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For Immediate Release

Real Estate Investment Trust Securities Issuer  
Star Asia Investment Corporation  
Representative: Atsushi Kato, Executive Officer  
(Code: 3468)

Asset Management Company  
Star Asia Investment Management Co., Ltd.  
Representative: Atsushi Kato  
President and CEO  
Contact: Toru Sugihara  
Director and CFO  
TEL: 03-5425-1340

Notice Concerning Revision to Forecasts for Operating Results and Distribution for the 3rd Fiscal Period  
Ending July 31, 2017

Star Asia Investment Corporation (SAR) announces that it has decided to revise the operating results forecasts and distribution forecasts for the fiscal period ending July 31, 2017 (3rd fiscal period) (February 1, 2017 to July 31, 2017), described in “Notice Concerning Forecasts for the Fiscal Periods Ending July 31, 2017” announced on December 5, 2017.

1. Revision to forecasts for operating results and distribution for the fiscal period ending July 31, 2017

	Operating revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net Income (million yen)	Cash distribution per unit (not including cash distribution in excess of earnings) (yen)	Cash distribution in excess of earnings per unit (yen)	Cash distribution per unit (including cash distribution in excess of earnings) (yen)
Previously announced forecasts (A)	2,187	1,202	1,076	1,075	3,120	0	3,120
Revised forecast (B)	2,818	1,814	1,662	1,595	4,340	0	4,340
Change (C)=(B)-(A)	651	611	585	519	1,220	0	1,220
Rate of change (D)=(C)/(A)	30.0%	50.8%	54.4%	48.3%	39.1%	-	39.1%

(Notes)

1. The above forecasts are current forecasts based on “Assumptions Underlying Operating Results Forecasts for Fiscal Period Ending July 31, 2017” below and the actual operating revenue, operating income, ordinary income, net income, cash distribution per unit, etc. may differ from them. In addition, SAR does not guarantee any actual cash distribution amount by announcing the forecast figures
2. The forecasts may be subject to revision when a disparity beyond a certain degree is expected between the above

forecasts and actual figures.

3. Amounts are rounded down to the nearest specified unit and percentage figures are rounded to the first decimal place.

## 2. Reason for revisions

SAR revised the forecast as the estimated distribution per unit for the fiscal period ending July 31, 2017 is likely to differ by 30% or more from “Previously Announced Forecast” due to the Asset Acquisition and Transfer of Domestic Real Estate (hereinafter referred to as the “Acquisition” and “Transfer,” respectively) described in “Notice Concerning Asset Acquisition and Transfer of Domestic Real Estate” announced today and current conditions of operating assets.

The main factor for the revision is the emergence of an estimated 688 million yen from “Gain on sale of real estate property.” In addition, estimated 99 million yen as internal reserves.

## 3. Fiscal periods ending January 31, 2017 (2nd Fiscal Period) and ending January 31, 2018 (4th Fiscal Period)

SAR plans to announce the operating results and distribution for the fiscal period ending January 31, 2017 (2nd fiscal period) (August 1, 2016 to January 31, 2017) in the “Financial Report for Fiscal Period Ending January 31, 2017(2nd fiscal period) (August 1, 2016 to January 31, 2017)”.

Also, plans to announce the operating results forecasts and distribution forecasts for the fiscal period ending January 31, 2018 (4th fiscal period) (August 1, 2017 to January 31, 2018) in the “Financial Report for Fiscal Period Ending January 31, 2017(2nd fiscal period) (August 1, 2016 to January 31, 2017)”.

\* This material is distributed to the press club of the Tokyo Stock Exchange (Kabuto Club), the press club of the Ministry of Land, Infrastructure, Transport and Tourism, and the press club for construction trade publications of the Ministry of Land, Infrastructure, Transport and Tourism.

\* Star Asia Investment Corporation website address: <http://starasia-reit.com/en/>

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

Item	Assumptions
Calculation period	Fiscal period ending July 31, 2017: February 1, 2017 – July 31, 2017 (181 days)
Investment assets	<ul style="list-style-type: none"> <li>➤ For the real estate beneficiary interest in trust of the 18 properties held by SAR as of the date of this document (referred to as the “Existing Properties” hereinafter in these assumptions), it is assumed there will be no change (new property acquisitions, sales of the Existing Properties, etc.) other than “Acquisition” and “Transfer” to the investment assets through the end of the fiscal period ending July 31, 2017.</li> <li>➤ 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, etc. Rent revenue from the property planned for acquisition is 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, etc.</li> <li>➤ As to operating revenue, it is assumed no rent payments will be behind or declined by tenants.</li> <li>➤ Gain on sales of real estate property from “Transfer” is expected to be 154 million yen for the fiscal period ending July 31, 2017 as described in “Notice Concerning Asset Acquisition and Transfer of Domestic Real Estate” announced on December 5, 2016. Gain on sales of real estate property from “Transfer” is expected to be 688 million yen for the fiscal period ending July 31, 2017 as described in “Notice Concerning Asset Acquisition and Transfer of Domestic Real Estate” announced today. SAR plans to estimate 99 million yen as internal reserves by “Gain on sale of real estate property.”</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 159 million yen for the charges in fiscal period ending July 31, 2017. For the property planned for 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 property. However, in the case of SAR, the settled amount will be included in the acquisition cost and thus will be not recorded as expenses in the fiscal period ending July 31, 2017 and January 31, 2018. In addition, fixed property taxes, city planning taxes and other public charges in fiscal 2018 will be recorded as expenses from 2018, and are expected to total 16million yen in 2018.</li> <li>➤ For the expenditures for repair and maintenance of buildings, 47 million yen is expected for the fiscal period ending July 31, 2017 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 252 million yen for the fiscal period ending July 31, 2017.</li> </ul>
NOI (Net Operating	➤ The whole of Net Operating income is expected to be 1,485 million yen for the fiscal period ending July 31, 2017

Item	Assumptions
Income)	<ul style="list-style-type: none"> <li>➤ NOI is calculated by using the following calculation method. NOI = rent revenue – rent expenses (excluding depreciation )</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>➤ Interest expense and other financial expenses are expected to total 151 million yen for the fiscal period ending July 31, 2017.</li> </ul>
Debt financing	<ul style="list-style-type: none"> <li>➤ As of today, SAR has a balance of loans outstanding of 30,800 million yen.</li> <li>➤ LTV is expected to be around 45.0% after “Acquisition”, “Transfer” and additional debt financing above.</li> <li>➤ LTV is calculated by using the following calculation method. <math>LTV = \text{Interest-bearing liabilities} \div \text{Total assets} \times 100</math></li> </ul>
Investment units	<ul style="list-style-type: none"> <li>➤ The total number of investment units issued is assumed to be 344,700 (number of issued units as of the date of this document).</li> <li>➤ It is assumed that there will be no changes in the number of investment units issued due to additional issuance of new investment units and such through the end of the fiscal period ending July 31, 2017.</li> </ul>
Cash distribution per unit (not including cash distribution in excess of earnings)	<ul style="list-style-type: none"> <li>➤ SAR plans to estimate 99 million yen as internal reserves by “Gain on sale of real estate property.”</li> <li>➤ Cash distribution per unit (not including cash distribution in excess of earnings) is calculated on the assumption described in the monetary 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, 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 expected to be the same amount in the fiscal period ending July 31, 2017, and it is assumed that 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., and 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> </ul>
Cash distribution in excess of earnings per unit	<ul style="list-style-type: none"> <li>➤ It is assumed that there will be no changes in 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 will not be made to laws and regulations, tax systems, accounting standards, listing rules, rules of The Investment Trusts Association, Japan that impact forecast figures.</li> <li>➤ Forecasts are based on the assumption that there will be no major unforeseen changes to general economic trends, real estate market conditions, etc.</li> </ul>