



**Star Asia Investment Corporation**

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

# Semi-Annual Report

## for the 15th Fiscal Period

from February 1, 2023 to July 31, 2023

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

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



# Investment Philosophy

## Basic Principles

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

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

## Contents

To Our Unitholders .....	2
Initiatives Related to ESG .....	4
Portfolio Overview .....	5
Financial Summary .....	8
Balance Sheet .....	10
Statement of Income and Retained Earnings .....	12
Statement of Changes in Unitholders’ Equity .....	13
Statement of Cash Distributions .....	15
Statement of Cash Flows .....	16
Notes to Financial Statements .....	17
Supplementary Schedules .....	34
Independent Auditor’s Report .....	42

## Characteristics of Star Asia Investment Corporation (SAR)

### 1. A diversified REIT

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

### 2. Steady growth

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

### 3. Initiatives focusing on unitholder value

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

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

## Investment Policy



**Prioritized, focused investment in the Tokyo Area**  
Investment ratio 70% or higher in the Tokyo Area



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



**Investment primarily in middle-size assets**

## Financial Highlights for 15th Fiscal Period (As of the end of July 2023)

Operating revenue  
**6,946 million yen**

Operating income  
**3,606 million yen**

Ordinary income  
**3,073 million yen**

Net income  
**3,073 million yen**

## Actual and Forecasted Cash Distributions Per Unit

12th FP Actual  
**1,478 yen**

13th FP Actual  
**1,476 yen**

14th FP Actual  
**1,491 yen**

15th FP Actual  
**1,586 yen**

16th FP Forecast  
**1,513 yen**

17th FP Forecast  
**1,520 yen**

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



Star Asia Investment Corporation  
Executive Director

**Atsushi Kato**



## Message

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

With the Asset Manager, SAR continues to implement initiatives to maximize unitholders' interests since its listing in April 2016. In the fiscal period under review (fiscal period ended July 2023), SAR conducted asset replacement and strengthened its real estate portfolio as well as realized gain on sale. In August 2023, SAR executed a public offering for the third consecutive year after the formulation of the medium-term management plan in March 2021 (sixth time since listing) (assets (to be) acquired: seven hotels three residences, total (planned) acquisition price: 49.1 billion yen). After the series of initiatives, the asset size is expected to be 242.2 billion yen. SAR is steadily expanding its asset size toward achieving the medium-term management plan of "increasing the asset size to 300 billion yen by 2026."

Furthermore, SAR continues to implement initiatives related to ESG to achieve the SDGs. SAR participated in the GRESB Real Estate Assessment also in fiscal 2023 <sup>(Note 1)</sup>. In addition, SAR continues to acquire environmental certifications for its properties, and the acquisition rate of environmental certifications has increased to 42.8% as of July 31, 2023 (target of acquisition of environmental certification: 50% by 2026). SAR has also set numerical targets regarding the environment, and is focusing on the achievement of such targets <sup>(Note 1)</sup>. SAR continues to implement initiatives on the environment (E), society (S) and governance (G), and will further strengthen its initiatives related to ESG to fulfill its responsibilities as a REIT with a public nature, in parallel with the pursuit of maximizing unitholders' interests.

For the 15th Fiscal Period, as a result of conducting management pursuing maximization of unitholders' interests as well as seeking to increase profitability of its properties and cost reduction, SAR posted operating revenue of 6,946 million yen, ordinary income of 3,073 million yen, net income of 3,073 million yen and cash distributions per unit of 1,586 yen.

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

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

(Note 1) For details, please check our website.

## Increase in composition ratio of hotels in the portfolio

SAR acquired seven hotels totaling 45.4 billion yen in September 2023 with the fund procurement through public offering in August 2023. The purpose was to expand the exposure to hotels at the best timing as portfolio management of diversified REITs. After the series of initiatives, the ratio of hotel to all assets under management will be 28.7%. All hotels are located at the center of major cities with many tourism resources and close to stations with high transportation convenience, and are believed to capture not only leisure demand but also business demand.

All seven hotels that were newly acquired have the same rent structure of fixed variable rent. It is believed to be a structure in which variable rent can be received if  $GOP \times 85\%$  exceeds the fixed rent at each property and that can directly incorporate the future improvement of accommodation demand into the revenue of SAR.

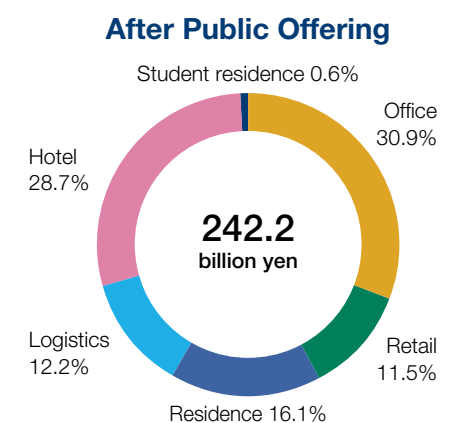
All seven hotels are leased and operated by a company under the umbrella of Polaris Holdings Co., Ltd., which belongs to Star Asia Group. Even amid the COVID-19 pandemic, SAR is expanding its business in cooperation with Star Asia Group and conducting sales utilizing the economies of scale as well as efficient operation in terms of cost.

## Toward achieving medium-term management plan

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

As for the expansion of asset size (external growth), SAR executed a public offering in August 2023, and incorporated 11 properties (total (planned) acquisition price: 49.1 billion yen) into its portfolio (as of the end of September 2023, eight properties have been acquired and three properties are scheduled to be acquired in December 2023). As a result, the asset size is expected to be 242.2 billion yen, and we believe that such increase is a significant progress towards the achievement of the medium-term management plan (external growth target). Going forward, SAR aims for further external growth by taking full advantage of the opportunity to acquire properties from Star Asia Group, centering on properties for which preferential negotiation rights have been acquired (12 hotels, appraisal value: 57.6 billion yen), and the Asset Manager's unique network.

In terms of the growth of cash distributions per unit (internal growth), it is essential to execute management and operation aimed at increasing profitability of each property included in the portfolio and reducing costs. In addition, SAR is implementing the extension of Funabashi Hi-Tech Park Factory I, a logistics facility with unused floor area, and we believe it will contribute to internal growth after the completion of the extension (scheduled for December 2023). At Suoy Mall Chikushino, a suburban retail facility, SAR attracted "LOPIA," a supermarket with a high ability to attract customers which will become an anchor tenant, and the ability of the entire facility to attract customers has increased. We believe that this will contribute to the attraction of new tenants in addition to the increase in revenue due to the rents from such tenants. In addition to the maintenance and improvement of occupancy rates of each property and the increase in revenue through cost reduction, SAR will continue to implement the above initiatives to pursue further internal growth and aim to achieve the goal of cash distributions per unit.





# 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 which gives consideration to the environment, society, and governance in order to enhance corporate value and exert comprehensive competitiveness by pursuing long-term sustainability and recognizing the role Star Asia Investment Corporation has been given in society in accordance with our basic philosophy of “Client First.”

## Environmental Initiatives



### Acquisition of Environmental Certifications As of July 31, 2023

DBJ Green Building Certification	Building-Housing Energy-efficiency Labeling System (BELS)	CASBEE Real Estate Assessment
★★★ 1 property	★★★ 1 property	★★★★★ 1 property
★★ 5 properties	★★ 1 property (Note 1)	★★★★ 2 properties
★ 2 properties		
Acquisition ratio (Note 2) 42.8%		

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

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

(Note 2) Ratio of each floor area to the gross floor area of SAR portfolio (535,375.36 m²).

## Social Initiatives



### Kishiwada Environment Fair 2023

A panel exhibition of environmental protection initiatives taken by Kishiwada City and various groups. Based on the advocacy by the Environment Agency, June has been designated as Environment Month from fiscal 1991, and initiatives were taken to promote interest and understanding of environmental protection matters, and awareness campaigns were launched to increase motivation towards proactive conservation activities.



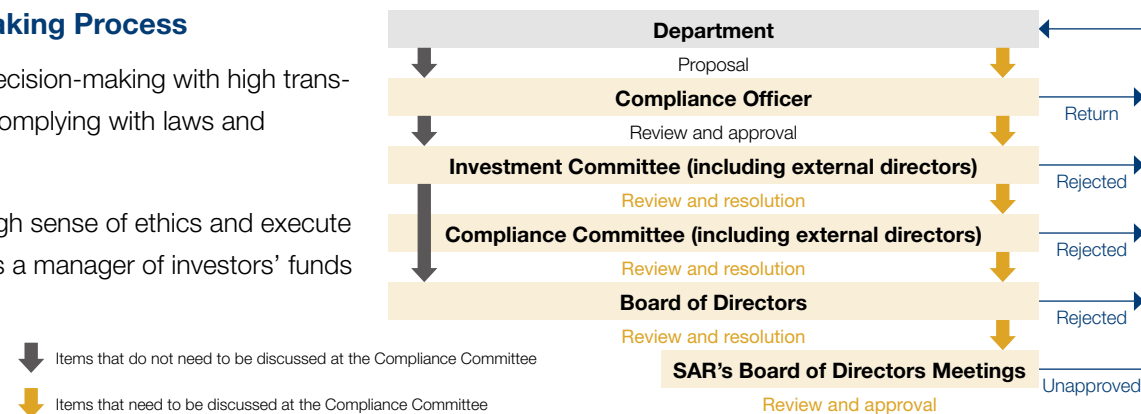
### Tenant satisfaction surveys

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

## Governance Initiatives

### Decision-Making Process

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



# Portfolio Overview (As of July 31, 2023)

<b>OFC-01</b> Minami-Azabu Shibuya Building Completed: Jun. 15, 1993 	<b>OFC-03</b> Honmachibashi Tower Completed: Feb. 8, 2010 	<b>OFC-04</b> Nishi-Shinjuku Matsuya Building Completed: May 28, 1987 	<b>OFC-06</b> Urban Center Shibuya East (Note 1) Completed: Jul. 31, 1993 	<b>OFC-08</b> Urban Center Yokohama West (Note 2) Completed: Nov. 25, 1994 	<b>OFC-09</b> Hakata-eki East Place Completed: Feb. 24, 1986 
<b>OFC-10</b> Nihonbashi Hamacho Park Building Completed: Jul. 13, 1992 	<b>OFC-11</b> Amusement Media Gakuin Honkan Completed: Nov. 2, 1994 	<b>OFC-12</b> Higashi-Kobe Center Building Completed: Jan. 6, 1992 	<b>OFC-13</b> Amusement Media Gakuin Shinkan Completed: Jan. 25, 1999 	<b>OFC-14</b> Seishin BLDG. Completed: Mar. 31, 1989 	<b>OFC-15</b> Urban Center Kanda Suda-cho Completed: Oct. 28, 1991 
<b>OFC-16</b> Urban Center Kanda Tsukasamachi Completed: Jan. 20, 1988 	<b>OFC-17</b> Takadanobaba Access Completed: Jan. 14, 1994 	<b>OFC-18</b> Azabu Amerex BLDG. Completed: Jun. 30, 1988 	<b>OFC-19</b> Hiei-Kudan BLDG. Completed: Sep. 17, 1991 	<b>OFC-20</b> Urban Center Shin-Yokohama Completed: Mar. 17, 1992 	<b>OFC-21</b> The Portal Akihabara Completed: May 31, 2002 
<b>OFC-22</b> Urban Center Tachikawa Completed: May 30, 1990 	<b>OFC-23</b> Urban Center Hakata Completed: Aug. 27, 2020 	<b>OFC-24</b> Urban Center Fujisawa Completed: Apr. 9, 1991 	<b>RTL-01</b> La Park Kishiwada Completed: Aug. 30, 1994 	<b>RTL-02</b> Suroy Mall Chikushino Completed: Jun. 22, 2007 	<b>RTL-03</b> Seiyu Minakuchi Completed: May 31, 1999 
<b>RTL-05</b> BAGUS Ikebukuro West Completed: Nov. 20, 1992 	<b>RTL-06</b> abeno nini (Retail) Completed: Jan. 31, 2012 	<b>RSC-01</b> Urban Park Azabujuban Completed: Nov. 29, 1999 	<b>RSC-02</b> Urban Park Daikanyama Completed: Nov. 15, 1982 (Existing) May 30, 2006 (Newly built) 	<b>RSC-05</b> Urban Park Namba Completed: Jan. 9, 2013 	<b>RSC-06</b> Urban Park Gokokuji (Note 3) Completed: Feb. 28, 1990 
<b>RSC-07</b> Urban Park Kashiwa Completed: Aug. 28, 1997 	<b>RSC-08</b> Urban Park Ryokuchi Koen Completed: Mar. 10, 1989 	<b>RSC-09</b> Urban Park Koenji (Note 3) Completed: Oct. 13, 1987 	<b>RSC-10</b> Urban Park Ichigao Completed: Jul. 10, 1998 	<b>RSC-11</b> Urban Park Gyotoku Completed: Mar. 24, 1995 	<b>RSC-12</b> Shiroy Logiman Completed: May 9, 1995 

(Note 1) The name was changed on July 1, 2023 (former property name: Shibuya MK Building).

(Note 2) The name was changed on July 1, 2023 (former property name: Asahi Building).

(Note 3) Disposed as of August 31, 2023.



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

HTL-01

R&B Hotel Umeda East

Completed: Oct. 20, 2000

HTL-02

Smile Hotel Namba

Completed: Feb. 6, 2008

HTL-03

REMBRANDT STYLE Tokyo Nishikasai

Completed: Mar. 19, 1991

HTL-04

BEST WESTERN Yokohama

Completed: Sep. 21, 1987

HTL-05

The BREAKFAST HOTEL FUKUOKA TENJIN

Completed: Feb. 20, 2017

HTL-06

GLANSIT AKIHABARA

Completed: Sep. 20, 2017

HTL-07

REMBRANDT STYLE Tokyo Nishikasai Grande

Completed: Feb. 7, 2017

HTL-08

KOKO HOTEL Osaka Namba

Completed: Apr. 7, 2017

HTL-09

abeno nini (Hotel)

Completed: Jan. 31, 2012

Properties Newly Acquired (Residence)

RSC-22

Urban Park Mitaka

Completed: Jun. 8, 2023

RSC-23

Urban Park Kamata Minami I

Completed: Sep. 2, 2022

RSC-24

Urban Park Kamata Minami II

Planned completion: Oct. 31, 2023

RSC-25

Urban Park Umejima

Planned completion: Nov. 30, 2023

Properties Newly Acquired (Hotel)

HTL-10

KOKO HOTEL Ginza 1-Chome

Completed: Oct. 29, 2014

HTL-11

KOKO HOTEL Sapporo Ekimae

Completed: Oct. 20, 2015

HTL-12

KOKO HOTEL Fukuoka Tenjin

Completed: Aug. 20, 2007

HTL-13

KOKO HOTEL Hiroshima Ekimae

Completed: Dec. 17, 2019

HTL-14

KOKO HOTEL Kagoshima Tenmonkan

Completed: Apr. 19, 2019

HTL-15

Fino Hotel Sapporo Odori

Completed: Jun. 9, 2020

HTL-16

Best Western Plus Fukuoka Tenjin-minami

Completed: Aug. 31, 2020

Strategic Initiatives in the Hotel Business by Polaris Holdings (affiliate of the Star Asia Group)

- As of June 30, 2023, Polaris Holdings operates 48 hotels with a total of 8,722 rooms (including overseas hotels and hotels planned for operation)
- During the pandemic, Polaris opportunistically increased hotels under operation, increasing revenues and lowering breakeven point

Star Asia Group

POLARIS HOLDINGS

Listed on TSE Standard Market  
Code: 3010

Hotel operations

Investment management

More efficient hotel operations and maximization of investment value

Lower breakeven point	Expand fee-revenue hotels	Increase the number of hotels operating under management contracts, providing the owners with fee-based revenues and reducing the per-room burden of tenancy fees
	Promote business as owner/operators	Eliminate annual fixed rent payment obligation by acquiring properties as owner and operating them as operator.
	Effective hotel operation	Optimize staff number at each hotel through efficient shift assignments and multitasking which results in reducing personnel costs on a per-guest-room basis
Expand operations platform		Develop highly competitive hotels and grow the number of guest rooms in hotels under management Pursue economies of scale by expanding the operation platform and maximize revenue

Hotel Brands Owned by Polaris Holdings

KO KO

KOKO HOTEL

Operates 18 hotels in major cities throughout Japan

BW

Best Western

Best Western

Operates 9 hotels in major cities throughout Japan as a global hotel brand

Value The Hotel

Operates 5 hotels in the Tohoku region of Japan

Red Planet Hotels

Operates 14 hotels in Philippines

# Financial Summary

## Historical Operating Trends

Fiscal Period		11th Fiscal Period (February 1, 2021 to July 31, 2021)	12th Fiscal Period (August 1, 2021 to January 31, 2022)	13th Fiscal Period (February 1, 2022 to July 31, 2022)	14th Fiscal Period (August 1, 2022 to January 31, 2023)	15th Fiscal Period (February 1, 2023 to July 31, 2023)
Operating revenue	(million yen)	5,560	5,960	6,088	6,486	6,946
Operating revenue from real estate leasing	(million yen)	5,536	5,890	6,060	6,463	6,503
Operating expenses	(million yen)	2,721	2,872	3,041	3,136	3,340
Operating expenses from real estate leasing	(million yen)	2,189	2,311	2,494	2,556	2,744
Operating income	(million yen)	2,838	3,087	3,047	3,349	3,606
Ordinary income	(million yen)	2,407	2,517	2,560	2,782	3,073
Net income	(million yen)	2,407	2,516	2,559	2,781	3,073
Total assets	(million yen)	179,170	193,316	193,488	208,766	209,259
[Period-on-period variation]	(%)	(-0.3)	(7.9)	(0.1)	(7.9)	(0.2)
Net assets	(million yen)	89,179	95,753	95,803	103,455	103,224
[Period-on-period variation]	(%)	(-0.5)	(7.4)	(0.1)	(8.0)	(-0.2)
Interest-bearing debt	(million yen)	82,440	89,640	89,640	96,840	96,840
Unitholders' capital	(million yen)	52,745	59,115	59,115	66,123	66,123
Total number of investment units issued and outstanding	(units)	1,674,389	1,789,389	1,789,389	1,921,689	1,921,689
Net assets per unit	(yen)	53,260	53,511	53,539	53,835	53,715
Total cash distributions	(million yen)	2,447	2,644	2,641	2,865	3,047
Cash distributions per unit	(yen)	1,462	1,478	1,476	1,491	1,586
Cash distributions of earnings per unit	(yen)	1,462	1,478	1,476	1,491	1,586
Cash distributions in excess of earnings per unit	(yen)	—	—	—	—	—
Ratio of ordinary income to total assets <sup>(Note 3)</sup>	(%)	1.3	1.4	1.3	1.4	1.5
[Annualized]	(%)	(2.7)	(2.7)	(2.7)	(2.7)	(3.0)
Return on equity <sup>(Note 3)</sup>	(%)	2.7	2.7	2.7	2.8	3.0
[Annualized]	(%)	(5.4)	(5.4)	(5.4)	(5.5)	(6.0)
Equity ratio at end of period <sup>(Note 3)</sup>	(%)	49.8	49.5	49.5	49.6	49.3
[Period-on-period variation]		(-0.1)	(-0.2)	(-0.0)	(0.0)	(-0.2)
Cash distribution payout ratio <sup>(Note 3)</sup>	(%)	101.7	105.1	103.2	103.0	99.2
[Other reference information]						
Number of operating days	(days)	181	184	181	184	181
Number of properties at end of period	(properties)	53	60	60	63	62
Depreciation	(million yen)	633	682	697	743	763
Capital expenditures	(million yen)	363	424	471	605	787
Lease NOI (Net Operating Income) <sup>(Note 3)</sup>	(million yen)	3,980	4,261	4,263	4,650	4,521
FFO (Funds from Operation) <sup>(Note 3)</sup>	(million yen)	3,040	3,199	3,257	3,525	3,422
FFO per unit <sup>(Note 3)</sup>	(yen)	1,815	1,787	1,820	1,834	1,780
Ratio of interest-bearing debt to total assets at end of period (LTV)	(%)	46.0	46.4	46.3	46.4	46.3

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

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

(Note 3) 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 distributions per unit (excluding cash distributions in excess of earnings) ÷ net income per unit × 100 The figures for the 12th and 14th fiscal periods were calculated based on the formula below as investment units outstanding changed during the period as a result of a public offering of investment units. Total cash distributions (excluding cash distributions 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
FFO per unit	FFO ÷ total number of investment units issued and outstanding



## Balance Sheet

(Unit: thousand yen)

	14th fiscal period (As of January 31, 2023)	15th fiscal period (As of July 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	3,488,637	3,262,429
Cash and deposits in trust	8,549,954	8,525,306
Operating accounts receivable	147,713	139,180
Prepaid expenses	211,249	197,986
Consumption taxes receivable	181,189	–
Others	7,000	14,462
Total current assets	12,585,743	12,139,365
Non-current assets		
Property, plant and equipment		
Tools, furniture and fixtures	114	114
Accumulated depreciation	(114)	(114)
Tools, furniture and fixtures, net	0	0
Buildings in trust	56,299,699	56,821,886
Accumulated depreciation	(6,169,727)	(6,898,692)
Buildings in trust, net	50,129,971	49,923,193
Structures in trust	25,348	25,744
Accumulated depreciation	(6,646)	(7,577)
Structures in trust, net	18,702	18,166
Machinery and equipment in trust	163,565	251,570
Accumulated depreciation	(35,247)	(44,740)
Machinery and equipment in trust, net	128,318	206,829
Tools, furniture and fixtures in trust	125,782	139,432
Accumulated depreciation	(39,013)	(48,732)
Tools, furniture and fixtures in trust, net	86,768	90,699
Land in trust	140,397,333	139,857,495
Construction in progress in trust	1,282	33,095
Total property, plant and equipment	190,762,377	190,129,480
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		
Investments in other securities of subsidiaries and associates	–	1,588,015
Investment securities	400,000	740,000
Long-term prepaid expenses	330,923	331,220
Leasehold and guarantee deposits	10,359	10,359
Others	533,969	191,122
Total investments and other assets	1,275,251	2,860,717
Total non-current assets	196,119,929	197,072,498
Deferred assets		
Investment corporation bond issuance costs	11,563	10,543
Investment unit issuance costs	49,370	36,758
Total deferred assets	60,933	47,301
<b>Total assets</b>	<b>208,766,606</b>	<b>209,259,165</b>

(Unit: thousand yen)

	14th fiscal period (As of January 31, 2023)	15th fiscal period (As of July 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	906,069	995,681
Current portion of long-term borrowings	15,630,000	14,340,000
Accounts payable – others	539,516	534,593
Accrued expenses	77,453	75,324
Income taxes payable	605	605
Accrued consumption taxes	47,405	252,695
Advances received	1,019,524	1,236,897
Others	34,899	35,505
Total current liabilities	18,255,474	17,471,301
Non-current liabilities		
Investment corporation bonds	1,000,000	1,000,000
Long-term borrowings	80,210,000	81,500,000
Leasehold and guarantee deposits received	5,880	4,179
Leasehold and guarantee deposits received in trust	5,840,152	5,965,643
Others	–	93,578
Total non-current liabilities	87,056,032	88,563,401
<b>Total liabilities</b>	<b>105,311,507</b>	<b>106,034,702</b>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	66,123,367	66,123,367
Surplus		
Unitholders' capital surplus	25,132,218	25,132,218
Voluntary reserve		
Reserve for temporary difference adjustment	*2 8,624,499	*2 8,535,586
Total voluntary reserve	8,624,499	8,535,586
Unappropriated retained earnings (undisposed loss)	3,043,461	3,340,372
Total surplus	36,800,179	37,008,177
Total unitholders' equity	102,923,546	103,131,545
Valuation and translation adjustments		
Deferred gains or losses on hedges	531,551	92,917
Total valuation and translation adjustments	531,551	92,917
<b>Total net assets</b>	<b>*1 103,455,098</b>	<b>*1 103,224,463</b>
<b>Total liabilities and net assets</b>	<b>208,766,606</b>	<b>209,259,165</b>

Statement of Income and Retained Earnings

	14th fiscal period (From August 1, 2022 to January 31, 2023)	15th fiscal period (From February 1, 2023 to July 31, 2023)
<b>Operating revenue</b>		
Rental revenue	*1 5,995,567	*1 6,048,231
Other lease business revenue	*1 467,828	*1 454,964
Gain on sale of real estate	–	*2 414,166
Other revenue	22,857	29,564
Total operating revenue	6,486,253	6,946,926
<b>Operating expenses</b>		
Expenses related to rent business	*1 2,556,151	*1 2,744,572
Asset management fee	424,410	418,486
Asset custody and administrative service fees	40,528	42,395
Directors' compensations	2,400	2,400
Other operating expenses	113,204	132,242
Total operating expenses	3,136,696	3,340,096
Operating income	3,349,557	3,606,830
<b>Non-operating income</b>		
Interest income	56	53
Reversal of unpaid distributions	1,476	1,046
Subsidy income	–	504
Interest on refund	1	315
Total non-operating income	1,534	1,918
<b>Non-operating expenses</b>		
Interest expenses	372,916	377,649
Interest expenses on investment corporation bonds	3,500	3,500
Borrowing related expenses	178,507	140,125
Amortization of investment corporation bond issuance costs	1,020	1,020
Amortization of investment unit issuance costs	12,611	12,611
Total non-operating expenses	568,555	534,906
Ordinary income	2,782,535	3,073,841
Income before income taxes	2,782,535	3,073,841
Income taxes - current	605	605
Total income taxes	605	605
Net income	2,781,930	3,073,236
Retained earnings brought forward	261,530	267,135
Unappropriated retained earnings (undisposed loss)	3,043,461	3,340,372

Statement of Changes in Unitholders' Equity



14th fiscal period (from August 1, 2022 to January 31, 2023)										
								(Unit: thousand yen)		
Unitholders' equity								Valuation and translation adjustments		Total net assets
Surplus							Deferred gains or losses on hedges	Total valuation and translation adjustments		
Unitholders' capital	Unitholders' capital surplus	Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus	Total unitholders' equity				
		Reserve for temporary difference adjustment	Total voluntary reserve							
Balance at beginning of the period	59,115,701	25,132,218	8,713,411	8,713,411	2,813,756	36,659,386	95,775,087	28,297	28,297	95,803,384
Changes of items during the period										
Issuance of new investment units	7,007,666						7,007,666			7,007,666
Dividends from surplus					(2,641,138)	(2,641,138)	(2,641,138)			(2,641,138)
Reversal of reserve for temporary difference adjustment			(88,912)	(88,912)	88,912	—	—			—
Net income					2,781,930	2,781,930	2,781,930			2,781,930
Net changes of items other than unitholders' equity								503,254	503,254	503,254
Total changes of items during the period	7,007,666	—	(88,912)	(88,912)	229,705	140,792	7,148,459	503,254	503,254	7,651,713
Balance at end of the period	*1 66,123,367	25,132,218	8,624,499	8,624,499	3,043,461	36,800,179	102,923,546	531,551	531,551	103,455,098



Statement of Changes in Unitholders’ Equity

15th fiscal period (from February 1, 2023 to July 31, 2023)

(Unit: thousand yen)

Unitholders' equity								Valuation and translation adjustments		Total net assets
Unitholders' capital	Unitholders' capital surplus	Surplus				Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments		
		Reserve for temporary difference adjustment	Total voluntary reserve	Unappropriated retained earnings (undisposed loss)	Total surplus					
Balance at beginning of the period	66,123,367	25,132,218	8,624,499	8,624,499	3,043,461	36,800,179	102,923,546	531,551	531,551	103,455,098
Changes of items during the period										
Dividends from surplus					(2,865,238)	(2,865,238)	(2,865,238)			(2,865,238)
Reversal of reserve for temporary difference adjustment			(88,912)	(88,912)	88,912	—	—			—
Net income					3,073,236	3,073,236	3,073,236			3,073,236
Net changes of items other than unitholders' equity								(438,633)	(438,633)	(438,633)
Total changes of items during the period	—	—	(88,912)	(88,912)	296,910	207,998	207,998	(438,633)	(438,633)	(230,635)
Balance at end of the period	*1 66,123,367	25,132,218	8,535,586	8,535,586	3,340,372	37,008,177	103,131,545	92,917	92,917	103,224,463

Statement of Cash Distributions

(Unit: yen)

	14th fiscal period (From August 1, 2022 to January 31, 2023)	15th fiscal period (From February 1, 2023 to July 31, 2023)
I. Unappropriated retained earnings	3,043,461,280	3,340,372,051
II. Reversal of voluntary reserve		
Reversal of reserve for temporary difference adjustment *1	88,912,365	88,912,365
III. Cash distribution	2,865,238,299	3,047,798,754
[Cash distributions per unit]	(1,491)	(1,586)
Cash distribution of earnings	2,865,238,299	3,047,798,754
[Cash distributions of earnings per unit]	(1,491)	(1,586)
IV. Retained earnings carried forward	267,135,346	381,485,662
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 distributions in excess of earnings), the decision was made to distribute 2,865,238,299 yen, which is equivalent to the sum of the amount remaining after reserving 5,605,038 yen from net income and the amount of reversal of reserve for temporary difference adjustment of 88,912,365 yen.	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 distributions in excess of earnings), the decision was made to distribute 3,047,798,754 yen, which is equivalent to the sum of the amount remaining after reserving 114,350,316 yen from net income and the amount of reversal of reserve for temporary difference adjustment of 88,912,365 yen.

## Statement of Cash Flows

	(Unit: thousand yen)	
	14th fiscal period (From August 1, 2022 to January 31, 2023)	15th fiscal period (From February 1, 2023 to July 31, 2023)
<b>Cash flows from operating activities</b>		
Income before income taxes	2,782,535	3,073,841
Depreciation	743,661	763,353
Amortization of investment corporation bond issuance costs	1,020	1,020
Amortization of investment unit issuance costs	12,611	12,611
Interest income	(56)	(53)
Interest expenses	376,416	381,149
Decrease (increase) in operating accounts receivable	(10,114)	8,532
Decrease (increase) in consumption taxes receivable	(181,189)	181,189
Increase (decrease) in accrued consumption taxes	(186,683)	205,289
Decrease (increase) in prepaid expenses	(15,239)	13,262
Decrease (increase) in long-term prepaid expenses	6,510	(297)
Increase (decrease) in operating accounts payable	133,000	(42,522)
Increase (decrease) in accounts payable - other	32,850	(4,176)
Increase (decrease) in advances received	44,796	217,372
Decrease in property, plant and equipment in trust due to sale	–	688,594
Others	(4,161)	(9,408)
Subtotal	3,735,958	5,489,759
Interest income received	56	53
Interest expenses paid	(358,062)	(383,278)
Income taxes paid	42	1,406
Net cash provided by operating activities	3,377,994	5,107,940
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment in trust	(15,895,451)	(698,358)
Repayments of leasehold and guarantee deposits received	–	(1,701)
Proceeds from leasehold and guarantee deposits received	693	–
Repayments of leasehold and guarantee deposits received in trust	(222,276)	(130,365)
Proceeds from leasehold and guarantee deposits received in trust	502,920	255,855
Purchase of investments in other securities of subsidiaries and associates	–	(1,578,073)
Purchase of investment securities	–	(340,000)
Proceeds from redemption of investment securities	400,000	–
Net cash used in investing activities	(15,214,114)	(2,492,642)
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	12,800,000	10,790,000
Repayments of long-term borrowings	(5,600,000)	(10,790,000)
Proceeds from issuance of investment units	6,973,060	–
Dividends paid	(2,639,001)	(2,866,153)
Net cash provided by (used in) financing activities	11,534,058	(2,866,153)
<b>Net increase (decrease) in cash and cash equivalents</b>	(302,061)	(250,855)
<b>Cash and cash equivalents at beginning of period</b>	12,340,653	12,038,591
<b>Cash and cash equivalents at end of period</b>	*1 12,038,591	*1 11,787,736

## 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 15th fiscal period is 196,429 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.) Furthermore, in August 2023, after the end of the fiscal period under review (fiscal period ended July 2023), SAR executed property acquisitions (11 properties with a total acquisition price of 49,191 million yen. Of such properties, three properties with a total acquisition price of 3,048 million yen are scheduled to be acquired on December 1, 2023) accompanied by the sixth public offering since its listing and sales of two residential properties (“Urban Park Gokokuji” and “Urban Park Koenji”) resulting from asset replacements, and the asset size after the series of initiatives is scheduled to increase to 243,423 million yen.

## Basis of Presentation

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

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

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

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

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

## Notes on the Going Concern Assumption

Not applicable.



## Notes on Matters Relating to Significant Accounting Policies

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

#### (1) Investments in other securities of subsidiaries and associates

Cost method through moving-average method

#### (2) Other securities

Those with market price

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

### 2. Method of depreciation of non-current assets

#### Property, plant and equipment (including trust assets)

The straight-line method is adopted. The useful life of primary property, plant and equipment is as follows:

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

### 3. Accounting for deferred assets

#### (1) Investment unit issuance costs

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

#### (2) Investment corporation bond issuance costs

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

### 4. Revenue and expense recognition

#### (1) Accounting for fixed property tax, etc.

Accounting for fixed property tax, city planning tax, depreciable asset tax, etc. ("fixed property tax, etc.") on real estate or beneficiary interest in trust for real estate held is that the amount corresponding to the fiscal period out of the tax amount assessed and determined is expensed as expenses related to lease business.

The amount equivalent to fixed property tax, etc. in the initial fiscal year borne by SAR upon acquisition of real estate or beneficiary interest in trust for real estate is not recorded as expenses but included in the cost of acquisition of the related real estate, etc. In the fiscal period under review, there was no amount equivalent to fixed property tax, etc. included in the cost of acquisition of real estate, etc.

#### (2) Standards for recording revenue

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

##### 1) Sale of real estate

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

##### 2) Utilities income

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

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

### 5. Hedge accounting approach

#### (1) Hedge accounting approach

Deferral hedge accounting is adopted.

#### (2) Hedging instruments and hedged items

Hedging instruments: Interest rate swap transaction

Hedged items: Interest on borrowings

#### (3) Hedging policy

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

#### (4) Method of assessing the effectiveness of hedging

The effectiveness of hedging is assessed by comparing the cumulative change in cash flows of the hedging instruments with the cumulative change in cash flows of the hedged items and verifying the ratio of the amount of change in the two.

### 6. Cash and cash equivalents

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

### 7. Other matters serving as the basis for preparation of financial statements

#### (1) Accounting for beneficiary interest in trust for real estate, etc.

Concerning beneficiary interest in trust for real estate, etc. held, all accounts of assets and liabilities within trust assets as well as all accounts of revenue and expenses from the trust assets are recognized in the relevant account item of the balance sheet and the statement of income and retained earnings.

The following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet.

##### 1) Cash and deposits in trust

##### 2) Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust

##### 3) Leasehold rights in trust

##### 4) Leasehold and guarantee deposits received in trust

#### (2) Accounting for consumption taxes

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

## Notes to the Balance Sheet

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

(Unit: thousand yen)

14th fiscal period (As of January 31, 2023)	15th fiscal period (As of July 31, 2023)
50,000	50,000

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

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

(Unit: thousand yen)

	Initial amount	Balance at beginning of the period	Provision amount during the period	Reversal amount during the period	Balance at end of the period	Reasons for provision and reversal
Gain on negative goodwill <sup>(Note)</sup>	8,891,236	8,713,411	–	88,912	8,624,499	Appropriate for distribution

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

**15th fiscal period (As of July 31, 2023)**

(Unit: thousand yen)

	Initial amount	Balance at beginning of the period	Provision amount during the period	Reversal amount during the period	Balance at end of the period	Reasons for provision and reversal
Gain on negative goodwill <sup>(Note)</sup>	8,891,236	8,624,499	–	88,912	8,535,586	Appropriate for distribution

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

## Notes to the Statement of Income and Retained Earnings

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

(Unit: thousand yen)

	14th fiscal period (From August 1, 2022 to January 31, 2023)	15th fiscal period (From February 1, 2023 to July 31, 2023)
<b>A. Operating revenue from real estate leasing</b>		
Rental revenue		
Rent revenue	5,182,484	5,232,657
Common area maintenance revenue	570,233	570,304
Parking revenue	204,917	206,214
Facility use revenue	31,533	31,807
Other rental revenue	6,399	7,247
Total	5,995,567	6,048,231
Other lease business revenue		
Utilities income	419,588	358,375
Other revenue	48,240	96,588
Total	467,828	454,964
Total operating revenue from real estate leasing	6,463,396	6,503,195
<b>B. Operating expenses from real estate leasing</b>		
Expenses related to rent business		
Management fee	441,402	452,917
Utilities expenses	462,373	389,316
Property taxes	458,246	493,000
Repair expenses	173,257	308,817
Trust fee	26,166	30,653
Insurance premium	13,598	13,322
Depreciation	743,661	763,353
Other expenses	237,444	293,190
Total operating expenses from real estate leasing	2,556,151	2,744,572
<b>C. Operating income (loss) from real estate leasing [A–B]</b>	3,907,244	3,758,623

**\*2 Breakdown of gain (loss) on sale of real estate**

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

Not applicable.

**15th fiscal period (from February 1, 2023 to July 31, 2023)**

(Unit: thousand yen)

Funabashi Hi-Tech Park Factory II	
Proceeds from sale of real estate	1,150,000
Cost of sale of real estate	688,594
Other sales expenses	47,239
Gain on sale of real estate	414,166



## 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

	14th fiscal period (From August 1, 2022 to January 31, 2023)	15th fiscal period (From February 1, 2023 to July 31, 2023)
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	1,921,689 units	1,921,689 units

## Notes to the Statement of Cash Distributions

14th fiscal period (From August 1, 2022 to January 31, 2023)	15th fiscal period (From February 1, 2023 to July 31, 2023)
*1 Reserve for temporary difference adjustment SAR accumulated 8,891,236 thousand yen as reserve for temporary difference adjustment in the 10th fiscal period. From the 11th fiscal period, SAR plans to reverse the same amount or more in each fiscal period over a period of up to 50 years. In the fiscal period under review, SAR decided to reverse 88,912 thousand yen.	*1 Reserve for temporary difference adjustment SAR accumulated 8,891,236 thousand yen as reserve for temporary difference adjustment in the 10th fiscal period. From the 11th fiscal period, SAR plans to reverse the same amount or more in each fiscal period over a period of up to 50 years. In the fiscal period under review, SAR decided to reverse 88,912 thousand yen.

## Notes to the Statement of Cash Flows

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

(Unit: thousand yen)

	14th fiscal period (From August 1, 2022 to January 31, 2023)	15th fiscal period (From February 1, 2023 to July 31, 2023)
Cash and deposits	3,488,637	3,262,429
Cash and deposits in trust	8,549,954	8,525,306
Cash and cash equivalents	12,038,591	11,787,736

## Notes on Lease Transactions

### Operating leases (as lessor)

### Future minimum lease payments

(Unit: thousand yen)

	14th fiscal period (As of January 31, 2023)	15th fiscal period (As of July 31, 2023)
Not later than 1 year	5,287,040	5,715,787
Later than 1 year	7,653,000	9,733,645
Total	12,940,040	15,449,432

## Notes on Financial Instruments

### 1. Matters relating to status of financial instruments

#### (1) Policy for handling financial instruments

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

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

The funds procured through borrowings, which shall be for the purpose of mainly acquisition of assets, are exposed to liquidity risk until the repayment date, but the concerned risks are managed by taking such measures as lengthening the procurement periods and staggering the maturities. In addition, borrowings with floating interest rates are exposed to interest rate fluctuation risk, but derivative transactions (interest rate swap transactions) are utilized as hedging instruments to, in effect, convert interest rates to fixed rates in order to mitigate that risk. For the hedge accounting approach, hedging instruments, hedged items, hedging policy and method of assessing the effectiveness of hedging, please refer to “5. Hedge accounting approach” described under “Notes on Matters Relating to Significant Accounting Policies” earlier in this document.

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

Not applicable.

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

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

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

(Unit: thousand yen)

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

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

15th fiscal period (As of July 31, 2023)

	Carrying amount	Fair value	Difference
(1) Current portion of long-term borrowings	14,340,000	14,340,000	–
(2) Investment corporation bonds	1,000,000	990,900	(9,100)
(3) Long-term borrowings	81,500,000	81,455,187	(44,812)
Liabilities total	96,840,000	96,786,087	(53,912)
(4) Derivative transactions <sup>*1</sup>	92,917	92,917	–

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

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

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

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

(2) Investment corporation bonds

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

(4) Derivative transactions

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

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

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

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Investment corporation bonds	–	–	–	–	–	1,000,000
Long-term borrowings	15,630,000	12,285,000	19,150,000	20,275,000	18,450,000	10,050,000
Total	15,630,000	12,285,000	19,150,000	20,275,000	18,450,000	11,050,000

15th fiscal period (As of July 31, 2023)

	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	14,340,000	11,085,000	20,910,000	19,965,000	19,490,000	10,050,000
Total	14,340,000	11,085,000	20,910,000	19,965,000	19,490,000	11,050,000

Notes on Securities

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

Notes are omitted because they lack significance.

15th fiscal period (As of July 31, 2023)

Notes are omitted because they lack significance.

Notes on Derivative Transactions

1. Derivative transactions to which hedge accounting is not applied

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

Not applicable.

15th fiscal period (As of July 31, 2023)

Not applicable.

2. Derivative transactions to which hedge accounting is applied

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

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

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

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

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

15th fiscal period (As of July 31, 2023)

(Unit: thousand yen)					
Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc. <small>(Note 1)</small>		Fair value <small>(Note 2)</small>
			Of which, later than 1 year		
Principle method of accounting	Interest rate swap transaction (floating receivable; fixed payable)	Long-term borrowings	82,305,000	68,965,000	92,917

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

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

Notes on Retirement Benefits

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

Not applicable.

15th fiscal period (As of July 31, 2023)

Not applicable.



## Notes on Tax-Effect Accounting

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

(Unit: thousand yen)

	14th fiscal period (As of January 31, 2023)	15th fiscal period (As of July 31, 2023)
Deferred tax assets		
Valuation adjustment upon merger	1,123,529	1,090,958
Acquisition cost of securities	1,284	3,030
Deferred gains or losses on hedges	760	30,895
Deferred tax assets, subtotal	1,125,574	1,124,884
Valuation allowance	(1,125,574)	(1,124,884)
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: %)

	14th fiscal period (As of January 31, 2023)	15th fiscal period (As of July 31, 2023)
Statutory tax rate	31.46	31.46
[Adjustments]		
Deductible distributions payable	(30.66)	(31.19)
Reversal of excess depreciation	(0.70)	(0.90)
Other	(0.08)	0.65
Effective income tax rate after application of tax-effect accounting	0.02	0.02

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

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

Not applicable.

### 15th fiscal period (As of July 31, 2023)

Notes are omitted because they lack significance.

## Notes on Related-Party Transactions

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

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

Not applicable.

#### 15th fiscal period (from February 1, 2023 to July 31, 2023)

Not applicable.

### 2. Affiliated companies, etc.

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

Not applicable.

#### 15th fiscal period (from February 1, 2023 to July 31, 2023)

Not applicable.

### 3. Fellow subsidiaries, etc.

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

Not applicable.

#### 15th fiscal period (from February 1, 2023 to July 31, 2023)

Not applicable.

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

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

(Unit: thousand yen)

Category	Name of company, etc. or person	Address	Capital stock or investments in capital	Description of business or occupation	Percentage of voting rights, etc. held by (in) SAR	Description of transaction	Transaction amount	Account item	Balance at end of the period
Director, or close relative of director	Atsushi Kato	–	–	Executive Director of SAR, and President and CEO of the Asset Manager	0.03%	Payment of asset management fee to the Asset Manager (Note 1)	575,950 (Note 2) (Note 3)	Accounts payable – others	466,852 (Note 2)

#### 15th fiscal period (from February 1, 2023 to July 31, 2023)

(Unit: thousand yen)

Category	Name of company, etc. or person	Address	Capital stock or investments in capital	Description of business or occupation	Percentage of voting rights, etc. held by (in) SAR	Description of transaction	Transaction amount	Account item	Balance at end of the period
Director, or close relative of director	Atsushi Kato	–	–	Executive Director of SAR, and President and CEO of the Asset Manager	0.03%	Payment of asset management fee to the Asset Manager (Note 1)	445,612 (Note 2) (Note 3)	Accounts payable – others	456,595 (Note 2)

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

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

(Note 3) The asset management fee for the 14th fiscal period includes the acquisition incentive portion included in the book value of individual real estate, etc. in the amount of 151,540 thousand yen. The asset management fee for the 15th fiscal period includes the acquisition incentive portion included in the book value of preferred equity securities in the amount of 15,625 thousand yen and the property transfer incentive portion in the amount of 11,500 thousand yen.

Notes on Asset Retirement Obligations

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

Not applicable.

15th fiscal period (from February 1, 2023 to July 31, 2023)

Not applicable.

Notes on Investments in Rental Properties

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

(Unit: thousand yen)

	14th fiscal period (From August 1, 2022 to January 31, 2023)	15th fiscal period (From February 1, 2023 to July 31, 2023)
Carrying amount		
Balance at beginning of the period	179,572,164	194,843,394
Amount of increase (decrease) during the period	15,271,229	(664,708)
Balance at end of the period	194,843,394	194,178,685
Fair value at end of the period	214,581,000	215,096,000

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

(Note 2) Of the amount of increase (decrease) in investments in rental properties during the 14th fiscal period, the amount of increase is mainly attributable to acquisition of real estate beneficiary interest in trust of three properties (15,409,595 thousand yen) and capital expenditures (605,932 thousand yen), while the amount of decrease is mainly attributable to depreciation (743,661 thousand yen). During the 15th fiscal period, the amount of increase is mainly attributable to capital expenditures (787,991 thousand yen), while the amount of decrease is mainly attributable to disposition of real estate beneficiary interest in trust of a property (688,594 thousand yen) and depreciation (763,353 thousand yen).

(Note 3) Fair value at the end of the period is the appraisal value by an outside real estate appraiser. Of the fair value at the end of the 14th fiscal period, that of Funabashi Hi-Tech Park Factory II is based on the transfer price (1,150,000 thousand yen) stated in the trust beneficiary interest sale and purchase agreement dated February 1, 2023 and that of Urban Park Gokokuji is based on the transfer price (1,800,000 thousand yen) stated in the trust beneficiary interest sale and purchase agreement dated March 16, 2023. In addition, of the fair value at the end of the 15th fiscal period, that of Urban Park Gokokuji is based on the transfer price (1,800,000 thousand yen) stated in the trust beneficiary interest sale and purchase agreement dated March 16, 2023 and that of Urban Park Koenji is based on the transfer price (1,315,000 thousand yen) stated in the trust beneficiary interest sale and purchase agreement dated August 7, 2023.

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

Notes on Revenue Recognition

1. Breakdown information on revenue from contracts with customers

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

(Unit: thousand yen)

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

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

15th fiscal period (from February 1, 2023 to July 31, 2023)

(Unit: thousand yen)

	Revenue from contracts with customers <sup>(Note 1)</sup>	Sales to external customers
Proceeds from sale of real estate <sup>(Note 2)</sup>	414,166	414,166
Utilities income	358,375	358,375
Other	–	6,174,384
Total	772,542	6,946,926

(Note 1) 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.

(Note 2) Proceeds from sale of real estate is recorded as gain on sale of property in the statement of income. Therefore, the amount calculated by deducting the cost of sale of real estate and other sales expenses from the proceeds from sale of real estate is indicated.

2. Foundational information for understanding revenue from contracts with customers

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



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

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

(Unit: thousand yen)

	<b>14th fiscal period (From August 1, 2022 to January 31, 2023)</b>	<b>15th fiscal period (From February 1, 2023 to July 31, 2023)</b>
Receivables generated from contracts with customers (balance at beginning of the period)	73,083	87,858
Receivables generated from contracts with customers (balance at end of the period)	87,858	71,460
Contract assets (balance at beginning of the period)	—	—
Contract assets (balance at end of the period)	—	—
Contract liabilities (balance at beginning of the period)	—	—
Contract liabilities (balance at end of the period)	—	—

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

Not applicable.

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

## Notes on Segment Information

### 1. Segment information

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

### 2. Related information

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

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

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

**(2) Information about geographic areas**

**1) Net sales**

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

**2) Property, plant and equipment**

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

**(3) Information about each major customer**

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

**15th fiscal period (from February 1, 2023 to July 31, 2023)**

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

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

**(2) Information about geographic areas**

**1) Net sales**

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

**2) Property, plant and equipment**

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

**(3) Information about each major customer**

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

Notes on Per Unit Information

(Unit: yen)

	14th fiscal period (From August 1, 2022 to January 31, 2023)	15th fiscal period (From February 1, 2023 to July 31, 2023)
Net assets per unit	53,835	53,715
Net income per unit	1,455	1,599

(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)

	14th fiscal period (From August 1, 2022 to January 31, 2023)	15th fiscal period (From February 1, 2023 to July 31, 2023)
Net income	2,781,930	3,073,236
Amount not attributable to common unitholders	–	–
Net income attributable to common investment units	2,781,930	3,073,236
Average number of investment units during the period (units)	1,910,903	1,921,689

Notes on Significant Subsequent Events

Issuance of new investment units

The issuance of new investment units for the purpose of acquiring real estate, etc. was resolved as follows at the Board of Directors’ meetings held on August 7, 2023, and August 15, 2023, and payment was completed on August 21, 2023.

<Issuance of new investment units through primary offering>

Number of new investment units issued:	450,311 units
Issue price (offer price):	53,235 yen per unit
Total issue price (total offer price):	23,972,306,085 yen
Issue amount (paid-in amount):	51,504 yen per unit
Total issue amount (total paid-in amount):	23,192,817,744 yen
Payment date:	August 21, 2023

The proceeds from the issuance of new investment units were and will be used to partially fund the acquisition of 8 properties (total acquisition price: 46,143 million yen) acquired as of September 1, 2023, and 3 properties (total planned acquisition price: 3,048 million yen) to be acquired as of December 1, 2023, respectively.

Asset transfer

The transfer of Urban Park Gokokuji and Urban Park Koenji have completed as follows:

<Urban Park Gokokuji>

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

<Urban Park Koenji>

Asset transferred:	Trust beneficiary interest in which the main trust asset is domestic real estate
Contract date:	August 7, 2023
Transfer date:	August 31, 2023
Location (indication of residential address):	3-19-12 Koenji-kita, Suginami-ku, Tokyo
Buyer:	A.D. Works Co., Ltd.
Transfer price:	1,315,000 thousand yen
Impact on income (loss):	Operating revenue from gain on sale of real estate is expected to be recorded in the amount of approximately 109 million yen in the fiscal period ending January 31, 2024.



Supplementary Schedules

1. Schedule of securities

(1) Stocks

Not applicable.

(2) Securities other than stocks

(Unit: thousand yen)

Category	Name of the security	Total face value	Book value	Accrued interest	Prepaid accrued interest	Fair value	Unrealized gain or loss	Remarks
Corporate bonds	Star Asia Mezzanine Loan Debt Investment Series 7	400,000	400,000	3,392	–	400,000	–	(Note 1) (Note 4)
Trust beneficiary interest	Star Asia Mezzanine Loan Debt Investment Series 8	–	340,000	4,190	–	340,000	–	(Note 2) (Note 4)
Preferred equity security	GSA JP Project 1 Tokutei Mokuteki Kaisha (TMK) Preferred Equity Securities	–	1,588,015	–	–	1,803,536	215,520	(Note 3) (Note 5)
Total		–	2,328,015	7,582	–	2,543,536	215,520	

(Note 1) The underlying assets are trust beneficiary interests in a trust mainly comprised of Quintessa Hotel Tokyo Haneda Comic & Books.

(Note 2) The underlying assets are trust beneficiary interests in a trust mainly comprised of Centurion Hotel Grand Akasaka.

(Note 3) The underlying assets are trust beneficiary interests in a trust mainly comprised of HAKUSAN HOUSE.

(Note 4) Because interest income etc. from mezzanine loan debt are based on floating interest rates, the fair value is approximately the same as the acquisition cost and thus stated at that acquisition cost.

(Note 5) The fair value of preferred equity securities is the amount that is attributable to the equity held by SAR out of the net asset value of the issuer of preferred equity securities based on the appraisal value of the underlying assets.

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

(Unit: thousand yen)

Category	Type	Contract amount, etc. (Note 1)		Fair value (Note 2)
			Of which, later than 1 year	
Transaction other than market transaction	Interest rate swap transaction (floating receivable; fixed payable)	82,305,000	68,965,000	92,917
Total		82,305,000	68,965,000	92,917

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

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

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

(Unit: thousand yen)

Type of asset	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Accumulated depreciation or accumulated amortization		Net balance at end of the period	Remarks
						For period		
Property, plant and equipment	Tools, furniture and fixtures	114	–	–	114	–	0	
	Buildings in trust	56,299,699	685,940	163,753	56,821,886	6,898,692	743,209	49,923,193
	Structures in trust	25,348	396	0	25,744	7,577	931	18,166
	Machinery and equipment in trust	163,565	88,005	–	251,570	44,740	9,493	206,829
	Tools, furniture and fixtures in trust	125,782	13,650	–	139,432	48,732	9,719	90,699
	Land in trust	140,397,333	–	539,838	139,857,495	–	–	139,857,495
	Construction in progress in trust	1,282	32,585	772	33,095	–	–	33,095
	Subtotal	197,013,126	820,576	704,364	197,129,339	6,999,858	763,353	190,129,480
	Leasehold rights in trust	4,082,300	–	–	4,082,300	–	–	4,082,300
	Subtotal	4,082,300	–	–	4,082,300	–	–	4,082,300
Total		201,095,427	820,576	704,364	201,211,639	6,999,858	763,353	194,211,780

4. Schedule of other specified assets

Not applicable.

5. Schedule of investment corporation bonds

(Unit: thousand yen)

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

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

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years
Investment corporation bonds	–	–	–	–	–

6. Schedule of borrowings

(Unit: thousand yen)

Category <sup>(Note 2)</sup>	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
Lender									
Sumitomo Mitsui Banking Corporation	970,000	–	970,000	–	0.7300% (Note 3)	February 20, 2023	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
Mizuho Bank, Ltd.	920,000	–	920,000	–					
Sumitomo Mitsui Trust Bank, Limited	800,000	–	800,000	–					
Aozora Bank, Ltd.	500,000	–	500,000	–					
SBI Shinsei Bank, Limited	500,000	–	500,000	–					
Resona Bank, Limited	500,000	–	500,000	–					
The Bank of Fukuoka, Ltd.	500,000	–	500,000	–					
Sumitomo Mitsui Banking Corporation	1,950,000	–	1,950,000	–	1.0778% (Note 3)	February 28, 2023 (Note 4)	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
SBI Shinsei Bank, Limited	1,950,000	–	1,950,000	–					
Aozora Bank, Ltd.	800,000	–	800,000	–					
Resona Bank, Limited	400,000	–	400,000	–					
Long-term borrowings	Sumitomo Mitsui Banking Corporation	850,000	–	–	0.8120% (Note 3)	September 20, 2023	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
	Mizuho Bank, Ltd.	750,000	–	–					
	Sumitomo Mitsui Trust Bank, Limited	700,000	–	–					
	Aozora Bank, Ltd.	500,000	–	–					
	SBI Shinsei Bank, Limited	600,000	–	–					
	Resona Bank, Limited	500,000	–	–					
	The Bank of Fukuoka, Ltd.	240,000	–	–					
	Mizuho Trust & Banking. Co., Ltd.	200,000	–	–	0.7532% (Note 3)	April 22, 2024	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
	The Nishi-Nippon City Bank, Ltd.	500,000	–	–					
	Sumitomo Mitsui Banking Corporation	2,200,000	–	–					
	Mizuho Bank, Ltd.	2,050,000	–	–					
	Sumitomo Mitsui Trust Bank, Limited	1,250,000	–	–					
	Aozora Bank, Ltd.	700,000	–	–					
	SBI Shinsei Bank, Limited	700,000	–	–					
	Resona Bank, Limited	700,000	–	–					
	Mizuho Trust & Banking. Co., Ltd.	400,000	–	–					

Category <sup>(Note 2)</sup>	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
Lender									
Sumitomo Mitsui Banking Corporation	1,950,000	–	–	1,950,000	0.7588% (Note 3)	April 21, 2025	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
Mizuho Bank, Ltd.	2,500,000	–	–	2,500,000					
Sumitomo Mitsui Trust Bank, Limited	1,050,000	–	–	1,050,000					
Aozora Bank, Ltd.	600,000	–	–	600,000					
SBI Shinsei Bank, Limited	600,000	–	–	600,000					
Resona Bank, Limited	600,000	–	–	600,000	0.5360% (Note 3)	February 29, 2024	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
The Bank of Fukuoka, Ltd.	500,000	–	–	500,000					
Sumitomo Mitsui Banking Corporation	2,150,000	–	–	2,150,000	0.6975% (Note 3)	August 29, 2025	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
Mizuho Bank, Ltd.	2,000,000	–	–	2,000,000					
Aozora Bank, Ltd.	1,500,000	–	–	1,500,000					
Sumitomo Mitsui Trust Bank, Limited	1,000,000	–	–	1,000,000					
The Nishi-Nippon City Bank, Ltd.	1,000,000	–	–	1,000,000					
Long-term borrowings	Resona Bank, Limited	600,000	–	–	0.6850% (Note 3)	October 31, 2025	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
	Sumitomo Mitsui Banking Corporation	1,350,000	–	–					
	Mizuho Bank, Ltd.	1,000,000	–	–					
	Sumitomo Mitsui Trust Bank, Limited	850,000	–	–					
	Aozora Bank, Ltd.	400,000	–	–					
	Sumitomo Mitsui Banking Corporation	1,680,000	–	–	0.7025% (Note 3)	April 30, 2026	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
	Mizuho Bank, Ltd.	1,530,000	–	–					
	The Bank of Yokohama, Ltd.	1,000,000	–	–					
	SBI Shinsei Bank, Limited	600,000	–	–					
	Aozora Bank, Ltd.	600,000	–	–					
	Sumitomo Mitsui Trust Bank, Limited	550,000	–	–	0.9455% (Note 3)	April 28, 2028	Lump sum repayment on repayment date	(Note 5)	Unsecured and unguaran- teed
	Sumitomo Mitsui Banking Corporation	750,000	–	–					
	Mizuho Bank, Ltd.	750,000	–	–					
	Sumitomo Mitsui Trust Bank, Limited	500,000	–	–					
	The Kiyo Bank, Ltd.	500,000	–	–					
	Fukoku Mutual Life Insurance Company	500,000	–	–					



	Category <sup>(Note 2)</sup>	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
	Lender									
Long-term borrowings	Sumitomo Mitsui Banking Corporation	750,000	–	–	750,000	0.6780% <sup>(Note 3)</sup>	August 19, 2026	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	Mizuho Bank, Ltd.	750,000	–	–	750,000					
	Sumitomo Mitsui Trust Bank, Limited	500,000	–	–	500,000					
	Aozora Bank, Ltd.	500,000	–	–	500,000					
	The Bank of Yokohama, Ltd.	500,000	–	–	500,000					
	The Minato Bank, Ltd.	750,000	–	–	750,000	0.8894% <sup>(Note 3)</sup>	August 21, 2028	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	Sumitomo Mitsui Banking Corporation	750,000	–	–	750,000					
	Mizuho Bank, Ltd.	750,000	–	–	750,000					
	Sumitomo Mitsui Trust Bank, Limited	500,000	–	–	500,000					
	Aozora Bank, Ltd.	500,000	–	–	500,000					
	The Minato Bank, Ltd.	750,000	–	–	750,000	0.6955% <sup>(Note 3)</sup>	August 31, 2026	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	Sumitomo Mitsui Banking Corporation	1,150,000	–	–	1,150,000					
	Mizuho Bank, Ltd.	540,000	–	–	540,000					
	SBI Shinsei Bank, Limited	2,160,000	–	–	2,160,000					
	The Minato Bank, Ltd.	500,000	–	–	500,000					
	Sumitomo Mitsui Banking Corporation	800,000	–	–	800,000	0.9106% <sup>(Note 3)</sup>	August 31, 2028	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	Mizuho Bank, Ltd.	500,000	–	–	500,000					
	SBI 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	0.4745%	October 21, 2024	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	Mizuho Bank, Ltd.	857,500	–	–	857,500					
	SBI Shinsei Bank, Limited	300,000	–	–	300,000					
	Sumitomo Mitsui Trust Bank, Limited	525,000	–	–	525,000					
	Aozora Bank, Ltd.	300,000	–	–	300,000					
	Resona Bank, Limited	100,000	–	–	100,000	0.2596%	April 28, 2023	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	The Bank of Fukuoka, Ltd.	170,000	–	–	170,000					
	Mizuho Trust & Banking. Co., Ltd.	100,000	–	–	100,000					
	The Dai-ichi Life Insurance Company, Limited	500,000	–	–	500,000					

	Category <sup>(Note 2)</sup>	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
	Lender									
Long-term borrowings	Sumitomo Mitsui Banking Corporation	932,500	–	–	932,500	0.7505% <sup>(Note 3)</sup>	October 20, 2026	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	Mizuho Bank, Ltd.	857,500	–	–	857,500					
	SBI Shinsei Bank, Limited	300,000	–	–	300,000					
	Sumitomo Mitsui Trust Bank, Limited	525,000	–	–	525,000					
	Aozora Bank, Ltd.	300,000	–	–	300,000					
	Resona Bank, Limited	100,000	–	–	100,000	0.8276%	May 31, 2027	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	Mizuho Trust & Banking. Co., Ltd.	100,000	–	–	100,000					
	Sumitomo Mitsui Banking Corporation	500,000	–	–	500,000					
	Mizuho Bank, Ltd.	450,000	–	–	450,000					
	SBI Shinsei Bank, Limited	600,000	–	–	600,000					
	Sumitomo Mitsui Trust Bank, Limited	700,000	–	–	700,000	0.9067%	May 31, 2027	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	Aozora Bank, Ltd.	500,000	–	–	500,000					
	Resona Bank, Limited	500,000	–	–	500,000					
	The Bank of Fukuoka, Ltd.	250,000	–	–	250,000					
	Sumitomo Mitsui Banking Corporation	900,000	–	–	900,000					
	Mizuho Bank, Ltd.	550,000	–	–	550,000	0.2596%	April 28, 2023	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	SBI Shinsei Bank, Limited	400,000	–	–	400,000					
	Sumitomo Mitsui Trust Bank, Limited	500,000	–	–	500,000					
	Aozora Bank, Ltd.	400,000	–	–	400,000					
	Resona Bank, Limited	400,000	–	–	400,000					
	Sumitomo Mitsui Banking Corporation	500,000	–	500,000	–	0.8738%	May 31, 2027	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	Mizuho Bank, Ltd.	500,000	–	500,000	–					
	Sumitomo Mitsui Banking Corporation	450,000	–	–	450,000					
	SBI Shinsei Bank, Limited	450,000	–	–	450,000					
	Aozora Bank, Ltd.	200,000	–	–	200,000					
	The Kiyo Bank, Ltd.	1,000,000	–	–	1,000,000					

	Category <sup>(Note 2)</sup>	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
	Lender									
Long-term borrowings	Sumitomo Mitsui Banking Corporation	1,400,000	–	–	1,400,000	0.8722% <sup>(Note 3)</sup>	August 31, 2027	Lump sum repayment on repayment date	<sup>(Note 6)</sup>	Unsecured and unguaran- teed
	Mizuho Bank, Ltd.	1,400,000	–	–	1,400,000					
	SBI Shinsei Bank, Limited	800,000	–	–	800,000					
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	–	–	1,000,000					
	Aozora Bank, Ltd.	800,000	–	–	800,000					
	Resona Bank, Limited	800,000	–	–	800,000					
	The Chiba Bank, Ltd.	1,000,000	–	–	1,000,000	0.6999% <sup>(Note 3)</sup>	April 30, 2026	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	Sumitomo Mitsui Banking Corporation	1,380,000	–	–	1,380,000					
	SBI Shinsei Bank, Limited	1,380,000	–	–	1,380,000					
	Resona Bank, Limited	340,000	–	–	340,000	0.8999% <sup>(Note 3)</sup>	August 31, 2027	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	Sumitomo Mitsui Banking Corporation	1,120,000	–	–	1,120,000					
	SBI Shinsei Bank, Limited	1,120,000	–	–	1,120,000					
	Resona Bank, Limited	260,000	–	–	260,000	1.1110% <sup>(Note 3)</sup>	April 28, 2028	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	Sumitomo Mitsui Banking Corporation	–	2,020,000	–	2,020,000					
	Mizuho Bank, Ltd.	–	640,000	–	640,000					
	SBI Shinsei Bank, Limited	–	1,700,000	–	1,700,000					
	Sumitomo Mitsui Trust Bank, Limited	–	560,000	–	560,000					
	Aozora Bank, Ltd.	–	900,000	–	900,000					
	Resona Bank, Limited	–	620,000	–	620,000					
	The Bank of Fukuoka, Ltd.	–	350,000	–	350,000	1.2779% <sup>(Note 3)</sup>	February 28, 2029	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	Sumitomo Mitsui Banking Corporation	–	900,000	–	900,000					
	Mizuho Bank, Ltd.	–	280,000	–	280,000					
	SBI Shinsei Bank, Limited	–	750,000	–	750,000					
	Sumitomo Mitsui Trust Bank, Limited	–	240,000	–	240,000					
	Aozora Bank, Ltd.	–	400,000	–	400,000					
	Resona Bank, Limited	–	280,000	–	280,000					
	The Bank of Fukuoka, Ltd.	–	150,000	–	150,000					

	Category <sup>(Note 2)</sup>	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
	Lender									
Long-term borrowings	Sumitomo Mitsui Banking Corporation	–	500,000	–	500,000	0.2745%	April 30, 2024	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured and unguaran- teed
	Mizuho Bank, Ltd.	–	500,000	–	500,000					
	Subtotal	95,840,000	10,790,000	10,790,000	95,840,000					
	Total	95,840,000	10,790,000	10,790,000	95,840,000					

(Note 1) Average interest rate is the day-weighted average rate during the fiscal period.

(Note 2) Long-term borrowings include current portion of long-term borrowings.

(Note 3) 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) Early repayment of the entire amount was carried out on February 20, 2023.

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

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

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

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years
Long-term borrowings		14,340,000	11,085,000	20,910,000	19,965,000



# Independent Auditor's Report



## Independent Auditor's Report

The Board of Directors  
Star Asia Investment Corporation

### Opinion

We have audited the accompanying financial statements of Star Asia Investment Corporation (the Company), which comprise the balance sheet as at July 31, 2023, and the statements of income and retained earnings, changes in unitholders' equity, cash distributions and cash flows for the six months period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2023, and its financial performance and its cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

### Other Information

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

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

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

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

We have nothing to report in this regard.



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

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

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

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

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

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

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

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



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

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

**Fee-related Information**

The fees paid or payable to us and other EY Member Firms for the audits of the financial statements of the Company and other non-audit fees charged in the audit period to the Company are 13 million yen and 6 million yen, respectively.

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

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

Ernst & Young ShinNihon LLC  
Tokyo, Japan

November 28, 2023

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

/s/ Hiroto Inoue  
Hiroto Inoue  
Designated Engagement Partner  
Certified Public Accountant