



Star Asia Investment Corporation

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

Semi-Annual Report

for the 11th Fiscal Period

from February 1, 2021 to July 31, 2021

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, an independent real estate investment group that has accumulated a track record in the Japanese real estate market.

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

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Characteristics of Star Asia Investment Corporation (SAR)

1. A diversified REIT

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

2. Steady growth

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

3. Initiatives focusing on unitholder value

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

Investment policy



Prioritized, focused investment in the Tokyo Area ^(Note 1)
Investment ratio 70% or higher in the Tokyo Area



Achieving income stability and growth through diversification of asset types



Investment primarily in middle-size assets ^(Note 2)

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

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

To Our Unitholders

Star Asia Investment Corporation
Executive Director

Atsushi Kato



Message

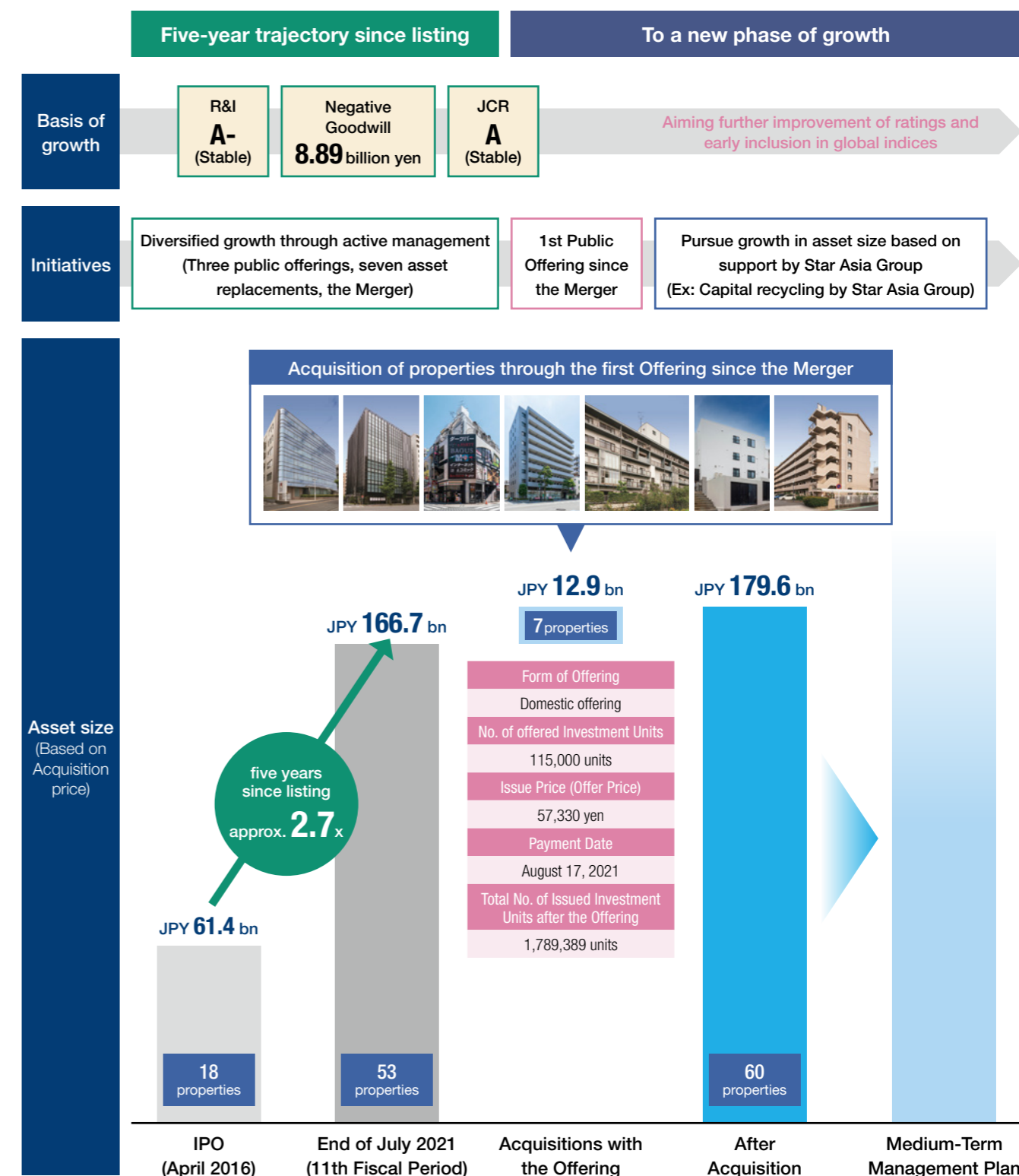
We appreciate your continued support and guidance of Star Asia Investment Corporation (SAR) and the asset management company Star Asia Investment Management Co., Ltd.

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

SAR achieved steady growth by continuously executing measures in pursuing to maximize unitholders' interests since its listing in April 2016. The asset size as of the end of 11th Fiscal Period is 166.7 billion yen and this was recently expanded to 179.6 billion yen (60 properties) with the acquisition of properties through a public offering executed in August 2021. The executed acquisitions of properties are positioned as the initial step towards the asset size target of 300 billion yen in the medium-term management plan established in March 2021, and we consider focusing on external growth more than ever going forward to achieve the target.

During the 11th Fiscal Period, the timing to regain peaceful daily life from the COVID-19 infection continued to be uncertain in Japan. On the other hand, SAR believes that there were signs that future economic conditions will turn upward, such as the Tokyo Olympic Games being successfully held and the increase in vaccination rate.

Under such circumstances, as a result of conducting management pursuing maximization of unitholders' interests as well as seeking to maintain and enhance rent revenue from the portfolio, reduce construction costs with increased order quantity of repair works, etc. and cost reductions with adjustments, etc., SAR posted operating revenue of 5,560 million yen, ordinary income of 2,407 million yen, net income of 2,407 million yen and cash distribution per unit of 1,462 yen.



(Note) Credit ratings are the long-term issuer rating (JCR) and issuer rating (R&I) for SAR as of the date of this document, not credit ratings for SAR's investment units

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

We thank you for your continued support and encouragement and we hope that peaceful daily life will be regained from the COVID-19 pandemic as early as possible, as well as for your good health.

Progress of Medium-Term Management Plan

SAR believes that it entered into a new growth phase as the foundations to accelerate growth are being prepared with (1) expanding its asset size to over 165 billion yen with the realization of merger (August 2020), (2) obtaining ratings of A (stable) from Japan Credit Rating Agency, Ltd. (JCR), A- (stable) from Rating and Investment Information, Inc. (R&I), (3) attaining a gain on negative goodwill (approx. 8.89 billion yen) associated with the merger, and that it is assumed to become a constituent of a global index (FTSE EPRA/NAREIT) at an early stage.

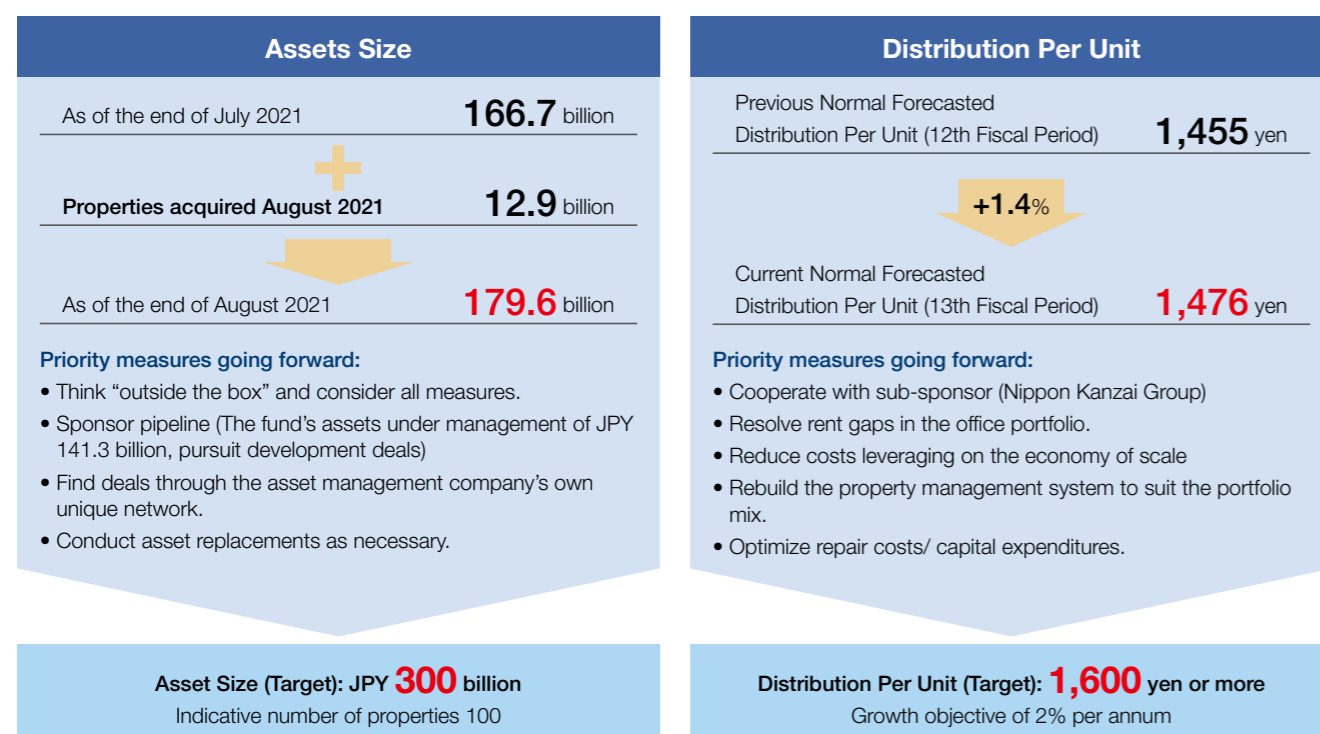
In March 2021, about five years since listing, SAR formulated a medium-term management plan for next five years to achieve (1) an asset size of 300 billion yen and (2) a distribution per unit of 1,600 yen (approx. 2% growth per annum) by 2026.

As the first step to achieve this target, SAR acquired seven properties (total acquisition price: 12.96 billion yen) in August 2021 as mentioned above. The newly acquired properties are comprised of two office buildings that have internal growth potential, one urban retail facility with the anticipation that peaceful daily life will be regained from the COVID-19 pandemic and increased value can be expected, and four residential properties that have high ratios of family type units where stable occupancy rates can be expected. Furthermore, regarding the distribution per unit, SAR forecasts 1,476 yen for the fiscal period ending July 31, 2022, which is a 1.4% growth compared to the forecast for the fiscal period ending January 31, 2022.

SAR will, in order to realize targets of the medium-term management plan, capitalize on the support from Star Asia group regarding expansion of asset size and cooperate with the sub-sponsor NIPPON KANZAI group with regards to growth of distribution per unit as well as execute management that pursues the maximization of unitholders' interests.

Progression Status of Medium-Term Management Plan (Formulated in March 2021)

The asset size increased by **12.9 billion yen** to total **179.6 billion yen** due to the properties acquired in August 2021, and normal distribution per unit (forecast) **increased by 1.4%** to **1,476 yen** (forecast for the fiscal period ending July 2022).



Initiatives Related to ESG

SAR is enhancing its initiatives related to ESG, which has become a global policy issue. SAR newly established at Star Asia Investment Management, the Sustainability Promotion Division to strengthen initiatives related ESG and organized the Sustainability Promotion Committee to clarify responsibilities related to the initiatives as well as to discuss and decide on various measures and policies.

In March 2021, lead by the Sustainability Promotion Division, SAR set up goals regarding GHG (greenhouse gases), energy consumption, water resource management and waste management with 2019 as the reference year as its initiatives related to E (environment). For these goals, SAR is continuing efforts toward achievement by asking for the cooperation of property managers and tenants of SAR's properties. Regarding the degree of goal achievement, the annual figures and how its effects will be measured are planned to be disclosed on SAR's website.

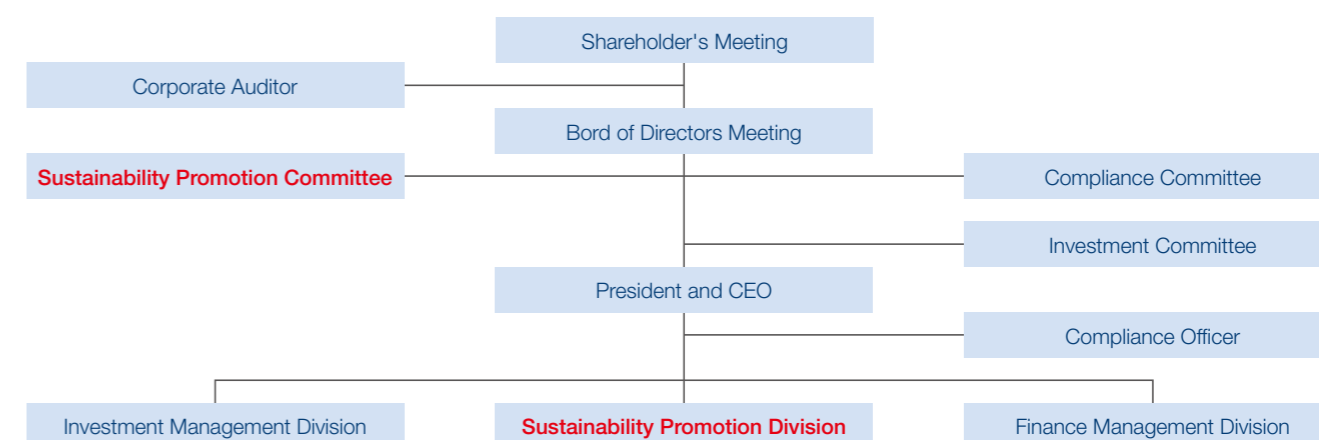
In addition, SAR participated in the 2021 GRESB Real Estate Assessment as part of its ESG-related initiatives. In its first participation, SAR was awarded "3 Stars" and "Green Star" ratings. The purpose of participation in the assessment is not about achieving a high assessment in itself, but SAR believes it is more important to fulfill its responsibilities as a J-REIT with a public nature by executing measures aiming to establish better environment (E), society (S) and governance (G) through enhancing the assessment.

ESG Policy










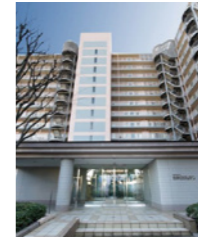




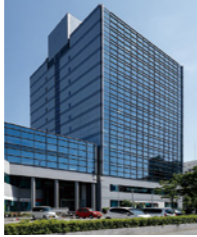



























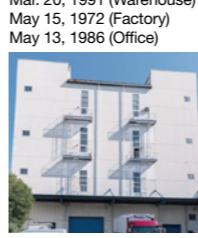













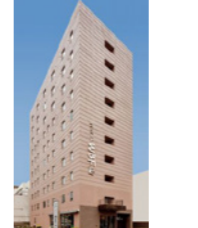


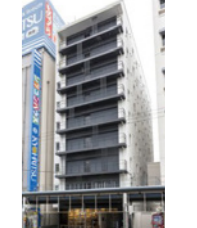
Our Company, as a member of the Star Asia Group, shares its Investment Philosophy and Guiding Principles. Furthermore, as the asset management company for Star Asia Investment Corporation, we engage in the real estate investment management business while giving consideration to the environment, society,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

- 1 Action towards Climate Change
- 2 Consideration towards Resource Circulation, Water Use, and Biodiversity
- 3 Pursuit of Health, Safety, and well-being
- 4 Securing and Developing Human Capital
- 5 Stakeholder Engagement
- 6 Establishing and Organizing a Governance System

New Organization of the Asset Management Company (Establishment of Sustainability Promotion Committee and Sustainability Promotion Division)



Portfolio Overview (As of August 31, 2021)

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

Financial Summary

Historical Operating Trends

Fiscal Period		7th Fiscal Period	8th Fiscal Period	9th Fiscal Period	10th Fiscal Period	11th Fiscal Period
		(February 1, 2019 to July 31, 2019)	(August 1, 2019 to January 31, 2020)	(February 1, 2020 to July 31, 2020)	(August 1, 2020 to January 31, 2021)	(February 1, 2021 to July 31, 2021)
Operating revenue	(million yen)	3,785	3,227	3,996	6,672	5,560
Operating revenue from real estate leasing	(million yen)	3,334	3,200	3,314	5,648	5,536
Operating expenses	(million yen)	1,559	1,506	1,864	3,295	2,721
Operating expenses from real estate leasing	(million yen)	1,214	1,189	1,173	2,179	2,189
Operating income	(million yen)	2,225	1,721	2,131	3,376	2,838
Ordinary income	(million yen)	1,965	1,494	1,857	2,911	2,407
Net income	(million yen)	1,964	1,493	1,857	11,801	2,407
Total assets	(million yen)	110,240	109,649	113,035	179,789	179,170
[Period-on-period variation]	(%)	(-0.8)	(-0.5)	(3.1)	(59.1)	(-0.3)
Net assets	(million yen)	54,739	54,299	54,614	89,600	89,179
[Period-on-period variation]	(%)	(-0.2)	(-0.8)	(0.6)	(64.1)	(-0.5)
Interest-bearing debt	(million yen)	51,580	51,580	54,320	82,440	82,440
Unitholders' capital	(million yen)	52,745	52,745	52,745	52,745	52,745
Total number of investment units issued and outstanding	(units)	540,824	540,824	540,824	1,674,389	1,674,389
Net assets per unit ^(Note 3)	(yen)	101,215	100,401	50,492	53,512	53,260
Total cash distribution	(million yen)	1,960	1,507	1,858	2,806	2,447
Cash distributions per unit	(yen)	3,625	2,788	3,436	1,676	1,462
Cash distribution of earnings per unit	(yen)	3,625	2,788	3,436	1,676	1,462
Cash distributions in excess of earnings per unit	(yen)	-	-	-	-	-
Ratio of ordinary income to total assets ^(Note 4)	(%)	1.8	1.4	1.7	2.0	1.3
[Annualized]	(%)	(3.6)	(2.7)	(3.3)	(3.9)	(2.7)
Return on equity ^(Note 4)	(%)	3.6	2.7	3.4	16.4	2.7
[Annualized]	(%)	(7.2)	(5.4)	(6.8)	(32.5)	(5.4)
Equity ratio at end of period ^(Note 4)	(%)	49.7	49.5	48.3	49.8	49.8
[Period-on-period variation]		(0.3)	(-0.1)	(-1.2)	(1.5)	(-0.1)
Cash distribution payout ratio ^(Note 4)	(%)	99.8	100.9	100.1	23.8	101.7
[Other reference Information]						
Number of operating days	(days)	181	184	182	184	181
Number of properties at end of period	(properties)	34	34	36	53	53
Depreciation	(million yen)	415	420	432	628	633
Capital expenditures	(million yen)	189	131	188	331	363
Lease NOI (Net Operating Income) ^(Note 4)	(million yen)	2,535	2,431	2,573	4,097	3,980
FFO (Funds from Operation) ^(Note 4)	(million yen)	1,957	1,914	1,640	2,564	3,040
FFO per unit ^{(Note 3) (Note 4)}	(yen)	3,620	3,539	1,516	1,531	1,815
Ratio of interest-bearing debt to total assets at end of period (LTV)	(%)	46.8	47.0	48.1	45.9	46.0

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

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

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

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

Ratio of ordinary income to total assets	$\text{Ordinary income} \div \{(\text{total assets at beginning of period} + \text{total assets at end of period}) \div 2\} \times 100$
Return on equity	$\text{Net income} \div \{(\text{net assets at beginning of period} + \text{net assets at end of period}) \div 2\} \times 100$
Equity ratio at end of period	$\text{Net assets at end of period} \div \text{total assets at end of period} \times 100$
Cash distribution payout ratio	$\text{Cash distribution per unit (excluding cash distribution in excess of earnings)} \div \text{net income per unit} \times 100$
Lease NOI (Net Operating Income)	$\text{Operating revenue from real estate leasing} - \text{operating expenses from real estate leasing} + \text{depreciation}$
FFO (Funds from Operation)	$\text{Net income} + \text{Depreciation} - \text{loss on sales of real estate}$ The figures of 10th fiscal period is calculated after deducting 8,891 million yen of gain on negative goodwill from net income.
FFO per unit	$\text{FFO} \div \text{total number of investment units issued and outstanding}$

Balance Sheet

(Unit: thousand yen)

	10th fiscal period (As of January 31, 2021)	11th fiscal period (As of July 31, 2021)
Assets		
Current assets		
Cash and deposits	3,565,028	3,169,688
Cash and deposits in trust	7,515,934	7,536,399
Operating accounts receivable	82,348	96,187
Prepaid expenses	188,497	177,085
Consumption taxes receivable	–	83,497
Others	9,208	7,506
Total current assets	11,361,017	11,070,364
Non-current assets		
Property, plant and equipment		
Tools, furniture and fixtures	114	114
Accumulated depreciation	(14)	(42)
Tools, furniture and fixtures, net	100	71
Buildings in trust	49,326,896	49,655,872
Accumulated depreciation	(3,460,097)	(4,084,344)
Buildings in trust, net	45,866,798	45,571,527
Structures in trust	20,635	20,635
Accumulated depreciation	(3,671)	(4,393)
Structures in trust, net	16,964	16,242
Machinery and equipment in trust	73,226	97,214
Accumulated depreciation	(14,997)	(18,872)
Machinery and equipment in trust, net	58,228	78,341
Tools, furniture and fixtures in trust	47,023	56,654
Accumulated depreciation	(16,360)	(20,334)
Tools, furniture and fixtures in trust, net	30,663	36,319
Land in trust	117,051,893	117,051,893
Construction in progress in trust	–	550
Total property, plant and equipment	163,024,648	162,754,946
Intangible assets		
Leasehold rights in trust	4,082,300	4,082,300
Total intangible assets	4,082,300	4,082,300
Investments and other assets		
Investment securities	756,206	692,234
Long-term loans receivable	300,000	300,000
Long-term prepaid expenses	245,057	260,510
Leasehold and guarantee deposits	20,519	10,459
Total investments and other assets	1,321,782	1,263,203
Total non-current assets	168,428,731	168,100,450
Total assets	179,789,748	179,170,815

(Unit: thousand yen)

	10th fiscal period (As of January 31, 2021)	11th fiscal period (As of July 31, 2021)
Liabilities		
Current liabilities		
Operating accounts payable	621,461	544,542
Short-term borrowings	2,150,000	2,150,000
Current portion of long-term borrowings	22,660,000	23,450,000
Accounts payable – others	541,206	492,764
Accrued expenses	43,534	41,562
Income taxes payable	605	605
Accrued consumption taxes	252,480	71,861
Advances received	835,113	913,623
Others	30,588	23,834
Total current liabilities	27,134,990	27,688,794
Non-current liabilities		
Long-term borrowings	57,630,000	56,840,000
Leasehold and guarantee deposits received	6,142	6,142
Leasehold and guarantee deposits received in trust	5,197,022	5,217,745
Others	221,075	238,654
Total non-current liabilities	63,054,239	62,302,542
Total liabilities	90,189,230	89,991,336
Net assets		
Unitholders' equity		
Unitholders' capital	52,745,966	52,745,966
Surplus		
Unitholders' capital surplus	25,132,218	25,132,218
Voluntary reserve		
Reserve for temporary difference adjustment	–	*2 8,891,236
Total voluntary reserve	–	8,891,236
Unappropriated retained earnings (undisposed loss)	11,942,013	2,651,806
Total surplus	37,074,231	36,675,261
Total unitholders' equity	89,820,197	89,421,227
Valuation and translation adjustments		
Deferred gains or losses on hedges	(219,679)	(241,749)
Total valuation and translation adjustments	(219,679)	(241,749)
Total net assets	*1 89,600,518	*1 89,179,478
Total liabilities and net assets	179,789,748	179,170,815

Statement of Income and Retained Earnings

(Unit: thousand yen)

	10th fiscal period (From August 1, 2020 to January 31, 2021)	11th fiscal period (From February 1, 2021 to July 31, 2021)
Operating revenue		
Rental revenue	*1 5,259,516	*1 5,184,498
Other lease business revenue	*1 389,105	*1 351,786
Gain on sales of real estate	*2 993,574	–
Other revenue	29,933	24,495
Total operating revenue	6,672,130	5,560,780
Operating expenses		
Expenses related to lease business	*1 2,179,316	*1 2,189,167
Loss on sales of real estate	*2 19,285	–
Asset management fee	405,303	380,024
Asset custody and administrative service fees	47,427	38,699
Directors' compensations	2,400	2,400
Merger expenses	448,870	–
Other operating expenses	192,798	111,699
Total operating expenses	3,295,402	2,721,990
Operating income	3,376,728	2,838,789
Non-operating income		
Interest income	51	63
Reversal of unpaid distribution	4,111	3,390
Interest on refund	1	1
Others	0	–
Total non-operating income	4,164	3,454
Non-operating expenses		
Interest expenses	299,303	301,653
Borrowing related expenses	170,497	132,679
Total non-operating expenses	469,801	434,333
Ordinary income	2,911,090	2,407,910
Extraordinary income		
Gain on negative goodwill	8,891,236	–
Total extraordinary income	8,891,236	–
Income before income taxes	11,802,327	2,407,910
Income taxes - current	605	605
Total income taxes	605	605
Net income	11,801,722	2,407,305
Retained earnings brought forward	140,290	244,500
Unappropriated retained earnings (undisposed loss)	11,942,013	2,651,806

Statement of Changes in Unitholders' Equity

10th fiscal period (from August 1, 2020 to January 31, 2021)

(Unit: thousand yen)

	Unitholders' equity				Valuation and translation adjustments		Total net assets	
	Unitholders' capital	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments		
		Capital surplus	Unappropriated retained earnings (undisposed loss)					Total surplus
Balance at beginning of the period	52,745,966	–	1,998,562	1,998,562	54,744,528	(129,943)	(129,943)	54,614,584
Changes of items during the period								
Increase by merger		25,132,218		25,132,218	25,132,218			25,132,218
Dividends from surplus			(1,858,271)	(1,858,271)	(1,858,271)			(1,858,271)
Net income			11,801,722	11,801,722	11,801,722			11,801,722
Net changes of items other than unitholders' equity						(89,735)	(89,735)	(89,735)
Total changes of items during the period	–	25,132,218	9,943,450	35,075,669	35,075,669	(89,735)	(89,735)	34,985,933
Balance at end of the period	*1 52,745,966	25,132,218	11,942,013	37,074,231	89,820,197	(219,679)	(219,679)	89,600,518

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

(Unit: thousand yen)

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

Statement of Cash Distributions

(Unit: yen)

	10th fiscal period (From August 1, 2020 to January 31, 2021)	11th fiscal period (From February 1, 2021 to July 31, 2021)
I. Unappropriated retained earnings	11,942,013,083	2,651,806,438
II. Reversal of voluntary reserve		
Reversal of reserve for temporary difference adjustment *1	–	88,912,365
III. Cash distribution	2,806,275,964	2,447,956,718
[Cash distribution per unit]	(1,676)	(1,462)
Cash distribution of earnings	2,806,275,964	2,447,956,718
[Cash distribution of earnings per unit]	(1,676)	(1,462)
IV. Total voluntary reserve		
Provision of reserve for temporary difference adjustment *1	8,891,236,430	–
V. Retained earnings carried forward	244,500,689	292,762,085
Method of calculation of amount of cash distributions	Pursuant to the cash distribution policy provided in Article 35, Paragraph 1 of SAR's Articles of Incorporation, SAR shall distribute in excess of the amount equivalent to 90% of the amount of distributable earnings of SAR as defined in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation. In accordance with such policy, concerning cash distribution of earnings (not including cash distribution in excess of earnings), the decision was made to accumulate 8,891,236,430 yen, which is equivalent to the amount of gain on negative goodwill, of the unappropriated retained earnings as reserve for temporary difference adjustment, and distribute 2,806,275,964 yen of the remaining amount.	Pursuant to the cash distribution policy provided in Article 35, Paragraph 1 of SAR's Articles of Incorporation, SAR shall distribute in excess of the amount equivalent to 90% of the amount of distributable earnings of SAR as defined in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation. In accordance with such policy, concerning cash distribution of earnings (not including cash distribution in excess of earnings), the decision was made to distribute 2,447,956,718 yen, which is equivalent to the sum of the amount remaining after reserving 48,261,396 yen from net income and the amount of reversal of reserve for temporary difference adjustment of 88,912,365 yen.

Statement of Cash Flows

(Unit: thousand yen)

	10th fiscal period (From August 1, 2020 to January 31, 2021)	11th fiscal period (From February 1, 2021 to July 31, 2021)
Cash flows from operating activities		
Income before income taxes	11,802,327	2,407,910
Depreciation	628,353	633,013
Gain on negative goodwill	(8,891,236)	–
Interest income	(51)	(63)
Interest expenses	299,303	301,653
Decrease (increase) in operating accounts receivable	21,847	(13,838)
Increase in consumption taxes receivable	–	(83,497)
Increase (decrease) in accrued consumption taxes	149,670	(180,619)
Decrease (increase) in prepaid expenses	(12,177)	11,412
Decrease in long-term prepaid expenses	(76,386)	(15,453)
Increase (decrease) in operating accounts payable	57,449	(123,131)
Decrease in accounts payable - other	(60,409)	(35,359)
Increase (decrease) in advances received	(237,771)	78,509
Decrease from sales of property, plant and equipment in trust	7,501,405	–
Others, net	1,457	(3,762)
Subtotal	11,183,783	2,976,775
Interest income received	51	63
Interest expenses paid	(298,957)	(303,625)
Income taxes paid	(1,562)	(443)
Net cash provided by operating activities	10,883,314	2,672,769
Cash flows from investing activities		
Purchase of property, plant and equipment	(114)	–
Purchase of property, plant and equipment in trust	(7,305,472)	(330,859)
Repayments of leasehold and guarantee deposits received	(453)	(72)
Proceeds from leasehold and guarantee deposits received	–	72
Repayments of leasehold and guarantee deposits received in trust	(433,786)	(124,421)
Proceeds from leasehold and guarantee deposits received in trust	199,839	145,144
Proceeds from collection of leasehold and guarantee deposits	263	10,060
Proceeds from redemption of investment securities	96,646	57,887
Net cash used in investing activities	(7,443,077)	(242,189)
Cash flows from financing activities		
Proceeds from short-term borrowings	2,150,000	1,660,000
Repayments of short-term borrowings	(4,900,000)	(1,660,000)
Proceeds from long-term borrowings	12,750,000	8,960,000
Repayments of long-term borrowings	(11,080,000)	(8,960,000)
Dividends paid	(2,688,002)	(2,805,455)
Net cash used in financing activities	(3,768,002)	(2,805,455)
Net increase (decrease) in cash and cash equivalents	(327,765)	(374,875)
Cash and cash equivalents at beginning of period	6,219,277	11,080,963
Net increase in cash and cash equivalents due to merger	5,189,451	–
Cash and cash equivalents at end of period	*1 11,080,963	*1 10,706,087

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 11th fiscal period is 166,710 million yen (on the basis of acquisition price. The properties succeeded from Sakura Sogo REIT Investment Corporation (SSR) with the absorption-type merger (the Merger) in August 2020 are on the basis of receipt price. The same shall apply hereinafter.), and has grown by approximately 2.7 times from 61,493 million yen, the asset size as of the listing. Furthermore, SAR executed acquisition of properties through public offering (seven properties, total acquisition price of 12,965 million yen) in August 2021 subsequent to the end of 11th fiscal period, and the asset size as of September 30, 2021 is 179,675 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 for the purpose of domestic disclosure.

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

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

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

Notes on the Going Concern Assumption

Not applicable.

Notes on Matters Relating to Significant Accounting Policies

1. Evaluation standards and methods of valuation of securities

Other securities

Those with fair value

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

Those with no fair value

Cost method through moving-average method

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

2. Method of depreciation of non-current assets

Property, plant and equipment (including trust assets)

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

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

3. Revenue and expense recognition

Accounting for fixed property tax, etc.

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

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

4. 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.

5. Cash and cash equivalents

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

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

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

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

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

- 1) Cash and deposits in trust
- 2) Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust
- 3) Leasehold rights in trust
- 4) Leasehold and guarantee deposits received in trust

(2) Accounting for consumption taxes

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

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

Notes on Unapplied Accounting Standards

1. Accounting Standard for Revenue Recognition, etc.

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued by Accounting Standards Board of Japan (ASBJ) on March 31, 2021)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 issued by ASBJ on March 26, 2021)
- Implementation Guidance on Disclosure about Fair Value of Financial Instruments (ASBJ Guidance No. 19 issued by ASBJ on March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition, and published "Revenue from Contracts with Customers" (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. IFRS 15 is applicable for accounting periods beginning on or after January 1, 2018 and Topic 606 is applicable for accounting periods beginning after December 15, 2017. In accordance with this, ASBJ has developed a comprehensive accounting standard for revenue recognition and published it together with an implementation guidance.

For the development of accounting standard for revenue recognition, the basic principles of ASBJ were to make IFRS 15 a starting point. By doing so, ASBJ established the accounting standard from the point of view of the comparability, which is a benefit for securing consistency with IFRS 15, between financial statements based on IFRS or those based on other accounting standards. Alternative accounting treatments are also to be added to the extent that they do not harm the comparability in case where there are items to be considered in the actual practice conducted in Japan to date.

(2) Scheduled date of application

SAR will apply the accounting standard for revenue recognition, etc. from the beginning of the fiscal period ending January 31, 2022.

(3) Impact of application of the accounting standard and implementation guidance

The amount of impact on the financial statements by the application of the Accounting Standard for Revenue Recognition, etc. is being assessed at present.

2. Accounting Standard for Fair Value Measurement, etc.

- Accounting Standard for Fair Value Measurement (Corporate Accounting Standards No. 30 issued by ASBJ on July 4, 2019)
- Accounting Standard for Financial Instruments (Corporate Accounting Standards No. 10 issued by ASBJ on July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued by ASBJ on June 17, 2021)
- Implementation Guidance on Disclosure about Fair Value of Financial Instruments (ASBJ Guidance No. 19 issued by ASBJ on March 31, 2020)

(1) Overview

IASB and FASB have established detailed guidance for fair value measurement (IFRS 13 "Fair Value Measurement" under the International Financial Reporting Standards (IFRS) and Topic 820 "Fair Value Measurement" of Accounting Standards Codification under the U.S. accounting standards) containing almost the same content. In light of this, ASBJ worked to secure consistency of the Japanese accounting standards with the international accounting standards, mainly in terms of the guidance on and disclosure of the fair value of financial instruments, and published the Accounting Standard for Fair Value Measurement, etc.

The basic principles of ASBJ for the development of accounting standard for fair value measurement was to adopt all provisions of IFRS 13 as a rule by using a unified calculation method, from the point of view of improving the comparability between financial statements of the Japanese and foreign companies. Moreover, in consideration of the practices conducted in Japan to date, ASBJ determined to establish other treatments for individual items, to the extent that they do not greatly harm the comparability between the financial statements.

(2) Scheduled date of application

SAR will apply the accounting standard for fair value measurement, etc. from the beginning of the fiscal period ending January 31, 2022.

(3) Impact of application of the accounting standard and implementation guidance

The amount of impact on the financial statements by the application of the Accounting Standard for Fair Value Measurement, etc. is being assessed at present.

Notes on Change in Presentation

“Proceeds from collection of leasehold and guarantee deposits” which was originally included in “Other, net” in “Cash flows from investing activities” has been listed separately from the current fiscal period due to the increase in quantitative significance. In order to reflect such change in presentation method, SAR reclassified the financial statements for the comparative fiscal period. As a result, the 263 thousand yen presented in “Other, net” in “Cash flows from investing activities” in the statement of cash flows for the comparative fiscal period has been reclassified as 263 thousand yen of “Proceeds from collection of leasehold and guarantee deposits.”

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)

10th fiscal period (As of January 31, 2021)	11th fiscal period (As of July 31, 2021)
50,000	50,000

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

10th fiscal period (As of January 31, 2021)

Not applicable.

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

(Unit: thousand yen)

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

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

Notes to the Statement of Income and Retained Earnings

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

(Unit: thousand yen)

	10th fiscal period (From August 1, 2020 to January 1, 2021)	11th fiscal period (From February 1, 2021 to July 31, 2021)
A. Operating revenue from real estate leasing		
Rental revenue		
Rent revenue	4,476,854	4,413,190
Common area maintenance revenue	555,635	540,735
Parking revenue	190,492	195,685
Facility use revenue	31,703	30,677
Other rental revenue	4,830	4,209
Total	5,259,516	5,184,498
Other lease business revenue		
Utilities reimbursement	315,752	258,593
Other revenue	73,352	93,192
Total	389,105	351,786
Total operating revenue from real estate leasing	5,648,622	5,536,284
B. Operating expenses from real estate leasing		
Expenses related to lease business		
Management fee	412,710	419,406
Utilities expenses	301,349	260,562
Property taxes	425,403	421,132
Repair expenses	181,948	220,204
Trust fee	22,614	22,864
Insurance premium	9,110	12,192
Depreciation	628,353	633,013
Other expenses	197,825	199,789
Total operating expenses from real estate leasing	2,179,316	2,189,167
C. Operating income (loss) from real estate leasing [A–B]	3,469,305	3,347,117

***2 Breakdown of gain (loss) on sales of real estate**

10th fiscal period (from August 1, 2020 to January 31, 2021)

(Unit: thousand yen)

Suroy Mall Nagamine	
Real estate sale income	3,500,000
Real estate sale cost	3,443,833
Other real estate sale expenses	37,905
Gain on sales of real estate	18,261

(Unit: thousand yen)

Funabashi Nishiura Logistics I	
Real estate sale income	3,030,000
Real estate sale cost	2,957,546
Other real estate sale expenses	91,739
Loss on sales of real estate	19,285

(Unit: thousand yen)

Alphabet Seven (quasi coownership interest of 60%)	
Real estate sale income	2,100,000
Real estate sale cost	1,100,025
Other real estate sale expenses	24,661
Gain on sales of real estate	975,313

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

Not applicable.

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**

	10th fiscal period (From August 1, 2020 to January 1, 2021)	11th fiscal period (From February 1, 2021 to July 31, 2021)
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	1,674,389 units	1,674,389 units

Notes to the Statement of Cash Distributions

10th fiscal period (From August 1, 2020 to January 1, 2021)	11th fiscal period (From February 1, 2021 to July 31, 2021)
<p>*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.</p>	<p>*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.</p>

Notes to the Statement of Cash Flows

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

(Unit: thousand yen)

	10th fiscal period (From August 1, 2020 to January 1, 2021)	11th fiscal period (From February 1, 2021 to July 31, 2021)
Cash and deposits	3,565,028	3,169,688
Cash and deposits in trust	7,515,934	7,536,399
Cash and cash equivalents	11,080,963	10,706,087

2 Description of significant non-cash transactions

10th fiscal period (from August 1, 2020 to January 31, 2021)

The main breakdown of assets and liabilities succeeded from SSR due to the absorption-type merger with SAR as the surviving corporation and SSR as the dissolving corporation is as follows. Unitholders' capital surplus increased by 25,132,218 thousand yen due to the Merger.

(Unit: thousand yen)

Current assets	5,301,130
Non-current assets	62,647,946
Total assets	67,949,077
Current liabilities	12,624,609
Non-current liabilities	21,301,013
Total liabilities	33,925,622

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

Not applicable.

Notes on Lease Transactions

Operating leases (as lessor)

Future minimum lease payments

(Unit: thousand yen)

	10th fiscal period (As of January 31, 2021)	11th fiscal period (As of July 31, 2021)
Not later than 1 year	5,322,499	5,328,242
Later than 1 year	8,998,739	8,126,573
Total	14,321,239	13,454,815

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 "4. Method of hedge accounting" described under "Notes on Matters Relating to Significant Accounting Policies" earlier in this document.

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

Not applicable.

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

The carrying amount, fair value and the amount of difference between them, are as follows. Financial instruments for which estimation of fair value is recognized to be extremely difficult are not included. Please refer to "Note 2."

10th fiscal period (As of January 31, 2021)

(Unit: thousand yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	3,565,028	3,565,028	-
(2) Cash and deposits in trust	7,515,934	7,515,934	-
(3) Investment securities	673,480	673,480	-
(4) Long-term loans receivable	300,000	300,000	-
Assets total	12,054,443	12,054,443	-
(5) Short-term borrowings	2,150,000	2,150,000	-
(6) Current portion of long-term borrowings	22,660,000	22,660,000	-
(7) Long-term borrowings	57,630,000	57,658,969	28,969
Liabilities total	82,440,000	82,468,969	28,969
(8) Derivative transactions *1	(219,679)	(219,679)	-

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

(Unit: thousand yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	3,169,688	3,169,688	-
(2) Cash and deposits in trust	7,536,399	7,536,399	-
(3) Investment securities	672,850	672,850	-
(4) Long-term loans receivable	300,000	300,000	-
Assets total	11,678,937	11,678,937	-
(5) Short-term borrowings	2,150,000	2,150,000	-
(6) Current portion of long-term borrowings	23,450,000	23,450,000	-
(7) Long-term borrowings	56,840,000	56,861,428	21,428
Liabilities total	82,440,000	82,461,428	21,428
(8) Derivative transactions *1	(241,749)	(241,749)	-

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

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

(1) Cash and deposits; (2) Cash and deposits in trust; (5) Short-term borrowings; (6) Current portion of long-term borrowings

Since these are settled in a short period of time, the fair value is approximately the same as the book value, and thus stated at book value.

(3) Investment securities; (4) Long-term loans receivable;

Since interest income etc. from mezzanine loan debt (corporate bonds, beneficiary interest in trust and loans receivable) are all based on floating interest rates under terms and conditions stipulating that interest rates be reviewed every set period of time, the fair value is approximately the same as the book value, and thus stated at book value.

(7) Long-term borrowings

These 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 long-term borrowings with floating interest rates are under terms and conditions that interest rates be reviewed every set period of time, the fair value is approximately the same as the book value, and thus stated at that value.

(8) Derivative transactions

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

(Note 2) Carrying amount of financial instruments for which estimation of fair value is recognized to be difficult

(Unit: thousand yen)

Category	10th fiscal period (As of January 31, 2021)	11th fiscal period (As of July 31, 2021)
Leasehold and guarantee deposits received *1	6,142	6,142
Leasehold and guarantee deposits received in trust *1	5,197,022	5,217,745
Investment securities *2	82,726	19,384

*1 Leasehold and guarantee deposits received and leasehold and guarantee deposits received in trust are not subject to valuation at fair value because a reasonable estimation of cash flows is recognized to be extremely difficult due to there being no market value and difficulty of calculating the actual deposit period from when lessees move in to when they move out.

*2 Fair values of silent partnership equity interest in investment securities are not subject to disclosure of fair value as they have no market value and their fair values are extremely difficult to measure.

(Note 3) Amount of redemption of monetary claims scheduled to be due after the date of settlement of accounts

10th fiscal period (As of January 31, 2021)

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Cash and deposits	3,565,028	-	-	-	-	-
Cash and deposits in trust	7,515,934	-	-	-	-	-
Investment securities	-	-	523,480	-	150,000	-
Long-term loans receivable	-	-	300,000	-	-	-
Total	11,080,963	-	823,480	-	150,000	-

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

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Cash and deposits	3,169,688	-	-	-	-	-
Cash and deposits in trust	7,536,399	-	-	-	-	-
Investment securities	-	-	522,850	150,000	-	-
Long-term loans receivable	-	-	300,000	-	-	-
Total	10,706,087	-	822,850	150,000	-	-

(Note 4) Amount of repayment of borrowings scheduled to be due after the date of settlement of accounts

10th fiscal period (As of January 31, 2021)

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Short-term borrowings	2,150,000	-	-	-	-	-
Long-term borrowings	22,660,000	15,350,000	14,630,000	8,500,000	19,150,000	-
Total	24,810,000	15,350,000	14,630,000	8,500,000	19,150,000	-

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

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Short-term borrowings	2,150,000	-	-	-	-	-
Long-term borrowings	23,450,000	15,390,000	13,340,000	7,300,000	17,810,000	3,000,000
Total	25,600,000	15,390,000	13,340,000	7,300,000	17,810,000	3,000,000

Notes on Securities

Other securities

10th fiscal period (As of January 31, 2021)

(Unit: thousand yen)

	Category	Carrying amount	Acquisition cost	Difference
Carrying amount greater than acquisition cost	(1) Stocks	-	-	-
	(2) Bonds	-	-	-
	1) Government bonds, municipal bonds, etc.	-	-	-
	2) Corporate bonds	-	-	-
	3) Others	-	-	-
	(3) Others	-	-	-
	Subtotal	-	-	-
Carrying amount less than or equal to acquisition cost	(1) Stocks	-	-	-
	(2) Bonds	-	-	-
	1) Government bonds, municipal bonds, etc.	-	-	-
	2) Corporate bonds	400,000	400,000	-
	3) Others	-	-	-
	(3) Others	273,480	273,480	-
	Subtotal	673,480	673,480	-
Total		673,480	673,480	-

(Note) Silent partnership equity interests (carrying amount: 82,726 thousand yen) are not included in above because they have no market value and their fair values are extremely difficult to measure.

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

(Unit: thousand yen)

	Category	Carrying amount	Acquisition cost	Difference
Carrying amount greater than acquisition cost	(1) Stocks	-	-	-
	(2) Bonds	-	-	-
	1) Government bonds, municipal bonds, etc.	-	-	-
	2) Corporate bonds	-	-	-
	3) Others	-	-	-
	(3) Others	-	-	-
	Subtotal	-	-	-
Carrying amount less than or equal to acquisition cost	(1) Stocks	-	-	-
	(2) Bonds	-	-	-
	1) Government bonds, municipal bonds, etc.	-	-	-
	2) Corporate bonds	400,000	400,000	-
	3) Others	-	-	-
	(3) Others	272,850	272,850	-
	Subtotal	672,850	672,850	-
Total		672,850	672,850	-

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

Notes on Derivative Transactions

1. Derivative transactions to which hedge accounting is not applied

10th fiscal period (As of January 31, 2021)

Not applicable.

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

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 date of settlement of accounts for each hedge accounting approach.

10th fiscal period (As of January 31, 2021)

(Unit: thousand yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc. (Note 1)		Fair value (Note 2)
				Of which, later than 1 year	
Principle method of accounting	Interest rate swap transaction (floating receivable; fixed payable)	Long-term borrowings	52,630,000	45,330,000	(219,679)

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

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

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

(Unit: thousand yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc. (Note 1)		Fair value (Note 2)
				Of which, later than 1 year	
Principle method of accounting	Interest rate swap transaction (floating receivable; fixed payable)	Long-term borrowings	54,290,000	46,140,000	(241,749)

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

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

Notes on Retirement Benefits

10th fiscal period (As of January 31, 2021)

Not applicable.

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

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)

	10th fiscal period (As of January 31, 2021)	11th fiscal period (As of July 31, 2021)
Deferred tax assets		
Valuation adjustment upon merger	1,230,867	1,203,727
Acquisition cost of securities	2,269	1,359
Deferred gains or losses on hedges	69,111	76,054
Deferred tax assets, subtotal	1,302,248	1,281,140
Valuation allowance	(1,302,248)	(1,281,140)
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: %)

	10th fiscal period (As of January 31, 2021)	11th fiscal period (As of July 31, 2021)
Statutory tax rate	31.46	31.46
[Adjustments]		
Deductible distributions payable	(5.94)	(30.49)
Gain on negative goodwill	(23.70)	–
Reversal of excess depreciation	(1.88)	(0.83)
Others	0.07	(0.12)
Effective income tax rate after application of tax-effect accounting	0.01	0.03

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

10th fiscal period (As of January 31, 2021)

Not applicable.

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

Not applicable.

Notes on Related-Party Transactions

1. Parent company, major corporate unitholders, etc.

10th fiscal period (from August 1, 2020 to January 31, 2021)

Not applicable.

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

Not applicable.

2. Affiliated companies, etc.

10th fiscal period (from August 1, 2020 to January 31, 2021)

Not applicable.

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

Not applicable.

3. Fellow subsidiaries, etc.

10th fiscal period (from August 1, 2020 to January 31, 2021)

Not applicable.

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

Not applicable.

4. Directors, major individual unitholders, etc.

10th fiscal period (from August 1, 2020 to January 31, 2021)

(Unit: thousand yen)

Type	Name of company, etc. or person	Address	Capital stock or investments in capital	Description of business or occupation	Percentage of voting rights, etc. held by (in) SAR	Description of transaction	Transaction amount	Account item	Balance at end of period
Director, or close relative of director	Atsushi Kato	—	—	Executive Director of SAR, and President and CEO of the Asset Manager	0.02%	Payment of asset management fee to the Asset Manager (Note 1)	871,288 (Note 2) (Note 3)	Accounts payable – others	445,834 (Note 2)

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

(Unit: thousand yen)

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

(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 10th fiscal period includes the acquisition incentive portion included in the book value of individual real estate, etc. in the amount of 66,660 thousand yen, the property transfer incentive portion in the amount of 86,300 thousand yen and the merger incentive portion in the amount of 313,025 thousand yen.

Notes to the Business Combination

10th fiscal period (from August 1, 2020 to January 31, 2021)

Business combination through acquisition

1. Overview of business combination

(1) Name and business description of acquired entity

Name of acquired entity: Sakura Sogo REIT Investment Corporation

Business description: Investing in and managing mainly specified assets based on the Investment Trusts Act

(2) Main reason for business combination

The Merger was conducted based on the determination that realization of the Merger would contribute to maximization of unitholder value for both SAR and SSR, by improving revenue stability owing to expansion of asset size, increase of DPU as a result of cost reduction, and enhanced liquidity of investment units due to an increase in market capitalization.

(3) Date of business combination (effective date of merger)

August 1, 2020

(4) Legal form of business combination

Absorption-type merger with SAR as the surviving corporation and SSR as the dissolving corporation.

(5) Name of investment corporation after business combination

Star Asia Investment Corporation

(6) Main grounds for the determination of acquiring entity

SAR became the acquiring entity after comprehensively taking into account the corporate size including the amount of total assets and net income, relative voting rights ratio of unitholders, composition of board of directors, etc. and other factors based on the Accounting Standard for Business Combinations.

2. Business period of acquired entity included in the income statement for the 10th fiscal period

From August 1, 2020 to January 31, 2021

3. Acquisition cost of acquired entity and its breakdown

Fair value of SAR's investment units delivered on the date of business combination: 25,132,218 thousand yen

4. Exchange ratio of investment units delivered as compensation for acquisition, calculation method of such ratio and number of investment units delivered

(1) Exchange ratio of investment units

SAR allocated and delivered to unitholders 1.78 SAR investment units for every 1.0 SSR investment unit. SAR conducted an investment unit split to carry out a 2-for-1 split of investment units with July 31, 2020 as the record date.

(2) Calculation method

SAR appointed Nomura Securities Co., Ltd. and SSR appointed Mizuho Securities Co., Ltd. as the financial advisors, and requested the calculation of the merger ratio. They calculated the merger ratio based on valuation methods including the market investment unit price method and dividend discount

model (DDM) method, and judged that the above exchange ratio is appropriate as a result of having repeated discussions and negotiations by comprehensively taking into account factors such as the result of calculation.

(3) Number of investment units delivered

592,741 units

5. Description and amount of major acquisition-related expenses

(Unit: thousand yen)

Description	Amount
Merger fee	313,025

6. Matters relating to distribution of acquisition cost

(1) Amount of assets succeeded and liabilities assumed on the date of business combination and the main breakdown of such assets and liabilities

(Unit: thousand yen)

Current assets	5,301,130
Non-current assets	62,647,946
Total assets	67,949,077
Current liabilities	12,624,609
Non-current liabilities	21,301,013
Total liabilities	33,925,622

(2) Amount and cause for occurrence of negative goodwill

Amount of negative goodwill : 8,891,236 thousand yen

Cause for occurrence: Since the market value of net assets of SSR upon the business combination exceeded the acquisition cost, the difference is recognized as negative goodwill.

Accounting: Recorded in lump sum as extraordinary income in the 10th fiscal period.

7. Estimated amount of impact on the statement of income and retained earnings for the 10th fiscal period when assuming that the business combination has been completed on the date of commencement of the 10th fiscal period

There is no impact as the date of business combination and the date of commencement of the 10th fiscal period are the same.

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

Not applicable.

Notes on Asset Retirement Obligations

10th fiscal period (from August 1, 2020 to January 31, 2021)

Not applicable.

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

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)

	10th fiscal period (From August 1, 2020 to January 1, 2021)	11th fiscal period (From February 1, 2021 to July 31, 2021)
Carrying amount		
Balance at beginning of period	105,337,137	167,106,948
Amount of increase (decrease) during period	61,769,811	(270,251)
Balance at end of period	167,106,948	166,836,697
Fair value at end of period	175,821,000	177,211,000

(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 10th fiscal period, the amount of increase is mainly attributable to the succession of real estate beneficiary interest in trust of 18 properties from SSR with which SAR conducted an absorption-type merger (62,605,000 thousand yen), acquisition of real estate beneficiary interest in trust of two properties (6,962,670 thousand yen) and capital expenditures (331,900 thousand yen), while the amount of decrease is mainly attributable to disposition of real estate beneficiary interest in trust of three properties (60% quasi co-ownership interest for one of them) (7,501,405 thousand yen) and depreciation (628,353 thousand yen). Of the amount of increase (decrease) during the 11th fiscal period, the amount of increase is mainly attributable to capital expenditures (363,439 thousand yen), while the amount of decrease is mainly attributable to depreciation (633,013 thousand yen).

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

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

Notes on 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

10th fiscal period (from August 1, 2020 to January 31, 2021)

(1) Information about products and services

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

(2) Information about geographic areas

1) Net sales

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

2) Property, plant and equipment

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

Notes to Financial Statements

(3) Information about each major customer

(Unit: thousand yen)

Customer name	Operating revenue	Segment
Kanden Realty & Development Co., Ltd.	975,313 ^(Note)	Real estate leasing business

(Note) Operating revenue is gain on sale of Alphabet Seven (quasi co-ownership interest: 60%).

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

(1) Information about products and services

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

(2) Information about geographic areas

1) Net sales

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

2) Property, plant and equipment

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

(3) Information about each major customer

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

Notes on Per Unit Information

(Unit: yen)

	10th fiscal period (From August 1, 2020 to January 1, 2021)	11th fiscal period (From February 1, 2021 to July 31, 2021)
Net assets per unit	53,512	53,260
Net income per unit	7,048	1,437

(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)

	10th fiscal period (From August 1, 2020 to January 1, 2021)	11th fiscal period (From February 1, 2021 to July 31, 2021)
Net income	11,801,722	2,407,305
Amount not attributable to common unitholders	–	–
Net income attributable to common investment units	11,801,722	2,407,305
Average number of investment units during period (units)	1,674,389	1,674,389

Notes on Significant Subsequent Events

Issuance of new investment units

The issuance of new investment units for the purpose of acquiring real estate, etc. was resolved as follows at board of directors' meetings held on August 2, 2021 and August 11, 2021 and payment was completed on August 17, 2021.

<Issuance of new investment units through primary offering>

Number of new investment units issued:	115,000 units
Issue price (offer price):	57,330 yen per unit
Total issue price (total offer price):	6,592,950,000 yen
Issue amount (paid-in amount):	55,389 yen per unit
Total issue amount (total paid-in amount):	6,369,735,000 yen
Payment date:	August 17, 2021

The proceeds from the issuance of new investment units have been allocated to part of the acquisition funds, and the real estate trust beneficiary interests in 7 properties were acquired on August 19, 2021 (total acquisition price: 12,965 million yen).

Additional Information

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

A rent system in which rents are entirely or partially linked to the operating revenue, etc. of hotels has been adopted for some hotel properties owned by SAR including properties for which lease agreements have been newly concluded, and variable rents are unlikely to occur as of the end of the 11th fiscal period due to the temporary closure of hotels and decline in occupancy rates. SAR estimates future cash flow based on the assumption that the economic environment surrounding these properties will recover moderately upon the application of impairment accounting of long-lived assets.

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

Supplementary Schedules

1. Schedule of securities

(1) Stocks

Not applicable.

(2) Securities other than stocks

(Unit: thousand yen)

Type	Name of the security	Total face value	Book value	Accrued interest (Note 1)	Prepaid accrued interest	Fair value	Unrealized gain or loss	Remarks
Corporate bond	Star Asia Mezzanine Loan Debt Investment Series 1	400,000	400,000	3,388	-	400,000	-	(Note 2) (Note 3)
Trust beneficiary interests	Star Asia Mezzanine Loan Debt Investment Series 3	-	122,850	34	-	122,850	-	(Note 2) (Note 4)
Trust beneficiary interests	Star Asia Mezzanine Loan Debt Investment Series 5	-	150,000	854	-	150,000	-	(Note 2) (Note 5)
Silent partnership equity interest	Silent partnership equity interest in Godo Kaisya SAPR7	-	19,384	-	-	19,384	-	(Note 6) (Note 7)
Total		-	692,234	4,276	-	692,234	-	

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

(Note 2) Because interest income etc. from mezzanine loan debt (corporate bonds and beneficiary interest in trust) are based on floating interest rates and is to be renewed or revised every certain period, the fair value is approximately the same as the book value and thus stated at that book value.

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

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

(Note 5) The underlying assets are trust beneficiary interests in a trust mainly composed of Sanmaison Ohorikoenkita.

(Note 6) Book value is stated as fair value.

(Note 7) Overview of operating assets for silent partnership equity interest are as follows.

Name of the security	Type of specified asset	Name of real estate, etc.	Location (Indication of residential address)
Silent partnership equity interest in Godo Kaisya SAPR7	Beneficiary interest in trust of real estate	OHA Building	1-22-17 Akebono-cho, Tachikawa-shi, Tokyo

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

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

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

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

(Unit: thousand yen)

Type of asset	Balance at beginning of 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 the period		
Tools, furniture and fixtures	114	-	-	114	42	28	71	
Buildings in trust	49,326,896	329,820	844	49,655,872	4,084,344	624,414	45,571,527	
Structures in trust	20,635	-	-	20,635	4,393	721	16,242	
Machinery and equipment in trust	73,226	23,987	-	97,214	18,872	3,875	78,341	
Tools, furniture and fixtures in trust	47,023	9,630	-	56,654	20,334	3,974	36,319	
Land in trust	117,051,893	-	-	117,051,893	-	-	117,051,893	
Construction in progress in trust	-	550	-	550	-	-	550	
Subtotal	166,519,790	363,989	844	166,882,935	4,127,988	633,013	162,754,946	
Intangible assets	Leasehold rights in trust	4,082,300	-	4,082,300	-	-	4,082,300	
Subtotal	4,082,300	-	-	4,082,300	-	-	4,082,300	
Total	170,602,090	363,989	844	170,965,235	4,127,988	633,013	166,837,247	

4. Schedule of other specified assets

Beneficiary interest in trust is included in the above "3) Schedule of property, plant and equipment and intangible assets." Other specified assets other than beneficiary interest in trust are as follows:

(Unit: thousand yen)

Type	Name of the security	Quantity	Book value		Fair value		Unrealized gain or loss	Remarks
			Unit price	Amount	Unit price	Amount		
Loan receivable	Star Asia Mezzanine Loan Debt Investment Series 4	-	-	300,000	-	300,000	-	(Note 1) (Note 2)

(Note 1) Because interest income etc. from mezzanine loan debt are based on floating interest rates, the fair value is approximately the same as the book value and thus stated at that book value.

(Note 2) The underlying assets are trust beneficiary interests in a trust mainly composed of DS Kaigan Building.

5. Schedule of investment corporation bonds

Not applicable.

6. Schedule of borrowings

(Unit: thousand yen)

Category ^(Note 2)	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate ^(Note 1)	Repayment date	Repayment method	Use	Remarks
Short-term borrowings	Shinsei Bank, Limited	1,710,000	-	-	1,710,000				
	The Bank of Fukuoka, Ltd.	390,000	-	-	390,000	0.2815%	August 31, 2021	Lump sum repayment on repayment date	(Note 4) Unsecured and unguaranteed
	Resona Bank, Limited.	50,000	-	-	50,000				
	Sumitomo Mitsui Banking Corporation	-	830,000	830,000	-	0.2773%	April 20, 2021	Lump sum repayment on repayment date	
	Mizuho Bank, Ltd.	-	830,000	830,000	-				
	Subtotal	2,150,000	1,660,000	1,660,000	2,150,000				
Long-term borrowings	Sumitomo Mitsui Banking Corporation	1,950,000	-	1,950,000	-				
	Mizuho Bank, Ltd.	1,800,000	-	1,800,000	-				
	Sumitomo Mitsui Trust Bank, Limited	1,050,000	-	1,050,000	-	0.6250% ^(Note 3)	April 20, 2021	Lump sum repayment on repayment date	
	MUFG Bank, Ltd.	700,000	-	700,000	-				
	Aozora Bank, Ltd.	600,000	-	600,000	-				
	Shinsei Bank, Limited	600,000	-	600,000	-				
	Resona Bank, Limited.	600,000	-	600,000	-				
	Sumitomo Mitsui Banking Corporation	1,950,000	-	-	1,950,000				(Note 4) Unsecured and unguaranteed
	Shinsei Bank, Limited	1,950,000	-	-	1,950,000	0.9384%	August 31, 2021	Lump sum repayment on repayment date	
	Resona Bank, Limited.	600,000	-	-	600,000				
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	ORIX Bank Corporation	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Banking Corporation	1,400,000	-	-	1,400,000				
	Mizuho Bank, Ltd.	1,050,000	-	-	1,050,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.7100% ^(Note 3)	April 20, 2022	Lump sum repayment on repayment date	
Aozora Bank, Ltd.	400,000	-	-	400,000					
Shinsei Bank, Limited	400,000	-	-	400,000					
Resona Bank, Limited.	400,000	-	-	400,000					

Category ^(Note 2)	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate ^(Note 1)	Repayment date	Repayment method	Use	Remarks
Short-term borrowings	Sumitomo Mitsui Banking Corporation	2,500,000	-	-	2,500,000				
	Resona Bank, Limited.	600,000	-	-	600,000	0.8815%	August 31, 2022	Lump sum repayment on repayment date	
	Shinsei Bank, Limited	2,500,000	-	-	2,500,000				
	Sumitomo Mitsui Banking Corporation	970,000	-	-	970,000				
	Mizuho Bank, Ltd.	920,000	-	-	920,000				
	Sumitomo Mitsui Trust Bank, Limited	800,000	-	-	800,000	0.7300% ^(Note 3)	February 20, 2023	Lump sum repayment on repayment date	
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Shinsei Bank, Limited	500,000	-	-	500,000				
	Resona Bank, Limited.	500,000	-	-	500,000				
	The Bank of Fukuoka, Ltd.	500,000	-	-	500,000				
Long-term borrowings	Sumitomo Mitsui Banking Corporation	1,865,000	-	-	1,865,000				(Note 4) Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,715,000	-	-	1,715,000				
	Sumitomo Mitsui Trust Bank, Limited	1,050,000	-	-	1,050,000				
	Aozora Bank, Ltd.	600,000	-	-	600,000				
	Shinsei Bank, Limited	600,000	-	-	600,000	0.5320%	October 20, 2021	Lump sum repayment on repayment date	
	Resona Bank, Limited.	600,000	-	-	600,000				
	The Bank of Fukuoka, Ltd.	170,000	-	-	170,000				
	The Dai-ichi Life Insurance Company, Limited	500,000	-	-	500,000				
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000				
	Sumitomo Mitsui Banking Corporation	1,950,000	-	-	1,950,000				
	Shinsei Bank, Limited	1,950,000	-	-	1,950,000	1.0778%	February 28, 2023	Lump sum repayment on repayment date	
	Aozora Bank, Ltd.	800,000	-	-	800,000				
	Resona Bank, Limited.	400,000	-	-	400,000				

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

Category ^(Note 2)	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate ^(Note 1)	Repayment date	Repayment method	Use	Remarks					
Sumitomo Mitsui Banking Corporation	450,000	-	-	450,000	0.7685%	May 31, 2022	Lump sum repayment on repayment date							
The Nishi-Nippon City Bank, Ltd.	500,000	-	-	500,000										
Shinsei Bank, Limited	450,000	-	-	450,000										
Aozora Bank, Ltd.	200,000	-	-	200,000										
Sumitomo Mitsui Banking Corporation	830,000	-	830,000	-										
Mizuho Bank, Ltd.	830,000	-	830,000	-	0.2782%	March 22, 2021	Repayment in installments							
Sumitomo Mitsui Banking Corporation	1,950,000	-	-	1,950,000										
Mizuho Bank, Ltd.	2,500,000	-	-	2,500,000	0.7588% ^(Note 3)	April 21, 2025	Lump sum repayment on repayment date							
Sumitomo Mitsui Trust Bank, Limited	1,050,000	-	-	1,050,000										
Aozora Bank, Ltd.	600,000	-	-	600,000										
Shinsei Bank, Limited	600,000	-	-	600,000										
Long-term borrowings	Resona Bank, Limited.	600,000	-	600,000	0.5360% ^(Note 3)	February 29, 2024	Lump sum repayment on repayment date	(Note 4)	Unsecured and unguaranteed					
	The Bank of Fukuoka, Ltd.	500,000	-	500,000										
	Sumitomo Mitsui Banking Corporation	2,150,000	-	2,150,000										
	Mizuho Bank, Ltd.	2,000,000	-	2,000,000										
	Aozora Bank, Ltd.	1,500,000	-	1,500,000										
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	1,000,000						0.6975% ^(Note 3)	August 29, 2025	Lump sum repayment on repayment date		
	The Nishi-Nippon City Bank, Ltd.	1,000,000	-	1,000,000										
	Resona Bank, Limited.	600,000	-	600,000						0.2815%	October 29, 2021	Lump sum repayment on repayment date		
	Resona Bank, Limited.	400,000	-	400,000										
	Sumitomo Mitsui Banking Corporation	1,350,000	-	1,350,000										
Mizuho Bank, Ltd.	1,000,000	-	1,000,000	0.6850% ^(Note 3)	October 31, 2025	Lump sum repayment on repayment date								
Sumitomo Mitsui Trust Bank, Limited	850,000	-	850,000											
Aozora Bank, Ltd.	400,000	-	400,000											

Category ^(Note 2)	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate ^(Note 1)	Repayment date	Repayment method	Use	Remarks
Sumitomo Mitsui Banking Corporation	-	1,680,000	-	1,680,000					
Mizuho Bank, Ltd.	-	1,530,000	-	1,530,000					
The Bank of Yokohama, Ltd.	-	1,000,000	-	1,000,000	0.7025% ^(Note 3)	April 30, 2026	Lump sum repayment on repayment date		
Shinsei Bank, Limited	-	600,000	-	600,000					
Aozora Bank, Ltd.	-	600,000	-	600,000					
Sumitomo Mitsui Trust Bank, Limited	-	550,000	-	550,000					(Note 4) Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation	-	750,000	-	750,000					
Mizuho Bank, Ltd.	-	750,000	-	750,000					
Sumitomo Mitsui Trust Bank, Limited	-	500,000	-	500,000	0.9455% ^(Note 3)	April 28, 2028	Lump sum repayment on repayment date		
The Kiyo Bank, Ltd.	-	500,000	-	500,000					
Fukoku Mutual Life Insurance Company	-	500,000	-	500,000					
Subtotal	80,290,000	8,960,000	8,960,000	80,290,000					
Total	82,440,000	10,620,000	10,620,000	82,440,000					

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

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

(Note 3) Interest rate swap transactions are undertaken to hedge against the risk of interest rate fluctuations. Interest rate taking into consideration the effect of interest rate swaps (interest rate fixation) is indicated.

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

(Note 5) The yearly schedule of repayment for long-term borrowings within five years of the balance sheet date is as follows:

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years
Long-term borrowings	23,450,000	15,390,000	13,340,000	7,300,000	17,810,000
Total	23,450,000	15,390,000	13,340,000	7,300,000	17,810,000



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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, 2021, 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, 2021, and its financial performance and its cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and the Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

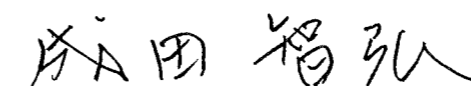
We also provide the Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear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

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

October 22, 2021



Tomohiro Narita
Designated Engagement Partner
Certified Public Accountant



Natsuki Saiki
Designated Engagement Partner
Certified Public Accountant