



**Star Asia Investment Corporation**

<http://starasia-reit.com/en/>

# **Semi-Annual Report**

## **for the 13th Fiscal Period**

from February 1, 2022 to July 31, 2022

**Star Asia Investment Corporation** (Securities CODE 3468)

Atago Green Hills MORI Tower, 18th Floor 2-5-1 Atago, Minato - ku, Tokyo, Japan



# Investment Philosophy

## Basic Principles

Star Asia Investment Corporation (SAR) makes investments through a “unitholders’ interest-first” mindset in principle, entrusting asset management to Star Asia Investment Management Co., Ltd., which belongs to Star Asia Group, an independent real estate investment group that has accumulated a track record in the Japanese real estate market.

SAR aims to maximize unitholders’ interests by conducting flexible and agile portfolio management based on its unique market analyses while focusing on income stability and growth of income, and implementing highly transparent management that discloses information necessary for unitholders in a timely and appropriate manner.

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## Characteristics of Star Asia Investment Corporation (SAR)

### 1. A diversified REIT

Portfolio developed with diversified assets located mainly in the Tokyo-Area <sup>(Note 1)</sup>

### 2. Steady growth

Pursuit of internal growth by the Asset Manager with abundant experience and know-how as well as external growth based on asset management performed by the Star Asia Group

### 3. Initiatives focusing on unitholder value

Constant, “out-of-the-box” active management

## Investment policy



**Prioritized,  
focused investment  
in the Tokyo Area** <sup>(Note 1)</sup>  
**Investment ratio 70% or  
higher in the Tokyo Area**



**Achieving income stability  
and growth through  
diversification of asset  
types**



**Investment primarily  
in middle-size assets** <sup>(Note 2)</sup>

(Note 1) “Tokyo area”: “Tokyo area” refers to Tokyo’s 23 wards and the cities of Kawasaki and Yokohama for office properties and retail facilities, and Tokyo and the three prefectures of Kanagawa, Saitama and Chiba for residential properties, logistics facilities, hotels and student residences.

(Note 2) “Middle-size assets” are properties with acquisition prices of less than JPY10bn.



# To Our Unitholders

Star Asia Investment Corporation  
Executive Director

**Atsushi Kato**



## Message

We appreciate your continued support and guidance of Star Asia Investment Corporation (SAR) and the asset management company Star Asia Investment Management Co., Ltd.

With the Asset Manager, SAR continues to implement initiatives to maximize unitholders' interests since its listing in April 2016. Most recently, in August 2022, SAR executed property acquisition (three properties/ total acquisition price: 15.1 billion yen) through a public offering for the fifth time since listing and for the second consecutive year after the formulation of the medium-term management plan in order to achieve the medium-term management plan of "increasing the asset size to 300 billion yen by 2026" (formulated in March 2021). As a result, the asset size increased to 194.8 billion yen (63 properties), and the stability of revenue further increased in the portfolio. Some of the newly acquired properties are believed to have high potential capacity for internal growth, and we intend to draw out such capacity through future management. We will continue to pursue further revenue stability, incorporate properties with potential internal growth capacity and promote external growth to achieve our medium-term management plan.

Furthermore, SAR continues to implement initiatives related to ESG to achieve the SDGs. Upon the public offering in August 2022, SAR executed borrowings through green loan worth 7.2 billion yen in total based on the "Green Finance Framework" for which SAR obtained the highest rating of "Green1 (F)". In addition, SAR continues to acquire environmental certifications for its properties, and the acquisition rate of environmental certifications has increased to 42.7% as of August 31, 2022 (38.3% at the end of the 12th fiscal period). Moreover, SAR has set numerical targets regarding the environment, and the status for fiscal 2021 can be seen on SAR's website. SAR continues to implement initiatives on the environment (E), society (S) and governance (G), and will further strengthen its initiatives related to ESG to fulfill its responsibilities as a REIT with a public nature, in parallel with the measures to maximize unitholders' interests.

For the 13th Fiscal Period, as a result of conducting management pursuing maximization of unitholders' interests as well as seeking to increase profitability of its properties and cost reduction, SAR posted operating revenue of 6,088 million yen, operating income of 3,047 million yen, ordinary income of 2,560 million yen, net income of 2,559 million yen and cash distribution per unit of 1,476 yen.

We would like to report on the performance results as well as express our deep gratitude to our unitholders for your support and understanding.

Going forward, we would appreciate your continued support and guidance.

## Progression Status of the Medium-term Management Plan

In March 2021, SAR set a medium-term management plan until 2026 to achieve an asset size of 300 billion yen and a cash distribution per unit of 1,600 yen or more.

As stated above, with regard to the expansion of asset size (external growth), SAR executed a public offering in August 2022 for the second consecutive year and for the fifth time since listing, and incorporated three properties (total acquisition price: 15.1 billion yen) into its portfolio. The newly acquired properties consist of urban retail facilities and hotels that are expected to realize internal growth (increase in revenue) and offices located in the greater Tokyo area in which stable revenue is expected, with a view to the end of the COVID-19 pandemic. Furthermore, as for all of these three properties, SAR identified projects by utilizing the Asset Manager's unique network, and led such effort to the acquisition of the properties. With this new acquisition, the asset size has increased to 194.8 billion yen, and we believe that steady progress is being made towards the achievement of the medium-term management plan. SAR will continue to pursue external growth by maximizing the opportunities to acquire properties from the Asset Manager's unique network and Star Asia Group, which continues to conduct investment activities in Japan (total amount of properties under management as of July 31, 2022: 191.8 billion yen <sup>(Note)</sup>).

In the growth of cash distribution per unit (internal growth), the basic policy is to develop management and operation aiming to increase revenue and reduce costs at each property that has been incorporated into the portfolio. Especially, at the newly acquired properties, we believe that internal growth is highly feasible and it is important to realize such internal growth at an early stage. In addition, SAR believes that it will become able to also consider the "redevelopment" and "extension" of its properties due to (1) decreasing the proportion of revenue per property by expanding the asset size and (2) securing resources to stabilize distributions by increasing internal reserves including negative goodwill and that the properties taking such measures can expect to improve profitability. As the first step towards specific planning, SAR concluded a basic agreement with the tenant on the extension of Funabashi Hi-Tech Park Factory I in the 13th fiscal period. Profitability will increase after the extension. SAR will continue to pursue the growth of cash distribution per unit based on the measures to improve profitability of its properties and also by adopting discontinuous measures to increase revenue through redevelopment, etc.

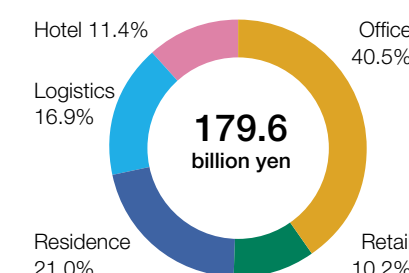
(Note) Total appraisal value stated in the most recent appraisal report

### Medium-term Management Plan (Target year FY2026)

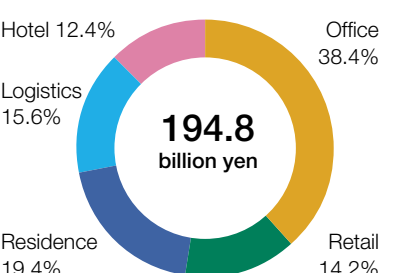
Asset Size (Target)
<b>300 billion yen</b>
Indicative number of properties: 100
Distribution Per Unit (Target)
<b>1,600 yen or more</b>
Growth objective of 2% per annum

### Asset Size / Portfolio Composition

13th Fiscal Period (as of July 31, 2022)



After acquisition of new properties



# Initiatives Related to ESG

## ESG Policy

Our Company, as a member of the Star Asia Group, shares its Investment Philosophy and Guiding Principles. Furthermore, as the asset management company for Star Asia Investment Corporation, we engage in the real estate investment management business while giving consideration to the environment, society, and governance in order to enhance corporate value and exert comprehensive competitiveness by pursuing long-term sustainability and recognizing the role Star Asia Investment Corporation has been given in society in accordance with our basic philosophy of "Client First."

## External Evaluation

### GRESB Real Estate Assessment

In the 2022 GRESB Real Estate Assessment, SAR received a "3 Star" rating in GRESB Rating, which is based on GRESB Overall Score and its quintile position relative to global participants. It also won a "Green Star" designation for the second consecutive year by achieving high performance both in "Management Component" that evaluates policies and organizational structure for ESG promotion, and "Performance Component" that assesses environmental performance and tenant engagement of properties owned.



SAR also received the highest "A Level" for GRESB Public Disclosure, which assesses the width of ESG disclosure. Based on the ESG Policy, we will continue to pursue initiatives that give further consideration to environment, society and governance through maintaining and improving the rating of the GRESB Real Estate Assessment.

### Third-Party Evaluation of the Green Finance Framework

SAR formulated the "Green Finance Framework" for the issuance of green finance including green bonds, and obtained a "Green 1 (F)" evaluation, which is the highest rank under the JCR Green Finance Framework Evaluation, from Japan Credit Rating Agency, Ltd. (JCR). Funds procured through green finance will be appropriated to the acquisition of properties which satisfy the eligibility criteria stipulated in the framework, implementation of renovation works, or refinancing of such funds.

#### Eligibility Criteria-1

Properties which have obtained or renewed certification from one of the following third-party certifying organizations, or otherwise intend to obtain or renew such certification in the future.

1. DBJ Green Building Certification: 3 star, 4 star, or 5 star
2. BELS assessment: 3 star, 4 star, or 5 star
3. CASBEE certification: B+ rank, A rank, or S rank

#### Eligibility Criteria-2




Facilities and equipment etc. renovation works which satisfy one of the following criteria.

1. Renovation works which aim to improve one of the assessments or certifications under Eligibility Criteria-1 by at least one star or one rank
2. Facilities and equipment renovation works to be conducted for managed real estate for the purpose of making beneficial improvements from an environmental perspective, such as energy efficiency, water consumption capacity etc. (such works where usage volume reduction effects of 30% or higher are anticipated compared to before).
3. Installation of or acquisition of equipment related to renewable energy.

## Environmental Initiatives



### Acquisition of Environmental Certifications As of August 31, 2022

DBJ Green Building Certification	Building-Housing Energy-Efficiency Labeling System (BELS)	CASBEE Real Estate Assessment
		
★★★ 1 property	★★★ 1 property	★★★★★ 1 property
★★ 5 properties	★★ 1 property (Note 1)	★★★★ 2 properties
★ 2 properties		
Acquisition ratio (Note 2) 42.7%		

**Goals** Achieve at least **50%** of the ratio at environmental certifications (Note 2) by 2026

(Note 1) Even in case when a property with multiple buildings acquires certifications at each building, it is counted as one property.

(Note 2) Ratio of each floor area to the gross floor area of SAR portfolio (547,221.14 m<sup>2</sup>).

## Social Initiatives



### Regional Contribution

At the retail facilities it owns, SAR conducted events contributing to the regional community organized by the municipal government office and by public interest foundations which aim to create a sustainable and peaceful global community.



Peace Pal International Art Contest (International children's art exhibition with the theme of global peace)

Kishiwada Environmental Fair 2022



### Improvement of tenant satisfaction

Tenant satisfaction surveys are conducted periodically towards tenants of owned properties. Based on the results of the survey, measures to improve operations and management are considered.

## Governance Initiatives

### Asset Management Fees

The asset management fees which the Asset Manager receives from SAR for provision of daily asset management services as of the end of each fiscal period is composed of Management Fee I which is linked to the balance of assets under management, and Management Fee II which is linked to management performance (net income of the managed properties: NOI).

In order to incentivize increase in distribution amounts to investors (increase NOI), the fee structure is designed so that the ratio of Management Fee II is higher.

Fees for daily management operations	Calculation formula
Management fees I	Total valuation amount of managed assets (Note 1) x 0.2% (upper limit)
Management fees II	NOI (Note 2) x 7.5% (upper limit)

(Note 1) Total valuation amount of managed assets is the total amount calculated by multiplying the lower of either the appraisal value of each relevant asset as of the last day of the relevant business period or the acquisition price by the actual total number of days during the relevant business period in which such assets were held, divided by the total number of days in a year.

(Note 2) NOI is the total amount of real estate leasing income from the relevant business period after deducting real estate leasing expenses (other than depreciation costs and fixed assets retirement losses)

Other fees	Calculation formula
Acquisition fee	Acquisition price x 1% (Note 1) (upper limit)
Transfer fee	Transfer price x 1% (Note 1) (upper limit)
Merger fee	Valuation amount of held assets (Note 2) x 1% (Note 3) (upper limit)

(Note 1) 0.5% if SAR transact with its interested parties.

(Note 2) Merger fee indicates the valuation amount as of the date of effectuation of the real estate related assets held by the counterparty of a consolidation-type merger or absorption-type merger.

(Note 3) 0.5% if SAR merges with an investment corporation that falls within the category of interested parties, or an investment corporation for which any of the interested parties is entrusted with the management of assets.

### Decision-Making Process







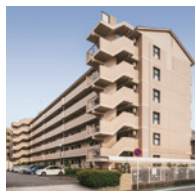








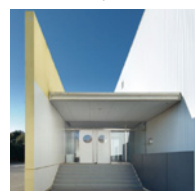
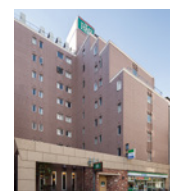

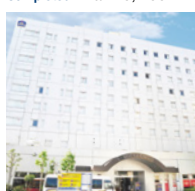

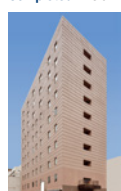

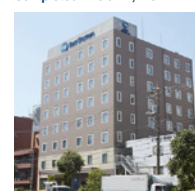

- Implement decision-making with high transparency by complying with laws and regulations
- Maintain a high sense of ethics and execute operations as a manager of investors' funds








# Portfolio Overview (As of July 31, 2022)

<b>OFC-01</b> Minami-Azabu Shibuya Building Completed: Jun. 15, 1993 	<b>OFC-03</b> Honmachibashi Tower Completed: Feb. 8, 2010 	<b>OFC-04</b> Nishi-Shinjuku Matsuya Building Completed: May 28, 1987 	<b>OFC-06</b> Shibuya MK Building Completed: Jul. 31, 1993 	<b>OFC-08</b> Asahi Building Completed: Nov. 25, 1994 	<b>OFC-09</b> Hakata-eki East Place Completed: Feb. 24, 1986 
<b>OFC-10</b> Nihonbashi Hamacho Park Building Completed: Jul. 13, 1992 	<b>OFC-11</b> Amusement Media Gakuin Honkan Completed: Nov. 2, 1994 	<b>OFC-12</b> Higashi-Kobe Center Building Completed: Jan. 6, 1992 	<b>OFC-13</b> Amusement Media Gakuin Shinkan Completed: Jan. 25, 1999 	<b>OFC-14</b> Seishin BLDG. Completed: Mar. 31, 1989 	<b>OFC-15</b> Urban Center Kanda Suda-cho (Note 1) Completed: Oct. 28, 1991 
<b>OFC-16</b> Urban Center Kanda Tsukasamachi Completed: Jan. 20, 1988 	<b>OFC-17</b> Takadanobaba Access Completed: Jan. 14, 1994 	<b>OFC-18</b> Azabu Amerex BLDG. Completed: Jun. 30, 1988 	<b>OFC-19</b> Hiei-Kudan BLDG. Completed: Sep. 17, 1991 	<b>OFC-20</b> Urban Center Shin-Yokohama (Note 1) Completed: Mar. 17, 1992 	<b>OFC-21</b> The Portal Akihabara Completed: May 31, 2002 
<b>OFC-22</b> Urban Center Tachikawa Completed: May 30, 1990 	<b>OFC-23</b> Urban Center Hakata Completed: Aug. 27, 2020 	<b>RTL-01</b> La Park Kishiwada Completed: Aug. 30, 1994 	<b>RTL-02</b> Suroy Mall Chikushino Completed: Jun. 22, 2007 	<b>RTL-03</b> Seiyu Minakuchi Completed: May 31, 1999 	<b>RTL-05</b> BAGUS Ikebukuro West Completed: Nov. 20, 1992 
<b>RSC-01</b> Urban Park Azabujuban Completed: Nov. 29, 1999 	<b>RSC-02</b> Urban Park Daikanyama Completed: Nov. 15, 1982 (Existing) May 30, 2006 (Newly built) 	<b>RSC-05</b> Urban Park Namba Completed: Jan. 9, 2013 	<b>RSC-06</b> Urban Park Gokokuji Completed: Feb. 28, 1990 	<b>RSC-07</b> Urban Park Kashiwa Completed: Aug. 28, 1997 	<b>RSC-08</b> Urban Park Ryokuchi Koen Completed: Mar. 10, 1989 
<b>RSC-09</b> Urban Park Koenji Completed: Oct. 13, 1987 	<b>RSC-10</b> Urban Park Ichigao Completed: Jul. 10, 1998 	<b>RSC-11</b> Urban Park Gyotoku Completed: Mar. 24, 1995 	<b>RSC-12</b> Shiroi Logiman Completed: May 9, 1995 	<b>RSC-13</b> Urban Park Sekime Completed: Aug. 18, 1989 	<b>RSC-14</b> Urban Park Imazato Completed: Dec. 20, 1991 

<b>RSC-15</b> Urban Park Yoyogi Completed: Sep. 4, 2017 	<b>RSC-16</b> Urban Park Tokiwadai Koen Completed: Feb. 17, 1994 	<b>RSC-17</b> Urban Park Mitsuike Koen Completed: Mar. 24, 1992 	<b>RSC-18</b> Urban Park Ryogoku Completed: Oct. 31, 1997 	<b>RSC-19</b> Urban Park Mizonokuchi Completed: Aug. 23, 1988 	<b>RSC-20</b> Urban Park Miyamaedaira Completed: Jun. 10, 2021 
<b>RSC-21</b> Urban Park Tsurumi Completed: Feb. 17, 1994 	<b>LGC-01</b> Iwatsuki Logistics Completed: Oct. 29, 2014 	<b>LGC-02</b> Yokohama Logistics Completed: Oct. 1, 1994 	<b>LGC-03</b> Funabashi Logistics Completed: Sep. 25, 1992 (Building 1) Aug. 5, 1997 (Building 2) 	<b>LGC-04</b> Baraki Logistics Completed: Aug. 14, 2015 	<b>LGC-05</b> Tokorozawa Logistics Completed: Apr. 30, 1999 
<b>LGC-07</b> Funabashi Nishiura Logistics II Completed: Mar. 20, 1991 (Warehouse) May 15, 1972 (Factory) May 13, 1986 (Office) 	<b>LGC-08</b> Matsubushi Logistics Completed: Mar. 31, 1997 	<b>LGC-09</b> Funabashi Hi-Tech Park Factory I Completed: May 19, 2003 	<b>LGC-10</b> Funabashi Hi-Tech Park Factory II Completed: Sep. 5, 2001 	<b>HTL-01</b> R&B Hotel Umeda East Completed: Oct. 20, 2000 	<b>HTL-02</b> Smile Hotel Namba Completed: Feb. 6, 2008 
<b>HTL-03</b> REMBRANDT STYLE Tokyo Nishikasai Completed: Mar. 19, 1991 	<b>HTL-04</b> BEST WESTERN Yokohama Completed: Sep. 21, 1987 	<b>HTL-05</b> The BREAKFAST HOTEL FUKUOKA TENJIN Completed: Feb. 20, 2017 	<b>HTL-06</b> GLANSIT AKIHABARA Completed: Sep. 20, 2017 	<b>HTL-07</b> REMBRANDT STYLE Tokyo Nishikasai Grande Completed: Feb. 7, 2017 	<b>HTL-08</b> KOKO HOTEL Osaka Namba Completed: Apr. 7, 2017 

## Properties Newly Acquired in the 14th Fiscal Period

<b>OFC-24</b> Urban Center Fujisawa Completed: Apr. 9, 1991 	<b>RTL-06</b> abeno nini (Retail) Completed: Jan. 31, 2012 	<b>HTL-09</b> abeno nini (Hotel) Completed: Jan. 31, 2012 
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# Financial Summary

## Historical Operating Trends

Fiscal Period		9th Fiscal Period (February 1, 2020 to July 31, 2020)	10th Fiscal Period (August 1, 2020 to January 31, 2021)	11th Fiscal Period (February 1, 2021 to July 31, 2021)	12th Fiscal Period (August 1, 2021 to January 31, 2022)	13th Fiscal Period (February 1, 2022 to July 31, 2022)
Operating revenue	(million yen)	3,996	6,672	5,560	5,960	6,088
Operating revenue from real estate leasing	(million yen)	3,314	5,648	5,536	5,890	6,060
Operating expenses	(million yen)	1,864	3,295	2,721	2,872	3,041
Operating expenses from real estate leasing	(million yen)	1,173	2,179	2,189	2,311	2,494
Operating income	(million yen)	2,131	3,376	2,838	3,087	3,047
Ordinary income	(million yen)	1,857	2,911	2,407	2,517	2,560
Net income	(million yen)	1,857	11,801	2,407	2,516	2,559
Total assets	(million yen)	113,035	179,789	179,170	193,316	193,488
[Period-on-period variation]	(%)	(3.1)	(59.1)	(-0.3)	(7.9)	(0.1)
Net assets	(million yen)	54,614	89,600	89,179	95,753	95,803
[Period-on-period variation]	(%)	(0.6)	(64.1)	(-0.5)	(7.4)	(0.1)
Interest-bearing debt	(million yen)	54,320	82,440	82,440	89,640	89,640
Unitholders' capital	(million yen)	52,745	52,745	52,745	59,115	59,115
Total number of investment units issued and outstanding	(units)	540,824	1,674,389	1,674,389	1,789,389	1,789,389
Net assets per unit <sup>(Note 3)</sup>	(yen)	50,492	53,512	53,260	53,511	53,539
Total cash distribution	(million yen)	1,858	2,806	2,447	2,644	2,641
Cash distribution per unit	(yen)	3,436	1,676	1,462	1,478	1,476
Cash distribution of earnings per unit	(yen)	3,436	1,676	1,462	1,478	1,476
Cash distributions in excess of earnings per unit	(yen)	—	—	—	—	—
Ratio of ordinary income to total assets <sup>(Note 4)</sup>	(%)	1.7	2.0	1.3	1.4	1.3
[Annualized]	(%)	(3.3)	(3.9)	(2.7)	(2.7)	(2.7)
Return on equity <sup>(Note 4)</sup>	(%)	3.4	16.4	2.7	2.7	2.7
[Annualized]	(%)	(6.8)	(32.5)	(5.4)	(5.4)	(5.4)
Equity ratio at end of period <sup>(Note 4)</sup>	(%)	48.3	49.8	49.8	49.5	49.5
[Period-on-period variation]		(-1.2)	(1.5)	(-0.1)	(-0.2)	(-0.0)
Cash distribution payout ratio <sup>(Note 4)</sup>	(%)	100.1	23.8	101.7	105.1	103.2
[Other reference Information]						
Number of operating days	(days)	182	184	181	184	181
Number of properties at end of period	(properties)	36	53	53	60	60
Depreciation	(million yen)	432	628	633	682	697
Capital expenditures	(million yen)	188	331	363	424	471
Lease NOI (Net Operating Income) <sup>(Note 4)</sup>	(million yen)	2,573	4,097	3,980	4,261	4,263
FFO (Funds from Operation) <sup>(Note 4)</sup>	(million yen)	1,640	2,564	3,040	3,199	3,257
FFO per unit <sup>(Note 3) (Note 4)</sup>	(yen)	1,516	1,531	1,815	1,787	1,820
Ratio of interest-bearing debt to total assets at end of period (LTV)	(%)	48.1	45.9	46.0	46.4	46.3

(Note 1) The operating periods for Star Asia Investment Corporation (SAR) are the six-month periods from February 1 to July 31 and August 1 to January 31 of the following year.

(Note 2) Unless otherwise specifically noted, amounts are rounded down to the unit displayed and percentages are rounded to the first decimal place.

(Note 3) SAR conducted an investment unit split to carry out a 2-for-1 split of investment units with July 31, 2020 as the record date and August 1, 2020 as the effective date for the investment unit split. Net assets per unit and FFO per unit are calculated assuming that the investment unit split was conducted at the beginning of the 9th fiscal period.

(Note 4) It is calculated based on the following formula.

Ratio of ordinary income to total assets	Ordinary income ÷ {(total assets at beginning of period + total assets at end of period) ÷ 2} × 100
Return on equity	Net income ÷ {(net assets at beginning of period + net assets at end of period) ÷ 2} × 100
Equity ratio at end of period	Net assets at end of period ÷ total assets at end of period × 100
Cash distribution payout ratio	Cash distribution per unit (excluding cash distribution in excess of earnings) ÷ net income per unit × 100 The figure for the 12th fiscal periods was calculated based on the formula below as investment units outstanding changed during the period as a result of a public offering of investment units. Total cash distribution (excluding cash distribution in excess of earnings) ÷ net income × 100
Lease NOI (Net Operating Income)	Operating revenue from real estate leasing - operating expenses from real estate leasing + depreciation
FFO (Funds from Operation)	Net income + Depreciation - gain (loss) on sales of real estate The figures of 10th fiscal period is calculated after deducting 8,891 million yen of gain on negative goodwill from net income.
FFO per unit	FFO ÷ total number of investment units issued and outstanding

## Balance Sheet

(Unit: thousand yen)

	12th fiscal period (As of January 31, 2022)	13th fiscal period (As of July 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	3,774,975	4,265,178
Cash and deposits in trust	7,950,192	8,075,474
Operating accounts receivable	88,581	137,598
Prepaid expenses	200,093	196,009
Consumption taxes receivable	155,777	–
Others	14,763	9,011
Total current assets	12,184,385	12,683,272
Non-current assets		
Property, plant and equipment		
Tools, furniture and fixtures	114	114
Accumulated depreciation	(71)	(100)
Tools, furniture and fixtures, net	42	14
Buildings in trust	53,053,772	53,471,574
Accumulated depreciation	(4,755,763)	(5,441,732)
Buildings in trust, net	48,298,008	48,029,841
Structures in trust	20,635	21,640
Accumulated depreciation	(5,115)	(5,856)
Structures in trust, net	15,520	15,784
Machinery and equipment in trust	99,519	119,343
Accumulated depreciation	(23,762)	(28,905)
Machinery and equipment in trust, net	75,756	90,437
Tools, furniture and fixtures in trust	67,545	100,966
Accumulated depreciation	(24,969)	(30,688)
Tools, furniture and fixtures in trust, net	42,576	70,278
Land in trust	127,283,507	127,283,507
Total property, plant and equipment	175,715,413	175,489,864
Intangible assets		
Leasehold rights in trust	4,082,300	4,082,300
Total intangible assets	4,082,300	4,082,300
Investments and other assets		
Investment securities	922,220	800,000
Long-term prepaid expenses	351,116	337,433
Leasehold and guarantee deposits	10,379	10,359
Others	3,317	45,353
Total investments and other assets	1,287,033	1,193,146
Total non-current assets	181,084,747	180,765,311
Deferred assets		
Investment corporation bond issuance costs	13,603	12,583
Investment unit issuance costs	34,219	27,375
Total deferred assets	47,823	39,959
<b>Total assets</b>	<b>193,316,956</b>	<b>193,488,543</b>

(Unit: thousand yen)

	12th fiscal period (As of January 31, 2022)	13th fiscal period (As of July 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	789,397	662,398
Current portion of long-term borrowings	15,350,000	16,390,000
Accounts payable – other	500,649	495,977
Accrued expenses	49,478	59,099
Income taxes payable	605	605
Accrued consumption taxes	46,037	234,089
Advances received	915,355	974,728
Others	30,771	36,804
Total current liabilities	17,682,295	18,853,703
Non-current liabilities		
Investment corporation bonds	1,000,000	1,000,000
Long-term borrowings	73,290,000	72,250,000
Leasehold and guarantee deposits received	5,074	5,187
Leasehold and guarantee deposits received in trust	5,476,752	5,559,508
Others	109,745	16,759
Total non-current liabilities	79,881,571	78,831,455
<b>Total liabilities</b>	<b>97,563,867</b>	<b>97,685,158</b>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	59,115,701	59,115,701
Surplus		
Unitholders' capital surplus	25,132,218	25,132,218
Voluntary reserve		
Reserve for temporary difference adjustment	*2 8,802,324	*2 8,713,411
Total voluntary reserve	8,802,324	8,713,411
Unappropriated retained earnings (undisposed loss)	2,809,755	2,813,756
Total surplus	36,744,298	36,659,386
Total unitholders' equity	95,859,999	95,775,087
Valuation and translation adjustments		
Deferred gains or losses on hedges	(106,910)	28,297
Total valuation and translation adjustments	(106,910)	28,297
<b>Total net assets</b>	<b>*1 95,753,089</b>	<b>*1 95,803,384</b>
<b>Total liabilities and net assets</b>	<b>193,316,956</b>	<b>193,488,543</b>

## Statement of Income and Retained Earnings

(Unit: thousand yen)

	12th fiscal period (From August 1, 2021 to January 31, 2022)	13th fiscal period (From February 1, 2022 to July 31, 2022)
<b>Operating revenue</b>		
Rental revenue	*1 5,467,061	*1 5,611,196
Other lease business revenue	*1 423,937	*1 449,218
Other revenue	69,418	28,525
Total operating revenue	5,960,418	6,088,939
<b>Operating expenses</b>		
Expenses related to rent business	*1 2,311,905	*1 2,494,593
Asset management fee	392,495	392,584
Asset custody and administrative service fees	42,732	38,428
Directors' compensations	2,400	2,400
Other operating expenses	122,935	113,213
Total operating expenses	2,872,468	3,041,220
Operating income	3,087,950	3,047,719
<b>Non-operating income</b>		
Interest income	48	55
Reversal of unpaid distribution	1,326	1,470
Interest on refund	106	262
Gain on donation of non-current assets	–	516
Total non-operating income	1,481	2,305
<b>Non-operating expenses</b>		
Interest expenses	337,121	338,087
Interest expenses on investment corporation bonds	2,473	3,500
Borrowing related expenses	224,543	140,164
Amortization of investment corporation bond issuance costs	850	1,020
Amortization of investment unit issuance costs	6,843	6,843
Total non-operating expenses	571,833	489,615
Ordinary income	2,517,598	2,560,409
Income before income taxes	2,517,598	2,560,409
Income taxes - current	605	605
Total income taxes	605	605
Net income	2,516,993	2,559,804
Retained earnings brought forward	292,762	253,951
Unappropriated retained earnings (undisposed loss)	2,809,755	2,813,756

## Statement of Changes in Unitholders' Equity

12th fiscal period (from August 1, 2021 to January 31, 2022)

(Unit: thousand yen)

	Unitholders' equity							Valuation and translation adjustments		Total net assets
	Unitholders' capital	Unitholders' capital surplus	Surplus		Unappropriated retained earnings (undisposed loss)	Total surplus	Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
			Reserve for temporary difference adjustment	Total voluntary reserve						
Balance at beginning of period	52,745,966	25,132,218	8,891,236	8,891,236	2,651,806	36,675,261	89,421,227	(241,749)	(241,749)	89,179,478
Changes of items during period										
Issuance of new investment units	6,369,735						6,369,735			6,369,735
Dividends from surplus					(2,447,956)	(2,447,956)	(2,447,956)			(2,447,956)
Reversal of reserve for temporary difference adjustment			(88,912)	(88,912)	88,912	—	—			—
Net income					2,516,993	2,516,993	2,516,993			2,516,993
Net changes of items other than unitholders' equity								134,838	134,838	134,838
Total changes of items during period	6,369,735	—	(88,912)	(88,912)	157,949	69,037	6,438,772	134,838	134,838	6,573,610
Balance at end of period	*1 59,115,701	25,132,218	8,802,324	8,802,324	2,809,755	36,744,298	95,859,999	(106,910)	(106,910)	95,753,089



Statement of Changes in Unitholders’ Equity

13th fiscal period (from February 1, 2022 to July 31, 2022)

(Unit: thousand yen)

Unitholders' equity								Valuation and translation adjustments		Total net assets
Unitholders' capital	Surplus						Deferred gains or losses on hedges	Total valuation and translation adjustments		
	Unitholders' capital surplus	Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus	Total unitholders' equity				
		Reserve for temporary difference adjustment	Total voluntary reserve							
Balance at beginning of period	59,115,701	25,132,218	8,802,324	8,802,324	2,809,755	36,744,298	95,859,999	(106,910)	(106,910)	95,753,089
Changes of items during period										
Dividends from surplus					(2,644,716)	(2,644,716)	(2,644,716)			(2,644,716)
Reversal of reserve for temporary difference adjustment			(88,912)	(88,912)	88,912	—	—			—
Net income					2,559,804	2,559,804	2,559,804			2,559,804
Net changes of items other than unitholders' equity								135,208	135,208	135,208
Total changes of items during period	—	—	(88,912)	(88,912)	4,000	(84,912)	(84,912)	135,208	135,208	50,295
Balance at end of period	<sup>*1</sup> 59,115,701	25,132,218	8,713,411	8,713,411	2,813,756	36,659,386	95,775,087	28,297	28,297	95,803,384

Statement of Cash Distributions

(Unit: yen)		
	12th fiscal period (From August 1, 2021 to January 31, 2022)	13th fiscal period (From February 1, 2022 to July 31, 2022)
I. Unappropriated retained earnings	2,809,755,972	2,813,756,107
II. Reversal of voluntary reserve		
Reversal of reserve for temporary difference adjustment <sup>*1</sup>	88,912,365	88,912,365
III. Cash distribution	2,644,716,942	2,641,138,164
[Cash distribution per unit]	(1,478)	(1,476)
Cash distribution of earnings	2,644,716,942	2,641,138,164
[Cash distribution of earnings per unit]	(1,478)	(1,476)
IV. Retained earnings carried forward	253,951,395	261,530,308
Method of calculation of amount of cash distributions	Pursuant to the cash distribution policy provided in Article 35, Paragraph 1 of SAR's Articles of Incorporation, 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 2,644,716,942 yen, which is equivalent to the amount obtained by adding part of retained earnings brought forward of 38,810,690 yen and the reversal of reserve for tem- porary difference adjustment of 88,912,365 yen to net income.	Pursuant to the cash distribution policy provided in Article 35, Paragraph 1 of SAR's Articles of Incorporation, 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 2,641,138,164 yen, which is equivalent to the amount obtained by adding the reversal of reserve for temporary difference adjust- ment of 88,912,365 yen to net income remaining after reserving 7,578,913 yen.

## Statement of Cash Flows

	(Unit: thousand yen)	
	12th fiscal period (From August 1, 2021 to January 31, 2022)	13th fiscal period (From February 1, 2022 to July 31, 2022)
<b>Cash flows from operating activities</b>		
Income before income taxes	2,517,598	2,560,409
Depreciation	682,245	697,599
Amortization of investment corporation bond issuance costs	850	1,020
Amortization of investment unit issuance costs	6,843	6,843
Interest income	(48)	(55)
Interest expenses	339,595	341,587
Decrease (increase) in operating accounts receivable	7,605	(49,016)
Decrease (increase) in consumption taxes receivable	(72,280)	155,777
Increase (decrease) in accrued consumption taxes	(25,824)	188,051
Decrease (increase) in prepaid expenses	(23,008)	4,084
Decrease (increase) in long-term prepaid expenses	(90,606)	13,682
Increase (decrease) in operating accounts payable	143,883	(96,424)
Increase (decrease) in accounts payable - other	7,276	4,636
Increase (decrease) in advances received	1,732	59,372
Others, net	(28,806)	8,685
Subtotal	3,467,056	3,896,255
Interest income received	48	55
Interest expenses paid	(331,705)	(331,966)
Income taxes paid	(5,381)	2,645
Net cash provided by operating activities	3,130,019	3,566,990
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment in trust	(13,552,890)	(511,417)
Repayments of leasehold and guarantee deposits received	(1,068)	(103)
Proceeds from leasehold and guarantee deposits received	–	216
Repayments of leasehold and guarantee deposits received in trust	(181,994)	(170,274)
Proceeds from leasehold and guarantee deposits received in trust	441,001	253,030
Proceeds from collection of lease and guarantee deposits	80	20
Purchase of investment securities	(400,000)	–
Proceeds from redemption of investment securities	216,472	122,220
Proceeds from collection of long-term loans receivable	300,000	–
Net cash used in investing activities	(13,178,398)	(306,308)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	–	500,000
Repayments of short-term borrowings	(2,150,000)	(500,000)
Proceeds from long-term borrowings	22,050,000	9,750,000
Repayments of long-term borrowings	(13,700,000)	(9,750,000)
Proceeds from issuance of investment corporation bonds	985,545	–
Proceeds from issuance of investment units	6,328,671	–
Dividends paid	(2,446,756)	(2,645,197)
Net cash provided by (used in) financing activities	11,067,460	(2,645,197)
<b>Net increase in cash and cash equivalents</b>	1,019,080	615,484
<b>Cash and cash equivalents at beginning of period</b>	10,706,087	11,725,168
<b>Cash and cash equivalents at end of period</b>	*1 11,725,168	*1 12,340,653

## Notes to Financial Statements

## Organization

Star Asia Investment Corporation (SAR) was established as a diversified real estate investment trust on December 1, 2015 under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) and was listed on the Tokyo Stock Exchange Real Estate Investment Trust Section on April 20, 2016 (securities code: 3468). SAR has assigned the asset management of its portfolio to Star Asia Investment Management Co., Ltd., a financial instruments business operator under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended), through which SAR executed active management pursuing to maximize interest of unitholders and thrived to expand its asset size and to increase cash distributions per unit. The asset size as of the end of 13th fiscal period is 179,675 million yen (on the basis of acquisition price. The properties succeeded from Sakura Sogo REIT Investment Corporation with the absorption-type merger in August 2020 are on the basis of receipt price. The same shall apply hereinafter.), and has grown by approximately 2.9 times from 61,493 million yen, the asset size as of the listing. Furthermore, SAR conducted property acquisitions (3 properties, total acquisition price of 15,154 million yen) involving capital increase through public offering in August 2022 after the end of the 13th fiscal period (fiscal period ended July 2022), and the asset size as of the date of this document is 194,829 million yen.

## Basis of Presentation

SAR prepared the financial statements attached hereto in accordance with the accounting principles generally accepted in Japan (J-GAAP), but J-GAAP differs from international accounting standards in certain aspects of accounting modifications and disclosure standards.

The financial statements attached hereto are a translation of audited financial statements prepared from SAR's accounting records and submitted to the Kanto Local Finance Bureau in accordance with the Financial Instruments and Exchange Act for the purpose of domestic disclosure.

Upon preparation of the financial statements attached hereto, treatments including additions to notes related to the financial statements issued in Japan are made in order to present in a format more familiar to the readers outside Japan.

SAR's fiscal periods are for six months ending at the end of every January and July.

As SAR has no subsidiaries, consolidated financial statements are not prepared.

## Notes on the Going Concern Assumption

Not applicable.

## Notes on Matters Relating to Significant Accounting Policies

## 1. Evaluation standards and methods of valuation of securities

## Other securities

Those with market price

Fair value method or market value method (Variances are directly included in net assets.)



## 2. 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	2-69 years
Structures	7-30 years
Machinery and equipment	7-17 years
Tools, furniture and fixtures	2-15 years

## 3. Accounting for deferred assets

### (1) Investment unit issuance costs

Investment unit issuance costs are amortized by the straight-line method over 3 years.

### (2) Investment corporation bond issuance costs

Investment corporation bond issuance costs are amortized by the straight-line method over the period through redemption.

## 4. Revenue and expense recognition

### (1) 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 the amount corresponding to the fiscal period out of the tax amount assessed and determined is expensed as expenses related to lease 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 recorded as expenses but included in the cost of acquisition of the related real estate, etc. In the fiscal period under review, there was no amount equivalent to fixed property tax, etc. included in the cost of acquisition of real estate, etc.

### (2) Standards for recording revenue

The details of main performance obligations concerning revenue generated from contracts between SAR and its customers and the ordinary time to fulfil said performance obligations (ordinary time to recognize revenue) are as follows:

#### 1) Sale of real estate

For revenue from sale of real estate, SAR records revenue when the purchaser who is a customer obtains control of the relevant real estate as a result of the seller fulfilling its delivery obligations stipulated in the transaction agreement of the real estate.

#### 2) Utilities income

SAR records utilities income in accordance with the supply of electricity and water, etc. to the lessee who is a customer based on the lease agreement of real estate and details of agreements incidental to it.

Of the utilities income, in the case that SAR deems itself to be an agent, the net amount obtained by deducting the amount it pays to other parties from the amount it receives as charges for electricity and gas, etc. supplied by the said other parties is recognized as revenue.

## 5. Hedge accounting approach

### (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 borrowings

### (3) Hedging policy

SAR conducts derivative transactions for the purpose of hedging the risks provided in its Articles of Incorporation pursuant to basic rules on risk management.

### (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.

## 6. Cash and cash equivalents

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.

## 7. Other 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 and retained earnings.

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; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust

3) Leasehold rights in trust

4) Leasehold and guarantee deposits received in trust

### (2) Accounting for consumption taxes

Non-deductible consumption tax on acquisition of assets is included in the acquisition cost of each asset.

## 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)

12th fiscal period (As of January 31, 2022)	13th fiscal period (As of July 31, 2022)
50,000	50,000

**\*2 Matters on provision and reversal of reserve for temporary difference adjustment**

**12th fiscal period (As of January 31, 2022)**

(Unit: thousand yen)

	Initial amount	Balance at beginning of the period	Provision amount during the period	Reversal amount during the period	Balance at end of the period	Reasons for provision and reversal
Gain on negative goodwill <sup>(Note)</sup>	8,891,236	8,891,236	–	88,912	8,802,324	Appropriate for distribution

(Note) It is the balance of amount subdivided into the gains on negative goodwill which were allocated in the past fiscal periods. SAR will reverse an amount equivalent to more than 1% of the initial amount (equivalent to the averaged amount for 50 years) in each fiscal period, starting with the fiscal period ended January 31, 2022.

**13th fiscal period (As of July 31, 2022)**

(Unit: thousand yen)

	Initial amount	Balance at beginning of the period	Provision amount during the period	Reversal amount during the period	Balance at end of the period	Reasons for provision and reversal
Gain on negative goodwill <sup>(Note)</sup>	8,891,236	8,802,324	–	88,912	8,713,411	Appropriate for distribution

(Note) It is the balance of amount subdivided into the gains on negative goodwill which were allocated in the past fiscal periods. SAR will reverse an amount equivalent to more than 1% of the initial amount (equivalent to the averaged amount for 50 years) in each fiscal period, starting with the fiscal period ended January 31, 2022.

## Notes to the Statement of Income and Retained Earnings

**\*1 Breakdown of operating income from real estate leasing**

(Unit: thousand yen)

	12th fiscal period (From August 1, 2021 to January 31, 2022)	13th fiscal period (From February 1, 2022 to July 31, 2022)
<b>A. Operating revenue from real estate leasing</b>		
Rental revenue		
Rent revenue	4,696,720	4,829,210
Common area maintenance revenue	534,187	544,319
Parking revenue	199,390	201,621
Facility use revenue	30,985	30,608
Other rental revenue	5,778	5,436
Total	5,467,061	5,611,196
Other lease business revenue		
Utilities income	296,154	314,831
Other revenue	127,783	134,386
Total	423,937	449,218
Total operating revenue from real estate leasing	5,890,999	6,060,414
<b>B. Operating expenses from real estate leasing</b>		
Expenses related to rent business		
Management fee	438,037	449,514
Utilities expenses	310,409	343,623
Property taxes	421,139	458,313
Repair expenses	181,998	255,200
Trust fee	25,603	25,175
Insurance premium	13,010	12,855
Depreciation	682,245	697,599
Other expenses	239,461	252,311
Total operating expenses from real estate leasing	2,311,905	2,494,593
<b>C. Operating income from real estate leasing [A–B]</b>	3,579,094	3,565,820

## Notes to the Statement of Changes in Unitholders' Equity

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

	12th fiscal period (From August 1, 2021 to January 31, 2022)	13th fiscal period (From February 1, 2022 to July 31, 2022)
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	1,789,389 units	1,789,389 units



## Notes to the Statement of Cash Distributions

12th fiscal period (From August 1, 2021 to January 31, 2022)	13th fiscal period (From February 1, 2022 to July 31, 2022)
*1 Reserve for temporary difference adjustment SAR accumulated 8,891,236 thousand yen as reserve for temporary difference adjustment in the 10th fiscal period. From the 11th fiscal period, SAR plans to reverse the same amount or more in each fiscal period over a period of up to 50 years. In the fiscal period under review, SAR decided to reverse 88,912 thousand yen.	*1 Reserve for temporary difference adjustment SAR accumulated 8,891,236 thousand yen as reserve for temporary difference adjustment in the 10th fiscal period. From the 11th fiscal period, SAR plans to reverse the same amount or more in each fiscal period over a period of up to 50 years. In the fiscal period under review, SAR decided to reverse 88,912 thousand yen.

## 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)

	12th fiscal period (From August 1, 2021 to January 31, 2022)	13th fiscal period (From February 1, 2022 to July 31, 2022)
Cash and deposits	3,774,975	4,265,178
Cash and deposits in trust	7,950,192	8,075,474
Cash and cash equivalents	11,725,168	12,340,653

## Notes on Lease Transactions

### Operating leases (as lessor)

### Future minimum lease payments

(Unit: thousand yen)

	12th fiscal period (As of January 31, 2022)	13th fiscal period (As of July 31, 2022)
Not later than 1 year	5,584,037	5,379,733
Later than 1 year	7,200,564	7,047,465
Total	12,784,602	12,427,198

## Notes on Financial Instruments

### 1. Matters relating to 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 borrowings, 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, borrowings 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 “5. Hedge accounting approach” described under “Notes on Matters Relating to Significant Accounting Policies” earlier in this document.

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

Not applicable.

### 2. Matters relating to fair value, etc. of financial instruments

The carrying amount, fair value and the amount of difference between them, are as follows. Because "cash and deposits" and "cash and deposits in trust" are cash and settled in a short period of time and the fair values approximate the book values accordingly, notes on such are omitted.

#### 12th fiscal period (As of January 31, 2022)

(Unit: thousand yen)

	Carrying amount	Fair value	Difference
(1) Current portion of long-term borrowings	15,350,000	15,350,378	378
(2) Investment corporation bonds	1,000,000	996,200	(3,800)
(3) Long-term borrowings	73,290,000	73,302,563	12,563
Liabilities total	89,640,000	89,649,141	9,141
(4) Derivative transactions *1	(106,910)	(106,910)	–

\*1 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.

#### 13th fiscal period (As of July 31, 2022)

(Unit: thousand yen)

	Carrying amount	Fair value	Difference
(1) Current portion of long-term borrowings	16,390,000	16,394,349	4,349
(2) Investment corporation bonds	1,000,000	994,500	(5,500)
(3) Long-term borrowings	72,250,000	72,241,065	(8,934)
Liabilities total	89,640,000	89,629,914	(10,085)
(4) Derivative transactions *1	28,297	28,297	–

\*1 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) Current portion of long-term borrowings; (3) Long-term borrowings

Of these, the fair values of those with fixed interest rates are calculated by the present value obtained by discounting the total principal and interest by the rate expected when similar funds are additionally borrowed in correspondence with the remaining term. Since those with floating interest rates are under terms and conditions that interest rates be renewed every set period of time, the fair values are approximately the same as the book value, and thus such are used.

(2) Investment corporation bonds

The reference value announced by Japan Securities Dealers Association is stated.

(4) Derivative transactions

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

(Note 2) Amount of redemption/repayment of investment corporation bonds and loans to be due after the closing date

12th fiscal period (As of January 31, 2022)

(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
Investment corporation bonds	–	–	–	–	–	1,000,000
Long-term borrowings	15,350,000	14,630,000	12,285,000	19,150,000	17,175,000	10,050,000
Total	15,350,000	14,630,000	12,285,000	19,150,000	17,175,000	11,050,000

13th fiscal period (As of July 31, 2022)

(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
Investment corporation bonds	–	–	–	–	–	1,000,000
Long-term borrowings	16,390,000	13,340,000	11,085,000	17,810,000	19,965,000	10,050,000
Total	16,390,000	13,340,000	11,085,000	17,810,000	19,965,000	11,050,000

Notes on Securities

Other securities

12th fiscal period (As of January 31, 2022)

(Unit: thousand yen)

	Category	Carrying amount	Acquisition cost	Difference
Carrying amount greater than acquisition cost	(1) Stocks	–	–	–
	(2) Bonds			
	1) Government bonds, municipal bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	–	–	–
Carrying amount less than or equal to acquisition cost	(1) Stocks	–	–	–
	(2) Bonds			
	1) Government bonds, municipal bonds, etc.	–	–	–
	2) Corporate bonds	800,000	800,000	–
	3) Others	–	–	–
	(3) Others	122,220	122,220	–
	Subtotal	922,220	922,220	–
Total		922,220	922,220	–

13th fiscal period (As of July 31, 2022)

(Unit: thousand yen)

	Category	Carrying amount	Acquisition cost	Difference
Carrying amount greater than acquisition cost	(1) Stocks	–	–	–
	(2) Bonds			
	1) Government bonds, municipal bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	–	–	–
Carrying amount less than or equal to acquisition cost	(1) Stocks	–	–	–
	(2) Bonds			
	1) Government bonds, municipal bonds, etc.	–	–	–
	2) Corporate bonds	800,000	800,000	–
	3) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	800,000	800,000	–
Total		800,000	800,000	–



## Notes on Derivative Transactions

### 1. Derivative transactions to which hedge accounting is not applied

#### 12th fiscal period (As of January 31, 2022)

Not applicable.

#### 13th fiscal period (As of July 31, 2022)

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 closing date for each hedge accounting approach.

#### 12th fiscal period (As of January 31, 2022)

(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 method of accounting	Interest rate swap transaction (floating receivable; fixed payable)	Long-term borrowings	72,555,000	64,405,000	(106,910)

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

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

#### 13th fiscal period (As of July 31, 2022)

(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 method of accounting	Interest rate swap transaction (floating receivable; fixed payable)	Long-term borrowings	64,405,000	59,715,000	28,297

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

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

## Notes on Retirement Benefits

#### 12th fiscal period (As of January 31, 2022)

Not applicable.

#### 13th fiscal period (As of July 31, 2022)

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)

	12th fiscal period (As of January 31, 2022)	13th fiscal period (As of July 31, 2022)
Deferred tax assets		
Valuation adjustment upon merger	1,175,788	1,148,955
Acquisition cost of securities	2,998	2,923
Deferred gains or losses on hedges	33,634	5,365
Other	–	204
Deferred tax assets, subtotal	1,212,421	1,157,448
Valuation allowance	(1,212,421)	(1,157,448)
Deferred tax assets, total	–	–
Deferred tax assets, net	–	–

### 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: %)

	12th fiscal period (As of January 31, 2022)	13th fiscal period (As of July 31, 2022)
Statutory tax rate	31.46	31.46
[Adjustments]		
Deductible distributions payable	(30.61)	(30.61)
Reversal of excess depreciation	(0.82)	(0.77)
Other	(0.00)	(0.05)
Effective income tax rate after application of tax-effect accounting	0.02	0.02

## Notes on Share of Profit or Loss of Entities Accounted for Using Equity Method, etc.

#### 12th fiscal period (As of January 31, 2022)

Not applicable.

#### 13th fiscal period (As of July 31, 2022)

Not applicable.

## Notes on Related-Party Transactions

### 1. Parent company, major corporate unitholders, etc.

#### 12th fiscal period (from August 1, 2021 to January 31, 2022)

Not applicable.

#### 13th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable.

**2. Affiliated companies, etc.**

12th fiscal period (from August 1, 2021 to January 31, 2022)

Not applicable.

13th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable.

**3. Fellow subsidiaries, etc.**

12th fiscal period (from August 1, 2021 to January 31, 2022)

Not applicable.

13th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable.

**4. Directors, major individual unitholders, etc.**

12th fiscal period (from August 1, 2021 to January 31, 2022)

(Unit: thousand yen)

Category	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	Account item	Balance at end of period
Director, or close relative of director	Atsushi Kato	—	—	Executive Director of SAR, and President and CEO of the Asset Manager	0.02%	Payment of asset management fee to the Asset Manager (Note 1)	472,980 (Note 2) (Note 3)	Accounts payable - other	429,545 (Note 2)

13th fiscal period (from February 1, 2022 to July 31, 2022)

(Unit: thousand yen)

Category	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	Account item	Balance at end of period
Director, or close relative of director	Atsushi Kato	—	—	Executive Director of SAR, and President and CEO of the Asset Manager	0.03%	Payment of asset management fee to the Asset Manager (Note 1)	392,584 (Note 2)	Accounts payable - other	431,842 (Note 2)

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

(Note 2) Of the amounts above, the transaction amount does not include consumption tax, while the balance at the end of the period includes consumption tax.

(Note 3) The asset management fee for the 12th fiscal period includes the acquisition incentive portion included in the book value of individual real estate, etc. in the amount of 80,485 thousand yen.

**Notes on Asset Retirement Obligations**

12th fiscal period (from August 1, 2021 to January 31, 2022)

Not applicable.

13th fiscal period (from February 1, 2022 to July 31, 2022)

Not applicable.

**Notes on Investments in 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 investments in rental properties are as follows:

(Unit: thousand yen)

	12th fiscal period (From August 1, 2021 to January 31, 2022)	13th fiscal period (From February 1, 2022 to July 31, 2022)
Carrying amount		
Balance at beginning of period	166,836,697	179,797,713
Amount of increase (decrease) during period	12,961,016	(225,548)
Balance at end of period	179,797,713	179,572,164
Fair value at end of period	193,604,000	195,794,000

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

(Note 2) Of the amount of increase (decrease) in investments in rental properties during the 12th fiscal period, the amount of increase is mainly attributable to acquisition of real estate beneficiary interest in trust of seven properties (13,230,298 thousand yen) and capital expenditures (424,722 thousand yen), while the amount of decrease is mainly attributable to depreciation (682,245 thousand yen). Of the amount of increase (decrease) during the 13th fiscal period, the amount of increase is mainly attributable to capital expenditures (471,534 thousand yen), while the amount of decrease is mainly attributable to depreciation (697,599 thousand yen).

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

Income (loss) from investments in rental properties is as stated in “Notes to the Statement of Income and Retained Earnings” earlier in this document.



## Notes on Revenue Recognition

### 1. Breakdown information on revenue from contracts with customers

#### 12th fiscal period (from August 1, 2021 to January 31, 2022)

(Unit: thousand yen)

	Revenue from contracts with customers (Note)	Sales to external customers
Proceeds from sale of real estate	–	–
Utilities income	296,154	296,154
Other	–	5,664,264
Total	296,154	5,960,418

(Note) Rental revenue, etc. subject to the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13) are excluded from the above amount as such revenue is not subject to the Revenue Recognition Accounting Standard. Revenue from contracts with customers mainly represents proceeds from sale of real estate and utilities income.

#### 13th fiscal period (from February 1, 2022 to July 31, 2022)

(Unit: thousand yen)

	Revenue from contracts with customers (Note)	Sales to external customers
Proceeds from sale of real estate	–	–
Utilities income	314,831	314,831
Other	–	5,774,107
Total	314,831	6,088,939

(Note) Rental revenue, etc. subject to the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13) are excluded from the above amount as such revenue is not subject to the Revenue Recognition Accounting Standard. Revenue from contracts with customers mainly represents proceeds from sale of real estate and utilities income.

### 2. Foundational information for understanding revenue from contracts with customers

The information is as indicated in the Notes on Matters Relating to Significant Accounting Policies.

### 3. Information on relationship of fulfillment of performance obligations based on contracts with customers with cashflow generated from said contracts and amount and period of revenue expected to be recognized in the next fiscal period or thereafter from contracts with customers existing at the end of the current fiscal period.

#### (1) Balance of contract assets and contract liabilities, etc.

(Unit: thousand yen)

	12th fiscal period (From August 1, 2021 to January 31, 2022)	13th fiscal period (From February 1, 2022 to July 31, 2022)
Receivables generated from contracts with customers (balance at beginning of period)	57,609	54,922
Receivables generated from contracts with customers (balance at end of period)	54,922	73,083
Contract assets (balance at beginning of period)	–	–
Contract assets (balance at end of period)	–	–
Contract liabilities (balance at beginning of period)	–	–
Contract liabilities (balance at end of period)	–	–

#### (2) Transaction value allocated to remaining performance obligations

Not applicable.

SAR does not include contracts whose terms are initially expected to be one year or less in the note on transaction value allocated to remaining performance obligations as an expedient in practice. Also, with regard to utilities income, as SAR has the right to receive from customers an amount directly corresponding to the value for the lessees who are customers of portions for which performance is complete by the end of the fiscal period, the amount it has the right to claim according to Paragraph 19 of the Application Guidelines of the Accounting Standard for Revenue Recognition is recognized as revenue. Accordingly, such is not included in the note on transaction value allocated to remaining performance obligations through application of the provisions of Paragraph 80-22 (2) of the Accounting Standard for Revenue Recognition.

## 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

#### 12th fiscal period (from August 1, 2021 to January 31, 2022)

##### (1) Information about products and services

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

##### (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 and retained earnings.

###### 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 each major customer

Information about each major customer is omitted because all net sales to a single external customer are less than 10% of the operating revenue on the statement of income and retained earnings.

#### 13th fiscal period (from February 1, 2022 to July 31, 2022)

##### (1) Information about products and services

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

(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 and retained earnings.

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 each major customer

Information about each major customer is omitted because all net sales to a single external customer are less than 10% of the operating revenue on the statement of income and retained earnings.

Notes on Per Unit Information

(Unit: yen)

	12th fiscal period (From August 1, 2021 to January 31, 2022)	13th fiscal period (From February 1, 2022 to July 31, 2022)
Net assets per unit	53,511	53,539
Net income per unit	1,414	1,430

(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:

(Unit: thousand yen)

	12th fiscal period (From August 1, 2021 to January 31, 2022)	13th fiscal period (From February 1, 2022 to July 31, 2022)
Net income (thousand yen)	2,516,993	2,559,804
Amount not attributable to common unitholders	–	–
Net income attributable to common investment units	2,516,993	2,559,804
Average number of investment units during period (units)	1,779,389	1,789,389

Notes on Significant Subsequent Events

Issuance of new investment units

The issuance of new investment units for the purpose of acquiring real estate, etc. was resolved as follows at the Board of Directors' meetings held on August 1, 2022, and August 9, 2022, and payment was completed on August 16, 2022.

<Issuance of new investment units through primary offering>

Number of new investment units to be issued:	132,300 units
Issue price (offer price):	54,795 yen per unit
Total issue price (total offer price):	7,249,378,500 yen
Issue amount (paid-in amount):	52,968 yen per unit
Total issue amount (paid-in amount):	7,007,666,400 yen
Payment date:	August 16, 2022

Net proceeds from the issuance of new investment units were appropriated to a portion of the acquisition funds, and real estate trust beneficiary interest in three properties was acquired on August 18, 2022 (total acquisition price: 15,154 million yen).

Additional Information

(Accounting estimates due to the spread of COVID-19)

A rent system in which rents are entirely linked to the operating revenue, etc. of hotels has been adopted for some hotel properties owned by SAR, and rent revenue has decreased significantly as of the end of the 13th fiscal period due to the decline in occupancy rates of hotels, etc. SAR estimates future cash flow based on the assumption that the economic environment surrounding these properties will recover moderately upon the application of impairment accounting of non-current assets.

It is difficult to accurately predict when COVID-19 will be contained as well as the extent of its impact. Therefore, the operating condition or financial condition of SAR may be influenced by the spread of COVID-19 in the future.



Supplementary Schedules

1. Schedule of securities

(1) Stocks

Not applicable.

(2) Securities other than stocks

(Unit: thousand yen)

Category	Name of the security	Total face value	Book value	Accrued interest	Prepaid accrued interest	Fair value	Unrealized gain or loss	Remarks
Specified corporate bond	Star Asia Mezzanine Loan Debt Investment Series 6	400,000	400,000	3,640	–	400,000	–	(Note 1) (Note 2)
Corporate bonds	Star Asia Mezzanine Loan Debt Investment Series 7	400,000	400,000	167	–	400,000	–	(Note 1) (Note 3)
Total		–	800,000	3,807	–	800,000	–	

(Note 1) Because interest income etc. from mezzanine loan debt (specified corporate bond and corporate bonds) are based on floating interest rates and to be renewed or revised every certain period, the fair value is approximately the same as the book value and thus stated at that book value.

(Note 2) The underlying assets are trust beneficiary interests in a trust mainly comprised of Tajimi Logistics Center.

(Note 3) The underlying assets are trust beneficiary interests in a trust mainly comprised of Relief Premium Haneda.

2. Contracted amount, etc. and fair value of derivative transactions and forward exchange transactions

(Unit: thousand yen)

Category	Type	Contract amount, etc. (Note 1)		Fair value (Note 2)
			Of which, later than 1 year	
Transaction other than market transaction	Interest rate swap transaction (floating receivable; fixed payable)	64,405,000	59,715,000	28,297
Total		64,405,000	59,715,000	28,297

(Note 1) Contract amount, etc. of interest rate swaps are based on notional principal.

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

3. Schedule of property, plant and equipment and intangible assets

(Unit: thousand yen)

Type of asset	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Accumulated depreciation or accumulated amortization		Net balance at end of period	Remarks
						For period		
Property, plant and equipment	Tools, furniture and fixtures	114	–	–	114	100	28	14
	Buildings in trust	53,053,772	417,801	–	53,471,574	5,441,732	685,968	48,029,841
	Structures in trust	20,635	1,004	–	21,640	5,856	740	15,784
	Machinery and equipment in trust	99,519	19,823	–	119,343	28,905	5,143	90,437
	Tools, furniture and fixtures in trust	67,545	33,421	–	100,966	30,688	5,719	70,278
	Land in trust	127,283,507	–	–	127,283,507	–	–	127,283,507
	Subtotal	180,525,096	472,051	–	180,997,147	5,507,282	697,599	175,489,864
Intangible assets	Leasehold rights in trust	4,082,300	–	–	4,082,300	–	–	4,082,300
	Subtotal	4,082,300	–	–	4,082,300	–	–	4,082,300
Total		184,607,396	472,051	–	185,079,447	5,507,282	697,599	179,572,164

4. Schedule of other specified assets

Not applicable.

5. Schedule of investment corporation bonds

(Unit: thousand yen)

Name of the security	Issue date	Balance at beginning of period	Amount of decrease during period	Balance at end of period	Interest rate	Redemption date	Use	Collateral
First Series Unsecured Investment Corporation Bonds (ranking pari passu among specified investment corporation bonds)	September 24, 2021	1,000,000	–	1,000,000	0.700%	September 21, 2028	Repayment of borrowings, etc.	Unsecured and unguaranteed

(Note) The yearly schedule of redemption for investment corporation bonds within five years of the balance sheet date is as follows:

(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	
Investment corporation bonds	–	–	–	–	–	–

6. Schedule of borrowings

(Unit: thousand yen)

Category <sup>(Note 2)</sup>		Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
Lender										
Short-term borrowings	Sumitomo Mitsui Banking Corporation	–	250,000	250,000	–	0.2797%	May 31, 2022	Lump sum repayment on repayment date	(Note 4)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	–	250,000	250,000	–					
	Subtotal	–	500,000	500,000	–					
Long-term borrowings	Sumitomo Mitsui Banking Corporation	1,400,000	–	1,400,000	–	0.7100% <sup>(Note 3)</sup>	April 20, 2022	Lump sum repayment on repayment date	(Note 4)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,050,000	–	1,050,000	–					
	Sumitomo Mitsui Trust Bank, Limited	500,000	–	500,000	–					
	Aozora Bank, Ltd.	400,000	–	400,000	–					
	Shinsei Bank, Limited	400,000	–	400,000	–					
	Resona Bank, Limited	400,000	–	400,000	–					
	Sumitomo Mitsui Banking Corporation	2,500,000	–	–	2,500,000	0.8779%	August 31, 2022	Lump sum repayment on repayment date	(Note 4)	Unsecured and unguaranteed
	Resona Bank, Limited	600,000	–	–	600,000					
	Shinsei Bank, Limited	2,500,000	–	–	2,500,000					
	Sumitomo Mitsui Banking Corporation	970,000	–	–	970,000	0.7300% <sup>(Note 3)</sup>	February 20, 2023	Lump sum repayment on repayment date	(Note 4)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	920,000	–	–	920,000					
	Sumitomo Mitsui Trust Bank, Limited	800,000	–	–	800,000					
	Aozora Bank, Ltd.	500,000	–	–	500,000					
	Shinsei Bank, Limited	500,000	–	–	500,000					
Resona Bank, Limited	500,000	–	–	500,000						
The Bank of Fukuoka, Ltd.	500,000	–	–	500,000						
Sumitomo Mitsui Banking Corporation	1,950,000	–	–	1,950,000	1.0778%	February 28, 2023	Lump sum repayment on repayment date	(Note 4)	Unsecured and unguaranteed	
Shinsei Bank, Limited	1,950,000	–	–	1,950,000						
Aozora Bank, Ltd.	800,000	–	–	800,000						
Resona Bank, Limited	400,000	–	–	400,000						

Category <sup>(Note 2)</sup>		Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate	Repayment date	Repayment method	Use	Remarks
Lender						<sup>(Note 1)</sup>				
	Sumitomo Mitsui Banking Corporation	500,000	—	500,000	—	0.6095% <sup>(Note 3)</sup>	March 22, 2022	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	450,000	—	450,000	—					
	Sumitomo Mitsui Trust Bank, Limited	700,000	—	700,000	—					
	Aozora Bank, Ltd.	500,000	—	500,000	—					
	Shinsei Bank, Limited	600,000	—	600,000	—					
	Resona Bank, Limited	500,000	—	500,000	—					
	The Bank of Fukuoka, Ltd.	250,000	—	250,000	—					
	The Nishi-Nippon City Bank, Ltd.	500,000	—	500,000	—					
Long-term borrowings	Sumitomo Mitsui Banking Corporation	850,000	—	—	850,000	0.8120% <sup>(Note 3)</sup>	September 20, 2023	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	750,000	—	—	750,000					
	Sumitomo Mitsui Trust Bank, Limited	700,000	—	—	700,000					
	Aozora Bank, Ltd.	500,000	—	—	500,000					
	Shinsei Bank, Limited	600,000	—	—	600,000					
	Resona Bank, Limited	500,000	—	—	500,000					
	The Bank of Fukuoka, Ltd.	240,000	—	—	240,000					
	Mizuho Trust & Banking. Co., Ltd.	200,000	—	—	200,000					
The Nishi-Nippon City Bank, Ltd.	500,000	—	—	500,000						
	Sumitomo Mitsui Banking Corporation	2,200,000	—	—	2,200,000	0.7532% <sup>(Note 3)</sup>	April 22, 2024	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	2,050,000	—	—	2,050,000					
	Sumitomo Mitsui Trust Bank, Limited	1,250,000	—	—	1,250,000					
	Aozora Bank, Ltd.	700,000	—	—	700,000					
	Shinsei Bank, Limited	700,000	—	—	700,000					
	Resona Bank, Limited	700,000	—	—	700,000					
	Mizuho Trust & Banking. Co., Ltd.	400,000	—	—	400,000					
	Sumitomo Mitsui Banking Corporation	450,000	—	450,000	—					
The Nishi-Nippon City Bank, Ltd.	500,000	—	500,000	—						
Shinsei Bank, Limited	450,000	—	450,000	—						
Aozora Bank, Ltd.	200,000	—	200,000	—						



	Category <sup>(Note 2)</sup>	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
	Lender									
Long-term borrowings	Sumitomo Mitsui Banking Corporation	1,950,000	–	–	1,950,000	0.7588% <sup>(Note 3)</sup>	April 21, 2025	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	2,500,000	–	–	2,500,000					
	Sumitomo Mitsui Trust Bank, Limited	1,050,000	–	–	1,050,000					
	Aozora Bank, Ltd.	600,000	–	–	600,000					
	Shinsei Bank, Limited	600,000	–	–	600,000					
	Resona Bank, Limited	600,000	–	–	600,000	0.5360% <sup>(Note 3)</sup>	February 29, 2024	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	500,000	–	–	500,000					
	Sumitomo Mitsui Banking Corporation	2,150,000	–	–	2,150,000					
	Mizuho Bank, Ltd.	2,000,000	–	–	2,000,000					
	Aozora Bank, Ltd.	1,500,000	–	–	1,500,000					
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	–	–	1,000,000	0.6975% <sup>(Note 3)</sup>	August 29, 2025	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	1,000,000	–	–	1,000,000					
	Resona Bank, Limited	600,000	–	–	600,000					
	Sumitomo Mitsui Banking Corporation	1,350,000	–	–	1,350,000					
	Mizuho Bank, Ltd.	1,000,000	–	–	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited	850,000	–	–	850,000	0.6850% <sup>(Note 3)</sup>	October 31, 2025	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	Aozora Bank, Ltd.	400,000	–	–	400,000					
	Sumitomo Mitsui Banking Corporation	1,680,000	–	–	1,680,000					
	Mizuho Bank, Ltd.	1,530,000	–	–	1,530,000					
	The Bank of Yokohama, Ltd.	1,000,000	–	–	1,000,000					
	Shinsei Bank, Limited	600,000	–	–	600,000	0.7025% <sup>(Note 3)</sup>	April 30, 2026	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	Aozora Bank, Ltd.	600,000	–	–	600,000					
	Sumitomo Mitsui Trust Bank, Limited	550,000	–	–	550,000					
	Sumitomo Mitsui Banking Corporation	750,000	–	–	750,000					
	Mizuho Bank, Ltd.	750,000	–	–	750,000					
	Sumitomo Mitsui Trust Bank, Limited	500,000	–	–	500,000	0.9455% <sup>(Note 3)</sup>	April 28, 2028	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	The Kiyo Bank, Ltd.	500,000	–	–	500,000					
	Fukoku Mutual Life Insurance Company	500,000	–	–	500,000					

	Category <sup>(Note 2)</sup>	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
	Lender									
Long-term borrowings	Sumitomo Mitsui Banking Corporation	750,000	–	–	750,000	0.6780% <sup>(Note 3)</sup>	August 19, 2026	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	750,000	–	–	750,000					
	Sumitomo Mitsui Trust Bank, Limited	500,000	–	–	500,000					
	Aozora Bank, Ltd.	500,000	–	–	500,000					
	The Bank of Yokohama, Ltd.	500,000	–	–	500,000					
	The Minato Bank, Ltd.	750,000	–	–	750,000	0.8894% <sup>(Note 3)</sup>	August 21, 2028	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	750,000	–	–	750,000					
	Mizuho Bank, Ltd.	750,000	–	–	750,000					
	Sumitomo Mitsui Trust Bank, Limited	500,000	–	–	500,000					
	Aozora Bank, Ltd.	500,000	–	–	500,000					
	The Minato Bank, Ltd.	750,000	–	–	750,000	0.6955% <sup>(Note 3)</sup>	August 31, 2026	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,150,000	–	–	1,150,000					
	Mizuho Bank, Ltd.	540,000	–	–	540,000					
	Shinsei Bank, Limited	2,160,000	–	–	2,160,000					
	The Minato Bank, Ltd.	500,000	–	–	500,000					
	Sumitomo Mitsui Banking Corporation	800,000	–	–	800,000	0.9106% <sup>(Note 3)</sup>	August 31, 2028	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	500,000	–	–	500,000					
	Shinsei Bank, Limited	1,500,000	–	–	1,500,000					
	Aozora Bank, Ltd.	500,000	–	–	500,000					
	San ju San Bank, Ltd.	500,000	–	–	500,000					
	Sumitomo Mitsui Banking Corporation	932,500	–	–	932,500	0.4673%	October 21, 2024	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	857,500	–	–	857,500					
	Shinsei Bank, Limited	300,000	–	–	300,000					
	Sumitomo Mitsui Trust Bank, Limited	525,000	–	–	525,000					
	Aozora Bank, Ltd.	300,000	–	–	300,000					
	Resona Bank, Limited	100,000	–	–	100,000	0.4673%	October 21, 2024	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	170,000	–	–	170,000					
	Mizuho Trust & Banking. Co., Ltd.	100,000	–	–	100,000					
	The Dai-ichi Life Insurance Company, Limited	500,000	–	–	500,000					

Category <small>(Note 2)</small>	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate <small>(Note 1)</small>	Repayment date	Repayment method	Use	Remarks
Lender									
Sumitomo Mitsui Banking Corporation	932,500	–	–	932,500	0.7505% <small>(Note 3)</small>	October 20, 2026	Lump sum repayment on repayment date	<small>(Note 4)</small>	Unsecured and unguaranteed
Mizuho Bank, Ltd.	857,500	–	–	857,500					
Shinsei Bank, Limited	300,000	–	–	300,000					
Sumitomo Mitsui Trust Bank, Limited	525,000	–	–	525,000					
Aozora Bank, Ltd.	300,000	–	–	300,000					
Resona Bank, Limited	100,000	–	–	100,000					
Mizuho Trust & Banking Co., Ltd.	100,000	–	–	100,000	0.8276%	May 31, 2027	Lump sum repayment on repayment date	<small>(Note 4)</small>	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation	–	500,000	–	500,000					
Mizuho Bank, Ltd.	–	450,000	–	450,000					
Shinsei Bank, Limited	–	600,000	–	600,000					
Sumitomo Mitsui Trust Bank, Limited	–	700,000	–	700,000					
Aozora Bank, Ltd.	–	500,000	–	500,000					
Resona Bank, Limited	–	500,000	–	500,000	0.9067%	May 31, 2027	Lump sum repayment on repayment date	<small>(Note 4)</small>	Unsecured and unguaranteed
The Bank of Fukuoka, Ltd.	–	250,000	–	250,000					
Sumitomo Mitsui Banking Corporation	–	900,000	–	900,000					
Mizuho Bank, Ltd.	–	550,000	–	550,000					
Shinsei Bank, Limited	–	400,000	–	400,000					
Sumitomo Mitsui Trust Bank, Limited	–	500,000	–	500,000					
Aozora Bank, Ltd.	–	400,000	–	400,000	0.2705%	April 28, 2023	Lump sum repayment on repayment date	<small>(Note 4)</small>	Unsecured and unguaranteed
Resona Bank, Limited	–	400,000	–	400,000					
Sumitomo Mitsui Banking Corporation	–	500,000	–	500,000	0.8738%	May 31, 2027	Lump sum repayment on repayment date	<small>(Note 4)</small>	Unsecured and unguaranteed
Mizuho Bank, Ltd.	–	500,000	–	500,000					
Sumitomo Mitsui Banking Corporation	–	450,000	–	450,000					
Shinsei Bank, Limited	–	450,000	–	450,000					
Aozora Bank, Ltd.	–	200,000	–	200,000					
The Kiyo Bank, Ltd.	–	1,000,000	–	1,000,000					
Subtotal	88,640,000	9,750,000	9,750,000	88,640,000					
Total	88,640,000	10,250,000	10,250,000	88,640,000					

Long-term borrowings

- (Note 1) Average interest rate is the day-weighted average rate during the fiscal period.
- (Note 2) Long-term borrowings include current portion of long-term borrowings
- (Note 3) Interest rate swap transactions are undertaken to hedge against the risk of interest rate fluctuations. Interest rate taking into consideration the effect of interest rate swaps (interest rate fixation) is indicated.
- (Note 4) Funds are used for acquisition funds of beneficiary interest in trust, repayment of borrowings, etc.
- (Note 5) The yearly schedule of repayment for long-term borrowings within five years of the balance sheet date is as follows:

(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
Long-term borrowings	16,390,000	13,340,000	11,085,000	17,810,000	19,965,000



# Independent Auditor's Report



## Independent Auditor's Report

The Board of Directors  
Star Asia Investment Corporation

### Opinion

We have audited the accompanying financial statements of Star Asia Investment Corporation (the Company), which comprise the balance sheet as at July 31, 2022, and the statements of income and retained earnings, changes in unitholders' equity, cash distributions and cash flows for the six months period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2022, and its financial performance and its cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The other information comprises the information included in Semi-Annual Report that contains audited financial statements but does not include the financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Supervisory Director is responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



## Responsibilities of Management and the Supervisory Director for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Supervisory Director is responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.



We communicate with the Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC  
Tokyo, Japan  
  
November 28,2022

/s/ Hitoshi Sakurai  
Hitoshi Sakurai  
Designated Engagement Partner  
Certified Public Accountant

/s/ Natsuki Saiki  
Natsuki Saiki  
Designated Engagement Partner  
Certified Public Accountant