

Real Estate Investment Trust Securities Issuer

Star Asia Investment Corporation

Representative: Atsushi Kato, Executive Officer

(Code: 3468)

Asset Management Company

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## **Supplementary Material on Press Releases (Acquisition of Properties through Public Offering) Announced as of Today**

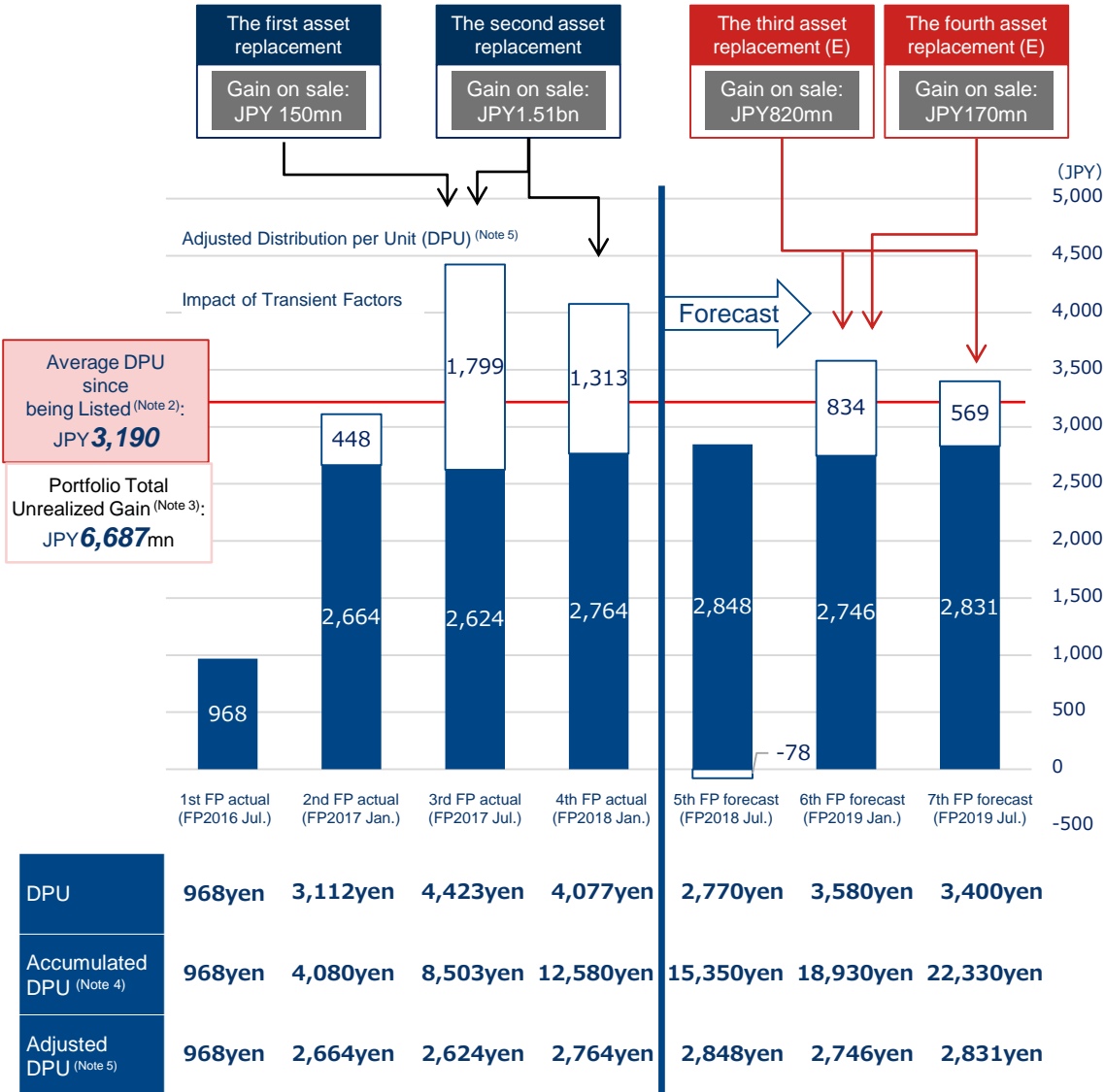
<Press Releases Announced as of Today>

- Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units
- Notice Concerning Acquisition and Lease Contract with New Tenants, and Transfer of Real Estate Beneficiary Interests in Trust
- Notice Concerning Revision to Forecasts for Operating Results for the 6th Fiscal Period Ending January 31, 2019 and Forecasts for Operating Results and Distribution for the 7th Fiscal Period Ending July 31, 2019
- Notice Concerning Debt Financing
- Notice Concerning Partial Amendment to the Management Guidelines of the Asset Manager
- Notice Concerning Execution of Agreements on Preferential Negotiation Rights to secure Acquisition Pipeline for Future Growth
- Notice Concerning Determination of the Planned Acquisition Date and Change of the Funds for Acquisition

# Realizing Gain on Sales upon Asset Replacement as Part of Active Management Strategy

Expected to realize and distribute JPY 440mn on average per fiscal period of gain on sales <sup>(Note 1)</sup> to unitholders from the 2nd fiscal period to the 7th fiscal period

SAR considers implementing asset replacement, in accordance with the policy, as a part of continuous consideration or implementation on active management for the maximization of unitholders' value



## <Asset Replacement Policy>

The following three points are comprehensively considered on conducting Asset Replacement:

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

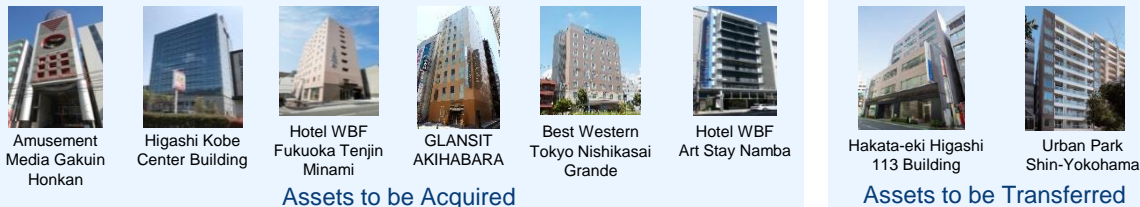
History of SAR Investment Unit Price and TSE REIT Index <sup>(Note 6)</sup>



# Expect to Exceed an Asset Size of JPY100bn by Acquiring Assets with Funds through Public Offerings

## Pursue Further External Growth Supported by the Growing Star Asia Group

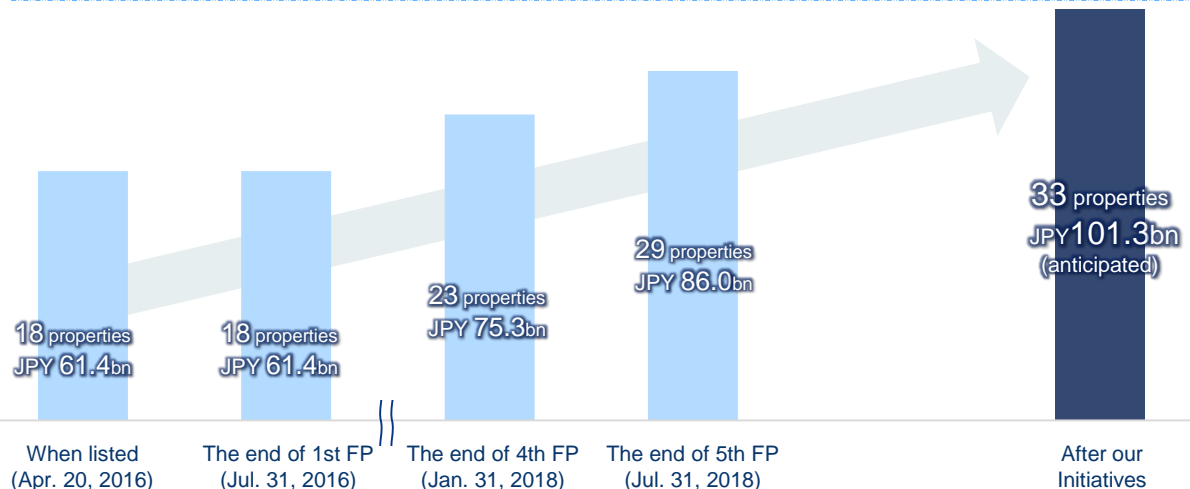
### The current Initiatives



### Anticipated results of expanding asset size through these follow-on offerings

- Improved stability through portfolio diversification
- Reduced fixed cost ratio through economies of scale
- Growth in market cap
- Improved liquidity in the investment unit market
- Diversifying investor base
- Greater likelihood of being included in indices

Aiming for further growth in the asset size

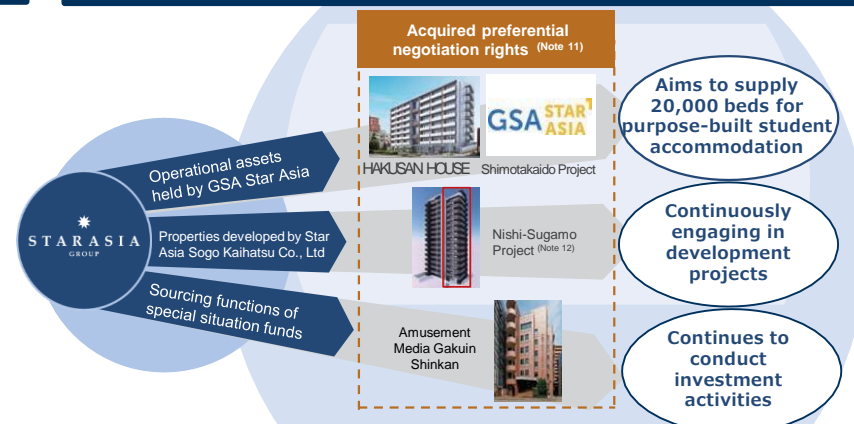


### Asset size expansion by acquiring assets with funds secured through follow-on public offerings since Initial Public Offering

	When listed (Apr. 20, 2016)	After our Initiatives
Number of properties	18 properties	33 properties
Number of tenants <sup>(Note 7)</sup>	390	643
Total (anticipated) acquisition price <sup>(Note 8)</sup>	JPY 61.4bn	JPY 101.3bn (anticipated)
Average appraisal NOI yield <sup>(Note 9)</sup>	5.2%	5.1%
Total number of investment units issued	332,900 units	540,824 units <sup>(Note 10)</sup>

### Supports from the growing Star Asia Group

Secured pipelines for future growth by concluding right of preferential negotiation agreements for three properties



# Expected Results from the Asset Size Expansion through Public Offerings



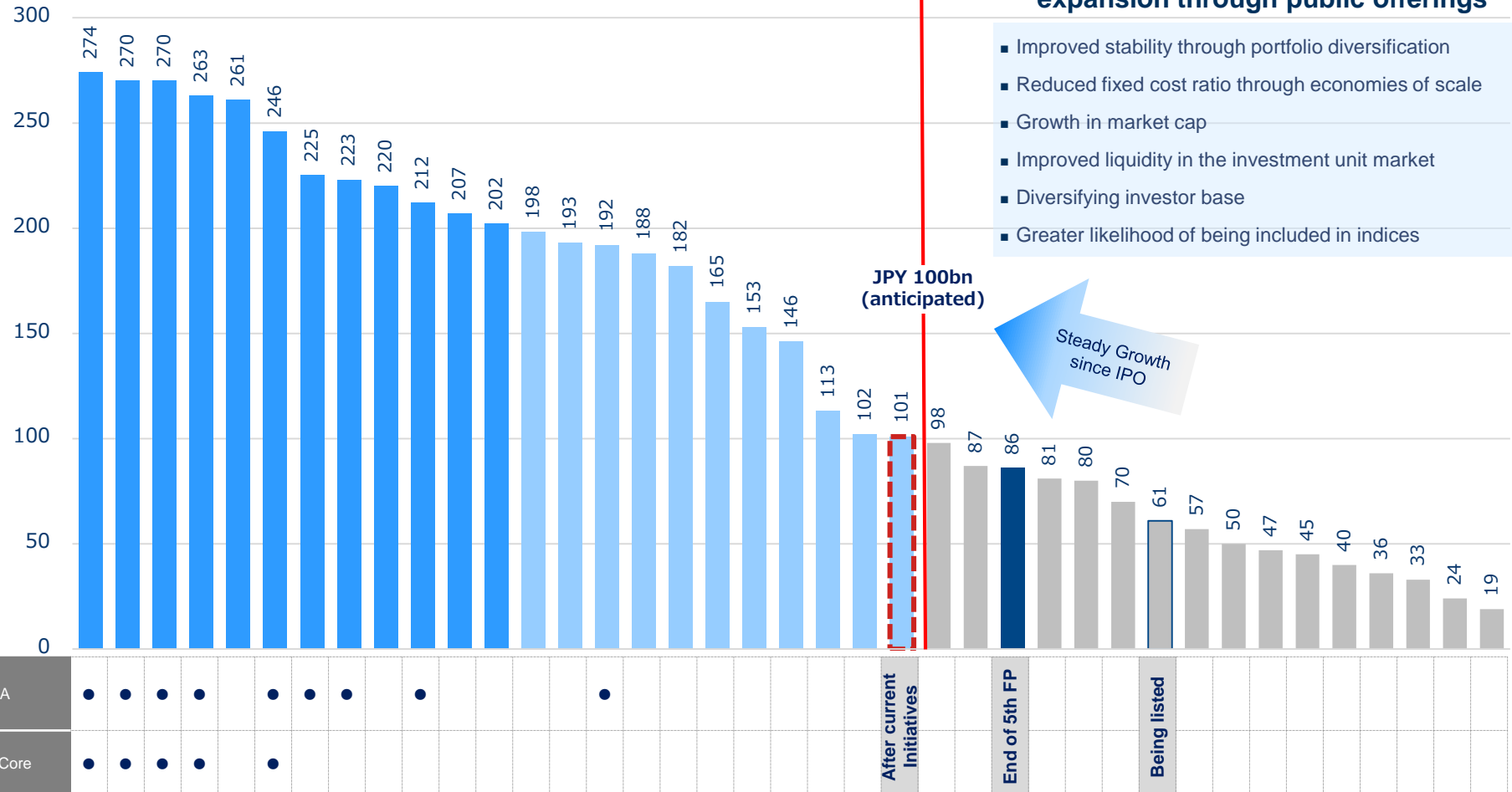
SAR has been steadily growing its asset size since the listing, and pursues further asset size expansion through continuous Active Management Strategy.

As a result of the asset size expansion, liquidity increase in the investment unit market, increase in the likelihood of being included in indices or etc. are expected.

Asset size (Note 13)  
(JPY billion)

## Expected results from the asset size expansion through public offerings

- Improved stability through portfolio diversification
- Reduced fixed cost ratio through economies of scale
- Growth in market cap
- Improved liquidity in the investment unit market
- Diversifying investor base
- Greater likelihood of being included in indices



(Note 14)

<Notes>

Note 1	Calculated by dividing the sum of the actual gain on sales from the 1st and the 2nd asset replacement and estimated gain on sales from the 3rd and 4th asset replacement by six.
Note 2	Calculated by dividing the sum of actual DPUs from the 1st to 4th fiscal periods and forecasted DPUs from the 5th to 7th fiscal periods by seven.
Note 3	Portfolio total unrealized gain is calculated by subtracting two assets to be transferred from, and adding six assets acquired during the 5th fiscal period and six assets to be acquired through current Initiatives from/to the total unrealized gain of the properties owned as of the end of the 4th fiscal period. Unrealized gains for six assets acquired during the 5th fiscal period refer to the difference between acquisition price and appraisal value as of November 1, 2017, and for six assets to be acquired through current Initiatives refer to the difference between anticipated acquisition price and appraisal value as of July 1, 2018. Portfolio total unrealized gain is only a pro-forma figure calculated based on information available as of August 21, 2018 and subject to change depending on the future appraisal value of the properties. Realization of such gain is not guaranteed.
Note 4	The sum of actual DPUs from the 1st to 4th fiscal periods and forecasted DPUs from the 5th to 7th fiscal periods.
Note 5	Adjusted DPU is purely a simulation calculated by excluding the matters considered by SAR as transient factors and are neither a forecast nor prospect relating to SAR's DPU for a given fiscal period. Accordingly, there is no guarantee that the Adjusted DPU will ever be realized for any future, and SAR is not obligated to revise any of the Adjusted DPU regardless of any changes in circumstances that may affect the above simulation. Transient factors refer to the following: ① Gain on sales of real estate properties ② Equivalent of fixed property taxes, etc. that are not expensed due to being included in the acquisition cost of real estate, etc. ③ Of the expenses related to funding, arrangement fees for investment unit issuance expenses and borrowings from syndicates of lenders ④ Expenditures such as asset management fees and taxes and public charges (non-deductible consumption tax, etc.) which fluctuates as a result of ① through ③ ⑤ Tax expenses for internal reserves as well as income tax that increase with internal reserves ⑥ Reversal of internal reserves, etc.
Note 6	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.
Note 7	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.
Note 8	Total (anticipated) acquisition price after our Initiatives is calculated by subtracting the acquisition price of assets (to be) transferred from the total (anticipated) acquisition price of assets (to be) acquired.
Note 9	Appraisal NOI yield is based on the NOI found in the indication of value by the direct capitalization method in each real estate appraisal report and expressed as a percentage of (anticipated) acquisition price, rounded to the first decimal place. Regarding "When listed (Apr. 20, 2016)", the valuation date is as of October 1, 2015 for 11 assets (3 office properties, 3 residential properties, 3 logistics properties and 2 hotel properties) held before being listed and as of November 1, 2015 for 7 assets (5 office properties and 2 residential properties) acquired when listed (April 2016). Regarding "After our Initiatives", the valuation date is as of January 31, 2018 except that six properties acquired during the 5th fiscal period are as of November 1, 2017 and assets to be acquired are as of July 1, 2018.
Note 10	Using the estimated total number of investment units after the offering assuming investment units for the third-party allotment (3,343 units) are fully issued.
Note 11	As of the date of this document, the above properties are not included in SAR's portfolio. SAR has not decided to acquire them, and there is no guarantee that they will be included in SAR's portfolio at any time in the future.
Note 12	Nishi-Sugamo Project is only the portion indicated by red line. Further, the image for the Nishi-Sugamo Project depicts how the building will appear upon completion based on design drawings – the actual completed building may differ in appearance.
Note 13	Listed J-REITs with the asset size (based on acquisition price) less than JPY 300bn as of May 31, 2018, rounded down to the nearest decimal place. Status of inclusion in each index is as of April 20, 2018.
Note 14	Prepared by the Asset Manager based on various disclosures.

## ■ Disclaimer

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