



# Semi-Annual Report

## for the 14th Fiscal Period

from August 1, 2022 to January 31, 2023

**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.

FOR INVESTORS

GROWTH

TOKYO

## Contents

|   |    |
|---|----|
| To Our Unitholders .....                          | 2  |
| Initiatives Related to ESG .....                  | 4  |
| Portfolio Overview .....                          | 6  |
| Financial Summary .....                           | 8  |
| Balance Sheet .....                               | 10 |
| Statement of Income and Retained Earnings .....   | 12 |
| Statement of Changes in Unitholders' Equity ..... | 13 |
| Statement of Cash Distributions .....             | 15 |
| Statement of Cash Flows .....                     | 16 |
| Notes to Financial Statements .....               | 17 |
| Supplementary Schedules .....                     | 34 |
| Independent Auditor's Report .....                | 42 |

STABILITY



### Characteristics of Star Asia Investment Corporation (SAR)

#### 1. A diversified REIT

Portfolio developed with diversified assets located mainly in the Tokyo Area (Note)

#### 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

(Note) “Tokyo area”: “Tokyo area” refers to Tokyo and the three prefectures of Kanagawa, Saitama and Chiba. The same shall apply hereinafter.

### Investment Policy



**Prioritized, focused investment in the Tokyo Area**  
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**

### Financial Highlights for 14th Fiscal Period (As of the end of January 2023)

Operating revenue

**6,486 million yen**

Operating income

**3,349 million yen**

Ordinary income

**2,782 million yen**

Net income

**2,781 million yen**

### Actual and Forecasted Cash Distribution Per Unit

11th FP Actual

**1,462 yen**

12th FP Actual

**1,478 yen**

13th FP Actual

**1,476 yen**

14th FP Actual

**1,491 yen**

15th FP Forecast

**1,552 yen**

16th FP Forecast

**1,513 yen**

\* In this report, amounts are rounded down to the unit displayed and percentages are rounded to the first decimal place.

# To Our Unitholders

**Star Asia Investment Corporation**  
**Executive Director**

**Atsushi Kato**



## Message

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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. In August 2022, the beginning of the fiscal period under review (fiscal period ended January 2023), SAR executed property acquisition (three properties/ total acquisition price: 15.1 billion yen) through a public offering 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). Most recently, SAR carried out the eighth asset replacement (sale of logistics facility and acquisition of mezzanine loan debt) in February 2023. As a result, the asset size as of the end of March 2023 increased to 194.8 billion yen (62 properties, etc. and 2 mezzanine loan debt investments), and the profitability of assets under management was further stabilized. We will continue to focus on the acquisition of properties with potential internal growth capacity and mezzanine loan debt that are expected to increase cash distributions and pursue further revenue stability as well as promote external growth to achieve our medium-term management plan.

Furthermore, SAR continues to implement initiatives related to ESG to achieve the SDGs. Following fiscal 2021, SAR participated in the GRESB Real Estate Assessment in fiscal 2022 and received "3 Star" and "Green Star." 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 January 31, 2023 (target of acquisition of environmental certification: 50% by 2026). 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 pursuit of maximizing unitholders' interests.

For the 14th 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 6,486 million yen, ordinary income of 2,782 million yen, net income of 2,781 million yen and cash distribution per unit of 1,491 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.

## Amendment to the Management Guidelines

In order to further accelerate external growth, we amended the Management Guidelines, which are the basic rules for investment management at the Asset Manager, in March 2023. There are no changes to the main investment policies, which are (1) Prioritized and concentrated investments in the Tokyo Area <sup>(Note 1)</sup> / Tokyo Area ratio of 70% or more, (2) Achieve “stability” and “growth” of revenues by diversifying asset type (uses), and (3) Investment mainly in middle-sized assets <sup>(Note 2)</sup>, however, the definition of investment target areas has been mainly changed. Such amendment was made as we believe that the impact on all assets under management of individual properties has decreased and risk tolerance has expanded due to the expansion of the portfolio of assets under management.

(Note 1) The definition of Tokyo Area has been changed within the amendment of the Management Guidelines this time. For details, please refer to the table below.

(Note 2) Defined in the Management Guidelines as properties whose purchase price is less than 10 billion yen.

### Concept of Investment Target Areas

#### <Before amendment>

| Area Classification               | Specific Investment Target Areas   | Investment Ratio |
|-----------------------------------|--|------------------|
| Tokyo Area                        | Tokyo 23 wards, Kawasaki-shi, Yokohama-shi<br>Tokyo, Kanagawa, Saitama, and Chiba prefectures  | 70% or more      |
| Greater Tokyo Area                | Main cities in Suburban Tokyo (other than the 23 wards),<br>Kanagawa prefecture (excluding Kawasaki-shi and Yokohama-shi),<br>and Saitama prefecture   |                  |
| Osaka Area                        | Osaka-shi, Osaka prefecture  |                  |
| Nagoya Area                       | Nagoya-shi, Aichi prefecture   |                  |
| Fukuoka Area                      | Fukuoka-shi, Fukuoka prefecture  |                  |
| Sapporo Area                      | Sapporo-shi, Hokkaido prefecture   |                  |
| Other ordinance-designated cities | Sendai-shi, Miyagi prefecture, Niigata-shi, Niigata prefecture,<br>Kyoto-shi, Kyoto prefecture, Sakai-shi, Osaka prefecture,<br>Kobe-shi, Hyogo prefecture, Hiroshima-shi, Hiroshima prefecture,<br>Kitakyushu-shi, Fukuoka prefecture | Less than 30%    |

#### <After amendment>

| Area Classification      | Specific Investment Target Areas   | Investment Ratio               |
|--------------------------|--|--------------------------------|
| Tokyo Area               | Tokyo, Kanagawa, Saitama, and Chiba prefectures                          | In principle,<br>70% or more   |
| Major Metropolitan Areas | Osaka Area Osaka-shi, Osaka prefecture *                                 | In principle,<br>less than 30% |
|                          | Nagoya Area Nagoya-shi, Aichi prefecture *                               |                                |
|                          | Fukuoka Area Fukuoka-shi, Fukuoka prefecture *                           |                                |
|                          | Ordinance-designated cities other than the above investment target areas | In principle,<br>less than 10% |

\* For residences and logistics facilities, also includes the neighboring areas

\* For logistics facilities, areas other than the above investment target areas can be invested in, if it is determined that tenant demand will be high in the medium term



# 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 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.



As ESG disclosure initiatives were highly evaluated, 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 January 31, 2023

| 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 cases where 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 and Improvement of Tenant Satisfaction

Collaborate with other businesses in the area and the municipality, and contribute to the neighboring areas



Haruki Area Danjiri Festival  
(provided as a resting place)



2022 Citizen's Movement  
Promotion Council to  
Beautify the Town

Displayed posters at held properties for the "Human Rights Week" promoted by the human rights protection institute of the Ministry of Justice. Conducted awareness-raising activities to disseminate and promote the idea of respecting human rights



#### Tenant satisfaction surveys

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 cash distributions 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 <sup>(Note 1)</sup> x 0.2% (upper limit) |
| Management fees II                   | NOI <sup>(Note 2)</sup> 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% <sup>(Note 1)</sup> (upper limit)                                   |
| Transfer fee    | Transfer price x 1% <sup>(Note 1)</sup> (upper limit)                                      |
| Merger fee      | Valuation amount of held assets <sup>(Note 2)</sup> x 1% <sup>(Note 3)</sup> (upper limit) |

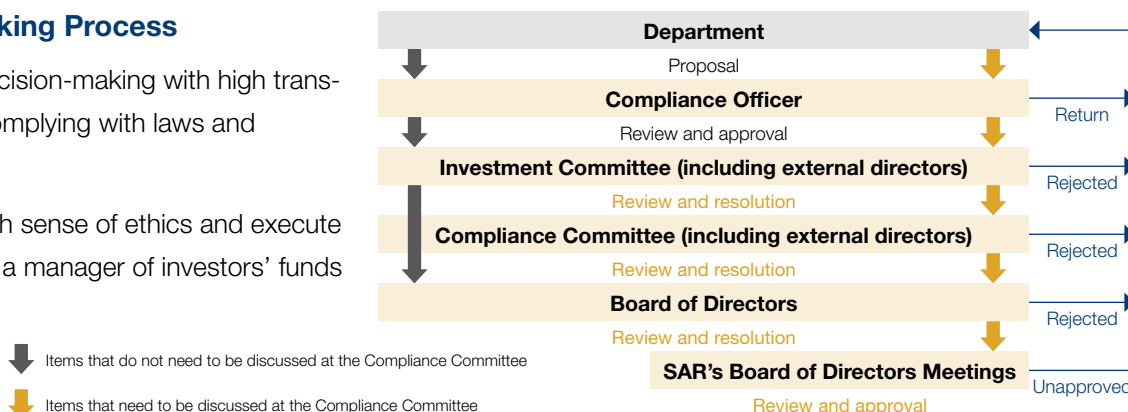
(Note 1) 0.5% if SAR transacts with its interested parties.

(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 January 31, 2023)

|   |   |   |   |  |  |
|---|---|---|---|--|--|
| <b>OFC-01</b><br>Minami-Azabu<br>Shibuya Building<br>Completed: Jun. 15, 1993<br>    | <b>OFC-03</b><br>Honmachibashi<br>Tower<br>Completed: Feb. 8, 2010<br>           | <b>OFC-04</b><br>Nishi-Shinjuku<br>Matsuya Building<br>Completed: May 28, 1987<br> | <b>OFC-06</b><br>Shibuya MK Building<br>Completed: Jul. 31, 1993<br>   | <b>OFC-08</b><br>Asahi Building<br>Completed: Nov. 25, 1994<br>                 | <b>OFC-09</b><br>Hakata-eki<br>East Place<br>Completed: Feb. 24, 1986<br>       |
| <b>OFC-10</b><br>Nihonbashi Hamacho<br>Park Building<br>Completed: Jul. 13, 1992<br> | <b>OFC-11</b><br>Amusement Media<br>Gakuin Honkan<br>Completed: Nov. 2, 1994<br> | <b>OFC-12</b><br>Higashi-Kobe<br>Center Building<br>Completed: Jan. 6, 1992<br>    | <b>OFC-13</b><br>Amusement Media<br>Gakuin Shinkan<br>Completed: Jan. 25, 1999<br>                                   | <b>OFC-14</b><br>Seishin BLDG.<br>Completed: Mar. 31, 1989<br>                  | <b>OFC-15</b><br>Urban Center<br>Kanda Suda-cho<br>Completed: Oct. 28, 1991<br> |
| <b>OFC-16</b><br>Urban Center Kanda<br>Tsukasamachi<br>Completed: Jan. 20, 1988<br> | <b>OFC-17</b><br>Takadanobaba<br>Access<br>Completed: Jan. 14, 1994<br>         | <b>OFC-18</b><br>Azabu Amerex<br>BLDG.<br>Completed: Jun. 30, 1988<br>            | <b>OFC-19</b><br>Hiei-Kudan BLDG.<br>Completed: Sep. 17, 1991<br>  | <b>OFC-20</b><br>Urban Center<br>Shin-Yokohama<br>Completed: Mar. 17, 1992<br> | <b>OFC-21</b><br>The Portal Akihabara<br>Completed: May 31, 2002<br>           |
| <b>OFC-22</b><br>Urban Center<br>Tachikawa<br>Completed: May 30, 1990<br>          | <b>OFC-23</b><br>Urban Center<br>Hakata<br>Completed: Aug. 27, 2020<br>        | <b>OFC-24</b><br>Urban Center<br>Fujisawa<br>Completed: Apr. 9, 1991<br>         | <b>RTL-01</b><br>La Park Kishiwada<br>Completed: Aug. 30, 1994<br>  | <b>RTL-02</b><br>Suroy Mall<br>Chikushino<br>Completed: Jun. 22, 2007<br>     | <b>RTL-03</b><br>Seiyu Minakuchi<br>Completed: May 31, 1999<br>               |
| <b>RTL-05</b><br>BAGUS Ikebukuro<br>West<br>Completed: Nov. 20, 1992<br>           | <b>RTL-06</b><br>abeno nini (Retail)<br>Completed: Jan. 31, 2012<br>           | <b>RSC-01</b><br>Urban Park<br>Azabujuban<br>Completed: Nov. 29, 1999<br>        | <b>RSC-02</b><br>Urban Park Daikanyama<br>Completed:<br>Nov. 15, 1982 (Existing)<br>May 30, 2006 (Newly built)<br> | <b>RSC-05</b><br>Urban Park Namba<br>Completed: Jan. 9, 2013<br>              | <b>RSC-06</b><br>Urban Park Gokokuji<br>Completed: Feb. 28, 1990<br>          |
| <b>RSC-07</b><br>Urban Park Kashiwa<br>Completed: Aug. 28, 1997<br>                | <b>RSC-08</b><br>Urban Park<br>Ryokuchi Koen<br>Completed: Mar. 10, 1989<br>   | <b>RSC-09</b><br>Urban Park Koenji<br>Completed: Oct. 13, 1987<br>               | <b>RSC-10</b><br>Urban Park Ichigao<br>Completed: Jul. 10, 1998<br>  | <b>RSC-11</b><br>Urban Park Gyotoku<br>Completed: Mar. 24, 1995<br>           | <b>RSC-12</b><br>Shiroi Logiman<br>Completed: May 9, 1995<br>                 |



|   |  |   |   |   |   |
|---|--|---|---|---|---|
| <b>RSC-13</b><br><b>Urban Park Sekime</b><br>Completed: Aug. 18, 1989<br>                        | <b>RSC-14</b><br><b>Urban Park Imazato</b><br>Completed: Dec. 20, 1991<br>      | <b>RSC-15</b><br><b>Urban Park Yoyogi</b><br>Completed: Sep. 4, 2017<br>   | <b>RSC-16</b><br><b>Urban Park Tokiwadai Koen</b><br>Completed: Feb. 17, 1994<br> | <b>RSC-17</b><br><b>Urban Park Mitsuike Koen</b><br>Completed: Mar. 24, 1992<br>             | <b>RSC-18</b><br><b>Urban Park Ryogoku</b><br>Completed: Oct. 31, 1997<br>   |
| <b>RSC-19</b><br><b>Urban Park Mizonokuchi</b><br>Completed: Aug. 23, 1988<br>                   | <b>RSC-20</b><br><b>Urban Park Miyamaedaira</b><br>Completed: Jun. 10, 2021<br> | <b>RSC-21</b><br><b>Urban Park Tsurumi</b><br>Completed: Feb. 17, 1994<br>   | <b>LGC-01</b><br><b>Iwatsuki Logistics</b><br>Completed: Oct. 29, 2014<br>        | <b>LGC-02</b><br><b>Yokohama Logistics</b><br>Completed: Oct. 1, 1994<br>                    | <b>LGC-03</b><br><b>Funabashi Logistics</b><br>Completed:<br>Sep. 25, 1992 (Building 1)<br>Aug. 5, 1997 (Building 2)<br> |
| <b>LGC-04</b><br><b>Baraki Logistics</b><br>Completed: Aug. 14, 2015<br>                        | <b>LGC-05</b><br><b>Tokorozawa Logistics</b><br>Completed: Apr. 30, 1999<br>   | <b>LGC-07</b><br><b>Funabashi Nishiura Logistics II</b><br>Completed:<br>Mar. 20, 1991 (Warehouse)<br>May 15, 1972 (Factory)<br>May 13, 1986 (Office)<br> | <b>LGC-08</b><br><b>Matsubushi Logistics</b><br>Completed: Mar. 31, 1997<br>     | <b>LGC-09</b><br><b>Funabashi Hi-Tech Park Factory I</b><br>Completed: May 19, 2003<br>     | <b>LGC-10</b><br><b>Funabashi Hi-Tech Park Factory II</b> <sup>(Note)</sup><br>Completed: Sep. 5, 2001<br>              |
| <b>HTL-01</b><br><b>R&amp;B Hotel Umeda East</b><br>Completed: Oct. 20, 2000<br>               | <b>HTL-02</b><br><b>Smile Hotel Namba</b><br>Completed: Feb. 6, 2008<br>      | <b>HTL-03</b><br><b>REMBRANDT STYLE Tokyo Nishikasai</b><br>Completed: Mar. 19, 1991<br>   | <b>HTL-04</b><br><b>BEST WESTERN Yokohama</b><br>Completed: Sep. 21, 1987<br>   | <b>HTL-05</b><br><b>The BREAKFAST HOTEL FUKUOKA TENJIN</b><br>Completed: Feb. 20, 2017<br> | <b>HTL-06</b><br><b>GLANSIT AKIHABARA</b><br>Completed: Sep. 20, 2017<br>  |
| <b>HTL-07</b><br><b>REMBRANDT STYLE Tokyo Nishikasai Grande</b><br>Completed: Feb. 7, 2017<br> | <b>HTL-08</b><br><b>KOKO HOTEL Osaka Namba</b><br>Completed: Apr. 7, 2017<br> | <b>HTL-09</b><br><b>abeno nini (Hotel)</b><br>Completed: Jan. 31, 2012<br>   |   |   |   |

(Note) Disposed as of February 20, 2023.

# Financial Summary

## Historical Operating Trends

| Fiscal Period   |               | 10th Fiscal<br>Period<br>(August 1, 2020 to<br>January 31, 2021) | 11th Fiscal<br>Period<br>(February 1, 2021<br>to July 31, 2021) | 12th Fiscal<br>Period<br>(August 1, 2021 to<br>January 31, 2022) | 13th Fiscal<br>Period<br>(February 1, 2022<br>to July 31, 2022) | 14th Fiscal<br>Period<br>(August 1, 2022 to<br>January 31, 2023) |
|---|---------------|--|---|--|---|--|
| Operating revenue   | (million yen) | 6,672  | 5,560   | 5,960  | 6,088   | 6,486  |
| Operating revenue from real estate leasing                            | (million yen) | 5,648  | 5,536   | 5,890  | 6,060   | 6,463  |
| Operating expenses  | (million yen) | 3,295  | 2,721   | 2,872  | 3,041   | 3,136  |
| Operating expenses from real estate leasing                           | (million yen) | 2,179  | 2,189   | 2,311  | 2,494   | 2,556  |
| Operating income  | (million yen) | 3,376  | 2,838   | 3,087  | 3,047   | 3,349  |
| Ordinary income   | (million yen) | 2,911  | 2,407   | 2,517  | 2,560   | 2,782  |
| Net income  | (million yen) | 11,801   | 2,407   | 2,516  | 2,559   | 2,781  |
| Total assets  | (million yen) | 179,789  | 179,170   | 193,316  | 193,488   | 208,766  |
| [Period-on-period variation]  | (%)           | (59.1)   | (-0.3)  | (7.9)  | (0.1)   | (7.9)  |
| Net assets  | (million yen) | 89,600   | 89,179  | 95,753   | 95,803  | 103,455  |
| [Period-on-period variation]  | (%)           | (64.1)   | (-0.5)  | (7.4)  | (0.1)   | (8.0)  |
| Interest-bearing debt   | (million yen) | 82,440   | 82,440  | 89,640   | 89,640  | 96,840   |
| Unitholders' capital  | (million yen) | 52,745   | 52,745  | 59,115   | 59,115  | 66,123   |
| Total number of investment units issued and outstanding               | (units)       | 1,674,389  | 1,674,389   | 1,789,389  | 1,789,389   | 1,921,689  |
| Net assets per unit   | (yen)         | 53,512   | 53,260  | 53,511   | 53,539  | 53,835   |
| Total cash distribution   | (million yen) | 2,806  | 2,447   | 2,644  | 2,641   | 2,865  |
| Cash distribution per unit  | (yen)         | 1,676  | 1,462   | 1,478  | 1,476   | 1,491  |
| Cash distribution of earnings per unit                                | (yen)         | 1,676  | 1,462   | 1,478  | 1,476   | 1,491  |
| Cash distributions in excess of earnings per unit                     | (yen)         | —  | —   | —  | —   | —  |
| Ratio of ordinary income to total assets <sup>(Note 3)</sup>          | (%)           | 2.0  | 1.3   | 1.4  | 1.3   | 1.4  |
| [Annualized]  | (%)           | (3.9)  | (2.7)   | (2.7)  | (2.7)   | (2.7)  |
| Return on equity <sup>(Note 3)</sup>                                  | (%)           | 16.4   | 2.7   | 2.7  | 2.7   | 2.8  |
| [Annualized]  | (%)           | (32.5)   | (5.4)   | (5.4)  | (5.4)   | (5.5)  |
| Equity ratio at end of period <sup>(Note 3)</sup>                     | (%)           | 49.8   | 49.8  | 49.5   | 49.5  | 49.6   |
| [Period-on-period variation]  |               | (1.5)  | (-0.1)  | (-0.2)   | (-0.0)  | (0.0)  |
| Cash distribution payout ratio <sup>(Note 3)</sup>                    | (%)           | 23.8   | 101.7   | 105.1  | 103.2   | 103.0  |
| [Other reference Information]   |               |  |   |  |   |  |
| Number of operating days  | (days)        | 184  | 181   | 184  | 181   | 184  |
| Number of properties at end of period                                 | (properties)  | 53   | 53  | 60   | 60  | 63   |
| Depreciation  | (million yen) | 628  | 633   | 682  | 697   | 743  |
| Capital expenditures  | (million yen) | 331  | 363   | 424  | 471   | 605  |
| Lease NOI (Net Operating Income) <sup>(Note 3)</sup>                  | (million yen) | 4,097  | 3,980   | 4,261  | 4,263   | 4,650  |
| FFO (Funds from Operation) <sup>(Note 3)</sup>                        | (million yen) | 2,564  | 3,040   | 3,199  | 3,257   | 3,525  |
| FFO per unit <sup>(Note 3)</sup>                                      | (yen)         | 1,531  | 1,815   | 1,787  | 1,820   | 1,834  |
| Ratio of interest-bearing debt to total assets at end of period (LTV) | (%)           | 45.9   | 46.0  | 46.4   | 46.3  | 46.4   |

(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) It is calculated based on the following formula.

|  |   |
|--|---|
| Ratio of ordinary income to total assets | $\text{Ordinary income} \div \{(\text{total assets at beginning of period} + \text{total assets at end of period}) \div 2\} \times 100$   |
| Return on equity                         | $\text{Net income} \div \{(\text{net assets at beginning of period} + \text{net assets at end of period}) \div 2\} \times 100$  |
| Equity ratio at end of period            | $\text{Net assets at end of period} \div \text{total assets at end of period} \times 100$   |
| Cash distribution payout ratio           | $\text{Cash distribution per unit (excluding cash distribution in excess of earnings)} \div \text{net income per unit} \times 100$<br>The figures for the 12th and 14th fiscal periods were calculated based on the formula below as investment units outstanding changed during the period as a result of a public offering of investment units.<br>$\text{Total cash distribution (excluding cash distribution in excess of earnings)} \div \text{net income} \times 100$ |
| Lease NOI<br>(Net Operating Income)      | Operating revenue from real estate leasing - operating expenses from real estate leasing + depreciation   |
| FFO<br>(Funds from Operation)            | $\text{Net income} + \text{Depreciation} - \text{gain (loss) on sales of real estate}$<br>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                             | $\text{FFO} \div \text{total number of investment units issued and outstanding}$  |



# Balance Sheet

(Unit: thousand yen)

|   | 13th fiscal period<br>(As of July 31, 2022) | 14th fiscal period<br>(As of January 31, 2023) |
|---|---|--|
| <b>Assets</b>                               |   |  |
| Current assets                              |   |  |
| Cash and deposits                           | 4,265,178                                   | 3,488,637                                      |
| Cash and deposits in trust                  | 8,075,474                                   | 8,549,954                                      |
| Operating accounts receivable               | 137,598                                     | 147,713  |
| Prepaid expenses                            | 196,009                                     | 211,249  |
| Consumption taxes receivable                | –   | 181,189  |
| Others                                      | 9,011                                       | 7,000  |
| Total current assets                        | 12,683,272                                  | 12,585,743                                     |
| Non-current assets                          |   |  |
| Property, plant and equipment               |   |  |
| Tools, furniture and fixtures               | 114   | 114  |
| Accumulated depreciation                    | (100)                                       | (114)  |
| Tools, furniture and fixtures, net          | 14  | 0  |
| Buildings in trust                          | 53,471,574                                  | 56,299,699                                     |
| Accumulated depreciation                    | (5,441,732)                                 | (6,169,727)                                    |
| Buildings in trust, net                     | 48,029,841                                  | 50,129,971                                     |
| Structures in trust                         | 21,640                                      | 25,348   |
| Accumulated depreciation                    | (5,856)                                     | (6,646)  |
| Structures in trust, net                    | 15,784                                      | 18,702   |
| Machinery and equipment in trust            | 119,343                                     | 163,565  |
| Accumulated depreciation                    | (28,905)                                    | (35,247)                                       |
| Machinery and equipment in trust, net       | 90,437                                      | 128,318  |
| Tools, furniture and fixtures in trust      | 100,966                                     | 125,782  |
| Accumulated depreciation                    | (30,688)                                    | (39,013)                                       |
| Tools, furniture and fixtures in trust, net | 70,278                                      | 86,768   |
| Land in trust                               | 127,283,507                                 | 140,397,333                                    |
| Construction in progress in trust           | –   | 1,282  |
| Total property, plant and equipment         | 175,489,864                                 | 190,762,377                                    |
| 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                       | 800,000                                     | 400,000  |
| Long-term prepaid expenses                  | 337,433                                     | 330,923  |
| Leasehold and guarantee deposits            | 10,359                                      | 10,359   |
| Others                                      | 45,353                                      | 533,969  |
| Total investments and other assets          | 1,193,146                                   | 1,275,251                                      |
| Total non-current assets                    | 180,765,311                                 | 196,119,929                                    |
| Deferred assets                             |   |  |
| Investment corporation bond issuance costs  | 12,583                                      | 11,563   |
| Investment unit issuance costs              | 27,375                                      | 49,370   |
| Total deferred assets                       | 39,959                                      | 60,933   |
| <b>Total assets</b>                         | <b>193,488,543</b>                          | <b>208,766,606</b>                             |

(Unit: thousand yen)

|  | 13th fiscal period<br>(As of July 31, 2022) | 14th fiscal period<br>(As of January 31, 2023) |
|--|---|--|
| <b>Liabilities</b>                                 |   |  |
| Current liabilities                                |   |  |
| Operating accounts payable                         | 662,398                                     | 906,069  |
| Current portion of long-term borrowings            | 16,390,000                                  | 15,630,000                                     |
| Accounts payable - other                           | 495,977                                     | 539,516  |
| Accrued expenses                                   | 59,099                                      | 77,453   |
| Income taxes payable                               | 605   | 605  |
| Accrued consumption taxes                          | 234,089                                     | 47,405   |
| Advances received                                  | 974,728                                     | 1,019,524                                      |
| Others   | 36,804                                      | 34,899   |
| Total current liabilities                          | 18,853,703                                  | 18,255,474                                     |
| Non-current liabilities                            |   |  |
| Investment corporation bonds                       | 1,000,000                                   | 1,000,000                                      |
| Long-term borrowings                               | 72,250,000                                  | 80,210,000                                     |
| Leasehold and guarantee deposits received          | 5,187                                       | 5,880  |
| Leasehold and guarantee deposits received in trust | 5,559,508                                   | 5,840,152                                      |
| Others   | 16,759                                      | —  |
| Total non-current liabilities                      | 78,831,455                                  | 87,056,032                                     |
| <b>Total liabilities</b>                           | <b>97,685,158</b>                           | <b>105,311,507</b>                             |
| <b>Net assets</b>                                  |   |  |
| Unitholders' equity                                |   |  |
| Unitholders' capital                               | 59,115,701                                  | 66,123,367                                     |
| Surplus  |   |  |
| Unitholders' capital surplus                       | 25,132,218                                  | 25,132,218                                     |
| Voluntary reserve                                  |   |  |
| Reserve for temporary difference adjustment        | *2 8,713,411                                | *2 8,624,499                                   |
| Total voluntary reserve                            | 8,713,411                                   | 8,624,499                                      |
| Unappropriated retained earnings (undisposed loss) | 2,813,756                                   | 3,043,461                                      |
| Total surplus                                      | 36,659,386                                  | 36,800,179                                     |
| Total unitholders' equity                          | 95,775,087                                  | 102,923,546                                    |
| Valuation and translation adjustments              |   |  |
| Deferred gains or losses on hedges                 | 28,297                                      | 531,551  |
| Total valuation and translation adjustments        | 28,297                                      | 531,551  |
| <b>Total net assets</b>                            | <b>*1 95,803,384</b>                        | <b>*1 103,455,098</b>                          |
| <b>Total liabilities and net assets</b>            | <b>193,488,543</b>                          | <b>208,766,606</b>                             |

# Statement of Income and Retained Earnings

(Unit: thousand yen)

|  | 13th fiscal period<br>(From February 1, 2022<br>to July 31, 2022) | 14th fiscal period<br>(From August 1, 2022<br>to January 31, 2023) |
|--|---|--|
| <b>Operating revenue</b>                                   |   |  |
| Rental revenue   | *1 5,611,196  | *1 5,995,567   |
| Other lease business revenue                               | *1 449,218  | *1 467,828   |
| Other revenue  | 28,525  | 22,857   |
| Total operating revenue                                    | 6,088,939   | 6,486,253  |
| <b>Operating expenses</b>                                  |   |  |
| Expenses related to rent business                          | *1 2,494,593  | *1 2,556,151   |
| Asset management fee                                       | 392,584   | 424,410  |
| Asset custody and administrative service fees              | 38,428  | 40,528   |
| Directors' compensations                                   | 2,400   | 2,400  |
| Other operating expenses                                   | 113,213   | 113,204  |
| Total operating expenses                                   | 3,041,220   | 3,136,696  |
| Operating income   | 3,047,719   | 3,349,557  |
| <b>Non-operating income</b>                                |   |  |
| Interest income  | 55  | 56   |
| Reversal of unpaid distribution                            | 1,470   | 1,476  |
| Interest on refund   | 262   | 1  |
| Gain on donation of non-current assets                     | 516   | —  |
| Total non-operating income                                 | 2,305   | 1,534  |
| <b>Non-operating expenses</b>                              |   |  |
| Interest expenses  | 338,087   | 372,916  |
| Interest expenses on investment corporation bonds          | 3,500   | 3,500  |
| Borrowing related expenses                                 | 140,164   | 178,507  |
| Amortization of investment corporation bond issuance costs | 1,020   | 1,020  |
| Amortization of investment unit issuance costs             | 6,843   | 12,611   |
| Total non-operating expenses                               | 489,615   | 568,555  |
| Ordinary income  | 2,560,409   | 2,782,535  |
| Income before income taxes                                 | 2,560,409   | 2,782,535  |
| Income taxes - current                                     | 605   | 605  |
| Total income taxes   | 605   | 605  |
| Net income   | 2,559,804   | 2,781,930  |
| Retained earnings brought forward                          | 253,951   | 261,530  |
| Unappropriated retained earnings (undisposed loss)         | 2,813,756   | 3,043,461  |



# 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                                    | 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 |           |                  |
|   |                              | Voluntary reserve |   |  |               |                           |                                    |   |           |                  |
|   |                              |                   | Reserve for temporary difference adjustment | Total voluntary reserve                            |               |                           |                                    |   |           |                  |
| Balance at beginning of the 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 the 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 the period                | —                            | —                 | (88,912)                                    | (88,912)   | 4,000         | (84,912)                  | (84,912)                           | 135,208                                     | 135,208   | 50,295           |
| Balance at end of the period                            | *1 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 Changes in Unitholders' Equity

14th fiscal period (from August 1, 2022 to January 31, 2023)

(Unit: thousand yen)

| Unitholders' equity                                     |                              |   |  |               |                           |                                    |   | Valuation and translation adjustments |         | Total net assets |
|---|------------------------------|---|--|---------------|---------------------------|------------------------------------|---|---------------------------------------|---------|------------------|
| Unitholders' capital                                    | Unitholders' capital surplus | Surplus                                     |  |               | Total unitholders' equity | Deferred gains or losses on hedges | Total valuation and translation adjustments |                                       |         |                  |
|   |                              | Voluntary reserve                           | Unappropriated retained earnings (undisposed loss) | Total surplus |                           |                                    |   |                                       |         |                  |
|   |                              | Reserve for temporary difference adjustment | Total voluntary reserve                            |               |                           |                                    |   |                                       |         |                  |
| Balance at beginning of the period                      | 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       |
| Changes of items during the period                      |                              |   |  |               |                           |                                    |   |                                       |         |                  |
| Issuance of new investment units                        | 7,007,666                    |   |  |               |                           |                                    | 7,007,666                                   |                                       |         | 7,007,666        |
| Dividends from surplus                                  |                              |   |  |               | (2,641,138)               | (2,641,138)                        | (2,641,138)                                 |                                       |         | (2,641,138)      |
| Reversal of reserve for temporary difference adjustment |                              |   | (88,912)   | (88,912)      | 88,912                    | —                                  | —   |                                       |         | —                |
| Net income  |                              |   |  |               | 2,781,930                 | 2,781,930                          | 2,781,930                                   |                                       |         | 2,781,930        |
| Net changes of items other than unitholders' equity     |                              |   |  |               |                           |                                    |   | 503,254                               | 503,254 | 503,254          |
| Total changes of items during the period                | 7,007,666                    | —   | (88,912)   | (88,912)      | 229,705                   | 140,792                            | 7,148,459                                   | 503,254                               | 503,254 | 7,651,713        |
| Balance at end of the period                            | *1 66,123,367                | 25,132,218                                  | 8,624,499  | 8,624,499     | 3,043,461                 | 36,800,179                         | 102,923,546                                 | 531,551                               | 531,551 | 103,455,098      |

# Statement of Cash Distributions

(Unit: yen)

|  | 13th fiscal period<br>(From February 1, 2022 to July 31, 2022)   | 14th fiscal period<br>(From August 1, 2022 to January 31, 2023)  |
|--|--|--|
| I. Unappropriated retained earnings                        | 2,813,756,107  | 3,043,461,280  |
| II. Reversal of voluntary reserve                          |  |  |
| Reversal of reserve for temporary difference adjustment *1 | 88,912,365   | 88,912,365   |
| III. Cash distribution                                     | 2,641,138,164  | 2,865,238,299  |
| [Cash distribution per unit]                               | (1,476)  | (1,491)  |
| Cash distribution of earnings                              | 2,641,138,164  | 2,865,238,299  |
| [Cash distribution of earnings per unit]                   | (1,476)  | (1,491)  |
| IV. Retained earnings carried forward                      | 261,530,308  | 267,135,346  |
| 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 2,641,138,164 yen, which is equivalent to the sum of the amount remaining after reserving 7,578,913 yen from net income and the amount of reversal of reserve for temporary difference adjustment of 88,912,365 yen. | 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 2,865,238,299 yen, which is equivalent to the sum of the amount remaining after reserving 5,605,038 yen from net income and the amount of reversal of reserve for temporary difference adjustment of 88,912,365 yen. |



## Statement of Cash Flows

(Unit: thousand yen)

|  | 13th fiscal period<br>(From February 1, 2022<br>to July 31, 2022) | 14th fiscal period<br>(From August 1, 2022<br>to January 31, 2023) |
|--|---|--|
| <b>Cash flows from operating activities</b>                      |   |  |
| Income before income taxes                                       | 2,560,409   | 2,782,535  |
| Depreciation   | 697,599   | 743,661  |
| Amortization of investment corporation bond issuance costs       | 1,020   | 1,020  |
| Amortization of investment unit issuance costs                   | 6,843   | 12,611   |
| Interest income  | (55)  | (56)   |
| Interest expenses  | 341,587   | 376,416  |
| Decrease (increase) in operating accounts receivable             | (49,016)  | (10,114)   |
| Decrease (increase) in consumption taxes receivable              | 155,777   | (181,189)  |
| Increase (decrease) in accrued consumption taxes                 | 188,051   | (186,683)  |
| Decrease (increase) in prepaid expenses                          | 4,084   | (15,239)   |
| Decrease (increase) in long-term prepaid expenses                | 13,682  | 6,510  |
| Increase (decrease) in operating accounts payable                | (96,424)  | 133,000  |
| Increase (decrease) in accounts payable - other                  | 4,636   | 32,850   |
| Increase (decrease) in advances received                         | 59,372  | 44,796   |
| Others   | 8,685   | (4,161)  |
| Subtotal   | 3,896,255   | 3,735,958  |
| Interest income received   | 55  | 56   |
| Interest expenses paid   | (331,966)   | (358,062)  |
| Income taxes paid  | 2,645   | 42   |
| Net cash provided by operating activities                        | 3,566,990   | 3,377,994  |
| <b>Cash flows from investing activities</b>                      |   |  |
| Purchase of property, plant and equipment in trust               | (511,417)   | (15,895,451)   |
| Repayments of leasehold and guarantee deposits received          | (103)   | –  |
| Proceeds from leasehold and guarantee deposits received          | 216   | 693  |
| Repayments of leasehold and guarantee deposits received in trust | (170,274)   | (222,276)  |
| Proceeds from leasehold and guarantee deposits received in trust | 253,030   | 502,920  |
| Proceeds from collection of leasehold and guarantee deposits     | 20  | –  |
| Proceeds from redemption of investment securities                | 122,220   | 400,000  |
| Net cash used in investing activities                            | (306,308)   | (15,214,114)   |
| <b>Cash flows from financing activities</b>                      |   |  |
| Proceeds from short-term borrowings                              | 500,000   | –  |
| Repayments of short-term borrowings                              | (500,000)   | –  |
| Proceeds from long-term borrowings                               | 9,750,000   | 12,800,000   |
| Repayments of long-term borrowings                               | (9,750,000)   | (5,600,000)  |
| Proceeds from issuance of investment units                       | –   | 6,973,060  |
| Dividends paid   | (2,645,197)   | (2,639,001)  |
| Net cash provided by (used in) financing activities              | (2,645,197)   | 11,534,058   |
| <b>Net increase (decrease) in cash and cash equivalents</b>      | 615,484   | (302,061)  |
| <b>Cash and cash equivalents at beginning of the period</b>      | 11,725,168  | 12,340,653   |
| <b>Cash and cash equivalents at end of the period</b>            | *1 12,340,653   | *1 12,038,591  |

# 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 14th fiscal period is 194,829 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.)

## 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, the amount equivalent to fixed property tax, etc. included in the cost of acquisition of real estate, etc. was 19,049 thousand yen.

##### (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

The funds (cash and cash equivalents) in the statement of cash flows comprise cash on hand and cash in trust, demand deposits and deposits in trust, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.

## 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; Construction in progress 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 Financial Statements

### Notes to the Balance Sheet

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

(Unit: thousand yen)

| 13th fiscal period (As of July 31, 2022) | 14th fiscal period (As of January 31, 2023) |
|--|---|
| 50,000                                   | 50,000                                      |

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

##### 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.

##### 14th fiscal period (As of January 31, 2023)

(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      | 8,713,411                          | —                                  | 88,912                            | 8,624,499                    | 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)

|   | 13th fiscal period<br>(From February 1, 2022<br>to July 31, 2022) | 14th fiscal period<br>(From August 1, 2022<br>to January 31, 2023) |
|---|---|--|
| <b>A. Operating revenue from real estate leasing</b>      |   |  |
| Rental revenue  |   |  |
| Rent revenue  | 4,829,210   | 5,182,484  |
| Common area maintenance revenue                           | 544,319   | 570,233  |
| Parking revenue   | 201,621   | 204,917  |
| Facility use revenue                                      | 30,608  | 31,533   |
| Other rental revenue                                      | 5,436   | 6,399  |
| Total   | 5,611,196   | 5,995,567  |
| Other lease business revenue                              |   |  |
| Utilities income  | 314,831   | 419,588  |
| Other revenue   | 134,386   | 48,240   |
| Total   | 449,218   | 467,828  |
| Total operating revenue from real estate leasing          | 6,060,414   | 6,463,396  |
| <b>B. Operating expenses from real estate leasing</b>     |   |  |
| Expenses related to rent business                         |   |  |
| Management fee  | 449,514   | 441,402  |
| Utilities expenses  | 343,623   | 462,373  |
| Property taxes  | 458,313   | 458,246  |
| Repair expenses   | 255,200   | 173,257  |
| Trust fee   | 25,175  | 26,166   |
| Insurance premium   | 12,855  | 13,598   |
| Depreciation  | 697,599   | 743,661  |
| Other expenses  | 252,311   | 237,444  |
| Total operating expenses from real estate leasing         | 2,494,593   | 2,556,151  |
| <b>C. Operating income from real estate leasing [A–B]</b> | 3,565,820   | 3,907,244  |

## 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

|   | 13th fiscal period<br>(From February 1, 2022<br>to July 31, 2022) | 14th fiscal period<br>(From August 1, 2022<br>to January 31, 2023) |
|---|---|--|
| 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   | 1,921,689 units  |

### Notes to the Statement of Cash Distributions

| 13th fiscal period<br>(From February 1, 2022 to July 31, 2022)   | 14th fiscal period<br>(From August 1, 2022 to January 31, 2023)  |
|--|--|
| *1 Reserve for temporary difference adjustment<br>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<br>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 the period to the amount of balance sheet items

(Unit: thousand yen)

|                            | 13th fiscal period<br>(From February 1, 2022<br>to July 31, 2022) | 14th fiscal period<br>(From August 1, 2022<br>to January 31, 2023) |
|----------------------------|---|--|
| Cash and deposits          | 4,265,178   | 3,488,637  |
| Cash and deposits in trust | 8,075,474   | 8,549,954  |
| Cash and cash equivalents  | 12,340,653  | 12,038,591   |

### Notes on Lease Transactions

#### Operating leases (as lessor)

#### Future minimum lease payments

(Unit: thousand yen)

|                       | 13th fiscal period<br>(As of July 31, 2022) | 14th fiscal period<br>(As of January 31, 2023) |
|-----------------------|---|--|
| Not later than 1 year | 5,379,733                                   | 5,287,040                                      |
| Later than 1 year     | 7,047,465                                   | 7,653,000                                      |
| Total                 | 12,427,198                                  | 12,940,040                                     |

## 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.

#### 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 <sup>*1</sup>   | 28,297          | 28,297     | —          |

<sup>\*1</sup> 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.



## Notes to Financial Statements

### 14th fiscal period (As of January 31, 2023)

(Unit: thousand yen)

|   | Carrying amount | Fair value | Difference |
|---|-----------------|------------|------------|
| (1) Current portion of long-term borrowings | 15,630,000      | 15,630,321 | 321        |
| (2) Investment corporation bonds            | 1,000,000       | 986,200    | (13,800)   |
| (3) Long-term borrowings                    | 80,210,000      | 80,102,528 | (107,471)  |
| Liabilities total                           | 96,840,000      | 96,719,050 | (120,949)  |
| (4) Derivative transactions <sup>*1</sup>   | 531,551         | 531,551    | –          |

<sup>\*1</sup> 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

### 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         |

### 14th fiscal period (As of January 31, 2023)

(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         | 15,630,000            | 12,285,000                                   | 19,150,000                                    | 20,275,000                                    | 18,450,000                                    | 10,050,000         |
| Total                        | 15,630,000            | 12,285,000                                   | 19,150,000                                    | 20,275,000                                    | 18,450,000                                    | 11,050,000         |

## Notes on Securities

### Other securities

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          | —          |

14th fiscal period (As of January 31, 2023)

(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                         | 400,000         | 400,000          | —          |
|  | 3) Others                                  | —               | —                | —          |
|  | (3) Others                                 | —               | —                | —          |
|  | Subtotal                                   | 400,000         | 400,000          | —          |
| Total  |  | 400,000         | 400,000          | —          |

## Notes to Financial Statements

### Notes on Derivative Transactions

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

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

Not applicable.

14th fiscal period (As of January 31, 2023)

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.

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. <sup>(Note 1)</sup> |                             | Fair value <sup>(Note 2)</sup> |
|--------------------------------|---|----------------------|---|-----------------------------|--------------------------------|
|                                |   |                      |   | 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.

14th fiscal period (As of January 31, 2023)

(Unit: thousand yen)

| Hedge accounting approach      | Type, etc. of derivative transaction                                | Main hedged item     | Contract amount, etc. <sup>(Note 1)</sup> |                             | Fair value <sup>(Note 2)</sup> |
|--------------------------------|---|----------------------|---|-----------------------------|--------------------------------|
|                                |   |                      |   | Of which, later than 1 year |                                |
| Principle method of accounting | Interest rate swap transaction (floating receivable; fixed payable) | Long-term borrowings | 77,205,000                                | 67,675,000                  | 531,551                        |

(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

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

Not applicable.

14th fiscal period (As of January 31, 2023)

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)

|                                    | 13th fiscal period<br>(As of July 31, 2022) | 14th fiscal period<br>(As of January 31, 2023) |
|------------------------------------|---|--|
| Deferred tax assets                |   |  |
| Valuation adjustment upon merger   | 1,148,955                                   | 1,123,529                                      |
| Acquisition cost of securities     | 2,923                                       | 1,284  |
| Deferred gains or losses on hedges | 5,365                                       | 760  |
| Other                              | 204   | –  |
| Deferred tax assets, subtotal      | 1,157,448                                   | 1,125,574                                      |
| Valuation allowance                | (1,157,448)                                 | (1,125,574)                                    |
| 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: %)

|  | 13th fiscal period<br>(As of July 31, 2022) | 14th fiscal period<br>(As of January 31, 2023) |
|--|---|--|
| Statutory tax rate   | 31.46                                       | 31.46  |
| [Adjustments]  |   |  |
| Deductible distributions payable                                     | (30.61)                                     | (30.66)  |
| Reversal of excess depreciation                                      | (0.77)                                      | (0.70)   |
| Other  | (0.05)                                      | (0.08)   |
| 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.

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

Not applicable.

### 14th fiscal period (As of January 31, 2023)

Not applicable.

## Notes to Financial Statements

### Notes on Related-Party Transactions

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

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

Not applicable.

14th fiscal period (from August 1, 2022 to January 31, 2023)

Not applicable.

#### 2. Affiliated companies, etc.

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

Not applicable.

14th fiscal period (from August 1, 2022 to January 31, 2023)

Not applicable.

#### 3. Fellow subsidiaries, etc.

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

Not applicable.

14th fiscal period (from August 1, 2022 to January 31, 2023)

Not applicable.

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

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 the 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<br>(Note 2) | Accounts payable - other | 431,842<br>(Note 2)          |

14th fiscal period (from August 1, 2022 to January 31, 2023)

(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 the 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) | 575,950<br>(Note 2)<br>(Note 3) | Accounts payable - other | 466,852<br>(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 14th fiscal period includes the acquisition incentive portion included in the book value of individual real estate, etc. in the amount of 151,540 thousand yen.



## Notes on Asset Retirement Obligations

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

Not applicable.

14th fiscal period (from August 1, 2022 to January 31, 2023)

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)

|   | 13th fiscal period<br>(From February 1, 2022<br>to July 31, 2022) | 14th fiscal period<br>(From August 1, 2022<br>to January 31, 2023) |
|---|---|--|
| Carrying amount                                 |   |  |
| Balance at beginning of the period              | 179,797,713   | 179,572,164  |
| Amount of increase (decrease) during the period | (225,548)   | 15,271,229   |
| Balance at end of the period                    | 179,572,164   | 194,843,394  |
| Fair value at end of the period                 | 195,794,000   | 214,581,000  |

(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 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). Of the amount of increase (decrease) during the 14th fiscal period, the amount of increase is mainly attributable to acquisition of real estate beneficiary interest in trust of three properties (15,409,595 thousand yen) and capital expenditures (605,932 thousand yen), while the amount of decrease is mainly attributable to depreciation (743,661 thousand yen).

(Note 3) Fair value at the end of the period is the appraisal value by an outside real estate appraiser. Of the fair value at the end of the 14th fiscal period, that of Funabashi Hi-Tech Park Factory II is based on the transfer price (1,150,000 thousand yen) stated in the trust beneficiary interest sale and purchase agreement dated February 1, 2023 and that of Urban Park Gokokuji is based on the transfer price (1,800,000 thousand yen) stated in the trust beneficiary interest sale and purchase agreement dated March 16, 2023.

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

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

(Unit: thousand yen)

|                                   | Revenue from contracts with customers <sup>(Note)</sup> | 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.

14th fiscal period (from August 1, 2022 to January 31, 2023)

(Unit: thousand yen)

|                                   | Revenue from contracts with customers <sup>(Note)</sup> | Sales to external customers |
|-----------------------------------|---|-----------------------------|
| Proceeds from sale of real estate | —   | —                           |
| Utilities income                  | 419,588   | 419,588                     |
| Other                             | —   | 6,066,665                   |
| Total                             | 419,588   | 6,486,253                   |

(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)

|   | 13th fiscal period<br>(From February 1, 2022<br>to July 31, 2022) | 14th fiscal period<br>(From August 1, 2022<br>to January 31, 2023) |
|---|---|--|
| Receivables generated from contracts with customers<br>(balance at beginning of the period) | 54,922  | 73,083   |
| Receivables generated from contracts with customers<br>(balance at end of the period)       | 73,083  | 87,858   |
| Contract assets (balance at beginning of the period)  | —   | —  |
| Contract assets (balance at end of the period)  | —   | —  |
| Contract liabilities (balance at beginning of the period)                                   | —   | —  |
| Contract liabilities (balance at end of the 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**

#### **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 to Financial Statements

### 14th fiscal period (from August 1, 2022 to January 31, 2023)

#### (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)

|                     | 13th fiscal period<br>(From February 1, 2022<br>to July 31, 2022) | 14th fiscal period<br>(From August 1, 2022<br>to January 31, 2023) |
|---------------------|---|--|
| Net assets per unit | 53,539  | 53,835   |
| Net income per unit | 1,430   | 1,455  |

(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)

|  | 13th fiscal period<br>(From February 1, 2022<br>to July 31, 2022) | 14th fiscal period<br>(From August 1, 2022<br>to January 31, 2023) |
|--|---|--|
| Net income   | 2,559,804   | 2,781,930  |
| Amount not attributable to common unitholders                | —   | —  |
| Net income attributable to common investment units           | 2,559,804   | 2,781,930  |
| Average number of investment units during the period (units) | 1,789,389   | 1,910,903  |

## Notes on Significant Subsequent Events

### Asset transfer

The transfer of Funabashi Hi-Tech Park Factory II has completed and the transfer of Urban Park Gokokuji was decided as follows:

#### <Funabashi Hi-Tech Park Factory II>

|                          |   |
|--------------------------|---|
| Asset transferred:       | Trust beneficiary interest in which the main trust asset is domestic real estate  |
| Contract date:           | February 1, 2023  |
| Transfer date:           | February 20, 2023   |
| Location:                | 631-13 Toyotomicho, Funabashi-shi, Chiba  |
| Buyer:                   | TOCALO Co., Ltd.  |
| Transfer price:          | 1,150,000 thousand yen  |
| Impact on income (loss): | Operating revenue from gain on sale of real estate is expected to be recorded in the amount of approximately 413 million yen in the fiscal period ending July 31, 2023. |

#### <Urban Park Gokokuji>

|   |  |
|---|--|
| Asset to be transferred:                      | Trust beneficiary interest in which the main trust asset is domestic real estate   |
| Contract date:                                | March 16, 2023   |
| Planned transfer date:                        | August 31, 2023, or other date separately agreed upon by SAR and the planned buyer   |
| Location (indication of residential address): | 1-5-4 Zoshigaya, Toshima-ku, Tokyo   |
| Planned buyer:                                | A.D. Works Co., Ltd.   |
| Planned transfer price:                       | 1,800,000 thousand yen   |
| Impact on income (loss):                      | Operating revenue from gain on sale of real estate is expected to be recorded in the amount of approximately 271 million yen in the fiscal period ending January 31, 2024. |



# 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              |
|-----------------|---|------------------|------------|------------------|--------------------------|------------|-------------------------|----------------------|
| Corporate bonds | Star Asia Mezzanine Loan Debt Investment Series 7 | 400,000          | 400,000    | 3,433            | –                        | 400,000    | –                       | (Note 1)<br>(Note 2) |
| Total           |   | –                | 400,000    | 3,433            | –                        | 400,000    | –                       |                      |

(Note 1) Because interest income etc. from mezzanine loan debt (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 Quintessa Hotel Tokyo Haneda Comic & Books (former property name: 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. <sup>(Note 1)</sup> |                             | Fair value <sup>(Note 2)</sup> |
|---|---|---|-----------------------------|--------------------------------|
|   |   |   | Of which, later than 1 year |                                |
| Transaction other than market transaction | Interest rate swap transaction (floating receivable; fixed payable) | 77,205,000                                | 67,675,000                  | 531,551                        |
| Total                                     |   | 77,205,000                                | 67,675,000                  | 531,551                        |

(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 the period | Amount of increase during the period | Amount of decrease during the period | Balance at end of the period | Accumulated depreciation or accumulated amortization |            | Net balance at end of the period | Remarks |
|--|------------------------------------|--------------------------------------|--------------------------------------|------------------------------|--|------------|----------------------------------|---------|
|  |                                    |                                      |                                      |                              |  | For period |                                  |         |
| Tools, furniture and fixtures          | 114                                | –                                    | –                                    | 114                          | 114  | 14         | 0                                |         |
| Buildings in trust                     | 53,471,574                         | 2,828,956                            | 831                                  | 56,299,699                   | 6,169,727  | 728,189    | 50,129,971                       | (Note)  |
| Structures in trust                    | 21,640                             | 3,708                                | –                                    | 25,348                       | 6,646  | 790        | 18,702                           |         |
| Property, plant and equipment          |                                    |                                      |                                      |                              |  |            |                                  |         |
| Machinery and equipment in trust       | 119,343                            | 44,221                               | –                                    | 163,565                      | 35,247   | 6,341      | 128,318                          |         |
| Tools, furniture and fixtures in trust | 100,966                            | 24,815                               | –                                    | 125,782                      | 39,013   | 8,325      | 86,768                           |         |
| Land in trust                          | 127,283,507                        | 13,113,825                           | –                                    | 140,397,333                  | –  | –          | 140,397,333                      | (Note)  |
| Construction in progress in trust      | –                                  | 1,282                                | –                                    | 1,282                        | –  | –          | 1,282                            |         |
| Subtotal                               | 180,997,147                        | 16,016,810                           | 831                                  | 197,013,126                  | 6,250,749  | 743,661    | 190,762,377                      |         |
| 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                                  | 185,079,447                        | 16,016,810                           | 831                                  | 201,095,427                  | 6,250,749  | 743,661    | 194,844,677                      |         |

(Note) The amount of increase during the period is mainly attributable to the acquisition of properties namely Urban Center Fujisawa, Abeno nini (retail facility) and Abeno nini (hotel).

### 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 the period | Amount of decrease during the period | Balance at end of the 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 | –                     | –  | –   | –   | –   |

## Supplementary Schedules

### 6. Schedule of borrowings

(Unit: thousand yen)

| Category <sup>(Note 2)</sup>                  | Balance at beginning of the period | Amount of increase during the period | Amount of decrease during the period | Balance at end of the period | Average interest rate <sup>(Note 1)</sup> | Repayment date     | Repayment method                     | Use      | Remarks                    |
|---|------------------------------------|--------------------------------------|--------------------------------------|------------------------------|---|--------------------|--------------------------------------|----------|----------------------------|
| Lender  |                                    |                                      |                                      |                              |   |                    |                                      |          |                            |
| Sumitomo Mitsui Banking Corporation           | 2,500,000                          | —                                    | 2,500,000                            | —                            | 0.8800%                                   | August 31, 2022    | Lump sum repayment on repayment date | (Note 5) | Unsecured and unguaranteed |
| Resona Bank, Limited                          | 600,000                            | —                                    | 600,000                              | —                            |   |                    |                                      |          |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | 2,500,000                          | —                                    | 2,500,000                            | —                            |   |                    |                                      |          |                            |
| Sumitomo Mitsui Banking Corporation           | 970,000                            | —                                    | —                                    | 970,000                      | 0.7300% <sup>(Note 4)</sup>               | February 20, 2023  | Lump sum repayment on repayment date | (Note 5) | 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                      |   |                    |                                      |          |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | 500,000                            | —                                    | —                                    | 500,000                      |   |                    |                                      |          |                            |
| Resona Bank, Limited                          | 500,000                            | —                                    | —                                    | 500,000                      |   |                    |                                      |          |                            |
| The Bank of Fukuoka, Ltd.                     | 500,000                            | —                                    | —                                    | 500,000                      | 1.0778%                                   | February 28, 2023  | Lump sum repayment on repayment date | (Note 5) | Unsecured and unguaranteed |
| Sumitomo Mitsui Banking Corporation           | 1,950,000                          | —                                    | —                                    | 1,950,000                    |   |                    |                                      |          |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | 1,950,000                          | —                                    | —                                    | 1,950,000                    |   |                    |                                      |          |                            |
| Aozora Bank, Ltd.                             | 800,000                            | —                                    | —                                    | 800,000                      |   |                    |                                      |          |                            |
| Resona Bank, Limited                          | 400,000                            | —                                    | —                                    | 400,000                      |   |                    |                                      |          |                            |
| Sumitomo Mitsui Banking Corporation           | 850,000                            | —                                    | —                                    | 850,000                      | 0.8120% <sup>(Note 4)</sup>               | September 20, 2023 | Lump sum repayment on repayment date | (Note 5) | 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                      |   |                    |                                      |          |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | 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                      |   |                    |                                      |          |                            |

Long-term borrowings

| Category <sup>(Note 2)</sup>                  | Balance at beginning of the period | Amount of increase during the period | Amount of decrease during the period | Balance at end of the period | Average interest rate <sup>(Note 1)</sup> | Repayment date    | Repayment method                     | Use <sup>(Note 5)</sup> | Remarks                    |
|---|------------------------------------|--------------------------------------|--------------------------------------|------------------------------|---|-------------------|--------------------------------------|-------------------------|----------------------------|
| Lender  |                                    |                                      |                                      |                              |   |                   |                                      |                         |                            |
| Sumitomo Mitsui Banking Corporation           | 2,200,000                          | –                                    | –                                    | 2,200,000                    |   |                   |                                      |                         |                            |
| Mizuho Bank, Ltd.                             | 2,050,000                          | –                                    | –                                    | 2,050,000                    |   |                   |                                      |                         |                            |
| Sumitomo Mitsui Trust Bank, Limited           | 1,250,000                          | –                                    | –                                    | 1,250,000                    | 0.7532% <sup>(Note 4)</sup>               | April 22, 2024    | Lump sum repayment on repayment date |                         | Unsecured and unguaranteed |
| Aozora Bank, Ltd.                             | 700,000                            | –                                    | –                                    | 700,000                      |   |                   |                                      |                         |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | 700,000                            | –                                    | –                                    | 700,000                      |   |                   |                                      |                         |                            |
| Resona Bank, Limited                          | 700,000                            | –                                    | –                                    | 700,000                      |   |                   |                                      |                         |                            |
| Mizuho Trust & Banking. Co., Ltd.             | 400,000                            | –                                    | –                                    | 400,000                      |   |                   |                                      |                         |                            |
| Sumitomo Mitsui Banking Corporation           | 1,950,000                          | –                                    | –                                    | 1,950,000                    |   |                   |                                      |                         |                            |
| Mizuho Bank, Ltd.                             | 2,500,000                          | –                                    | –                                    | 2,500,000                    |   |                   |                                      |                         |                            |
| Sumitomo Mitsui Trust Bank, Limited           | 1,050,000                          | –                                    | –                                    | 1,050,000                    | 0.7588% <sup>(Note 4)</sup>               | April 21, 2025    | Lump sum repayment on repayment date |                         | Unsecured and unguaranteed |
| Aozora Bank, Ltd.                             | 600,000                            | –                                    | –                                    | 600,000                      |   |                   |                                      |                         |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | 600,000                            | –                                    | –                                    | 600,000                      |   |                   |                                      |                         |                            |
| Resona Bank, Limited                          | 600,000                            | –                                    | –                                    | 600,000                      |   |                   |                                      |                         |                            |
| The Bank of Fukuoka, Ltd.                     | 500,000                            | –                                    | –                                    | 500,000                      | 0.5360% <sup>(Note 4)</sup>               | February 29, 2024 | Lump sum repayment on repayment date |                         | Unsecured and unguaranteed |
| 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                    | 0.6975% <sup>(Note 4)</sup>               | August 29, 2025   | Lump sum repayment on repayment date |                         | Unsecured and unguaranteed |
| Sumitomo Mitsui Trust Bank, Limited           | 1,000,000                          | –                                    | –                                    | 1,000,000                    |   |                   |                                      |                         |                            |
| 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                    | 0.6850% <sup>(Note 4)</sup>               | October 31, 2025  | Lump sum repayment on repayment date |                         | Unsecured and unguaranteed |
| Sumitomo Mitsui Trust Bank, Limited           | 850,000                            | –                                    | –                                    | 850,000                      |   |                   |                                      |                         |                            |
| Aozora Bank, Ltd.                             | 400,000                            | –                                    | –                                    | 400,000                      |   |                   |                                      |                         |                            |

Long-term borrowings

## Supplementary Schedules

| Category <sup>(Note 2)</sup>                  | Balance at beginning of the period | Amount of increase during the period | Amount of decrease during the period | Balance at end of the period | Average interest rate <sup>(Note 1)</sup> | Repayment date  | Repayment method                     | Use <sup>(Note 5)</sup> | Remarks                    |
|---|------------------------------------|--------------------------------------|--------------------------------------|------------------------------|---|-----------------|--------------------------------------|-------------------------|----------------------------|
| Lender  |                                    |                                      |                                      |                              |   |                 |                                      |                         |                            |
| Sumitomo Mitsui Banking Corporation           | 1,680,000                          | —                                    | —                                    | 1,680,000                    | 0.7025% <sup>(Note 4)</sup>               | April 30, 2026  | Lump sum repayment on repayment date | (Note 5)                | Unsecured and unguaranteed |
| Mizuho Bank, Ltd.                             | 1,530,000                          | —                                    | —                                    | 1,530,000                    |   |                 |                                      |                         |                            |
| The Bank of Yokohama, Ltd.                    | 1,000,000                          | —                                    | —                                    | 1,000,000                    |   |                 |                                      |                         |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | 600,000                            | —                                    | —                                    | 600,000                      |   |                 |                                      |                         |                            |
| Aozora Bank, Ltd.                             | 600,000                            | —                                    | —                                    | 600,000                      |   |                 |                                      |                         |                            |
| Sumitomo Mitsui Trust Bank, Limited           | 550,000                            | —                                    | —                                    | 550,000                      | 0.9455% <sup>(Note 4)</sup>               | April 28, 2028  | Lump sum repayment on repayment date | (Note 5)                | 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                      |   |                 |                                      |                         |                            |
| The Kiyo Bank, Ltd.                           | 500,000                            | —                                    | —                                    | 500,000                      |   |                 |                                      |                         |                            |
| Fukoku Mutual Life Insurance Company          | 500,000                            | —                                    | —                                    | 500,000                      | 0.6780% <sup>(Note 4)</sup>               | August 19, 2026 | Lump sum repayment on repayment date | (Note 5)                | 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 Bank of Yokohama, Ltd.                    | 500,000                            | —                                    | —                                    | 500,000                      | 0.8894% <sup>(Note 4)</sup>               | August 21, 2028 | Lump sum repayment on repayment date | (Note 5)                | Unsecured and unguaranteed |
| The Minato Bank, Ltd.                         | 750,000                            | —                                    | —                                    | 750,000                      |   |                 |                                      |                         |                            |
| Sumitomo Mitsui Banking Corporation           | 750,000                            | —                                    | —                                    | 750,000                      |   |                 |                                      |                         |                            |
| Mizuho Bank, Ltd.                             | 750,000                            | —                                    | —                                    | 750,000                      |   |                 |                                      |                         |                            |
| Sumitomo Mitsui Trust Bank, Limited           | 500,000                            | —                                    | —                                    | 500,000                      |   |                 |                                      |                         |                            |
| Aozora Bank, Ltd.                             | 500,000                            | —                                    | —                                    | 500,000                      | 0.6955% <sup>(Note 4)</sup>               | August 31, 2026 | Lump sum repayment on repayment date | (Note 5)                | Unsecured and unguaranteed |
| The Minato Bank, Ltd.                         | 750,000                            | —                                    | —                                    | 750,000                      |   |                 |                                      |                         |                            |
| Sumitomo Mitsui Banking Corporation           | 1,150,000                          | —                                    | —                                    | 1,150,000                    |   |                 |                                      |                         |                            |
| Mizuho Bank, Ltd.                             | 540,000                            | —                                    | —                                    | 540,000                      |   |                 |                                      |                         |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | 2,160,000                          | —                                    | —                                    | 2,160,000                    |   |                 |                                      |                         |                            |
| The Minato Bank, Ltd.                         | 500,000                            | —                                    | —                                    | 500,000                      |   |                 |                                      |                         |                            |

Long-term borrowings

| Category <sup>(Note 2)</sup>                  | Balance at beginning of the period | Amount of increase during the period | Amount of decrease during the period | Balance at end of the period | Average interest rate <sup>(Note 1)</sup> | Repayment date   | Repayment method                     | Use <sup>(Note 5)</sup> | Remarks                    |
|---|------------------------------------|--------------------------------------|--------------------------------------|------------------------------|---|------------------|--------------------------------------|-------------------------|----------------------------|
| Lender  |                                    |                                      |                                      |                              |   |                  |                                      |                         |                            |
| Sumitomo Mitsui Banking Corporation           | 800,000                            | –                                    | –                                    | 800,000                      | 0.9106% <sup>(Note 4)</sup>               | August 31, 2028  | Lump sum repayment on repayment date | (Note 5)                | Unsecured and unguaranteed |
| Mizuho Bank, Ltd.                             | 500,000                            | –                                    | –                                    | 500,000                      |   |                  |                                      |                         |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | 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                      | 0.4605%                                   | October 21, 2024 | Lump sum repayment on repayment date | (Note 5)                | Unsecured and unguaranteed |
| Mizuho Bank, Ltd.                             | 857,500                            | –                                    | –                                    | 857,500                      |   |                  |                                      |                         |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | 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                      |   |                  |                                      |                         |                            |
| 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                      | 0.7505% <sup>(Note 4)</sup>               | October 20, 2026 | Lump sum repayment on repayment date | (Note 5)                | Unsecured and unguaranteed |
| Sumitomo Mitsui Banking Corporation           | 932,500                            | –                                    | –                                    | 932,500                      |   |                  |                                      |                         |                            |
| Mizuho Bank, Ltd.                             | 857,500                            | –                                    | –                                    | 857,500                      |   |                  |                                      |                         |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | 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                      |   |                  |                                      |                         |                            |
| Sumitomo Mitsui Banking Corporation           | 500,000                            | –                                    | –                                    | 500,000                      | 0.8276%                                   | May 31, 2027     | Lump sum repayment on repayment date | (Note 5)                | Unsecured and unguaranteed |
| Mizuho Bank, Ltd.                             | 450,000                            | –                                    | –                                    | 450,000                      |   |                  |                                      |                         |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | 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                      |   |                  |                                      |                         |                            |
| The Bank of Fukuoka, Ltd.                     | 250,000                            | –                                    | –                                    | 250,000                      |   |                  |                                      |                         |                            |

Long-term borrowings



## Supplementary Schedules

| Category <sup>(Note 2)</sup>                  | Balance at beginning of the period | Amount of increase during the period | Amount of decrease during the period | Balance at end of the period | Average interest rate <sup>(Note 1)</sup> | Repayment date  | Repayment method                     | Use      | Remarks                    |
|---|------------------------------------|--------------------------------------|--------------------------------------|------------------------------|---|-----------------|--------------------------------------|----------|----------------------------|
| Lender  |                                    |                                      |                                      |                              |   |                 |                                      |          |                            |
| Sumitomo Mitsui Banking Corporation           | 900,000                            | —                                    | —                                    | 900,000                      | 0.9067%                                   | May 31, 2027    | Lump sum repayment on repayment date | (Note 5) | Unsecured and unguaranteed |
| Mizuho Bank, Ltd.                             | 550,000                            | —                                    | —                                    | 550,000                      |   |                 |                                      |          |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | 400,000                            | —                                    | —                                    | 400,000                      |   |                 |                                      |          |                            |
| Sumitomo Mitsui Trust Bank, Limited           | 500,000                            | —                                    | —                                    | 500,000                      |   |                 |                                      |          |                            |
| Aozora Bank, Ltd.                             | 400,000                            | —                                    | —                                    | 400,000                      |   |                 |                                      |          |                            |
| Resona Bank, Limited                          | 400,000                            | —                                    | —                                    | 400,000                      | 0.2608%                                   | April 28, 2023  | Lump sum repayment on repayment date | (Note 5) | Unsecured and unguaranteed |
| Sumitomo Mitsui Banking Corporation           | 500,000                            | —                                    | —                                    | 500,000                      |   |                 |                                      |          |                            |
| Mizuho Bank, Ltd.                             | 500,000                            | —                                    | —                                    | 500,000                      | 0.8738%                                   | May 31, 2027    | Lump sum repayment on repayment date | (Note 5) | Unsecured and unguaranteed |
| Sumitomo Mitsui Banking Corporation           | 450,000                            | —                                    | —                                    | 450,000                      |   |                 |                                      |          |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | 450,000                            | —                                    | —                                    | 450,000                      |   |                 |                                      |          |                            |
| Aozora Bank, Ltd.                             | 200,000                            | —                                    | —                                    | 200,000                      |   |                 |                                      |          |                            |
| The Kiyo Bank, Ltd.                           | 1,000,000                          | —                                    | —                                    | 1,000,000                    | 0.8722% <sup>(Note 4)</sup>               | August 31, 2027 | Lump sum repayment on repayment date | (Note 6) | Unsecured and unguaranteed |
| Sumitomo Mitsui Banking Corporation           | —                                  | 1,400,000                            | —                                    | 1,400,000                    |   |                 |                                      |          |                            |
| Mizuho Bank, Ltd.                             | —                                  | 1,400,000                            | —                                    | 1,400,000                    |   |                 |                                      |          |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | —                                  | 800,000                              | —                                    | 800,000                      |   |                 |                                      |          |                            |
| Sumitomo Mitsui Trust Bank, Limited           | —                                  | 1,000,000                            | —                                    | 1,000,000                    |   |                 |                                      |          |                            |
| Aozora Bank, Ltd.                             | —                                  | 800,000                              | —                                    | 800,000                      |   |                 |                                      |          |                            |
| Resona Bank, Limited                          | —                                  | 800,000                              | —                                    | 800,000                      |   |                 |                                      |          |                            |
| The Chiba Bank, Ltd.                          | —                                  | 1,000,000                            | —                                    | 1,000,000                    | 0.6999% <sup>(Note 4)</sup>               | April 30, 2026  | Lump sum repayment on repayment date | (Note 5) | Unsecured and unguaranteed |
| Sumitomo Mitsui Banking Corporation           | —                                  | 1,380,000                            | —                                    | 1,380,000                    |   |                 |                                      |          |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | —                                  | 1,380,000                            | —                                    | 1,380,000                    |   |                 |                                      |          |                            |
| Resona Bank, Limited                          | —                                  | 340,000                              | —                                    | 340,000                      | 0.8999% <sup>(Note 4)</sup>               | August 31, 2027 | Lump sum repayment on repayment date | (Note 5) | Unsecured and unguaranteed |
| Sumitomo Mitsui Banking Corporation           | —                                  | 1,120,000                            | —                                    | 1,120,000                    |   |                 |                                      |          |                            |
| SBI Shinsei Bank, Limited <sup>(Note 3)</sup> | —                                  | 1,120,000                            | —                                    | 1,120,000                    |   |                 |                                      |          |                            |
| Resona Bank, Limited                          | —                                  | 260,000                              | —                                    | 260,000                      |   |                 |                                      |          |                            |
| Subtotal                                      | 88,640,000                         | 12,800,000                           | 5,600,000                            | 95,840,000                   |   |                 |                                      |          |                            |
| Total   | 88,640,000                         | 12,800,000                           | 5,600,000                            | 95,840,000                   |   |                 |                                      |          |                            |

(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) Shinsei Bank, Limited changed its trade name to SBI Shinsei Bank, Limited on January 4, 2023.

(Note 4) 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 5) Funds are used for acquisition funds of beneficiary interest in trust, repayment of borrowings, etc.

(Note 6) Funds are used for acquisition funds of beneficiary interest in trust for real estate which is a green eligible asset.

(Note 7) The yearly schedule of repayment for long-term borrowings within five years of the balance sheet date is as follows:

(Unit: thousand yen)

|                      | <b>Not later than<br/>1 year</b> | <b>Later than 1<br/>year and not<br/>later than 2<br/>years</b> | <b>Later than 2<br/>years and not<br/>later than 3<br/>years</b> | <b>Later than 3<br/>years and not<br/>later than 4<br/>years</b> | <b>Later than 4<br/>years and not<br/>later than 5<br/>years</b> |
|----------------------|----------------------------------|---|--|--|--|
| Long-term borrowings | 15,630,000                       | 12,285,000  | 19,150,000   | 20,275,000   | 18,450,000   |

# 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 January 31, 2023, 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 January 31, 2023, 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

May 31, 2023

/s/ Hitoshi Sakurai

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Hitoshi Sakurai  
Designated Engagement Partner  
Certified Public Accountant

/s/ Natsuki Saiki

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Natsuki Saiki  
Designated Engagement Partner  
Certified Public Accountant





**Star Asia Investment Corporation**

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