



Star Asia Investment Corporation

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

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.

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Characteristics of Star Asia Investment Corporation (SAR)

1. A diversified REIT

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

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 ^(Note 1) / 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 ^(Note 2), 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 Tokyo, Kanagawa, Saitama, and Chiba prefectures	70% or more
Greater Tokyo Area	Main cities in Suburban Tokyo (other than the 23 wards), Kanagawa prefecture (excluding Kawasaki-shi and Yokohama-shi), 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	Less than 30%
Other ordinance-designated cities	Sendai-shi, Miyagi prefecture, Niigata-shi, Niigata prefecture, Kyoto-shi, Kyoto prefecture, Sakai-shi, Osaka prefecture, Kobe-shi, Hyogo prefecture, Hiroshima-shi, Hiroshima prefecture, Kitakyushu-shi, Fukuoka prefecture	
<After amendment>		
Area Classification	Specific Investment Target Areas	Investment Ratio
Tokyo Area	Tokyo, Kanagawa, Saitama, and Chiba prefectures	In principle, 70% or more
Major Metropolitan Areas	Osaka Area Osaka-shi, Osaka prefecture *	In principle, 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, 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 m²).

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 (Note 1) x 0.2% (upper limit)
Management fees II	NOI (Note 2) x 7.5% (upper limit)

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

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

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

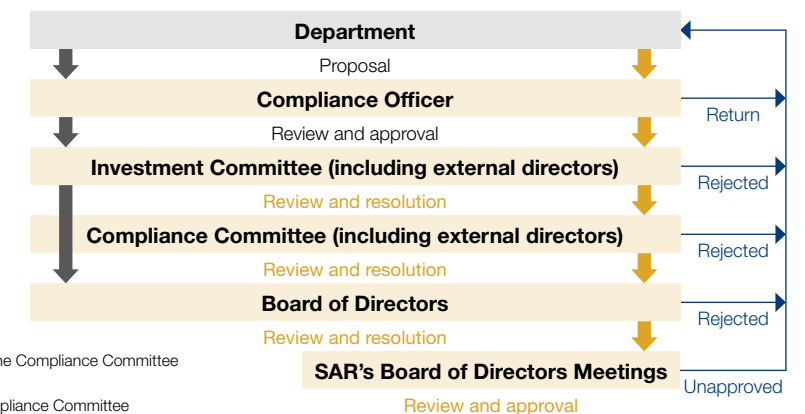
(Note 1) 0.5% if SAR transacts with its interested parties.

(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





























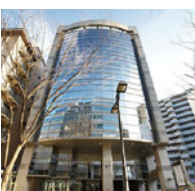

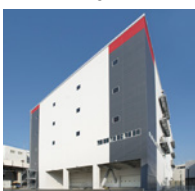




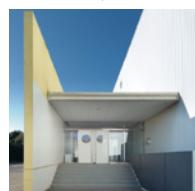
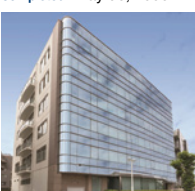

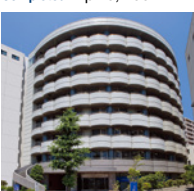





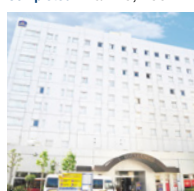

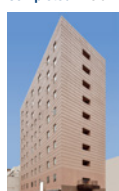






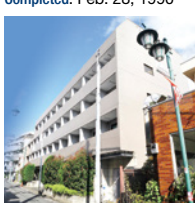
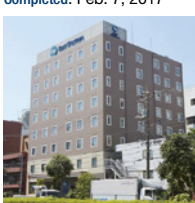

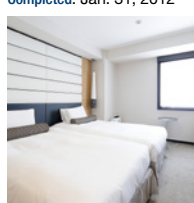

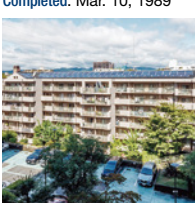



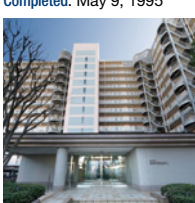
- Implement decision-making with high transparency by complying with laws and regulations
- Maintain a high sense of ethics and execute operations as a manager of investors' funds



↓ Items that do not need to be discussed at the Compliance Committee

↓ Items that need to be discussed at the Compliance Committee

Portfolio Overview (As of January 31, 2023)

OFC-01 Minami-Azabu Shibuya Building Completed: Jun. 15, 1993 	OFC-03 Honmachibashi Tower Completed: Feb. 8, 2010 	OFC-04 Nishi-Shinjuku Matsuya Building Completed: May 28, 1987 	OFC-06 Shibuya MK Building Completed: Jul. 31, 1993 	OFC-08 Asahi Building Completed: Nov. 25, 1994 	OFC-09 Hakata-eki East Place Completed: Feb. 24, 1986 	RSC-13 Urban Park Sekime Completed: Aug. 18, 1989 	RSC-14 Urban Park Imazato Completed: Dec. 20, 1991 	RSC-15 Urban Park Yoyogi Completed: Sep. 4, 2017 	RSC-16 Urban Park Tokiwadai Koen Completed: Feb. 17, 1994 	RSC-17 Urban Park Mitsuike Koen Completed: Mar. 24, 1992 	RSC-18 Urban Park Ryogoku Completed: Oct. 31, 1997 
OFC-10 Nihonbashi Hamacho Park Building Completed: Jul. 13, 1992 	OFC-11 Amusement Media Gakuin Honkan Completed: Nov. 2, 1994 	OFC-12 Higashi-Kobe Center Building Completed: Jan. 6, 1992 	OFC-13 Amusement Media Gakuin Shinkan Completed: Jan. 25, 1999 	OFC-14 Seishin BLDG. Completed: Mar. 31, 1989 	OFC-15 Urban Center Kanda Suda-cho Completed: Oct. 28, 1991 	RSC-19 Urban Park Mizonokuchi Completed: Aug. 23, 1988 	RSC-20 Urban Park Miyamaedaira Completed: Jun. 10, 2021 	RSC-21 Urban Park Tsurumi Completed: Feb. 17, 1994 	LGC-01 Iwatsuki Logistics Completed: Oct. 29, 2014 	LGC-02 Yokohama Logistics Completed: Oct. 1, 1994 	LGC-03 Funabashi Logistics Completed: Sep. 25, 1992 (Building 1) Aug. 5, 1997 (Building 2) 
OFC-16 Urban Center Kanda Tsukasamachi Completed: Jan. 20, 1988 	OFC-17 Takadanobaba Access Completed: Jan. 14, 1994 	OFC-18 Azabu Amerex BLDG. Completed: Jun. 30, 1988 	OFC-19 Hiei-Kudan BLDG. Completed: Sep. 17, 1991 	OFC-20 Urban Center Shin-Yokohama Completed: Mar. 17, 1992 	OFC-21 The Portal Akihabara Completed: May 31, 2002 	LGC-04 Baraki Logistics Completed: Aug. 14, 2015 	LGC-05 Tokorozawa Logistics Completed: Apr. 30, 1999 	LGC-07 Funabashi Nishiura Logistics II Completed: Mar. 20, 1991 (Warehouse) May 15, 1972 (Factory) May 13, 1986 (Office) 	LGC-08 Matsubushi Logistics Completed: Mar. 31, 1997 	LGC-09 Funabashi Hi-Tech Park Factory I Completed: May 19, 2003 	LGC-10 Funabashi Hi-Tech Park Factory II ^(Note) Completed: Sep. 5, 2001 
OFC-22 Urban Center Tachikawa Completed: May 30, 1990 	OFC-23 Urban Center Hakata Completed: Aug. 27, 2020 	OFC-24 Urban Center Fujisawa Completed: Apr. 9, 1991 	RTL-01 La Park Kishiwada Completed: Aug. 30, 1994 	RTL-02 Suroy Mall Chikushino Completed: Jun. 22, 2007 	RTL-03 Seiyu Minakuchi Completed: May 31, 1999 	HTL-01 R&B Hotel Umeda East Completed: Oct. 20, 2000 	HTL-02 Smile Hotel Namba Completed: Feb. 6, 2008 	HTL-03 REMBRANDT STYLE Tokyo Nishikasai Completed: Mar. 19, 1991 	HTL-04 BEST WESTERN Yokohama Completed: Sep. 21, 1987 	HTL-05 The BREAKFAST HOTEL FUKUOKA TENJIN Completed: Feb. 20, 2017 	HTL-06 GLANSIT AKIHABARA Completed: Sep. 20, 2017 
RTL-05 BAGUS Ikebukuro West Completed: Nov. 20, 1992 	RTL-06 abeno nini (Retail) Completed: Jan. 31, 2012 	RSC-01 Urban Park Azabujuban Completed: Nov. 29, 1999 	RSC-02 Urban Park Daikanyama Completed: Nov. 15, 1982 (Existing) May 30, 2006 (Newly built) 	RSC-05 Urban Park Namba Completed: Jan. 9, 2013 	RSC-06 Urban Park Gokokuji Completed: Feb. 28, 1990 	HTL-07 REMBRANDT STYLE Tokyo Nishikasai Grande Completed: Feb. 7, 2017 	HTL-08 KOKO HOTEL Osaka Namba Completed: Apr. 7, 2017 	HTL-09 abeno nini (Hotel) Completed: Jan. 31, 2012 			
RSC-07 Urban Park Kashiwa Completed: Aug. 28, 1997 	RSC-08 Urban Park Ryokuchi Koen Completed: Mar. 10, 1989 	RSC-09 Urban Park Koenji Completed: Oct. 13, 1987 	RSC-10 Urban Park Ichigao Completed: Jul. 10, 1998 	RSC-11 Urban Park Gyotoku Completed: Mar. 24, 1995 	RSC-12 Shiroy Logiman Completed: May 9, 1995 						

(Note) Disposed as of February 20, 2023.

Financial Summary

Historical Operating Trends

Fiscal Period		10th Fiscal Period (August 1, 2020 to January 31, 2021)	11th Fiscal Period (February 1, 2021 to July 31, 2021)	12th Fiscal Period (August 1, 2021 to January 31, 2022)	13th Fiscal Period (February 1, 2022 to July 31, 2022)	14th Fiscal Period (August 1, 2022 to 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 ^(Note 3)	(%)	2.0	1.3	1.4	1.3	1.4
[Annualized]	(%)	(3.9)	(2.7)	(2.7)	(2.7)	(2.7)
Return on equity ^(Note 3)	(%)	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 ^(Note 3)	(%)	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 ^(Note 3)	(%)	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) ^(Note 3)	(million yen)	4,097	3,980	4,261	4,263	4,650
FFO (Funds from Operation) ^(Note 3)	(million yen)	2,564	3,040	3,199	3,257	3,525
FFO per unit ^(Note 3)	(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	Ordinary income ÷ {(total assets at beginning of period + total assets at end of period) ÷ 2} × 100
Return on equity	Net income ÷ {(net assets at beginning of period + net assets at end of period) ÷ 2} × 100
Equity ratio at end of period	Net assets at end of period ÷ total assets at end of period × 100
Cash distribution payout ratio	Cash distribution per unit (excluding cash distribution in excess of earnings) ÷ net income per unit × 100 The 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. Total cash distribution (excluding cash distribution in excess of earnings) ÷ net income × 100
Lease NOI (Net Operating Income)	Operating revenue from real estate leasing - operating expenses from real estate leasing + depreciation
FFO (Funds from Operation)	Net income + Depreciation - gain (loss) on sales of real estate The figures of 10th fiscal period is calculated after deducting 8,891 million yen of gain on negative goodwill from net income.
FFO per unit	FFO ÷ total number of investment units issued and outstanding

Balance Sheet

(Unit: thousand yen)

	13th fiscal period (As of July 31, 2022)	14th fiscal period (As of January 31, 2023)
Assets		
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
Total assets	193,488,543	208,766,606

(Unit: thousand yen)

	13th fiscal period (As of July 31, 2022)	14th fiscal period (As of January 31, 2023)
Liabilities		
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
Total liabilities	97,685,158	105,311,507
Net assets		
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
Total net assets	*1 95,803,384	*1 103,455,098
Total liabilities and net assets	193,488,543	208,766,606

Statement of Income and Retained Earnings

	13th fiscal period (From February 1, 2022 to July 31, 2022)	14th fiscal period (From August 1, 2022 to January 31, 2023)
(Unit: thousand yen)		
Operating revenue		
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
Operating expenses		
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
Non-operating income		
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
Non-operating expenses		
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				Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments		
		Reserve for temporary difference adjustment	Total voluntary reserve	Unappropriated retained earnings (undisposed loss)	Total surplus					
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
	Surplus							Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Unitholders' capital	Unitholders' capital surplus	Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus	Total unitholders' equity			
			Reserve for temporary difference adjustment	Total voluntary reserve						
Balance at beginning of 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 (From February 1, 2022 to July 31, 2022)	14th fiscal period (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 (From February 1, 2022 to July 31, 2022)	14th fiscal period (From August 1, 2022 to January 31, 2023)
Cash flows from operating activities		
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
Cash flows from investing activities		
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)
Cash flows from financing activities		
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
Net increase (decrease) in cash and cash equivalents	615,484	(302,061)
Cash and cash equivalents at beginning of the period	11,725,168	12,340,653
Cash and cash equivalents at end of the period	*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 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 ^(Note)	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 ^(Note)	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 (From February 1, 2022 to July 31, 2022)	14th fiscal period (From August 1, 2022 to January 31, 2023)
A. Operating revenue from real estate leasing		
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. Operating expenses from real estate leasing		
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
C. Operating income from real estate leasing [A–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 (From February 1, 2022 to July 31, 2022)	14th fiscal period (From August 1, 2022 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 (From February 1, 2022 to July 31, 2022)	14th fiscal period (From August 1, 2022 to January 31, 2023)
*1 Reserve for temporary difference adjustment SAR accumulated 8,891,236 thousand yen as reserve for temporary difference adjustment in the 10th fiscal period. From the 11th fiscal period, SAR plans to reverse the same amount or more in each fiscal period over a period of up to 50 years. In the fiscal period under review, SAR decided to reverse 88,912 thousand yen.	*1 Reserve for temporary difference adjustment SAR accumulated 8,891,236 thousand yen as reserve for temporary difference adjustment in the 10th fiscal period. From the 11th fiscal period, SAR plans to reverse the same amount or more in each fiscal period over a period of up to 50 years. In the fiscal period under review, SAR decided to reverse 88,912 thousand yen.

Notes to the Statement of Cash Flows

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

(Unit: thousand yen)

	13th fiscal period (From February 1, 2022 to July 31, 2022)	14th fiscal period (From August 1, 2022 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 (As of July 31, 2022)	14th fiscal period (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 *1	28,297	28,297	—

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

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 ^{*1}	531,551	531,551	—

^{*1} Assets and liabilities arising from derivative transactions are offset and presented in the net amount, with the balance shown in parentheses () when in a net liability position.

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

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

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

(2) Investment corporation bonds

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

(4) Derivative transactions

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

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

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 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. (Note 1)		Fair value (Note 2)
				Of which, later than 1 year	
Principle method of accounting	Interest rate swap transaction (floating receivable; fixed payable)	Long-term borrowings	64,405,000	59,715,000	28,297

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

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

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. (Note 1)		Fair value (Note 2)
				Of which, later than 1 year	
Principle method of accounting	Interest rate swap transaction (floating receivable; fixed payable)	Long-term borrowings	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 (As of July 31, 2022)	14th fiscal period (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 (As of July 31, 2022)	14th fiscal period (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 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 ^(Note 2)	Accounts payable - other	431,842 ^(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 ^(Note 2) ^(Note 3)	Accounts payable - other	466,852 ^(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 (From February 1, 2022 to July 31, 2022)	14th fiscal period (From August 1, 2022 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 (Note)	Sales to external customers
Proceeds from sale of real estate	–	–
Utilities income	314,831	314,831
Other	–	5,774,107
Total	314,831	6,088,939

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

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

(Unit: thousand yen)

	Revenue from contracts with customers (Note)	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 (From February 1, 2022 to July 31, 2022)	14th fiscal period (From August 1, 2022 to January 31, 2023)
Receivables generated from contracts with customers (balance at beginning of the period)	54,922	73,083
Receivables generated from contracts with customers (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.

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 (From February 1, 2022 to July 31, 2022)	14th fiscal period (From August 1, 2022 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 (From February 1, 2022 to July 31, 2022)	14th fiscal period (From August 1, 2022 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) (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. ^(Note 1)		Fair value ^(Note 2)
			Of which, later than 1 year	
Transaction other than market transaction	Interest rate swap transaction (floating receivable; fixed payable)	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			
Property, plant and equipment	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	
	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	–	–	–	–	–

6. Schedule of borrowings

(Unit: thousand yen)

Category ^(Note 2)	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 ^(Note 1)	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 unguaran- teed
Resona Bank, Limited	600,000	–	600,000	–					
SBI Shinsei Bank, Limited ^(Note 3)	2,500,000	–	2,500,000	–					
Sumitomo Mitsui Banking Corporation	970,000	–	–	970,000	0.7300% (Note 4)	February 20, 2023	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
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 ^(Note 3)	500,000	–	–	500,000					
Resona Bank, Limited	500,000	–	–	500,000	1.0778%	February 28, 2023	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
The Bank of Fukuoka, Ltd.	500,000	–	–	500,000					
Sumitomo Mitsui Banking Corporation	1,950,000	–	–	1,950,000					
SBI Shinsei Bank, Limited ^(Note 3)	1,950,000	–	–	1,950,000					
Aozora Bank, Ltd.	800,000	–	–	800,000					
Resona Bank, Limited	400,000	–	–	400,000	0.8120% (Note 4)	September 20, 2023	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
Sumitomo Mitsui Banking Corporation	850,000	–	–	850,000					
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 ^(Note 3)	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 ^(Note 2)	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 ^(Note 1)	Repayment date	Repayment method	Use	Remarks
Lender									
Sumitomo Mitsui Banking Corporation	2,200,000	–	–	2,200,000	0.7532% (Note 4)	April 22, 2024	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
Mizuho Bank, Ltd.	2,050,000	–	–	2,050,000					
Sumitomo Mitsui Trust Bank, Limited	1,250,000	–	–	1,250,000					
Aozora Bank, Ltd.	700,000	–	–	700,000					
SBI Shinsei Bank, Limited ^(Note 3)	700,000	–	–	700,000					
Resona Bank, Limited	700,000	–	–	700,000					
Mizuho Trust & Banking. Co., Ltd.	400,000	–	–	400,000	0.7588% (Note 4)	April 21, 2025	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
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					
Aozora Bank, Ltd.	600,000	–	–	600,000					
SBI Shinsei Bank, Limited ^(Note 3)	600,000	–	–	600,000					
Resona Bank, Limited	600,000	–	–	600,000	0.5360% (Note 4)	February 29, 2024	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
The Bank of Fukuoka, Ltd.	500,000	–	–	500,000					
Sumitomo Mitsui Banking Corporation	2,150,000	–	–	2,150,000	0.6975% (Note 4)	August 29, 2025	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
Mizuho Bank, Ltd.	2,000,000	–	–	2,000,000					
Aozora Bank, Ltd.	1,500,000	–	–	1,500,000					
Sumitomo Mitsui Trust Bank, Limited	1,000,000	–	–	1,000,000					
The Nishi-Nippon City Bank, Ltd.	1,000,000	–	–	1,000,000					
Resona Bank, Limited	600,000	–	–	600,000	0.6850% (Note 4)	October 31, 2025	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
Sumitomo Mitsui Banking Corporation	1,350,000	–	–	1,350,000					
Mizuho Bank, Ltd.	1,000,000	–	–	1,000,000					
Sumitomo Mitsui Trust Bank, Limited	850,000	–	–	850,000					
Aozora Bank, Ltd.	400,000	–	–	400,000					

Long-term borrowings

Category ^(Note 2)	Lender	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 ^(Note 1)	Repayment date	Repayment method	Use ^(Note 5)	Remarks
Long-term borrowings	Sumitomo Mitsui Banking Corporation	1,680,000	–	–	1,680,000	0.7025% ^(Note 4)	April 30, 2026	Lump sum repayment on repayment date	^(Note 5)	Unsecured and unguaran- teed
	Mizuho Bank, Ltd.	1,530,000	–	–	1,530,000					
	The Bank of Yokohama, Ltd.	1,000,000	–	–	1,000,000					
	SBI Shinsei Bank, Limited ^(Note 3)	600,000	–	–	600,000					
	Aozora Bank, Ltd.	600,000	–	–	600,000					
	Sumitomo Mitsui Trust Bank, Limited	550,000	–	–	550,000	0.9455% ^(Note 4)	April 28, 2028	Lump sum repayment on repayment date	^(Note 5)	Unsecured and unguaran- teed
	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% ^(Note 4)	August 19, 2026	Lump sum repayment on repayment date	^(Note 5)	Unsecured and unguaran- teed
	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% ^(Note 4)	August 21, 2028	Lump sum repayment on repayment date	^(Note 5)	Unsecured and unguaran- teed
	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% ^(Note 4)	August 31, 2026	Lump sum repayment on repayment date	^(Note 5)	Unsecured and unguaran- teed
	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 ^(Note 3)	2,160,000	–	–	2,160,000					
	The Minato Bank, Ltd.	500,000	–	–	500,000					

Category ^(Note 2)	Lender	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 ^(Note 1)	Repayment date	Repayment method	Use ^(Note 5)	Remarks
Long-term borrowings	Sumitomo Mitsui Banking Corporation	800,000	–	–	800,000	0.9106% ^(Note 4)	August 31, 2028	Lump sum repayment on repayment date	^(Note 5)	Unsecured and unguaran- teed
	Mizuho Bank, Ltd.	500,000	–	–	500,000					
	SBI Shinsei Bank, Limited ^(Note 3)	1,500,000	–	–	1,500,000					
	Aozora Bank, Ltd.	500,000	–	–	500,000					
	San ju San Bank, Ltd.	500,000	–	–	500,000	0.4605%	October 21, 2024	Lump sum repayment on repayment date	^(Note 5)	Unsecured and unguaran- teed
	Sumitomo Mitsui Banking Corporation	932,500	–	–	932,500					
	Mizuho Bank, Ltd.	857,500	–	–	857,500					
	SBI Shinsei Bank, Limited ^(Note 3)	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% ^(Note 4)	October 20, 2026	Lump sum repayment on repayment date	^(Note 5)	Unsecured and unguaran- teed
	Sumitomo Mitsui Banking Corporation	932,500	–	–	932,500					
	Mizuho Bank, Ltd.	857,500	–	–	857,500					
	SBI Shinsei Bank, Limited ^(Note 3)	300,000	–	–	300,000					
	Sumitomo Mitsui Trust Bank, Limited	525,000	–	–	525,000					
	Aozora Bank, Ltd.	300,000	–	–	300,000	0.8276%	May 31, 2027	Lump sum repayment on repayment date	^(Note 5)	Unsecured and unguaran- teed
	Resona Bank, Limited	100,000	–	–	100,000					
	Mizuho Trust & Banking. Co., Ltd.	100,000	–	–	100,000					
	Sumitomo Mitsui Banking Corporation	500,000	–	–	500,000					
	Mizuho Bank, Ltd.	450,000	–	–	450,000					
	SBI Shinsei Bank, Limited ^(Note 3)	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					

Category ^(Note 2)	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 ^(Note 1)	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 ^(Note 3)	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 ^(Note 3)	450,000	—	—	450,000					
Aozora Bank, Ltd.	200,000	—	—	200,000					
The Kiyo Bank, Ltd.	1,000,000	—	—	1,000,000	0.8722% ^(Note 4)	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 ^(Note 3)	—	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					
Sumitomo Mitsui Banking Corporation	—	1,380,000	—	1,380,000	0.6999% ^(Note 4)	April 30, 2026	Lump sum repayment on repayment date	^(Note 5)	Unsecured and unguaranteed
SBI Shinsei Bank, Limited ^(Note 3)	—	1,380,000	—	1,380,000					
Resona Bank, Limited	—	340,000	—	340,000	0.8999% ^(Note 4)	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 ^(Note 3)	—	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)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years
Long-term borrowings	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

Hitoshi Sakurai
Designated Engagement Partner
Certified Public Accountant

/s/ Natsuki Saiki

Natsuki Saiki
Designated Engagement Partner
Certified Public Accountant