

## (REIT) Financial Report for Fiscal Period Ended January 31, 2017

March 17, 2017

REIT Securities Issuer: Star Asia Investment Corporation  
 Securities Code: 3468  
 Representative: Atsushi Kato, Executive Director

Stock Exchange Listing: Tokyo Stock Exchange  
 URL: <http://starasia-reit.com>

Asset Management Company: Star Asia Investment Management Co., Ltd.  
 Representative: Atsushi Kato, President and CEO  
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Scheduled date of commencement of cash distribution payment: April 17, 2017  
 Scheduled date of submission of securities report: April 27, 2017

Preparation of supplementary financial results briefing materials: Yes  
 Holding of financial results briefing session: None

(Amounts are rounded down to the nearest million yen)

### 1. Status of Management and Assets for Fiscal Period Ended January 31, 2017 (from August 1, 2016 to January 31, 2017)

#### (1) Management Status

(% figures are the rate of period-on-period increase (decrease))

| Fiscal period   | Operating revenue |     | Operating income |     | Ordinary income |       | Net income  |       |
|-----------------|-------------------|-----|------------------|-----|-----------------|-------|-------------|-------|
|                 | million yen       | %   | million yen      | %   | million yen     | %     | million yen | %     |
| Ended Jan. 2017 | 2,017             | 8.5 | 1,190            | 3.7 | 1,073           | 220.1 | 1,072       | 221.2 |
| Ended Jul. 2016 | 1,859             | —   | 1,147            | —   | 335             | —     | 333         | —     |

| Fiscal period   | Net income per unit | Ratio of net income to equity | Ratio of ordinary income to total assets | Ratio of ordinary income to operating revenue |
|-----------------|---------------------|-------------------------------|--|---|
|                 | yen                 | %                             | %  | %   |
| Ended Jan. 2017 | 3,111               | 3.1                           | 1.6                                      | 53.2  |
| Ended Jul. 2016 | 1,813               | 1.5                           | 0.6                                      | 18.0  |

(Note 1) The calculation period for the fiscal period ended July 31, 2016 of Star Asia Investment Corporation is a period of 244 days from December 1, 2015 to July 31, 2016, but the actual asset management period is a period of 200 days from January 14, 2016 to July 31, 2016.

(Note 2) Net income per unit for the fiscal period ended July 31, 2016 is calculated by dividing net income by the daily weighted average number of investment units (184,092 units).

(Note 3) Ratio of net income to equity and ratio of ordinary income to total assets for the fiscal period ended July 31, 2016 are calculated based on the weighted average equity and total assets, respectively, with the actual asset management period commencement date January 14, 2016 deemed as the beginning of the period.

#### (2) Status of Cash Distribution

| Fiscal period   | Cash distribution per unit (not including cash distribution in excess of earnings) | Total cash distribution (not including cash distribution in excess of earnings) | Cash distribution in excess of earnings per unit | Total cash distribution in excess of earnings | Cash distribution per unit (including cash distribution in excess of earnings) | Total cash distribution (including cash distribution in excess of earnings) | Cash distribution payout ratio | Ratio of cash distribution to net assets |
|-----------------|--|---|--|---|--|---|--------------------------------|--|
|                 | yen  | million yen   | yen  | million yen                                   | yen  | million yen   | %                              | %  |
| Ended Jan. 2017 | 3,112  | 1,072   | 0  | 0   | 3,112  | 1,072   | 100.0                          | 3.1                                      |
| Ended Jul. 2016 | 892  | 307   | 76   | 26  | 968  | 333   | 92.1                           | 0.9                                      |

(Note 1) For the fiscal period ended July 31, 2016, of cash distribution in excess of earnings per unit of 76 yen, allowance for temporary difference adjustment is 76 yen.

(Note 2) For the fiscal period ended July 31, 2016, cash distribution payout ratio is calculated by the following formula due to changes in the number of investment units during the period following issuance of new investment units during the period:

$$\text{Cash distribution payout ratio} = \frac{\text{Total cash distribution (not including cash distribution in excess of earnings)}}{\text{Net income}} \times 100$$

(Note 3) For the fiscal period ended July 31, 2016, ratio of cash distribution to net assets is calculated based on the weighted average net assets per unit with the actual asset management period commencement date January 14, 2016 deemed as the beginning of the period.

#### (3) Financial Position

| Fiscal period   | Total assets | Net assets  | Equity ratio | Net assets per unit |
|-----------------|--------------|-------------|--------------|---------------------|
|                 | million yen  | million yen | %            | yen                 |
| Ended Jan. 2017 | 67,363       | 34,674      | 51.5         | 100,592             |
| Ended Jul. 2016 | 68,636       | 33,848      | 49.3         | 98,197              |

(4) Status of Cash Flows

| Fiscal period   | Net cash provided by (used in) operating activities | Net cash provided by (used in) investing activities | Net cash provided by (used in) financing activities | Cash and cash equivalents at end of period |
|-----------------|---|---|---|--|
|                 | million yen   | million yen   | million yen   | million yen                                |
| Ended Jan. 2017 | 2,803   | (181)   | (2,686)   | 4,498                                      |
| Ended Jul. 2016 | (397)   | (61,010)  | 65,972  | 4,564                                      |

2. Management Status Forecast for Fiscal Period Ending July 31, 2017 (from February 1, 2017 to July 31, 2017) and Fiscal Period Ending January 31, 2018 (from August 1, 2017 to January 31, 2018)

(% figures are the rate of period-on-period increase (decrease))

| Fiscal period    | Operating revenue |       | Operating income |       | Ordinary income |      | Net income  |       | Cash distribution per unit (not including cash distribution in excess of earnings) | Cash distribution in excess of earnings per unit |
|------------------|-------------------|-------|------------------|-------|-----------------|------|-------------|-------|--|--|
|                  | million yen       | %     | million yen      | %     | million yen     | %    | million yen | %     | yen  | yen  |
| Ending Jul. 2017 | 3,135             | 55.4  | 2,071            | 74.0  | 1,798           | 67.6 | 1,798       | 67.6  | 4,340  | 0  |
| Ending Jan. 2018 | 3,103             | (1.0) | 2,009            | (3.0) | 1,859           | 3.3  | 1,783       | (0.8) | 4,039  | 0  |

(Reference) Forecast net income per unit (fiscal period ending July 31, 2017) 4,340 yen

Forecast net income per unit (fiscal period ending January 31, 2018) 4,305 yen

\* Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

- ① Changes in accounting policies accompanying amendments to accounting standards, etc.: No
- ② Changes in accounting policies other than ①: No
- ③ Changes in accounting estimates: No
- ④ Retrospective restatement: No

(2) Total Number of Investment Units Issued and Outstanding

① Total number of investment units issued and outstanding (including own investment units) at end of period

|                                  |               |                                   |               |
|----------------------------------|---------------|-----------------------------------|---------------|
| Fiscal period ended Jan 31, 2017 | 344,700 units | Fiscal period ended July 31, 2016 | 344,700 units |
|----------------------------------|---------------|-----------------------------------|---------------|

② Number of own investment units at end of period

|                                  |         |                                   |         |
|----------------------------------|---------|-----------------------------------|---------|
| Fiscal period ended Jan 31, 2017 | 0 units | Fiscal period ended July 31, 2016 | 0 units |
|----------------------------------|---------|-----------------------------------|---------|

\* Presentation of Status of Implementation of Audit Procedures

At the time of disclosure of this financial report, audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

\* Explanation of Appropriate Use of Management Status Forecast, and Other Matters of Special Note

The management status outlook and other forward-looking statements contained in this document are based on information that are currently available and certain assumptions that are deemed reasonable by Star Asia Investment Corporation. Accordingly, the actual management status, etc. may differ materially due to various factors. In addition, the forecast figures are the current figures calculated under the assumptions described in "Assumptions Underlying Management Status Forecast for Fiscal Period Ending July 31, 2017 and Fiscal Period Ending January 31, 2018" on page 3-4. Accordingly, the actual operating revenue, operating income, ordinary income, net income, cash distribution per unit (not including cash distribution in excess of earnings) and cash distribution in excess of earnings per unit may vary due to acquisition/disposition of real estate, etc., trends of the real estate market, etc., fluctuations in interest rates or other changes in the circumstances surrounding Star Asia Investment Corporation, etc. in the future. In addition, the forecast is not a guarantee of the amount of cash distribution.

Assumptions Underlying Operating Results Forecasts for  
Fiscal Period Ending July 31, 2017 and Fiscal Period Ending January 31, 2018

| Item                             | Assumptions   |
|----------------------------------|---|
| Calculation period               | <ul style="list-style-type: none"> <li>➤ Fiscal period ending July 31, 2017: February 1, 2017 – July 31, 2017 (181 days)</li> <li>➤ Fiscal period ending January 31, 2018: August 1, 2017 – January 31, 2018 (184 days)</li> </ul>  |
| Investment assets                | <ul style="list-style-type: none"> <li>➤ For the real estate beneficiary interests in trust of the 18 properties held by SAR as of the date of this document (hereafter referred to as the “Existing Properties” in these assumptions), it is assumed that there will be no change in the investment assets (new property acquisitions, sales of the Existing Properties, etc.) other than acquisition of real estate beneficiary interests in trust of the following six properties (the “Property Planned for the Acquisition”) and transfer of real estate beneficiary interests in trust of the following one property (hereinafter referred to as the “Acquisition” and “Transfer,” respectively) through the end of the fiscal period ending January 31, 2018.</li> <li style="padding-left: 20px;">&lt;Acquisition&gt;</li> <li style="padding-left: 20px;">Property name: OFC-09 Hakata-eki East Place, RSC-07 Urban Park Kashiwa, LGC-04 Baraki Logistics, LGC-05 Tokorozawa Logistics, HTL-03 Best Western Tokyo Nishikasai, HTL-04 Best Western Yokohama</li> <li style="padding-left: 20px;">Acquisition date: April 6, 2017</li> <li style="padding-left: 20px;">&lt;Transfer&gt;</li> <li style="padding-left: 20px;">Property name: OFC-02 Oak Minami-Azabu</li> <li style="padding-left: 20px;">Transfer date: March 31, 2017    Quasi co-ownership interest: 49%</li> <li style="padding-left: 40px;">August 1, 2017    Quasi co-ownership interest: 51%</li> <li style="padding-left: 20px;">In practice, this may vary due to changes in investment assets.</li> </ul>   |
| Operating revenue                | <ul style="list-style-type: none"> <li>➤ Rent revenues from the Existing Properties are calculated based on the rent stated in the lease agreements that are effective as of the date of this document. Rent revenues from the Properties Planned for the Acquisition are calculated based on the information from the seller and rent stated in the lease agreements that will be effective as of the date of acquisition taking factors such as market movement into consideration, respectively.</li> <li>➤ As to operating revenue, it is assumed that no rent payments will be delinquent or declined by tenants.</li> <li>➤ Gain on sales of real estate property from the transfer of the asset on February 1, 2017 is expected to be 153 million yen for the fiscal period ending July 31, 2017 as described in “Notice Concerning Acquisition and Transfer of Real Estate Beneficiary Interests in Trust” announced on December 5, 2016.</li> <li>➤ Gain on sales of real estate property from the Transfer is expected to be 734 million yen for the fiscal period ending July 31, 2017 and 769 million yen for the fiscal period ending January 31, 2018.</li> </ul>   |
| Operating expenses               | <ul style="list-style-type: none"> <li>➤ Among expenses related to rent business of the Existing Properties, which are the principal operating expenses, expenses excluding depreciation are calculated on the basis of historical data, reflecting variable factors of expenses.</li> <li>➤ Fixed property taxes, city planning taxes and other public charges are expected to be 156 million yen for the fiscal period ending July 31, 2017 and 142 million yen for the fiscal period ending January 31, 2018.</li> <li>➤ For the Properties Planned for the Acquisition, fixed property taxes, city planning taxes and other public charges in fiscal 2017 will be settled on a pro rata basis based on the number of days of ownership with the seller at the time of acquisition of the properties. However, in the case of SAR, the settled amount will be included in the acquisition cost and thus will not be recorded as expenses in the fiscal periods ending July 31, 2017 and ending January 31, 2018. In addition, fixed property taxes, city planning taxes and other public charges in fiscal 2018 for the Property Planned for the Acquisition will be recorded as expenses from the fiscal period ending July 31, 2018.</li> <li>➤ For the expenditures for repair and maintenance of buildings, 54 million yen is expected for the fiscal period ending July 31, 2017 and 47 million yen is expected for the fiscal period ending January 31, 2018 based on repair and maintenance plans drawn up by the Asset Management Company. However, the expenditures for repair and maintenance for the fiscal periods could differ significantly from the estimated amounts, as expenditures may arise urgently due to damage to buildings and such caused by unexpected factors, and because the variance in amounts generally tends to be significant from year to year and repair and maintenance expenses do not arise regularly.</li> <li>➤ Depreciation is calculated using the straight line method and is expected to be 291 million yen for the fiscal period ending July 31, 2017 and 312 million yen for the fiscal period ending January 31, 2018.</li> </ul> |
| NOI<br>(Net Operating<br>Income) | <ul style="list-style-type: none"> <li>➤ The NOI of SAR’s portfolio is expected to be 1,733 million yen for the fiscal period ending July 31, 2017 and 1,832 million yen for the fiscal period ending January 31, 2018.</li> <li>➤ NOI is calculated by using the following calculation method.</li> <li>➤ NOI = rent revenue – rent expenses (excluding depreciation)</li> </ul>   |
| Non-operating<br>expenses        | <ul style="list-style-type: none"> <li>➤ Temporary expenses are expected to be 50 million yen for the fiscal period ending July 31, 2017 as issuance cost of new investment units.</li> <li>➤ Interest expense and other financial expenses are expected to total 222 million yen for the fiscal period ending July 31, 2017 and 150 million yen for the fiscal period ending January 31, 2018.</li> </ul>  |

| Item   | Assumptions   |
|--|---|
| Debt financing   | <ul style="list-style-type: none"> <li>➤ The total amount of interest-bearing liabilities is assumed to be 38,730 million yen as of the end of the fiscal period ending July 31, 2017 and 37,350 million yen as of the end of the fiscal period ending January 31, 2018.</li> <li>➤ As of today, SAR has 30,800 million yen of outstanding borrowings. In this regard, SAR plans new borrowings totaling 8,230 million yen on April 6, 2017 from qualified institutional investors defined in Article 2, paragraph 3, item 1 of the Financial Instruments and Exchange Act.</li> <li>➤ It is assumed to repay 300 million yen by the end of the fiscal period ending July 31, 2017 by using the payment for issuance of the new investment units through third-party allotment described in “Investment units” below.</li> <li>➤ It is assumed to repay 990 million yen by the end of the fiscal period ending January 31, 2018 by using the proceeds from sale of 51% quasi co-ownership interest in Oak Minami-Azabu described in the above “Investment assets.”</li> <li>➤ It is assumed to repay 390 million yen by the end of the fiscal period ending January 31, 2018 by using consumption tax refund resulting from acquisition of the properties planned for the Acquisition and payment of other various expenses.</li> </ul>   |
| Investment units   | <ul style="list-style-type: none"> <li>➤ It is assumed that, in addition to the total number of investment units issued and outstanding as of today (344,700 units), all of the new investment units to be issued through public offering (66,200 units) and all of the new investment units to be issued through third-party allotment (up to 3,400 units), respectively resolved at the Board of Directors meeting held today, are issued.</li> <li>➤ Excluding the above, it is assumed that there will be no changes in the number of investment units issued due to additional issuance, etc. of new investment units through the end of the fiscal period ending January 31, 2018.</li> <li>➤ Cash distribution per unit (not including cash distribution in excess of earnings) is calculated based on the expected number of investment units issued and outstanding as of the end of the fiscal periods ending July 31, 2017 and ending January 31, 2018 (414,300 units) including new investment units to be issued described above (up to 69,600 units).</li> </ul>  |
| Cash distribution per unit (not including cash distribution in excess of earnings) | <ul style="list-style-type: none"> <li>➤ Cash distribution per unit (not including cash distribution in excess of earnings) is calculated on the assumption described in the cash distribution policy stipulated in SAR’s Articles of Incorporation.</li> <li>➤ It is assumed that derivative transactions (interest rate swaps) will continue to be conducted. However, It is assumed that deferred losses on hedges, which is an item of deduction from net assets (those provided in Article 2, item 30 (b) of the Ordinance on Accountings of Investment Corporations), is nonaccrual in the fiscal periods ending July 31, 2017 and ending January 31, 2018, and cash distribution per unit (not including cash distribution in excess of earnings) will not be affected by changes in items of deduction from net assets in the calculation.</li> <li>➤ It is possible that the cash distribution per unit (not including cash distribution in excess of earnings) could change due to various factors, including changes in investment assets, changes in rent revenue accompanying changes in tenants, etc., or unexpected repair and maintenance, etc. In addition, cash distribution per unit (not including cash distribution in excess of earnings) may be affected by changes in items of deduction from net assets.</li> <li>➤ As to 769 million yen expected for the fiscal period ending January 31, 2018 as gain on sales of real estate property from the Transfer described in the above “Operating revenue,” 110 million yen is expected to be recorded as voluntary reserve and be internally retained. In practice, the amount of voluntary reserve may change.</li> <li>➤ SAR assumed 99 million yen as internal reserves by the part of gain on sale of real estate property in “Notice Concerning Acquisition and Transfer of Real Estate Beneficiary Interest in Trust” announced on February 28, 2017 as described in “Assumptions Underlying Operating Results Forecasts for Fiscal Period Ending July 31, 2017” attached to “Notice Concerning Revision to Forecasts for Operating Results and Distribution for the 3rd Fiscal Period Ending July 31, 2017” announced on February 28, 2017. SAR has changed such assumption and it is now assumed that such internal reserves will not be made.</li> </ul> |
| Cash distribution in excess of earnings per unit                                   | <ul style="list-style-type: none"> <li>➤ It is assumed that there will be no existing balance of deferred losses on hedges, which is an item of deduction from net assets, as described above. Of cash distribution in excess of earnings, that attributable to allowance for temporary difference adjustment is not scheduled at this point.</li> <li>➤ In addition, of cash distribution in excess of earnings, that falling under the category of cash distribution accompanying decrease in capital, etc. under tax law is not scheduled at this point.</li> </ul>  |
| Other  | <ul style="list-style-type: none"> <li>➤ Forecasts are based on the assumption that revisions that impact the above forecast figures will not be made to laws and regulations, tax systems, accounting standards, listing rules, and rules of The Investment Trusts Association, Japan etc.</li> <li>➤ Forecasts are based on the assumption that there will be no major unforeseen changes to general economic trends and real estate market conditions, etc.</li> </ul>   |

### 3. Financial Statements

#### (1) Balance Sheet

(Unit: thousand yen)

|   | 1st fiscal period<br>(As of July 31, 2016) | 2nd fiscal period<br>(As of January 31, 2017) |
|---|--|---|
| <b>Assets</b>                               |  |   |
| <b>Current assets</b>                       |  |   |
| Cash and deposits                           | 2,006,136                                  | 1,839,594                                     |
| Cash and deposits in trust                  | 2,557,948                                  | 2,659,211                                     |
| Operating accounts receivable               | 52,695                                     | 50,089  |
| Prepaid expenses                            | 96,638                                     | 88,279  |
| Deferred tax assets                         | 32   | 11  |
| Consumption taxes receivable                | 1,259,266                                  | -   |
| Other                                       | 7,175                                      | 8,650   |
| <b>Total current assets</b>                 | <b>5,979,894</b>                           | <b>4,645,837</b>                              |
| <b>Non-current assets</b>                   |  |   |
| <b>Property, plant and equipment</b>        |  |   |
| Buildings in trust                          | 20,056,951                                 | 20,317,871                                    |
| Accumulated depreciation                    | (246,543)                                  | (490,008)                                     |
| Buildings in trust, net                     | 19,810,407                                 | 19,827,862                                    |
| Structures in trust                         | -  | 9,606   |
| Accumulated depreciation                    | -  | (61)  |
| Structures in trust, net                    | -  | 9,545   |
| Machinery and equipment in trust            | -  | 6,282   |
| Accumulated depreciation                    | -  | (137)   |
| Machinery and equipment in trust, net       | -  | 6,144   |
| Tools, furniture and fixtures in trust      | 4,396                                      | 7,628   |
| Accumulated depreciation                    | (141)                                      | (731)   |
| Tools, furniture and fixtures in trust, net | 4,255                                      | 6,896   |
| Land in trust                               | 39,208,659                                 | 39,208,659                                    |
| Construction in progress in trust           | -  | 2,161   |
| <b>Total property, plant and equipment</b>  | <b>59,023,323</b>                          | <b>59,061,270</b>                             |
| <b>Intangible assets</b>                    |  |   |
| Leasehold rights in trust                   | 3,459,138                                  | 3,459,138                                     |
| <b>Total intangible assets</b>              | <b>3,459,138</b>                           | <b>3,459,138</b>                              |
| <b>Investments and other assets</b>         |  |   |
| Long-term prepaid expenses                  | 164,478                                    | 127,156                                       |
| Lease and guarantee deposits                | 10,000                                     | 10,000  |
| Other                                       | -  | 60,135  |
| <b>Total investments and other assets</b>   | <b>174,478</b>                             | <b>197,292</b>                                |
| <b>Total non-current assets</b>             | <b>62,656,940</b>                          | <b>62,717,701</b>                             |
| <b>Total assets</b>                         | <b>68,636,834</b>                          | <b>67,363,539</b>                             |

(Unit: thousand yen)

|  | 1st fiscal period<br>(As of July 31, 2016) | 2nd fiscal period<br>(As of January 31, 2017) |
|--|--|---|
| <b>Liabilities</b>                                 |  |   |
| Current liabilities                                |  |   |
| Operating accounts payable                         | 76,381                                     | 245,131                                       |
| Short-term loans payable                           | 3,355,000                                  | 1,000,000                                     |
| Accounts payable - other                           | 319,011                                    | 246,508                                       |
| Accrued expenses                                   | 5,286                                      | 5,336   |
| Income taxes payable                               | 1,490                                      | 844   |
| Accrued consumption taxes                          | -  | 76,405  |
| Advances received                                  | 265,383                                    | 319,180                                       |
| Other  | 12,875                                     | 6,574   |
| Total current liabilities                          | 4,035,429                                  | 1,899,981                                     |
| Non-current liabilities                            |  |   |
| Long-term loans payable                            | 29,200,000                                 | 29,200,000                                    |
| Tenant leasehold and security deposits in trust    | 1,526,363                                  | 1,589,434                                     |
| Other  | 26,238                                     | -   |
| Total non-current liabilities                      | 30,752,602                                 | 30,789,434                                    |
| <b>Total liabilities</b>                           | <b>34,788,032</b>                          | <b>32,689,416</b>                             |
| <b>Net assets</b>                                  |  |   |
| Unitholders' equity                                |  |   |
| Unitholders' capital                               | 33,541,125                                 | 33,541,125                                    |
| Capital deduction                                  |  |   |
| Allowance for temporary difference adjustment      | -  | △26,197                                       |
| Total capital deduction                            | -  | △26,197                                       |
| Unitholders' capital, net                          | 33,541,125                                 | 33,514,927                                    |
| Surplus  |  |   |
| Unappropriated retained earnings (undisposed loss) | 333,916                                    | 1,099,059                                     |
| Total surplus                                      | 333,916                                    | 1,099,059                                     |
| Total unitholders' equity                          | 33,875,041                                 | 34,613,987                                    |
| Valuation and translation adjustments              |  |   |
| Deferred gains or losses on hedges                 | (26,238)                                   | 60,135  |
| Total valuation and translation adjustments        | (26,238)                                   | 60,135  |
| Total net assets                                   | 33,848,802                                 | 34,674,123                                    |
| <b>Total liabilities and net assets</b>            | <b>68,636,834</b>                          | <b>67,363,539</b>                             |

## (2) Statement of Income

(Unit: thousand yen)

|  | 1st fiscal period<br>From: December 1, 2015<br>To: July 31, 2016 | 2nd fiscal period<br>From: August 1, 2016<br>To: January 31, 2017 |
|--|--|---|
| <b>Operating revenue</b>                           |  |   |
| Lease business revenue                             | 1,737,036  | 1,865,642   |
| Other lease business revenue                       | 122,389  | 151,743   |
| <b>Total operating revenue</b>                     | <b>1,859,425</b>   | <b>2,017,386</b>  |
| <b>Operating expenses</b>                          |  |   |
| Expenses related to rent business                  | 568,022  | 624,655   |
| Asset management fee                               | 103,104  | 146,714   |
| Asset custody and administrative service fees      | 12,718   | 14,792  |
| Directors' compensations                           | 3,200  | 2,400   |
| Other operating expenses                           | 24,681   | 38,230  |
| <b>Total operating expenses</b>                    | <b>711,726</b>   | <b>826,793</b>  |
| <b>Operating income</b>                            | <b>1,147,698</b>   | <b>1,190,592</b>  |
| <b>Non-operating income</b>                        |  |   |
| Interest income                                    | 37   | 17  |
| Interest on refund                                 | -  | 745   |
| Other  | 0  | -   |
| <b>Total non-operating income</b>                  | <b>37</b>  | <b>762</b>  |
| <b>Non-operating expenses</b>                      |  |   |
| Interest expenses                                  | 133,353  | 68,522  |
| Interest expenses on investment corporation bonds  | 38,052   | -   |
| Investment corporation bond issuance costs         | 12,604   | -   |
| Borrowing related expenses                         | 453,952  | 49,349  |
| Deferred organization expenses                     | 62,950   | -   |
| Investment unit issuance expenses                  | 111,409  | -   |
| Other  | 34   | -   |
| <b>Total non-operating expenses</b>                | <b>812,356</b>   | <b>117,871</b>  |
| <b>Ordinary income</b>                             | <b>335,379</b>   | <b>1,073,483</b>  |
| Income before income taxes                         | 335,379  | 1,073,483   |
| Income taxes - current                             | 1,496  | 847   |
| Income taxes - deferred                            | (32)   | 21  |
| <b>Total income taxes</b>                          | <b>1,463</b>   | <b>868</b>  |
| <b>Net income</b>                                  | <b>333,916</b>   | <b>1,072,615</b>  |
| Retained earnings brought forward                  | -  | 26,444  |
| Unappropriated retained earnings (undisposed loss) | 333,916  | 1,099,059   |

## (3) Statement of Unitholders' Equity

1st fiscal period (from December 1, 2015 to July 31, 2016)

(Unit: thousand yen)

|  | Unitholders' equity  |  |               |                           | Valuation and translation adjustments |   | Total net assets |
|--|----------------------|--|---------------|---------------------------|---------------------------------------|---|------------------|
|  | Unitholders' capital | Surplus  |               | Total unitholders' equity | Deferred gains or losses on hedges    | Total valuation and translation adjustments |                  |
|  |                      | Unappropriated retained earnings (undisposed loss) | Total surplus |                           |                                       |   |                  |
| Balance at beginning of the period             | -                    | -  | -             | -                         | -                                     | -   | -                |
| Changes of items during the period             |                      |  |               |                           |                                       |   |                  |
| Issuance of new investment units               | 33,541,125           |  |               | 33,541,125                |                                       |   | 33,541,125       |
| Net income                                     |                      | 333,916  | 333,916       | 333,916                   |                                       |   | 333,916          |
| Net changes of items other than owners' equity |                      |  |               |                           | (26,238)                              | (26,238)                                    | (26,238)         |
| Total changes of items during the period       | 33,541,125           | 333,916  | 333,916       | 33,875,041                | (26,238)                              | (26,238)                                    | 33,848,802       |
| Balance at end of the period                   | 33,541,125           | 333,916  | 333,916       | 33,875,041                | (26,238)                              | (26,238)                                    | 33,848,802       |



2nd fiscal period (from August 1, 2016 to January 31, 2017)

|  | Unitholders' equity  |   |                         |                           |
|--|----------------------|---|-------------------------|---------------------------|
|  | Unitholders' capital |   |                         |                           |
|  | Unitholders' capital | Capital deduction                             |                         | Unitholders' capital, net |
|  |                      | Allowance for temporary difference adjustment | Total capital deduction |                           |
| Balance at beginning of the period                             | 33,541,125           | -   | -                       | 33,541,125                |
| Changes of items the period                                    |                      |   |                         |                           |
| Dividends from surplus   |                      |   |                         |                           |
| Distributions in allowance for temporary difference adjustment |                      | (26,197)                                      | (26,197)                | (26,197)                  |
| Net income   |                      |   |                         |                           |
| Net changes of items other than owners' equity                 |                      |   |                         |                           |
| Total changes of items during the period                       | -                    | (26,197)                                      | (26,197)                | (26,197)                  |
| Balance at end of the period                                   | 33,541,125           | (26,197)                                      | (26,197)                | 33,514,927                |

(Unit: thousand yen)

|  | Unitholders' equity                                |               |                           | Valuation and translation adjustments |   | Total net assets |
|--|--|---------------|---------------------------|---------------------------------------|---|------------------|
|  | Surplus  |               | Total unitholders' equity | Deferred gains or losses on hedges    | Total valuation and translation adjustments |                  |
|  | Unappropriated retained earnings (undisposed loss) | Total surplus |                           |                                       |   |                  |
| Balance at beginning of the period                             | 333,916  | 333,916       | 33,875,041                | (26,238)                              | (26,238)                                    | 33,848,802       |
| Changes of items during the period                             |  |               |                           |                                       |   |                  |
| Dividends from surplus   | (307,472)  | (307,472)     | (307,472)                 |                                       |   | (307,472)        |
| Distributions in allowance for temporary difference adjustment |  |               | (26,197)                  |                                       |   | (26,197)         |
| Net income   | 1,072,615  | 1,072,615     | 1,072,615                 |                                       |   | 1,072,615        |
| Net changes of items other than owners' equity                 |  |               |                           | 86,374                                | 86,374                                      | 86,374           |
| Total changes of items during the period                       | 765,142  | 765,142       | 738,945                   | 86,374                                | 86,374                                      | 825,320          |
| Balance at end of the period                                   | 1,099,059  | 1,099,059     | 34,613,987                | 60,135                                | 60,135                                      | 34,674,123       |

## (4) Statement of Cash Distributions

(Unit: yen)

|  | 1st fiscal period<br>From: December 1, 2015<br>To: July 31, 2016 | 2nd fiscal period<br>From: August 1, 2016<br>To: January 31, 2017 |
|--|--|---|
| I. Unappropriated retained earnings  | 333,916,519  | 1,099,059,426   |
| II. Addition of cash distribution in excess of earnings  | 26,197,200   | -   |
| Allowance for temporary difference adjustment  | 26,197,200   | -   |
| III. Capitalization  | -  | 26,197,200  |
| Reversal of allowance for temporary difference adjustment  | -  | 26,197,200  |
| IV. Cash distribution  | 333,669,600  | 1,072,706,400   |
| [Cash distribution per unit]   | [968]  | [3,112]   |
| Cash distribution of earnings  | 307,472,400  | 1,072,706,400   |
| [Cash distribution of earnings per unit]   | [892]  | [3,112]   |
| Allowance for temporary difference adjustment  | 26,197,200   | -   |
| [Cash distribution in excess of earnings per unit (attributable to allowance for temporary difference adjustment)] | [76]   | [-]   |
| V. Retained earnings carried forward   | 26,444,119   | 155,826   |

Method of calculation of amount of cash distribution

1st fiscal period (From December 1, 2015 to July 31, 2016):

Pursuant to the cash distribution policy provided in Article 35, Paragraph 1 of SAR's Articles of Incorporation, SAR shall distribute in excess of the amount equivalent to 90% of the amount of distributable earnings of SAR as defined in Article 67-15 of the Act on Special Measures Concerning Taxation. In accordance with such policy, concerning cash distribution of earnings (not including cash distribution in excess of earnings), the decision was made to distribute 307,472,400 yen, which is the entire amount of the earnings provided in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations but excluding the portion where cash distribution of earnings per unit becomes a fractional amount of less than 1 yen, as cash distribution of earnings.

In addition, pursuant to the policy on cash distribution in excess of earnings provided in Article 35, Paragraph 2 of SAR's Articles of Incorporation, SAR shall make cash distribution in excess of earnings in an amount that it determines as the amount equivalent to the items of deduction from net assets (those provided in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations) with due consideration of the impact of the items of deduction from net assets on cash distribution. Accordingly, in the fiscal period under review, the decision was made to distribute 26,197,200 yen, which is calculated as the amount equivalent to deferred losses on hedges of 26,238,915 yen but excluding the portion where cash distribution in excess of earnings per unit becomes a fractional amount of less than 1 yen, as cash distribution attributable to allowance for temporary difference adjustment (those provided in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations). As a result of the above, the amount of cash distribution declared for the fiscal period under review was 333,669,600 yen.

2nd fiscal period (from August 1, 2016 to January 31, 2017):

Pursuant to the cash distribution policy provided in Article 35, Paragraph 1 of SAR's Articles of Incorporation, SAR shall distribute in excess of the amount equivalent to 90% of the amount of distributable earnings of SAR as defined in Article 67-15 of the Act on Special Measures Concerning Taxation. In accordance with such policy, concerning cash distribution of earnings (not including cash distribution in excess of earnings), the decision was made to distribute 1,072,706,400 yen, which is the entire amount of the earnings provided in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations after deduction of reversal of allowance for temporary difference adjustment (those provided in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations) but excluding the portion where cash distribution of earnings per unit becomes a fractional amount of less than 1 yen, as cash distribution of earnings.

## (5) Statement of Cash Flows

(Unit: thousand yen)

|   | 1st fiscal period<br>From: Dec. 1, 2015<br>To: July 31, 2016 | 2nd fiscal period<br>From: Aug. 1, 2016<br>To: Jan. 31, 2017 |
|---|--|--|
| <b>Cash flows from operating activities</b>                   |  |  |
| Income before income taxes                                    | 335,379  | 1,073,483  |
| Depreciation  | 246,684  | 244,255  |
| Investment unit issuance expenses                             | 111,409  | -  |
| Investment corporation bond issuance costs                    | 12,604   | -  |
| Interest income   | (37)   | (17)   |
| Interest expenses   | 171,405  | 68,522   |
| Decrease (increase) in operating accounts receivable          | (52,695)   | 2,605  |
| Decrease (increase) in consumption taxes refund receivable    | (1,259,266)  | 1,259,266  |
| Increase (decrease) in accrued consumption taxes              | -  | 76,405   |
| Decrease (increase) in prepaid expenses                       | (96,638)   | 8,359  |
| Decrease (increase) in long-term prepaid expenses             | (164,478)  | 37,321   |
| Increase (decrease) in operating accounts payable             | 52,772   | 27,974   |
| Increase (decrease) in accounts payable - other               | 139,865  | 30,558   |
| Increase (decrease) in advances received                      | 265,383  | 53,796   |
| Other, net  | 6,628  | (9,301)  |
| <b>Subtotal</b>   | <b>(230,982)</b>   | <b>2,873,232</b>   |
| Interest income received                                      | 37   | 17   |
| Interest expenses paid  | (166,820)  | (68,706)   |
| Income taxes paid   | (5)  | (1,493)  |
| <b>Net cash provided by (used in) operating activities</b>    | <b>(397,771)</b>   | <b>2,803,050</b>   |
| <b>Cash flows from investing activities</b>                   |  |  |
| Purchase of property, plant and equipment in trust            | (59,067,252)   | (244,489)  |
| Purchase of intangible assets in trust                        | (3,459,138)  | -  |
| Repayments of tenant leasehold and security deposits in trust | (19,378)   | (61,153)   |
| Proceeds from tenant leasehold and security deposits in trust | 1,545,515  | 124,224  |
| Payments for lease and guarantee deposits                     | (10,000)   | -  |
| <b>Net cash provided by (used in) investing activities</b>    | <b>(61,010,253)</b>  | <b>(181,418)</b>   |
| <b>Cash flows from financing activities</b>                   |  |  |
| Increase in short-term loans payable                          | 35,111,000   | -  |
| Decrease in short-term loans payable                          | (31,756,000)   | (2,355,000)  |
| Proceeds from long-term loans payable                         | 29,200,000   | -  |
| Proceeds from issuance of investment corporation bonds        | 4,562,083  | -  |
| Redemption of investment corporation bonds                    | (4,574,688)  | -  |
| Proceeds from issuance of investment units                    | 33,429,715   | -  |
| Dividends paid  | -  | (331,910)  |
| <b>Net cash provided by (used in) financing activities</b>    | <b>65,972,111</b>  | <b>(2,686,910)</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>4,564,085</b>   | <b>(65,279)</b>  |
| <b>Cash and cash equivalents at beginning of period</b>       | <b>-</b>   | <b>4,564,085</b>   |
| <b>Cash and cash equivalents at end of period</b>             | <b>4,564,085</b>   | <b>4,498,806</b>   |