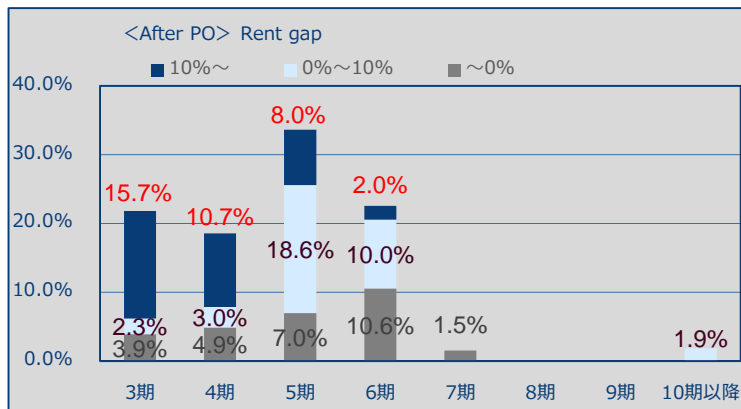
Aims to extend tenancy and maintain current rent levels by regularly contacting tenants to improve their satisfaction level.

#### <Rent gap of office buildings>

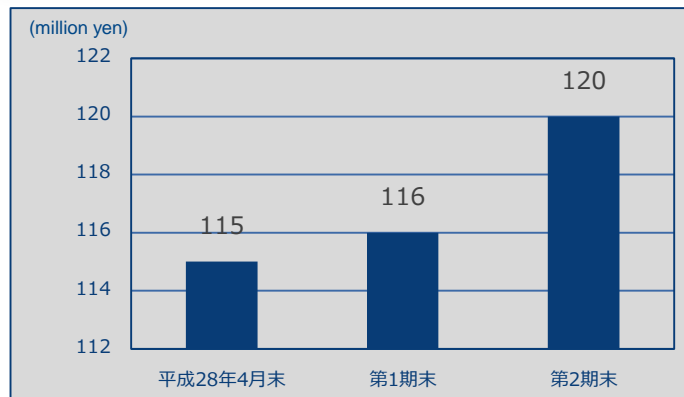
As of end of 1st FP: 7.6%  
As of end of 2nd FP: 6.5%  
As of April 2017: 7.8%

Although 74.1% of all properties had rent gap at the end of the 1st FP, the figure decreased to 72.9% by the end of 2nd FP due to measures such as soliciting new tenants, raising rents upon tenant replacement, and revising rent upward at the time of leasing contract renewal. The gap expanded to 76.6% due to incorporation of newly acquired properties. Will focus on closing the rent gap going forward by negotiating for upward rent revision at the time of contract renewal, etc.

#### ■ Distribution of Contract Renewal Periods (based on rents)



#### ■ Change in total of rent and others (monthly)



#### Actual rent revision at the time of leasing contract renewal (monthly)

Sum of 1st and 2nd FPs  
(5 tenants renewing leasing contract)

Total rent before revision	3,332 thousand yen
Total rent after revision	3,682 thousand yen
Increase rate	
10.5%	

\* The graph is based on all rent up for contract renewal in the 3rd fiscal period and onward as the denominator, and does not factor in the second contract renewal.

## 2. Performance of the 2nd Fiscal Period ended January 2017 and Future Measures

### ⑦ Residence - Implementing Strategic Renovation Work -

#### ■ <Measure taken in the 2nd FP>

Urban Park Daikanyama: Implementation of large-scale repair/renovation work in common-use areas

Implementation period: From September 2016 to December 2016

Costs: Approximately 27 million yen

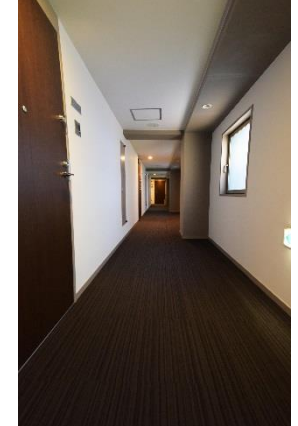
Details: Exterior wall tile sealing replacement work, renovation work in common-use areas



- Enhanced tenant satisfaction
- More attractive to potential new tenants in leasing



<After renovation>



#### ■ <Initiative in the 3rd FP>

Urban Park Azabujuban: Implementation of strategic renovation work

- For units that have become vacant, implemented renovation work for the purpose of maintaining competitiveness and increasing rents depending on the interior conditions of the units

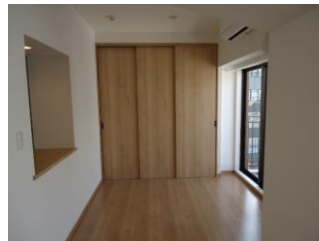


Implementation period: From January 2017 to February 2017

Costs: Approximately 1.9 million yen

Details: Major renovation work along with work to restore the unit to its original state

<Before renovation>



<After renovation>



<After renovation>



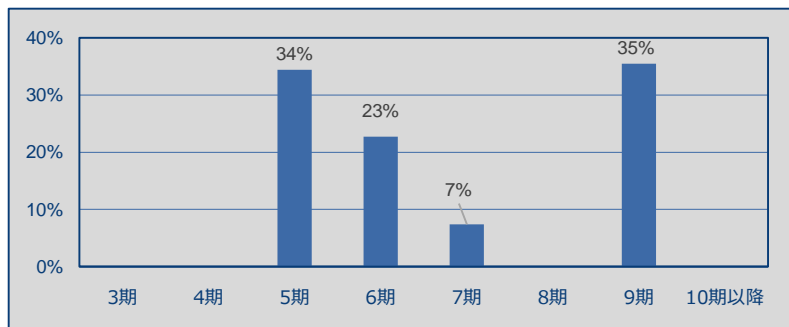
## 2. Performance of the 2nd Fiscal Period ended January 2017 and Future Measures

### ⑧ Logistics facility/Hotel - Enhancing Stability through New Acquisition –

#### ■ Distribution of contract renewals for logistics facilities (based on areas)

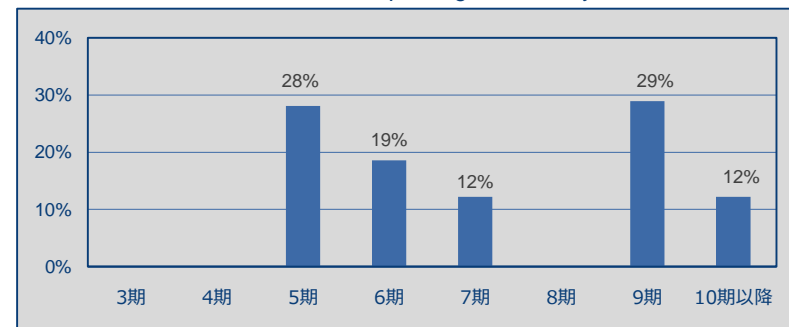
##### <2nd FP Results>

- No tenants with a contract ending or subject to renewal in or before the 4th FP ending January 2018
- Stable income is expected as many of the tenants have a fixed-term building lease contract



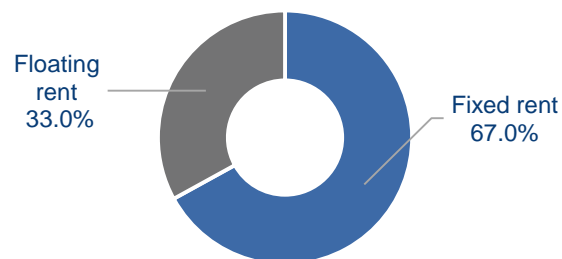
##### <After PO>

- Long-term lease contracts have been concluded for the two newly acquired properties
- Incorporation of the two new properties into the portfolio has further diversified tenants (areas on lease) with contracts ending/subject to renewal, and thus contributed to improving the stability.

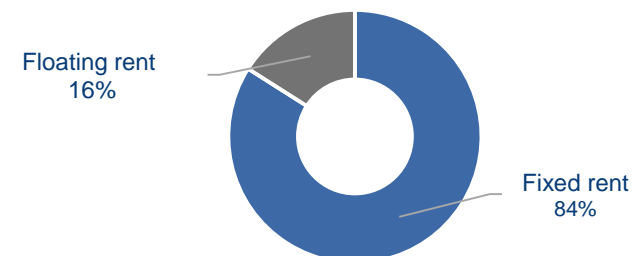


#### ■ Ratios of fixed rent and floating rent for hotels

- Ratio of fixed rent to the total rent of hotels in the past one year (from February 2016 to January 2017) was 67.0%



- Incorporation of the two new properties into the portfolio in the 3rd FP increased the ratio of fixed rent to 84%

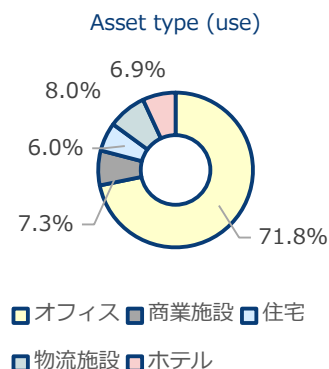


## 2. Performance of the 2nd Fiscal Period ended January 2017 and Future Measures

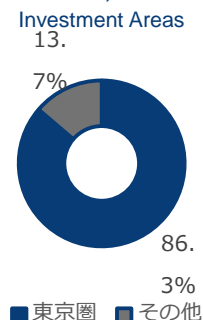
### ⑨ Status of the Sponsor Group

#### Overview of assets operated by Star Asia Group

<Overview of assets operated by Star Asia Group> (as of December 31, 2016)



Asset type (Use)	Total appraisal value (million yen)	Ratio
Office	58,109	71.8%
Retail facility	5,880	7.3%
Residence	4,848	6.0%
Logistics facility	6,510	8.0%
Hotel	5,590	6.9%
Total	80,937	100.0%



Location	Total appraisal value (million yen)	Ratio
Tokyo area	69,810	86.3%
Other	11,127	13.7%
Total	80,937	100.0%

<Major pipeline (\*) properties>



Toranomon Hills



Lei's Umeda



Matsubushi Logistics



Funabashi Nishiura Logistics

\* There is no fact that SAR has decided to acquire any of these properties, and there is no guarantee that these properties will be incorporated into the portfolio in the future.

#### New business development by Star Asia

~Development of global-standard purpose built student accommodation and advancement into operational management business in collaboration with GSA~

- In 2017, Star Asia formed a business alliance with GSA, which is engaged in investment in, development of, and operational management of purpose-built student accommodation worldwide, with an aim to build a portfolio with global-standard, purpose-built student accommodation.
- Star Asia made a joint investment in GSA Star Asia KK with GSA to collaborate in acquisition of new development sites, land and buildings for conversion and existing student accommodations and such.
- GSA Star Asia KK has already launched its first development project in Hakusan, Bunkyo-ku (175 rooms with 364 beds), which is scheduled for completion in 2018.
- Aiming to supply 20,000 beds for university students (including foreign students) studying in Japan



<Rendering of the Bukyo-ku Hakusan project (tentative) >



## 2. Performance of the 2nd Fiscal Period ended January 2017 and Future Measures

### ⑩ Financial Standing

#### ■ Diversified repayment dates to prepare for refinancing risk

##### <Balance of borrowings as of today (April 26, 2017)>

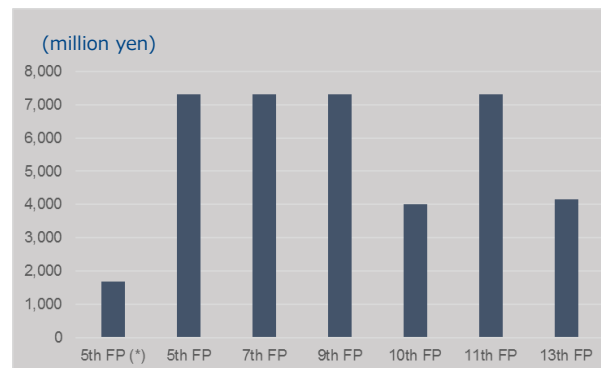
- After settling accounts for the 2nd FP, took out loans of 600 million yen (short-term) on February 1, 2017.
  - Took out loans of 8,230 million yen in total (short-term: 1,680 million yen/long-term: 6,550 million yen) on April 6, 2017.
  - Repaid short-term loans of 1,600 million yen in total and took out new loans of 1,600 million yen (long-term) on April 20, 2017.
- As a result of the above, the balance of borrowings as of today (April 26, 2017) is as follows.

	Amount	Repayment date	FP of the repayment date
Short-term	1,680	Apr. 20, 2018	5th FP (*1)
Long-term	7,300 (*2)	Apr. 20, 2018	5th FP
	7,300	Apr. 20, 2019	7th FP
	7,300	Apr. 20, 2020	9th FP
	7,300	Apr. 20, 2021	11th FP
	2,400	Oct. 20, 2020	10th FP
	4,150	Apr. 20, 2022	13th FP
	1,600	Oct. 20, 2020	10th FP
Total	39,030		

(\*1) To be repaid in installment with funds expected to be procured through third-party allotment in the 3rd FP; and proceeds from sale and consumption tax refund expected in the 4th FP.

(\*2) Current portion of long-term loans payable.

##### <Diversification of repayment dates>



(\*1) To be repaid in installment with funds expected to be procured through third-party allotment announced on April 20, 2017; and proceeds from sale and consumption tax refund expected in the 4th FP.

##### <LTV (based on total assets)>

**45.1%**

#### ■ Reference

##### <Status of Borrowings as of the end of 2nd FP>

Category	Lender	Balance (million yen)	Interest rate	Repayment date
Short-term	A syndicate of lenders with Sumitomo Mitsui Banking Corporation and Mizuho Bank, Ltd. as arrangers	1,000	Base rate (Note 1) + 0.20%	Apr. 20, 2017
Long-term	• Sumitomo Mitsui Banking Corporation	7,300	Base rate (Note 1) + 0.30%	Apr. 20, 2018
Long-term	• Mizuho Bank, Ltd.	7,300	0.36400% (Note 2)	Apr. 20, 2019
Long-term	• Sumitomo Mitsui Trust Bank, Ltd.	7,300	0.48300% (Note 2)	Apr. 20, 2020
Long-term	• Mitsubishi UFJ Trust and Banking Corporation	7,300	0.62500% (Note 2)	Apr. 20, 2021
Long-term	• Aozora Bank, Ltd.			
Long-term	• Shinsei Bank, Ltd.			
Long-term	• Resona Bank, Ltd.			

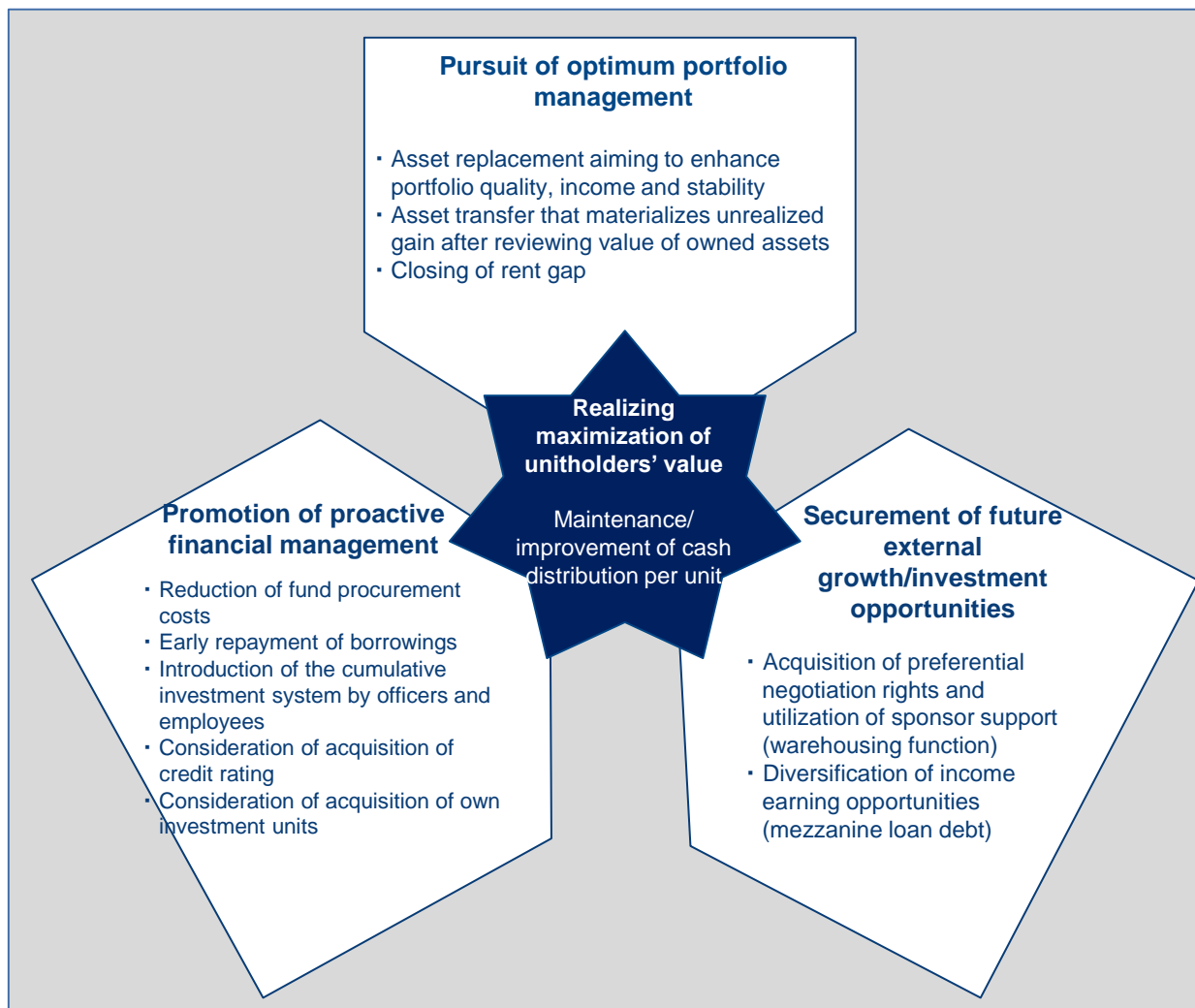
##### <LTV (based on total assets)>

**44.8%**

## 2. Performance of the 2nd Fiscal Period ended January 2017 and Future Measures

### ⑪ Strategies for maximization of unitholders' value

- Discuss and implement specific measures responding to the financial environment and real estate market  
Swiftly implement measures that would lead to maintenance/improvement of cash distribution per unit while taking into account real estate and J-REIT market conditions



#### Internal growth

##### Achievements

Closing of rent gap  
Reduction of costs

##### Measures

Closing of rent gap  
Strategic leasing  
Reduction of costs

#### External growth

##### Achievements

Acquisition of preferential negotiation rights  
~Property acquisition  
~Asset replacement

##### Measures

Gaining opportunities for property acquisition by utilizing the sponsor support (owned properties, warehousing function) and the asset manager's unique route

#### Financial strategy

##### Achievements

Reduction of fund procurement costs  
Introduction of the cumulative investment program by officers and employees

##### Measures

Acquisition of credit rating  
Investment mezzanine loan debt

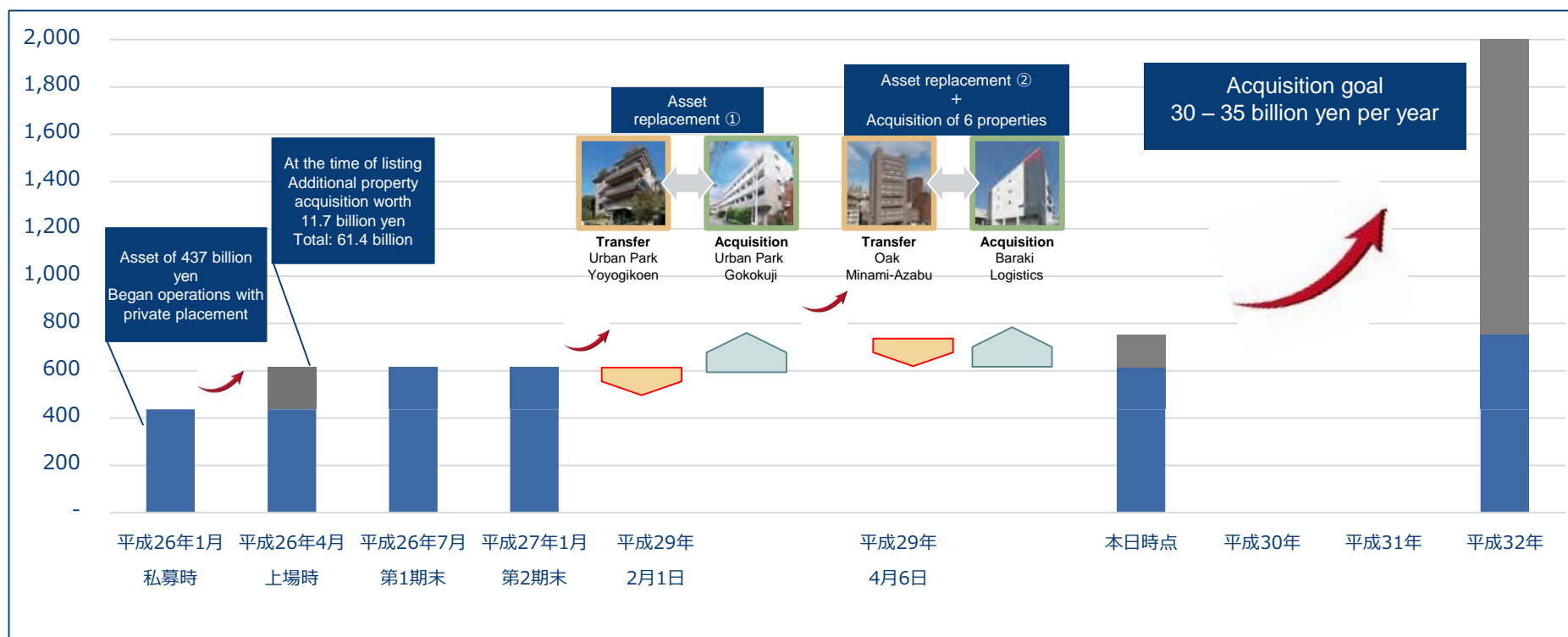
## 2. Performance of the 2nd Fiscal Period ended January 2017 and Future Measures

### ⑫ Future Growth Strategy

- Future Growth Strategy: Expand asset size to 200 billion yen by 2020

#### Growth Phase

#### Stable Growth



**Realization of speedy and steady external growth  
by sponsor support and asset management company's own route**

## 3. Appendix

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# Period-end Appraisal Value and Indicators

Period-end appraisal value:	66,640 million yen
Total book value:	62,518 million yen
Period-end unrealized gains (losses):	4,231 million yen
Net assets per unit:	100,592 yen
Unrealized gains per unit:	12,247 yen
NAV per unit (*1):	109,727 yen
P/NAV per (*2):	0.90

(\*1) NAV per unit = (Period-end net assets + Period-end unrealized gains – Total cash distribution) / Total number of investment units issued and outstanding

(\*2) P/NAV = Investment unit price / NAV per unit (Investment unit price on April 25, 2017: 98,300 yen)

(\*3) Transfer price is used for the appraisal value at end of 2nd fiscal period for Urban Park Yoyogikoen.

	Property name	Acquisition price	① Period-end book value	② Appraisal value at end of 2nd fiscal period	Unrealized gains (losses) ② – ①
Office	Minami-Azabu Shibuya Building	2,973	2,998	3,040	41
	Oak Minami-Azabu	3,271	3,413	3,470	56
	Honmachibashi Tower	6,065	6,113	6,830	716
	Nishi-Shinjuku Matsuya Building	1,763	1,787	2,290	502
	Alphabet Seven	1,725	1,760	2,270	509
	Shibuya MK Building	2,042	2,068	2,530	461
	Hakata-eki Higashi 113 Building	1,885	1,957	1,960	2
	Asahi Building	6,320	6,356	6,470	113
	Subtotal	26,044	26,457	28,860	2,402
Residence	Urban Park Azabujuban	2,045	2,090	2,140	49
	Urban Park Daikanyama	6,315	6,441	7,120	678
	Urban Park Yoyogikoen (*3)	875	902	1,100	197
	Urban Park Shin-Yokohama	2,528	2,611	2,580	(31)
	Urban Park Namba	1,490	1,557	1,610	52
	Subtotal	13,253	13,603	14,450	946
Logistics	Iwatsuki Logistics	6,942	6,924	7,000	75
	Yokohama Logistics	3,560	3,687	3,880	192
	Funabashi Logistics	7,875	7,950	8,240	289
	Subtotal	18,377	18,562	19,120	557
Hotel	R&B Hotel Umeda East	2,069	2,149	2,250	100
	Smile Hotel Namba	1,750	1,744	1,960	215
	Subtotal	3,819	3,894	4,210	315
Total		61,493	62,518	66,640	4,231

# Balance Sheets for the 2nd Fiscal Period ended January 31, 2017

(Unit: thousand yen)

Assets	
Current assets	
Cash and deposits	1,839,594
Cash and deposits in trust	2,659,211
Operating accounts receivable	50,089
Prepaid expenses	88,279
Deferred tax assets	11
Consumption taxes receivable	-
Other	8,650
Total current assets	4,645,837
Non-current assets	
Property, plant and equipment	
Buildings in trust	20,317,871
Accumulated depreciation	(490,008)
Buildings in trust, net	19,827,862
Structures in trust	9,606
Accumulated depreciation	(61)
Structures in trust, net	9,545
Machinery and equipment in trust	6,282
Accumulated depreciation	(137)
Machinery and equipment in trust, net	6,144
Tools, furniture and fixtures in trust	7,628
Accumulated depreciation	(731)
Tools, furniture and fixtures in trust, net	6,896
Land in trust	39,208,659
Construction in progress in trust	2,161
Total property, plant and equipment	59,061,270
Intangible assets	
Leasehold rights in trust	3,459,138
Total intangible assets	3,459,138
Investments and other assets	
Long-term prepaid expenses	127,156
Lease and guarantee deposits	10,000
Other	60,135
Total investments and other assets	197,292
Total non-current assets	62,717,701
Total assets	67,363,539

Liabilities	
Current liabilities	
Operating accounts payable	245,131
Short-term loans payable	1,000,000
Accounts payable - other	246,508
Accrued expenses	5,336
Income taxes payable	844
Accrued consumption taxes	76,405
Advances received	319,180
Other	6,574
Total current liabilities	1,899,981
Non-current liabilities	
Long-term loans payable	29,200,000
Tenant leasehold and security deposits in trust	1,589,434
Other	-
Total non-current liabilities	30,789,434
Total liabilities	32,689,416
Net assets	
Unitholders' equity	
Unitholders' capital	33,541,125
Capital deduction	
Allowance for temporary difference adjustment	(26,197)
Total capital deduction	(26,197)
Unitholders' capital, net	33,514,927
Surplus	
Unappropriated retained earnings (undisposed loss)	1,099,059
Total surplus	1,099,059
Total unitholders' equity	34,613,987
Valuation and translation adjustments	
Deferred gains or losses on hedges	60,135
Total valuation and translation adjustments	60,135
Total net assets	34,674,123
Total liabilities and net assets	67,363,539

# Statement of Income for the 2nd Fiscal Period (From August 1, 2016 to January 31, 2017)

(Unit: thousand yen)

<b>Operating revenue</b>	
Lease business revenue	1,865,642
Other lease business revenue	151,743
Total operating revenue	2,017,386
<b>Operating expenses</b>	
Expenses related to rent business	624,655
Asset management fee	146,714
Asset custody and administrative service fees	14,792
Directors' compensations	2,400
Other operating expenses	38,230
Total operating expenses	826,793
<b>Operating income</b>	<b>1,190,592</b>
<b>Non-operating income</b>	
Interest income	17
Interest on refund	745
Other	-
Total non-operating income	762
<b>Non-operating expenses</b>	
Interest expenses	68,522
Interest expenses on investment corporation bonds	-
Investment corporation bond issuance costs	-
Borrowing related expenses	49,349
Deferred organization expenses	-
Investment unit issuance expenses	-
Other	-
Total non-operating expenses	117,871
<b>Ordinary income</b>	<b>1,073,483</b>
<b>Income before income taxes</b>	<b>1,073,483</b>
Income taxes - current	847
Income taxes - deferred	21
Total income taxes	868
<b>Net income</b>	<b>1,072,615</b>
Retained earnings (deficit) brought forward	26,444
<b>Unappropriated retained earnings (undisposed loss)</b>	<b>1,099,059</b>

Amounts below the specified unit are rounded down.







# Portfolio List

## Portfolio list after the Initiatives

		Property name	Location	Acquisition price(million yen)	Appraisal value(million yen)	Investment ratio	Appraisal NOI yield
Office	OFC-01	Minami-Azabu Shibuya Building	Minato Ward, Tokyo	2,973	3,040	3.9%	4.8%
	OFC-03	Honmachibashi Tower	Osaka City, Osaka	6,065	6,830	8.0%	5.2%
	OFC-04	Nishi-Shinjuku Matsuya Building	Shibuya Ward, Tokyo	1,763	2,290	2.3%	6.4%
	OFC-05	Alphabet Seven	Minato Ward, Tokyo	1,725	2,270	2.3%	5.8%
	OFC-06	Shibuya MK Building	Shibuya Ward, Tokyo	2,042	2,530	2.7%	5.2%
	OFC-07	Hakata-eki Higashi 113 Building	Fukuoka City, Fukuoka	1,885	1,960	2.5%	5.8%
	OFC-08	Asahi Building	Yokohama City, Kanagawa	6,320	6,470	8.4%	4.8%
	OFC-09	Hakata-eki East Place	Fukuoka City, Fukuoka	2,286	2,370	3.0%	5.2%
Residence	RSC-01	Urban Park Azabujuban	Minato Ward, Tokyo	2,045	2,140	2.7%	4.5%
	RSC-02	Urban Park Daikanyama	Shibuya Ward, Tokyo	6,315	7,120	8.4%	4.8%
	RSC-04	Urban Park Shin-Yokohama	Yokohama City, Kanagawa	2,528	2,580	3.4%	4.8%
	RSC-05	Urban Park Namba	Osaka City, Osaka	1,490	1,610	2.0%	5.4%
	RSC-06	Urban Park Gokokuji	Toshima Ward, Tokyo	1,460	1,480	1.9%	5.2%
	RSC-07	Urban Park Kashiwa	Kashiwa, Chiba	1,186	1,190	1.6%	5.1%
Logistics	LGC-01	Iwatsuki Logistics	Saitama City, Saitama	6,942	7,000	9.2%	4.8%
	LGC-02	Yokohama Logistics	Yokohama City, Kanagawa	3,560	3,880	4.7%	5.7%
	LGC-03	Funabashi Logistics	Funabashi City, Chiba	7,875	8,240	10.5%	5.4%
	LGC-04	Baraki Logistics	Ichikawa City, Chiba	4,700	4,860	6.2%	4.5%
	LGC-05	Tokorozawa Logistics	Tokorozawa City, Saitama	1,300	1,360	1.7%	6.0%
Hotel	HTL-01	R&B Hotel Umeda East	Osaka City, Osaka	2,069	2,250	2.7%	5.4%
	HTL-02	Smile Hotel Namba	Osaka City, Osaka	1,750	1,960	2.3%	6.7%
	HTL-03	BEST WESTERN Tokyo Nishikasai	Katsushika Ward, Tokyo	3,827	3,890	5.1%	4.8%
	HTL-04	BEST WESTERN Yokohama	Yokohama City, Kanagawa	3,248	3,270	4.3%	4.9%
Total				75,354	80,590	100.0%	

# Portfolio List (at the end of the 2nd Fiscal Period)

To be sold in the 3rd and 4th FPs

Asset type	Office	Office	Office	Office	Office	Office
Property name	Minami-Azabu Shibuya Building	Oak Minami-Azabu	Honmachibashi Tower	Nishi-Shinjuku Matsuya Building	Alphabet Seven	Shibuya MK Building
						
Acquisition price	2,973 million yen	3,271 million yen	6,065 million yen	1,763 million yen	1,725 million yen	2,042 million yen
Appraisal value	3,040 million yen	3,400 million yen	6,830 million yen	2,290 million yen	2,270 million yen	2,530 million yen
Structure/Floors	SRC B1/7F	SRC B1/14F	S/SRC B1/21F	SRC B1/9F	RC B1/6F	S 6F
Location	Minato Ward, Tokyo	Minato Ward, Tokyo	Osaka City, Osaka	Shibuya Ward, Tokyo	Minato Ward, Tokyo	Shibuya Ward, Tokyo
Lot area	766.11 m <sup>2</sup>	2,471.14 m <sup>2</sup>	1,274.37 m <sup>2</sup>	589.94 m <sup>2</sup> (surface right)	1,286.45 m <sup>2</sup>	620.42 m <sup>2</sup> (of which 2.62 m <sup>2</sup> leasehold)
Total floor areas	4,137.21 m <sup>2</sup>	10,454.93 m <sup>2</sup> (including 7.41 m <sup>2</sup> storehouse)	15,407.83 m <sup>2</sup>	5,117.80 m <sup>2</sup>	4,132.80 m <sup>2</sup>	1,982.86 m <sup>2</sup>
Property Features	<ul style="list-style-type: none"> <li>● Located in Minami-Azabu, a well-known, high-class residential area that is also home to embassies of various countries.</li> <li>● In addition to access by train, the area is well served by bus routes and provides convenient access to various locations within central Tokyo.</li> <li>● The area is highly appealing to companies in fashion, mass media, and IT-related fields.</li> </ul>	<ul style="list-style-type: none"> <li>● Located in Minami-Azabu, a well-known, high-class residential area that is also home to embassies of various countries.</li> <li>● In addition to access by train, the area is well served by bus routes and provides convenient access to various locations within central Tokyo.</li> <li>● The area is highly appealing to companies in fashion, mass media, and IT-related fields.</li> </ul>	<ul style="list-style-type: none"> <li>● Located in the Yodoyabashi / Hommachi area, one of Osaka's leading office districts.</li> <li>● Situated near facilities such as the Osaka Chamber of Commerce and Industry, MyDome Osaka, and City Plaza Osaka, the area has a high concentration of office buildings.</li> <li>● The residences on the upper floors of the building offer excellent views overlooking landmarks such as Osaka Castle.</li> </ul>	<ul style="list-style-type: none"> <li>● Located in the Nishi-Shinjuku area, which has a high concentration of office buildings.</li> <li>● In addition to access by train, the area is well served by bus routes and provides convenient access to various locations within central Tokyo.</li> <li>● The property is expected to attract strong demand from affiliated companies of tenants of large-scale buildings located in Shinjuku sub-center or its surrounding area</li> </ul>	<ul style="list-style-type: none"> <li>● Located in the Akasaka area, one of central Tokyo's leading office/commercial districts.</li> <li>● The property is expected to attract strong demand from affiliated companies of tenants of the TBS building, Akasaka Biz Tower, etc.</li> <li>● Thanks to the popularity of the area, location conditions, etc., there is also strong demand for the residential units of the property.</li> </ul>	<ul style="list-style-type: none"> <li>● Located in the Shibuya area, one of Japan's leading commercial districts, the property has a strong appeal for fashion and IT-related companies.</li> <li>● Following the completion of the Shibuya Station area redevelopment project, further development is expected going forward.</li> </ul>

# Portfolio List (at the end of the 2nd Fiscal Period)

Sold in the 3rd FP

Asset type	Office	Office	Residence	Residence	Residence	Residence
Property name	Hakata-eki Higashi 113 Building	Asahi Building	Urban Park Azabujuban	Urban Park Daikanyama	Urban Park Yoyogikoen	Urban Park Shin-Yokohama
						
Acquisition price	1,885 million yen	6,320 million yen	2,045 million yen	6,315 million yen	875 million yen	2,528 million yen
Appraisal value	1,960 million yen	6,470 million yen	2,140 million yen	7,120 million yen	1,000 million yen	2,580 million yen
Structure/Floors	SRC 8F	S/SRCB2/12F	SRC with slate roofing B1/12F	RC, B1/3F RC, B1/9F	RC B1/4F	S B1/10F
Location	Fukuoka City, Fukuoka	Yokohama City, Kanagawa	Minato Ward, Tokyo	Shibuya Ward, Tokyo	Shibuya Ward, Tokyo	Yokohama City, Kanagawa
Lot area	950.75 m <sup>2</sup>	1,906.86 m <sup>2</sup>	417.67 m <sup>2</sup>	2,469.06 m <sup>2</sup>	894.46 m <sup>2</sup>	862.00 m <sup>2</sup>
Total floor areas	4,888.70 m <sup>2</sup> (including 17.25 m <sup>2</sup> pump room)	12,353.83 m <sup>2</sup>	2,564.94 m <sup>2</sup>	8,261.29 m <sup>2</sup> (for 2 buildings combined)	2,155.28 m <sup>2</sup>	5,171.12 m <sup>2</sup>
Property Features	<ul style="list-style-type: none"> <li>● Located in the Hakata-eki-higashi area where there is a high concentration of office buildings.</li> <li>● Thanks to the renovated entrance hall and common areas on each floor, it appeals to tenant companies from a wide range of fields.</li> <li>● With the completion of the Hakata Station area redevelopment project, further development is expected going forward.</li> </ul>	<ul style="list-style-type: none"> <li>● Located in the Yokohama Station West Exit area where there is a high concentration of commercial and office buildings.</li> <li>● The floors can be subdivided into smaller spaces, enabling the building to flexibly accommodate demand from branch offices of companies in various fields.</li> <li>● With the completion of the Yokohama Station area redevelopment project and the Excite Yokohama 22 project, further development is expected going forward</li> </ul>	<ul style="list-style-type: none"> <li>● Located in Azabu-Juban, an area with an elegant image that also boasts popular appeal.</li> <li>● In addition to a stately tiled facade, the property is fully equipped with premium household facilities.</li> <li>● Adjacent to the Roppongi area, a leading shopping spot in central Tokyo.</li> </ul>	<ul style="list-style-type: none"> <li>● Located in the Daikanyama area, which produces the latest trends.</li> <li>● In addition to a stately tiled facade, the property is fully equipped with premium household facilities.</li> <li>● Adjacent to the Shibuya and Ebisu areas, which are leading shopping spots in central Tokyo.</li> </ul>	<ul style="list-style-type: none"> <li>● Located in the Yoyogi-Koen/Yoyogi-Uehara area among streets lined with luxury condominiums and mansions.</li> <li>● In addition to a sophisticated facade, the building's units are fully equipped with multiple restrooms and premium household facilities.</li> <li>● The property is adjacent to Yoyogi Park and Shibuya, one of the leading shopping spots in central Tokyo, thereby combining convenience with a high-quality residential environment.</li> </ul>	<ul style="list-style-type: none"> <li>● Located in the Shin-Yokohama area, which provides convenient transportation access.</li> <li>● In addition to an elegant facade, the building is fully equipped with premium household facilities.</li> <li>● Access to central Tokyo will improve considerably with the opening of direct services linking the Sagami and Tokyu railway lines.</li> </ul>

# Portfolio List (at the end of the 2nd Fiscal Period)

Asset type	Residence	Logistics	Logistics	Logistics	Hotel	Hotel
Property name	Urban Park Namba	Iwatsuki Logistics	Yokohama Logistics	Funabashi Logistics	R&B Hotel Umeda East	Smile Hotel Namba
						
Acquisition price	1,490 million yen	6,942 million yen	3,560 million yen	7,875 million yen	2,069 million yen	1,750 million yen
Appraisal value	1,610 million yen	7,000 million yen	3,880 million yen	8,240 million yen	2,250 million yen	1,960 million yen
Structure/Floors	RC 14F	Steel construction, zinc plated steel roofing, 5 floors	RC 8F	Building 1: Steel construction, flat roof, zinc-plated steel roofing, 8 floors Building 2: Reinforced concrete structure	RC 9F	S 9F
Location	Osaka City, Osaka	Saitama City, Saitama	Yokohama City, Kanagawa	Funabashi City, Chiba	Osaka City, Osaka	Osaka City, Osaka
Lot area	670.39 m <sup>2</sup>	15,623.14 m <sup>2</sup>	10,565.95 m <sup>2</sup>	19,858.00 m <sup>2</sup>	730.26 m <sup>2</sup>	285.28 m <sup>2</sup>
Total floor areas	2,776.87 m <sup>2</sup>	29,729.72 m <sup>2</sup>	18,387.89 m <sup>2</sup> (including 242.25 m <sup>2</sup> break areas and 13.90 m <sup>2</sup> pump room)	38,871.45 m <sup>2</sup> (two buildings combined)	3,945.65 m <sup>2</sup>	1,711.42 m <sup>2</sup>
Property Features	<ul style="list-style-type: none"> <li>● Located near Namba, one of Osaka's leading commercial areas.</li> <li>● In addition to an elegant facade, the building is fully equipped with premium household facilities.</li> <li>● The influx of population into central Osaka due to the impact of strong in-bound demand has had a stabilizing effect on occupancy rates.</li> </ul>	<ul style="list-style-type: none"> <li>● Located in the Iwatsuki area, which offers access to the central Tokyo, northern Kanto, and Tohoku areas.</li> <li>● Equipped with specifications that offer a high level of versatility, such as the vehicle berths, floor height, and column interval.</li> <li>● The property is situated in a zone of Saitama City that offers incentives for logistics facilities and therefore benefits from considerable government support.</li> </ul>	<ul style="list-style-type: none"> <li>● Located in the Yokohama bay area, where there are many logistics facilities.</li> <li>● Equipped with specifications that offer a high level of versatility, such as vehicle berths, floor height, and column interval.</li> <li>● In addition to accessing Central Tokyo, it is possible to access the wider Tokyo area thanks to the opening of the Shinagawa section of the Shuto Expressway Central Circular Route.</li> </ul>	<ul style="list-style-type: none"> <li>● Located in the Chiba bay area, where there are many logistics facilities.</li> <li>● Equipped with specifications that offer a high level of versatility, such as vehicle berths, floor height, and column interval.</li> <li>● In addition to accessing Central Tokyo, it is possible to access the wider Tokyo area thanks to the opening of the Gaikan Expressway</li> </ul>	<ul style="list-style-type: none"> <li>● Located near Umeda, one of Osaka's leading office and commercial areas.</li> <li>● With over 200 single-occupancy rooms, the hotel is able to accommodate significant business- and tourism-based demand.</li> <li>● Due to the impact of strong in-bound demand in Osaka, further hotel demand is expected.</li> </ul>	<ul style="list-style-type: none"> <li>● Located near Umeda, one of Osaka's leading office and commercial areas.</li> <li>● In addition to excellent access to Namba, located near Osaka Dome, addressing multiple business- and tourism-based demand.</li> <li>● Due to the impact of strong in-bound demand in Osaka, further hotel demand is expected.</li> </ul>

# Newly Acquired Properties

Medium-sized logistics facilities located within a radius of 30 km from Tokyo Station

## Baraki Logistics

Logistics facility

Negotiation-based transaction



Acquisition price	4,700 million yen
Appraisal value	4,860 million yen
Appraisal NOI yield	4.5%
Structure/Floors	Reinforced concrete/steel-framed structure, 5F
Location	Ichikawa City, Chiba
Total floor areas	12,471.50 m <sup>2</sup>



- A multi-tenant logistics facility located near the Wangan Ichikawa IC of the East Kantō Expressway.
- Enjoys good access to Central Tokyo as well as the consumption areas throughout Chiba, allowing tenants to respond to the needs of e-commerce operators.
- Located within approx. 5-minute walk from Futamata-Shinmachi station on the JR Keiyo Line, allowing for securement of employees.
- Property with highly versatile specifications, including one passenger elevator, two freight elevators, a floor height of approx. 6.5 m and a pillar span of approx. 9 m-11 m.
- Fully occupied by foreign companies and foreign 3PL companies.

## Tokorozawa Logistics

Logistics facility

Negotiation-based transaction



Acquisition price	1,300 million yen
Appraisal value	1,360 million yen
Appraisal NOI yield	6.0%
Structure/Floors	Steel-framed structure, 2F
Location	Tokorozawa City, Saitama
Total floor areas	5,994.75 m <sup>2</sup>



- A multi-tenant logistics facility used also as a warehouse, located around 8.7 km from the Tokorozawa IC on the Kan-Etsu Expressway.
- Good access to Central Tokyo, and also capable of covering a wide range of destinations for consumption in the Tokyo Metropolitan area with the opening of the Gaikan Expressway and the Metropolitan Inter-City Expressway.
- Property with highly versatile specifications, including two freight elevators, a floor height of approx. 5.5 m-6.0 m, and a pillar span of approx. 9.5 m.

# Newly Acquired Properties

Hotels capable of taking in both business and leisure demands

## BEST WESTERN Tokyo Nishikasai

Hotel

Sponsor fund



Acquisition price	3,827 million yen
Appraisal value	3,890 million yen
Appraisal NOI yield	4.8%
Structure/Floors	Steel-framed reinforced concrete structure, B1F/9F
Location	Edogawa Ward, Tokyo
Total floor areas	5,293.88 m <sup>2</sup>



- A business hotel located within approx. a 2-minute walk from Nishikasai Station of Tokyo Metro Tozai Line.
- Excellent location characteristics that can attract a fair amount of Tokyo Disneyland-related leisure travelers, as it stands in a straight-line distance of approx. 4 km away from Tokyo Disneyland.
- A hotel with great appeal to a variety of guests with various types of guest rooms depending on the intended use.

## BEST WESTERN Yokohama

Hotel

Sponsor fund



Acquisition price	3,248 million yen
Appraisal value	3,270 million yen
Appraisal NOI yield	4.8%
Structure/Floors	Steel-framed reinforced concrete structure, B1F/9F
Location	Yokohama City, Kanagawa
Total floor areas	4,686.09 m <sup>2</sup>



- A business hotel located within approx. 4-minute walk from “Tsurumi” Station on the JR Keihin Tohoku Line and a 3-minute walk from “Keikyu Tsurumi” Station on the Keihin Kyuko Line.
- Excellent location characteristics that can attract both business travelers and leisure travelers, as its location has good access to the major areas in Kanagawa including Yokohama and Kawasaki as well as to Haneda Airport.
- A hotel with great appeal to a variety of guests with various types of guest rooms depending on the intended use.

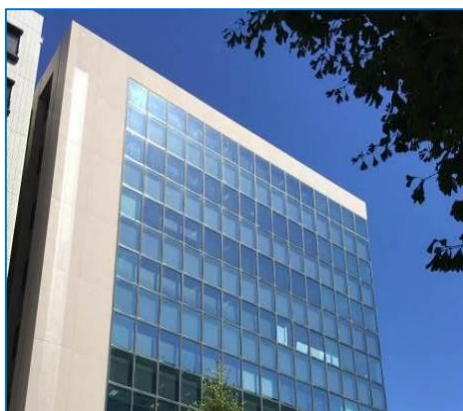
# Newly Acquired Properties

## Properties acquired utilizing preferential negotiation rights

### Hakata-eki East Place

Office

Sponsor fund



Acquisition price	2,286 million yen
Appraisal value	2,370 million yen
Appraisal NOI yield	4.5%
Structure/Floors	Steel-framed reinforced concrete structure, 9F
Location	Fukuoka City, Fukuoka
Total floor areas	6,243.13 m <sup>2</sup>



- Located in the Hakata Station East area, which has a higher concentration of offices after the completion of redevelopment projects in front of the station.
- Even more vitalization is expected for the Fukuoka (Hakata) area with the start of “Tenjin Big Bang Project” and the extension of some Fukuoka City Subway lines.

### Urban Park Kashiwa

Residence

Warehousing



Acquisition price	1,186 million yen
Appraisal value	1,190 million yen
Appraisal NOI yield	5.1%
Structure/Floors	Steel-framed reinforced concrete structure, B1F/8F
Location	Kashiwa City, Chiba
Total floor areas	4,243.71 m <sup>2</sup>



- Located in the Kashiwa area, a leading bed town in Chiba, with an excellent access to Central Tokyo.
- Further medium to long-term growth is expected in the area, with completion of various redevelopment plans in front of Kashiwa Station.

# Newly Acquired Properties

Acquisition through asset replacement on February 1, 2017

## Urban Park Gokokuji

Residence

Warehousing



Acquisition price	1,460 million yen
Appraisal value	1,480 million yen
Appraisal NOI yield	5.2%
Structure/Floors	Reinforced concrete structure, B1F/5F
Location	Toshima Ward, Tokyo
Total floor areas	2,451.72 m <sup>2</sup>



- Located in an area with strong demand from various tenant groups for single-type residences, due to the location characteristics of having concentration of universities and junior colleges as well as Toshima ward having a relatively high ratio of single households.

# Balance of Payments of Individual Properties for the 2nd Fiscal Period

(Unit: thousand yen)

	OFC-01 Minami-Azabu Shibuya Building	OFC-02 Oak Minami-Azabu	OFC-03 Honmachibashi Tower	OFC-04 Nishi-Shinjuku Matsuya Building	OFC-05 Alphabet Seven	OFC-06 Shibuya MK Building	OFC-07 Hakata-eki Higashi 113 Building	OFC-08 Asahi Building	Office Total
Total of revenue real estate lease	94,224	118,870	214,884	102,964	69,774	61,981	73,083	199,630	935,412
Lease business revenue	87,967	111,483	189,365	82,654	66,017	56,195	66,972	183,425	844,082
Other lease business revenue	6,257	7,386	25,519	20,309	3,756	5,785	6,111	16,204	91,330
Total of expenses - real estate lease	21,157	42,536	39,584	30,757	15,542	16,472	16,575	40,964	223,590
PM fees	5,708	15,015	13,440	6,539	4,837	4,794	7,389	15,400	73,124
Trust fees	400	400	400	400	400	350	350	400	3,100
Utilities expenses	6,722	13,169	23,501	7,958	4,545	3,960	7,471	17,532	84,861
Insurance expenses	128	251	393	140	109	47	136	390	1,599
Repair expenses	2,105	6,351	165	1,769	3,430	1,581	933	2,779	19,117
Taxes and public dues	—	—	—	—	—	—	—	—	—
Other	6,091	7,347	1,685	13,949	2,219	5,738	294	4,461	41,787
NOI	73,067	76,334	175,299	72,207	54,231	45,508	56,507	158,666	711,822
Depreciation	9,911	6,867	44,750	5,565	2,437	2,377	5,347	21,270	98,528
Income from real estate property leasing	63,156	69,466	130,548	66,641	51,793	43,131	51,159	137,395	613,293
Capital expenditures	13,779	69,238	1,966	10,542	6,657	7,457	3,111	7,995	120,748
NCF	59,287	7,095	173,332	61,664	47,573	38,051	53,396	150,670	591,073

# Balance of Payments of Individual Properties for the 2nd Fiscal Period

(Unit: thousand yen)

	RSC-01	RSC-02	RSC-03	RSC-04	RSC-05	Residence Total
	Urban Park Azabujuban	Urban Park Daikanyama	Urban Park Yoyogikoen	Urban Park Shin-Yokohama	Urban Park Namba	
Total of revenue real estate lease	53,629	183,506	26,697	69,714	48,611	382,158
Lease business revenue	52,132	172,630	26,697	66,802	46,637	364,899
Other lease business revenue	1,497	10,875	—	2,911	1,974	17,259
Total of expenses - real estate lease	7,146	30,206	8,713	13,551	7,632	67,250
PM fees	2,150	8,475	4,014	4,643	2,528	21,812
Trust fees	350	350	400	350	350	1,800
Utilities expenses	487	4,098	553	730	485	6,356
Insurance expenses	63	215	50	183	69	582
Repair expenses	2,384	9,344	969	2,927	1,588	17,213
Taxes and public dues	—	—	—	—	—	—
Other	1,709	7,723	2,726	4,717	2,610	19,486
NOI	46,482	153,299	17,983	56,162	40,978	314,908
Depreciation	3,933	11,810	1,885	16,442	7,494	41,566
Income from real estate property leasing	42,549	141,489	16,098	39,720	33,484	273,341
Capital expenditures	1,350	31,811	2,158	—	—	35,319
NCF	45,132	121,488	15,825	56,162	40,978	279,588

# Balance of Payments of Individual Properties for the 2nd Fiscal Period

(Unit: thousand yen)

	LGC-01	LGC-02	LGC-03	Logistics facility Total	HTL-01	HTL-02	Hotel Total	Total
	Iwatsuki Logistics	Yokohama Logistics	Funabashi Logistics		R&B Hotel Umeda East	Smile Hotel Namba		
Total of revenue real estate lease	201,052	not disclosed	259,436	not disclosed	64,297	56,499	120,797	2,017,386
Lease business revenue	187,713		238,076		64,297	56,499	120,797	1,865,642
Other lease business revenue	13,338		21,359		0	0	0	151,743
Total of expenses - real estate lease	21,224		35,341		1,247	1,619	2,866	380,400
PM fees	5,716		11,308		742	660	1,402	117,629
Trust fees	550		400		350	550	900	7,150
Utilities expenses	12,836		17,913		6	—	6	130,204
Insurance expenses	297		431		124	59	183	3,312
Repair expenses	1,004		3,997		—	262	262	55,038
Taxes and public dues	—		—		—	—	—	—
Other	820		1,290		24	88	112	67,064
NOI	179,827		224,094		63,050	54,879	117,930	1,636,985
Depreciation	46,179		25,483		9,071	11,845	20,917	244,255
Income from real estate property leasing	133,648		198,611		53,978	43,034	97,013	1,392,730
Capital expenditures	9,000		28,619		—	704	704	280,041
NCF	170,827		195,474		63,050	54,175	117,226	1,356,944

# About Sponsor

## Founders and Investment Track Record

### About the founders

#### Managing Partner "Malcolm F. MacLean IV "



Received a bachelor's degree from Trinity College

Malcolm MacLean is a founder of Star Asia and currently serves as its Managing Partner. He is also co-founder of Mercury Real Estate Advisor LLC and formerly served as its Portfolio Manager and Head Trader. He has an abundance of experience, including over 24 years in real estate related asset investment and involvement in establishing listed and non-listed real estate securities and real estate investment in the U.S., Europe and Asia. Prior to that, he advised listed and non-listed companies on the issuance of stocks and bonds as well as M&As while working at the Real Estate Investment Banking Groups of Paine Webber Incorporated and Kidder, Peabody & Co., Inc. (current UBS AG) and closed many transactions as the team leader of origination, structuring and execution. MacLean studied economics at Cambridge University in the U.K. and obtained a bachelor's degree in economics and law from Trinity College in Hartford, Connecticut, U.S.A.

#### "Taro Masuyama" Managing Partner



"Received a bachelor's degree from Waseda University  
Received a master's degree from Columbia University"

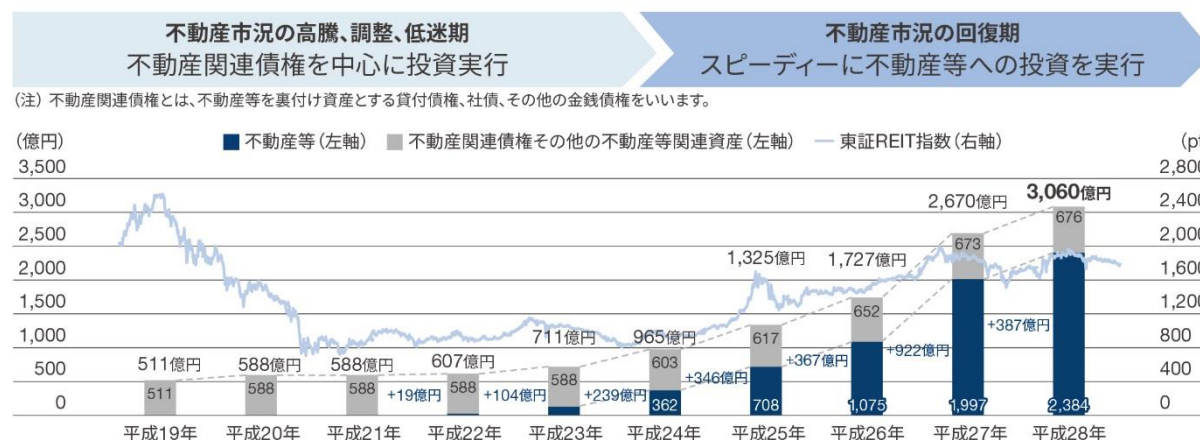
Taro Masuyama is a founder of Star Asia and currently serves as its managing partner. He formerly served as Managing Director and Head of the Asia-Pacific region's Structured Credit Products and Japan Credit Sales and Marketing at Merrill Lynch and managed the origination, structuring, trading and marketing of all structured credit as well as fund products in the Asia-Pacific region in addition to sales marketing of Japanese credit products. During his seven-year stint at Merrill Lynch, his team was involved in securitizations with over 2.8 trillion yen in underlying assets including securitizations of major Japanese banks' loan portfolios that won several awards from various media. Before joining Merrill Lynch in April 1999, he provided various structured balance sheet solutions primarily to Japanese banks as Vice President of Global Credit Derivatives at Bankers Trust. Prior to that, he was involved in the streamlining of headquarters functions at various international companies as a consultant at Andersen Consulting in Tokyo, Chicago and Los Angeles. Masuyama obtained a bachelor's degree from Waseda University and an MBA from Columbia Business School.

### Star Asia Group's investment track record in Japan (as of December 31, 2016)

Steadily making investments even amid intensifying real estate acquisition competition.

Accumulated investment amount as of December 31, 2016

**306** billion yen



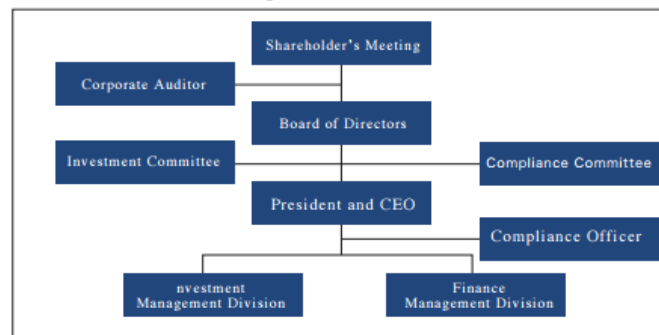
# Organizational Framework of Asset Manager (As of the End of 2nd Fiscal Period)

**President and CEO  
Atsushi Kato**



After entering Nomura Real Estate Development Co., Ltd., he worked for Showa Ota Ernst & Young, and then entered Nomura Securities Co., Ltd. After being involved in the asset finance business including support in establishing J-REITs, he joined Star Asia Investment Management Co., Ltd.

**Organization Chart**



**Chief Compliance Officer  
Kazuaki Fujii**

Worked at Mizuho FG and its affiliate companies. Holds experience in a broad range of on-site auditing, including theme audits on risk management, internal control, compliance and others.

## Investment Management Division

**Director and CIO  
Yoshikuni Taguchi**



**Real Estate Appraiser**  
Joined Star Asia Investment Management Co., Ltd. after working at Urban Development Real Estate Appraisers, Ken Corporation Ltd., Canal Investment Trust Co., Ltd. (currently, Heiwa Real Estate Asset Management Co., Ltd.) and Prudential Real Estate Investors (Japan) K.K. (currently, PGIM Real Estate (Japan) Ltd.)

**Manager  
(Male)**

**Assistant Real Estate Appraiser**  
Was in charge of the acquisition of a total of over 100 billion yen in properties, asset management (AM) and finance tasks at a foreign-affiliated real estate investment company, prior to which he supervised acquisitions, AM and finance tasks at a REIT operating company.

**Manager  
(Male)**

Was involved in asset management of a total of over 100 billion yen at an operating company for a leading logistics REIT, prior to which he was in charge of acquisitions, AM and finance tasks at a foreign-affiliated real estate investment company.

**Manager  
(Female)**

As a member of a startup team for a property management (PM) company, she was involved in PM tasks for office and commercial facilities with a total value of over 30 billion yen entrusted by private placement funds, individual owners, etc. Played an active role as a leader of AM middle-back tasks using experience from former duties,

**Manager  
(Female)**

Was in charge of cash management, leasing management, accounting, construction management tasks, etc. at an operating company of a leading REIT. Is in charge of AM middle-back tasks using experience from former duties.

## Finance Management Division

**Director and CFO  
Toru Sugihara**



After being involved in the investment banking business at Nomura Securities Co., Ltd., he worked at Barclays Securities Japan Limited and Kenedix, Inc. and joined Star Asia Management Japan, Ltd.

**Manager  
(Female)**

Involved in IR, management planning tasks, etc. in the general construction industry. Using experience obtained thereafter in startup work for an overseas base of a different business, is currently in charge of general financial management tasks while primarily working in IR.

**Manager  
(Male)**

**Certified Public Accountant** After gaining experience as a member of an audit team of a REIT at an accounting office, he was involved in tasks of the planning department at a leading investment advisory company. Using his expert knowledge, he also contributes to the formulation of management strategies.

**Manager  
(Female)**

After gaining experience in conducting duties at a leading bank and foreign-affiliated financial institute, gained experience in PM tasks for over 50 properties in total of REITs, private placement and individual owners at a leading PM company, and using such experience, conducts property cash management in cooperation with the Investment Management Division. She also contributes in other administrative tasks.

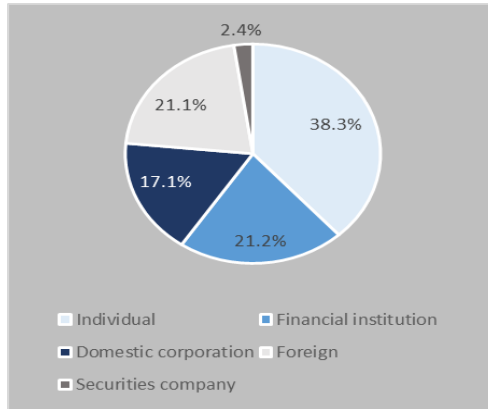
**Associate  
(Female)**

In charge of a wide range of work as an assistant, using abundant experience from various duties.

# Status of Unitholders at the End of 2nd Fiscal Period ended January 2017

## ■ Number of Investment Units by Unitholder Type:

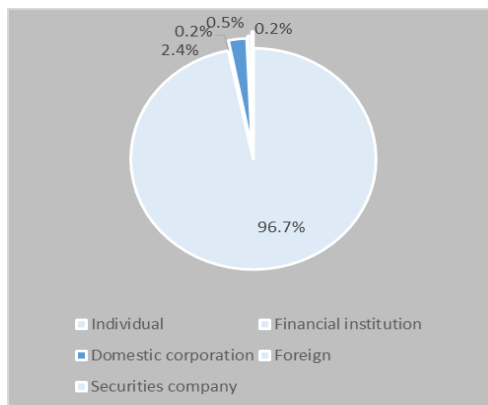
Total 344,700 units



Category	Ratio	No. of investment units
Individual	38.3%	131,879
Financial institution	21.2%	73,021
Domestic corporation	17.1%	58,889
Foreign	21.1%	72,712
Securities company	2.4%	8,199

## ■ Number of Unitholders by Unitholder Type:

Total 12,453



Category	Ratio	No. of persons/entities
Individual	96.7%	12,036
Financial institutions	0.2%	27
Domestic corporation	2.4%	305
Foreign	0.5%	59
Securities company	0.2%	26

## ■ List of major unitholders (Top 10)

	Unitholder name	Number of investment units	Unitholding ratio
1	Japan CRE Securitization Series I GK	39,480	11.5%
2	Japan Trustee Services Bank, Ltd (Trust account)	26,356	7.6%
3	STAR ASIA CAPITAL I LLC	14,325	4.2%
3	STAR ASIA CAPITAL II LLC	14,325	4.2%
3	STAR ASIA CAPITAL III LLC	14,325	4.2%
3	STAR ASIA CAPITAL IV LLC	14,325	4.2%
7	The Master Trust Bank of Japan ,Ltd. (Trust account)	12,941	3.8%
8	Trust & Custody Services Bank, Ltd. (Securities investment trust account)	11,901	3.5%
9	The Nomura Trust and Banking Co., Ltd. (Trust account)	11,133	3.2%
10	UBS Securities LLC - HFS Customer Segregated Account	6,204	1.8%
Total		165,315	48.0%

\* The ratio of investment units held expressed as a percentage of total number of investment units issued and outstanding is rounded to the nearest first decimal place.

\* Japan CRE Securitization Series I and Star Asia Capital I-IV LLC are the sponsor group companies.

## ■ Disclaimer

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