



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 down while ratios are rounded to a specified unit.

* Terms used in this material are defined as below.

“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. Offering Highlights

1. Offering Highlights

Overview of January 2018 Public Offering

1

**Promotion of Growth Strategy by
Leveraging the support of Star Asia Group
and Asset Manager's Proprietary Network**

~Boost SAR's growth based on support by Star Asia Group's
spreading business lines~

2

**Steadily Increasing Asset Size and Strengthening
Portfolio by Acquiring Middle-size Assets in the
Tokyo Area**

~Asset Size of ¥86.0bn after the offering ~

3

Achieving Continued Internal Growth

~Portfolio management to pursue improved
profitability and stability~

Overview of Public Offering

Offering Format	Domestic Offering
Newly Issued Units	56,324 units (Including O.A.)
Amount of offering	5,801 million yen
Offer price	106,724 yen
Issuance resolution date	January 12, 2018
Price determination date	January 22, 2018
Payment date	February 1, 2018
Number of investment units issued and outstanding after PO	470,624 units
Number of investment units held by the Sponsor Group (ratio)	97,000 units (20.6%)

Changes in the portfolio

	End of 4th FP (As of Jan. 31, 2018)	After Public Offering
No. of properties	23 properties	29 properties
Total acquisition price	75.3 billion yen	86.0 billion yen
Average appraisal NOI yield	5.1%	5.1%
Number of tenants	539	679
Ratio of Tokyo area	79.4%	80.1%

1. Offering Highlights

Steadily Increasing Asset Size and Strengthening Portfolio by Acquiring Middle-size Assets in the Tokyo Area

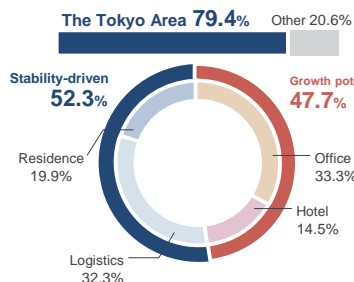
~Asset Size of ¥86.0bn after the offering ~

Overview of assets : 6 properties that are mainly middle-size assets in the Tokyo area

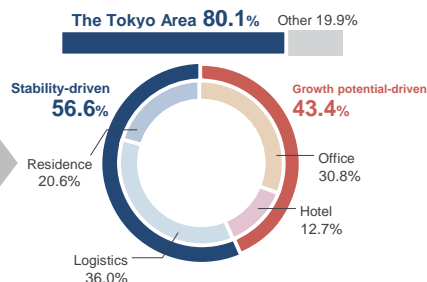
Acquisition price total ¥10,743m	No. of properties 6	Ratio of middle-size assets 100%	Ratio of properties in the Tokyo area 85.6%
Vs. appraisal value 98.1%	Avg. NOI yield (appraisal value basis) 5.4%	Average NOI yield after depreciation 4.6%	

Increase the ratio of properties in the Tokyo Area and improve portfolio stability

Composition by investment area/asset type as of the beginning of the 4th period (acquisition price basis)



Composition by investment area/asset type after the offering (acquisition price basis)



Asset replacements + 1st follow-on offering
As a result of a two asset replacements and follow-on offering, asset size grew and gain on sale was returned to unitholders

	18 properties ¥61.4bn	18 properties ¥61.4bn	18 properties ¥61.4bn	Asset replacement + 1st public offering	23 properties ¥75.3bn	Properties to be acquired	29 properties ¥86.0bn
	At IPO (April 20, 2016)	End of July 2016 (End of 1st Fiscal Period)	End of January 2017 (End of 2nd Fiscal Period)		August 1, 2017 (Beginning of the 4th Fiscal Period)		After the offering (Note)
Number of properties	18	18	18	Acquisition 7 / Disposition 2	23	6	29
Total (anticipated) Acquisition / Disposition price	¥61.4bn	¥61.4bn	¥61.4bn	Acquisition of ¥18.0bn / Disposition of ¥6.1bn	¥75.3bn	¥10.7bn	¥86.0bn
Aggregated appraisal value	¥65.1bn	¥66.0bn	¥66.7bn		¥81.8bn	¥ 10.9 bn	¥92.8bn
Avg. NOI yield (appraisal value basis)	5.2%	5.2%	5.2%		5.1%	5.4%	5.1%
Number of tenants	390	390	388		539	139	679
LTV of total assets		47.4%	44.8%		46.0%		45.8%

(Note) Excluding Mezzanine Loan Debt Investment

List of properties

Second public offering		
	Nihonbashi Hamacho Park Building	Growth
	Asset type	Office
	Location	Chuo-ku, Tokyo
	Acquisition price	¥1,450m
	Urban Park Ryokuchi-koen	Stability
	Asset type	Residential
	Location	Suita, Osaka
	Acquisition price	¥1,550m
	Urban Park Koenji	Stability
	Asset type	Residential
	Location	Suginami-ku, Tokyo
	Acquisition price	¥1,167m
	Funabashi Nishiura Logistics I	Stability
	Asset type	Logistics
	Location	Funabashi, Chiba
	Acquisition price	¥3,000m
	Funabashi Nishiura Logistics II	Stability
	Asset type	Logistics
	Location	Funabashi, Chiba
	Acquisition price	¥821m
	Matsubushi Logistics	Stability
	Asset type	Logistics
	Location	Kitakatsushika, Saitama
	Acquisition price	¥2,755m

Mezzanine loan debt investment

October 2017: Star Asia Mezzanine Loan Debt Investment Series 1 (subordinated bonds)

December 2017: Star Asia Mezzanine Loan Debt Investment Series 2 (subordinated beneficiary interest of trust)

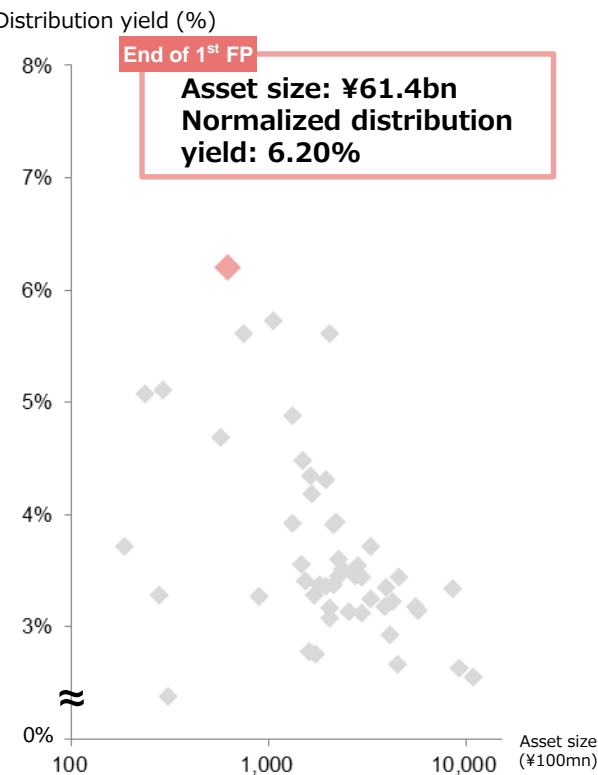
For further growth with the support of the evolving Star Asia Group

1. Offering Highlights

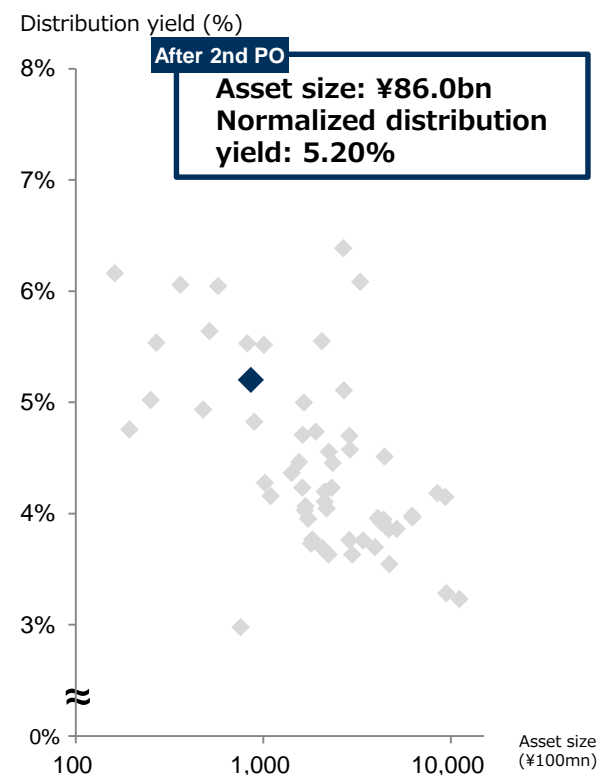
Improved Position in the Capital Market (Asset Size and Distribution Yield)

- Following the IPO, various measures were implemented to maximize unitholder value, with valuation rising alongside expansion of asset size

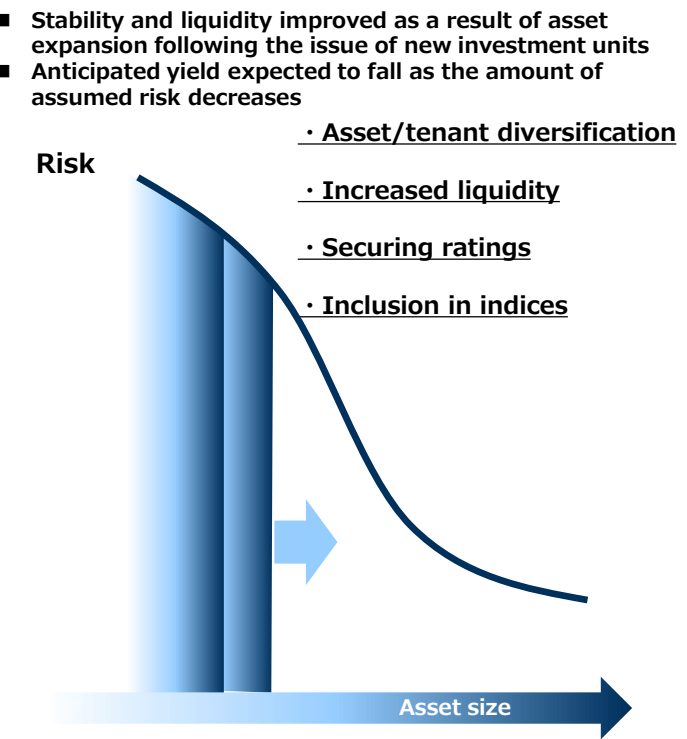
End of 1st fiscal period (July 29, 2016)



End of February, 2018



(Ref.) Conceptual diagram of the correlation between asset size and risk



Expanded assets to ¥86.0bn through the latest PO and subsequent property acquisitions
Aims to accelerate growth and further increase unitholder value with the strong support from its ever-evolving sponsor

Source: Company disclosures
Note: Calculated based on the latest distribution (excluding optimal payable distribution) as of 2016/7/29 for the end of the 1st FP and 2018/2/28 for the end of February 2018, acquisition price, and investment unit price.
Only SAR uses normalized forecasted distribution as a basis for calculation

2. Executive Highlights

2. Executive Highlights

① “Active Management Strategies” for “Maximization of Unitholders’ Value”

“Active Management Strategies” for “Maximization of Unitholders’ Value”

Implementation in the 4th FP

Internal growth

- Elimination of the rent gap in the office portfolio
- Revision of lease conditions at logistics facilities
- Improvement of the occupancy of residences
- Reduction of management expenses
- Maintaining and improving appeal to potential tenants through appropriate capital expenditure and repair (utilization of sponsor support)

External growth

- Sponsor Group spread business line
⇒ Execution of Agreement on Preferential Negotiation on HAKUSAN HOUSE
- Invest in mezzanine loan debt , the first J-REIT invested in such assets
- Generation of gain on sale through asset replacement

Financial strategy

- Execution of the 2nd public offering
- Execution of debt financing to diversify repayment dates
- Invitation of new lenders

2. Executive Highlights

② Change in Cash Distribution per Unit

Returned gain on sale of properties accompanying asset replacement to unitholders as cash distribution.
Retain as internal reserves and secure stability of future cash distributions

Change in Cash Distribution per Unit	1st FP	2nd FP	3rd FP	4th FP	5th FP	6th FP
Forecast	829yen	3,046yen	4,340yen	4,039yen	2,750yen	2,804yen
Actual	968yen	3,112yen	4,423yen	4,077yen		

16.8%up

2.2%up

1.9%up

0.9%up

Normalized DPU = DPU when the impact of transient factors (*) are removed

Impact of transient factors (*) on DPU

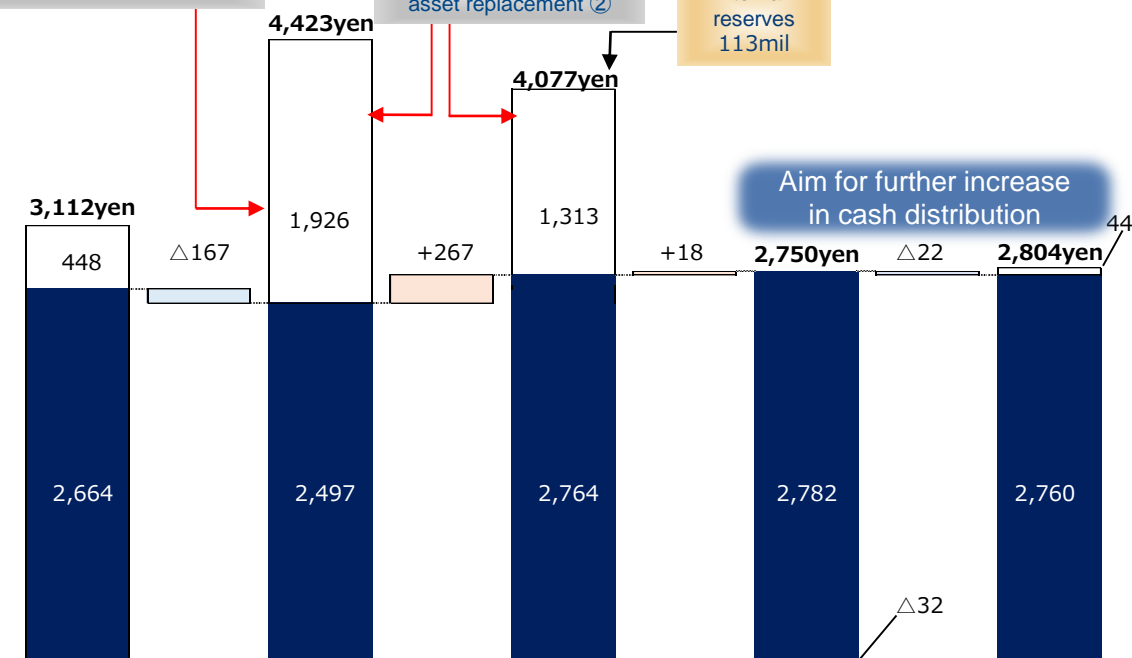
(*) Transient factors refer to the following:

- ① Gain on sales of real estate properties
- ② Equivalent of fixed property taxes, etc. that are not expensed due to being included in the acquisition cost of real estate, etc.
- ③ Of the expenses related to funding, arrangement fees for investment unit issuance expenses and borrowings from syndicates of lenders
- ④ Expenditures such as asset management fees and taxes and public charges (non-deductible consumption tax, etc.) which fluctuates as a result of ① through ③
- ⑤ Tax expenses for internal reserves as well as income tax that increase with internal reserves, etc.

Distribution of gain on sale of properties from asset replacement ①

Distribution of gain on sale of properties from asset replacement ②

internal reserves 113mil



Aim for further increase in cash distribution

2nd FP actual

3rd FP actual

4th FP actual

5th FP forecast

6th FP forecast

2. Executive Highlights

③Change in Business Results

Cash distribution per unit for the 4th fiscal period was 4,077 yen (+0.9% compared to forecast)

(Unit: million yen)

	1st FP (ended July 2016) actual	2nd FP (ended Jan. 2017)actual	3rd FP (ended July 2017) actual	4th FP (ended Jan. 2018) forecast (disclosed on Jan. 12, 2018)	4th FP (ended Jan 2018) actual	Comparison with forecast	Major factors for the difference from the forecast
Operating revenue	1,859	2,017	3,211	3,138	3,194	+55	
Office rent	634	802	822	786	795	+9	Minami Azabu Shibuya +4 million yen Nishi-Shinjuku Matsuya Building +2million yen
Residence rent	325	349	391	405	410	+4	Daikanyama +6 million yen
Logistics rent	581	530	642	696	696	△0	
Hotel rent	142	120	220	282	282	△0	
Other	174	215	235	181	223	+42	Utilities expenses +19 million yen Revenue from renewal fees +10 million yen Revenue from restoration +4 million yen
Mezzanine	-	-	-	14	14	+0	Interest and dividends, etc. 7 million yen Upfront fees 7 million yen
Gain on sales of real estate property	-	-	898	771	771	-	
Operating expenses	711	826	1,113	1,123	1,142	+19	
Expenses related to rent business	568	624	836	826	841	+15	Repair expenses +9 million yen Utilities expenses +8 million yen
SGA	143	202	276	296	300	+3	
Operating income	1,147	1,190	2,098	2,015	2,051	+36	
Non-operating income	0	0	0	-	0	+0	
Non-operating expenses	812	117	264	180	176	△4	
Ordinary income	335	1,073	1,833	1,834	1,876	+42	
Net income	333	1,072	1,832	1,769	1,802	+32	
Cash distribution per unit	968yen	3,112yen	4,423yen	4,039yen	4,077yen	+38yen	
NOI	1,538	1,636	1,763	1,832	1,871	+39	
Rent revenues/expenses	1,291	1,392	1,476	1,526	1,566	+40	
FFO per unit	1,684yen	3,820yen	2,948yen	3,149yen	3,224yen	+75yen	
Balance of Internal reserves	-	-	-	96	113	+16	

2. Executive Highlights

④ Forecast

Due to materialization of unrealized gain from transfer of owned assets, cash distributions per unit for the 4th FP was 4,077 yen
 Cash distributions per unit are forecast to be 5th FP: 2,750yen, 6th FP: 2,804yen.

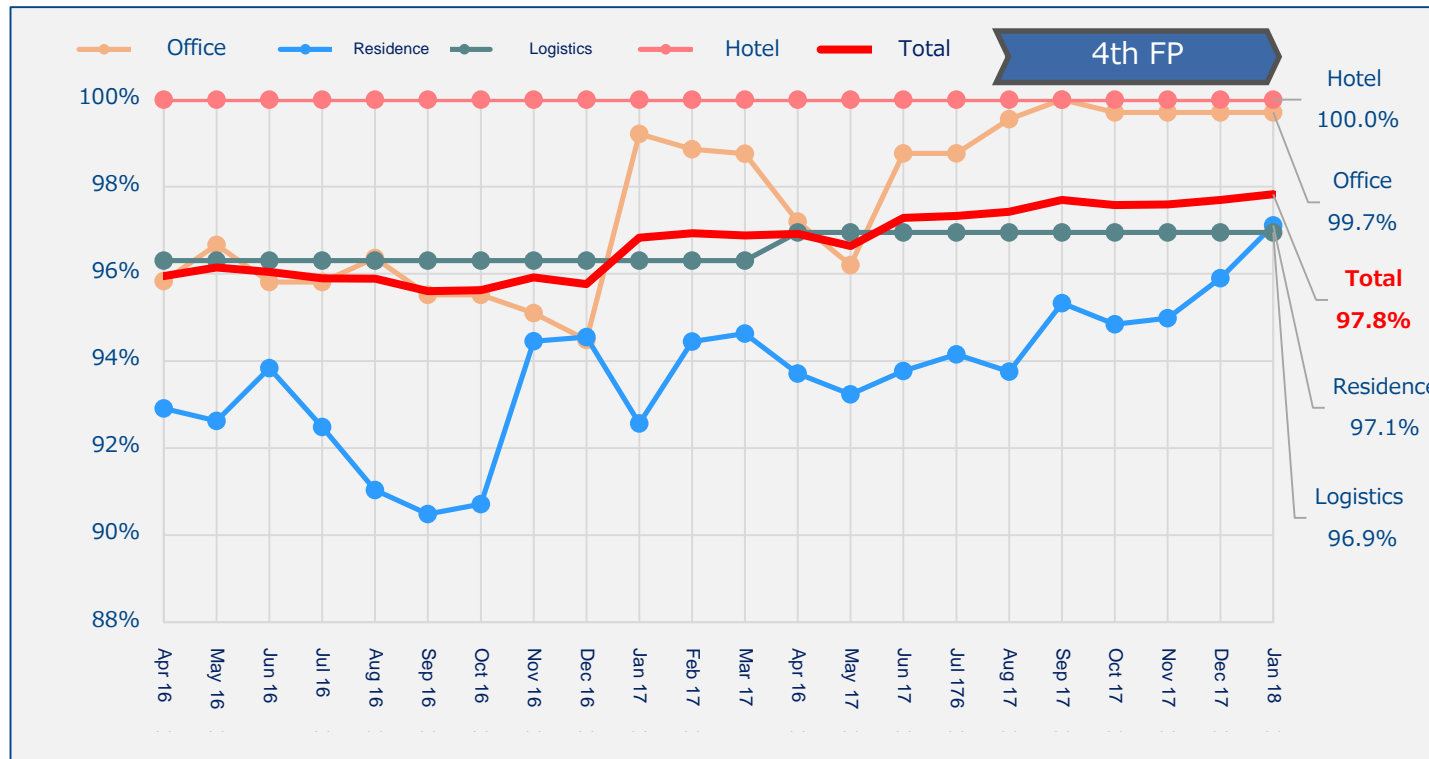
	23property	29property					(Unit: million yen)
	4th FP (ending Jan 2018) actual (A)	5th FP (ending July 2018) forecast (B)	6th FP (ending Jan 2019) forecast (C)	Increase/ decrease (B-A)	Increase/ decrease (C-B)	Major factors for the increase/decrease	
Operating revenue	3,194	2,751	2,732	△442	△19	Factors for increase/decrease in 5th FP (compared to 4th FP actual)	Factors for increase/decrease in 6th FP (compared to 5th FP forecast)
Rent revenues/expenses	2,408	2,733	2,713	① +325	① △19	① Rent revenues/expenses +325 • Rent and common fees +356 (Assets acquired in 5th FP +332) (Seasonal fluctuation for hotels +10)	① Rent revenues/expenses -19 • Seasonal fluctuation for hotels -10
Gain on sales of real estate properties	771	-	-	② △771	-	• Utilities expenses -15 • Absence of temporary factors (revenues from restoration work, cancellation penalty fees, etc.) -14	② Expenses related to rent business -13 • Repair expenses -17
Mezzanine	14	18	18	+3	+0	② Gain on sales of real estate properties -771 • Absence of gain on sales in 4th FP	③ Non-operating expenses -96 • Interest expenses +4 • Borrowing related expenses -93 • Investment unit issuance expenses -7
Operating expenses	1,142	1,246	1,234	+104	△12	③ Expenses related to rent business +135 • Assets acquired in 5th FP +95 • Start of expensing of fixed property taxes, etc. for assets acquired in 3rd FP +36	
Expenses related to rent business	841	977	964	③ +135	② △13	④ SGA -31 • Asset management fee -23 • taxes and public charges (non-deductible consumption tax) -8	
SGA	300	269	270	④ △31	+0	⑤ Non-operating expenses +97 • Interest expenses +21 • Borrowing related expenses +96 (Temporary increase in line with new borrowings and refinancing in 5th FP)	
Operating income	2,051	1,504	1,497	△547	△7	• Investment unit issuance expenses -20	
Non-operating income	0	-	-	△0	-	⑥ Income taxes -73 • Increase in burden in 4th FP due to internal reserve	
Non-operating expenses	176	273	176	⑤ +97	③ △96		
Ordinary income	1,876	1,231	1,320	△645	+89		
Income taxes	74	0	0	⑥ △73	-		
Net income	1,802	1,230	1,319	△571	+89		
Cash distribution per unit	4,077	2,750	2,804	△1,327	+54円		
NOI	1,871	2,113	2,117	+241	+4		
Rent revenues/expenses	1,565	1,756	1,749	+190	△6		

3. Performance of the 4th Fiscal Period Ended January 2018

3. Performance of the 4th Fiscal Period Ended January 2018

① Occupancy Rate Status

Period-end occupancy rate: 97.8% 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.



[Total]
The occupancy rate as of the end of the 4th FP is 97.8%, the highest since the launch of the Investment Corporation

[Office]
Maintained a level above 99%

[Residence]
Successfully increased the occupancy rate
From 94.2% at the end of 3rd FP to 97.1% at the end of 4th FP

[Logistics facility]
Occupancy is stable as many of the tenants have concluded fixed-term building lease contracts

[Hotel]
Occupancy is 100% with full lease to the hotel operator

	1st FP	2nd FP	3rd FP(24property※)	4th FP(23property)
Office	95.8%	99.2%	98.8%	99.7%
Residence	92.5%	92.6%	94.2%	97.1%
Logistics	96.3%	96.3%	96.9%	96.9%
Hotel	100.0%	100.0%	100.0%	100.0%
Total	95.9%	96.8%	97.3%	97.8%

*End of 3rd FP includes 1 office property (Oak Minami-Azabu) sold on August 1, 2017.

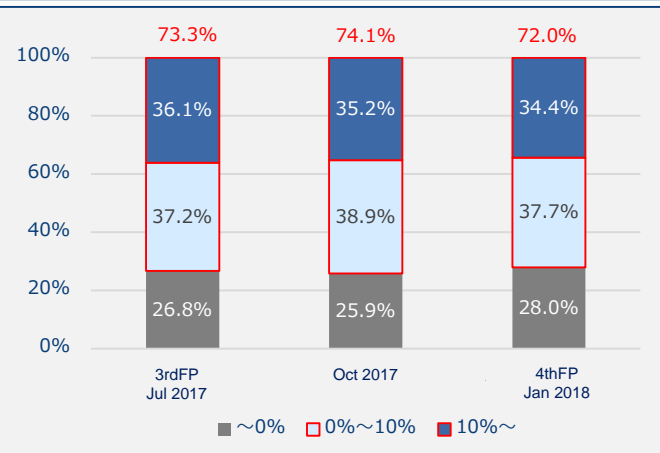
3. Performance of the 4th Fiscal Period Ended Jan 2018

② Office - Eliminating rent gap -

Focused on elimination of rent gap: Decreased rent gap from 6.1% (Oct. 2017) to 5.2% at the end of the 4th FP (end of Jan. 2018)
Elimination of the rent gap will continue to be a focus

* Market rent refers to the median of each property's expected new contract rent (range) assessed as 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 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.

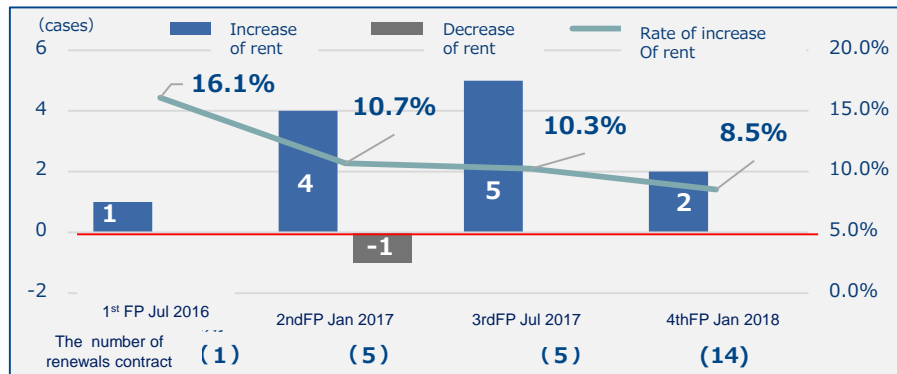
Aim to extend tenancy and maintain current rent levels by regularly contacting tenants to improve their satisfaction level.

< Rent gap of office buildings >

As of end of 3rd FP : 6.8%
As of end of Oct : 6.1%
As of end of 4th FP : 5.2%

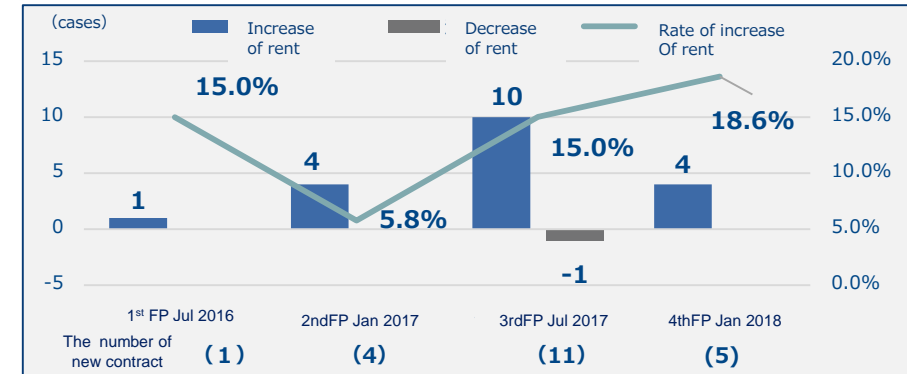
Although 74.1% of all properties had rent gap as of July 2017, the figure decreased to 72.0% by the end of 4th FP due to measures such as soliciting new tenants, raising rents upon tenant replacement, and revising rent upward at the time of leasing contract renewal.

Change in Rate of Increase of Rent with Leasing Contract Renewals



*Ratio of the increased portions is calculated as a percentage of total rent of tenants' rents before renewal as the denominator

Change in Rate of Increase of Rent with Tenant Replacements



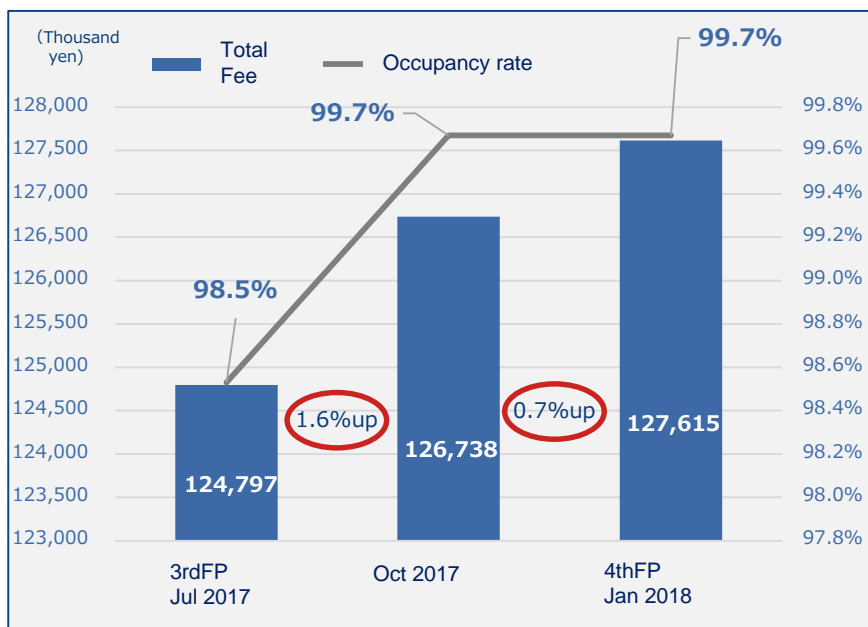
*For a case where there is no previous tenant, it is counted as "increase of rent" and the amount of increased rent is determined as "0".
*Ratio of increased portions is calculated as a percentage of total of previous rents for sections with new tenants.

3. Performance of the 4th Fiscal Period Ended January 2018

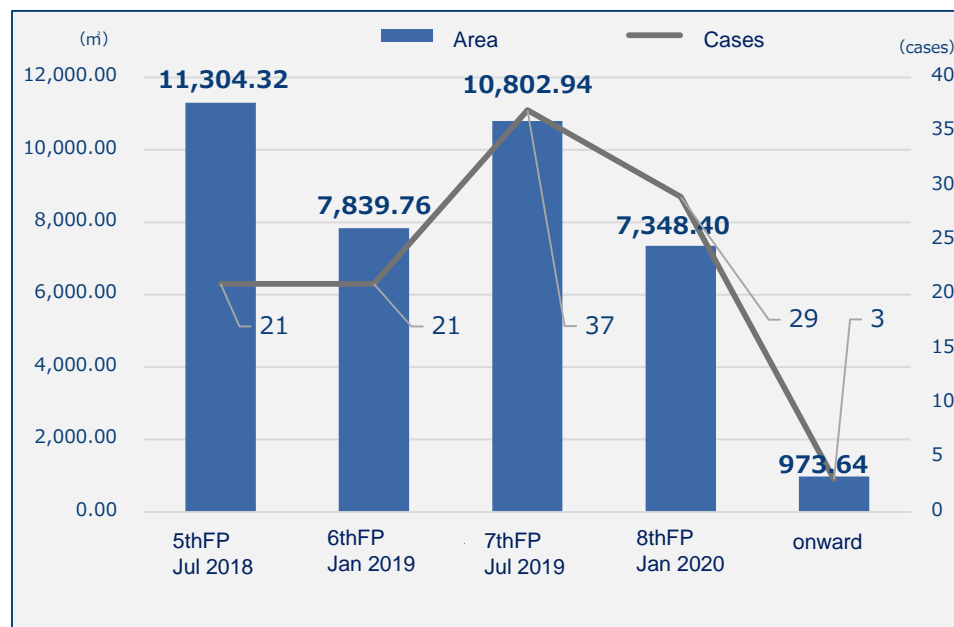
③ Office - Status of contracts -

- A rise in total monthly rent
- Planning to pursue continuous negotiations for upward rent revision at the time of contract renewal going forward

Total Monthly Rent and Change in Average Occupancy Rate of Office Portfolio



Contract Renewal Time of Office Portfolio



*Includes data of "Nihonbashi Hamacho Park Building" acquired on February 2, 2018.

3. Performance of the 4th Fiscal Period Ended January 2018

④ Overview of office market in the Fukuoka area

Overview of office market in the Fukuoka area

The office market in the Fukuoka area (Fukuoka City) continues to be bullish following improvement in the supply-demand balance since 2011. The area's vacancy rate continues to decrease year after year, falling to a historic low in 2017 with large-scale buildings (*1) and medium- to large-scale buildings (*1) each in the 1% range. In addition, the rent level (per tsubo), too, has been stable with the level for large-scale buildings in the mid 13,000-yen range and medium- to large-scale buildings in the mid 11,000-yen range, which again goes to show that the office leasing market situation in the Fukuoka area is bullish.

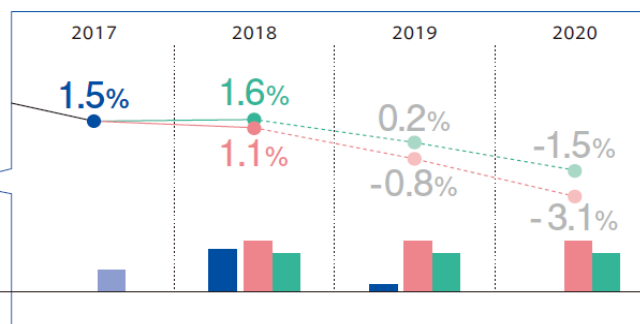
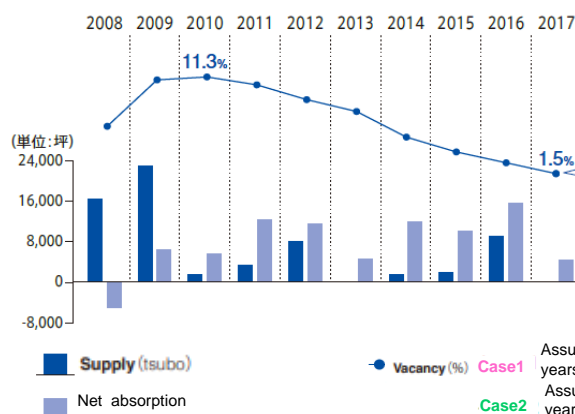
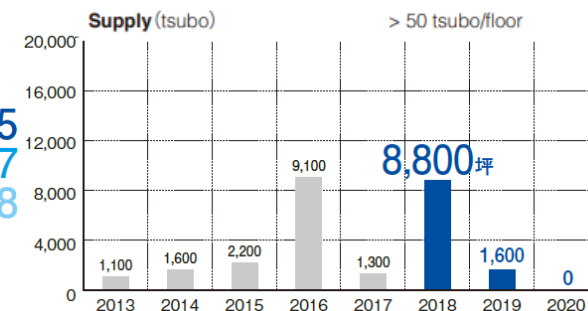
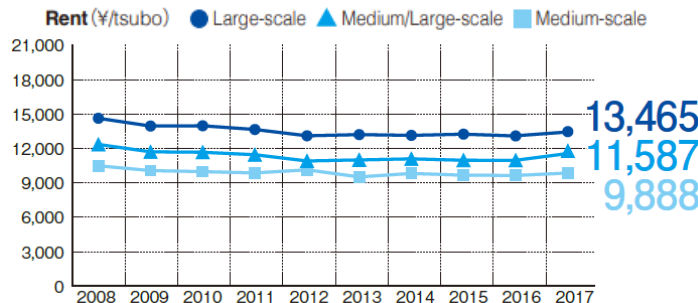
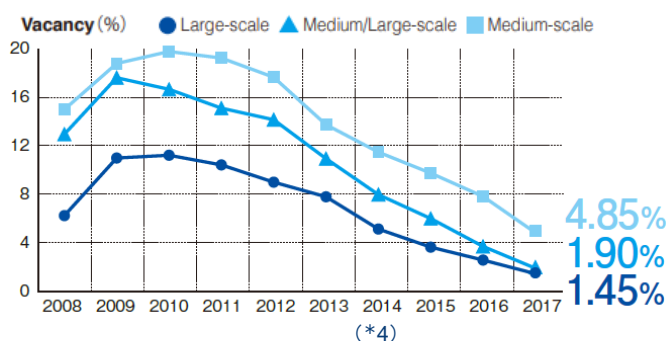
New supply going forward is expected to be contained at a supply area of just approximately 8,800 tsubos in 2018 and approximately 1,600 tsubos in 2019 as shown in Figure 3, not to mention net absorption area (*2) far exceeding the scheduled supply area going forward from 2018 through 2020 as shown in Figure 4. Taking these and other factors into account, the state of tight supply-demand is likely to continue.

The average rent unit price at the end of January 2018 for Hakata-eki Higashi 113 Building and Hakata-eki East Place (each classified as medium- to large-scale buildings) that are in the Investment Corporation's portfolio was approximately 9,800 yen per tsubo (rent gap of -1,200 yen) for Hakata-eki Higashi 113 Building and 9,300 yen per tsubo (rent gap of -1,700 yen) for Hakata-eki East Place, a rent gap sizeable enough to anticipate future rent increase and thus likely to contribute to internal growth.

(*1)

(*2)

(*3)



(Source) Sanko Estate Co., Ltd.

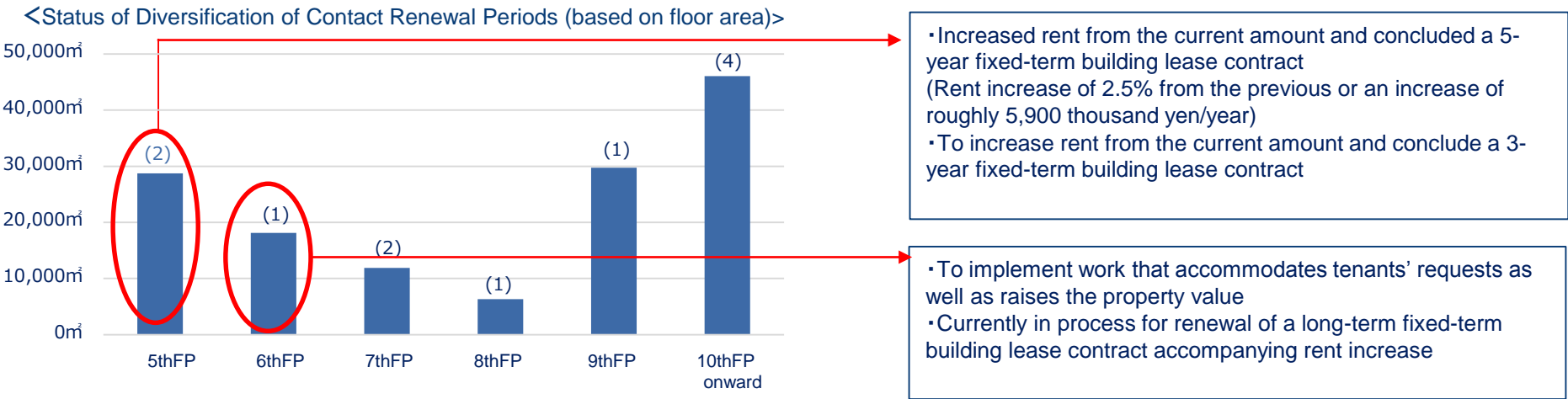
(*1) Large-scale buildings refer to buildings with typical floor area of 200 tsubo or more per floor, and medium- to large-scale buildings refer to buildings with typical floor area of 100 tsubo or more but less than 200 tsubo per floor.

(*2) Net absorption area is the area obtained by subtracting "the lease floor area of this year" from "the total area of the lease floor area of the previous year and the new supply area of this year."

3. Performance of the 4th Fiscal Period Ended Jan 2018

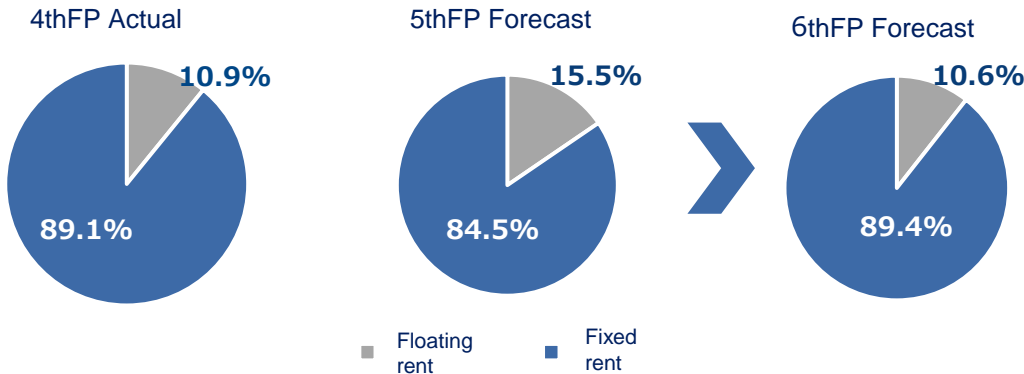
⑤ Logistics facility/Hotel

Logistics facility



Hotel

<Ratios of fixed rent and floating rent>



<Other initiatives>

In the 4th FP, strengthened arrangements for sharing of information such as sales reports/outlook and market environments, with hotel operators
Proposed hospitality solutions for improving lodging convenience and guest satisfaction among other initiatives.

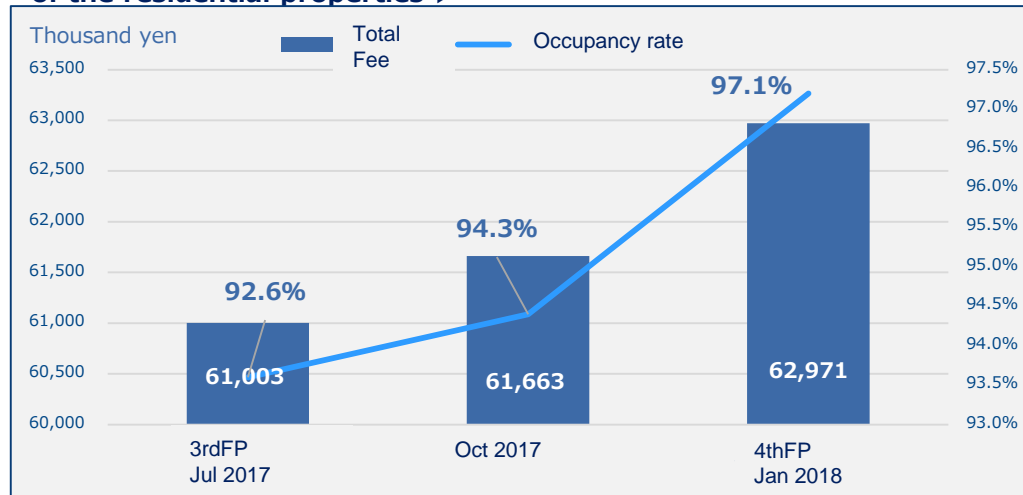


3. Performance of the 4th Fiscal Period Ended Jan 2018

⑥ Residence

Residence

<Change in total monthly rent and average occupancy rate of the residential properties >



In the 4th FP, worked on residential portfolio management focusing on improving the occupancy rate. Raised the occupancy rate and increased rent through closer cooperation with leasing agents while continuing with the following initiatives taken in the 3rd FP.

<Urban Park Azabu-juban>

- Renovation for dividing space in order to improve competitiveness and increase rent.

<Urban Park Kashiwa>

- Renovated kitchens, bathrooms and living rooms to enhance functionality and provide a residential environment that would strongly appeal to family households

In addition, hired two individuals with abundant experience in asset management in January 2018. Will aim for further internal growth by further developing cooperation with on-site personnel.

<Increasing rent by strategic Renovation>

● Urban Park Azabu-juban



- Implemented strategic renovation upon restoration work at the time of tenant moving out
⇒ Rent up 19.3%
- Implemented floor plan conversion work upon restoration work at the time of tenant moving out
⇒ Converted from 1LDK to 2LDK to cater to family households, resulting in rent up 29.5% (compared to before)

● Urban Park Kashiwa



- Implemented renovation of 5 units
⇒ Rent up 0.8% in total amount for the 5 units

. Performance of the 4th Fiscal Period Ended Jan 2018

⑦ SAR invest in mezzanine loan debt

- SAR invest in mezzanine loan debt as a measure to pursue maximization of unitholder value
- This investment in mezzanine loan debt, which is the first such case by a listed real estate investment corporation
- SAR will continuously search for investment targets

1

Attractive investment alternative when real estate equity prices are expensive

2

Increased revenue due to higher after-amortization yields of real estate portfolios

3

Serves as an effective investment using current cash on hand (cash and deposits) for accretion

4

Are judged most likely to assure repayment of principal and interest so typically considered lower risk than investment in real estate

Pursue maximization of unitholder value

Star Asia Mezzanine Loan Debt Investment Series 1

Haneda Hotel Development GK		
Underlying asset HOTEL RELIEF Premium Haneda Appraisal Value ¥4,080m	Senior loan c. ¥1,840m	
	Acquired by third parties (Subordinated bonds)	Star Asia Mezzanine Loan Debt Investment Series 1 (Subordinated bonds) ¥400m Return: 3M TIBOR+5.0%
	¥301m	
	(Equity) Silent partnership investment, etc.	

Star Asia Mezzanine Loan Debt Investment Series 2

GK Japan B Asset		Shinsei Trust & Banking ^(note)
Underlying asset Sasazuka South Building Appraisal Value ¥2,800m	Non-recourse loan (loan receivable)	Preferential beneficiary interest Shinsei Bank c. ¥1,614m
	Shinsei Trust & Banking	Star Asia Mezzanine Loan Debt Investment Series 2 (Subordinate Beneficiary Interest) ¥334m Return: 3M TIBOR+5.0%
	c. ¥1,948m	
	(Equity) Silent partnership investment, etc.	(note) Trust with loan claims as asset in trust (trustee: Shinsei Trust & Banking Co. Ltd.) has been established

3. Performance of the 4th Fiscal Period Ended Jan 2018

⑩ Financial Standing

■ Invited new lenders

■ Reduced refinancing risk and interest rate hike risk by diversifying repayment dates of borrowings and fixing the interest rate for borrowings due in the 15th FP among new borrowings.

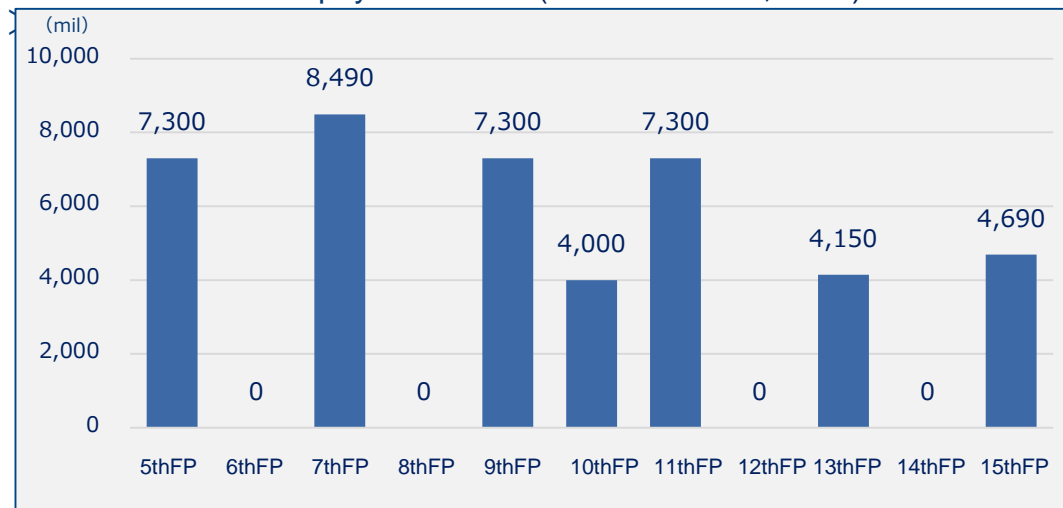
< Balance of borrowings (As of March 16, 2018)>

	Balance of borrowings (unit : mil)	Interest rate	Term	FP of the repayment date
Long-term	7,300	Base rate (Note 1) + 0.30%	2.0 years	5 FP
	7,300	0.364% (Note2)	3.0 years	7 FP
	7,300	0.483% (Note2)	4.0 years	9 FP
	7,300	0.625% (Note2)	5.0 years	11 FP
	2,400	0.530% (Note2)	3.5 years	10 FP
	4,150	0.710% (Note2)	5.0 years	13 FP
	1,600	0.530% (Note2)	3.5 years	10FP
	1,190	Base rate (Note 1) + 0.20%	1.1 years	7FP
	4,690	0.730% (Note2)	5.1 years	15FP
	43,230			

(Note 1) JBA 1 month yen TIBOR

(Note 2) The interest rates shown take into consideration the effects of interest rate swaps (fixing of interest rates).

< Diversification of repayment dates (As of March 16, 2018)>



< Mainly financial indicator>

LTV (based on total assets)

4th FP

45.5%

16th March, 2018

46.1% (Note)

Balance of borrowings

37,350 mil

43,230 mil

Long-term debt ratio

100.0%

100.0%

Average remaining period to maturity

2.1 years

2.3 years

Average borrowing period

3.7 years

3.8 years

Average interest rate

0.492%

0.512%

Fixed interest rate ratio

80.5%

80.4%

< Bank Formation>

The Bank of Fukuoka 1.2%

Sumitomo Mitsui Banking 28.0%

Mitsubishi UFJ

Trust and Banking 6.5%

Resona Bank 8.6%

Shinsei Bank 8.6%

Aosora Bank 8.6%

Sumitomo Mitsui Trust Bank, 13.8%

Mizuho Bank 24.9%

*The amounts and figures in the indicators as of March 16, 2018 indicate figures that reflect the interest rate swap set on March 16, 2018 as well as the early repayment (280 million yen) scheduled to be executed in the 5th FP.

(Note) 46.0% when reflecting early repayment (190 million yen) using consumption tax refunds, etc., which is scheduled to be executed in the 6th FP.

4. Future Initiatives

4. Future Initiatives

① Points of Focus

Strategies for maximization of unitholders' value

Points of Focus in and after the 5th Fiscal Period

Internal growth

- Elimination of the rent gap in the office portfolio
- Negotiation for rent increase for logistics facilities
- Stabilization of the occupancy rate of the residential portfolio (Strengthening of competitiveness through renovation, etc.)
- Maintenance and improvement of appeal to potential tenants through appropriate capital expenditure and repair (utilization of sponsor support)
- Reinforcement of asset management function ⇒ Increase of investment management personnel by two

External growth

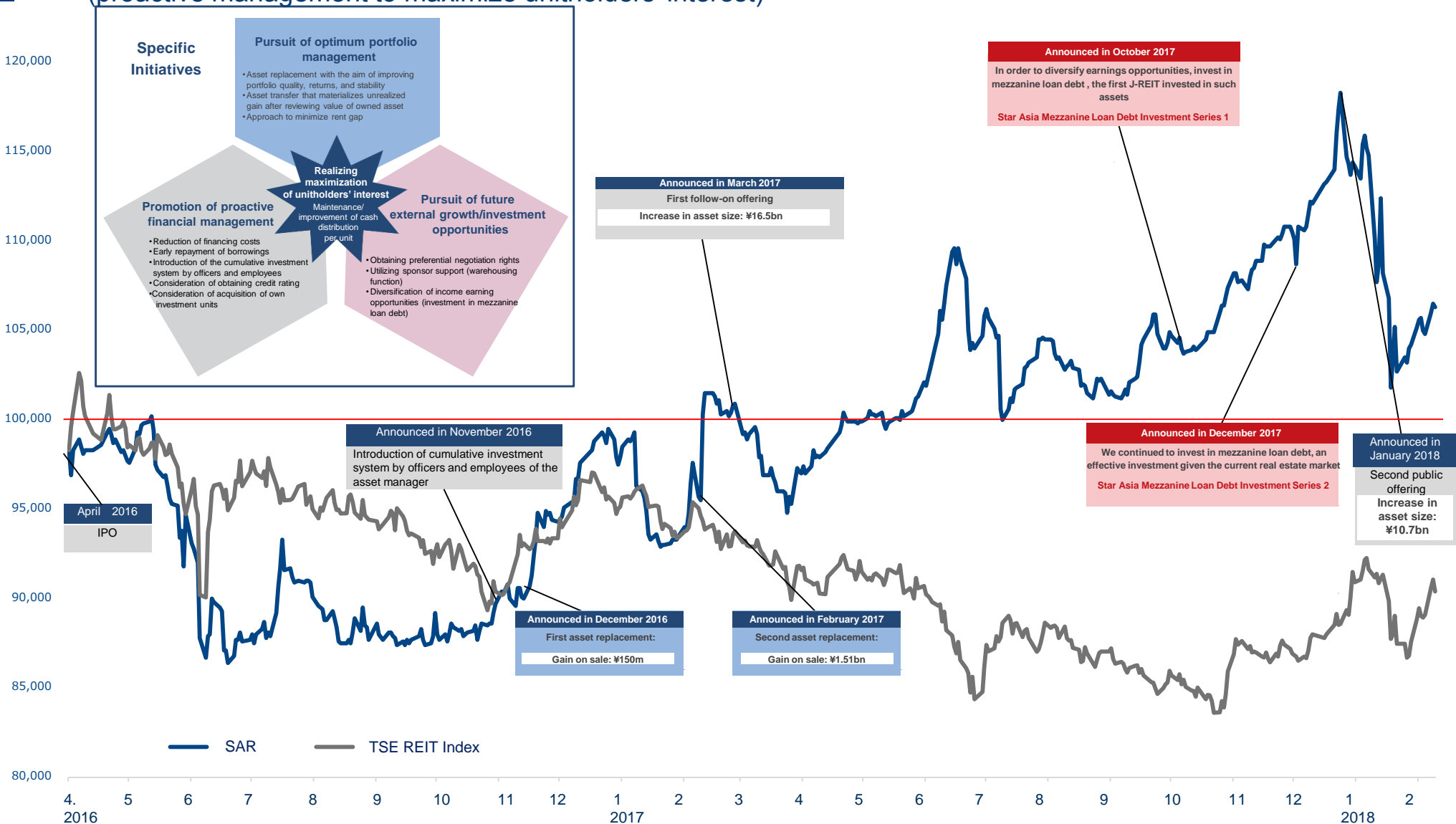
- Expansion of property pipeline from the Star Asia Group which has been expanding its business line
- Further utilization of warehousing function of the sponsor group
- Finding businesses through enhanced unique network of the Asset Manager
⇒ Appointment of new Director and CIO
- Continuous investment in mezzanine loan debt
- Consideration of asset replacement

Financial strategy

- Continued deliberation on the acquisition of ratings
- fix interest rate payments for hedge the risk of interest rate fluctuation pertaining
⇒ fixed 16th March, 2018
- Invitation of new lender

4. Future Initiatives

② Continuing implementation of active management (proactive management to maximize unitholders' interest)



(Note) The above indicates relative change of the Index between April 20, 2016 and December 28, 2017, setting the closing index of 1,887.75 on April 20, 2016, as equal to the closing price of ¥98,300 per unit of the SAR investment unit.

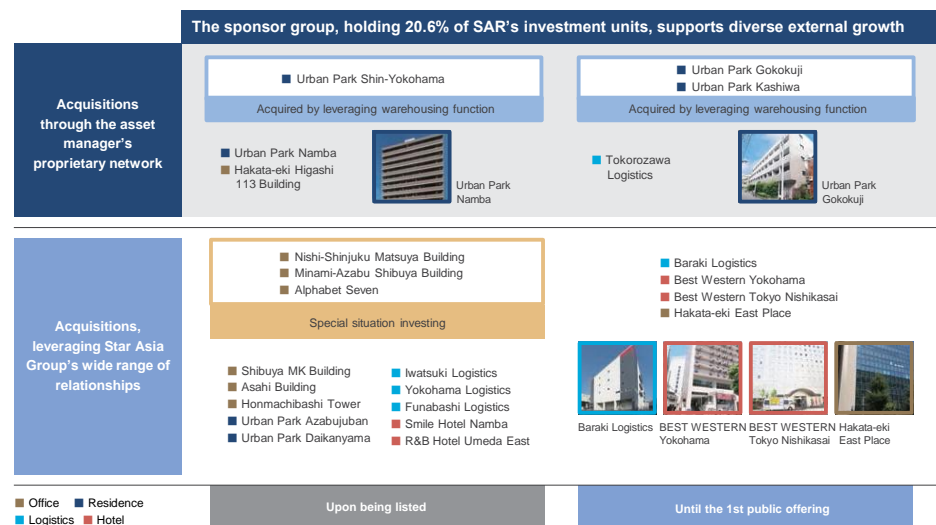
4. Future Initiatives

③Promotion of Growth Strategy by Leveraging the support of Star Asia Group and Asset Manager's Proprietary Network

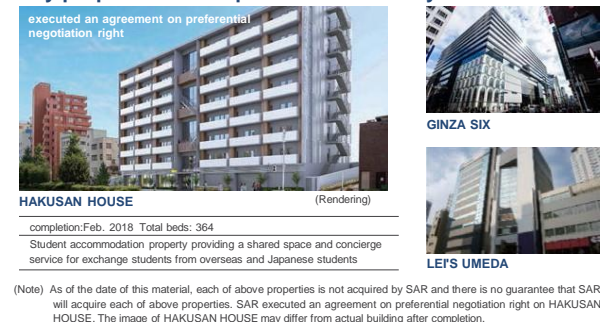
~Boost SAR's growth based on support by Star Asia Group's spreading business lines~



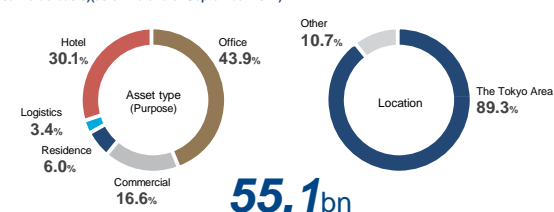
Diversification of acquisition methods



Key properties developed & invested in by the Star Asia Group



Overview of assets under management of the Sponsor Group (appraisal value basis/as of the end of September 2017)



4. Future Initiatives

④ Summary of the agreement on preferential negotiation

About HAKUSAN HOUSE

HAKUSAN HOUSE is a student accommodation property for international students and Japanese students constructed in Hakusan, Bunkyo-ku, Tokyo, with a total floor area of 5,137.70 m² and 175 rooms/364 beds. It has a full range of common spaces and is also equipped with facilities and services such as concierge services.

With the first project HAKUSAN HOUSE, UNINEST, a brand for global student accommodations of GSA Group, arrived in Japan for the first time to provide Japanese students and international students with residential spaces as well as a common space to form a community.

※As of the date of this material, Hakusan House is not acquired by SAR and there is no guarantee that SAR will acquire each of above properties.



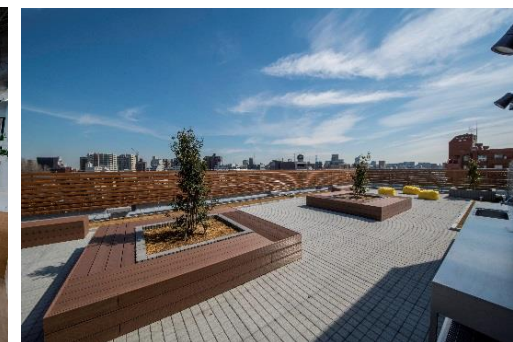
Premium Nest



Share Nest

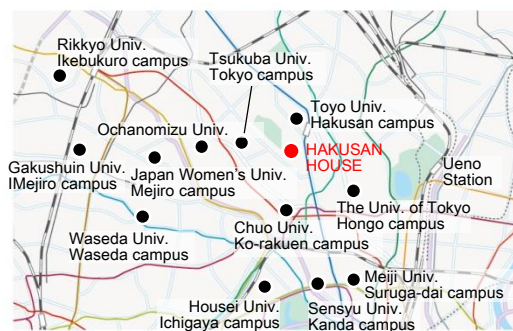


Study Living Room



Rooftop Terrace

■ Nearby universities with many international students



	University	No. of international students ^(note)
1	Waseda University	4,767
2	The University of Tokyo	3,260
3	Tokyo University of Social Welfare	3,000
4	Ritsumeikan Asia Pacific University	2,818
5	Japan University of Economics	2,708
6	University of Tsukuba	2,326
7	Osaka University	2,184

(Source) IAJ Japan Student Services Organization

(Note) Number of international students for universities provided above is the total for all the campuses combined

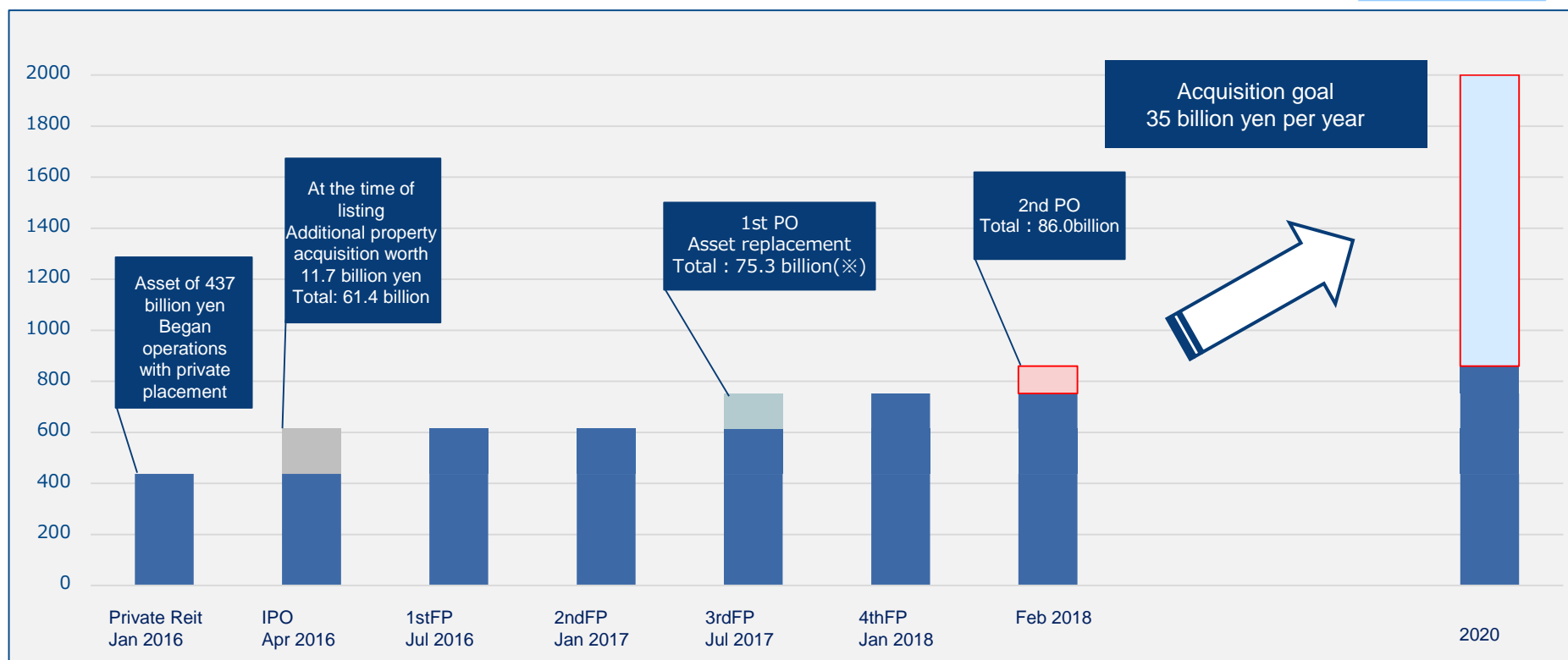
4. Future Initiatives

⑤ 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**

* Excludes the office building (Oak Minami-Azabu) sold on August 1, 2017.

5. Appendix

Balance Sheets for the 4th Fiscal Period ended January 31, 2018

	3rd fiscal period (As of July31, 2017)	4th fiscal period (As of January 31, 2018)
Assets		
Current assets		
Cash and deposits	1,598,847	1,667,713
Cash and deposits in trust	3,239,091	3,153,262
Operating accounts receivable	52,745	44,669
Prepaid expenses	108,945	90,216
Deferred tax assets	20	-
Consumption taxes receivable	261,743	-
Other	-	5,354
Total current assets	5,261,393	4,961,216
Non-current assets		
Property, plant and equipment		
Buildings in trust	25,006,453	24,909,318
Accumulated depreciation	△764,163	△ 1,055,284
Buildings in trust, net	24,242,289	23,854,033
Structures in trust	9,606	9,606
Accumulated depreciation	△397	△ 733
Structures in trust, net	9,209	8,872
Machinery and equipment in trust	11,270	20,707
Accumulated depreciation	△499	△ 1,240
Machinery and equipment in trust, net	10,771	19,467
Tools, furniture and fixtures in trust	9,971	20,207
Accumulated depreciation	△1,228	△ 2,314
Tools, furniture and fixtures in trust, net	8,743	17,892
Land in trust	50,426,286	48,929,717
Total property, plant and equipment	74,697,300	72,829,984
Intangible assets		
Leasehold rights in trust	3,459,138	3,459,138
Total intangible assets	3,459,138	3,459,138
Investments and other assets		
Investments securities	-	734,500
Long-term prepaid expenses	146,256	121,333
Lease and guarantee deposits	10,000	10,000
Other	35,321	38,473
Total investments and other assets	191,577	904,307
Total non-current assets	78,348,016	77,193,430
Total assets	83,609,410	82,154,646

	3rd fiscal period (As of July31, 2017)	4th fiscal period (As of January 31, 2018)
Liabilities		
Current liabilities		
Operating accounts payable	227,743	292,305
Current portion of long-term loans payable	8,680,000	7,300,000
Accounts payable - other	269,194	289,696
Accrued expenses	7,030	6,054
Income taxes payable	1,023	74,345
Accrued consumption taxes	12,734	1256,003
Advances received	589,678	338,283
Other	9,492	10,925
Total current liabilities	9,796,897	8,437,613
Non-current liabilities		
Long-term loans payable	30,050,000	30,050,000
Tenant leasehold and security deposits in trust	1,863,336	1,794,980
Other	6,635	1,507
Total non-current liabilities	31,919,971	31,846,487
Total liabilities	41,716,869	40,284,100
Net assets		
Unitholders' equity		
Unitholders' capital	40,031,185	40,031,185
Surplus		
Unappropriated retained earnings (undisposed loss)	1,832,669	1,802,393
Total surplus	1,832,669	1,802,393
Total unitholders' equity	41,863,855	41,833,579
Valuation and translation adjustments		
Deferred gains or losses on hedges	28,686	36,966
Total valuation and translation adjustments	28,686	36,966
Total net assets	41,892,541	41,870,546
Total liabilities and net assets	83,609,410	82,154,646

Statement of Income for the 4th Fiscal Period (From August 1, 2017 to January 31, 2018)

(Unit: thousand yen)

	3rd fiscal period From: February 1, 2017 To: July 31, 2017	4th fiscal period From: August 1, 2017 To: January 31, 2018
Operating revenue		
Lease business revenue	2,146,216	2,255,617
Other lease business revenue	166,563	152,654
Gain on sales of real estate property	898,612	771,663
Others	-	14,412
Operating expenses	3,211,392	3,194,348
Expenses related to rent business		
Expense related to rent business	836,576	841,650
Asset management fee	189,465	211,612
Asset custody and administrative service fees	16,912	19,515
Directors' compensations	2,400	2,400
Other operating expenses	67,794	67,331
Total operating expenses	1,113,150	1,142,509
Operating income	2,098,241	2,051,838
Non-operating income		
Interest income	21	24
Interest on refund	-	771
Total non-operating income	21	795
Non-operating expenses		
Interest expenses	82,120	92,575
Borrowing related expenses	129,149	55,587
Investment unit issuance expenses	48,461	27,928
Other	5,000	-
Total non-operating expenses	264,731	176,091
Ordinary income	1,833,531	1,876,542
Income before income taxes	1,833,531	1,876,542
Income taxes - current	1,026	74,348
Income taxes - deferred	△8	20
Total income taxes	1,018	74,369
Net income	1,832,513	1,802,173
Retained earnings brought forward	155	220
Unappropriated retained earnings (undisposed loss)	1,832,669	1,802,393

Period-end Appraisal Value and Indicators

(Unit: million yen)

Period-end appraisal value:	82,680 million yen
Total book value:	76,289 million yen
Period-end unrealized gains (losses):	6,390 million yen
Net assets per unit:	101,062 yen
Unrealized gains per unit:	15,426 yen
NAV per unit (*1):	112,412 yen
P/NAV per (*2):	0.97

(*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 January 31, 2018: 108,700 yen)

	Property name	Acquisition price	① Period-end book value	② Appraisal value at end of 3rd fiscal period	Unrealized gains (losses) ②－①
office	Minami-Azabu Shibuya Building	2,973	3,005	3,150	144
	Honmachibashi Tower	6,065	6,028	6,920	891
	Nishi-Shinjuku Matsuya Building	1,763	1,824	2,430	605
	Alphabet Seven	1,725	1,802	2,330	527
	Shibuya MK Building	2,042	2,084	2,810	725
	Hakata-eki Higashi 113 Building	1,885	1,958	2,070	111
	Asahi Building	6,320	6,354	6,890	535
	Hakata-eki East Place	2,286	2,310	2,480	169
	subtotal	25,059	25,368	29,080	3,711
Residence	Urban Park Azabujuban	2,045	2,098	2,170	71
	Urban Park Daikanyama	6,315	6,420	7,310	889
	Urban Park Shin-Yokohama	2,528	2,578	2,580	1
	Urban Park Namba	1,490	1,542	1,610	67
	Urban Park Gokokuji	1,460	1,495	1,510	14
	Urban Park Kashiwa	1,186	1,251	1,190	△62
	subtotal	15,024	15,388	16,370	981
Logistics	Iwatsuki Logistics	6,942	6,831	7,130	298
	Yokohama Logistics	3,560	3,732	4,050	317
	Funabashi Logistics	7,875	7,908	8,560	651
	Baraki Logistics	4,700	4,722	4,890	167
	Tokoyozawa Logistics	1,300	1,349	1,400	50
	subtotal	24,377	24,544	26,030	1,485
Hotel	R&B Hotel Umeda East	2,069	2,135	2,290	154
	Smile Hotel Namba	1,750	1,724	1,750	25
	Best Western Tokyo Nishi-kasai	3,827	3,862	3,890	27
	Best Western Yokohama	3,248	3,266	3,270	3
	subtotal	10,894	10,988	11,200	211
Total		75,354	76,289	82,680	6,390

Portfolio List (at the end of the 4th Fiscal Period)

		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	3,150	3.9%	4.9%
	OFC-03	Honmachibashi Tower	Osaka City, Osaka	6,065	6,920	8.0%	5.1%
	OFC-04	Nishi-Shinjuku Matsuya Building	Shibuya Ward, Tokyo	1,763	2,430	2.3%	6.3%
	OFC-05	Alphabet Seven	Minato Ward, Tokyo	1,725	2,330	2.3%	5.8%
	OFC-06	Shibuya MK Building	Shibuya Ward, Tokyo	2,042	2,810	2.7%	5.6%
	OFC-07	Hakata-eki Higashi 113 Building	Fukuoka City, Fukuoka	1,885	2,070	2.5%	5.8%
	OFC-08	Asahi Building	Yokohama City, Kanagawa	6,320	6,890	8.4%	4.9%
	OFC-09	Hakata-eki East Place	Fukuoka City, Fukuoka	2,286	2,480	3.0%	5.2%
Residence	RSC-01	Urban Park Azabujuban	Minato Ward, Tokyo	2,045	2,170	2.7%	4.4%
	RSC-02	Urban Park Daikanyama	Shibuya Ward, Tokyo	6,315	7,310	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	1,510	1.9%	5.1%
	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	7,130	9.2%	4.8%
	LGC-02	Yokohama Logistics	Yokohama City, Kanagawa	3,560	4,050	4.7%	5.7%
	LGC-03	Funabashi Logistics	Funabashi City, Chiba	7,875	8,560	10.5%	5.4%
	LGC-04	Baraki Logistics	Ichikawa City, Chiba	4,700	4,890	6.2%	4.5%
	LGC-05	Tokorozawa Logistics	Tokorozawa City, Saitama	1,300	1,400	1.7%	6.0%
Hotel	HTL-01	R&B Hotel Umeda East	Osaka City, Osaka	2,069	2,290	2.7%	5.6%
	HTL-02	Smile Hotel Namba	Osaka City, Osaka	1,750	1,750	2.3%	5.6%
	HTL-03	BEST WESTERN Tokyo Nishi-kasai	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%	4.8%
合計				75,354	82,680	100.0%	5.1%

Portfolio List (at the end of the 4th Fiscal Period)

Asset type	Office	Office	Office	Office	Office	Office
Property name	Minami-Azabu Shibuya Building	Honmachibashi Tower	Nishi-Shinjuku Matsuya Building	Alphabet Seven	Shibuya MK Building	Hakata-eki Higashi 113 Building
						
Acquisition price	2,973 million yen	6,065 million yen	1,763 million yen	1,725 million yen	2,042 million yen	1,885 million yen
Appraisal value	3,150 million yen	6,920 million yen	2,430 million yen	2,330 million yen	2,810 million yen	2,070 million yen
Structure/Floors	SRC B1/7F	S/SRC B1/21F	SRC B1/9F	RC B1/6F	S 6F	SRC 8F
Location	Minato Ward, Tokyo	Osaka City, Osaka	Shibuya Ward, Tokyo	Minato Ward, Tokyo	Shibuya Ward, Tokyo	Fukuoka City, Fukuoka
Lot area	766.11 m ²	1,274.37 m ²	589.94 m ² (surface right)	1,286.45 m ²	620.42 m ² (of which 2.62 m ² leasehold)	950.75 m ²
Total floor areas	4,137.21 m ²	15,407.83 m ²	5,117.80 m ²	4,132.80 m ²	1,982.86 m ²	4,888.70 m ² (including 17.25 m ² pump room)
Construction completion	Jun 15, 1993	Feb 8, 2010	May 28, 1987	Jan 31, 1990	Jul 31, 1993	Oct 3, 1987
Property Features	<ul style="list-style-type: none"> ● Located in Minami-Azabu, a well-known, high-class residential area that is also home to embassies of various countries. ● In addition to access by train, the area is well served by bus routes and provides convenient access to various locations within central Tokyo. ● The area is highly appealing to companies in fashion, mass media, and IT-related fields. 	<ul style="list-style-type: none"> ● Located in the Yodoyabashi / Hommachi area, one of Osaka's leading office districts. ● 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. ● The residences on the upper floors of the building offer excellent views overlooking landmarks such as Osaka Castle. 	<ul style="list-style-type: none"> ● Located in the Nishi-Shinjuku area, which has a high concentration of office buildings. ● In addition to access by train, the area is well served by bus routes and provides convenient access to various locations within central Tokyo. ● 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 	<ul style="list-style-type: none"> ● Located in the Akasaka area, one of central Tokyo's leading office/commercial districts. ● The property is expected to attract strong demand from affiliated companies of tenants of the TBS building, Akasaka Biz Tower, etc. ● Thanks to the popularity of the area, location conditions, etc., there is also strong demand for the residential units of the property. 	<ul style="list-style-type: none"> ● Located in the Shibuya area, one of Japan's leading commercial districts, the property has a strong appeal for fashion and IT-related companies. ● Following the completion of the Shibuya Station area redevelopment project, further development is expected going forward. 	<ul style="list-style-type: none"> ● Located in the Hakata-eki-higashi area where there is a high concentration of office buildings. ● Thanks to the renovated entrance hall and common areas on each floor, it appeals to tenant companies from a wide range of fields. ● With the completion of the Hakata Station area redevelopment project, further development is expected going forward.

Portfolio List (at the end of the 4th Fiscal Period)

Asset type	Office	Office	Residence	Residence	Residence	Residence
Property name	Asahi Building	Hakata-eki East Place	Urban Park Azabujuban	Urban Park Daikanyama	Urban Park Shin-Yokohama	Urban Park Namba
						
Acquisition price	6,320 million yen	2,286 million yen	2,045 million yen	6,315 million yen	2,528 million yen	1,490 million yen
Appraisal value	6,890 million yen	2,480 million yen	2,170 million yen	7,310 million yen	2,580 million yen	1,610 million yen
Structure/Floors	S/SRCB2/12F	SRC 9F	SRC with slate roofing B1/12F	RC, B1/3F RC, B1/9F	S B1/10F	RC 14F
Location	Yokohama City, Kanagawa	Fukuoka City, Fukuoka	Minato Ward, Tokyo	Shibuya Ward, Tokyo	Yokohama City, Kanagawa	Osaka City, Osaka
Lot area	1,906.86 m ²	1,129.86 m ²	417.67 m ²	2,469.06 m ²	862.00 m ²	670.39 m ²
Total floor areas	12,353.83 m ²	6,243.13 m ²	2,564.94 m ²	8,261.29 m ² (for 2 buildings combined)	5,171.12 m ²	2,776.87 m ²
Construction completion	Nov 25, 1994	Feb 24, 1986	Nov 29, 1999	1:Nov 15, 1987 2:May 30, 2006	May 30, 2009	Jan 9, 2013
Property Features	<ul style="list-style-type: none"> ● Located in the Yokohama Station West Exit area where there is a high concentration of commercial and office buildings. ● The floors can be subdivided into smaller spaces, enabling the building to flexibly accommodate demand from branch offices of companies in various fields. ● With the completion of the Yokohama Station area redevelopment project and the Excite Yokohama 22 project, further development is expected going forward 	<ul style="list-style-type: none"> ● 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. 	<ul style="list-style-type: none"> ● Located in Azabu-Juban, an area with an elegant image that also boasts popular appeal. ● In addition to a stately tiled facade, the property is fully equipped with premium household facilities. ● Adjacent to the Roppongi area, a leading shopping spot in central Tokyo. 	<ul style="list-style-type: none"> ● Located in the Daikanyama area, which produces the latest trends. ● In addition to a stately tiled facade, the property is fully equipped with premium household facilities. ● Adjacent to the Shibuya and Ebisu areas, which are leading shopping spots in central Tokyo. 	<ul style="list-style-type: none"> ● Located in the Shin-Yokohama area, which provides convenient transportation access. ● In addition to an elegant facade, the building is fully equipped with premium household facilities. ● Access to central Tokyo will improve considerably with the opening of direct services linking the Sagami and Tokyu railway lines. 	<ul style="list-style-type: none"> ● Located near Namba, one of Osaka's leading commercial areas. ● In addition to an elegant facade, the building is fully equipped with premium household facilities. ● The influx of population into central Osaka due to the impact of strong in-bound demand has had a stabilizing effect on occupancy rates.

Portfolio List (at the end of the 4th Fiscal Period)

Asset type	Residence	Residence	Logistics	Logistics	Logistics	Logistics
Property name	Urban Park Gokokuji	Urban Park Kashiwa	Iwatsuki Logistics	Yokohama Logistics	Funabashi Logistics	Baraki Logistics
						
Acquisition price	1,460 million yen	1,186 million yen	6,942 million yen	3,560 million yen	7,875 million yen	4,700 million yen
Appraisal value	1,510 million yen	1,190 million yen	7,130 million yen	4,050 million yen	8,560 million yen	4,890 million yen
Structure/Floors	RC B1F/5F	SRC B1F/8F	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 S 5F
Location	Toshima Ward, Tokyo	Kashiwa City, Chiba	Saitama City, Saitama	Yokohama City, Kanagawa	Funabashi City, Chiba	Ichikawa City, Chiba
Lot area	942.66m ²	1,597.85m ²	15,623.14 m ²	10,565.95 m ²	19,858.00 m ²	6,242.76m ²
Total floor areas	2,451.72m ²	4,243.71m ²	29,729.72 m ²	18,395.07 m ² (including 263.33m ² break areas etc.)	38,871.45 m ² (two buildings combined)	12,471.50 m ²
Construction completion	Feb 28, 1990	Aug 28, 1997	Oct 29, 2014	Oct 1, 1994	1:Sep 25, 1992 2:Aug 5, 1997	Aug 14, 2015
Property Features	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Located in the Iwatsuki area, which offers access to the central Tokyo, northern Kanto, and Tohoku areas. Equipped with specifications that offer a high level of versatility, such as the vehicle berths, floor height, and column interval. The property is situated in a zone of Saitama City that offers incentives for logistics facilities and therefore benefits from considerable government support. 	<ul style="list-style-type: none"> Located in the Yokohama bay area, where there are many logistics facilities. Equipped with specifications that offer a high level of versatility, such as vehicle berths, floor height, and column interval. 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. 	<ul style="list-style-type: none"> Located in the Chiba bay area, where there are many logistics facilities. Equipped with specifications that offer a high level of versatility, such as vehicle berths, floor height, and column interval. In addition to accessing Central Tokyo, it is possible to access the wider Tokyo area thanks to the opening of the Gaikan Expressway 	<ul style="list-style-type: none"> 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.

Portfolio List (at the end of the 4th Fiscal Period)

Asset type	Logistics	Hotel	Hotel	Hotel	Hotel
Property name	Tokorozawa Logistics	R&B Hotel Umeda East	Smile Hotel Namba	Best Western Tokyo Nishi-kasai	Best Western Yokohama
					
Acquisition price	1,300 million yen	2,069 million yen	1,750 million yen	3,287 million yen	3,248 million yen
Appraisal value	1,400 million yen	2,290 million yen	1,750 million yen	3,890 million yen	3,270 million yen
Structure/Floors	S 2F	RC 9F	S 9F	SRC B1F/9F	SRC B1F/9F
Location	Tokorozawa City, Saitama	Osaka City, Osaka	Osaka City, Osaka	Edogawa Ward, Tokyo	Yokohama City, Kanagawa
Lot area	8,645.63m ²	730.26 m ²	285.28 m ²	1,418.00m ²	782.66m ²
Total floor areas	5,994.75 m ²	3,945.65 m ²	1,711.42 m ²	5,293.88m ²	4,686.09m ²
Construction completion	Apr 30, 1999	Oct 20, 2000	Feb 6, 2008	Mar 19, 1991	Sep 21, 1987
Property Features	<ul style="list-style-type: none"> ● 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. 	<ul style="list-style-type: none"> ● Located near Umeda, one of Osaka's leading office and commercial areas. ● With over 200 single-occupancy rooms, the hotel is able to accommodate significant business- and tourism-based demand. ● Due to the impact of strong in-bound demand in Osaka, further hotel demand is expected. 	<ul style="list-style-type: none"> ● Located near Umeda, one of Osaka's leading office and commercial areas. ● In addition to excellent access to Namba, located near Osaka Dome, addressing multiple business- and tourism-based demand. ● Due to the impact of strong in-bound demand in Osaka, further hotel demand is expected. 	<ul style="list-style-type: none"> ● 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. 	<ul style="list-style-type: none"> ● A business hotel located within approx. 4-minute walk from "Tsurumi" Station on the JR Keihin Tohoku Line and a 3-minute walk from "Keiikyū Tsurumi" Station on the Keihin Kyūkyū 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.

Portfolio List (the second public offering)

Asset type	Office	Residential	Residential	Logistics	Logistics	Logistics
Property name	Nihonbashi Hamacho Park Building	Urban Park Ryokuchi-koen	Urban Park Koenji	Funabashi Nishiura Logistics I	Funabashi Nishiura Logistics II	Matsubushi Logistics
						
Acquisition price	1,450 million yen	1,550 million yen	1,167 million yen	3,000 million yen	821 million yen	2,755 million yen
Appraisal value	1,520 million yen	1,570 million yen	1,170 million yen	3,010 million yen	833 million yen	2,850 million yen
Structure/Floors	SRC 11F	RC 8F	RC 4F	R 2F	R 4F	RC 3F
Location	Chuo Ward, Tokyo	Suita City, Osaka	Suginami Ward, Osaka	Funabashi City, Chiba	Funabashi City, Chiba	Kita Katsushika-gun, Saitama
Lot area	319.04㎡	2,804.56㎡	988.26㎡	7,142.00㎡	3,964.00㎡	11,580.65㎡
Total floor areas	2,384.03㎡	5,854.64㎡	1,524.34㎡	14,018.82㎡	6,316.32㎡	19,833.47㎡
Construction completion	Jul 13, 1992	Mar 10, 1989	Oct 13, 1987	Oct 11, 1985	1:Mar 20, 1991 2:May 15, 1972 3:May 13, 1986	Mar 31, 1997
Property Features	<ul style="list-style-type: none"> ● Located in Nihonbashi Hamacho area, allowing easy access to major business areas in Central Tokyo and use of various railways ● A number of major companies have their head offices in this area, as it is a very attractive area for companies in various fields and of various sizes ● Further development of the area is expected considering that it not only has characteristics of an office area, but also has characteristics of residential and tourism areas 	<ul style="list-style-type: none"> ● Located in the Ryokuchi-koen area, with good traffic accessibility, providing a lush greenery living environment such as "Hattori Ryokuchi-koen" ● Popular residential area primarily for families since it is located in the Hokusetsu area, which has a high level of education ● Appealing primarily for families since some of the units have been renovated and since it is equipped with substantial grade household equipments 	<ul style="list-style-type: none"> ● Located in Koenji area, which allows for easy access to major areas in the Tokyo metropolitan area ● With many shopping areas, discount supermarkets, restaurants and pubs, having a high appeal to young single-person households of business person and students ● Very popular residential area with its own unique culture, which can be seen in its cafes, vintage clothing shops, and clubs with live music, amongst other locations 	<ul style="list-style-type: none"> ● Appealing from a standpoint of securing workforce, as it is conveniently located in the Chiba Bay area, where there are many logistics facilities, and it is located at approx. 1.4km from the closest train station ● In addition to Access to Central Tokyo, the location allows easy access to wide range of areas throughout Tokyo via partial opening of the Gaikan Expressway ● The facility is provided with highly versatile specifications such as high-ceiling floors and a pillar span 	<ul style="list-style-type: none"> ● Appealing from a standpoint of securing workforce, as it is conveniently located in the Chiba Bay area, where there are many logistics facilities, and it is located at approx. 1.1km from the closest train station ● In addition to Access to Central Tokyo, the location allows easy access to wide range of areas throughout Tokyo via partial opening of the Gaikan Expressway ● The facility is provided with highly versatile specifications such as high-ceiling floors and a pillar span 	<ul style="list-style-type: none"> ● Located in Matsubushi area, with easy access to nearby areas such as Saitama Prefecture and Chiba Prefecture, in addition to Kita-Kanto, Joban, and Tohoku areas ● Provided with versatile specifications, such as loading berths, cargo elevators, high-ceiling, and a pillar span ● Back ups from the local government through activities by Saitama Prefecture to attract companies (the "Chance Maker Saitama Strategy")

Balance of Payments of Individual Properties for the 4th Fiscal Period

(Unit: thousand yen)

	OFC-01 Minami-Azabu Shibuya Building	OFC-03 Honmachiba shi 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	OFC-09 Hakata-eki East Place	Office Total
Total of revenue real estate lease	90,118	215,202	90,089	77,246	74,205	74,613	210,183	95,276	926,936
Lease business revenue	83,548	188,980	81,435	70,968	68,946	67,315	193,117	84,697	839,009
Other lease business revenue	6,570	26,221	8,654	6,278	5,258	7,298	17,066	10,578	87,926
Total of expenses - real estate lease	27,993	63,726	34,601	22,933	20,811	26,182	56,866	22,865	275,349
PM fees	5,735	13,440	6,656	4,902	4,829	7,406	15,648	8,396	67,016
Trust fees	500	480	500	500	430	430	480	480	3,800
Utilities expenses	6,806	24,891	8,132	5,547	3,648	7,100	17,507	10,358	83,360
Insurance expenses	127	390	139	109	47	135	387	184	1,522
Repair expenses	922	2,427	1,086	5,202	4,931	3,736	4,251	2,568	25,127
Taxes and public dues	4,574	19,683	3,222	5,768	4,192	5,073	16,021	-	58,535
Other	9,327	2,412	14,864	903	2,731	2,299	2,569	878	35,987
NOI	62,125	151,475	55,488	54,313	53,394	48,431	153,317	72,410	651,586
Depreciation	10,749	44,891	7,157	4,117	2,619	5,728	22,435	6,411	104,111
Income from real estate property leasing	51,375	106,584	48,331	50,195	50,774	42,703	130,881	65,999	547,475
Capital expenditures	12,955	3,168	14,799	12,013	19,553	6,600	30,544	3,981	103,618
NCF	49,169	148,306	40,688	42,299	33,840	41,831	122,772	68,429	547,338

Balance of Payments of Individual Properties for the 4th Fiscal Period

(Unit: thousand yen)

	RSC-01	RSC-02	RSC-04	RSC-05	RSC-06	RSC-07	Residence Total
	Urban Park Azabujuban	Urban Park Daikanyama	Urban Park Shin-Yokohama	Urban Park Namba	Urban Park Gokokuji	Urban Park Kashiwa	
Total of revenue real estate lease	55,465	190,353	70,616	51,049	46,407	35,706	449,598
Lease business revenue	51,645	182,557	69,201	48,210	44,910	34,482	431,008
Other lease business revenue	3,819	7,796	1,415	2,838	1,496	1,224	18,590
Total of expenses - real estate lease	11,869	34,523	21,153	13,588	13,863	7,697	102,696
PM fees	2,142	8,681	4,698	2,576	3,772	1,843	23,713
Trust fees	430	430	430	430	480	430	2,630
Utilities expenses	544	4,774	882	511	2,564	863	10,141
Insurance expenses	63	214	164	69	58	93	663
Repair expenses	2,998	5,271	2,504	3,064	4,479	1,729	20,047
Taxes and public dues	2,738	10,825	4,721	2,880	-	-	21,165
Other	2,951	4,326	7,753	4,057	2,508	2,737	24,335
NOI	43,595	155,830	49,463	37,460	32,543	28,009	346,902
Depreciation	4,199	12,137	16,442	7,508	4,098	6,525	50,912
Income from real estate property leasing	39,395	143,693	33,020	29,951	28,445	21,483	295,989
Capital expenditures	15,595	2,308	-	625	971	11,341	30,842
NCF	28,000	153,521	49,463	36,834	31,572	16,667	316,060

Balance of Payments of Individual Properties for the 4th Fiscal Period

(Unit: thousand yen)

	LGC-01	LGC-02	LGC-03	LGC-04	LGC-05	
	Iwatsuki Logistics	Yokohama Logistics	Funabashi Logistics	Baraki Logistics	Tokorozawa Logistics	Logistics facility Total
Total of revenue real estate lease	201,821	Not disclosed	258,103	Not disclosed	Not disclosed	748,734
Lease business revenue	187,718		238,099			702,597
Other lease business revenue	14,103		20,003			46,137
Total of expenses - real estate lease	34,501		57,050			135,682
PM fees	5,650		12,058			26,618
Trust fees	430		480			2,250
Utilities expenses	14,103		17,218			44,218
Insurance expenses	296		429			1,151
Repair expenses	-		2,715			6,015
Taxes and public dues	14,020		23,678			51,724
Other	-		469			3,705
NOI	167,320		201,052			613,052
Depreciation	46,434		26,491			108,624
Income from real estate property leasing	120,885		174,561			504,427
Capital expenditures	-		6,226			35,023
NCF	167,320		194,825			578,028

Balance of Payments of Individual Properties for the 4th Fiscal Period

(Unit: thousand yen)

	HTL-01	HTL-02	HTL-03	HTL-04	Hotel Total	合計
	R&B Hotel Umeda East	Smile Hotel Namba	Best Western Tokyo Nishi-kasai	Best Western Yokohama		
Total of revenue real estate lease	64,935	53,067	84,600	80,400	283,002	2,408,272
Lease business revenue	64,935	53,067	84,600	80,400	283,002	2,255,617
Other lease business revenue	-	-	-	-	-	152,654
Total of expenses - real estate lease	7,305	4,097	2,593	8,633	22,631	536,359
PM fees	742	660	1,200	1,200	3,802	121,151
Trust fees	430	630	500	500	2,060	10,740
Utilities expenses	10	-	-	-	10	137,730
Insurance expenses	123	58	137	116	436	3,772
Repair expenses	498	339	731	6,789	8,359	59,548
Taxes and public dues	5,383	2,302	0	0	7,686	139,112
Other	118	106	24	27	276	64,304
NOI	57,629	48,969	82,006	71,766	260,371	1,871,912
Depreciation	9,142	11,940	9,640	10,918	41,642	305,290
Income from real estate property leasing	48,487	37,028	72,365	60,847	218,729	1,566,622
Capital expenditures	3,514	1,626	3,968	4,218	13,327	182,811
NCF	54,115	47,342	78,037	67,548	247,043	1,689,101

Organizational Framework of Asset Manager (As of March 20,2018)

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 CEO
Satoshi Obara



Joined Nissho Iwai Corporation (current: Sojitz Corporation). After working in the condominium developer sector of the Urban Development Department, engaged in acquisition and asset management of private funds at Morgan Stanley Capital K.K. Has been involved in business deals totaling 218 billion yen. Joined Hulic Co., Ltd. Engaged in IPO and four POs at Hulic Reit Management Co., 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 (Female)
Was involved in contracting tasks and accounting tasks at a leading real estate operating company. Currently conducts property cash management in cooperation with the Finance Management Division.

Manager (Male)
Was involved in asset management at an overseas listed fund's asset management company, prior to which he was in charge of acquisitions, including development projects, at a real estate asset management company.

Manager (Female)
Was involved in acquisitions and interim investment management of various asset types at an overseas listed fund's asset management company and a J-REIT operating company. Currently in charge of asset management.

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.

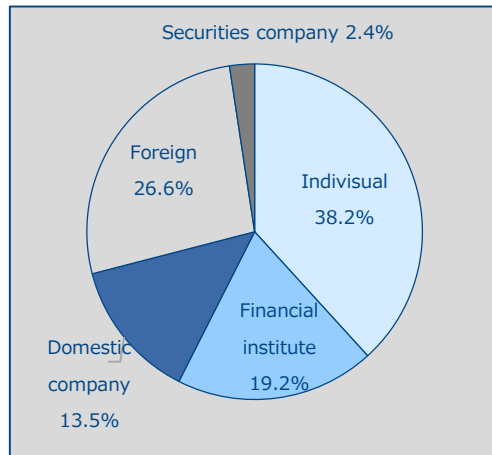
Star Asia Management Japan Limited
(Construction Management department)
Tatsuji Ishii

the functions at foreign real estate funds by hiring personnel who were in charge of ① implementing capital expenditure and making repair plans with an aim to enhance value and maintain functions upon acquiring real estate and ② supervising construction work such as renewal and repair work after the acquisition of real estate

Status of Unitholders at the End of 4th Fiscal Period ended January 2018

Number of Investment Units by Unitholder Type:

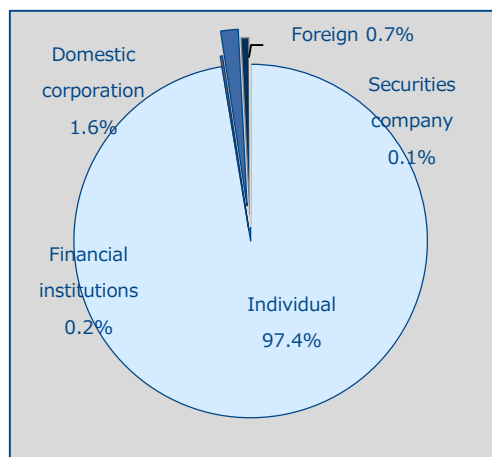
Total 414,300 units



Category	Ratio	No. of investment units
Individual	38.2%	158,273
Financial institute	19.2%	79,649
Domestic corporation	13.5%	56,129
Foreign	26.6%	110,303
Securities company	2.4%	9,946

Number of Unitholders by Unitholder Type:

Total 16,544



Category	Ratio	No. of persons/entities
Individual	97.4%	16,119
Financial institutions	0.2%	26
Domestic corporation	1.6%	265
Foreign	0.7%	113
Securities company	0.1%	21

List of major unitholders (Top 10)

	Unitholder name	Number of investment units	Unitholding ratio
1	Star Asia Capital Japan GK	39,480	9.5%
2	The Master Trust Bank of Japan ,Ltd. (Trust account)	28,109	6.8%
3	Japan Trustee Services Bank, Ltd (Trust account)	24,208	5.8%
4	STAR ASIA CAPITAL I LLC	14,325	3.5%
4	STAR ASIA CAPITAL II LLC	14,325	3.5%
4	STAR ASIA CAPITAL III LLC	14,325	3.5%
4	STAR ASIA CAPITAL IV LLC	14,325	3.5%
8	UBS Securities LLC - HFS Customer Segregated Account	9,972	2.4%
9	The Nomura Trust and Banking Co., Ltd. (Trust account)	7,743	1.9%
10	Trust & Custody Services Bank, Ltd. (Securities investment trust account)	6,676	1.6%
Total		173,488	41.9%

* 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 1 GK has changed its name to Star Asia Capital Japan GK.

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

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