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For Immediate Release

Real Estate Investment Trust Securities Issuer  
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Notice Concerning Revision to Forecasts for Operating Results and Distribution for the 5th Fiscal Period Ending July 31, 2018 and 6th Fiscal Period Ending January 31, 2019

Star Asia Investment Corporation ("SAR") announces that it has decided to revise the operating results forecasts and distribution forecasts for the 5th fiscal period ending July 31, 2018 (February 1, 2018 to July 31, 2018) and for the 6th fiscal period ending January 31, 2019 (August 1, 2018 to January 31, 2019), described under "2. Management Status Forecast for Fiscal Period Ending July 31, 2018 (from February 1, 2018 to July 31, 2018) and Fiscal Period Ending January 31, 2019 (from August 1, 2018 to January 31, 2019)" in "Financial Report for Fiscal Period Ended January 31, 2018" announced on March 16, 2018 ("Previous Forecast").

1. Revision to forecasts for operating results and distribution for the fiscal period ending July 31, 2018

	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)
Previous Forecasts (A)	2,751	1,504	1,231	1,230	2,750	0	2,750
Revised Forecast (B)	2,801	1,534	1,264	1,263	2,770	0	2,770
Change (C)=(B)-(A)	49	29	32	32	20	0	20
Rate of change (D)=(C)/(A)	1.8%	2.0%	2.7%	2.7%	0.7%	—	0.7%

2. Revision to forecasts for operating results and distribution for the fiscal period ending January 31, 2019

	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)
Previous Forecasts (A)	2,732	1,497	1,320	1,319	2,804	0	2,804
Revised forecast (B)	3,154	1,863	1,685	1,684	3,580	0	3,580
Change (C)=(B)-(A)	422	366	365	365	776	0	776
Rate of change (D)=(C)/(A)	15.5%	24.5%	27.7%	27.7%	27.7%	—	27.7%

(Notes)

- The above forecasts are current forecasts based on “Assumptions Underlying Operating Results Forecasts and Distribution Forecasts for Fiscal Periods Ending July 31, 2018 and Ending January 31, 2019” as attached as Exhibit hereto and 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 fluctuate from the forecasts due to the deviation in assumptions caused by factors such as future acquisitions and sales of real estate, changes in rent income as a result of changes in the tenants, changes in real estate market, changes in the investment management environment such as the unexpected need to perform repairs and fluctuations in interest rates and future issuance of investment units and other changes in environment surrounding SAR, among other factors. In addition, SAR does not guarantee any actual cash distribution amount by announcing the forecast figures.
- The forecasts may be subject to revision when a disparity beyond a certain degree is expected between the above forecasts and actual figures.
- Amounts are rounded down to the nearest specified unit and percentage figures are rounded to the first decimal place.

### 3. Reason for revisions and announcement

In the fiscal period ending January 31, 2019, SAR revised the forecast as the estimated operating revenue and distribution per unit for the fiscal period ending January 31, 2019 is likely to differ by 10% or more operating revenue and by 5% or more distribution per unit, respectively from the amount in the previous forecasts, mainly due to the estimated gain on sale of real estate (401 million yen) as a result of determination of the asset acquisition and transfer (hereinafter referred to as the “Acquisition” and “Transfer,” respectively) described in “Notice Concerning Acquisition and Transfer (Asset Replacement) of Real Estate Beneficiary Interests in Trust” announced today.

In addition, net income for the fiscal period ending July 31, 2018 is expected to increase by 32million yen from the amount in the PreviousForecasts, due to the increase of rent operating revenue through strategic leasing activities such as the cancelation of the rent gap (difference between market rent and contracted average rent) primarily in office portfolio, the increase of occupancy rate in residential assets,

and rent increase by recontracts with existing tenants in logistic assets. Considering the increase of net income and level of the cash distribution, SAR revised the expected amount of reversal of internal reserves to 40 million yen, decreased by 23 million yen from 63 million yen of the previous assumption in calculating distribution amount. As a result, the estimated amount of distribution per unit is expected to increase, thus SAR determined to revise and announce the revised operating results forecasts and distribution forecasts based on the revised assumptions. The rent gap means the difference between the assumed market average rent of the surrounding area and contracted average rent. The assumed market average rent of the surrounding area is based on assessment of rent (median of the range) provided by CBRE. CBRE defined this figure as the moderate monthly rent per tsubo, comprehensively considering leasing transactions of Asset to be Transferred and surrounding competing assets in the neighboring area and the market condition, under the assumption that tenants seeking is carrying out in each timing of rent assessment and new contract is concluded by a floor unit. Contracted average rent is calculated by the whole rent of all tenants of asset to be transferred at the timing of assessing the rent divided by operated area and includes common service fee, but free rent and rent holiday as of the day are not considered and don't include tax.

<Reference>

Other press releases published as of today

- Notice Concerning Acquisition and Transfer (Asset Replacement) of Real Estate Beneficiary Interests in Trust
- Supplementary Materials concerning the Acquisition and Transfer (Asset Replacement) of Real Estate

Beneficiary Interests in Trust

\* 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://starasiareit.com/en/>

[Exhibit]

Assumptions Underlying Operating Results Forecasts and Distribution Forecasts  
for Fiscal Periods Ending July 31, 2018 and Ending January 31, 2019

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> <li>➤ 5th Fiscal period ending July 31, 2018: February 1, 2018 – July 31, 2018 (181 days)</li> <li>➤ 6th Fiscal period ending January 31, 2019: August 1, 2018 – January 31, 2019 (184 days)</li> </ul>
Investment assets	<ul style="list-style-type: none"> <li>➤ For the real estate beneficiary interest in trust of the 29 properties (referred to as the “Existing Properties (real estate, etc.)” hereinafter in these assumptions) and 2 Mezzanine Loan Debt (referred to as the “Existing Properties (mezzanine)” hereinafter in these assumptions) held by SAR as of today (hereinafter collectively referred to as the “Existing Properties”), it is assumed there will be no change (new property acquisitions, sales of the Existing Properties, etc.) other than “Acquisition” and “Transfer” as described below to the investment assets through the end of the fiscal period ending January 31, 2019.               <ul style="list-style-type: none"> <li>&lt; Acquisition &gt;                   <ul style="list-style-type: none"> <li>Property Name: Hotel WBF Fukuoka Tenjin Minami</li> <li>Anticipated Acquisition Date:</li> <li>(Note) The anticipated acquisition date shall be the day to be separately agreed upon by the seller and the purchaser on or before the end of December 2018. In these assumptions, SAR assumes that the acquisition date shall be December 28, 2018.</li> </ul> </li> <li>&lt; Transfer &gt;                   <ul style="list-style-type: none"> <li>Property Name: Hakata-eki Higashi 113 Building</li> <li>Anticipated Transfer Date:                       <ul style="list-style-type: none"> <li>1st (49% quasi-co-ownership interest) December 3, 2018</li> <li>2nd (51% quasi-co-ownership interest) February 1, 2019</li> </ul> </li> </ul> </li> </ul> </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 (real estate, etc.) are calculated based on the rent stated in the lease agreements that are effective as of today. 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 anticipated acquisition date, etc, taking factors such as market movement into consideration, respectively. It is also assumed that there will be no arrears or non-payment of rent by tenants.</li> <li>➤ Interest revenue or dividend revenues from the Existing Properties (mezzanine) are calculated based on outlines or trust agreements which define contents of the Existing Properties (mezzanine) that are effective as of today. It is also assumed that no interest payments or dividend payments will be declined.</li> </ul> <p>Gain on sales of real estate property from the 1st “Transfer” is expected to be 401 million yen for the fiscal period ending January 31, 2019. In practice, this may vary due to the success or failure of transaction, transfer price and transfer date, among other factors.</p>
Operating expenses	<ul style="list-style-type: none"> <li>➤ Among expenses related to rent business of the Existing Properties (real estate, etc.), which are the principal operating expenses, expenses excluding depreciation are calculated on the basis of historical data, reflecting variable factors of expenses.</li> </ul>

Item	Assumptions
	<ul style="list-style-type: none"> <li>➤ Fixed property taxes, city planning taxes and other public charges are expected to be 175 million yen in fiscal period ending July 31, 2018 and to be 175 million yen in fiscal period ending January 31, 2019. For the property planned for "Acquisition", fixed property taxes, city planning taxes and other public charges in fiscal 2018 (7 million yen (Annual amount and not equal to settled amount)) 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 not be recorded as expenses in the fiscal period ending January 31, 2019. Fixed property taxes, city planning taxes and other public charges for the property planned for "Acquisition" will be recorded as expenses from the fiscal period ending July 31, 2019.</li> <li>➤ For the expenditures for repair and maintenance of buildings, 90 million yen is expected for the fiscal period ending July 31, 2018 and 68 million yen is expected for the fiscal period ending January 31, 2019 based on repair and maintenance plans drawn up by Star Asia Investment Management Co., Ltd. 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 including ancillary costs and is expected to be 355 million yen for the fiscal period ending July 31, 2018 and 365 million yen for the fiscal period ending January 31, 2019.</li> </ul>
<p style="text-align: center;">NOI (Net Operating Income)</p>	<ul style="list-style-type: none"> <li>➤ The whole Net Operating Income is expected to be 2,142 million yen for the fiscal period ending July 31, 2018 and 2,124 million yen for the fiscal period ending January 31, 2019.</li> <li>➤ NOI is calculated by using the following calculation method. NOI = rent revenue – rent expenses (excluding depreciation )</li> </ul>
<p style="text-align: center;">Non-operating expenses</p>	<ul style="list-style-type: none"> <li>➤ Temporary expenses in issuance of new investment units in February 2018 are expected to be 7 million yen for the fiscal period ending July 31, 2018.</li> <li>➤ Interest expense and other financial expenses are expected to be 262 million yen for the fiscal period ending July 31, 2018 and to be 177 million yen for the fiscal period ending January 31, 2019.</li> </ul>
<p style="text-align: center;">Debt financing</p>	<ul style="list-style-type: none"> <li>➤ As of today, SAR has a balance of loans outstanding of 43,230 million yen, of which 190 million yen is expected to be repaid by consumption tax refund and other funds before repayment date in the fiscal period ending January 31, 2019.</li> <li>➤ It is assumed that there will be no new borrowing and prepayment other than the above until the end of the fiscal period ending January 31, 2019.</li> </ul>
<p style="text-align: center;">Investment units</p>	<ul style="list-style-type: none"> <li>➤ The total number of investment units issued is assumed to be 470,624 (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, etc. until the end of the fiscal period ending January 31, 2019.</li> </ul>
<p style="text-align: center;">Cash distribution per unit</p>	<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</li> </ul>

Item	Assumptions
(not including cash distribution in excess of earnings)	<p>SAR's Articles of Incorporation.</p> <ul style="list-style-type: none"> <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 not expected to arise by the end of the fiscal period ending January 31, 2019, 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> <li>➤ SAR revised the expected amount of reversal of internal reserves for fiscal period ending July 31, 2018 to 40 million yen, revised from 63 million yen of the previous assumption.</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 incurrence 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 may affect the above forecast will not be made to laws and regulations, tax systems, accounting standards, listing rules and rules of The Investment Trusts Association.</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>