

January 12, 2018

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 of Real Estate Beneficiary Interests in Trust and Lease Contract with New Tenants
- Notice Concerning Revision to Forecasts for Operating Results for the 4th Fiscal Period Ending January 31, 2018 and 5th Fiscal Period Ending July 31, 2018, and Forecasts for Operating Results and Distribution for the 6th Fiscal Period Ending January 31, 2019
- Notice Concerning Debt Financing

# Enhancement of the Portfolio's Profitability and Stability by Acquiring Properties through This Public Offering

## Assets (Note 1)

	As of August 1, 2017 (beginning of FP4)		After the Offering <small>(Note 2)</small>
Number of properties	23	+6	29
Total (anticipated) acquisition price	¥75.3bn	+¥10.7bn	¥86.0bn
Avg. NOI yield (appraisal value basis)	5.1%	Maintain	5.1%
Avg. NOI yield after depreciation	4.3%	Maintain	4.3%
Ratio of properties in the Tokyo area	79.4%	+0.7%	80.1%
Number of tenants	539	+140	679

## Debts (Note 3)

	As of August 1, 2017 (beginning of FP4)		After the Offering <small>(Note 2)</small>
LTV (total assets basis)	46.0%	-0.2%	45.8%
Average maturity	3.6 years	+0.1 year	3.7 years
Lenders	7 banks	+1 bank	8 banks

Capacity to acquire properties up to 50% of LTV (total assets basis) (Note 4) : c.¥7.9bn

## Overview of anticipated acquisition properties

total anticipated acquisition price  
¥10.7bn

Avg. NOI yield (appraisal value basis)  
5.4%

Avg. NOI yield after depreciation  
4.6%

Ratio of properties in the Tokyo area  
85.6%



Funabashi Nishiura Logistics I



Funabashi Nishiura Logistics II



Matsubushi Logistics



Urban Park Koenji



Nihonbashi Hamacho Park Building



Urban Park Ryokuchi-Koen

5 out of 6 properties to be acquired are located in the Tokyo area  
~ Enhancement of the portfolio stability through acquisitions of carefully-selected properties in the Tokyo area with particular focus on residential and logistic properties ~

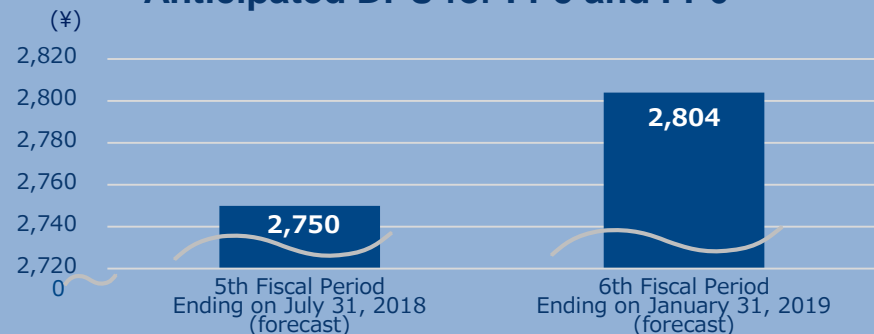
## Equity (Note 5)

Financing through issuance of new investment units :¥5.7bn

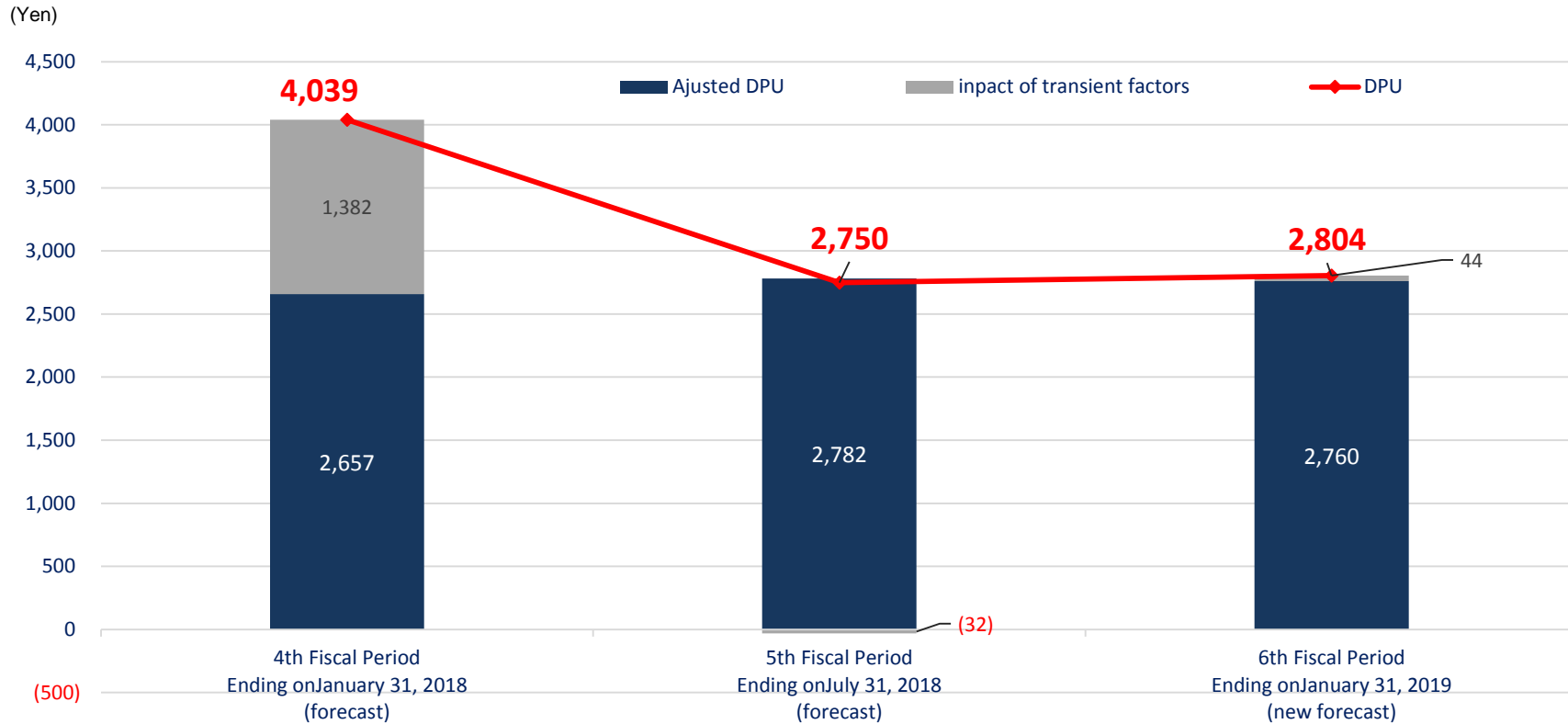
Number of newly issued investment units:56,324

Ratio of newly issued investment units:13.6%

### Anticipated DPU for FP5 and FP6



# Distribution per Unit ("DPU") and Adjusted Distribution per Unit ("Adjusted DPU")



(Note)

Adjusted DPU is a simulated DPU calculated by excluding the matters considered by SAR as transient factors, such as gain on sales of real estate, etc. and equivalent of fixed property taxes, etc. that are not expensed due to being included in the acquisition cost of real estate, etc. as listed below.

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 distribution per unit 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.

- ① Gain on sales of real estate, etc.
- 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 financing, temporary expenses such as issuance cost of new investment units and arrangement fees for 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 Amount of voluntary reserve as well as corporate taxes, etc. that increase with voluntary reserve
- ⑥ Reversal of voluntary reserve.

In addition to the factors described above, there may be factors that temporarily affect the distribution per unit of SAR.

(Note 1) The definition of each term in the “Assets” column is as follows:

- “Avg. NOI yield (appraisal value basis)” shows the figure, rounded off to the nearest tenth, obtained by totaling the amount of the Net Operating Income derived from the direct capitalization method as shown in each real estate appraisal report of each (anticipated) acquired assets and dividing such total by the total of the (anticipated) acquisition price. The evaluation date of the appraisal value is November 1, 2017 for the assets anticipated to be acquired and July 31, 2017 for the acquired assets. The same shall apply hereinafter.
- “Avg. NOI yield after depreciation” shows the figure, rounded off to the nearest tenth, obtained by totaling the amount of the Net Operating Income derived from the direct capitalization method as shown in each real estate appraisal report of each (anticipated) acquired assets after deduction of the depreciation cost of each property estimated by the Asset Manager, and dividing such total by the total of the (anticipated) acquisition price.
- Ratio of properties in the Tokyo Area is calculated based in anticipated acquisition price.
- “Number of tenants” shows, as of August 1, 2017 (beginning of the 4th fiscal period), the number of tenants (excluding those using parking lot only; hereinafter the same shall apply) as confirmed with the lease agreements for the assets held at that time, and after the Offering, the number of tenants as confirmed with the lease agreements effective as of October 31, 2017 for the (anticipated) acquired assets. In case a specific tenant uses two or more rooms/floors in one asset, such tenant is counted only as one for the asset. Also, in case a specific tenant signs lease agreements for rooms/floors in two or more assets, the tenant shall be counted for each of the assets separately. In case a pass-through type master lease agreement is executed, under which Star Asia Investment Corporation (“SAR”) shall receive all of the rent from the end tenant in principle, total number of the actual tenants under the master lease agreement for the asset is shown, and in the case of master lease agreements under which it is agreed that the rent under the relevant master lease agreement shall be the fixed amount of rent, the total number is shown on the assumption that there is one tenant under each master lease agreement.

(Note 2) “After the Offering” refers to the time of completion of the payment for the issuance of new investment units through public offering and the third party allotment as announced in the press release titled “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” dated January 12, 2018, and the new borrowing as announced in the press release titled “Notice Concerning Debt Financing” dated the same date, and acquisition of the properties anticipated to be acquired.

(Note 3) The definition of each term in the “Debts” column is as follows:

- “LTV (total assets basis)” means the proportion of the total interest-bearing liabilities to the total assets of SAR, which is calculated in the following formula at each time for calculation:

(a) As of August 1, 2017 (beginning of the 4th fiscal period)

$$\text{LTV (total assets basis)} = \frac{\text{Borrowing balance as of August 1, 2017 (beginning of the 4th fiscal period)}}{\text{(Total assets reported on the balance sheet as of the end of the 3rd fiscal period + Sales proceeds of Oak Minami-Azabu (51\% of the quasi-co-ownership) received on August 1, 2017 – Book value of Oak Minami-Azabu (51\% of the quasi-co-ownership) as of the end of the 3rd fiscal period)}}$$

(b) After the Offering

$$\text{LTV (total assets basis)} = \frac{\text{(Borrowing balance as of January 12, 2018 + 5,900 million yen which equals to the borrowing amount of the debt financing set forth in the press release titled “Notice Concerning Debt Financing” dated January 12, 2018 (the “Debt Financing”) with a deduction of 260 million yen to be repaid with the net proceeds from the third party allotment set forth in the press release titled “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” dated January 12, 2018 (the “Third Party Allotment”)) assuming all investment units are issued)}}{\text{Estimated total assets after the Offering*}}$$

\* Estimated total assets after the Offering = Total assets reported on the balance sheet as of the end of the 3rd fiscal period + Total interest-bearing liabilities as of January 12, 2018 – Total interest-bearing liabilities as of the end of the 3rd fiscal period + Estimated total issue price in the public offering set forth in the press release titled “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” dated January 12, 2018 (the “Public Offering”) + Estimated amount of the net proceeds from the Third Party Allotment assuming all investments units are issued + 5,900 million yen which equals to the borrowing amount of the Debt Financing with a deduction of 260 million yen to be repaid with the net proceeds from the Third Party Allotment assuming all investment units are issued + Sales proceeds of Oak Minami-Azabu (51% of the quasi-co-ownership) received on August 1, 2017 – Book value of Oak Minami-Azabu (51% of the quasi-co-ownership) as of the end of the 3rd fiscal period. The LTV (total assets basis) after the Offering set forth above is an estimate calculated based on the closing price of the investment units of SAR on Tokyo Stock Exchange as of December 28, 2017 (Thursday). If the actual total issue price in the Public Offering is less than the total issue price set forth above, or if the issuance of the Third Party Allotment is not implemented in full, the actual ratio will be higher than the above. On the contrary, if the actual total issue price is more than the total issue price set forth above, the net proceeds from the Public Offering will increase and the borrowing amount of the Debt Financing may be decreased, whereby the actual ratio will be lower than the above. In addition, the actual ratio may change due to any change in the assumptions of the above formula.

- “Average maturity” shows, with respect to the borrowings of SAR including the Debt Financing, the weighted average of each borrowing period (the period from the drawdown date to the maturity date) based on the borrowing amount.

(Note 4) • “Capacity to acquire properties up to 50% of LTV (total assets basis)” means, on the basis of the estimated amounts of total assets and interest-bearing liabilities of SAR stated in the formula of the LTV (total assets basis) after the Offering, the amount of new properties which SAR will be able to acquire solely with the fund obtained by interest-bearing liabilities until the LTV (total assets basis) reaches 50%.

This amount is calculated based on certain assumptions and may differ from the actual capacity.

“Capacity to acquire properties up to 50% of LTV (total assets basis)” is calculated as follows:

Estimated total assets after the Offering <sup>1</sup> x 0.5 / (1 – 0.5) – Estimated total liabilities after the Offering <sup>2</sup> / (1 – 0.5)

<sup>1</sup> “Estimated total assets after the Offering” is calculated in the following formula:

Total assets reported on the balance sheet as of the end of the 3rd fiscal period + Total amount of the interest-bearing liabilities as of January 12, 2018 – Total amount of the interest bearing liabilities as of the end of the 3rd fiscal period + Estimated total issue price in the Public Offering + Estimated net proceeds from the Third Party Allotment assuming all investment units are issued + 5,900 million yen which equals to the borrowing amount of the Debt Financing with a deduction of 260 million yen to be repaid with the net proceeds from the Third Party Allotment assuming all investment units are issued + Sales proceeds of Oak Minami-Azabu (51% of the quasi-co-ownership) received on August 1, 2017 – Book value of Oak Minami-Azabu (51% of the quasi-co-ownership) as of the end of the 3rd fiscal period

<sup>2</sup> “Estimated total liabilities after the Offering” is calculated in the following formula:

Borrowing balance as of January 12, 2018 + 5,900 million yen which equals to the borrowing amount of the Debt Financing with a deduction of 260 million yen to be repaid with the net proceeds from the Third Party Allotment assuming all investment units are issued

(Note 5) The definition of each term in the “Equity” column is as follows:

- “Financing through issuance of new investment units” shows the maximum (estimated) amount of the financing through the Public Offering and the Third Party Allotment. The actual amount to be financed may differ from such amount.
- “Number of newly issued investment units” shows the figure based on the assumption that a bookrunner of the Public Offering will make payment for all of the investment units to be issued in the Third Party Allotment. The proportion obtained by dividing such figure by the number of the investment units currently issued and outstanding is shown as “Ratio of newly issued investment units”.

## ■ Disclaimer

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