



Star Asia Investment Corporation

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

Semi-Annual Report

for the 12th Fiscal Period

from August 1, 2021 to January 31, 2022

Star Asia Investment Corporation (Securities CODE 3468)

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

Investment Philosophy

Basic Principles

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

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

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Characteristics of Star Asia Investment Corporation (SAR)

1. A diversified REIT

Portfolio developed with diversified assets located mainly in the Tokyo-Area ^(Note 1)

2. Steady growth

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

3. Initiatives focusing on unitholder value

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

Investment policy



**Prioritized,
focused investment
in the Tokyo Area** ^(Note 1)
**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** ^(Note 2)

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

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

To Our Unitholders

Star Asia Investment Corporation
Executive Director

Atsushi Kato



Message

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

We believe that there are people facing unprecedented crisis and challenges caused by the novel coronavirus (COVID-19) pandemic among our unitholders, so we would like to express our sincere hope that such conditions will be resolved, and that peaceful daily life will be regained as early as possible.

SAR achieved steady growth by continuously executing measures in pursuing to maximize unitholders' interests since its listing in April 2016. The asset size expanded to 179.6 billion yen (60 properties) with the acquisition of properties through a public offering executed in August 2021. The executed acquisitions of properties are positioned as the initial step towards the asset size target of 300 billion yen in the medium-term management plan established in March 2021. With expansion of the asset size and increase of number of properties, we consider that we have been able to establish a portfolio with a stable profit. We will continue to pursue to achieve further stable profit and establish a portfolio with growth potential.

During the 12th Fiscal Period, we have received a 3 Star rating under the 5-grade rating in the 2021 GRESB Real Estate Assessment and realized inclusion in a global index, and thus we consider that expansion of investors and liquidity of investment units can be expected.

For the 12th 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 5,960 million yen, ordinary income of 2,517 million yen, net income of 2,516 million yen and cash distribution per unit of 1,478 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.

We thank you for your continued support and encouragement and we hope that the current conditions will come to an end as early as possible, as well as for your good health.

Medium-Term Management Plan

In March 2021, SAR set a medium-term management plan for next five years to achieve an asset size of 300 billion yen and a cash distribution per unit of 1,600 yen.

As stated above, SAR executed an acquisition of properties through a public offering executed in August 2021 (seven properties/total acquisition price: 12.9 billion yen) as a first step to expand the asset size. The newly acquired properties include offices with environmentally friendly and tenant friendly functions developed by Star Asia Sogo Kaihatsu Co., Ltd. under the Star Asia group. SAR will, in order to realize targets of the medium-term management plan, capitalize on various functions of Star Asia group including such development initiatives.

In addition, SAR recognizes the need to develop management pursuing revenue increase and cost reduction in each property under management for growth of cash distribution per unit, and working on it every day. SAR will pursue increase of cash distributions per unit by maintaining such stance including increase of cash distributions through external growth (property acquisitions). However, for the time being with impact of the COVID-19 pandemic remains, SAR plans to maintain the cash distribution level through the use of internal reserves including negative goodwill.

ESG

SAR is committed to initiatives related to ESG in order to achieve SDGs, which has become a global policy issue. SAR established at Star Asia Investment Management, the Sustainability Promotion Division and organized the Sustainability Promotion Committee in January 2021.

During 2021, various measures were implemented under the leadership of the Sustainability Promotion Division. SAR set up concrete numerical values regarding reduction of GHG (greenhouse gases) and energy consumption, water resource management and waste management as its initiatives related to E (environment), and is monitoring its effectiveness every year. In addition, it is also implementing initiatives related to S (social) such as creating a comfortable work environment at Star Asia Investment Management and providing spaces that contributes to the local community at its properties (holding social observation events for elementary school students and providing spectator seating, resting spaces, etc. for local festivals). SAR will continue these initiatives related to ESG. Furthermore, SAR participated in the 2021 GRESB Real Estate Assessment, which is participated by real estate companies and funds around the world and comparatively evaluates initiatives related to ESG, and was awarded 3 Stars and Green Star ratings. We believe that this is the result of enhancing initiatives related to ESG centering on the Sustainability Promotion Division and the cooperation of the sub-sponsor NIPPON KANZAI group.

SAR will continue initiatives related to ESG and aim to establish better environment (E), society (S) and governance (G) and in order to fulfill the responsibilities of J-REIT with a strong public nature.

As mentioned in the Semiannual Report of 11th Fiscal Period, SAR has largely enhanced information disclosure on initiatives related to ESG on SAR's website. We hope you would take a look at the website (<http://starasia-reit.com/>).

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 while 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."

GRESB Real Estate Assessment

SAR was awarded 3 Stars and Green Star ratings in the 2021 GRESB Real Estate Assessment.

SAR has set in the medium-term management plan formulated in March 2021 to target the acquisition of "3 Star" regarding the medium-term target concerning GRESB Real Estate Assessment, and has achieved the medium-term target in the first year of participation. We consider that this is the result of enhancing the initiatives related to ESG centered on the Sustainability Promotion Division, which was newly established in January 2021. Based on the ESG Policy, we will continue to pursue initiatives that gives further consideration to environment, society and governance through maintaining and improving the rating of the GRESB Real Estate Assessment.

Environmental Initiatives

Acquisition of Environmental Certifications

	★★★	★★	★	Total number of properties (Note 1)	Ratio (Note 2)
DBJ Green Building Certification	1 property	5 properties	3 properties	9 properties	37.3%
Building-Housing Energy-Efficiency Labeling System (BELS)	1 property	1 property	0 properties	2 properties	1.1%

(Note 1) Even in case when a property with two 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 (530,196.80m²).

Goals

Achieve at least 50% of the ratio at environmental certifications by 2026

Initiatives at Urban Center Hakata

Urban Center Hakata held by SAR is the first office development project by Star Asia Sogo Kaihatsu Co. Ltd. under the Star Asia group. Star Asia Group's Construction Management Department supervised the specifications from interior and exterior design and facilities to the final finishing, assuming the needs of the tenants entering the property, and acquired BELS★★★.

- BCP response (Install emergency-use USB ports)
- Energy saving effect by use of automatic dimming lighting
- Control humidity by use of desiccant outside air processing equipment
- No-water injection humidifying which does not require installation of pipes in the exclusively owned areas
- Use of recycled water, rain water

Property name	Urban Center Hakata
Asset type	Office
Location	Fukuoka-shi, Fukuoka
Acquisition price	2,870 million yen
Construction completion	August 27, 2020
Acquisition date	August 19, 2021
Total floor area	3,566.56m ²

Social Initiatives

Regional Contribution and Improvement of Tenant Satisfaction

From an environmental consideration perspective, distribute eco-bags at commercial facilities in order to reduce the use of plastic grocery bags.

During the "Human Rights Week" prescribed by the human rights protection organization of the Ministry of Legal Affairs, Human Rights Week posters were put up on message boards of owned properties. Awareness-raising activities were held in order to disseminate and raise awareness towards respect for human rights.

Conduct Tenant Satisfaction Survey

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

Governance Initiatives

Asset Management Fees

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

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

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

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

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

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

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


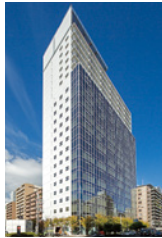




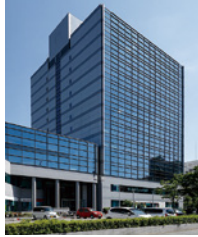



















(Note 2) Merger fee indicates the valuation amount as of the date of effectuation of the real estate related assets held by the counterparty of a consolidation-type merger or absorption-type merger.

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




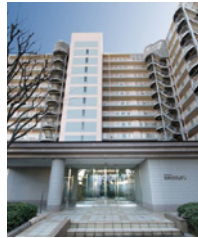
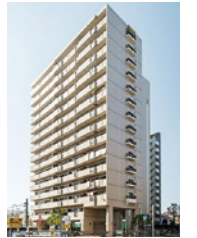













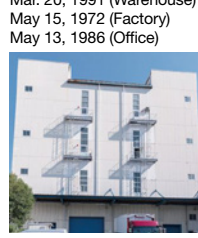







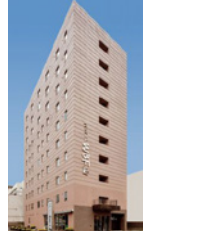
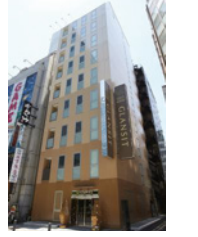
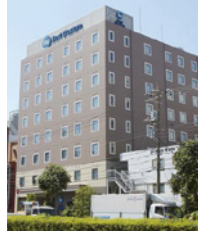
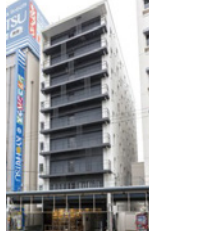
Decision-making process

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

Portfolio Overview (As of January 31, 2022)

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 
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 NK BLDG. Completed: Oct. 28, 1991 
OFC-16 Urban Center Kanda Tsukasamachi (Note 1) 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 Shin-Yokohama Nara BLDG. Completed: Mar. 17, 1992 	OFC-21 The Portal Akihabara Completed: May 31, 2002 
OFC-22 Urban Center Tachikawa (Note 2) Completed: May 30, 1990 	OFC-23 Urban Center Hakata Completed: Aug. 27, 2020 	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 	RTL-05 BAGUS Ikebukuro West Completed: Nov. 20, 1992 
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 	RSC-07 Urban Park Kashiwa Completed: Aug. 28, 1997 	RSC-08 Urban Park Ryokuchi Koen Completed: Mar. 10, 1989 

(Note 1) Name as of Jan. 31, 2022 was Tsukasamachi BLDG.
(Note 2) Name as of Jan. 31, 2022 was OHA Building.

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 	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 	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) 	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 Completed: Sep. 5, 2001 	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 (Note 3) Completed: Feb. 20, 2017 	HTL-06 GLANSIT AKIHABARA Completed: Sep. 20, 2017 	HTL-07 REMBRANDT STYLE Tokyo Nishikasai Grande Completed: Feb. 7, 2017 	HTL-08 KOKO HOTEL Osaka Namba Completed: Apr. 7, 2017 

(Note 3) Name as of Jan. 31, 2022 was Hotel WBF Fukuoka Tenjin Minami.

Financial Summary

Historical Operating Trends

Fiscal Period		8th Fiscal Period (August 1, 2019 to January 31, 2020)	9th Fiscal Period (February 1, 2020 to July 31, 2020)	10th Fiscal Period (August 1, 2020 to January 31, 2021)	11th Fiscal Period (February 1, 2021 to July 31, 2021)	12th Fiscal Period (August 1, 2021 to January 31, 2022)
Operating revenue	(million yen)	3,227	3,996	6,672	5,560	5,960
Operating revenue from real estate leasing	(million yen)	3,200	3,314	5,648	5,536	5,890
Operating expenses	(million yen)	1,506	1,864	3,295	2,721	2,872
Operating expenses from real estate leasing	(million yen)	1,189	1,173	2,179	2,189	2,311
Operating income	(million yen)	1,721	2,131	3,376	2,838	3,087
Ordinary income	(million yen)	1,494	1,857	2,911	2,407	2,517
Net income	(million yen)	1,493	1,857	11,801	2,407	2,516
Total assets	(million yen)	109,649	113,035	179,789	179,170	193,316
[Period-on-period variation]	(%)	(-0.5)	(3.1)	(59.1)	(-0.3)	(7.9)
Net assets	(million yen)	54,299	54,614	89,600	89,179	95,753
[Period-on-period variation]	(%)	(-0.8)	(0.6)	(64.1)	(-0.5)	(7.4)
Interest-bearing debt	(million yen)	51,580	54,320	82,440	82,440	89,640
Unitholders' capital	(million yen)	52,745	52,745	52,745	52,745	59,115
Total number of investment units issued and outstanding	(units)	540,824	540,824	1,674,389	1,674,389	1,789,389
Net assets per unit ^(Note 3)	(yen)	100,401	50,492	53,512	53,260	53,511
Total cash distribution	(million yen)	1,507	1,858	2,806	2,447	2,644
Cash distributions per unit	(yen)	2,788	3,436	1,676	1,462	1,478
Cash distribution of earnings per unit	(yen)	2,788	3,436	1,676	1,462	1,478
Cash distributions in excess of earnings per unit	(yen)	—	—	—	—	—
Ratio of ordinary income to total assets ^(Note 4)	(%)	1.4	1.7	2.0	1.3	1.4
[Annualized]	(%)	(2.7)	(3.3)	(3.9)	(2.7)	(2.7)
Return on equity ^(Note 4)	(%)	2.7	3.4	16.4	2.7	2.7
[Annualized]	(%)	(5.4)	(6.8)	(32.5)	(5.4)	(5.4)
Equity ratio at end of period ^(Note 4)	(%)	49.5	48.3	49.8	49.8	49.5
[Period-on-period variation]		(-0.1)	(-1.2)	(1.5)	(-0.1)	(-0.2)
Cash distribution payout ratio ^(Note 4)	(%)	100.9	100.1	23.8	101.7	105.1
[Other reference Information]						
Number of operating days	(days)	184	182	184	181	184
Number of properties at end of period	(properties)	34	36	53	53	60
Depreciation	(million yen)	420	432	628	633	682
Capital expenditures	(million yen)	131	188	331	363	424
Lease NOI (Net Operating Income) ^(Note 4)	(million yen)	2,431	2,573	4,097	3,980	4,261
FFO (Funds from Operation) ^(Note 4)	(million yen)	1,914	1,640	2,564	3,040	3,199
FFO per unit ^{(Note 3) (Note 4)}	(yen)	3,539	1,516	1,531	1,815	1,787
Ratio of interest-bearing debt to total assets at end of period (LTV)	(%)	47.0	48.1	45.9	46.0	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) SAR conducted an investment unit split to carry out a 2-for-1 split of investment units with July 31, 2020 as the record date and August 1, 2020 as the effective date for the investment unit split. Net assets per unit and FFO per unit are calculated assuming that the investment unit split was conducted at the beginning of the 9th fiscal period.

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

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

Balance Sheet

(Unit: thousand yen)

	11th fiscal period (As of July 31, 2021)	12th fiscal period (As of January 31, 2022)
Assets		
Current assets		
Cash and deposits	3,169,688	3,774,975
Cash and deposits in trust	7,536,399	7,950,192
Operating accounts receivable	96,187	88,581
Prepaid expenses	177,085	200,093
Consumption taxes receivable	83,497	155,777
Others	7,506	14,763
Total current assets	11,070,364	12,184,385
Non-current assets		
Property, plant and equipment		
Tools, furniture and fixtures	114	114
Accumulated depreciation	(42)	(71)
Tools, furniture and fixtures, net	71	42
Buildings in trust	49,655,872	53,053,772
Accumulated depreciation	(4,084,344)	(4,755,763)
Buildings in trust, net	45,571,527	48,298,008
Structures in trust	20,635	20,635
Accumulated depreciation	(4,393)	(5,115)
Structures in trust, net	16,242	15,520
Machinery and equipment in trust	97,214	99,519
Accumulated depreciation	(18,872)	(23,762)
Machinery and equipment in trust, net	78,341	75,756
Tools, furniture and fixtures in trust	56,654	67,545
Accumulated depreciation	(20,334)	(24,969)
Tools, furniture and fixtures in trust, net	36,319	42,576
Land in trust	117,051,893	127,283,507
Construction in progress in trust	550	–
Total property, plant and equipment	162,754,946	175,715,413
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	692,234	922,220
Long-term loans receivable	300,000	–
Long-term prepaid expenses	260,510	351,116
Leasehold and guarantee deposits	10,459	10,379
Others	–	3,317
Total investments and other assets	1,263,203	1,287,033
Total non-current assets	168,100,450	181,084,747
Deferred assets		
Investment corporation bond issuance costs	–	13,603
Investment unit issuance costs	–	34,219
Total deferred assets	–	47,823
Total assets	179,170,815	193,316,956

(Unit: thousand yen)

	11th fiscal period (As of July 31, 2021)	12th fiscal period (As of January 31, 2022)
Liabilities		
Current liabilities		
Operating accounts payable	544,542	789,397
Short-term borrowings	2,150,000	–
Current portion of long-term borrowings	23,450,000	15,350,000
Accounts payable - other	492,764	500,649
Accrued expenses	41,562	49,478
Income taxes payable	605	605
Accrued consumption taxes	71,861	46,037
Advances received	913,623	915,355
Others	23,834	30,771
Total current liabilities	27,688,794	17,682,295
Non-current liabilities		
Investment corporation bonds	–	1,000,000
Long-term borrowings	56,840,000	73,290,000
Leasehold and guarantee deposits received	6,142	5,074
Leasehold and guarantee deposits received in trust	5,217,745	5,476,752
Others	238,654	109,745
Total non-current liabilities	62,302,542	79,881,571
Total liabilities	89,991,336	97,563,867
Net assets		
Unitholders' equity		
Unitholders' capital	52,745,966	59,115,701
Surplus		
Unitholders' capital surplus	25,132,218	25,132,218
Voluntary reserve		
Reserve for temporary difference adjustment	*2 8,891,236	*2 8,802,324
Total voluntary reserve	8,891,236	8,802,324
Unappropriated retained earnings (undisposed loss)	2,651,806	2,809,755
Total surplus	36,675,261	36,744,298
Total unitholders' equity	89,421,227	95,859,999
Valuation and translation adjustments		
Deferred gains or losses on hedges	(241,749)	(106,910)
Total valuation and translation adjustments	(241,749)	(106,910)
Total net assets	*1 89,179,478	*1 95,753,089
Total liabilities and net assets	179,170,815	193,316,956

Statement of Income and Retained Earnings

(Unit: thousand yen)

	11th fiscal period (From February 1, 2021 to July 31, 2021)	12th fiscal period (From August 1, 2021 to January 31, 2022)
Operating revenue		
Rental revenue	*1 5,184,498	*1 5,467,061
Other lease business revenue	*1 351,786	*1 423,937
Other revenue	24,495	69,418
Total operating revenue	5,560,780	5,960,418
Operating expenses		
Expenses related to rent business	*1 2,189,167	*1 2,311,905
Asset management fee	380,024	392,495
Asset custody and administrative service fees	38,699	42,732
Directors' compensations	2,400	2,400
Other operating expenses	111,699	122,935
Total operating expenses	2,721,990	2,872,468
Operating income	2,838,789	3,087,950
Non-operating income		
Interest income	63	48
Reversal of unpaid distribution	3,390	1,326
Interest on refund	1	106
Total non-operating income	3,454	1,481
Non-operating expenses		
Interest expenses	301,653	337,121
Interest expenses on investment corporation bonds	–	2,473
Borrowing related expenses	132,679	224,543
Amortization of investment corporation bond issuance costs	–	850
Amortization of investment unit issuance costs	–	6,843
Total non-operating expenses	434,333	571,833
Ordinary income	2,407,910	2,517,598
Income before income taxes	2,407,910	2,517,598
Income taxes - current	605	605
Total income taxes	605	605
Net income	2,407,305	2,516,993
Retained earnings brought forward	244,500	292,762
Unappropriated retained earnings (undisposed loss)	2,651,806	2,809,755

Statement of Changes in Unitholders' Equity

11th fiscal period (from February 1, 2021 to July 31, 2021)

(Unit: thousand yen)

	Unitholders' equity							Valuation and translation adjustments		Total net assets
	Unitholders' capital	Unitholders' capital surplus	Surplus		Unappropriated retained earnings (undisposed loss)	Total surplus	Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
			Reserve for temporary difference adjustment	Total voluntary reserve						
Balance at beginning of period	52,745,966	25,132,218	—	—	11,942,013	37,074,231	89,820,197	(219,679)	(219,679)	89,600,518
Changes of items during period										
Dividends from surplus					(2,806,275)	(2,806,275)	(2,806,275)			(2,806,275)
Provision of reserve for temporary difference adjustment			8,891,236	8,891,236	(8,891,236)	—	—			—
Net income					2,407,305	2,407,305	2,407,305			2,407,305
Net changes of items other than unitholders' equity								(22,069)	(22,069)	(22,069)
Total changes of items during period	—	—	8,891,236	8,891,236	(9,290,206)	(398,970)	(398,970)	(22,069)	(22,069)	(421,039)
Balance at end of period	^{*1} 52,745,966	25,132,218	8,891,236	8,891,236	2,651,806	36,675,261	89,421,227	(241,749)	(241,749)	89,179,478

Statement of Changes in Unitholders’ Equity

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

(Unit: thousand yen)

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

Statement of Cash Distributions

(Unit: yen)

	11th fiscal period (From February 1, 2021 to July 31, 2021)	12th fiscal period (From August 1, 2021 to January 31, 2022)
I. Unappropriated retained earnings	2,651,806,438	2,809,755,972
II. Reversal of voluntary reserve		
Reversal of reserve for temporary difference adjustment *1	88,912,365	88,912,365
III. Cash distribution	2,447,956,718	2,644,716,942
[Cash distribution per unit]	(1,462)	(1,478)
Cash distribution of earnings	2,447,956,718	2,644,716,942
[Cash distribution of earnings per unit]	(1,462)	(1,478)
IV. Retained earnings carried forward	292,762,085	253,951,395
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 2,447,956,718 yen, which is equivalent to the sum of the amount remaining after reserving 48,261,396 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 2,644,716,942 yen, which is equivalent to the amount obtained by adding part of retained earnings brought forward of 38,810,690 yen and the reversal of reserve for temporary difference adjustment of 88,912,365 yen to net income.

Statement of Cash Flows

	(Unit: thousand yen)	
	11th fiscal period (From February 1, 2021 to July 31, 2021)	12th fiscal period (From August 1, 2021 to January 31, 2022)
Cash flows from operating activities		
Income before income taxes	2,407,910	2,517,598
Depreciation	633,013	682,245
Amortization of investment corporation bond issuance costs	–	850
Amortization of investment unit issuance costs	–	6,843
Interest income	(63)	(48)
Interest expenses	301,653	339,595
Decrease (increase) in operating accounts receivable	(13,838)	7,605
Decrease (increase) in consumption taxes receivable	(83,497)	(72,280)
Increase (decrease) in accrued consumption taxes	(180,619)	(25,824)
Decrease (increase) in prepaid expenses	11,412	(23,008)
Decrease (increase) in long-term prepaid expenses	(15,453)	(90,606)
Increase (decrease) in operating accounts payable	(123,131)	143,883
Increase (decrease) in accounts payable - other	(35,359)	7,276
Increase (decrease) in advances received	78,509	1,732
Others, net	(3,762)	(28,806)
Subtotal	2,976,775	3,467,056
Interest income received	63	48
Interest expenses paid	(303,625)	(331,705)
Income taxes paid	(443)	(5,381)
Net cash provided by operating activities	2,672,769	3,130,019
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(330,859)	(13,552,890)
Repayments of leasehold and guarantee deposits received	(72)	(1,068)
Proceeds from leasehold and guarantee deposits received	72	–
Repayments of leasehold and guarantee deposits received in trust	(124,421)	(181,994)
Proceeds from leasehold and guarantee deposits received in trust	145,144	441,001
Proceeds from collection of lease and guarantee deposits	10,060	80
Purchase of investment securities	–	(400,000)
Proceeds from redemption of investment securities	57,887	216,472
Proceeds from collection of long-term loans receivable	–	300,000
Net cash used in investing activities	(242,189)	(13,178,398)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,660,000	–
Repayments of short-term borrowings	(1,660,000)	(2,150,000)
Proceeds from long-term borrowings	8,960,000	22,050,000
Repayments of long-term borrowings	(8,960,000)	(13,700,000)
Proceeds from issuance of investment corporation bonds	–	985,545
Proceeds from issuance of investment units	–	6,328,671
Dividends paid	(2,805,455)	(2,446,756)
Net cash used in financing activities	(2,805,455)	11,067,460
Net increase (decrease) in cash and cash equivalents	(374,875)	1,019,080
Cash and cash equivalents at beginning of period	11,080,963	10,706,087
Cash and cash equivalents at end of period	*1 10,706,087	*1 11,725,168

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 12th fiscal period is 179,675 million yen (on the basis of acquisition price. The properties succeeded from Sakura Sogo REIT Investment Corporation with the absorption-type merger in August 2020 are on the basis of receipt price. The same shall apply hereinafter.), and has grown by approximately 2.9 times from 61,493 million yen, the asset size as of the listing.

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.)

Stocks, etc. with no market price

Cost method through moving-average method

As for silent partnership equity interests, the method of incorporating the amount equivalent to equity interests corresponding to net amount of gain or loss from silent partnership is adopted.

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 recognized 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 16,601 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

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

Taxes are excluded from the transaction amounts in accounting for consumption tax and local consumption tax.

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

Notes on Changes in Accounting Policies

1. Application of Accounting Standard for Revenue Recognition, etc.

SAR has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 (revised 2020), issued on March 31, 2020; the “Revenue Recognition Accounting Standard”), etc. from the beginning of the current fiscal period, and decided to recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. The impact of this change on the financial statements for the current fiscal period is minimal.

Furthermore, in accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, the note related to revenue recognition for the previous fiscal period is not shown.

2. Application of Accounting Standard for Fair Value Measurement, etc.

SAR has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019; the “Fair Value Measurement Accounting Standard”), etc. from the beginning of the current fiscal period, and decided to adopt the new accounting policies set forth by the Fair Value Measurement Accounting Standard, etc. going forward in accordance with the transitional treatment as stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 (revised 2019), issued on July 4, 2019). The impact of this change on the financial statements for the current fiscal period is minimal.

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)

11th fiscal period (As of July 31, 2021)	12th fiscal period (As of January 31, 2022)
50,000	50,000

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

11th fiscal period (As of July 31, 2021)

(Unit: thousand yen)

	Initial amount	Balance at beginning of period	Provision amount during period	Reversal amount during period	Balance at end of period	Reasons for provision and reversal
Gain on negative goodwill ^(Note)	8,891,236	–	8,891,236	–	8,891,236	Provision of gain on negative goodwill through merger

(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.

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

(Unit: thousand yen)

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

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

Notes to the Statement of Income and Retained Earnings

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

(Unit: thousand yen)

	11th fiscal period (From February 1, 2021 to July 31, 2021)	12th fiscal period (From August 1, 2021 to January 31, 2022)
A. Operating revenue from real estate leasing		
Rental revenue		
Rent revenue	4,413,190	4,696,720
Common area maintenance revenue	540,735	534,187
Parking revenue	195,685	199,390
Facility use revenue	30,677	30,985
Other rental revenue	4,209	5,778
Total	5,184,498	5,467,061
Other lease business revenue		
Utilities income	258,593	296,154
Other revenue	93,192	127,783
Total	351,786	423,937
Total operating revenue from real estate leasing	5,536,284	5,890,999
B. Operating expenses from real estate leasing		
Expenses related to rent business		
Management fee	419,406	438,037
Utilities expenses	260,562	310,409
Property taxes	421,132	421,139
Repair expenses	220,204	181,998
Trust fee	22,864	25,603
Insurance premium	12,192	13,010
Depreciation	633,013	682,245
Other expenses	199,789	239,461
Total operating expenses from real estate leasing	2,189,167	2,311,905
C. Operating income (loss) from real estate leasing [A–B]	3,347,117	3,579,094

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

	11th fiscal period (From February 1, 2021 to July 31, 2021)	12th fiscal period (From August 1, 2021 to January 31, 2022)
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	1,674,389 units	1,789,389 units

Notes to the Statement of Cash Distributions

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

Notes to the Statement of Cash Flows

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

(Unit: thousand yen)

	11th fiscal period (From February 1, 2021 to July 31, 2021)	12th fiscal period (From August 1, 2021 to January 31, 2022)
Cash and deposits	3,169,688	3,774,975
Cash and deposits in trust	7,536,399	7,950,192
Cash and cash equivalents	10,706,087	11,725,168

Notes on Lease Transactions

Operating leases (as lessor)

Future minimum lease payments

(Unit: thousand yen)

	11th fiscal period (As of July 31, 2021)	12th fiscal period (As of January 31, 2022)
Not later than 1 year	5,328,242	5,584,037
Later than 1 year	8,126,573	7,200,564
Total	13,454,815	12,784,602

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. Method of hedge accounting" 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," "cash and deposits in trust" and "short-term borrowings" are cash and settled in a short period of time and the fair values approximate the book values accordingly, notes on such are omitted.

11th fiscal period (As of July 31, 2021)

(Unit: thousand yen)

	Carrying amount	Fair value	Difference
(1) Current portion of long-term borrowings	23,450,000	23,450,000	—
(3) Long-term borrowings	56,840,000	56,861,428	21,428
Liabilities total	80,290,000	80,311,428	21,428
(4) Derivative transactions *1	(241,749)	(241,749)	—

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

(Unit: thousand yen)

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

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

(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

11th fiscal period (As of July 31, 2021)

(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
Long-term borrowings	23,450,000	15,390,000	13,340,000	7,300,000	17,810,000	3,000,000
Total	23,450,000	15,390,000	13,340,000	7,300,000	17,810,000	3,000,000

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

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Investment corporation bonds	–	–	–	–	–	1,000,000
Long-term borrowings	15,350,000	14,630,000	12,285,000	19,150,000	17,175,000	10,050,000
Total	15,350,000	14,630,000	12,285,000	19,150,000	17,175,000	11,050,000

Notes on Securities

Other securities

11th fiscal period (As of July 31, 2021)

(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	272,850	272,850	–
	Subtotal	672,850	672,850	–
Total		672,850	672,850	–

(Note) Silent partnership equity interests (carrying amount: 19,384 thousand yen) are not included in above because they have no market value and their fair values are extremely difficult to measure.

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

(Unit: thousand yen)

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

Notes on Derivative Transactions

1. Derivative transactions to which hedge accounting is not applied

11th fiscal period (As of July 31, 2021)

Not applicable.

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

Not applicable.

2. Derivative transactions to which hedge accounting is applied

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

11th fiscal period (As of July 31, 2021)

(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	54,290,000	46,140,000	(241,749)

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

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

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

(Unit: thousand yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc. (Note 1)		Fair value (Note 2)
				Of which, later than 1 year	
Principle method of accounting	Interest rate swap transaction (floating receivable; fixed payable)	Long-term borrowings	72,555,000	64,405,000	(106,910)

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

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

Notes on Retirement Benefits

11th fiscal period (As of July 31, 2021)

Not applicable.

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

Not applicable.

Notes on Tax-Effect Accounting

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

(Unit: thousand yen)

	11th fiscal period (As of July 31, 2021)	12th fiscal period (As of January 31, 2022)
Deferred tax assets		
Valuation adjustment upon merger	1,203,727	1,175,788
Acquisition cost of securities	1,359	2,998
Deferred gains or losses on hedges	76,054	33,634
Deferred tax assets, subtotal	1,281,140	1,212,421
Valuation allowance	(1,281,140)	(1,212,421)
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: %)

	11th fiscal period (As of July 31, 2021)	12th fiscal period (As of January 31, 2022)
Statutory tax rate	31.46	31.46
[Adjustments]		
Deductible distributions payable	(30.49)	(30.61)
Reversal of excess depreciation	(0.83)	(0.82)
Others	(0.12)	(0.00)
Effective income tax rate after application of tax-effect accounting	0.03	0.02

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

11th fiscal period (As of July 31, 2021)

Not applicable.

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

Not applicable.

Notes on Related-Party Transactions

1. Parent company, major corporate unitholders, etc.

11th fiscal period (from February 1, 2021 to July 31, 2021)

Not applicable.

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

Not applicable.

2. Affiliated companies, etc.**11th fiscal period (from February 1, 2021 to July 31, 2021)**

Not applicable.

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

Not applicable.

3. Fellow subsidiaries, etc.**11th fiscal period (from February 1, 2021 to July 31, 2021)**

Not applicable.

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

Not applicable.

4. Directors, major individual unitholders, etc.**11th fiscal period (from February 1, 2021 to July 31, 2021)**

(Unit: thousand yen)

Category	Name of company, etc. or person	Address	Capital stock or investments in capital	Description of business or occupation	Percentage of voting rights, etc. held by (in) SAR	Description of transaction	Transaction amount	Account item	Balance at end of period
Director, or close relative of director	Atsushi Kato	—	—	Executive Director of SAR, and President and CEO of the Asset Manager	0.02%	Payment of asset management fee to the Asset Manager (Note 1)	380,024 (Note 2)	Accounts payable – others	418,026 (Note 2)

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

(Unit: thousand yen)

Category	Name of company, etc. or person	Address	Capital stock or investments in capital	Description of business or occupation	Percentage of voting rights, etc. held by (in) SAR	Description of transaction	Transaction amount	Account item	Balance at end of period
Director, or close relative of director	Atsushi Kato	—	—	Executive Director of SAR, and President and CEO of the Asset Manager	0.02%	Payment of asset management fee to the Asset Manager (Note 1)	472,980 (Note 2) (Note 3)	Accounts payable – other	429,545 (Note 2)

(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 end of period includes consumption tax.

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

Notes on Asset Retirement Obligations**11th fiscal period (from February 1, 2021 to July 31, 2021)**

Not applicable.

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

Not applicable.

Notes on Investments in Rental Propertie

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

(Unit: thousand yen)

	11th fiscal period (From February 1, 2021 to July 31, 2021)	12th fiscal period (From August 1, 2021 to January 31, 2022)
Carrying amount		
Balance at beginning of period	167,106,948	166,836,697
Amount of increase (decrease) during period	(270,251)	12,961,016
Balance at end of period	166,836,697	179,797,713
Fair value at end of period	177,211,000	193,604,000

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

(Note 2) Of the amount of increase (decrease) during the 11th fiscal period, the amount of increase is mainly attributable to capital expenditures (363,439 thousand yen), while the amount of decrease is mainly attributable to depreciation (633,013 thousand yen). Of the amount of increase (decrease) during the 12th fiscal period, the amount of increase is mainly attributable to acquisition of real estate beneficiary interest in trust of seven properties (13,230,298 thousand yen) and capital expenditures (424,722 thousand yen), while the amount of decrease is mainly attributable to depreciation (682,245 thousand yen).

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

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

Notes on Revenue Recognition**1. Breakdown information on revenue from contracts with customers****12th fiscal period (from August 1, 2021 to January 31, 2022)**

(Unit: thousand yen)

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

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

2. Foundational information for understanding revenue from contracts with customers

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

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

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

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

(Unit: thousand yen)

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

(2) Transaction value allocated to remaining performance obligations

Not applicable.

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

Notes on Segment Information

1. Segment information

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

2. Related information

11th fiscal period (from February 1, 2021 to July 31, 2021)

(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.

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

(1) Information about products and services

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

(2) Information about geographic areas

1) Net sales

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

2) Property, plant and equipment

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

(3) Information about each major customer

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

Notes on Per Unit Information

(Unit: yen)

	11th fiscal period (From February 1, 2021 to July 31, 2021)	12th fiscal period (From August 1, 2021 to January 31, 2022)
Net assets per unit	53,260	53,511
Net income per unit	1,437	1,414

(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)

	11th fiscal period (From February 1, 2021 to July 31, 2021)	12th fiscal period (From August 1, 2021 to January 31, 2022)
Net income	2,407,305	2,516,993
Amount not attributable to common unitholders	–	–
Net income attributable to common investment units	2,407,305	2,516,993
Average number of investment units during period (units)	1,674,389	1,779,389

Notes on Significant Subsequent Events

Not applicable.

Additional Information

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

A rent system in which rents are entirely or partially linked to the operating revenue, etc. of hotels has been adopted for some hotel properties owned by SAR and variable rents are unlikely to occur as of the end of the 12th fiscal period due to the temporary closure of hotels and decline in occupancy rates. SAR estimates future cash flow based on the assumption that the economic environment surrounding these properties will recover moderately upon the application of impairment accounting of long-lived assets.

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

Supplementary Schedules

1. Schedule of securities

(1) Stocks

Not applicable.

(2) Securities other than stocks

(Unit: thousand yen)

Category	Name of the security	Total face value	Book value	Accrued interest (Note 1)	Prepaid accrued interest	Fair value	Unrealized gain or loss	Remarks
Corporate bonds	Star Asia Mezzanine Loan Debt Investment Series 1	400,000	400,000	3,436	–	400,000	–	(Note 2) (Note 3)
Trust beneficiary interests	Star Asia Mezzanine Loan Debt Investment Series 3	–	122,220	16	–	122,220	–	(Note 2) (Note 4)
Specified corporate bond	Star Asia Mezzanine Loan Debt Investment Series 6	400,000	400,000	3,712	–	400,000	–	(Note 2) (Note 5)
Total		–	922,220	7,165	–	922,220	–	

(Note 1) Accrued interest includes accrued dividends receivable on trust beneficiary interests.

(Note 2) Because interest income etc. from mezzanine loan debt (corporate bonds and beneficiary interest in trust) are based on floating interest rates and is 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 3) The underlying assets are trust beneficiary interests in a trust mainly comprised of Relief Premium Haneda.

(Note 4) The underlying assets are trust beneficiary interests in a trust mainly comprised of The Royal Garden Residence Shirokanedai.

(Note 5) The underlying assets are trust beneficiary interests in a trust mainly composed of Tajimi Logistics Center.

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

(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)	72,555,000	64,405,000	(106,910)
Total		72,555,000	64,405,000	(106,910)

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

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

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

(Unit: thousand yen)

Type of asset	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Accumulated depreciation or accumulated amortization		Net balance at end of period	Remarks
						For period		
Tools, furniture and fixtures	114	–	–	114	71	28	42	
Buildings in trust	49,655,872	3,410,209	12,309	53,053,772	4,755,763	671,970	48,298,008	(Note)
Structures in trust	20,635	–	0	20,635	5,115	721	15,520	
Machinery and equipment in trust	97,214	2,305	–	99,519	23,762	4,890	75,756	
Tools, furniture and fixtures in trust	56,654	10,891	–	67,545	24,969	4,634	42,576	
Land in trust	117,051,893	10,231,613	–	127,283,507	–	–	127,283,507	(Note)
Construction in progress in trust	550	–	550	–	–	–	–	
Subtotal	166,882,935	13,655,020	12,859	180,525,096	4,809,682	682,245	175,715,413	
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	170,965,235	13,655,020	12,859	184,607,396	4,809,682	682,245	179,797,713	

(Note) Breakdown of amount of increase during period for property, plant and equipment was mainly due to acquisition of following properties.

OHA Building, Urban Center Hakata, BAGUS Ikebukuro West, Urban Park Ryogoku, Urban Park Mizonokuchi, Urban Park Miyamaedaira, Urban Park Tsurumi

4. Schedule of other specified assets

Not applicable.

5. Schedule of investment corporation bonds

(Unit: thousand yen)

Name of the security	Issue date	Balance at beginning of period	Amount of decrease during period	Balance at end of period	Interest rate	Redemption date	Use	Collateral
First Series Unsecured Investment Corporation Bonds (ranking pari passu among specified investment corporation bonds)	September 24, 2021	–	–	1,000,000	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)	Lender	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate ^(Note 1)	Repayment date	Repayment method	Use	Remarks
Short-term borrowings	Shinsei Bank, Limited	1,710,000	–	1,710,000	–	0.2855%	August 31, 2021	Lump sum repayment on repayment date	(Note 4)	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	390,000	–	390,000	–					
	Resona Bank, Limited.	50,000	–	50,000	–					
	Subtotal	2,150,000	–	2,150,000	–	0.9384%	August 31, 2021	Lump sum repayment on repayment date	(Note 4)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,950,000	–	1,950,000	–					
Long-term borrowings	Shinsei Bank, Limited	1,950,000	–	1,950,000	–					
	Resona Bank, Limited.	600,000	–	600,000	–					
	Aozora Bank, Ltd.	500,000	–	500,000	–					
	ORIX Bank Corporation	1,000,000	–	1,000,000	–					
	Sumitomo Mitsui Banking Corporation	1,400,000	–	–	1,400,000	0.7100% ^(Note 3)	April 20, 2022	Lump sum repayment on repayment date	(Note 4)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,050,000	–	–	1,050,000					
	Sumitomo Mitsui Trust Bank, Limited	500,000	–	–	500,000					
	Aozora Bank, Ltd.	400,000	–	–	400,000					
	Shinsei Bank, Limited	400,000	–	–	400,000	0.8820%	August 31, 2022	Lump sum repayment on repayment date	(Note 4)	Unsecured and unguaranteed
	Resona Bank, Limited.	400,000	–	–	400,000					
	Sumitomo Mitsui Banking Corporation	2,500,000	–	–	2,500,000					
	Resona Bank, Limited.	600,000	–	–	600,000					
	Shinsei Bank, Limited	2,500,000	–	–	2,500,000					

	Category ^(Note 2)	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate ^(Note 1)	Repayment date	Repayment method	Use	Remarks
	Lender									
Long-term borrowings	Sumitomo Mitsui Banking Corporation	970,000	–	–	970,000	0.7300% ^(Note 3)	February 20, 2023	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	920,000	–	–	920,000					
	Sumitomo Mitsui Trust Bank, Limited	800,000	–	–	800,000					
	Aozora Bank, Ltd.	500,000	–	–	500,000					
	Shinsei Bank, Limited	500,000	–	–	500,000					
	Resona Bank, Limited.	500,000	–	–	500,000					
	The Bank of Fukuoka, Ltd.	500,000	–	–	500,000	0.5355% ^(Note 3)	October 20, 2021	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,865,000	–	1,865,000	–					
	Mizuho Bank, Ltd.	1,715,000	–	1,715,000	–					
	Sumitomo Mitsui Trust Bank, Limited	1,050,000	–	1,050,000	–					
	Aozora Bank, Ltd.	600,000	–	600,000	–					
	Shinsei Bank, Limited	600,000	–	600,000	–					
	Resona Bank, Limited.	600,000	–	600,000	–					
	The Bank of Fukuoka, Ltd.	170,000	–	170,000	–					
	The Dai-ichi Life Insurance Company, Limited	500,000	–	500,000	–					
	Mizuho Trust & Banking Co., Ltd.	200,000	–	200,000	–					
	Sumitomo Mitsui Banking Corporation	1,950,000	–	–	1,950,000	1.0778% ^(Note 3)	February 28, 2023	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Shinsei Bank, Limited	1,950,000	–	–	1,950,000					
	Aozora Bank, Ltd.	800,000	–	–	800,000					
	Resona Bank, Limited.	400,000	–	–	400,000					
	Sumitomo Mitsui Banking Corporation	500,000	–	–	500,000	0.6095% ^(Note 3)	March 22, 2022	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	450,000	–	–	450,000					
	Sumitomo Mitsui Trust Bank, Limited	700,000	–	–	700,000					
	Aozora Bank, Ltd.	500,000	–	–	500,000					
	Shinsei Bank, Limited	600,000	–	–	600,000					
	Resona Bank, Limited.	500,000	–	–	500,000					
	The Bank of Fukuoka, Ltd.	250,000	–	–	250,000					
	The Nishi-Nippon City Bank, Ltd.	500,000	–	–	500,000					

	Category ^(Note 2)	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate ^(Note 1)	Repayment date	Repayment method	Use	Remarks
	Lender									
Long-term borrowings	Sumitomo Mitsui Banking Corporation	850,000	–	–	850,000	0.8120% ^(Note 3)	September 20, 2023	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	750,000	–	–	750,000					
	Sumitomo Mitsui Trust Bank, Limited	700,000	–	–	700,000					
	Aozora Bank, Ltd.	500,000	–	–	500,000					
	Shinsei Bank, Limited	600,000	–	–	600,000					
	Resona Bank, Limited.	500,000	–	–	500,000					
	The Bank of Fukuoka, Ltd.	240,000	–	–	240,000	0.7532% ^(Note 3)	April 22, 2024	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	200,000	–	–	200,000					
	The Nishi-Nippon City Bank, Ltd.	500,000	–	–	500,000					
	Sumitomo Mitsui Banking Corporation	2,200,000	–	–	2,200,000					
	Mizuho Bank, Ltd.	2,050,000	–	–	2,050,000					
	Sumitomo Mitsui Trust Bank, Limited	1,250,000	–	–	1,250,000					
	Aozora Bank, Ltd.	700,000	–	–	700,000					
	Shinsei Bank, Limited	700,000	–	–	700,000					
	Resona Bank, Limited.	700,000	–	–	700,000					
	Mizuho Trust & Banking Co., Ltd.	400,000	–	–	400,000					
	Sumitomo Mitsui Banking Corporation	450,000	–	–	450,000	0.7685% ^(Note 3)	May 31, 2022	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	500,000	–	–	500,000					
	Shinsei Bank, Limited	450,000	–	–	450,000					
	Aozora Bank, Ltd.	200,000	–	–	200,000					
	Sumitomo Mitsui Banking Corporation	1,950,000	–	–	1,950,000	0.7588% ^(Note 3)	April 21, 2025	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	2,500,000	–	–	2,500,000					
	Sumitomo Mitsui Trust Bank, Limited	1,050,000	–	–	1,050,000					
	Aozora Bank, Ltd.	600,000	–	–	600,000					
	Shinsei Bank, Limited	600,000	–	–	600,000					
	Resona Bank, Limited.	600,000	–	–	600,000					
	The Bank of Fukuoka, Ltd.	500,000	–	–	500,000	0.5360% ^(Note 3)	February 29, 2024	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed

	Category ^(Note 2)	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate ^(Note 1)	Repayment date	Repayment method	Use	Remarks
	Lender									
Long-term borrowings	Sumitomo Mitsui Banking Corporation	2,150,000	–	–	2,150,000	0.6975% ^(Note 3)	August 29, 2025	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	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					
	Resona Bank, Limited.	400,000	–	400,000	–	0.2855%	October 29, 2021	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,350,000	–	–	1,350,000					
	Mizuho Bank, Ltd.	1,000,000	–	–	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited	850,000	–	–	850,000	0.6850% ^(Note 3)	October 31, 2025	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Aozora Bank, Ltd.	400,000	–	–	400,000					
	Sumitomo Mitsui Banking Corporation	1,680,000	–	–	1,680,000					
	Mizuho Bank, Ltd.	1,530,000	–	–	1,530,000	0.7025% ^(Note 3)	April 30, 2026	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	The Bank of Yokohama, Ltd.	1,000,000	–	–	1,000,000					
	Shinsei Bank, Limited	600,000	–	–	600,000					
	Aozora Bank, Ltd.	600,000	–	–	600,000					
	Sumitomo Mitsui Trust Bank, Limited	550,000	–	–	550,000					
	Sumitomo Mitsui Banking Corporation	750,000	–	–	750,000					
	Mizuho Bank, Ltd.	750,000	–	–	750,000	0.9455% ^(Note 3)	April 28, 2028	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	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					
	Sumitomo Mitsui Banking Corporation	–	750,000	–	750,000					
	Mizuho Bank, Ltd.	–	750,000	–	750,000					
	Sumitomo Mitsui Trust Bank, Limited	–	500,000	–	500,000	0.6780% ^(Note 3)	August 19, 2026	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Aozora Bank, Ltd.	–	500,000	–	500,000					
	The Bank of Yokohama, Ltd.	–	500,000	–	500,000					
	The Minato Bank, Ltd.	–	750,000	–	750,000					

	Category ^(Note 2)	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate ^(Note 1)	Repayment date	Repayment method	Use	Remarks
	Lender									
Long-term borrowings	Sumitomo Mitsui Banking Corporation	–	750,000	–	750,000	0.8894% ^(Note 3)	August 21, 2028	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	–	750,000	–	750,000					
	Sumitomo Mitsui Trust Bank, Limited	–	500,000	–	500,000					
	Aozora Bank, Ltd.	–	500,000	–	500,000					
	The Minato Bank, Ltd.	–	750,000	–	750,000					
	Sumitomo Mitsui Banking Corporation	–	1,150,000	–	1,150,000	0.6955% ^(Note 3)	August 31, 2026	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	–	540,000	–	540,000					
	Shinsei Bank, Limited	–	2,160,000	–	2,160,000					
	The Minato Bank, Ltd.	–	500,000	–	500,000					
	Sumitomo Mitsui Banking Corporation	–	800,000	–	800,000	0.9106% ^(Note 3)	August 31, 2028	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	–	500,000	–	500,000					
	Shinsei Bank, Limited	–	1,500,000	–	1,500,000					
	Aozora Bank, Ltd.	–	500,000	–	500,000					
	San ju San Bank, Ltd.	–	500,000	–	500,000					
	Sumitomo Mitsui Banking Corporation	–	932,500	–	932,500	0.4541%	October 21, 2024	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	–	857,500	–	857,500					
	Shinsei Bank, Limited	–	300,000	–	300,000					
	Sumitomo Mitsui Trust Bank, Limited	–	525,000	–	525,000					
	Aozora Bank, Ltd.	–	300,000	–	300,000					
	Resona Bank, Limited.	–	100,000	–	100,000					
	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					

Supplementary Schedules

Category ^(Note 2)		Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate ^(Note 1)	Repayment date	Repayment method	Use	Remarks
Lender										
Long-term borrowings	Sumitomo Mitsui Banking Corporation	–	932,500	–	932,500	0.7505% ^(Note 3)	October 20, 2026	Lump sum repayment on repayment date	^(Note 4)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	–	857,500	–	857,500					
	Shinsei Bank, Limited	–	300,000	–	300,000					
	Sumitomo Mitsui Trust Bank, Limited	–	525,000	–	525,000					
	Aozora Bank, Ltd.	–	300,000	–	300,000					
	Resona Bank, Limited.	–	100,000	–	100,000					
	Mizuho Trust & Banking Co., Ltd.	–	100,000	–	100,000					
Subtotal		80,290,000	22,050,000	13,700,000	88,640,000					
Total		82,440,000	22,050,000	15,850,000	88,640,000					

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

(Unit: thousand yen)					
	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years
Long-term borrowings	15,350,000	14,630,000	12,285,000	19,150,000	17,175,000

Independent Auditor’s Report



Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan
Tel: +81 3 3503 1100
ey.com

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, 2022, and the statements of income and retained earnings, changes in unitholders’ equity, cash distributions and cash flows for the six months period then ended, and notes to the financial statements.

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

Basis for Opinion

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

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 27, 2022



Hitoshi Sakurai
Designated Engagement Partner
Certified Public Accountant



Natsuki Saiki
Designated Engagement Partner
Certified Public Accountant