

"Financial Results for the 5th Fiscal Period Ended July 2018"



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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Characteristics of Star Asia Investment Corporation (SAR)


1. A diversified REIT
Portfolio developed with diversified assets located mainly in the Tokyo Area (Note 2)


2. Steady growth
Pursuit of internal growth by the Asset Manager with abundant experience and know-how as well as external growth based on asset managed performed by the Star Asia Group

3. Initiatives focusing on unitholder value
Constant, “out-of-the-box” active management

Investment policy


Prioritized, focused investment in the Tokyo Area
Investment ratio of 70% of higher in the Tokyo Area


Achieving income stability and growth through diversification of asset type

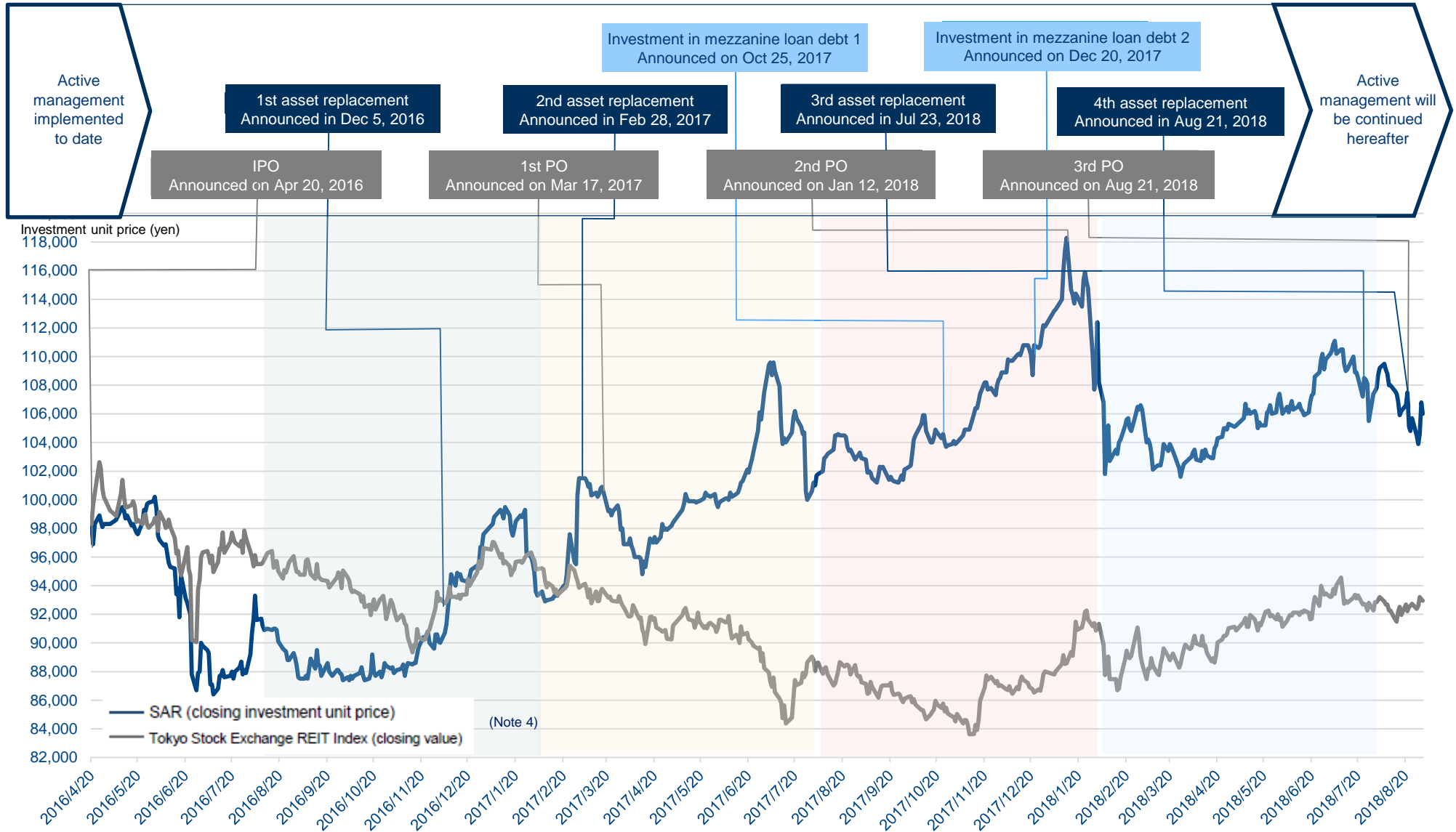

Investment primarily in middle-size assets (Note 2)

1. History of active management since listing

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Continuing implementation of active management in pursuit of maximizing unitholder value

The asset size has been increased four times through asset replacement which enhanced the portfolio and generated gain on sale, investment in mezzanine loan debt that boosted distributable profits, and property acquisition alongside three instances of public offering.



1. History of active management since listing

Achievement of asset size in excess of 100 billion yen: The asset size has grown to 101.3 billion yen through acquisition of properties alongside the three instances of public offering

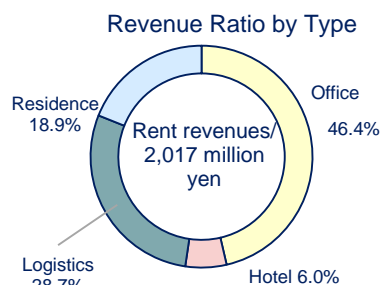
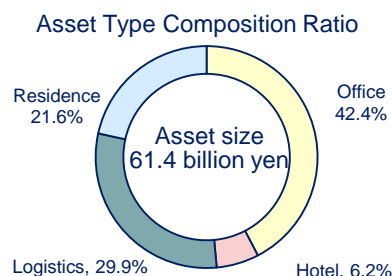
Asset standpoint: Effects of diversification from increase in number of properties and tenants and the accompanying improvement of stability in revenue
Procurement standpoint: LTV control that considers borrowing capacity, increase of liquidity of investment units and increase of market cap

	1st FP (As of July 2016)	After the Initiative		1st FP End (As of July 31, 2016)	After the Initiative
Number of properties	18 properties	33 properties	LTV (based on total assets)	47.4%	46.7%
Total acquisition price	61.4 billion yen	101.3 billion yen	Balance of borrowings	32,555 million yen	50,880 million yen
Total appraisal value	66.0 billion yen	109.4 billion yen	Number of lender banks	7 banks	11 banks
Unrealized gain/loss	3.5 billion yen	7.3 billion yen	Average interest rate	0.428%	0.575%
Number of tenants (note5)	390	643	Average borrowing period	3.24 years	4.13 years
Ratio of largest tenant (note6)	10.00%	6.26%	Unitholders' capital	33,541 million yen	52,745 million yen
Appraisal NOI yield	5.2%	5.1%	Market cap (note7)	30,299 million yen	55,596 million yen
Appraisal NOI Yield after depreciation	4.4%	4.2%	NAV per unit	107,492 yen	111,173 yen
Average building age	20.9 years	20.1 years			

Seeking to construct a portfolio that incorporates stability of revenues and growth potential

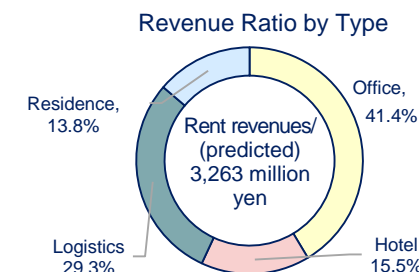
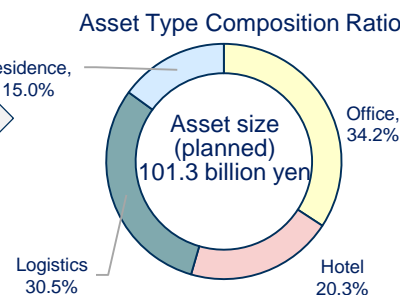
End of 1st FP

*Revenue ratio was implemented for the 2nd FP



After the Initiative

*Revenue ratio is predicted for the 7th FP

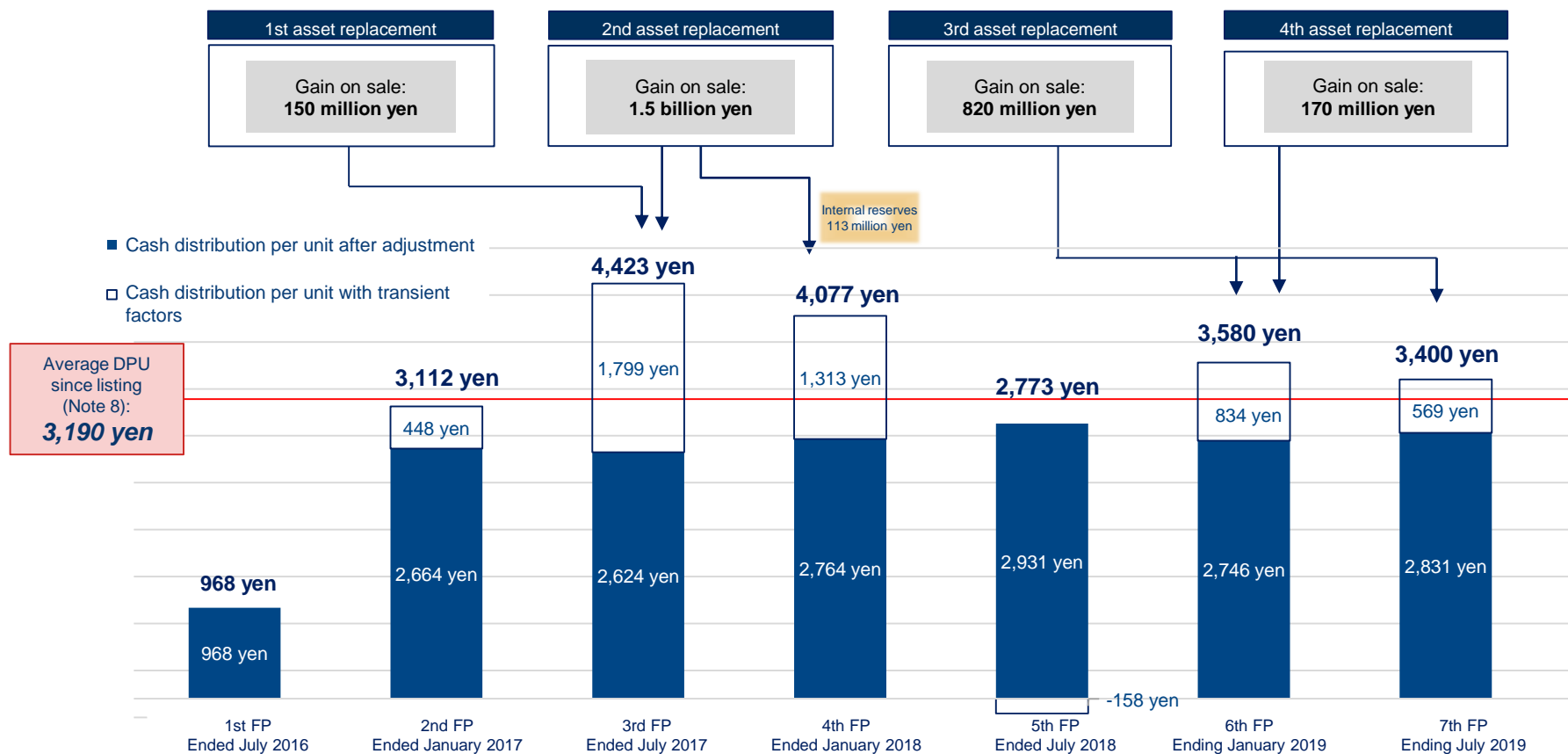


2. Change in distribution since listing

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Cash distributions are expected to increase due to gain on sale from the transfer of assets generated in the four cases of asset replacement

Total gain on sale of 2.66 billion yen is expected to be realized by the 7th fiscal period
Asset replacements which contribute to strengthening the portfolio will continue to be deliberated as part of active management

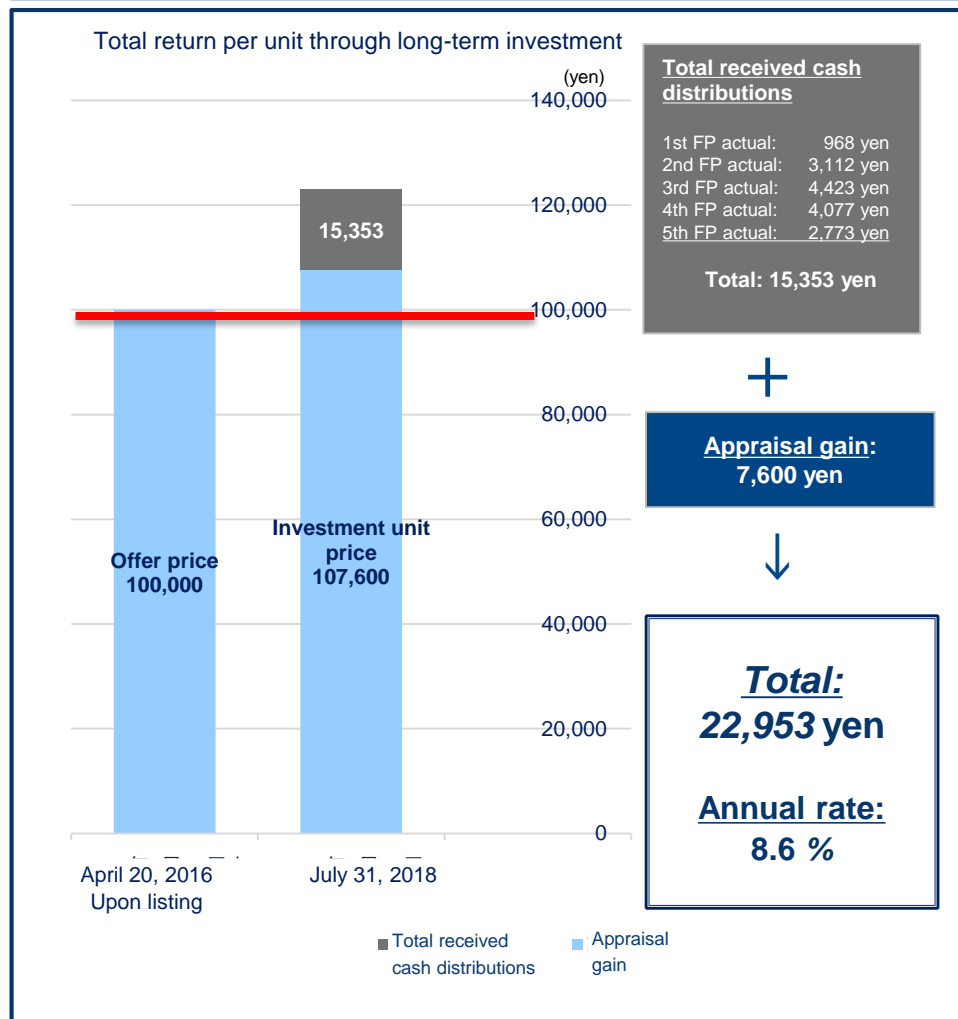


Change in distribution	1st FP	2nd FP	3rd FP	4th FP	5th FP	6th FP	7th FP
Forecast	829 yen	3,046 yen	4,340 yen	4,039 yen	2,750 yen	3,580 yen	3,400 yen
Actual	968 yen	3,112 yen	4,423 yen	4,077 yen	2,773 yen		

2. Change in distribution since listing

Total return since listing is 8.6%, with the increase of cash distribution per unit through management focusing on investment unit price levels and generation of gain on sale

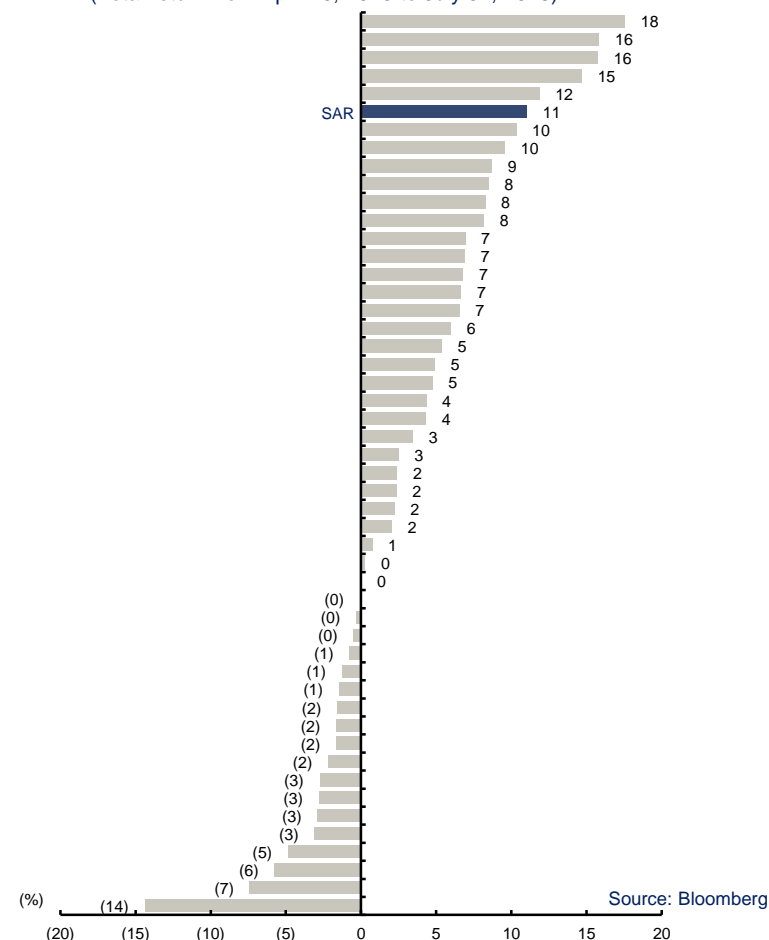
SAR's total return since listing is 8.6%



(Reference)

<Reference> Total Return of J-REITs (Note 9)

(Total return from April 20, 2016 to July 31, 2018)



2. Change in distribution since listing

① Change in business results since listing

Net income in the 5th fiscal period (ended July 2018) was 1,305 million yen (+6.1% compared to initial forecast)

The reversal of internal reserves which was planned was not implemented, and cash distribution per unit was 2,773 yen (+0.8% compared to forecast)

*Mar. 17, 2018
Announced in 4th FP closing
of accounting report

(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) actual	5th FP (ended July 2018) forecast	5th FP (ended July 2018) actual	Comparison with forecast
Lease business revenue	1,859	2,017	2,312	2,408	2,733	2,791	+58
Office rent	634	802	822	795	855	862	+6
Residence rent	325	349	391	410	489	500	+10
Logistics rent	581	530	642	696	903	906	+3
Hotel rent	142	120	220	282	292	287	-5
Other	174	215	235	223	192	235	+42
Expenses related to rent business (Depreciation is excluded)	321	380	549	536	620	607	-12
NOI	1,538	1,636	1,763	1,871	2,113	2,184	+71
Depreciation	246	244	287	305	356	355	-0
Rent revenues/expenses	1,291	1,392	1,476	1,566	1,756	1,828	+71
Mezzanine	-	-	-	14	18	18	+0
Gain on sale of real estate property	-	-	898	771	-	-	-
SGA	143	202	276	300	269	270	+0
Operating income	1,147	1,190	2,098	2,051	1,504	1,576	+71
Non-operating income	0	0	0	0	-	0	+0
Non-operating expenses	812	117	264	176	273	270	-3
Ordinary income	335	1,073	1,833	1,876	1,231	1,305	+74
Net income	333	1,072	1,832	1,802	1,230	1,305	+74
Cash distribution per unit	968 yen	3,112 yen	4,423 yen	4,077 yen	2,750 yen	2,773 yen	+23 yen
FFO per unit	1,684 yen	3,820 yen	2,948 yen	3,224 yen	3,372 yen	3,529 yen	+157 yen
Balance of Internal reserves	0	0	0	113	49	113	+63

2. Change in distribution since listing

② Forecasts for the 6th Fiscal Period Ending January, 2019 and the 7th Fiscal Period Ending July 2019

Cash distribution per unit is forecasted to be 3,580 yen for the 6th FP and 3,400 yen for the 7th FP with the generation of gain on sale from asset transfer from the 3rd and 4th asset replacements

(Unit: million yen)

	29 properties	34 properties	33 properties			Major factors for the increase/decrease	
	5th FP (ended July 2018) actual (A)	6th FP (ending Jan 2019) forecast (B)	7th FP (ending July 2019) forecast (C)	Increase/decrease (B-A)	Increase/decrease (C-B)		
Lease business revenue	2,791	3,196	3,263	① +404	① +67	Factors for increase/decrease in 6th FP (compared to 5th FP actual) ① Lease business revenues +404 <ul style="list-style-type: none"> • Property acquisitions in the 6th FP +518 • Property sales in the 6th and 7th FP -62 • Revenue from cancelation penalty fees, renewal fees and restoration work fees -28 ② Expenses related to rent business +107 <ul style="list-style-type: none"> • Assets acquired in 6th FP +127 • Property sales in the 6th and 7th FP -16 ③ Gain on sale of real estate properties +579 <ul style="list-style-type: none"> • Sale of UP Shin-Yokohama and Hakata-eki Higashi 113 (49%) ④ SGA+95 <ul style="list-style-type: none"> • Asset management fee +53 • Non-deductible consumption tax +24 ⑤ Non-operating expenses +90 <ul style="list-style-type: none"> • Interest expenses +37 • Investment unit issuance expenses +42 • Borrowing related expenses +11 	Factors for increase/decrease in 7th FP (compared to 6th FP forecast) ① Lease business revenues +67 <ul style="list-style-type: none"> • Property acquisitions in the 6th FP +131 • Property sales in the 6th and 7th FP -89 • Other properties +24 ② Expenses related to rent business +70 <ul style="list-style-type: none"> • Property acquisitions in the 6th FP +75 • Property sales in the 6th and 7th FP -26 • Fixed property taxes of properties acquired in the 5th FP +22 ③ Gain on sale of real estate properties -161 <ul style="list-style-type: none"> • Sale of Hakata-eki Higashi 113 (51%) ④ Non-operating expenses -70 <ul style="list-style-type: none"> • Interest expenses +6 • Investment unit issuance expenses -50 • Borrowing related expenses -27
Expenses related to rent business (Depreciation is excluded)	607	715	785	② +107	② +70		
NOI	2,184	2,481	2,478	+297	-3		
Depreciation	355	415	427	+59	+11		
Rent revenues/expenses	1,828	2,065	2,050	+237	-15		
Gain on sale of real estate properties	-	579	418	③ +579	③ -161		
Mezzanine	18	18	18	+0	-0		
SGA	270	365	356	④ +95	-9		
Operating income	1,576	2,298	2,130	+721	-167		
Non-operating income	0	-	-	-0	-		
Non-operating expenses	270	361	290	⑤ +90	④ -70		
Ordinary income	1,305	1,936	1,839	+630	-97		
Net income	1,305	1,936	1,838	+630	-97		
Cash distribution per unit	2,773 yen	3,580 yen	3,400 yen	+807 yen	-180		

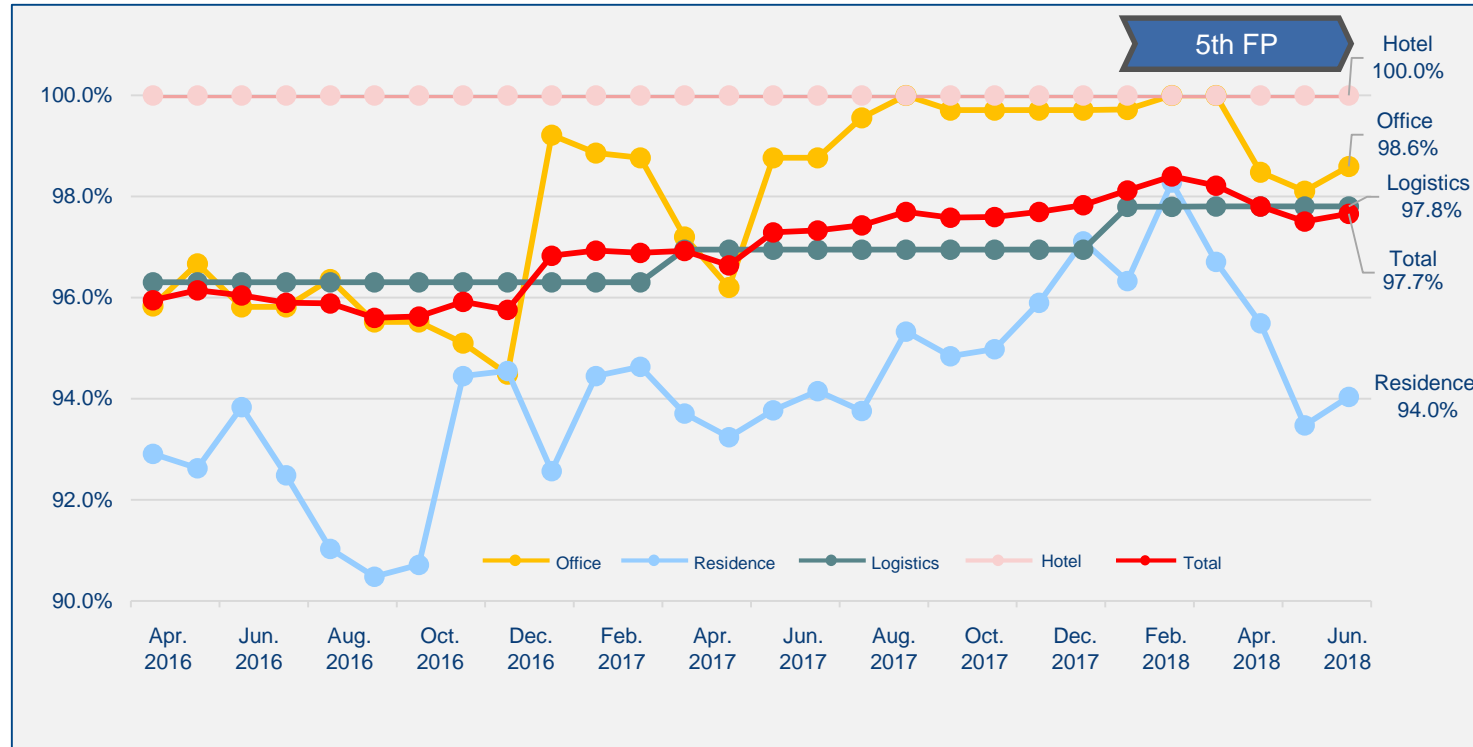
3. Performance of the 5th Fiscal Period Ended July 2018

3. Performance of the 5th Fiscal Period Ended July 2018

① Occupancy rate status

Period-end occupancy rate: 97.7%

Portfolio occupancy rate has been maintained at around 98% as a result of grasping tenant needs and the situation of properties through intimate on-site collaboration and other careful measures



【Total】

The occupancy rate for the 5th FP was maintained at around 98%

【Office】

The occupancy rate fell due to the temporary factor of tenant departure but the average for the 5th FP was 99.1%

【Residence】

The occupancy rate decreased due to cancellations at some properties but it is recovering: The average occupancy rate in the 5th FP was 95.7%.

【Logistics】

Stable occupancy has been maintained with no tenant relocations and some tenants have renewed fixed-term building lease contracts

【Hotel】

Occupancy is 100% with full lease to the hotel operator

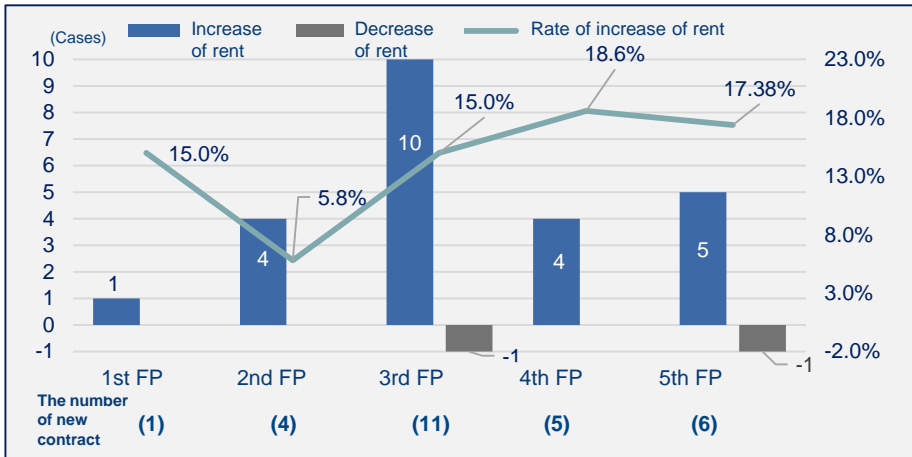
	1st (18 properties)	2nd FP(18 properties)	3rd FP (24 properties)	4th FP (23 properties)	5th FP (29 properties)
Office	95.8%	99.2%	98.8%	99.7%	98.6%
Residence	92.5%	92.6%	94.2%	97.1%	94.0%
Logistics	96.3%	96.3%	96.9%	96.9%	97.8%
Hotel	100.0%	100.0%	100.0%	100.0%	100.0%
Total	95.9%	96.8%	97.3%	97.8%	97.7%

3. Performance of the 5th Fiscal Period Ended July 2018

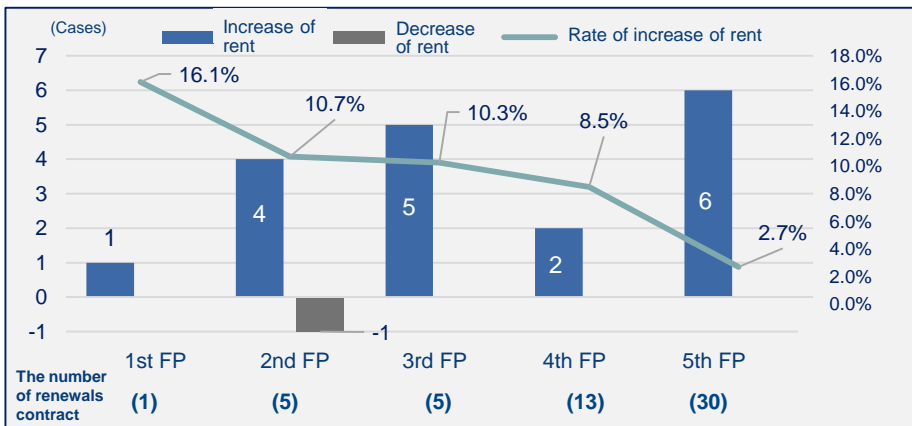
② Offices: Change in rents since listing

Rents are being increased as there are many latent leasing needs when it comes to medium-sized offices and the relationship between supply and demand is tight

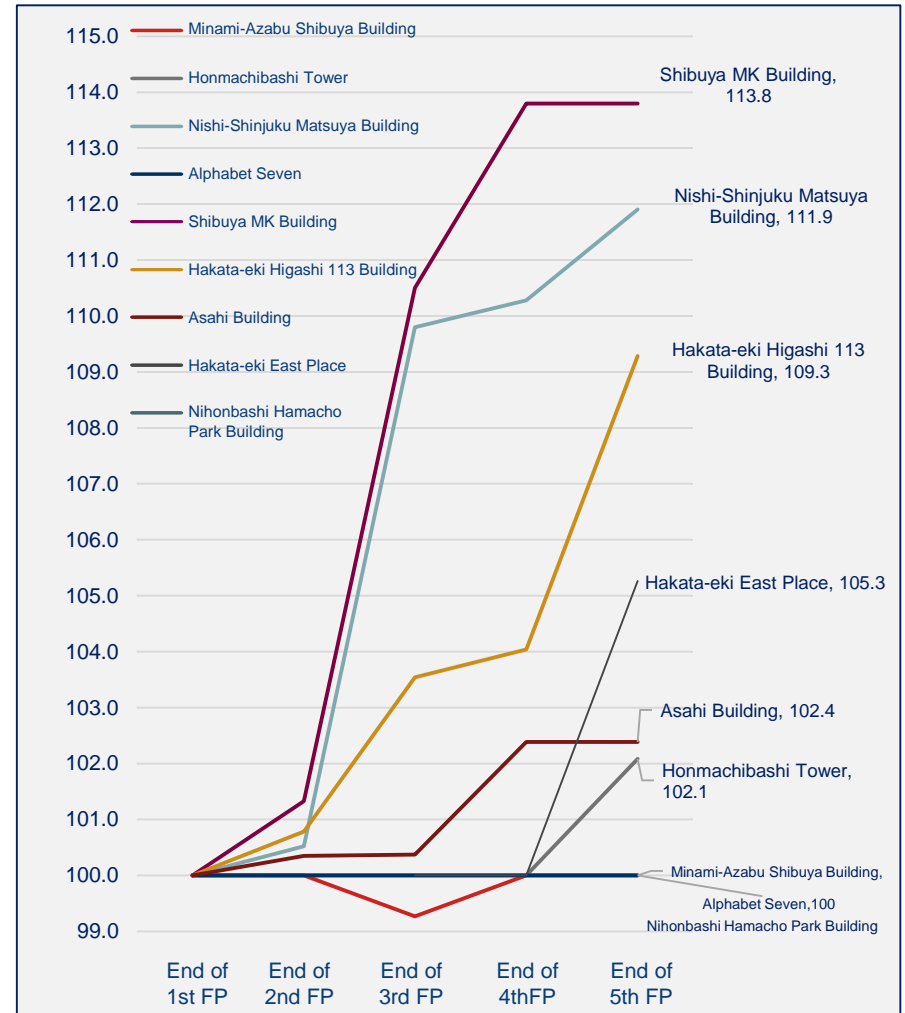
Change in Rate of Increase of Rents with New Lease Contracts (Note 10)



Change in Rate of Increase of Rent with Leasing Contract Renewals (note 11)



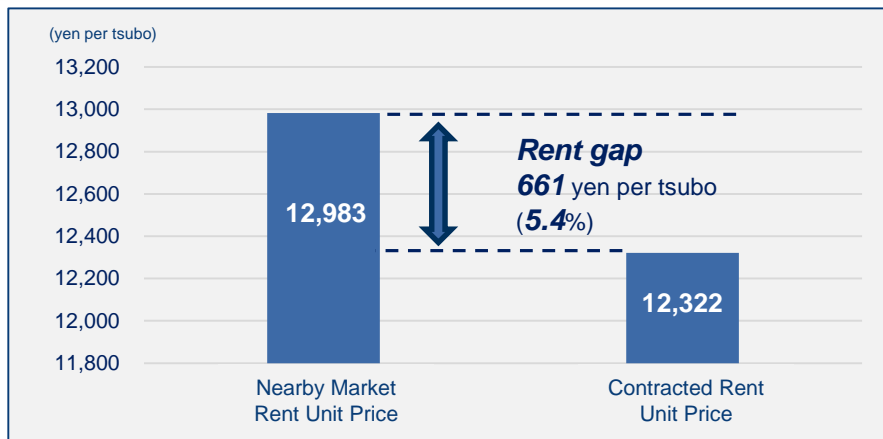
Average Rent per Tsubo since the 1st FP (Note 12)



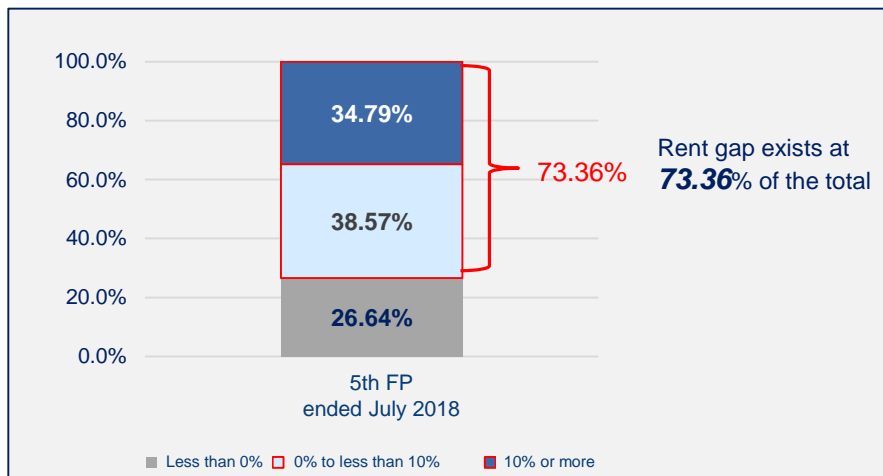
3. Performance of the 5th Fiscal Period Ended July 2018

③ Offices: Rent gap as of the end of the 5th Fiscal Period (Ended July 2018)

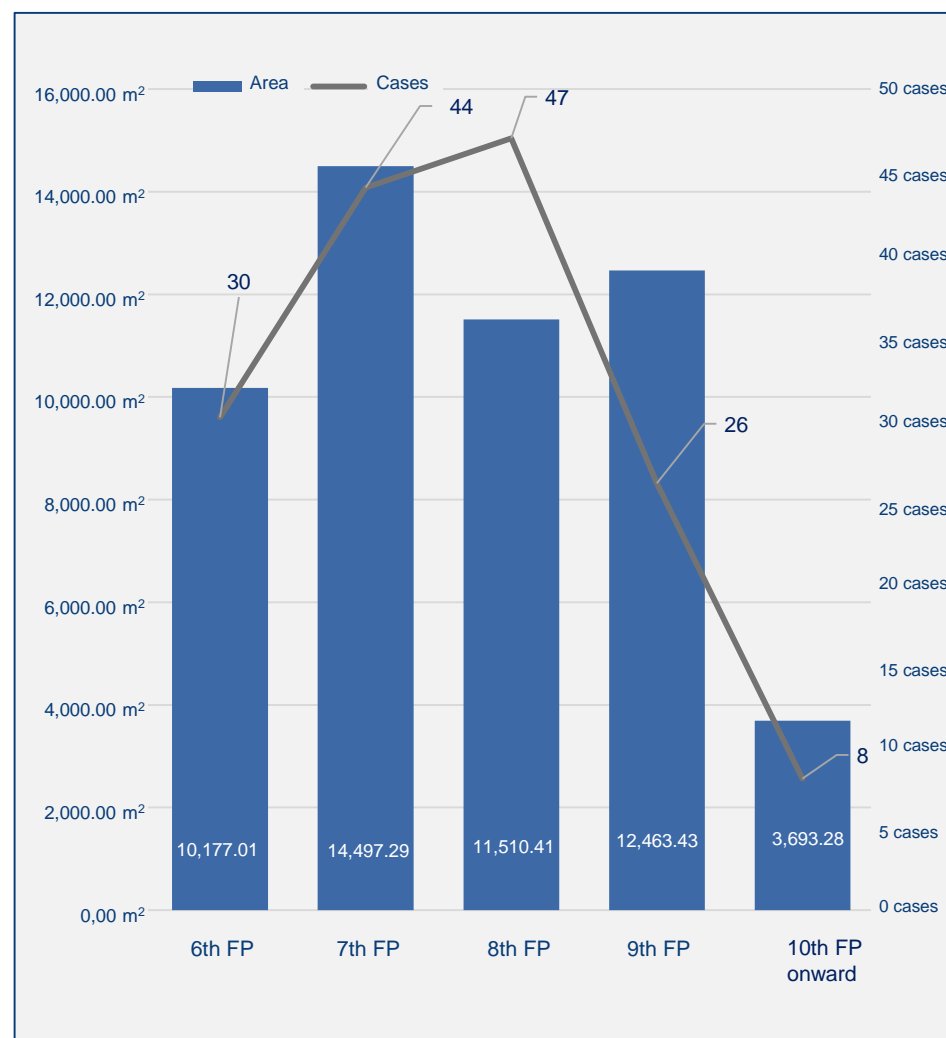
Rent Unit Price and Rent Gap (Note 13)



Diversification Status of Rent Gap as of End of the Period (Based on Area)



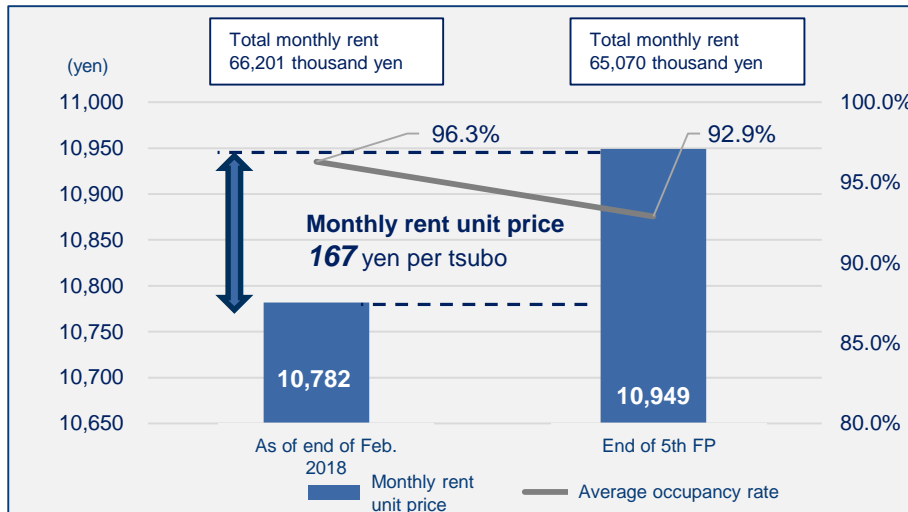
Contract Rent Periods of Office Portfolio (Note 14)



3. Performance of the 5th Fiscal Period Ended July 2018

④ Residences: Increased rents through renovation of exclusive areas

Change in Monthly Rent Unit Price, Total Monthly Rent and Average Occupancy Rate (Note 15)



[Results]

Monthly rent unit price: Increase of 167 yen per tsubo (1.55%)

Total monthly rent: Decrease of approx. 1,131 thousand yen

Occupancy rate: Stability of the occupancy rate, its maintenance and increase is key

Latent tenant needs are scooped out through intimate local collaboration and renovation work, etc. was implemented to increase appeal to potential tenants.

Occupancy rates decreased at some properties due to repeated cancellations but measures to increase occupancy rates are being deployed such as enhancing collaboration with leasing agents.

[Future Policy]

Increase appeal to potential tenants such as with appropriate capital expenditure (added appeal to exclusive areas and common spaces) and aim to maintain an increase the competitiveness of properties.

Increase of Rent and Appeal to Potential Tenants through Strategic Renovations

● Urban Park Kashiwa



Latent tenant needs were scooped up and work to change layouts (3LDK to 2LDK) as well as for renovation was implemented for strengthening housing functions:

Appeal to potential tenants was increased more than other similar rooms that aim to enhance residential facility functions, and an increase of rent was implemented (up by 11% from before).

● Urban Park Gokokuji



In this property which primarily targets single households, tenants are very interested in security and so it was deemed that a digital lock should be adopted at the entrance of rooms, also in view of convenience, and so work was implemented at all units.

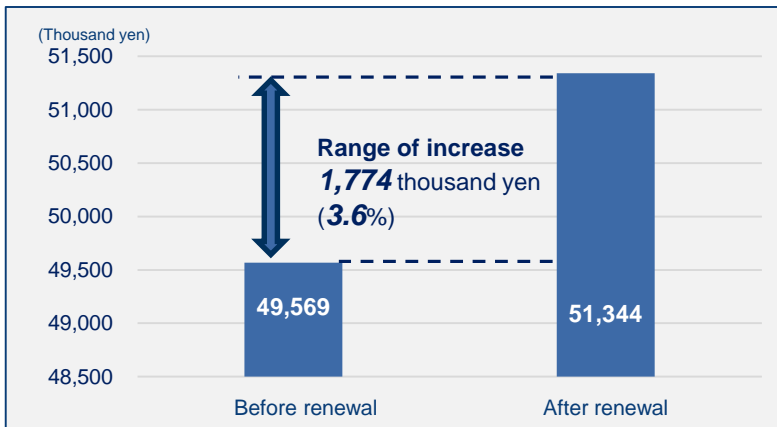
Increased security and appeal to potential tenants.

3. Performance of the 5th Fiscal Period Ended July 2018

⑤ Logistics facility/hotel

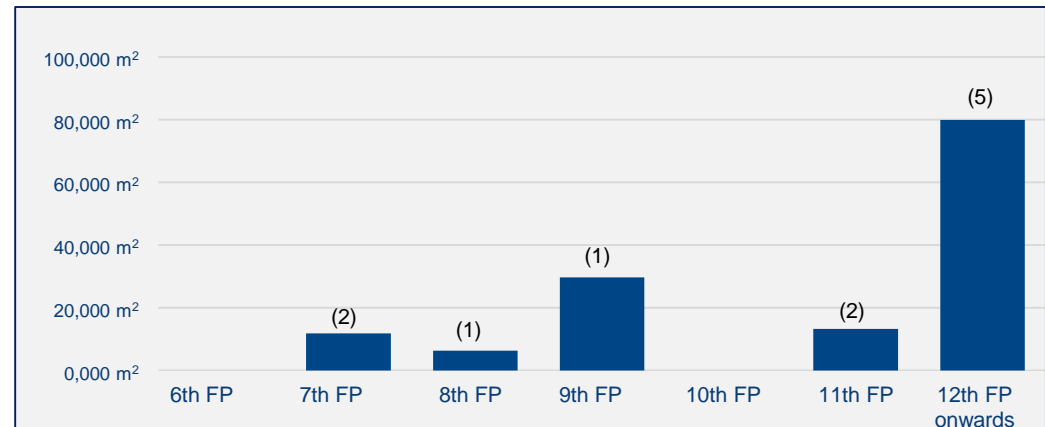
Logistics Facilities: Renewal of Contracts with Increased Rent

Since listing, contracts have been renewed for 3 tenants as of the end of the 5th fiscal period
With all renewals the rent has been increased from the previous level



Logistics Facilities: Diversification of Current Contract Renewal Period (based on floor area)

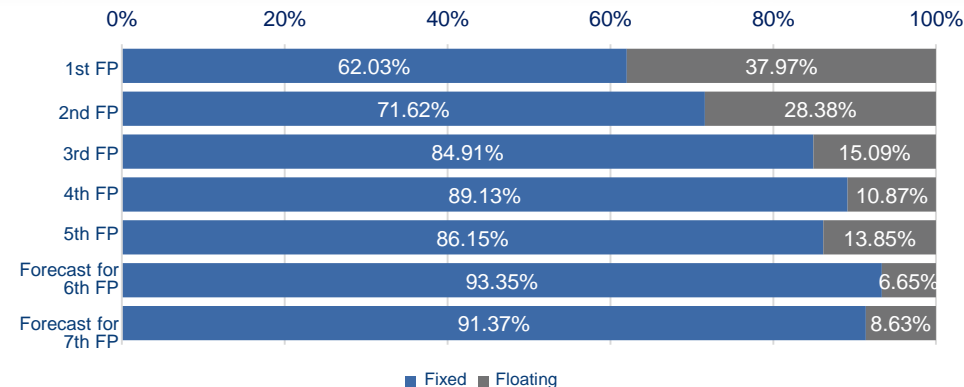
Contract renewal periods going forward are diversified



Hotels: Rent System

Property name	Fixed rent	Floating rent
R&B Hotel Umeda East	○	—
Smile Hotel Namba	○	○
Best Western Tokyo Nishi-kasai	○	○
Best Western Yokohama	○	○
Hotel WBF Fukuoka Tenjin Minami	○	○
Glansit Akihabara	○	—
Best Western Tokyo Nishikasai Grande	○	○
Hotel WBF Artstay Namba	○	○

Hotels: Change in Floating Rent




3. Performance of the 5th Fiscal Period Ended July 2018

⑥ Initiatives for environmental real estate: acquired Green Building Certification for 3 properties

SAR promotes management that is considerate towards the environment as is its obligation as a listed investment corporation. Also, SAR constantly deliberates and implements measures that seek to maximize unitholder value.

During the 5th fiscal period ended July 2018, SAR acquired DBJ Green Building Certification for the following 3 properties it owns. SAR will continue to contribute to society from an ESG (environment, social and governance) perspective.

Property name (Asset type)	Location	Property Photo	Certification Rank
Iwatsuki Logistics (Logistics)	719-1 Mizuhokami, Oaza Nagamiya Aza, Iwatsuki-ku, Saitama-shi, Saitama		Properties with excellent environmental & social awareness 
Baraki Logistics (Logistics)	2526-42 Baraki, Ichikawa-shi, Chiba		Properties with high environmental & social awareness 
Honmachibashi Tower (Office)	1-5 Honmachibashi, Chuo-ku, Osaka-shi, Osaka		Properties with satisfactory environmental & social awareness 

3. Performance of the 5th Fiscal Period Ended July 2018

⑦ Financial standing

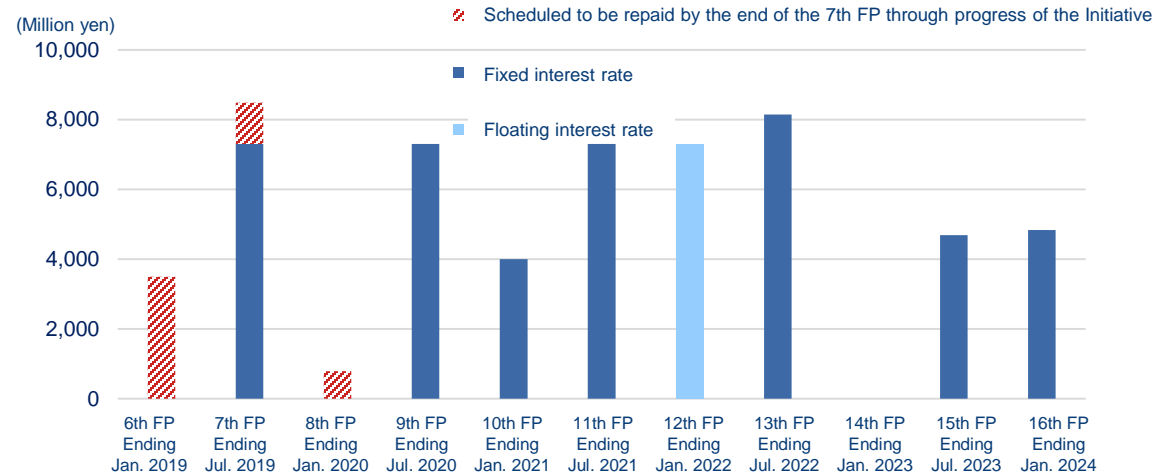
Inviting new lenders and enhancing the bank formation

Refinancing risk and the risk of rising interest rates is reduced by diversifying repayment dates of loans and fixing interest rates

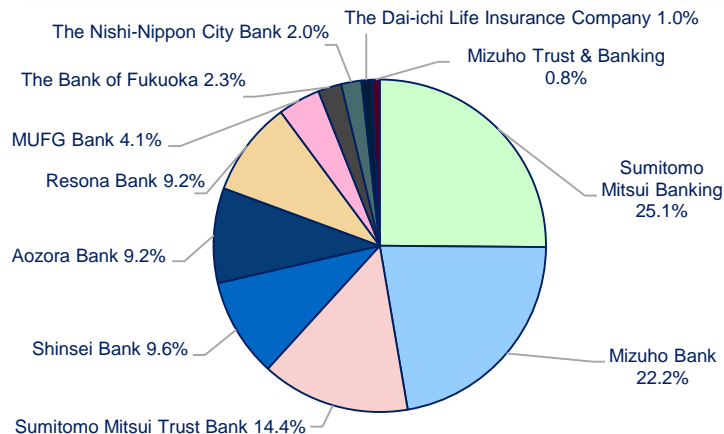
Balance of borrowings (As of September 6, 2018)

	Balance of borrowings (unit: million yen)	Interest rate	Term	FP of the repayment date
Short-term	3,500	Base rate (note 16)+0.20%	0.3 years	6 FP
	790	Base rate (note 16)+0.20%	1.0 years	8 FP
Long-term	7,300	0.364%(note 17)	3.0 years	7 FP
	7,300	0.483%(note 17)	4.0 years	9 FP
	7,300	0.625%(note 17)	5.0 years	11 FP
	2,400	0.530%(note 17)	3.5 years	10 FP
	4,150	0.710%(note 17)	5.0 years	13 FP
	1,600	0.530%(note 17)	3.5 years	10 FP
	1,190	Base rate (note16)+0.20%	1.1 years	7 FP
	4,690	0.730%(note 17)	5.1 years	15 FP
	7,300	Base rate (note 16)+0.20%	3.5 years	12 FP
	4,000	0.6095%(note 17)	3.5 years	13 FP
	4,840	0.812%(note 17)	5.0 years	16 FP
	56,360			

Diversification of repayment dates (As of September 6, 2018)



Bank formation (Note 18)



Main financial indicators

	5th FP	After the Initiative (Note 18)
LTV (based on total assets)	46.2 %	46.7 %
Balance of borrowings	43,230 million yen	50,880 million yen
Long-term debt ratio	100.0%	100.0%
Average remaining period to maturity	2.5 years	2.8 years
Average borrowing period	4.0 years	4.1 years
Average interest rate	0.537%	0.575%
Fixed interest rate ratio	80.4%	85.7%

4. Future Initiatives

4. Future Initiatives

- ① Continuous implementation of active management that seeks to maximize unitholder value

Currently, measures in pursuit of maximization of unitholder value are being implemented continuously such as the decision to implement 2 asset replacements and implementation of property acquisitions alongside public offering

Points of focus in and after the 6th Fiscal Period

Internal growth

- Elimination of the rent gap in the office portfolio
- Stabilization of residential portfolio occupancy rate and challenge of increasing rent (strengthening competitiveness through renovation, etc.)
- Maintaining and improving appeal to potential tenants through appropriate capital expenditure and repair (utilization of sponsor support)
- Further enhancement of on-site collaboration such as grasping of tenants needs and the situation of properties

External growth

- Expansion of property pipeline from the Star Asia Group which has been expanding its business line
⇒ **Of the 6 new property acquisitions, 5 are from the Sponsor Group**
⇒ **Acquisition of preferential negotiation rights for a total of 4 properties**
- Continuous investment in mezzanine loan debt
- Ongoing deliberation of asset replacements that enhance the portfolio

Financial strategy

- Continued deliberation on the acquisition of ratings
- Fix interest of borrowings for hedging the risk of interest rate fluctuation
⇒ **fixed 6th September, 2018**
- Enhancement of the bank formation (inviting new lenders)

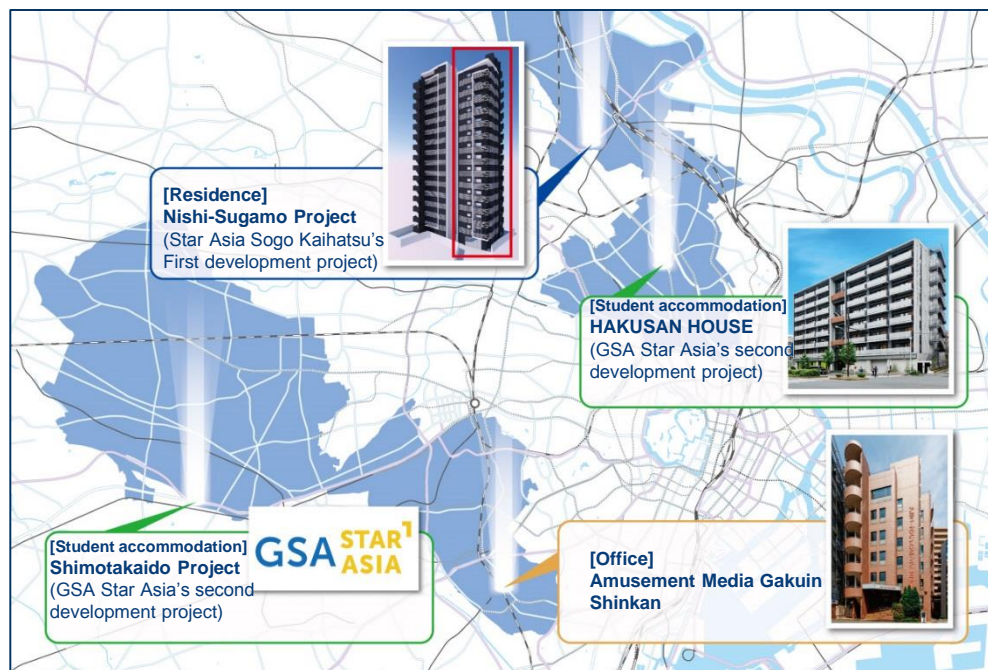
4. Future Initiatives

② Conclusion of preferential negotiation contracts for future external growth

- Acquired preferential negotiation rights for 4 properties from the Star Asia Group which has been expanding its business line
- Positioning student accommodation as an asset type targeted for investment

Property name	Nishi-Sugamo Project
Asset type	Residence
Location	Takinogawa, Kita-ku, Tokyo
Scheduled completion period	April 2020
Other	Access to city center is excellent with the Mita subway line RC, 16F Total of 44 units scheduled

Property name	Shimotakaido Project
Asset type	Student accommodation
Location	Shimo-Takaido, Suginami-ku, Tokyo
Scheduled completion period	December 2019
Other	RC, B1F/8F 144 rooms and 326 beds scheduled



Property name	HAKUSAN HOUSE
Asset type	Student accommodation
Location	Hakusan, Bunkyo-ku, Tokyo
Completed	February 2018
Other	8F, 175 rooms, 364 beds

Property name	Amusement Media Gakuin Shinkan
Asset type	Office
Location	Higashi, Shibuya-ku, Tokyo
Completed	January 25, 1999
Other	RC, 7F Operated together with Amusement Media Gakuin Honkan which has already been acquired

■ Change in management guidelines

Student accommodation whose presence is expected to increase in the portfolio going forward has been positioned as an asset type. The management guidelines, which are internal rules of the asset manager Star Asia Investment Management Co., Ltd., were changed and student accommodation was added as an asset type targeted for investment.

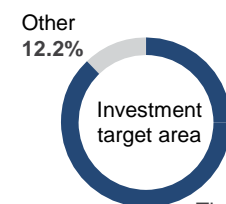
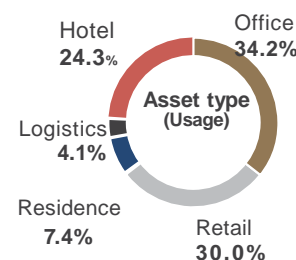
■ Overview of assets managed by the Sponsor Group

Appraisal value basis
As of end of April 2018

Excluding properties already acquired by SAR and properties for which an agreement for preferential negotiation rights has been concluded

45.3 billion yen

(Excluding assets scheduled for acquisition and assets for which preferential negotiation rights were acquired)



4. Future Initiatives

③ Continued deliberation of asset replacement that promotes the maximization of unitholder value

Articulated the implementation policy for asset replacement as a part of active management pursuing maximization of unitholder value

1 **Future revenue contribution of the assets to be replaced** (strengthen SAR's portfolio)

- Periodic evaluation of future revenue contribution for all owned assets (i.e. stability and growth potential of earnings, future estimate of the life-cycle costs, such as repair costs and capital expenditures, and balance between sales price)
- Comparison of assets available for acquisition and future revenue contribution of currently owned assets
- Existence of real estate investors with different valuation bases for owned assets

2 **Real Estate Market Conditions by Asset Type**

- Evaluation of investment environment for each investment asset type given the macro economic environment and analyzing which asset types are most attractive for investment based on such evaluation
- Detailed consideration of asset type exposures that should be increased or decreased in the portfolio

3 **Level of the investment unit price of SAR**

- Comparison between market indices such as the Tokyo Stock Exchange REIT Index and the trend of the investment unit price of SAR
- Comparison between the level of investment unit prices and NAV per unit, etc. of SAR
- Calculation of gains and losses on sales of assets through asset replacement and the impact of the return to existing unitholders

Maximization
of unitholder
value by asset
replacement

4. Future Initiatives

④ Continued deliberation of asset replacement that promotes the enhancement of the portfolio

- Since its listing, SAR has implemented 2 asset replacements (announced December 5, 2016 and February 28, 2017) as part of its active management that contributes to maximizing unitholder value, enhancing the portfolio as well as realizing gain on sale and generating returns for its unitholders.
- Enhancement of the portfolio and realization of gain on sale are expected for the 3rd and 4th asset replacements as well.
- SAR will continue to deliberate the implementation of asset replacements as an important active management measure that seeks to maximize unitholder value.

Deliberation based on implementation policy of asset replacements

Replace with assets that contribute to stability of revenue

1st asset replacement



Gain on sale: 150 million yen

Gain on sale in 3rd FP: 150 million yen
Gain on sale per unit (Note 19): 367 yen

Existence of real estate investors with different appraisal standards

2nd asset replacement



Total gain on sale: 1.51 billion yen

Gain on sale in 3rd FP: 740 million yen
Gain on sale per unit (Note 19): 1,801 yen

Replacement with assets with expected growth of revenue

3rd asset replacement



Total gain on sale: 820 million yen (expected amount)

Replacement with assets whose NOI yield after depreciation is expected to recover

4th asset replacement



Total gain on sale: 177 million yen (expected amount)

3rd FP

4th FP

≈

6th FP

7th FP

Gain on sale in 4th FP: 770 million yen
Gain on sale per unit (Note 19): 1,862 yen
Internal reserves in 4th FP: 110 million yen

Gain on sale in 6th FP: Approx. 400 million yen (expected amount) (Note 20)
Gain on sale per unit (Note 19): 742 yen

Gain on sale in 6th FP: Approx. 170 million yen (expected amount) (Note 20)
Gain on sale per unit (Note 19): 328 yen

Gain on sale in 7th FP: Approx. 410 million yen (expected amount) (Note 20)
Gain on sale per unit (Note 19): 773 yen

4. Future Initiatives

⑤ Continued deliberation of mezzanine loan debt investment

SAR will continue to deliberate investment in mezzanine loan debt, something unseen in other listed REITs, as part of its active management that seeks to maximize unitholder interest

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 Judged likely to assure repayment of principal and interest, thus typically considered lower risk than investment in real estate

Investment Projects			
Star Asia Mezzanine Loan Debt Investment Series 1			
Haneda Hotel Development GK			
Underlying asset HOTEL RELIEF Premium Haneda Appraisal Value 4,080 million yen (Note 21)	Senior loan 1,840 million yen		
	Acquired by third parties (Subordinated bonds) 301 million yen	Star Asia Mezzanine Loan Debt Investment Series 1 (Subordinated bonds) 400 million yen	
		Return: Base rate +5.0%	
	(Equity) Silent partnership investment, etc.		

Star Asia Mezzanine Loan Debt Investment Series 2			
GK Japan B Asset		Shinsei Trust & Banking (Note 23)	
Underlying asset Sasazuka South Building Appraisal Value 2,870 million yen (Note 22)	Non-recourse loan (loan receivable)	Preferential beneficiary interest Shinsei Bank Co., Ltd. 1,614 million yen	
	Shinsei Trust & Banking Co., Ltd.	Star Asia Mezzanine Loan Debt Investment Series 2 (Subordinate Beneficiary Interest) 334 million yen	
	1,948 million yen	Return: Base rate +5.0%	
	(Equity) Silent partnership investment, etc.		

Contribution to 5th FP Performance and Effects on Cash Distributions (Results)

Revenue: Approx. 18 million yen

Effect on cash distribution per unit: Approx. 38 yen (Note 24)

Contribution to 6th FP Performance and Effects on Cash Distributions (Forecast)

Revenue: Approx. 18 million yen

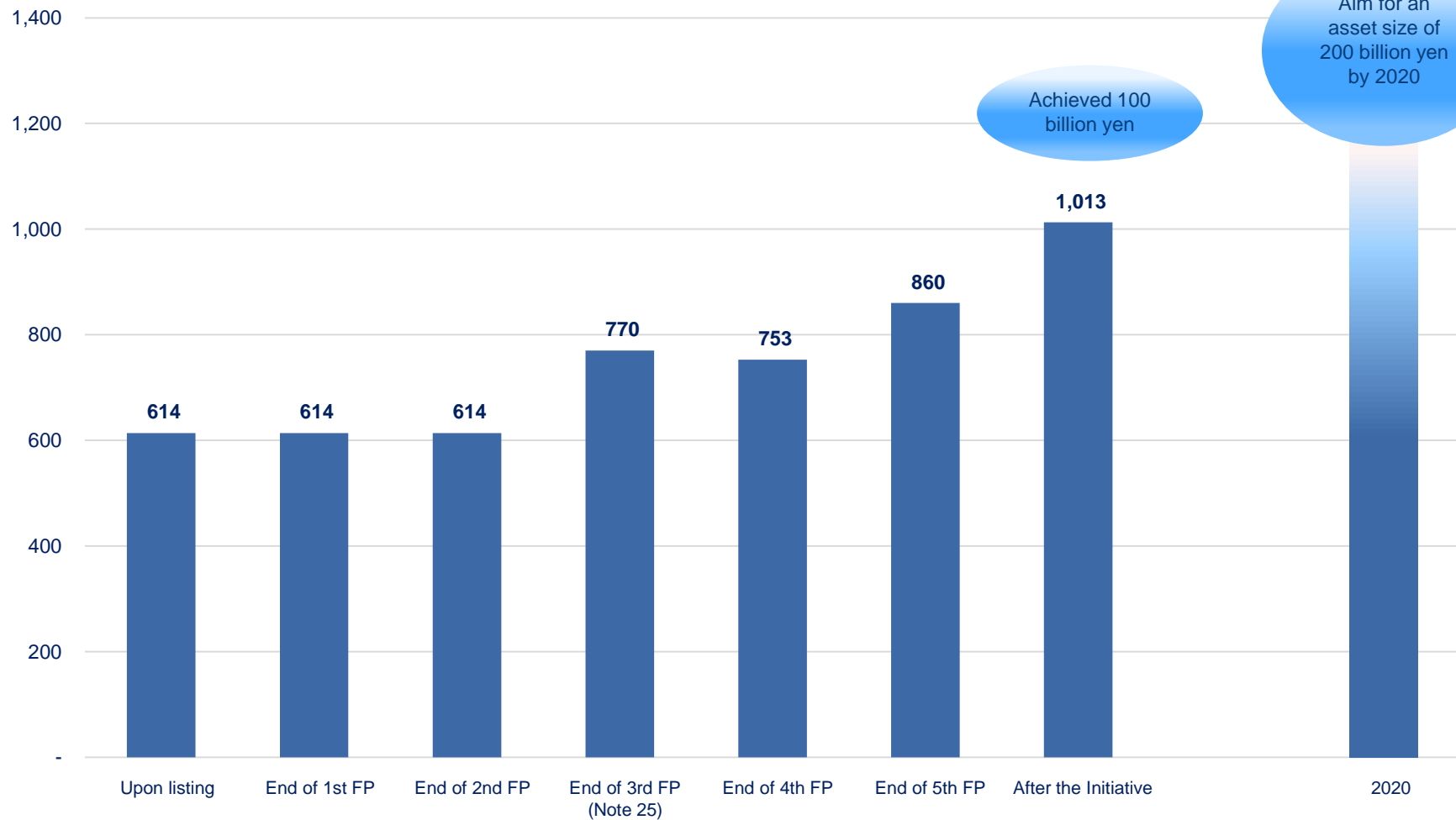
Effect on cash distribution per unit: Approx. 34 yen (Note 24)

4. Future Initiatives

- ⑥ Aiming for an asset size of 200 billion yen by 2020 through continuous active management

Pursuing an increase of the asset size based on assets managed by the Star Asia Group

(100 million yen)



5. Appendix

Balance Sheets for the 5th Fiscal Period ended July 31, 2018

	4th fiscal period (As of January 31, 2018)	5th fiscal period (As of July31, 2018)		4th fiscal period (As of January 31, 2018)	5th fiscal period (As of July31, 2018)
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	1,667,713	2,000,005	Operating accounts payable	292,304	190,118
Cash and deposits in trust	3,153,262	3,118,735	Current portion of long-term loans payable	7,300,000	8,490,000
Operating accounts receivable	44,669	50,970	Accounts payable - other	289,696	251,986
Prepaid expenses	90,216	118,176	Accrued expenses	6,054	8,643
Consumption taxes receivable	-	210,713	Income taxes payable	74,345	605
Other	5,354	16,157	Accrued consumption taxes	126,003	21,000
Total current assets	4,961,216	5,514,759	Advances received	338,283	594,306
Non-current assets			Other	10,925	9,842
Property, plant and equipment			Total current liabilities	8,437,613	9,566,503
Buildings in trust	24,909,318	28,549,452	Non-current liabilities		
Accumulated depreciation	-1,055,284	-1,407,469	Long-term loans payable	30,050,000	34,740,000
Buildings in trust, net	23,854,033	27,141,983	Tenant leasehold and security deposits in trust	1,794,980	1,959,368
Structures in trust	9,606	9,606	Other	1,507	493
Accumulated depreciation	-733	-1,070	Total non-current liabilities	31,846,487	36,699,861
Structures in trust, net	8,872	8,536	Total liabilities	40,284,100	46,266,365
Machinery and equipment in trust	20,707	45,901	Net assets		
Accumulated depreciation	-1,240	-2,718	Unitholders' equity		
Machinery and equipment in trust, net	19,467	43,183	Unitholders' capital	40,031,185	45,832,670
Tools, furniture and fixtures in trust	20,207	22,442	Surplus		
Accumulated depreciation	-2,314	-4,123	Unappropriated retained earnings		
Tools, furniture and fixtures in trust, net	17,892	18,318	(undisposed loss)	1,802,393	1,418,609
Land in trust	48,929,717	56,437,510	Total surplus	1,802,393	1,418,609
Total property, plant and equipment	72,829,984	83,649,531	Total unitholders' equity	41,833,579	47,251,279
Intangible assets			Valuation and translation adjustments		
Leasehold rights in trust	3,459,138	3,459,138	Deferred gains or losses on hedges	36,966	35,889
Total intangible assets	3,459,138	3,459,138	Total valuation and translation adjustments	36,966	35,889
Investments and other assets			Total net assets	41,870,546	47,287,168
Investments securities	734,500	734,500	Total liabilities and net assets	82,154,646	93,553,534
Long-term prepaid expenses	121,333	155,717			
Lease and guarantee deposits	10,000	10,000			
Other	38,473	29,887			
Total investments and other assets	904,307	930,105			
Total non-current assets	77,193,430	88,038,774			
Total assets	82,154,646	93,553,534			

Statement of Income for the 5th Fiscal Period (From February 1, 2018 to July 31, 2018)

(Unit: thousand yen)

	4th fiscal period From: August 1, 2017 To: January 31, 2018	5th fiscal period From: February 1, 2018 To: July 31, 2018
Operating revenue		
Lease business revenue	2,255,617	2,631,029
Other lease business revenue	152,654	160,946
Gain on sale of real estate property	771,663	—
Others	14,412	18,476
Total operating revenue	3,194,348	2,810,451
Operating expenses		
Expenses related to rent business	841,650	963,758
Asset management fee	211,612	193,319
Asset custody and administrative service fees	19,515	20,323
Directors' compensation	2,400	2,400
Other operating expenses	67,331	54,427
Total operating expenses	1,142,509	1,234,229
Operating income	2,051,838	1,576,222
Non-operating income		
Interest income	24	26
Interest on refund	771	—
Total non-operating income	795	26
Non-operating expenses		
Interest expenses	92,575	112,385
Borrowing related expenses	55,587	149,537
Investment unit issuance expenses	27,928	7,405
Other	—	1,000
Total non-operating expenses	176,091	270,327
Ordinary income	1,876,542	1,305,921
Income before income taxes	1,876,542	1,305,921
Income taxes - current	74,348	605
Income taxes - deferred	20	—
Total income taxes	74,369	605
Net income	1,802,173	1,305,316
Retained earnings brought forward	220	113,292
Unappropriated retained earnings (undisposed loss)	1,802,393	1,418,609

Amounts less than specified units are rounded down.

Period-end Appraisal Value and Indicators

(Unit: million yen)

Period-end appraisal value: 94,291 million yen

Total book value: 87,108 million yen

Period-end unrealized gains (losses): 7,182 million yen

Net assets per unit: 100,477 yen

Unrealized gains per unit: 15,261 yen

NAV per unit (*1): 112,965 yen

P/NAV per (*2): 0.95

(*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 per = Investment unit price / NAV per unit (Investment unit price on July 31, 2018: 107,600 yen)

	Property name	Acquisition price	① Period-end book value	② Appraisal value at end of 5th fiscal period	Unrealized gains (losses) ② – ①
Office	Minami-Azabu Shibuya Building	2,973	2,996	3,150	153
	Honmachibashi Tower	6,065	5,985	6,940	954
	Nishi-Shinjuku Matsuya Building	1,763	1,838	2,430	591
	Alphabet Seven	1,725	1,799	2,390	590
	Shibuya MK Building	2,042	2,092	2,890	797
	Hakata-eki Higashi 113 Building	1,885	1,954	2,090	135
	Asahi Building	6,320	6,375	7,090	714
	Hakata-eki East Place	2,286	2,313	2,480	166
	Nihonbashi Hamacho Park Building	1,450	1,467	1,520	52
subtotal		26,509	26,824	30,980	4,155

	Property name	Acquisition price	① Period-end book value	② Appraisal value at end of 5th fiscal period	Unrealized gains (losses) ② – ①
Residential	Urban Park Azabujuban	2,045	2,098	2,230	131
	Urban Park Daikanyama	6,315	6,408	7,500	1,091
	Urban Park Shin-Yokohama	2,528	2,562	2,580	17
	Urban Park Namba	1,490	1,535	1,610	74
	Urban Park Gokokuji	1,460	1,512	1,510	-2
	Urban Park Kashiwa	1,186	1,257	1,190	-67
	Urban Park Ryokuchi-koen	1,550	1,613	1,570	-43
	Urban Park Koenji	1,167	1,194	1,170	-24
	subtotal	17,741	18,181	19,360	1,178
Logistics	Iwatsuki Logistics	6,942	6,786	7,140	353
	Yokohama Logistics	3,560	3,824	4,060	235
	Funabashi Logistics	7,875	7,886	8,650	763
	Baraki Logistics	4,700	4,706	4,930	223
	Tokoyozawa Logistics	1,300	1,347	1,350	2
	Funabashi Nishiura Logistics I	3,000	2,970	3,020	49
	Funabashi Nishiura Logistics II	821	839	841	1
	Matsubushi Logistics	2,755	2,775	2,850	74
	subtotal	30,953	31,137	32,841	1,703
Hotel	R&B Hotel Umeda East	2,069	2,125	2,310	184
	Smile Hotel Namba	1,750	1,717	1,720	2
	Best Western Tokyo Nishi-kasai	3,827	3,857	3,830	-27
	Best Western Yokohama	3,248	3,264	3,250	-14
	subtotal	10,894	10,965	11,110	144
Total		86,097	87,108	94,291	7,182

Portfolio List (at the end of the 5th 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	3.5%	4.9%
	OFC-03	Honmachibashi Tower	Osaka City, Osaka	6,065	6,940	7.0%	5.2%
	OFC-04	Nishi-Shinjuku Matsuya Building	Shibuya Ward, Tokyo	1,763	2,430	2.0%	6.4%
	OFC-05	Alphabet Seven	Minato Ward, Tokyo	1,725	2,390	2.0%	5.9%
	OFC-06	Shibuya MK Building	Shibuya Ward, Tokyo	2,042	2,890	2.4%	5.6%
	OFC-07	Hakata-eki Higashi 113 Building	Fukuoka City, Fukuoka	1,885	2,090	2.2%	5.9%
	OFC-08	Asahi Building	Yokohama City, Kanagawa	6,320	7,090	7.3%	4.9%
	OFC-09	Hakata-eki East Place	Fukuoka City, Fukuoka	2,286	2,480	2.7%	5.2%
	OFC-10	Nihonbashi Hamacho Park Building	Chuo Ward, Tokyo	1,450	1,520	1.7%	4.7%
Residence	RSC-01	Urban Park Azabujuban	Minato Ward, Tokyo	2,045	2,230	2.4%	4.4%
	RSC-02	Urban Park Daikanyama	Shibuya Ward, Tokyo	6,315	7,500	7.3%	4.8%
	RSC-04	Urban Park Shin-Yokohama	Yokohama City, Kanagawa	2,528	2,580	2.9%	4.8%
	RSC-05	Urban Park Namba	Osaka City, Osaka	1,490	1,610	1.7%	5.4%
	RSC-06	Urban Park Gokokuji	Toshima Ward, Tokyo	1,460	1,510	1.7%	5.0%
	RSC-07	Urban Park Kashiwa	Kashiwa, Chiba	1,186	1,190	1.4%	5.0%
	RSC-08	Urban Park Ryokuchi-koen	Suita City, Osaka	1,550	1,570	1.8%	5.7%
	RSC-09	Urban Park Koenji	Suginami Ward, Osaka	1,167	1,170	1.4%	4.8%
Logistics	LGC-01	Iwatsuki Logistics	Saitama City, Saitama	6,942	7,140	8.1%	4.8%
	LGC-02	Yokohama Logistics	Yokohama City, Kanagawa	3,560	4,060	4.1%	5.8%
	LGC-03	Funabashi Logistics	Funabashi City, Chiba	7,875	8,650	9.1%	5.5%
	LGC-04	Baraki Logistics	Ichikawa City, Chiba	4,700	4,930	5.5%	4.4%
	LGC-05	Tokorozawa Logistics	Tokorozawa City, Saitama	1,300	1,350	1.5%	5.7%
	LGC-06	Funabashi Nishiura Logistics I	Funabashi City, Chiba	3,000	3,020	3.5%	5.1%
	LGC-07	Funabashi Nishiura Logistics II	Funabashi City, Chiba	821	841	1.0%	7.1%
	LGC-08	Matsubushi Logistics	Kita Katsushika-gun, Saitama	2,755	2,850	3.2%	5.5%
Hotel	HTL-01	R&B Hotel Umeda East	Osaka City, Osaka	2,069	2,310	2.4%	5.6%
	HTL-02	Smile Hotel Namba	Osaka City, Osaka	1,750	1,720	2.0%	5.3%
	HTL-03	BEST WESTERN Tokyo Nishi-kasai	Edogawa Ward, Tokyo	3,827	3,830	4.4%	4.7%
	HTL-04	BEST WESTERN Yokohama	Yokohama City, Kanagawa	3,248	3,250	3.8%	4.7%
Total				86,097	94,291	100.0%	5.1%

Portfolio List (at the end of the 5th 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	6,940 million yen	2,430 million yen	2,390 million yen	2,890 million yen	2,090 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	June 15, 1993	Feb. 8, 2010	May 28, 1987	Jan. 6, 1990	July 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 5th Fiscal Period)

Asset type	Office	Office	Office
Property name	Asahi Building	Hakata-eki East Place	Nihonbashi Hamacho Park Building
			
Acquisition price	6,320 million yen	2,286 million yen	1,450 million yen
Appraisal value	7,090 million yen	2,480 million yen	1,520 million yen
Structure/Floors	S/SRCB2/12F	SRC 9F	SRC 11F
Location	Yokohama City, Kanagawa	Fukuoka City, Fukuoka	Chuo Ward, Tokyo
Lot area	1,906.86 m ²	1,129.86 m ²	319.04 m ²
Total floor areas	12,353.83 m ²	6,243.13 m ²	2,384.03 m ²
Construction completion	Nov. 25, 1994	Feb. 24, 1986	July 13, 1992
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 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

Portfolio List (at the end of the 5th Fiscal Period)

Properties scheduled
for sale in 6th FP

Asset type	Residence	Residence	Residence	Residence	Residence	Residence
Property name	Urban Park Azabujuban	Urban Park Daikanyama	Urban Park Shin-Yokohama	Urban Park Namba	Urban Park Gokokuji	Urban Park Kashiwa
						
Acquisition price	2,045 million yen	6,315 million yen	2,528 million yen	1,490 million yen	1,460 million yen	1,186 million yen
Appraisal value	2,170 million yen	7,310 million yen	2,590 million yen	1,610 million yen	1,510 million yen	1,190 million yen
Structure/Floors	SRC with slate roofing B1/12F	RC, B1/3F RC, B1/9F	S B1/10F	RC 14F	RC B1F/5F	SRC B1F/8F
Location	Minato Ward, Tokyo	Shibuya Ward, Tokyo	Yokohama City, Kanagawa	Osaka City, Osaka	Toshima Ward, Tokyo	Kashiwa City, Chiba
Lot area	417.67 m ²	2,469.06 m ²	862.00 m ²	670.39 m ²	942.66 m ² (Of which, 50.85 m ² is contributed to Toshima Ward as road)	1,597.85 m ²
Total floor areas	2,564.94 m ²	8,261.29 m ² (for 2 buildings combined)	5,171.12 m ²	2,776.87 m ²	2,451.72 m ²	4,243.71 m ²
Construction completion	Nov. 29, 1999	1:Nov 15, 1987 2:May 30, 2006	May 30, 2009	Jan. 9, 2013	Feb. 28, 1990	Aug. 28, 1997
Property Features	<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. 	<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.




Portfolio List (at the end of the 5th Fiscal Period)

Asset type	Residential	Residential
Property name	Urban Park Ryokuchi-koen	Urban Park Koenji
		
Acquisition price	1,550 million yen	1,167 million yen
Appraisal value	1,570 million yen	1,170 million yen
Structure/Floors	RC 8F	RC 4F
Location	Suita City, Osaka	Suginami Ward, Osaka
Lot area	2,804.56 m ²	988.26 m ²
Total floor areas	5,854.64 m ²	1,524.34 m ²
Construction completion	Mar. 10, 1989	Oct. 13, 1987
Property Features	<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 equipment. 	<ul style="list-style-type: none"> ● Located in the 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, among other locations

Portfolio List (at the end of the 5th Fiscal Period)

Logistics	Logistics	Logistics	Logistics	Logistics	Logistics
Tokorozawa Logistics	Iwatsuki Logistics	Yokohama Logistics	Funabashi Logistics	Baraki Logistics	Tokorozawa Logistics
					
Acquisition price	6,942 million yen	3,560 million yen	7,875 million yen	4,700 million yen	1,300 million yen
Appraisal value	7,010 million yen	3,950 million yen	8,380 million yen	4,890 million yen	1,400 million yen
Structure/Floors	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	S 2F
Location	Saitama City, Saitama	Yokohama City, Kanagawa	Funabashi City, Chiba	Ichikawa City, Chiba	Tokorozawa City, Saitama
Lot area	15,623.14 m ²	10,565.95 m ²	19,858.00 m ²	6,242.76 m ²	8,645.63 m ²
Total floor areas	29,729.72 m ²	18,395.07 m ² (including 263.33 m ² break areas etc.)	38,871.45 m ² (two buildings combined)	12,471.50 m ²	5,994.75 m ²
Construction completion	Oct. 29, 2014	Oct. 1, 1994	1: Sept. 25, 1992 2: Aug. 5, 1997	Aug. 14, 2015	Apr. 30, 1999
Property Features	<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 Tokyo 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. 	<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.

Portfolio List (at the end of the 5th Fiscal Period)

Asset type	Logistics	Logistics	Logistics
Property name	Funabashi Nishiura Logistics I	Funabashi Nishiura Logistics II	Matsubushi Logistics
			
Acquisition price	3,000 million yen	821 million yen	2,755 million yen
Appraisal value	3,010 million yen	833 million yen	2,850 million yen
Structure/Floors	R 2F	R 4F	RC 3F
Location	Funabashi City, Chiba	Funabashi City, Chiba	Kita-Katsushika-gun, Saitama
Lot area	7,142.00 m ²	3,964.00 m ²	11,580.65 m ²
Total floor areas	14,018.82 m ²	6,316.32 m ²	19,833.47 m ²
Construction completion	Oct. 11, 1985	Warehouse: Mar. 20, 1991 Plant: May 15, 1972 Office: May 13, 1986	Mar. 31, 1997
Property Features	<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")

Portfolio List (at the end of the 5th Fiscal Period)

Asset type	Hotel	Hotel	Hotel	Hotel
Property name	R&B Hotel Umeda East	Smile Hotel Namba	Best Western Tokyo Nishi-kasai	Best Western Yokohama
				
Acquisition price	2,069 million yen	1,750 million yen	3,827 million yen	3,248 million yen
Appraisal value	2,300 million yen	1,750 million yen	3,890 million yen	3,270 million yen
Structure/Floors	RC 9F	S 9F	SRC B1F/9F	SRC B1F/9F
Location	Osaka City, Osaka	Osaka City, Osaka	Edogawa Ward, Tokyo	Yokohama City, Kanagawa
Lot area	730.26 m ²	285.28 m ²	1,418.00 m ²	782.66 m ²
Total floor areas	3,945.65 m ²	1,711.42 m ²	5,293.88 m ²	4,686.09 m ²
Construction completion	Oct. 20, 2000	Feb. 6, 2008	Mar. 19, 1991	Sept. 21, 1987
Property Features	<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 Namba, one of Osaka's leading 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 inbound 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 Disney Resort-related leisure travelers, as it stands in a straight-line distance of approx. 4 km away from Tokyo Disney Resort. ● 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 "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.

Portfolio List (properties acquired in the 6th Fiscal Period)

Asset type	Office	Office	Hotel	Hotel	Hotel	Hotel
Property name	Amusement Media Gakuin Honkan	Higashi Kobe Center Building	Hotel WBF Fukuoka Tenjin Minami	GLANSIT Akihabara	Best Western Tokyo Nishikasai Grande	Hotel WBF Art Stay Namba
						
Acquisition price	2,580 million yen	7,440 million yen	1,970 million yen	2,500 million yen	3,180 million yen	2,000 million yen
Appraisal value	2,660 million yen	7,470 million yen	1,990 million yen	2,520 million yen	3,200 million yen	2,030 million yen
Structure/Floors	SRC S 8F/B1F	SRC 14F	RC 10F	SRC 10F/B1F	S 8F	RC9F
Location	Shibuya Ward, Tokyo	Kobe City, Hyogo	Fukuoka City, Fukuoka	Chiyoda Ward, Tokyo	Edogawa Ward, Tokyo	Osaka City, Osaka
Lot area	433.21 m ²	8,488.11 m ²	534.94 m ²	167.74 m ²	657.00 m ²	335.31 m ²
Total floor areas	1,892.18 m ²	25,740.46 m ²	2,281.49 m ²	1,081.97 m ²	2,755.19 m ²	2,061.38 m ²
Construction completion	Nov 2, 1994	Jan 6, 1992	Feb 20, 2017	Sep 20, 2017	Feb 7, 2017	Apr 7, 2017
Property Features	<ul style="list-style-type: none"> ● Stable revenue is expected since a vocational school has rented the entire building for many years since the completion ● The building is appealing to companies as the property is located in an office area with many foreign-affiliated companies and IT-related firms as well as companies in the creative sector such as advertising and content creation firms ● Further development of the area is expected considering that it is not only an office area, but also has elements of residential and tourism areas. 	<ul style="list-style-type: none"> ● Provides convenient access to office and commercial areas since the building is centrally located between Osaka and Kobe, with an 11-minute ride to Sannomiya Station and 17-minute ride to Osaka Station from Settsu Motoyama, the closest station to the property ● There is parking space for 180 cars on the premises and for 112 cars off the premises, which is very appealing to a wide range of retail tenants, particularly stores seeking to attract customers 	<ul style="list-style-type: none"> ● The hotel is centrally located between Tenjin and Nakasu, thus it is expected to attract tourists and business guests ● Demand for hotels is expected to increase with a rising number of passengers using the Fukuoka Airport and development of additional runways ● Completed relatively recently in February 2017. 	<ul style="list-style-type: none"> ● Located in the Akihabara area, one of the largest tourism spots in Tokyo ● Appealing to guests for the purpose of business and tourism as it is located in a highly convenient and flourishing area ● Offers three types of capsules, attracting various customers ● Completed relatively recently in September 2017. 	<ul style="list-style-type: none"> ● Located in the Nishi Kasai area, which provides the easy access to main business and tourism areas in Tokyo. ● The hotel flexibly responds the needs of many business people and tourists as it provides various room types in accordance with purpose of use. ● Completed relatively recently in February 2017. 	<ul style="list-style-type: none"> ● Located in the Namba area, one of the largest commercial areas in Osaka ● Good access from sightseeing spots and business district, thereby expected to meet huge business and tourism demand ● Demand for hotels is expected to increase as inbound demand rises in Osaka ● Completed relatively recently in April 2017.

Balance of Payments of Individual Properties for the 5th Fiscal Period

Properties
scheduled for
sale in 6th-7th FP

(Unit: thousand yen)

	OFC-01	OFC-03	OFC-04	OFC-05	OFC-06	OFC-07	OFC-08	OFC-09	OFC-10	Office Total
	Minami- Azabu Shibuya Building	Honmachibashi Tower	Nishi- Shinjuku Matsuya Building	Alphabet Seven	Shibuya MK Building	Hakata-eki Higashi 113 Building	Asahi Building	Hakata-eki East Place	Nihonbashi Hamacho Park Building	
Total of revenue real estate lease	94,929	216,674	98,436	75,406	75,392	75,784	218,872	100,791	45,084	1,001,373
Lease business revenue	88,351	190,425	87,420	71,053	70,435	70,325	202,101	81,508	45,084	906,707
Other lease business revenue	6,577	26,249	11,015	4,352	4,957	5,459	16,771	19,282	-	94,665
Total of expenses - real estate lease	24,527	62,899	34,096	18,541	18,507	22,616	61,823	29,009	10,160	282,181
PM fees	5,707	13,860	6,549	4,916	4,819	7,719	15,609	7,930	769	67,881
Trust fees	398	396	396	396	346	346	396	396	394	3,467
Utilities expenses	6,793	25,070	7,251	4,333	3,288	6,454	17,292	8,124	-	78,609
Insurance expenses	114	352	126	98	44	121	351	165	121	1,496
Repair expenses	969	582	1,520	1,205	4,825	1,251	6,007	4,919	63	21,345
Taxes and public dues	4,575	19,767	3,434	6,219	4,316	5,294	15,995	6,582	0	66,185
Other	5,969	2,869	14,817	1,372	865	1,428	6,169	890	8,811	43,195
NOI	70,401	153,775	64,340	56,864	56,885	53,168	157,049	71,781	34,924	719,191
Depreciation	11,458	44,986	8,043	4,517	3,108	5,995	24,244	6,528	2,837	111,719
Income from real estate property leasing	58,942	108,788	56,297	52,347	53,777	47,172	132,805	65,253	32,087	607,472
Capital expenditures	2,897	2,241	22,451	2,031	10,809	2,671	45,286	8,905	-	97,293
NCF	67,504	151,533	41,889	54,833	46,076	50,496	111,763	62,876	34,924	621,898

Balance of Payments of Individual Properties for the 5th Fiscal Period

Properties
scheduled for
sale in 6th FP

(Unit: thousand yen)

	RSC-01	RSC-02	RSC-04	RSC-05	RSC-06	RSC-07	RSC-08	RSC-09	Residence Total
	Urban Park Azabujuban	Urban Park Daikanyama	Urban Park Shin- Yokohama	Urban Park Namba	Urban Park Gokokuji	Urban Park Kashiwa	Urban Park Ryokuchi-koen	Urban Park Koenji	
Total of revenue real estate lease	54,003	189,587	76,112	51,932	51,645	36,332	54,661	35,241	549,514
Lease business revenue	52,538	181,165	73,367	49,378	48,488	35,269	51,443	31,801	523,452
Other lease business revenue	1,465	8,421	2,745	2,553	3,156	1,063	3,217	3,439	26,062
Total of expenses - real estate lease	11,758	34,819	19,718	11,951	21,743	11,133	15,070	11,599	137,794
PM fees	2,085	8,594	4,771	2,566	3,852	1,851	2,201	1,741	27,665
Trust fees	346	346	346	346	396	346	344	394	2,869
Utilities expenses	503	4,630	911	482	2,589	799	1,967	1,321	13,204
Insurance expenses	56	193	147	62	52	83	116	36	749
Repair expenses	3,021	4,422	2,580	1,680	4,268	4,318	5,221	5,719	31,232
Taxes and public dues	2,784	11,218	4,719	2,791	1,838	2,954	10	-	26,317
Other	2,959	5,413	6,241	4,021	8,745	779	5,208	2,387	35,756
NOI	42,245	154,767	56,393	39,980	29,901	25,198	39,590	23,641	411,720
Depreciation	4,749	12,233	16,442	7,515	4,332	6,763	6,864	2,416	61,318
Income from real estate property leasing	37,496	142,533	39,950	32,464	25,569	18,435	32,726	21,225	350,401
Capital expenditures	3,917	243	-	-	21,126	12,162	5,918	-	43,369
NCF	38,327	154,523	56,393	39,980	8,775	13,035	33,672	23,641	368,350

Balance of Payments of Individual Properties for the 5th Fiscal Period

(Unit: thousand yen)

	LGC-01	LGC-02	LGC-03	LGC-04	LGC-05	LGC-06	LGC-07	LGC-08	Logistics facility Total
	Iwatsuki Logistics	Yokohama Logistics	Funabashi Logistics	Baraki Logistics	Tokorozawa Logistics	Funabashi Nishiura Logistics I	Funabashi Nishiura Logistics II	Matsubushi Logistics	
Total of revenue real estate lease	200,802	Not disclosed	255,664	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	953,094
Lease business revenue	187,713		240,079						912,876
Other lease business revenue	13,088		15,585						40,217
Total of expenses - real estate lease	33,799		55,782						157,170
PM fees	5,987		11,908						30,961
Trust fees	346		396						3,015
Utilities expenses	13,088		14,156						39,174
Insurance expenses	271		390						1,406
Repair expenses	70		5,764						11,534
Taxes and public dues	13,835		22,709						62,936
Other	200		455						8,141
NOI	167,002		199,882						795,923
Depreciation	46,467		26,695						140,437
Income from real estate property leasing	120,535		173,187						655,486
Capital expenditures	1,955		4,744						120,566
NCF	165,046		195,138						675,356

(*) Not disclosed as consent for disclosure has not been obtained from the tenant.

Balance of Payments of Individual Properties for the 5th Fiscal Period

(Unit: thousand yen)

	HTL-01	HTL-02	HTL-03	HTL-04	Hotel Total	Total
	R&B Hotel Umeda East	Smile Hotel Namba	Best Western Tokyo Nishi-kasai	Best Western Yokohama		
Total of revenue real estate lease	65,572	43,197	98,829	80,393	287,993	2,791,975
Lease business revenue	65,572	43,197	98,829	80,393	287,993	2,631,029
Other lease business revenue	-	-	-	-	-	160,946
Total of expenses - real estate lease	7,076	4,530	10,768	8,428	30,803	607,950
PM fees	742	660	1,200	1,200	3,802	130,310
Trust fees	346	544	396	396	1,684	11,036
Utilities expenses	8	-	-	-	8	130,997
Insurance expenses	111	53	124	105	394	4,046
Repair expenses	410	755	1,070	2,042	4,277	68,389
Taxes and public dues	5,431	2,283	7,955	4,659	20,329	175,769
Other	25	234	22	24	306	87,399
NOI	58,496	38,667	88,060	71,965	257,189	2,184,025
Depreciation	9,203	12,064	9,781	11,283	42,333	355,808
Income from real estate property leasing	49,293	26,602	78,278	60,682	214,856	1,828,216
Capital expenditures	-	5,279	4,913	9,757	19,951	281,180
NCF	58,496	33,387	83,146	62,207	237,238	1,902,844



Overview of 3rd and 4th Asset Replacements

Asset replacement policies

- 1 Future revenue contribution of assets subject to replacement
- 2 Real estate market conditions by asset type
- 3 Level of the investment Unit price of SAR


Third asset replacement

Achieving profit growth and gain on sale across two consecutive fiscal periods

Property to be transferred		Gain on sale (expected) 820 million yen	Property to be acquired	
Transfer at a price 37.7% higher than appraisal value and achieve gain on sale across two consecutive fiscal periods			Acquire a hotel with both fixed and variable rent, contributing to portfolio earnings growth	
	Hakata-eki Higashi 113 Building Scheduled transfer price 2,850 million yen (Appraisal value: 2,070 million yen)			Hotel WBF Fukuoka Tenjin Minami Acquisition price 1,970 million yen (Appraisal value: 1,990 million yen)
NOI yield after depreciation	3.0%		Appraisal NOI yield after depreciation	3.8%
Building age rounded down to the nearest year	30 years		Building age (rounded down to the nearest year)	1 year
Anticipated 5-year repair costs	172 million yen	Anticipated 5-year repair costs	0	

Forth asset replacement

Replacement with property expected to improve portfolio NOI yield after depreciation and generate gain on sale

Property to be transferred		Gain on sale (expected) 177 million yen	Property to be acquired	
Achieve gain on sale by transferring at a price 7.6% higher than appraisal value			Acquire a hotel with fixed rent, raising the fixed rent ratio of the portfolio	
	Urban Park Shin-Yokohama Scheduled transfer price 2,775 million yen (Appraisal value: 2,580 million yen)			GLANSIT Akihabara Acquisition price 2,500 million yen (Appraisal value: 2,520 million yen)
Actual NOI yield after depreciation	2.6%		Appraisal NOI yield after depreciation	3.3%
Building age (rounded down to the nearest year)	9 years		Building age (rounded down to the nearest year)	0 year

Approach based on asset replacement policies

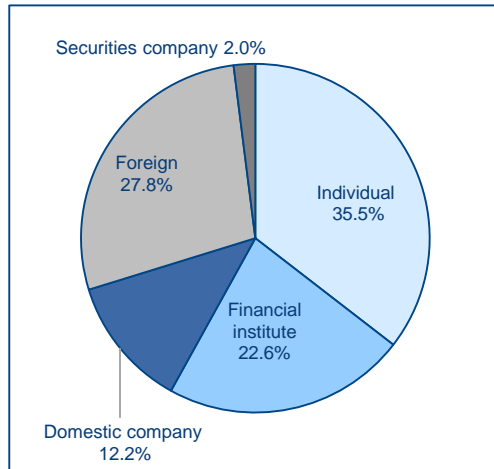
- 1 ■ Based on future expected income and payout and the potential for securing gain on sale, we determined that transferring Hakata-eki Higashi 113 Building would contribute more to the portfolio revenue than holding it.
■ We also determined that revenue from Hotel WBF Fukuoka Tenjin Minami, the property to be acquired, is very likely to grow in the future since the property is located in a region where inbound demand is expected to increase and since we signed a fixed rent + variable rent agreement with the tenant (Note 27).
- 2 ■ We expect to see growth in earnings from hotel assets due to the tightening of supply/demand for lodging facilities resulting from the reduction in illegal private residence lodging facilities following enforcement of the Private Residence Lodging Business Act.
■ We determined that inbound demand is expected to continue to increase in the central Tenjin area of Fukuoka Prefecture which enjoys geographical proximity to Asian countries driving inbound demand and provides easy access to Fukuoka Airport and the Port of Hakata.
- 3 ■ We determined that the asset transfer within asset replacement would bring in gain on sale across two consecutive fiscal periods which is expected to be contributing to maximizing unitholder return.

Approach based on asset replacement policies

- 1 ■ We determined that Urban Park Shin-Yokohama, the property to be transferred, has a lower Actual NOI yield after depreciation (Note 28) than the average for the portfolio and therefore doesn't strongly contribute to the portfolio revenue.
■ We sought out a real estate investor with valuation standards for Urban Park Shin-Yokohama, the property to be transferred, that differ from those of SAR (i.e., an investor with a valuation of standard emphasizing asset holdings in the Tokyo Metropolitan Area on the premise of securing profit) and who offered a price above appraisal value.
- 2 ■ We expect to see growth in earnings from hotel assets due to the tightening of supply/demand for lodging facilities resulting from the reduction in illegal private residence lodging facilities following enforcement of the Private Residence Lodging Business Act.
■ We determined that inbound demand in Akihabara will likely continue to be strong since it is popular amongst foreign tourists and provides convenient access to major tourist spots in Tokyo.
- 3 ■ We determined that flexible asset replacement would bring in gain on sale, support our Initiatives and absorb financing costs while contributing to maximizing unitholder return.

Status of Unitholders at the End of 5th Fiscal Period ended July 2018

Number of Investment Units by Unitholder Type: Total 470,624 units

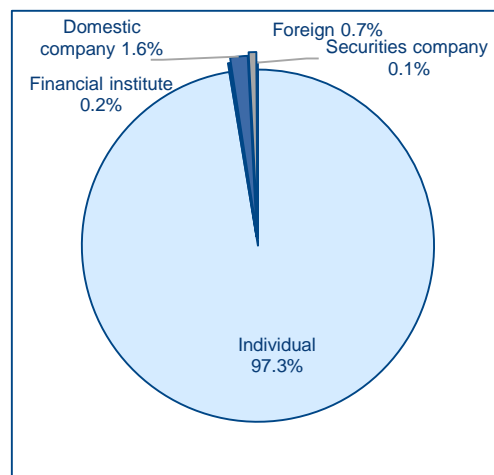


Category	Ratio	No. of investment units
Individual	35.5%	166,889
Financial institution	22.6%	106,301
Domestic corporation	12.2%	57,479
Foreign	27.8%	130,607
Securities company	2.0%	9,348

List of major unitholders (Top 10)

	Unitholder name (note 29)	Number of investment units	Holding ratio (note30)
1	The Master Trust Bank of Japan, Ltd. (Trust account)	43,992	9.3%
2	Star Asia Capital Japan GK	39,480	8.4%
3	Japan Trustee Services Bank, Ltd (Trust account)	26,727	5.7%
4	Star Asia Capital I LLC	14,325	3.0%
4	Star Asia Capital II LLC	14,325	3.0%
4	Star Asia Capital III LLC	14,325	3.0%
4	Star Asia Capital IV LLC	14,325	3.0%
8	The Nomura Trust and Banking Co., Ltd. (Trust account)	12,000	2.5%
9	NORTHERN TRUST CO. (AVFC) RE 10PCT TR EATY ACCOUNT	11,694	2.5%
10	SSBTC CLIENT OMNIBUS ACCOUNT	11,003	2.3%
Total		202,196	43.0%

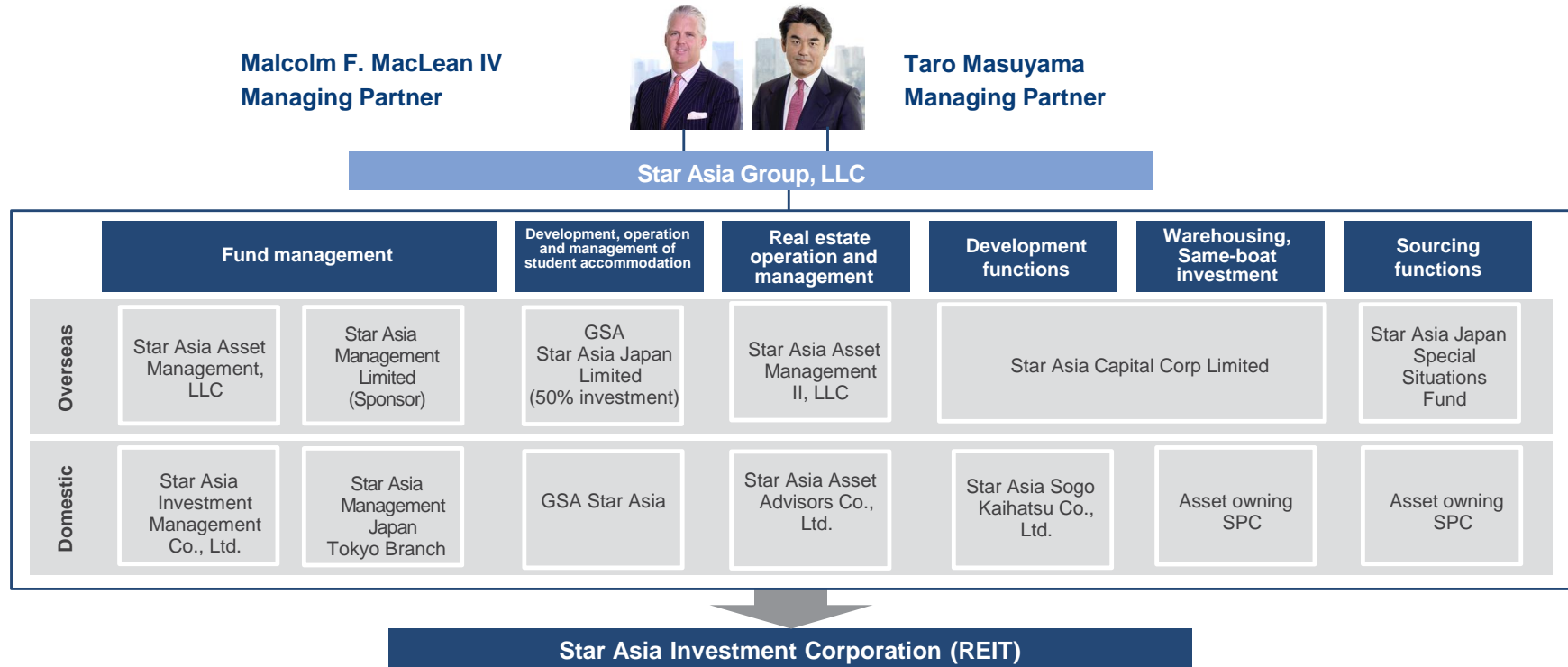
Number of Unitholders by Unitholder Type: Total 17,506



Category	Ratio	No. of persons/entities
Individual	97.3%	17,039
Financial institutions	0.2%	37
Domestic corporation	1.6%	281
Foreign	0.7%	124
Securities company	0.1%	25

About the Sponsor Group

Star Asia Group's Strategic Organizational Chart (by Function)



Relationship with the Star Asia Group's investors centering on the U.S.

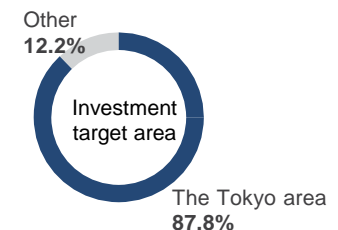
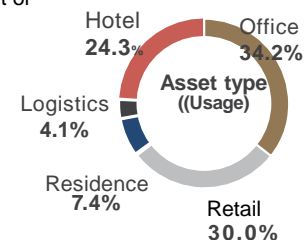
Investors	Location	Investment ratio (%)	Total assets under management (trillion yen)
1 A. Endowment fund	U.S.	18	2.2
2 B. Foundation	U.S.	10	2.6
3 C. Foundation	U.S.	7	5.6
4 Real estate-related fund	Asia	6	1.4
5 E. Foundation	U.S.	5	6.3

(As of Sep 30, 2017)

Overview of assets under management of the Sponsor Group (appraisal value basis) (as of the end of April 2018)

45.3 billion yen

(Excluding assets for which preferential negotiation rights are acquired)



Organizational Structure of Asset Manager

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.

Senior 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

Was involved in ① proposals for implementing capital expenditure and repair plans with an aim to enhance value and maintain functions upon acquisition of real estate and ② supervising construction work such as renewal and repair work after the acquisition of real estate as well as advisory and support to help maintain building value at a foreign real estate fund.

Star Asia, the sponsor of Star Asia Investment Corporation, is a non-listed independent investment management group which invests mainly in Japanese real estate-related assets and whose main goal is supplying investors with excellent returns.

Star Asia Investment Corporation and Star Asia shall share the same long-term vision in accordance with the Star Asia Group’s Code of Conduct, shall be a leading Real estate investment management group in Japan and shall persistently endeavor to continue to be such.

The Code of Conduct is as follows:

1	Client First	2	Highest Ethical Standards and Integrity	3	Creativity	4	Respect for Others
We are rewarded only when we consistently meet and exceed our investor clients’ expectations for the mandates they have given to us.		We always abide by the highest ethical standards and integrity. Unethical actions by an employee could easily destroy the group’s long-standing reputation and trust.		We utilize our experience, persistence, and creativity to identify and monetize investment opportunities which may not be immediately apparent to our competitors.		We treat our investor clients, employees, trade counterparties, and vendors with the utmost respect, and always strive to be trustworthy partner.	
5	Collaborative and Cooperative Culture	6	Adaptability	7	Meritocracy	8	Endless Pursuit of Excellence
We succeed only when we work together by fully utilizing our collective strengths in a cooperative manner to serve our investor clients. The group’s performance always exceeds the sum of our individual performances.		We stay nimble, proactive and critical, allowing us to adjust quickly as the market environment changes in order to continue to be a successful leader in the market where we do business.		We reward our employees for their specific personal performance as well as their contribution to the group and to investor client performance.		We will tirelessly pursue excellence not only for our investor clients but also for ourselves.	

5. Notes

	Note 1	In this material, amounts less than specified units are rounded down while ratios are rounded to a specified unit
p1	Note 2	“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. “middle-size assets” are properties with acquisition prices of less than JPY10bn. The same applies hereafter.
	Note 3	“The Initiative” refers to the initiative up to the completion of the issuance of all new investment units in public offering and third-party allotment announced August 21 and August 29, 2018 as well as the completion of allotment of the paid-in amount of third-party allotment to repayment of borrowings as scheduled and the repayment of borrowings by the end of the 7th fiscal period through progress of the Initiative, reflecting the 6 property acquisitions and 2 property transfers announced on July 23 and August 21, 2018.
p3	Note 4	Change in the closing value of the TSE REIT Index on the Tokyo Stock Exchange from April 20, 2016 to August 10, 2018 is relativized based on the assumption that closing value (1,887.75) of the TSE REIT Index on April 20, 2016 is the same as the closing investment unit price of SAR of ¥98,300 on the same date.
p4	Note 5	The number of tenants after our Initiatives is based on effective lease contracts of 33 assets (to be) acquired excluding assets (to be) transferred as of the end of May 2018.
p4	Note 6	“Ratio of the largest tenant” is calculated on the basis of adding rent to common service fees.
p4	Note 7	“Market cap” after the initiative is calculated with the assumption of the closing price of 102,800 yen of September 12, 2018, that Nomura Securities Co., Ltd. purchases all 3,343 units in the third-party allotment and that 540,824 investment units are issued.
p6	Note 8	Calculated by dividing the sum of actual DPUs from the 1st to 5th fiscal periods and forecasted DPUs from the 6th to 7th fiscal periods by seven.
p7	Note 9	Total return shown in the graph is the return in the case of assuming that reinvestment of received dividends is made on the good-till date and is Bloomberg’s own method of calculation.
p12	Note 10	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 as the denominator.
p12	Note 11	Ratio of the increased portions is calculated as a percentage of total rent of tenants’ rents before renewal as the denominator
p12	Note 12	Indexed for each property with the average price per tsubo in the period pertaining to the date the property as 100.
p13	Note 13	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. Hakata-eki Higashi 113 Building which is scheduled to be sold in the 6th fiscal period is excluded.
p13	Note 14	Hakata-eki Higashi 113 Building which is scheduled to be sold in the 6th fiscal period is excluded while Amusement Media Gakuin Honkan and Higashi-Kobe Center Building acquired in the 6th fiscal period (September 6, 2018) are included.
p14	Note 15	Calculated by abstracting the residential section. The calculation used 7 owned assets and excluded Urban Park Shin-Yokohama which is scheduled to be sold.
P17	Note 16	JBA 1-month yen TIBOR
P17	Note 17	The interest rates shown take into consideration the effects of interest rate swaps (fixing of interest rates).
p17	Note 18	The main financial indices after the Initiative and concerning the bank formation are calculated by excluding the borrowings scheduled to be repaid by the end of the 7th fiscal period through the progress of the Initiative from the borrowings as of September 6, 2018.

p22	Note 19	Gain on sale per unit for the 3rd and 4th fiscal periods are calculated by dividing using the total number of investment units issued as of the end of the period in which each gain on sale is recorded. Gain on sale per unit for the 6th fiscal period and 7th fiscal period are the expected gain on sale assuming Nomura Securities purchases all 3,343 investment units issued on October 1, 2018 and 540,824 investment units are issued.
p22	Note 20	Gain on sale expected to be realized in the 6th fiscal period is due to the transfer of 49% quasi-co-ownership interest in the real estate trust beneficiary interest in Hakata-eki Higashi 113 and the remaining 51% of quasi-co-ownership interest in real estate trust beneficiary interest is scheduled to be transferred in the 7th fiscal period.
p23	Note 21	The appraisal value is as of the end of July 2018.
p23	Note 22	The appraisal value is as of the end of June 2018.
p23	Note 23	Trust with loan claims as asset in trust (trustee: Shinsei Trust & Banking Co. Ltd.) has been established
p23	Note 24	The effect on cash distributions per unit in the 5th and 6th fiscal periods are calculated by dividing using the total number of investment units issued at the end of each period where revenue is recorded. The number of investment units issued at the end of the 5th fiscal period was 470,624. For the 6th fiscal period, it is assumed that Nomura Securities Co., Ltd. purchases all 3,343 units issued through third-party allotment and that 540,824 units are issued.
p24	Note 25	Includes 51% quasi-co-ownership interest in Oak Minami Azabu sold at the beginning of the 4th fiscal period.
p24	Note 26	Investment corporations with an asset size of 400 billion yen or more as of May 31, 2018 are shown. Asset sizes are as of May 31, 2018. Status of incorporation into indices and rating status are as of April 20, 2018. Yields are as of July 31, 2018.
p43	Note 27	As of the date of this document rents are of a fixed rent system but it has been agreed that a change will be made to a fixed + floating rent system from January 2020.
p43	Note 28	Actual NOI yield after depreciation of assets scheduled to be transferred are calculated by dividing the NOI after depreciation of the assets scheduled to be transferred in the 3rd fiscal period ended July 2017 or the 4th fiscal period ended January 2018 by the acquisition price and are rounded to the nearest first decimal place.
p44	Note 29	Star Asia Capital Japan and Star Asia Capital I-IV LLC are the sponsor group companies.
p44	Note 30	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.

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