

August 21, 2018

For Immediate Release

Real Estate Investment Trust Securities Issuer

Star Asia Investment Corporation

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(Code: 3468)

Asset Management Company

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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

Star Asia Investment Corporation (“SAR”) announces that it has decided to revise the operating results forecasts for the 6th fiscal period ending January 31, 2019 (August 1, 2018 to January 31, 2019) described under “2. Revision to forecasts for operating results and distribution for the fiscal period ending January 31, 2019” in “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” announced on July 23, 2018 (“Previous Forecast”). SAR also newly announces the operating results forecasts and distribution forecasts for the 7th fiscal period ending July 31, 2019 (February 1, 2019 to July 31, 2019) as described below.

1. Revision to forecasts for operating results 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)	3,154	1,863	1,685	1,684	3,580	0	3,580
Revised Forecast (B)	3,795	2,298	1,936	1,936	3,580	0	3,580
Change (C)=(B)-(A)	640	434	251	251	0	0	0

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Rate of change (D)=(C)/(A)	20.3%	23.3%	14.9%	14.9%	0%	0%	0%
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(Reference)

Expected number of investment units issued and outstanding as of the end of the fiscal period: 540,824 units

(Refer to the "Investment units" in the assumptions described in the Exhibit.)

2. Forecasts for operating results and distribution for the fiscal period ending July 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)
Fiscal period ending July 31, 2019	3,700	2,130	1,839	1,838	3,400	0	3,400

(Reference)

Expected number of investment units issued and outstanding as of the end of the fiscal period: 540,824 units

(Refer to the "Investment units" in the assumptions described in the Exhibit.)

(Notes)

- The above forecasts are current forecasts based on "Assumptions Underlying Operating Results Forecasts and Distribution Forecasts For Fiscal Periods Ending January 31, 2019 and Ending July 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 the investment management environment such as the unexpected need to perform repairs, number and price of investment units which will be newly issued 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

SAR revised the forecasts as the assumptions underlying operating results forecasts for the fiscal period ending January 31, 2019 described in "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" announced on July 23, 2018 have changed and not less than 10% of difference occurred in the forecasts for operating revenue for the fiscal period ending January 31, 2019 due to the acquisition of real estate beneficiary interests in five properties described in "Notice Concerning Acquisition and Lease Contract with

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New Tenants, and Transfer of Real Estate Beneficiary Interests in Trust” announced today, due to the determination of scheduled date of one property described in “Notice Concerning Determination of Scheduled Date of Assets Acquisition and Changes in Funds for the Acquisition” announced today (for more details, please refer to “Notice Concerning Acquisition and Transfer (Asset Replacement) of Real Estate Beneficiary Interests in Trust” announced on July 23, 2018) (Acquisition of these six properties is hereinafter collectively referred to as the “Acquisition” and these six properties are hereinafter referred to as “Assets to be Acquired”), and due to the asset transfer of one property described in “Notice Concerning Acquisition and Lease Contract with New Tenants, and Transfer of Real Estate Beneficiary Interests in Trust” announced today (together with the transfer of one property described in “Notice Concerning Acquisition and Transfer (Asset Replacement) of Real Estate Beneficiary Interests in Trust” announced on July 23, 2018, hereinafter collectively referred to as the “Transfer”), issuance of new investment units and other relevant matters described in “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” announced today and new borrowings described in “Notice Concerning Debt Financing” announced today. SAR also newly announces the operating results forecasts and distribution forecasts for the fiscal period ending July 31, 2019.

Furthermore, the actual operating results and distribution for the fiscal period ended July 31, 2018 (from February 1, 2018 to July 31, 2018) are scheduled to be announced in Financial Report for the 5th Fiscal Period Ended July 31, 2018 to be announced in mid-September 2018.

4. Other

The above forecasts for the fiscal period ending July 31, 2019 incorporate factors to cause a temporary increase in profits including the estimated capital gains on the Transfer described in “Operating revenue” of Exhibit. Cash distribution per unit (not including cash distribution in excess of earnings) for the 7th fiscal period ending July 31, 2019 is expected to be 2,831 yen based on the assumption that gain on sales, the said factors of temporary increased profits are excluded from the calculation.

<Reference>

Other 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 Debt Financing
- Notice Concerning Partial Amendments to the Management Guidelines of the Asset Manager
- Notice Concerning Execution of Agreement 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
- Supplementary Material on Press Releases (Acquisition of Properties through Public Offering) Announced as of Today

* 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/>

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[Exhibit]

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

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> ➤ 6th Fiscal period ending January 31, 2019: August 1, 2018 – January 31, 2019 (184 days) ➤ 7th Fiscal period ending July 31, 2019: February 1, 2019 – July 31, 2019 (181 days)
Investment assets	<ul style="list-style-type: none"> ➤ 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 July 31, 2019. <ul style="list-style-type: none"> <Acquisition> <ul style="list-style-type: none"> Property Name: Amusement Media Academy Honkan, Higashi-Kobe Center Building, Best Western Tokyo Nishikasai Grande, GLANSIT AKIHABARA, Hotel WBF Fukuoka Tenjin Minami, Hotel WBF Art Stay Namba Anticipated Acquisition Date: September 6, 2018 <Transfer> <ul style="list-style-type: none"> Property Name: Hakata-eki Higashi 113 Building Anticipated Transfer Date: <ul style="list-style-type: none"> 1st (49% quasi-co-ownership interest) December 3, 2018 2nd (51% quasi-co-ownership interest) February 1, 2019 Property Name: Urban Park Shin-Yokohama Anticipated Transfer Date: October 11, 2018 ➤ In practice, this may vary due to changes in investment assets.
Operating revenue	<ul style="list-style-type: none"> ➤ 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 Properties Planned for the 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. ➤ Interest revenues 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. ➤ Gain on sales of Hakata-eki Higashi 113 Building is expected to be 401 million yen for

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	<p>the fiscal period ending January 31, 2019 and 418 million yen for the fiscal period ending July 31, 2019 and gain on sales of Urban Park Shin-Yokohama is expected to be 177 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"> ➤ 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. ➤ Fixed property taxes, city planning taxes and other public charges are expected to be 175 million yen in fiscal period ending January 31, 2019 and to be 238 million yen in fiscal period ending July 31, 2019. For the Properties Planned for the Acquisition, fixed property taxes, city planning taxes and other public charges in fiscal year of 2018 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 January 31, 2019 and ending July 31, 2019. Fixed property taxes, city planning taxes and other public charges for the Properties Planned for the Acquisition are expected to be 48 million yen in fiscal period ending January 31, 2020. ➤ For the expenditures for repair and maintenance of buildings, 81 million yen is expected for the fiscal period ending January 31, 2019 and 80 million yen is expected for the fiscal period ending July 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. ➤ Depreciation is calculated using the straight line method including ancillary costs and is expected to be 415 million yen for the fiscal period ending January 31, 2019 and 427 million yen for the fiscal period ending July 31, 2019.
NOI (Net Operating Income)	<ul style="list-style-type: none"> ➤ The total NOI of Existing Properties (real estate, etc.) is expected to be 2,481 million yen for the fiscal period ending January 31, 2019 and 2,478 million yen for the fiscal period ending July 31, 2019. ➤ NOI is calculated by using the following calculation method. NOI = rent revenue – rent expenses (excluding depreciation)
Non-operating expenses	<ul style="list-style-type: none"> ➤ Temporary expenses in issuance of new investment units for the fiscal period ending January 31, 2019 are expected to be 50 million yen. ➤ Interest expense and other financial expenses are expected to be 311 million yen for the fiscal period ending January 31, 2019 and 289 million yen for the fiscal period

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	<p>ending July 31, 2019.</p> <ul style="list-style-type: none"> ➤ Temporary expenses of other financial expenses to be incurred in association with the new borrowing and refinancing as described in “Debt financing” below are expected to be 90 million yen for the fiscal period ending January 31, 2019 and 65 million yen for the fiscal period ending July 31, 2019.
Debt financing	<ul style="list-style-type: none"> ➤ The total amount of interest-bearing liabilities is assumed to be 52,340 million yen as of the end of the fiscal period ending January 31, 2019 and 50,880 million yen as of the end of the fiscal period ending July 31, 2019. ➤ As of today, SAR has 43,230 million yen balance of outstanding borrowings. In addition to these, it is assumed that SAR will borrow additional 13,130 million yen on September 6, 2018 from qualified institutional investors defined in article 2, paragraph 3, item 1 of the Financial Instruments and Exchange Act in Japan. ➤ It is assumed to prepay 4,020 million yen by the end of the fiscal period ending January 31, 2019 by using the paid-in money for issuance of the new investment units through third-party allotment described in “Investment units” below, transfer proceeds from the Transfer, and consumption tax refund resulting from the acquisition of properties and payment of other various expenses in the fiscal period ending July 31, 2018. ➤ It is assumed to prepay 1,460 million yen by the end of the fiscal period ending July 31, 2019 by using consumption tax refund resulting from the planned acquisition of properties and payment of other various expenses as well as the transfer proceeds from the Transfer. ➤ Except for those to be prepaid as above, it is assumed that 7,300 million yen of loans payable due for repayment by the end of the fiscal period ending July 31, 2019 will be refinanced in the term. ➤ Other than the above, it is assumed that there will be no new borrowings or repayments of existing borrowings including prepayments until the end of the fiscal period ending July 31, 2019.
Investment units	<ul style="list-style-type: none"> ➤ It is assumed that, in addition to the total number of investment units issued and outstanding as of today (470,624 units), all of the new investment units to be issued through public offering (66,857 units) and third-party allotment (up to 3,343 units), respectively resolved at the Board of Directors meeting held today, will be issued in full. ➤ Other than the above, it is assumed that there will be no changes in the number of investment units issued due to additional issuance, etc. of investment units until the end of the fiscal period ending July 31, 2019.
Cash distribution per unit (not including cash distribution in excess of earnings)	<ul style="list-style-type: none"> ➤ 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. ➤ It is assumed that derivative transactions (interest rate swaps) will continue to be conducted. However, it is also assumed that deferred losses on hedges, which is an item of deduction from net assets (as those provided in article 2, item 30 (b) of the

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	<p>Ordinance on Accountings of Investment Corporations), is not expected to arise until the end the fiscal periods ending July 31, 2019, 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.</p> <ul style="list-style-type: none"> ➤ 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.
Cash distribution in excess of earnings per unit	<ul style="list-style-type: none"> ➤ 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. ➤ 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.
Other	<ul style="list-style-type: none"> ➤ 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. ➤ Forecasts are based on the assumption that there will be no major unforeseen changes to general economic trends and real estate market conditions, etc.

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