

(REIT) Financial Report for Fiscal Period Ended July 31, 2016

September 14, 2016

REIT Securities Issuer: Star Asia Investment Corporation
 Securities Code: 3468
 Representative: Atsushi Kato, Executive Director

Stock Exchange Listing: Tokyo Stock Exchange
 URL: <http://starasia-reit.com>

Asset Management Company: Star Asia Investment Management Co., Ltd.
 Representative: Atsushi Kato, President and CEO
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Scheduled date of commencement of cash distribution payment: October 17, 2016
 Scheduled date of submission of securities report: October 28, 2016

Preparation of supplementary financial results briefing materials: Yes
 Holding of financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Status of Management and Assets for Fiscal Period Ended July 31, 2016 (from December 1, 2015 to July 31, 2016)

(1) Management Status (% figures are the rate of period-on-period increase (decrease))

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Ended July 2016	1,859	—	1,147	—	335	—	333	—

Fiscal period	Net income per unit	Ratio of net income to equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
Ended July 2016	yen 1,813	% 1.5	% 0.6	% 18.0

(Note 1) The calculation period for the fiscal period ended July 31, 2016 of Star Asia Investment Corporation is a period of 244 days from December 1, 2015 to July 31, 2016, but the actual asset management period is a period of 200 days from January 14, 2016 to July 31, 2016.

(Note 2) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units (184,092 units).

(Note 3) Ratio of net income to equity and ratio of ordinary income to total assets are calculated based on the weighted average equity and total assets, respectively, with the actual asset management period commencement date January 14, 2016 deemed as the beginning of the period.

(2) Status of Cash Distribution

Fiscal period	Cash distribution per unit (not including cash distribution in excess of earnings)	Total cash distribution (not including cash distribution in excess of earnings)	Cash distribution in excess of earnings per unit	Total cash distribution in excess of earnings	Cash distribution per unit (including cash distribution in excess of earnings)	Total cash distribution (including cash distribution in excess of earnings)	Cash distribution payout ratio	Ratio of cash distribution to net assets
Ended July 2016	yen 892	million yen 307	yen 76	million yen 26	yen 968	million yen 333	% 92.1	% 0.9

(Note 1) For the fiscal period ended July 31, 2016, of cash distribution in excess of earnings per unit of 76 yen, allowance for temporary difference adjustment is 76 yen.

(Note 2) Cash distribution payout ratio is calculated by the following formula due to changes in the number of investment units during the period following issuance of new investment units during the period:

$$\text{Cash distribution payout ratio} = \frac{\text{Total cash distribution (not including cash distribution in excess of earnings)}}{\text{Net income}} \times 100$$

(Note 3) Ratio of cash distribution to net assets is calculated based on the weighted average net assets per unit with the actual asset management period commencement date January 14, 2016 deemed as the beginning of the period.

(3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
Ended July 2016	million yen 68,636	million yen 33,848	% 49.3	yen 98,197

(4) Status of Cash Flows

Fiscal period	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Ended July 2016	million yen (397)	million yen (61,010)	million yen 65,972	million yen 4,564

2. Management Status Forecast for Fiscal Period Ending January 31, 2017 (from August 1, 2016 to January 31, 2017) and Fiscal Period Ending July 31, 2017 (from February 1, 2017 to July 31, 2017)

(% figures are the rate of period-on-period increase (decrease))

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income		Cash distribution per unit (not including cash distribution in excess of earnings)	Cash distribution in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
Ending Jan. 2017	1,987	6.9	1,169	1.9	1,051	213.4	1,050	214.5	3,046	0
Ending July 2017	2,000	0.7	1,052	(10.0)	940	(10.5)	939	(10.5)	2,726	0

(Reference) Forecast net income per unit (fiscal period ending January 31, 2017) 3,047 yen

Forecast net income per unit (fiscal period ending July 31, 2017) 2,726 yen

* Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

- ① Changes in accounting policies accompanying amendments to accounting standards, etc.: No
- ② Changes in accounting policies other than ①: No
- ③ Changes in accounting estimates: No
- ④ Retrospective restatement: No

(2) Total Number of Investment Units Issued and Outstanding

① Total number of investment units issued and outstanding (including treasury units) at end of period

Fiscal period ended July 31, 2016	344,700 units
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② Number of treasury units at end of period

Fiscal period ended July 31, 2016	0 units
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(Note) For the number of investment units serving as the basis for calculation of net income per unit, please see "Notes on Per Unit Information" on page 24.

* Presentation of Status of Implementation of Audit Procedures

At the time of disclosure of this financial report, audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

* Explanation of Appropriate Use of Management Status Forecast, and Other Matters of Special Note

The management status outlook and other forward-looking statements contained in this document are based on information that are currently available and certain assumptions that are deemed reasonable by Star Asia Investment Corporation. Accordingly, the actual management status, etc. may differ materially due to various factors. In addition, the forecast figures are the current figures calculated under the assumptions described in "Assumptions Underlying Management Status Forecast for Fiscal Period Ending January 31, 2017 and Fiscal Period Ending July 31, 2017" on page 8. Accordingly, 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 vary due to acquisition/disposition of real estate, etc., trends of the real estate market, etc., fluctuations in interest rates or other changes in the circumstances surrounding Star Asia Investment Corporation, etc. in the future. In addition, the forecast is not a guarantee of the amount of cash distribution.

1. Related Parties of the Investment Corporation

Disclosure is omitted because there is no significant change from “Structure of the Investment Corporation” in the securities registration statement (submitted on March 16, 2016, as amended).

2. Management Policies and Management Status

(1) Management Policies

Disclosure is omitted because there is no significant change from “Investment Policies,” “Investment Targets” and “Cash Distribution Policies” in the securities registration statement (submitted on March 16, 2016, as amended).

(2) Management Status

① Overview of the Fiscal Period Under Review

(a) Brief History of the Investment Corporation

Star Asia Investment Corporation (“SAR”) was established under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; the “Investment Trusts Act”) with Star Asia Investment Management Co., Ltd. (the “Asset Management Company”) as the organizer and Star Asia Management Limited as the sponsor on December 1, 2015 (investments in capital: 200 million yen; number of investment units issued: 2,000 units).

In the fiscal period under review (1st fiscal period), additional issuance of new investment units through private placement of 95,000 units, procurement from the sponsor group of 9,500 million yen, borrowing of 31,756 million yen and issuance of investment corporation bonds of 4,574 million yen followed in January 2016, along with acquisition of 11 properties (sum total of acquisition price: 43,740 million yen).

These were followed by additional issuance of new investment units through public offering of 235,900 units on April 19, 2016, and listing on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (“Tokyo Stock Exchange”) on the next day. (Securities Code: 3468)

At the same time as the listing were repayment of the entire amount of existing loans, redemption by purchase of all investment corporation bonds already issued and new borrowing of 32,555 million yen, by which 7 properties (sum total of acquisition price: 17,753 million yen) were additionally acquired that brought the asset size to a total of 18 properties (sum total of acquisition price: 61,493 million yen).

Later, 11,800 units were issued through third-party allotment, resulting in a total number of investment units issued and outstanding of 344,700 units as at the end of the 1st fiscal period.

(b) Investment Environment and Management Performance

Investment Environment:

The Japanese economy in the fiscal period under review saw many negative factors to economic growth, such as Chinese economic stagnation, slowing down of emerging economies with the depreciation of resources, the UK’s decision to exit the EU, and these leading to progress in the appreciation of the yen. Nevertheless, with introduction of the negative interest rate policy and revitalization of the investment market as represented by listed REITs and private REITs, Japan’s real estate market is stable. In addition, when seen from a medium-term perspective, Japan’s real estate market is thought to remain steady due to various factors, such as acceleration of infrastructure and facility development for the 2020 Tokyo Olympic Games, greater real estate investment demand owing to cash management difficulty with the extension of the negative interest rate policy, and “to double the REIT, etc. asset size to approximately 30 trillion yen by around 2020” being set as a real estate investment market growth target by the Ministry of Land, Infrastructure, Transport and Tourism.

In the recent real estate transaction market, supply-demand remains in a tight state due to there being many market participants, such as listed REITs, private REITs, private funds and business companies. This state is forecast to continue for the time being and the market cap rate, too, is a stable low. Concerning investment area, reflecting the tight supply-demand, the investment demand is active not only for the Greater Tokyo area but also core cities as represented by Osaka, Nagoya and Fukuoka. SAR thinks that such trends will continue.

(Office leasing market)

According to market research by CBRE K.K., as of the end of July 2016, the vacancy rate for office buildings in Tokyo's 23 wards was at a low level of approximately 2.4%, suggesting active demand for office floor space. With also assumed achievable rent for Grade A office buildings (Note) increasing (approximately 35,000 yen per tsubo in July 2016), the leasing market is in a steady state. Other regional areas (Osaka, Nagoya and Fukuoka), too, are showing similar trends. The steady trends are thought to continue in the office leasing market, centering on the Tokyo area.

(Note) Grade A office buildings refer to, as a general rule, buildings located in regions with a high concentration of office buildings (where regions with a high concentration of office buildings in the case of Tokyo are centered on the central 5 wards, in the case of Osaka are centered on Kita Ward, Chuo Ward and Yodogawa Ward, and in the case of Nagoya are centered on Nakamura Ward, Naka Ward, Higashi Ward and Nishi Ward) that have a typical floor plate of 350 tsubos or more (500 tsubos or more in the case of Tokyo), net leasable area of 6,500 tsubos or more, total floor area of 10,000 tsubos or more, and building age of less than 11 years.

(Residential leasing market)

According to the "2013 Housing and Land Survey" by the Ministry of Internal Affairs and Communications, households living in rental apartments, which were 3.34 million households (approximately 8% of all households) in 1988, increased by approximately 3.3 times to 9.96 million households (approximately 20% of all households) in 2013, showing that leasing is becoming entrenched as a living style. In addition, with the increase in one-person households due to age of marriage being on an increasing trend, aging society, etc. also standing out, demand for rental housing is thought to be high.

Both rent and vacancy rate are stable, regardless of geographic area, according to CBRE K.K.'s rent index and vacancy rate index concerning rental housing independently obtained by the Asset Management Company, and SAR thinks that the steady performance will continue.

(Logistics facility leasing market)

According to CBRE K.K.'s market report independently obtained by the Asset Management Company, Japan's electronic commerce (EC) market size (net sales) continues to expand, growing by approximately triple the size in 2006, which was approximately 4.4 trillion yen, to approximately 12.8 trillion yen in 2014. In addition, the market size (net sales) of third-party logistics (3PL), which are logistics specialists to which companies entrust their logistics function in whole or in part, is also expanding, growing by approximately 2.2 times the size in 2005, which was approximately 1.0 trillion yen, to approximately 2.2 trillion yen in 2014. These are thought to lead to diversifying needs and also mounting demand for logistics facilities.

According to the report, the vacancy rate for the Greater Tokyo area in the fourth quarter of 2015 was at a low level of slightly more than 5% or so and is recently at a similar vacancy rate. In addition, the rent index, too, is stable for the Greater Tokyo area. Considering the mounting demand and rent and vacancy rate trends for logistics facilities, the stable performance is thought to continue.

(Hotel market)

As part of Japan's policies and measures to aim to become a tourism nation, international route arrival and departure slots are being increased at Tokyo International Airport (Haneda Airport), new LCC entries being made at Kansai International Airport, etc., along with identifying and developing tourism resources, etc. There is also the added effect of the announcement that Tokyo will host the Olympic Games in 2020. Due to these various factors, the number of travelers from overseas continues to be on an increasing trend and is expected to continue to increase further. According to Japan Hotel Appraisal's market report independently obtained by the Asset Management Company, ADR and occupancy rate are both on the rise for the Tokyo area and other regional areas (Osaka, Nagoya, Fukuoka and Sapporo) and, coupled with Japan's policies and measures, the steady performance is thought to continue.

Management Performance:

In the fiscal period under review under the environment described above, asset management commenced with the acquisition of 3 office properties, 3 residential properties, 3 logistics facility properties and 2 hotel properties for a total of 11 properties (sum total of acquisition price: 43,740 million yen) in January 14, 2016, and this was followed by additional acquisition of 5 office properties and 2 residential properties for a total of 7 properties (sum total of acquisition price: 17,753 million yen) in April 20, 2016. As of the end of the fiscal period under review, investment assets amounted to 61,493 million yen (sum total of acquisition price) and had occupancy rate of 95.9%.

(c) Overview of Fund Procurement

In the fiscal period under review, 200 million yen was procured from issuance of 2,000 investment units upon the establishment of SAR in December 2015, 9,500 million yen from additional issuance of new investment units of 95,000 units upon the acquisition of 11 properties in January 2016, 22,705 million yen from additional issuance of new investment units of 235,900 units upon the listing in April 2016 and 1,135 million yen from additional issuance through third-party allotment of 11,800 units in May 2016 for a total of 33,541 million yen (total number of investment units issued and outstanding: 344,700 units) procured from the capital market.

In addition, upon the acquisition of 11 properties in January 2016, simultaneously procured were 31,756 million yen from borrowing from Sumitomo Mitsui Banking Corporation and Mizuho Bank, Ltd., and 4,574 million yen from issuance of investment corporation bonds. Concerning these debt financing and investment corporation bonds, part of the funds procured from issuance of new investment units and the 32,555 million yen newly borrowed from a loan syndicate with Sumitomo Mitsui Banking Corporation and Mizuho Bank, Ltd. as arrangers upon the listing in April 2016 were used for repayment of the entire amount of the 31,756 million yen borrowed and redemption by purchase of the entire amount of the investment corporation bonds. As a result, as of the end of the fiscal period under review (July 31, 2016), the balance of loans outstanding was 32,555 million yen and the ratio of interest-bearing liabilities to total assets (LTV) was 47.4%.

(d) Overview of Business Performance and Cash Distributions

As a result of the management described above, SAR recorded operating revenue of 1,859 million yen, operating income of 1,147 million yen, ordinary income of 335 million yen and net income of 333 million yen as business performance in the fiscal period under review.

Concerning cash distribution, pursuant to the cash distribution policies provided in SAR's Articles of Incorporation, the intention is to have cash distribution of earnings included in deductible expenses by application of Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended; the "Act on Special Measures Concerning Taxation"). Accordingly, the decision was made to distribute 307,472,400 yen, which is the entire amount of the earnings provided in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations but excluding the portion where cash distribution of earnings per unit becomes a fractional amount of less than 1 yen. In addition, SAR shall make cash distribution in excess of earnings in an amount that it determines as the amount equivalent to the items of deduction from net assets (those provided in Article 2, Paragraph 2, Item 30 (b) of the Ordinance on Accountings of Investment Corporations) with due consideration of the impact of the items of deduction from net assets on cash distribution. Accordingly, in the fiscal period under review, the decision was made to distribute 26,197,200 yen, which is calculated as the amount equivalent to deferred losses on hedges of 26,238,915 yen but excluding the portion where cash distribution in excess of earnings per unit becomes a fractional amount of less than 1 yen, as cash distribution attributable to allowance for temporary difference adjustment (those provided in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations). As a result of the above, cash distribution per unit declared for the fiscal period under review was 968 yen.

② Outlook for the Next Fiscal Period

The outlook for the Japanese economy is fluctuation due to external factors, such as trends of the Chinese and emerging economies, the U.S. interest rate policy, and exchange rate fluctuation owing to these, and due to internal factors, such as the Japanese government's fiscal policies and Bank of Japan's monetary policies.

Although there are also negative factors to global economic trends and Japanese economic trends, Japan's and notably Tokyo's real estate market is thought to be steady due to inflow of investment funds eyeing the disparity in interest rates on loans and real estate cap rates, economic revitalization led by infrastructure and facility development for Tokyo's hosting of the Olympic Games in 2020, and other factors. In addition, lodging facilities are in a state of shortage due in part to increase in travelers from overseas, and finding solutions for this is thought to be an urgent task.

Future Management Policy and Challenges to Address

(a) External Growth Strategy

SAR is a diversified REIT investing in office, retail, residential, logistics and hotel properties, with maximization of unitholders' interests set as a principle and income "stability" and "growth" at the core. SAR aims to develop a portfolio that can gain income "stability" and "growth" by making selective investment based on an assessment of the features of the investment asset types and detailed market analysis of the investment areas.

The thinking for the time being is to focus on "office" for which tenant demand is robust, "residence" for which demand is stable due to increase in households choosing to rent and "logistics facility" for which the EC market and 3PL market size are growing in recent years, centering on the "5 central wards of Tokyo," and make the most of their respective characteristics under the intention of gaining income stability and growth. In addition, with "hotel" for which lodging demand is expected to continue to grow, backed by Japan's policies and measures, regarded as an asset type on which efforts should be placed in particular, investments will be made by carefully selecting properties that have the potential to secure income stability and growth over the medium to long term based on detailed analysis of the investment properties and areas and consideration of future hotel development and private lodging facility trends and other various factors.

Despite the recent harsh property acquisition environment, SAR managed to conclude a "Sale Preferential Negotiation Right Agreement" with special purpose companies belonging to the sponsor group for the properties listed in the following table in order to realize speedy and steady external growth based on the investment strategy described above.

SAR intends to continue accelerating the acquisition of properties that contribute to income stability and growth by fully leveraging the sponsor group's and the Asset Management Company's own networks.

Properties for which preferential negotiation rights have been obtained

Property name	Asset type	Location	Minimum purchase price
Baraki Logistics	Logistics facility	Ichikawa-shi, Chiba	4,700 million yen
Joytel Gokokuji	Residence	Toshima-ku, Tokyo	1,460 million yen
Hakata-eki East Place	Office	Fukuoka-shi, Fukuoka	2,255 million yen
Urban Park Kashiwa	Residence	Kashiwa-shi, Chiba	1,186 million yen
BEST WESTERN Tokyo Nishikasai	Hotel	Edogawa-ku, Tokyo	3,805 million yen
BEST WESTERN Yokohama	Hotel	Yokohama-shi, Kanagawa	3,185 million yen
Total			16,591 million yen

(b) Internal Growth Strategy

The internal growth strategy is to thoroughly ensure "operational management with emphasis on unconditional fairness" by leveraging the strengths as an independent REIT without affiliated companies in Japan in an aim to optimize management and operational expenses. Specifically, operational management that thinks of the interests of the investment asset first will be conducted by assessing the features of the investment asset and selecting the optimal property management company (the "Property Management Company") and building management company (the "Building Management Company") suited to the concerned features, and appropriately monitoring based on the PDCA system (system of plan, do, check and action) so that the optimal Property Management Company and Building Management Company continues to be consistently in place. The following is the internal growth strategy by real estate sector.

(Office / Residence)

In order to maintain and enhance the occupancy rate, property information will be provided widely to not only leading brokerage companies but also local brokerage companies in line with the features of the investment asset in an effort to swiftly secure and contract several potential tenants. In addition, upon leasing contract renewals, negotiations will be pursued to increase the amount of rent in the case of tenants with a disparity between market rent and the actually paid rent.

In addition, in order to enhance the attractiveness to tenants, not only repairs and maintenance from a defensive approach in view of functional maintenance, but also renovation of common-use areas and other repairs and maintenance from an aggressive approach will be implemented.

(Logistics facility / Hotel)

Considering that the state for logistics facilities and hotels is that these are leased to a single tenant or a small number of tenants, communication with tenants will be pursued on a regular basis for timely grasping of requests, etc. By striving to enhance tenant satisfaction through meticulously addressing such requests, etc., long-term tenancy and increase in the amount of rent will be aimed.

(c) Financial Strategy

SAR seeks to establish a stable and sound financial base with an aim to achieve maintenance/expansion of income over the medium- to long-term as well as growth of the managing asset size.

(Equity finance)

The purpose of issuing new investment units is to achieve growth of the managing asset size and value, and due consideration will be given to dilution of existing unitholders' rights, trend of the unit price in line with the dilution, etc., while comprehensively taking into account the timing of new acquisition of real estate, etc., possibility of utilizing warehousing function of the sponsor, the LTV level, financial environment, economic market trends, etc., in deciding on issuance of new investment units.

(Note) LTV refers to the ratio of interest-bearing liabilities to total assets of SAR.

(Debt finance)

Upon making borrowings and issuing investment corporation bonds (including short-term investment corporation bonds), due consideration will be given to the balance between the mobility of fund procurement and financial stability.

Specifically, the ratio of long-term loans, ratio of loans with fixed interest rates, diversification of maturity, fund procurement means (loans/investment corporation bonds), lender diversification, setting of commitment lines, etc. will be discussed.

(LTV)

LTV will be controlled with consideration to available fund capacity mainly for making new property acquisitions. A targeted ceiling for LTV is set at 60% under the asset management guidelines.

(d) Management Status Outlook

SAR's management status expected for the fiscal period ending January 31, 2017 and the fiscal period ending July 31, 2017 is as follows:

Fiscal period	Operating revenue	Operating income	Ordinary income	Net income	Cash distribution per unit (not including cash distribution in excess of earnings)	Cash distribution in excess of earnings per unit
	million yen	million yen	million yen	million yen	yen	yen
Ending Jan. 2017	1,987	1,169	1,051	1,050	3,046	0
Ending July 2017	2,000	1,052	940	939	2,726	0

This outlook is based on information that are currently available and certain assumptions that are deemed reasonable by SAR. Accordingly, the actual management status, etc. may differ materially due to various factors. In addition, the forecast is not a guarantee of the amount of cash distribution. For the assumptions underlying this outlook, please refer to "Assumptions Underlying Management Status Forecast for Fiscal Period Ending January 31, 2017 and Fiscal Period Ending July 31, 2017" on page 8.

③ Significant Subsequent Events

Not applicable.

Assumptions Underlying Management Status Forecast for
Fiscal Period Ending January 31, 2017 and Fiscal Period Ending July 31, 2017

Item	Assumptions
Calculation period	Fiscal period ending January 31, 2017: August 1, 2016 – January 31, 2017 (184 days) Fiscal period ending July 31, 2017: February 1, 2017 – July 31, 2017 (181 days)
Investment assets	From 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.) to the investment assets through the end of the fiscal period ending July 31, 2017. In practice, they may vary due to changes in investment assets.
Operating revenue	Rental 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. As to operating revenue, it is assumed no rent payments will be behind or declined by tenants.
Operating expenses	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. Fixed property taxes, city planning taxes and other public charges in fiscal 2016 are settled on a pro rata basis based on the number of days of ownership with the seller at the time of acquisition of the Existing Properties. However, in case of SAR, the settled amount is included in the acquisition cost and thus is not recorded as expenses in the fiscal period ending January 31, 2017. In addition, fixed property taxes, city planning taxes and other public charges in fiscal 2017 will be recorded as expenses starting from the fiscal period ending July 31, 2017, and is expected to be 166 million yen in the fiscal period ending July 31, 2017 and 166 million yen in the fiscal period ending January 31, 2018. For the expenditures for repair and maintenance of buildings, 51 million yen is expected for the fiscal period ending January 31, 2017 and 45 million yen 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. Depreciation is calculated using the straight line method, including incidental expenses and others, and is expected to be 246 million yen for the fiscal period ending January 31, 2017 and 255 million yen for the fiscal period ending July 31, 2017.
Non-operating expenses	Interest expense and financial expenses are expected to be 118 million yen for the fiscal period ending January 31, 2017 and 109 million yen for the fiscal period ending July 31, 2017.
Debt financing	Of the balance of loans outstanding as of the end of the fiscal period ended July 31, 2016 (short-term loans payable: 3,355 million yen; long-term loans payable: 29,200 million yen), there are no loans due for repayment in the fiscal period ending January 31, 2017. However, of short-term loans payable, it is assumed that, in addition to the early repayment of 1,137 million yen made on August 22, 2016, early repayment of 1,218 million yen will be made using consumption tax refund as the source of funds. It is assumed that the short-term loans payable due for repayment in the fiscal period ending July 31, 2017 will be refinanced under the same terms and conditions. There are no long-term loans payable due for repayment in that fiscal period. LTV is expected to be around 45.2% at the end of the fiscal period ending January 31, 2017 and at the end of the fiscal period ending July 31, 2017. LTV is calculated by using the following calculation method. $\text{LTV} = \text{Interest-bearing liabilities} \div \text{Total assets} \times 100$
Investment units	The total number of investment units issued and outstanding as of the date of this document, which is 344,700 units, is assumed. It is assumed that there will be no changes in the number of investment units due to additional issuance of new investment units and such through the end of the fiscal period ending July 31, 2017.

Item	Assumptions
<p>Cash distribution per unit (not including cash distribution in excess of earnings)</p>	<p>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.</p> <p>For the fiscal period ending January 31, 2017 and the fiscal period ending July 31, 2017, 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 as the fiscal period ended July 31, 2016 of 26 million yen, and the assumption is 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.</p> <p>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 rental 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.</p>
<p>Cash distribution in excess of earnings per unit</p>	<p>For the fiscal period ending January 31, 2017 and the fiscal period ending July 31, 2017, 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 in time.</p> <p>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 in time.</p>
<p>Other</p>	<p>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.</p> <p>Forecasts are based on the assumption that there will be no major unforeseen changes to general economic trends, real estate market conditions, etc.</p>

3. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

1st fiscal period
(As of July 31, 2016)

Assets	
Current assets	
Cash and deposits	2,006,136
Cash and deposits in trust	2,557,948
Operating accounts receivable	52,695
Prepaid expenses	96,638
Deferred tax assets	32
Consumption taxes receivable	1,259,266
Other	7,175
Total current assets	5,979,894
Non-current assets	
Property, plant and equipment	
Buildings in trust	20,056,951
Accumulated depreciation	(246,543)
Buildings in trust, net	19,810,407
Tools, furniture and fixtures in trust	4,396
Accumulated depreciation	(141)
Tools, furniture and fixtures in trust, net	4,255
Land in trust	39,208,659
Total property, plant and equipment	59,023,323
Intangible assets	
Leasehold rights in trust	3,459,138
Total intangible assets	3,459,138
Investments and other assets	
Long-term prepaid expenses	164,478
Lease and guarantee deposits	10,000
Total investments and other assets	174,478
Total non-current assets	62,656,940
Total assets	68,636,834

(Unit: thousand yen)

1st fiscal period
(As of July 31, 2016)

Liabilities	
Current liabilities	
Operating accounts payable	76,381
Short-term loans payable	3,355,000
Accounts payable - other	319,011
Accrued expenses	5,286
Income taxes payable	1,490
Advances received	265,383
Other	12,875
Total current liabilities	4,035,429
Non-current liabilities	
Long-term loans payable	29,200,000
Tenant leasehold and security deposits in trust	1,526,363
Other	26,238
Total non-current liabilities	30,752,602
Total liabilities	34,788,032
Net assets	
Unitholders' equity	
Unitholders' capital	33,541,125
Surplus	
Unappropriated retained earnings (undisposed loss)	333,916
Total surplus	333,916
Total unitholders' equity	33,875,041
Valuation and translation adjustments	
Deferred gains or losses on hedges	(26,238)
Total valuation and translation adjustments	(26,238)
Total net assets	*1 33,848,802
Total liabilities and net assets	68,636,834

(2) Statement of Income

(Unit: thousand yen)

	1st fiscal period From: Dec. 1, 2015 To: July 31, 2016
Operating revenue	
Lease business revenue	*1 1,737,036
Other lease business revenue	*1 122,389
Total operating revenue	1,859,425
Operating expenses	
Expenses related to rent business	*1 568,022
Asset management fee	103,104
Asset custody and administrative service fees	12,718
Directors' compensations	3,200
Other operating expenses	24,681
Total operating expenses	711,726
Operating income	1,147,698
Non-operating income	
Interest income	37
Other	0
Total non-operating income	37
Non-operating expenses	
Interest expenses	133,353
Interest expenses on investment corporation bonds	38,052
Investment corporation bond issuance costs	12,604
Borrowing related expenses	453,952
Deferred organization expenses	62,950
Investment unit issuance expenses	111,409
Other	34
Total non-operating expenses	812,356
Ordinary income	335,379
Income before income taxes	335,379
Income taxes - current	1,496
Income taxes - deferred	(32)
Total income taxes	1,463
Net income	333,916
Unappropriated retained earnings (undisposed loss)	333,916

(3) Statement of Unitholders' Equity

1st fiscal period (from December 1, 2015 to July 31, 2016)

(Unit: thousand yen)

	Unitholders' equity				Valuation and translation adjustments		Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
		Unappropriated retained earnings (undisposed loss)	Total surplus				
Balance at beginning of period	-	-	-	-	-	-	-
Changes of items during period							
Issuance of new investment units	33,541,125			33,541,125			33,541,125
Net income		333,916	333,916	333,916			333,916
Net changes of items other than unitholders' equity					(26,238)	(26,238)	(26,238)
Total changes of items during period	33,541,125	333,916	333,916	33,875,041	(26,238)	(26,238)	33,848,802
Balance at end of period	*1 33,541,125	333,916	333,916	33,875,041	(26,238)	(26,238)	33,848,802

(4) Statement of Cash Distributions

(Unit: yen)

	1st fiscal period From: Dec. 1, 2015 To: July 31, 2016
I. Unappropriated retained earnings	333,916,519
II. Addition of cash distribution in excess of earnings	26,197,200
Of which, allowance for temporary difference adjustment	26,197,200
III. Cash distribution	333,669,600
[Cash distribution per unit]	[968]
Of which, cash distribution of earnings	307,472,400
[Of which, cash distribution of earnings per unit]	[892]
Of which, allowance for temporary difference adjustment	26,197,200
[Of which, cash distribution in excess of earnings per unit (attributable to allowance for temporary difference adjustment)]	[76]
IV. Retained earnings carried forward	26,444,119

Method of calculation of amount of cash distribution	<p>Pursuant to the cash distribution policy provided in Article 35, Paragraph 1 of SAR's Articles of Incorporation, Star Asia Investment Corporation(hereinafter "SAR") shall distribute in excess of the amount equivalent to 90% of the amount of distributable earnings of SAR as defined in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation. In accordance with such policy, concerning cash distribution of earnings (not including cash distribution in excess of earnings), the decision was made to distribute 307,472,400 yen, which is the entire amount of the earnings provided in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations but excluding the portion where cash distribution of earnings per unit becomes a fractional amount of less than 1 yen, as cash distribution of earnings.</p> <p>In addition, pursuant to the policy on cash distribution in excess of earnings provided in Article 35, Paragraph 2 of SAR's Articles of Incorporation, SAR shall make cash distribution in excess of earnings in an amount that it determines as the amount equivalent to the items of deduction from net assets (those provided in Article 2, Paragraph 2, Item 30 (b) of the Ordinance on Accountings of Investment Corporations) with due consideration of the impact of the items of deduction from net assets on cash distribution. Accordingly, in the fiscal period, the decision was made to distribute 26,197,200 yen, which is calculated as the amount equivalent to deferred losses on hedges of 26,238,915 yen but excluding the portion where cash distribution in excess of earnings per unit becomes a fractional amount of less than 1 yen, as cash distribution attributable to allowance for temporary difference adjustment (those provided in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations). As a result of the above, the amount of cash distribution declared for the fiscal period was 333,669,600 yen.</p>
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(5) Statement of Cash Flows

(Unit: thousand yen)

	1st fiscal period From: Dec. 1, 2015 To: July 31, 2016
Cash flows from operating activities	
Income before income taxes	335,379
Depreciation	246,684
Investment unit issuance expenses	111,409
Investment corporation bond issuance costs	12,604
Interest income	(37)
Interest expenses	171,405
Decrease (increase) in operating accounts receivable	(52,695)
Decrease (increase) in consumption taxes refund receivable	(1,259,266)
Decrease (increase) in prepaid expenses	(96,638)
Decrease (increase) in long-term prepaid expenses	(164,478)
Increase (decrease) in operating accounts payable	52,772
Increase (decrease) in accounts payable - other	139,865
Increase (decrease) in advances received	265,383
Other, net	6,628
Subtotal	(230,982)
Interest income received	37
Interest expenses paid	(166,820)
Income taxes paid	(5)
Net cash provided by (used in) operating activities	(397,771)
Cash flows from investing activities	
Purchase of property, plant and equipment in trust	(59,067,252)
Purchase of intangible assets in trust	(3,459,138)
Repayments of tenant leasehold and security deposits in trust	(19,378)
Proceeds from tenant leasehold and security deposits in trust	1,545,515
Payments for lease and guarantee deposits	(10,000)
Net cash provided by (used in) investing activities	(61,010,253)
Cash flows from financing activities	
Increase in short-term loans payable	35,111,000
Decrease in short-term loans payable	(31,756,000)
Proceeds from long-term loans payable	29,200,000
Proceeds from issuance of investment corporation bonds	4,562,083
Redemption of investment corporation bonds	(4,574,688)
Proceeds from issuance of investment units	33,429,715
Net cash provided by (used in) financing activities	65,972,111
Net increase (decrease) in cash and cash equivalents	4,564,085
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	*1 4,564,085

- (6) Notes on the Going Concern Assumption
Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

1. Method of depreciation of non-current assets	Property, plant and equipment (including trust assets) The straight-line method is adopted. The useful life of primary property, plant and equipment is as follows: Buildings 5-67 years Tools, furniture and fixtures 3-6 years
2. Accounting for deferred assets	(1) Deferred organization expenses The entire amount is expensed as incurred. (2) Investment unit issuance expenses The entire amount is expensed as incurred. (3) Investment corporation bond issuance costs The entire amount is expensed as incurred.
3. Standards for revenue and expense recognition	Accounting for fixed property tax, etc. Accounting for fixed property tax, city planning tax, depreciable asset tax, etc. ("fixed property tax, etc.") on real estate or beneficiary interest in trust for real estate held is that, of the tax amount assessed and determined, the amount corresponding to the concerned calculation period is expensed as expenses related to rent business. The amount equivalent to fixed property tax, etc. in the initial fiscal year borne by SAR upon acquisition of real estate or beneficiary interest in trust for real estate is not recognized as expenses but included in the cost of acquisition of the concerned real estate, etc. In the fiscal period under review, the amount equivalent to fixed property tax, etc. included in the cost of acquisition of real estate, etc. was 290,383 thousand yen.
4. Method of hedge accounting	(1) Hedge accounting approach Deferral hedge accounting is adopted. (2) Hedging instruments and hedged items Hedging instruments: Interest rate swap transaction Hedged items: Interest on loans (3) Hedging policy SAR conducts derivative transactions for the purpose of hedging the risks provided in its Articles of Incorporation pursuant to rules and regulations. (4) Method of assessing the effectiveness of hedging The effectiveness of hedging is assessed by comparing the cumulative change in cash flows of the hedging instruments with the cumulative change in cash flows of the hedged items and verifying the ratio of the amount of change in the two.
5. Scope of funds in the statement of cash flows (cash and cash equivalents)	The funds (cash and cash equivalents) in the statement of cash flows comprise cash on hand and cash in trust, demand deposits and deposits in trust, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.
6. Other significant matters serving as the basis for preparation of financial statements	(1) Accounting for beneficiary interest in trust for real estate, etc. Concerning beneficiary interest in trust for real estate, etc. held, all accounts of assets and liabilities within trust assets as well as all accounts of revenue and expenses from the trust assets are recognized in the relevant account item of the balance sheet and the statement of income. The following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet. ① Cash and deposits in trust ② Buildings in trust; Tools, furniture and fixtures in trust; Land in trust ③ Leasehold rights in trust ④ Tenant leasehold and security deposits in trust (2) Accounting for consumption tax, etc. The accounting for consumption tax and local consumption tax is the taxes are excluded from the transaction amounts. Non-deductible consumption tax on acquisition of assets is included in the cost of acquisition of each asset.

(8) Notes to the Financial Statements

[Notes to the Balance Sheet]

*1 Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations

(Unit: thousand yen)

	1st fiscal period (As of July 31, 2016)
	50,000

[Notes to the Statement of Income]

*1 Breakdown of operating income (loss) from real estate leasing

(Unit: thousand yen)

	1st fiscal period From: Dec. 1, 2015 To: July 31, 2016
A. Operating revenue from real estate leasing	
Lease business revenue	
Rental revenue	1,573,988
Common area maintenance revenue	110,796
Parking revenue	44,911
Facility use revenue	5,417
Other rental revenue	1,923
	<u>1,737,036</u>
Other lease business revenue	
Utilities reimbursement	109,039
Other revenue	13,350
	<u>122,389</u>
Total operating revenue from real estate leasing	<u>1,859,425</u>
B. Operating expenses from real estate leasing	
Expenses related to rent business	
Management fee	104,636
Utilities expenses	114,990
Repair expenses	44,106
Trust fee	6,519
Insurance premium	3,015
Depreciation	246,684
Other expenses	48,070
	<u>568,022</u>
Total operating expenses from real estate leasing	<u>568,022</u>
C. Operating income (loss) from real estate leasing [A - B]	<u>1,291,403</u>

[Notes to the Statement of Unitholders' Equity]

*1 Total number of investment units authorized and total number of investment units issued and outstanding

	1st fiscal period From: Dec. 1, 2015 To: July 31, 2016
Total number of investment units authorized	10,000,000 units
Total number of investment units issued and outstanding	344,700 units

[Notes to the Statement of Cash Flows]

*1 Reconciliation of cash and cash equivalents at end of period to the amount of balance sheet items

(Unit: thousand yen)

	1st fiscal period From: Dec. 1, 2015 To: July 31, 2016
Cash and deposits	2,006,136
Cash and deposits in trust	2,557,948
Cash and cash equivalents	4,564,085

[Notes on Lease Transactions]

Operating leases (as lessor)

Future minimum lease payments

(Unit: thousand yen)

	1st fiscal period As of July 31, 2016
Not later than 1 year	1,280,165
Later than 1 year	2,711,014
Total	3,991,179

[Notes on Financial Instruments]

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

SAR shall procure funds to allocate to acquisition of real estate related assets, repayment of interest-bearing liabilities, etc. through mainly issuance of investment units, borrowing from financial institutions, issuance of investment corporation bonds, etc. Upon procuring funds through interest-bearing liabilities, due consideration shall be given to fund procurement agility and financial stability.

(2) Description of financial instruments and associated risks, and risk management system

The funds procured through loans, which shall be for the purpose of mainly acquisition of assets, are exposed to liquidity risk until the repayment date, but the concerned risks are managed by taking such measures as lengthening the procurement periods and staggering the maturities. In addition, loans with floating interest rates are exposed to interest rate fluctuation risk, but derivative transactions (interest rate swap transactions) are utilized as hedging instruments to, in effect, convert interest rates to fixed rates in order to mitigate that risk. For the hedge accounting approach, hedging instruments, hedged items, hedging policy and method of assessing the effectiveness of hedging, please refer to “4. Method of hedge accounting” described under “Notes on Matters Concerning Significant Accounting Policies” earlier in this document.

(3) Supplementary explanation to matters concerning fair value, etc. of financial instruments

Not applicable.

2. Matters concerning fair value, etc. of financial instruments

The carrying amount and fair value as of July 31, 2016, and the amount of difference between these, are as follows:

(Unit: thousand yen)

	Carrying amount	Fair value	Amount of difference
(1) Cash and deposits	2,006,136	2,006,136	-
(2) Cash and deposits in trust	2,557,948	2,557,948	-
Assets total	4,564,085	4,564,085	-
(3) Short-term loans payable	3,355,000	3,355,000	-
(4) Long-term loans payable	29,200,000	29,200,000	-
Liabilities total	32,555,000	32,555,000	-
(5) Derivative transactions (*)	(26,238)	(26,238)	-

(*) Assets and liabilities arising from derivative transactions are offset and presented in the net amount, with the balance shown in parentheses () when in a net liability position.

(Note 1) Method of calculation of the fair value of financial instruments

(1) Cash and deposits; (2) Cash and deposits in trust; (3) Short-term loans payable

Because these are settled in a short period of time, the fair value is approximately the same as the book value and thus stated at that book value.

(4) Long-term loans payable

Because long-term loans payable are all with floating interest rates under terms and conditions that interest rates be reviewed every set period of time, the fair value is approximately the same as the book value and thus stated at that book value.

(5) Derivative transactions

Please refer to “Notes on Derivative Transactions” later in this document.

(Note 2) Financial instruments for which estimation of fair value is recognized to be difficult

Tenant leasehold and security deposits in trust are not subject to valuation at fair value, because a reasonable estimation of cash flows is recognized to be extremely difficult due to there being no market price and difficulty of calculating the actual deposit period from when lessees move in to when they move out.

(Unit: thousand yen)

Category	Carrying amount
Tenant leasehold and security deposits in trust	1,526,363

(Note 3) Amount of redemption of monetary claims scheduled to be due after the date of settlement of accounts (July 31, 2016)

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Cash and deposits	2,006,136	-	-	-	-	-
Cash and deposits in trust	2,557,948	-	-	-	-	-
Total	4,564,085	-	-	-	-	-

(Note 4) Amount of repayment of loans scheduled to be due after the date of settlement of accounts (July 31, 2016)

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Short-term loans payable	3,355,000	-	-	-	-	-
Long-term loans payable	-	7,300,000	7,300,000	7,300,000	7,300,000	-
Total	3,355,000	7,300,000	7,300,000	7,300,000	7,300,000	-

[Notes on Securities]

1st fiscal period (as of July 31, 2016)

Not applicable.

[Notes on Derivative Transactions]

1st fiscal period (as of July 31, 2016)

1. Derivative transactions to which hedge accounting is not applied

Not applicable.

2. Derivative transactions to which hedge accounting is applied

The following is the contract amount or the amount equivalent to the principal provided in the contract as of the date of settlement of accounts for each hedge accounting approach.

(Unit: thousand yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc. (Note 1)		Fair value (Note 2)
				Of which, later than 1 year	
Principle accounting	Interest rate swap transaction (floating receivable; fixed payable)	Long-term loans payable	21,900,000	21,900,000	(26,238)

(Note 1) Contract amount, etc. is based on notional principal.

(Note 2) Fair value is calculated based on the price quoted by lending financial institutions, etc.

[Notes on Retirement Benefits]

1st fiscal period (as of July 31, 2016)

Not applicable.

[Notes on Tax-Effect Accounting]

1. Breakdown of main causes for occurrence of deferred tax assets and deferred tax liabilities

(Unit: thousand yen)

	1st fiscal period As of July 31, 2016
Deferred tax assets	
Non-deductible accrued enterprise tax	32
Deferred gains or losses on hedges	8,288
Subtotal	8,321
Valuation allowance	(8,288)
Total	32
Deferred tax assets, net	32

2. Breakdown of major components that caused any significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting

(Unit: %)

	1st fiscal period As of July 31, 2016
Statutory tax rate	32.31
[Adjustments]	
Deductible distributions payable	(32.15)
Other	0.27
Effective income tax rate after application of tax-effect accounting	0.44

[Notes on Share of Profit (Loss) of Entities Accounted for Using Equity Method, etc.]

1st fiscal period (as of July 31, 2016)

Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.
1st fiscal period (from December 1, 2015 to July 31, 2016)
Not applicable.
2. Affiliated company, etc.
1st fiscal period (from December 1, 2015 to July 31, 2016)
Not applicable.
3. Fellow subsidiary, etc.
1st fiscal period (from December 1, 2015 to July 31, 2016)
Not applicable.
4. Director, major individual unitholder, etc.
1st fiscal period (from December 1, 2015 to July 31, 2016)

Type	Name of company, etc. or person	Address	Capital stock or investments in capital	Description of business or occupation	Percentage of voting rights, etc. held by (in) SAR	Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
Director, or close relative of director	Atsushi Kato	—	—	Executive Director of SAR, and President and CEO of the Asset Management Company	—	Payment of asset management fee to the Asset Management Company (Note 1)	410,569 (Note 3) (Note 4)	Accounts payable - other	111,352 (Note 4)
						Payment of organizer fee to the Asset Management Company (Note 2)	50,000 (Note 4)	—	—

(Note 1) The transaction is one that was conducted by Atsushi Kato as President and CEO of a third party (the Asset Management Company), and the transaction amount is based on the terms and conditions provided in the Articles of Incorporation of SAR.

(Note 2) Payment of the organizer fee is based on the terms and conditions provided in the Articles of Incorporation of SAR.

(Note 3) Asset management fee includes the property acquisition incentive portion included in the book value of individual real estate, etc. in the amount of 307,465 thousand yen.

(Note 4) Of the amounts above, the transaction amount does not include consumption tax, while the balance at the end of the period includes consumption tax.

[Notes on Asset Retirement Obligations]

- 1st fiscal period (as of July 31, 2016)
Not applicable.

[Notes on Investment and Rental Properties]

SAR owns rental real estate, etc. for the purpose of earning revenue from leasing. The carrying amount, amount of increase (decrease) during the period and fair value of these investment and rental properties are as follows:

(Unit: thousand yen)

	1st fiscal period From: Dec. 1, 2015 To: July 31, 2016
Carrying amount	
Balance at beginning of period	-
Amount of increase (decrease) during period	62,482,461
Balance at end of period	62,482,461
Fair value at end of period	66,020,000

(Note 1) Carrying amount is the amount of the cost of acquisition, less accumulated depreciation.

(Note 2) Of the amount of increase (decrease) in investment and rental properties, the amount of increase is mainly attributable to acquisition of real estate beneficiary interest in trust of 18 properties (62,599,154 thousand yen), while the amount of decrease is mainly attributable to accumulated depreciation (246,684 thousand yen).

(Note 3) Fair value at the end of the period is the appraisal value by an outside real estate appraiser.

The income (loss) concerning investment and rental properties for the fiscal period ended July 31, 2016 (1st fiscal period) is as stated in "Notes to the Statement of Income" earlier in this document.

[Notes on Segment Information]

1. Segment information

Segment information is omitted because SAR operates a single segment, which is the real estate leasing business.

2. Related information

1st fiscal period (from December 1, 2015 to July 31, 2016)

(1) Information about products and services

Information about products and services is omitted because net sales to external customers for a single products and services category are in excess of 90% of operating revenue on the statement of income.

(2) Information about geographic areas

① Net sales

Information about net sales is omitted because net sales to external customers in Japan are in excess of 90% of operating revenue on the statement of income.

② Property, plant and equipment

Information about property, plant and equipment is omitted because the amount of property, plant and equipment located in Japan is in excess of 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information about major customers

Information about operating revenue to a single external customer is omitted because consent has not been obtained from the tenant.

[Notes on Per Unit Information]

	1st fiscal period From: Dec. 1, 2015 To: July 31, 2016
Net assets per unit	98,197 yen
Net income per unit	1,813 yen

(Note 1) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units. In addition, diluted net income per unit is not stated, because there are no diluted investment units.

(Note 2) The basis for calculation of net income per unit is as follows:

	1st fiscal period From: Dec. 1, 2015 To: July 31, 2016
Net income (thousand yen)	333,916
Amount not available to common unitholders (thousand yen)	-
Net income attributable to common investment units (thousand yen)	333,916
Average number of investment units during period (units)	184,092

[Notes on Significant Subsequent Events]

Not applicable.

(9) Changes in Total Number of Investment Units Issued and Outstanding

The following are the changes in unitholders' capital and total number of investment units issued and outstanding since the establishment of SAR.

Date	Event	Unitholders' capital (thousand yen)		Total number of investment units issued and outstanding (units)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
December 1, 2015	Establishment through private placement	200,000	200,000	2,000	2,000	(Note 1)
January 14, 2016	Capital increase through private placement	9,500,000	9,700,000	95,000	97,000	(Note 2)
April 19, 2016	Capital increase through public offering	22,705,375	32,405,375	235,900	332,900	(Note 3)
May 17, 2016	Capital increase through third-party allotment	1,135,750	33,541,125	11,800	344,700	(Note 4)

(Note 1) Investment units were issued at a paid-in amount of 100,000 yen per unit upon the establishment of SAR.

(Note 2) Investment units were issued at a paid-in amount of 100,000 yen per unit.

(Note 3) New investment units were issued through public offering at an issue price of 100,000 yen (paid-in amount of 96,250 yen) per unit for the purpose of procuring funds for acquisition of new properties, etc.

(Note 4) New investment units were issued through third-party allotment at a paid-in amount of 96,250 yen per unit for the purpose of procuring funds for acquisition of new properties, etc.

4. Changes in Directors

(1) Directors of the Investment Corporation

There were no changes in directors in the fiscal period under review.

(2) Directors of the Asset Management Company

There were no changes in directors in the fiscal period under review.

5. Reference Information

(1) Investment Status

Type of asset	Primary use	Geographic area (Note 1)	1st fiscal period (As of July 31, 2016)	
			Total amount held (million yen) (Note 2)	As a percentage of total assets (%) (Note 3)
Real estate in trust	Office	Greater Tokyo	18,319	26.7
		Other than Greater Tokyo	8,116	11.8
	Residence	Greater Tokyo	12,045	17.5
		Other than Greater Tokyo	1,564	2.3
	Logistics facility	Greater Tokyo	18,522	27.0
	Hotel	Other than Greater Tokyo	3,914	5.7
Subtotal			62,482	91.0
Deposits and other assets			6,154	9.0
Total amount of assets			68,636	100.0

	Amount (million yen)	As a percentage of total assets (%)
Total amount of liabilities (Note 4)	34,788	50.7
Total amount of net assets (Note 4)	33,848	49.3

(Note 1) "Greater Tokyo" refers to Tokyo's 23 wards, Yokohama City and Kawasaki City in the case of the office asset type, and Tokyo, Kanagawa Prefecture, Saitama Prefecture and Chiba Prefecture in the case of other asset types (residence, logistics facility and hotel). The same shall apply hereinafter.

(Note 2) "Total amount held" is the carrying amount as at the date of settlement of accounts (in the case of real estate in trust, then the depreciated book value), rounded down to the nearest million yen.

(Note 3) "As a percentage of total assets" is the carrying amount of the concerned assets expressed as a percentage of the total amount of assets, rounded to the first decimal place.

(Note 4) "Total amount of liabilities" and "Total amount of net assets" are according to total liabilities and total net assets on the balance sheet.

(2) Invested Assets

① Overview of Investment Assets

Use	Property no. (Note 1)	Property name	Location (Note 2)	Acquisition price (million yen) (Note 3)	Share of investment (%) (Note 4)	Real estate appraisal value, etc. (million yen) (Note 5)	Acquisition date
Office	OFC-01	Minami-Azabu Shibuya Building	Minato-ku, Tokyo	2,973	4.8	3,020	January 14, 2016
	OFC-02	Oak Minami-Azabu Building	Minato-ku, Tokyo	3,271	5.3	3,400	January 14, 2016
	OFC-03	Honmachibashi Tower	Chuo-ku, Osaka-shi, Osaka	6,065	9.9	6,700	January 14, 2016
	OFC-04	Nishi-Shinjuku Matsuya Building	Shibuya-ku, Tokyo	1,763	2.9	2,230	April 20, 2016
	OFC-05	Alphabet Seven	Minato-ku, Tokyo	1,725	2.8	2,250	April 20, 2016
	OFC-06	Shibuya MK Building	Shibuya-ku, Tokyo	2,042	3.3	2,330	April 20, 2016
	OFC-07	Hakata-eki Higashi 113 Building	Hakata-ku, Fukuoka-shi, Fukuoka	1,885	3.1	1,950	April 20, 2016
	OFC-08	Asahi Building	Kanagawa-ku, Yokohama-shi, Kanagawa	6,320	10.3	6,390	April 20, 2016
	Subtotal				26,044	42.4	28,270
Residence	RSC-01	Urban Park Azabujuban	Minato-ku, Tokyo	2,045	3.3	2,130	January 14, 2016
	RSC-02	Urban Park Daikanyama	Shibuya-ku, Tokyo	6,315	10.3	7,120	January 14, 2016
	RSC-03	Urban Park Yoyogikoen	Shibuya-ku, Tokyo	875	1.4	1,000	January 14, 2016
	RSC-04	Urban Park Shin-Yokohama	Kanagawa-ku, Yokohama-shi, Kanagawa	2,528	4.1	2,560	April 20, 2016
	RSC-05	Urban Park Namba	Naniwa-ku, Osaka-shi, Osaka	1,490	2.4	1,590	April 20, 2016
	Subtotal				13,253	21.6	14,400
Logistics facility	LGC-01	Iwatsuki Logistics	Iwatsuki-ku, Saitama-shi, Saitama	6,942	11.3	7,000	January 14, 2016
	LGC-02	Yokohama Logistics	Kanagawa-ku, Yokohama-shi, Kanagawa	3,560	5.8	3,860	January 14, 2016
	LGC-03	Funabashi Logistics	Funabashi-shi, Chiba	7,875	12.8	8,210	January 14, 2016
	Subtotal				18,377	29.9	19,070
Hotel	HTL-01	R&B Hotel Umeda East	Kita-ku, Osaka-shi, Osaka	2,069	3.4	2,220	January 14, 2016
	HTL-02	Smile Hotel Namba	Naniwa-ku, Osaka-shi, Osaka	1,750	2.8	2,060	January 14, 2016
	Subtotal				3,819	6.2	4,280
Total				61,493	100.0	66,020	—

(Note 1) "Property no." is that assigned to SAR's investment assets by grouping into office (OFC), retail facility (RTL), residence (RSC), logistics facility (LGC) and hotel (HTL), and numbering in order group by group. The same shall apply hereinafter.

(Note 2) "Location" is the smallest independent administrative zone of the geographic area where the investment asset is located.

(Note 3) "Acquisition price" is, with the exception of Minami-Azabu Shibuya Building and Oak Minami-Azabu Building, the sale and purchase price stated in the sale and purchase agreement for the investment asset, rounded to the nearest million yen. The sale and purchase price does not include consumption tax, local consumption tax and various expenses required for the acquisition. In the case of Minami-Azabu Shibuya Building and Oak Minami-Azabu Building, because the price is not set per investment asset on the sale and purchase agreement, the acquisition price is the pro rata portion of the total sale and purchase price of the concerned investment assets in proportion to each of the concerned investment assets' appraisal value at the time of acquisition.

(Note 4) "Share of investment" is the acquisition price of the investment asset expressed as a percentage of the sum total amount of acquisition price, rounded to the first decimal place.

(Note 5) Appraisals are entrusted to Daiwa Real Estate Appraisal Co., Ltd. and Japan Real Estate Institute, and real estate appraisal values are the opinions of value stated in the real estate appraisal report with July 31, 2016 as the date of value, each rounded to the nearest million yen. For details, please refer to "④ Summary of appraisal report."

② Portfolio Summary

a. By Geographic Area

Geographic area		Acquisition price (million yen)	Share (%) (Note 1)	
Greater Tokyo	5 central wards of Tokyo (Note 2)	21,009	34.2	78.4
	Other areas in Greater Tokyo	27,225	44.3	
Other than Greater Tokyo		13,259	21.6	
Total		61,493	100.0	

(Note 1) "Share" is calculated on an acquisition price basis, rounded to the first decimal place. Accordingly, the shares may not add up to 100%. The same shall apply hereinafter in "c. By Asset Type (Use)."

(Note 2) "5 central wards of Tokyo" refers to Chiyoda Ward, Chuo Ward, Minato Ward, Shinjuku Ward and Shibuya Ward. The same shall apply hereinafter.

(a) Office

Geographic area		Acquisition price (million yen)	Share (%)	
Greater Tokyo	5 central wards of Tokyo	11,774	45.2	69.5
	Other areas in Greater Tokyo	6,320	24.3	
Other than Greater Tokyo		7,950	30.5	
Total		26,044	100.0	

(b) Residence

Geographic area		Acquisition price (million yen)	Share (%)	
Greater Tokyo	5 central wards of Tokyo	9,235	69.7	88.8
	Other areas in Greater Tokyo	2,528	19.1	
Other than Greater Tokyo		1,490	11.2	
Total		13,253	100.0	

(c) Logistics facility

Geographic area		Acquisition price (million yen)	Share (%)	
Greater Tokyo	5 central wards of Tokyo	—	0.0	100.0
	Other areas in Greater Tokyo	18,377	100.0	
Other than Greater Tokyo		—	0.0	
Total		18,377	100.0	

(d) Hotel

Geographic area		Acquisition price (million yen)	Share (%)	
Greater Tokyo	5 central wards of Tokyo	—	0.0	0.0
	Other areas in Greater Tokyo	—	0.0	
Other than Greater Tokyo		3,819	100.0	
Total		3,819	100.0	

b. By Size

Acquisition price	Number of properties	Share (%) (Note)
5 billion yen or more but less than 10 billion yen	5	27.8
1 billion yen or more but less than 5 billion yen	12	66.7
Less than 1 billion yen	1	5.6
Total	18	100.0

(Note) "Share" is calculated on a number of properties basis.

c. By Asset Type (Use)

Use	Number of properties	Acquisition price (million yen)	Share (%)
Office	8	26,044	42.4
Residence	5	13,253	21.6
Logistics facility	3	18,377	29.9
Hotel	2	3,819	6.2
Total	18	61,493	100.0

③ Status of Leasing

Property no.	Property name	Construction completion	Number of tenants (Note 1)	Operating revenue from leasing (thousand yen) (Note 2)	Security and guarantee deposits (thousand yen) (Note 3)	Leased area (m ²) (Note 4)	Leasable area (m ²) (Note 5)	Occupancy rate (%) (Note 6)
OFC-01	Minami-Azabu Shibuya Building	June 1993	4	98,909	107,636	3,263.08	3,263.08	100.0
OFC-02	Oak Minami-Azabu Building	April 1985	10	120,886	193,711	5,831.96	6,511.77	89.6
OFC-03	Honmachibashi Tower	February 2010	5 (Note 7)	235,320	194,964	10,489.58	10,489.58	100.0
OFC-04	Nishi-Shinjuku Matsuya Building	May 1987	8	50,713	89,449	3,293.01	3,512.19	93.8
OFC-05	Alphabet Seven	January 1990	8	38,152	91,015	2,265.59	2,464.59	91.9
OFC-06	Shibuya MK Building	July 1993	5	34,402	73,927	1,612.88	1,612.88	100.0
OFC-07	Hakata-eki Higashi 113 Building	October 1987	32	39,755	88,730	3,600.44	3,600.44	100.0
OFC-08	Asahi Building	November 1994	18	113,250	221,275	8,101.80	8,684.30	93.3
RSC-01	Urban Park Azabujuban	November 1999	41	57,705	11,686	1,956.15	1,986.76	98.5
RSC-02	Urban Park Daikanyama	① November 1982 ② May 2006	64	200,635	84,495	5,569.45	5,977.18	93.2
RSC-03	Urban Park Yoyogikoen	July 1998	4	23,908	16,900	1,214.28	1,545.36	78.6
RSC-04	Urban Park Shin-Yokohama	May 2009	70	42,930	10,400	3,697.74	3,989.11	92.7
RSC-05	Urban Park Namba	January 2013	111	27,767	100	2,436.82	2,584.81	94.3
LGC-01	Iwatsuki Logistics	October 2014	3	220,889	97,014	30,190.81	30,190.81	100.0
LGC-02	Yokohama Logistics	October 1994	1	Not disclosed (Note 9)	Not disclosed (Note 9)	Not disclosed (Note 9)	18,135.34	100.0
LGC-03	Funabashi Logistics	Building 1: September 1992 Building 2: August 1997	4	280,746	83,426	34,633.37	37,818.26	91.6
HTL-01	R&B Hotel Umeda East	October 2000	1	70,359	106,661	3,940.93	3,940.93	100.0
HTL-02	Smile Hotel Namba	February 2008	1	72,938	-	1,711.42	1,711.42	100.0
Total (18 properties)			390	1,859,425	1,526,363	141,944.65	148,018.81	95.9

(Note 1) "Number of tenants" is the number of tenants (excluding parking) under the lease agreement stated in the lease agreement for the investment asset as of July 31, 2016. If a single tenant is leasing multiple rental units in an investment asset, the tenant is counted as 1 tenant for the concerned investment asset. If a single tenant is leasing rental units across multiple investment assets, the tenant is counted as separate tenants and the sum total number of tenants is stated in the total column. Furthermore, in cases where a pass-through type master lease agreement under which rent from end-tenants is received as is in principle ("pass-through type master lease") has been concluded for the concerned investment asset, the total number of end-tenants is stated. In cases where a master

lease agreement agreeing to the effect that the rent under the master lease agreement shall be a fixed rent (“rent-guaranteed type master lease”) has been concluded for the concerned investment asset, the number of tenants is 1 and the sum total of these is stated.

- (Note 2) “Operating revenue from leasing” is rental revenue, common area maintenance revenue, parking revenue and other revenue from real estate held generated during the fiscal period under review (including other lease business revenue).
- (Note 3) “Security and guarantee deposits” is the sum total amount of tenant security and guarantee deposits required based on the lease agreement (including deposits based on parking, antenna, rooftop and other agreements; the amount after amortization) for the investment asset as of July 31, 2016 (limited to those occupied as of said date). Furthermore, in cases where a pass-through type master lease agreement has been concluded for the concerned investment asset, it is the sum total amount of tenant security and guarantee deposits under lease agreements concluded with end-tenants.
- (Note 4) “Leased area” is the sum total of the leased area stated in the lease agreement for the investment asset as of July 31, 2016. Furthermore, in cases where a master lease agreement has been concluded for the concerned investment asset, it is the sum total of the leased area under lease agreements concluded with end-tenants for properties under a pass-through type master lease, and it is the leased area under the master lease agreement for properties under a rent-guaranteed type master lease.
- (Note 5) “Leasable area” is the floor area regarded as being available for leasing based on the lease agreement or building drawing, etc. of the building for the investment asset as of July 31, 2016.
- (Note 6) “Occupancy rate” is the ratio of leased area to leasable area for the investment asset as of July 31, 2016, rounded to the first decimal place. In addition, in the total column, it is the ratio of the sum total of leased area to the sum total of leasable area for the investment asset, rounded to the first decimal place.
- (Note 7) Of the tenants of the property, a single company leases all 36 units of the residential portion, of which 30 units are under a rent-guaranteed type master lease agreement and 6 units are under a pass-through type master lease agreement.
- (Note 8) In the table, “Number of tenants,” “Security and guarantee deposits,” “Leased area” and “Occupancy rate” are based on lease agreements valid as of July 31, 2016, even if there is a notice of cancellation or termination of lease agreements with end-tenants or unpaid rent.
- (Note 9) Not disclosed, because consent for disclosure has not been obtained from the tenant.

④ Summary of Real Estate Appraisal Report, etc.

Use	Property no.	Property name	Appraisal firm (Note 1)	Appraisal value (million yen) (Note 2)	Summary of appraisal report						Appraisal NOI yield (%) (Note 4)
					Income approach					NOI (million yen) (Note 3)	
					Direct capitalization method		DCF method				
					Indicated value (million yen)	Cap rate (%)	Indicated value (million yen)	Discount rate (%)	Terminal cap rate (%)		
Office	OFC-01	Minami-Azabu Shibuya Building	Daiwa	3,020	3,120	4.2	2,980	3.8	4.4	145	4.9
	OFC-02	Oak Minami-Azabu Building	JREI	3,400	3,440	4.4	3,360	4.2	4.6	165	5.0
	OFC-03	Honmachibashi Tower	Daiwa	6,700	6,870	4.4	6,620	4.2	4.6	314	5.2
	OFC-04	Nishi-Shinjuku Matsuya Building	Daiwa	2,230	2,250	4.4	2,220	4.2	4.6	111	6.3
	OFC-05	Alphabet Seven	JREI	2,250	2,280	4.3	2,210	4.1	4.5	101	5.9
	OFC-06	Shibuya MK Building	JREI	2,330	2,370	4.1	2,290	3.9	4.3	100	4.9
	OFC-07	Hakata-eki Higashi 113 Building	Daiwa	1,950	2,050	4.9	1,910	4.7	5.1	111	5.9
	OFC-08	Asahi Building	JREI	6,390	6,420	4.3	6,360	4.0	4.4	303	4.8
	Subtotal				28,270	28,800	—	27,950	—	—	1,350
Residence	RSC-01	Urban Park Azabujuban	JREI	2,130	2,170	4.1	2,090	3.9	4.3	91	4.5
	RSC-02	Urban Park Daikanyama	JREI	7,120	7,240	4.0	6,990	3.8	4.2	300	4.8
	RSC-03	Urban Park Yoyogikoen	JREI	1,000	1,020	4.3	979	4.1	4.5	46	5.2
	RSC-04	Urban Park Shin-Yokohama	Daiwa	2,560	2,610	4.6	2,540	4.4	4.8	124	4.9
	RSC-05	Urban Park Namba	Daiwa	1,590	1,620	4.9	1,580	4.7	5.1	81	5.4
	Subtotal				14,400	14,660	—	14,179	—	—	642
Logistics facility	LGC-01	Iwatsuki Logistics	Daiwa	7,000	7,130	4.6	6,950	4.4	4.8	333	4.8
	LGC-02	Yokohama Logistics	Daiwa	3,860	3,950	4.5	3,820	4.3	4.7	204	5.7
	LGC-03	Funabashi Logistics	Daiwa	8,210	8,330	4.5	8,160	4.3	4.7	427	5.4
	Subtotal				19,070	19,410	—	18,930	—	—	965
Hotel	HTL-01	R&B Hotel Umeda East	Daiwa	2,220	2,240	4.7	2,210	4.5	4.9	113	5.5
	HTL-02	Smile Hotel Namba	Daiwa	2,060	2,070	5.7	2,050	5.5	5.9	123	7.0
	Subtotal				4,280	4,310	—	4,260	—	—	236
Total				66,020	67,180	—	65,319	—	—	3,193	5.2

(Note 1) "Appraisal firm" is shown as "Daiwa" to stand for Daiwa Real Estate Appraisal Co., Ltd. and "JREI" to stand for Japan Real Estate Institute.

(Note 2) "Appraisal value" is as of July 31, 2016 as the date of value.

(Note 3) "NOI" is the net operating income by the direct capitalization method stated in the appraisal report, rounded to the nearest million yen.

(Note 4) "Appraisal NOI yield" is based on the NOI found in the indication of value by the direct capitalization method in the real estate appraisal report and expressed as a percentage of acquisition price, rounded to the first decimal place.

⑤ Information on Major Real Estate Properties

Of investment assets, the following are those that fall under the category of major real estate properties (those buildings/facilities pertaining to land recognized to be used collectively of which total rental revenue accounts for 10% or more of the sum total of total rental revenue of investment assets) and the top five properties in terms of total rental revenue as of July 31, 2016.

		Funabashi Logistics (Note 1)	Honmachibashi Tower	Asahi Building	Iwatsuki Logistics	Urban Park Daikanyama
Changes in occupancy rate (Note 2)	July 31, 2016	91.6%	100.0%	93.3%	100.0%	93.2%
	June 30, 2016	91.6%	100.0%	93.3%	100.0%	96.4%
	May 31, 2016	91.6%	100.0%	93.3%	100.0%	94.5%
	April 30, 2016	91.6%	100.0%	93.3%	100.0%	93.6%
	March 31, 2016	91.6%	100.0%	93.3%	100.0%	96.4%
	February 29, 2016	91.6%	100.0%	93.3%	100.0%	97.3%
	January 31, 2016	91.6%	100.0%	93.3%	100.0%	97.4%

(Note 1) The property falls under the category of major real estate properties as defined above.

(Note 2) “Changes in occupancy rate” is based on information received from the seller of the investment asset and is the ratio of leased area to leasable area for the investment asset as of the record date, rounded to the first decimal place.

⑥ Top End-Tenants in Terms of Leased Area

The following table lists the tenants ranking in the top ten tenants in terms of leased area of investment assets.

	Name of tenant	Name of property occupied	Leased area (m ²) (Note 1)	As a percentage of total leasable area (%) (Note 2)
1	Not disclosed (Note 3)	Iwatsuki Logistics	Not disclosed (Note 3)	20.1
2	Not disclosed (Note 3)	Funabashi Logistics	Not disclosed (Note 3)	14.6
3	Not disclosed (Note 3)	Yokohama Logistics	Not disclosed (Note 3)	12.3
4	Not disclosed (Note 3)	Funabashi Logistics	Not disclosed (Note 3)	4.8
5	Ricoh Japan Corporation	Honmachibashi Tower	6,044.70	4.1
6	Kao Corporation	Funabashi Logistics	5,888.87	4.0
7	Washington Hotel Corporation	R&B Hotel Umeda East	3,940.93	2.7
8	Not disclosed (Note 3)	Honmachibashi Tower	2,505.12	1.7
9	TYO Technical Ranch Inc.	Minami-Azabu Shibuya Building	2,015.50	1.4
10	Tricor K.K.	Oak Minami-Azabu Building	1,860.71	1.3
Total of the top 10 tenants			98,828.44	66.8

(Note 1) “Leased area” is the sum total of the leased area stated in the lease agreement for the investment asset as of July 31, 2016.

(Note 2) “As a percentage of total leasable area” is the area leased to the tenant expressed as a percentage of the sum total of leasable area of all investment assets, rounded to the first decimal place.

(Note 3) Not disclosed, because consent for disclosure has not been obtained from the end-tenant, etc.

⑦ Capital expenditures

a. Schedule of Capital Expenditures

Of capital expenditures associated with renovation work, etc. in the 2nd fiscal period currently planned for assets held by SAR as of July 31, 2016, the following are the major estimated amounts. The estimated construction costs below include the portion separately charged to expenses in accounting.

Name of real estate, etc. (Location)	Purpose	Scheduled period	Estimated construction costs (thousand yen)		
			Total amount	Amount of payment during period	Total amount already paid
Yokohama Logistics (Yokohama-shi, Kanagawa)	Upgrading of air-conditioning equipment	From: Dec. 2016 To: Jan. 2017	76,000	—	—
Funabashi Logistics (Funabashi-shi, Chiba)	Upgrading of air-conditioning equipment	From: Sept. 2016 To: Oct. 2016	25,000	—	—
Urban Park Daikanyama (Shibuya-ku, Tokyo)	Exterior wall tile sealing and renovation of common-use areas	From: Oct. 2016 To: Dec. 2016	25,000	—	—
Oak Minami-Azabu Building (Minato-ku, Tokyo)	Upgrading of automatic fire alarm equipment	From: Dec. 2016 To: Jan. 2017	15,000	—	—
Asahi Building (Yokohama-shi, Kanagawa)	Upgrading of refrigerant pipe	From: Oct. 2016 To: Nov. 2016	13,000	—	—

b. Capital expenditures during period

The following is an outline of the major construction work, etc. falling under the category of capital expenditures conducted in the fiscal period under review for assets held by SAR as of July 31, 2016. The fiscal period under review's capital expenditures Construction work falling under the category of capital expenditures in the fiscal period under review amounted to 129,991 thousand yen and repair expenses separately charged to expenses in the fiscal period under review amounted to 44,106 thousand yen for a combined total of 174,098 thousand yen of construction work implemented.

Name of real estate, etc. (Location)	Purpose	Period	Construction costs (thousand yen)
R&B Hotel Umeda East (Osaka-shi, Osaka)	Upgrading of air-conditioning equipment	From: Jan. 2016 To: Feb. 2016	72,356
Yokohama Logistics (Yokohama-shi, Kanagawa)	Upgrading of indoor unit and outdoor unit of air-conditioning equipment	From: July 2016 To: July 2016	7,200
Other	—	—	50,435
Total			129,991

⑧ Individual Property Income Statements

(Unit: thousand yen)

Property no.	OFC-01	OFC-02	OFC-03	OFC-04	OFC-05
Property name	Minami-Azabu Shibuya Building	Oak Minami-Azabu Building	Honmachibashi Tower	Nishi-Shinjuku Matsuya Building	Alphabet Seven
① Total operating revenue from real estate leasing	98,909	120,886	235,320	50,713	38,152
Lease business revenue	92,286	113,515	207,469	46,737	34,583
Other lease business revenue	6,622	7,370	27,850	3,975	3,569
② Total operating expenses from real estate leasing	23,250	43,490	45,633	14,036	8,940
Management fee	6,224	16,342	15,572	3,652	2,853
Trust fee	439	436	436	225	225
Utilities expenses	7,725	14,392	26,674	3,040	2,185
Insurance premium	139	272	424	77	61
Repair expenses	81	3,420	1,437	225	2,101
Property taxes	14	44	24	19	18
Other	8,626	8,581	1,063	6,795	1,494
③ NOI (① - ②)	75,659	77,396	189,687	36,677	29,212
④ Depreciation	10,855	6,645	53,153	3,585	1,522
⑤ Operating income (loss) from real estate leasing (③ - ④)	64,803	70,751	136,534	33,091	27,689
⑥ Capital expenditures	1,240	24,527	3,587	-	3,780
⑦ NCF (③ - ⑥)	74,419	52,869	186,100	36,677	25,432

Property no.	OFC-06	OFC-07	OFC-08	RSC-01	RSC-02
Property name	Shibuya MK Building	Hakata-eki Higashi 113 Building	Asahi Building	Urban Park Azabujuban	Urban Park Daikanyama
① Total operating revenue from real estate leasing	34,402	39,755	113,250	57,705	200,635
Lease business revenue	31,568	37,318	103,158	56,163	192,371
Other lease business revenue	2,833	2,436	10,092	1,541	8,264
② Total operating expenses from real estate leasing	9,125	8,478	19,874	9,174	25,441
Management fee	2,556	4,145	8,645	2,250	9,285
Trust fee	197	197	225	382	382
Utilities expenses	1,788	2,328	9,635	479	5,058
Insurance premium	26	76	217	68	232
Repair expenses	17	1,592	629	3,518	5,639
Property taxes	8	29	48	1	0
Other	4,530	109	472	2,473	4,842
③ NOI (① - ②)	25,277	31,276	93,376	48,530	175,193
④ Depreciation	1,530	3,504	13,433	4,439	13,488
⑤ Operating income (loss) from real estate leasing (③ - ④)	23,746	27,771	79,942	44,090	161,705
⑥ Capital expenditures	-	880	606	245	287
⑦ NCF (③ - ⑥)	25,277	30,396	92,770	48,285	174,906

(Unit: thousand yen)

Property no.	RSC-03	RSC-04	RSC-05	LGC-01	LGC-02
Property name	Urban Park Yoyogikoen	Urban Park Shin-Yokohama	Urban Park Namba	Iwatsuki Logistics	Yokohama Logistics
① Total operating revenue from real estate leasing	23,908	42,930	27,767	220,889	Not disclosed (Note)
Lease business revenue	23,908	39,503	27,362	206,079	
Other lease business revenue	-	3,427	405	14,810	
② Total operating expenses from real estate leasing	11,481	7,330	3,567	22,124	
Management fee	4,326	2,630	1,401	6,091	
Trust fee	436	197	197	482	
Utilities expenses	812	380	203	14,810	
Insurance premium	54	102	38	321	
Repair expenses	3,899	2,397	714	-	
Property taxes	2	14	6	10	
Other	1,949	1,608	1,005	408	
③ NOI (① - ②)	12,426	35,600	24,199	198,765	
④ Depreciation	2,000	10,907	4,847	51,861	
⑤ Operating income (loss) from real estate leasing (③ - ④)	10,426	24,692	19,352	146,903	
⑥ Capital expenditures	923	1,886	311	-	
⑦ NCF (③ - ⑥)	11,503	33,713	23,888	198,765	

(Note) Not disclosed, because consent for disclosure has not been obtained from the tenant.

Property no.	LGC-03	HTL-01	HTL-02
Property name	Funabashi Logistics	R&B Hotel Umeda East	Smile Hotel Namba
① Total operating revenue from real estate leasing	280,746	70,359	72,938
Lease business revenue	261,051	70,359	72,938
Other lease business revenue	19,694	-	-
② Total operating expenses from real estate leasing	36,779	10,497	2,945
Management fee	12,426	814	723
Trust fee	436	482	700
Utilities expenses	15,824	6	-
Insurance premium	466	134	63
Repair expenses	7,310	6,468	1,064
Property taxes	44	8	4
Other	271	2,582	388
③ NOI (① - ②)	243,967	59,862	69,992
④ Depreciation	29,856	9,976	13,823
⑤ Operating income (loss) from real estate leasing (③ - ④)	214,110	49,886	56,169
⑥ Capital expenditures	6,204	72,861	-
⑦ NCF (③ - ⑥)	237,763	(12,999)	69,992

(Unit: thousand yen)

Property name	Office total	Residence total	Logistics facility total	Hotel total	Portfolio total
① Total operating revenue from real estate leasing	731,392	352,946	631,788	143,298	1,859,425
Lease business revenue	666,639	339,308	587,789	143,298	1,737,036
Other lease business revenue	64,752	13,638	43,998	-	122,389
② Total operating expenses from real estate leasing	172,829	56,995	78,070	13,442	321,338
Management fee	59,993	19,894	23,209	1,538	104,636
Trust fee	2,384	1,596	1,355	1,182	6,519
Utilities expenses	67,770	6,934	40,278	6	114,990
Insurance premium	1,295	496	1,024	198	3,015
Repair expenses	9,503	16,169	10,900	7,533	44,106
Property taxes	208	25	79	13	326
Other	31,673	11,879	1,221	2,970	47,743
③ NOI (① - ②)	558,563	295,951	553,717	129,855	1,538,087
④ Depreciation	94,231	35,682	92,970	23,800	246,684
⑤ Operating income (loss) from real estate leasing (③ - ④)	464,331	260,268	460,747	106,055	1,291,403
⑥ Capital expenditures	34,620	3,654	18,855	72,861	129,991
⑦ NCF (③ - ⑥)	523,942	292,296	534,861	56,994	1,408,095