



**Star Asia Investment Corporation**

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

# Semi-Annual Report

## for the 16th Fiscal Period

from August 1, 2023 to January 31, 2024

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

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

# Investment Philosophy

## Basic Principles

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

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

## Contents

To Our Unitholders .....	2
Initiatives Related to ESG .....	4
Portfolio Overview .....	5
Financial Summary .....	8
Balance Sheet .....	10
Statement of Income and Retained Earnings .....	12
Statement of Changes in Unitholders’ Equity .....	13
Statement of Cash Distributions .....	15
Statement of Cash Flows .....	16
Notes to Financial Statements .....	17
Supplementary Schedules .....	33
Independent Auditor’s Report .....	42

FOR INVESTORS

GROWTH

TOKYO AREA

STABILITY

FUND MANAGEMENT

## Characteristics of Star Asia Investment Corporation (SAR)

### 1. A diversified REIT

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

### 2. Steady growth

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

### 3. Initiatives focusing on unitholder value

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

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

## Investment Policy



**Prioritized, focused investment in the Tokyo Area**  
Investment ratio 70%±10% in the Tokyo Area



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



**Investment primarily in middle-size assets**

## Financial Highlights for 16th Fiscal Period (As of the end of January 2024)

Operating revenue <b>7,964 million yen</b>	Operating income <b>4,309 million yen</b>	Ordinary income <b>3,528 million yen</b>	Net income <b>3,527 million yen</b>
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## Actual and Forecasted Cash Distributions Per Unit

13th FP Actual <b>1,476 yen</b>	14th FP Actual <b>1,491 yen</b>	15th FP Actual <b>1,586 yen</b>
16th FP Actual <b>1,524 yen</b>	17th FP Forecast <b>1,520 yen</b>	18th FP Forecast <b>1,538 yen</b>

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

# To Our Unitholders

## Message



Star Asia Investment Corporation  
Executive Director  
**Atsushi Kato**

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

With the asset manager, SAR has continued to implement initiatives to maximize unitholder returns (active management) since its listing in April 2016. During the fiscal period under review (fiscal period ended January 2024), SAR conducted a public offering in August 2023, the third consecutive year it has done so, and acquired 11 properties (the total acquisition price was 49.1 billion yen). This is the third public offering since the medium-term management plan was formulated in March 2021 and the sixth one since SAR became listed. SAR's asset size was 243.8 billion yen (71 properties, one preferred equity security, and two mezzanine loan investments) at the end of the fiscal period under review following acquisitions. SAR aims to steadily expand to achieve an asset size of 300 billion yen by 2026, the target in the medium-term management plan.

Seven hotels (45.4 billion yen) are 92% of the assets acquired at the beginning of the fiscal period under review. It is expected that they will achieve internal growth. All seven hotels are leased and operated by a company under the umbrella of Polaris Holdings Co., Ltd., which is a part of the Star Asia Group. Even during the COVID-19 pandemic, the company expanded its business in cooperation with the Star Asia Group and utilized economies of scale to increase sales and cost efficiency.

All seven newly acquired hotels have the same rent structure. SAR can collect 85% of the GOP of each hotel as rent<sup>(Note)</sup>. It can thus directly benefit from any improvement of hotel operations resulting from an increase in accommodation demand. Rental income from the seven hotels has far exceeded initial expectations. It is believed that the acquired properties will contribute to internal growth.

(Note) At each of the seven newly acquired properties, a certain fixed rent has been agreed on. If 85% of their GOP exceeds this fixed rent, SAR will receive the surplus.

SAR aims to acquire properties that have the potential to contribute to internal growth and make mezzanine loan investments whose distributions are expected to increase in order to maximize returns for unitholders. SAR will strive to increase earnings growth and stability and promote external growth to accomplish the medium-term management plan.

SAR continues to implement initiatives related to ESG practices to achieve the SDGs. Regarding environmental initiatives (E), SAR invested a total of 432 million yen in various initiatives in the fiscal period under review. These

initiatives included the installation of LED lighting, renovation work to improve the efficiency of air conditioning equipment and heat transfer power and to save energy, and the conservation of greenery in accordance with the needs of each property. SAR achieved three stars and a green star in the GRESB Real Estate Assessment for the third consecutive year in fiscal 2023 as part of ESG initiatives. In addition, SAR received the highest Level A rating of the GRESB Public Disclosure Assessment that measures the adequacy of ESG information disclosure, as a result of high marks that its efforts for ESG information disclosure earned. These assessments are no more than indicators of the implementation of ESG initiatives, and earning high marks in itself is not our goal. It is more important that we implement initiatives to create a better environment (E), a better society (S), and better governance (G), while receiving high marks, and that we fulfill our responsibilities as an investment corporation of a public nature.

As a result of management pursuing the maximization of unitholder returns, the increase of the profitability of its properties and the reduction of costs, for the 16th Fiscal Period (ended January, 2024), SAR posted operating revenue of 7,964 million yen, ordinary income of 3,528 million yen, net income of 3,527 million yen and cash distributions per unit of 1,524 yen. This is our report of our performance results in the 16th Fiscal Period. We express our deep gratitude to our unitholders for their support and understanding. We thank all our unitholders for their continued support and guidance moving forward.

## Toward achieving medium-term management plan

In March 2021, as a medium-term management plan, SAR set a goal to achieve an asset size of 300 billion yen and increase cash distributions per unit to 1,600 yen or more by 2026. Regarding the expansion of asset size (external growth), SAR executed a public offering in August 2023, and incorporated 11 properties (total acquisition price: 49.1 billion yen) into its portfolio. The asset size is 243.8 billion yen as of the end of the fiscal period under review, and we believe that the increase is significant progress towards the achievement of the medium-term management plan (the external growth target). At about the same time as the public offering, SAR acquired preferential negotiation rights for 12 hotels with the latest appraisal value being 58.1 billion yen from the sponsor group to raise funds for external growth. SAR also has preferential negotiation rights for two residential properties exclusively for students whose profitability is expected to increase. Going forward, SAR aims to continue its external growth by taking full advantage of the asset manager's unique network and opportunities to acquire properties from the Star Asia Group, with a focus on properties for which preferential negotiation rights have been acquired.

In terms of the growth of cash distributions per unit (internal growth), it is essential to execute management and operation aimed at increasing profitability of each property included in the portfolio and reducing costs. Additionally, SAR is implementing initiatives to achieve internal growth. Specifically, SAR extended Funabashi Hi-Tech Park Factory I, a logistics facility with unused floor area, at the request of the tenants. The extension was completed in December 2023, and the property will contribute to internal growth from the fiscal period ending July 2024. At Suroy Mall Chikushino, a suburban retail facility, SAR attracted LOPIA, a supermarket that is highly capable of attracting customers, as an anchor tenant. LOPIA opened in November 2023 and attracts a large number of shoppers on weekdays and weekends. The supermarket has enhanced the entire facility's ability to attract customers. In addition to rental income, LOPIA will likely contribute to attracting new tenants to Suroy Mall Chikushino. In addition to the maintenance and improvement of occupancy rates of each property and the increase in revenue through cost reduction, SAR will continue to implement the above initiatives to pursue further internal growth and aim to increase cash distributions per unit.

**Funabashi Hi-Tech Park Factory I**



The section on the right side is one of the two buildings added to the factory.

# Initiatives Related to ESG

## ESG Policy

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

## Environmental Initiatives



### Acquisition of Environmental Certifications As of January 31, 2024

DBJ Green Building Certification	Building-Housing Energy-efficiency Labeling System (BELS)	CASBEE Real Estate Assessment
★★★ 1 property	★★★★★ 3 properties	★★★★★ 2 properties
★★ 4 properties	★★★★ 2 properties	★★★★ 3 properties
★ 1 property	★★★ 2 properties	
	★★ 1 property (Note 1)	
	Acquisition ratio (Note 2) 43.9%	

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

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

(Note 2) Ratio of each floor area to the gross floor area of SAR portfolio (585,163.76 m<sup>2</sup>).

## Social Initiatives



### Kishiwada Environment Fair 2023

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



### Tenant satisfaction surveys

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

## Governance Initiatives

### Decision-Making Process

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



# Portfolio Overview (As of January 31, 2024)

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

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

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

<p><b>RSC-15</b> Urban Park Yoyogi Completed: Sep. 4, 2017</p>	<p><b>RSC-16</b> Urban Park Tokiwadai Koen Completed: Feb. 17, 1994</p>	<p><b>RSC-17</b> Urban Park Mitsuike Koen Completed: Mar. 24, 1992</p>	<p><b>RSC-18</b> Urban Park Ryogoku Completed: Oct. 31, 1997</p>	<p><b>RSC-19</b> Urban Park Mizonokuchi Completed: Aug. 23, 1988</p>	<p><b>RSC-20</b> Urban Park Miyamaedaira Completed: Jun. 10, 2021</p>
<p><b>RSC-21</b> Urban Park Tsurumi Completed: Feb. 17, 1994</p>	<p><b>RSC-22</b> Urban Park Mitaka Completed: Jun. 8, 2023</p>	<p><b>RSC-23</b> Urban Park Kamata Minami I Completed: Sep. 29, 2022</p>	<p><b>RSC-24</b> Urban Park Kamata Minami II Completed: Sep. 25, 2023</p>	<p><b>RSC-25</b> Urban Park Umejima Completed: Oct. 23, 2023</p>	<p><b>LGC-01</b> Iwatsuki Logistics Completed: Oct. 29, 2014</p>
<p><b>LGC-02</b> Yokohama Logistics Completed: Oct. 1, 1994</p>	<p><b>LGC-03</b> Funabashi Logistics Completed: Sep. 25, 1992 (Building 1) Aug. 5, 1997 (Building 2)</p>	<p><b>LGC-04</b> Baraki Logistics Completed: Aug. 14, 2015</p>	<p><b>LGC-05</b> Tokorozawa Logistics Completed: Apr. 30, 1999</p>	<p><b>LGC-07</b> Funabashi Nishiura Logistics II Completed: Mar. 20, 1991 (Warehouse) May 15, 1972 (Factory) May 13, 1986 (Office)</p>	<p><b>LGC-08</b> Matsubushi Logistics Completed: Mar. 31, 1997</p>
<p><b>LGC-09</b> Funabashi Hi-Tech Park Factory I Completed: May 19, 2003</p>	<p><b>HTL-01</b> R&amp;B Hotel Umeda East Completed: Oct. 20, 2000</p>	<p><b>HTL-02</b> Smile Hotel Namba Completed: Feb. 6, 2008</p>	<p><b>HTL-03</b> REMBRANDT STYLE Tokyo Nishikasai Completed: Mar. 19, 1991</p>	<p><b>HTL-04</b> BEST WESTERN Yokohama Completed: Sep. 21, 1987</p>	<p><b>HTL-05</b> The BREAKFAST HOTEL FUKUOKA TENJIN Completed: Feb. 20, 2017</p>
<p><b>HTL-06</b> GLANSIT AKIHABARA Completed: Sep. 20, 2017</p>	<p><b>HTL-07</b> REMBRANDT STYLE Tokyo Nishikasai Grande Completed: Feb. 7, 2017</p>	<p><b>HTL-08</b> KOKO HOTEL Osaka Namba Completed: Apr. 7, 2017</p>	<p><b>HTL-09</b> abeno nini (Hotel) Completed: Jan. 31, 2012</p>	<p><b>HTL-10</b> KOKO HOTEL Ginza 1-Chome Completed: Oct. 29, 2014</p>	<p><b>HTL-11</b> KOKO HOTEL Sapporo Ekimae Completed: Oct. 20, 2015</p>
<p><b>HTL-12</b> KOKO HOTEL Fukuoka Tenjin Completed: Aug. 20, 2007</p>	<p><b>HTL-13</b> KOKO HOTEL Hiroshima Ekimae Completed: Dec. 17, 2019</p>	<p><b>HTL-14</b> KOKO HOTEL Kagoshima Tenmonkan Completed: Apr. 19, 2019</p>	<p><b>HTL-15</b> KOKO HOTEL Sapporo Odori Completed: Jun. 9, 2020</p>	<p><b>HTL-16</b> Best Western Plus Fukuoka Tenjin-minami Completed: Apr. 3, 2020</p>	

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

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

**Star Asia Group**

**POLARIS HOLDINGS**

Listed on TSE Standard Market  
Code: 3010

- Star Asia Group, which has senior investment professionals with deep experience in managing real estate investments, has joined forces with Polaris (previously Kachikaihatsu Co., Ltd.), an operator of diverse hotels
- Together, they are pursuing hotel operations that leverage Star Asia Group's strong track record in opportunistic investments

Hotel operations

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Investment management

**More efficient hotel operations and maximization of investment value**

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

### Hotel Brands Owned by Polaris Holdings

 KOKO HOTEL 	 Best Western 	 Value The Hotel 	 Red Planet Hotels 
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# Financial Summary

## Historical Operating Trends

Fiscal Period		12th Fiscal	13th Fiscal	14th Fiscal	15th Fiscal	16th Fiscal
		Period (August 1, 2021 to January 31, 2022)	Period (February 1, 2022 to July 31, 2022)	Period (August 1, 2022 to January 31, 2023)	Period (February 1, 2023 to July 31, 2023)	Period (August 1, 2023 to January 31, 2024)
Operating revenue	(million yen)	5,960	6,088	6,486	6,946	7,964
Operating revenue from real estate leasing	(million yen)	5,890	6,060	6,463	6,503	7,524
Operating expenses	(million yen)	2,872	3,041	3,136	3,340	3,655
Operating expenses from real estate leasing	(million yen)	2,311	2,494	2,556	2,744	2,946
Operating income	(million yen)	3,087	3,047	3,349	3,606	4,309
Ordinary income	(million yen)	2,517	2,560	2,782	3,073	3,528
Net income	(million yen)	2,516	2,559	2,781	3,073	3,527
Total assets	(million yen)	193,316	193,488	208,766	209,259	259,155
[Period-on-period variation]	(%)	(7.9)	(0.1)	(7.9)	(0.2)	(23.8)
Net assets	(million yen)	95,753	95,803	103,455	103,224	127,127
[Period-on-period variation]	(%)	(7.4)	(0.1)	(8.0)	(-0.2)	(23.2)
Interest-bearing debt	(million yen)	89,640	89,640	96,840	96,840	123,140
Unitholders' capital	(million yen)	59,115	59,115	66,123	66,123	89,316
Total number of investment units issued and outstanding	(units)	1,789,389	1,789,389	1,921,689	1,921,689	2,372,000
Net assets per unit	(yen)	53,511	53,539	53,835	53,715	53,595
Total cash distributions	(million yen)	2,644	2,641	2,865	3,047	3,614
Cash distributions per unit	(yen)	1,478	1,476	1,491	1,586	1,524
Cash distributions of earnings per unit	(yen)	1,478	1,476	1,491	1,586	1,524
Cash distributions in excess of earnings per unit	(yen)	-	-	-	-	-
Ratio of ordinary income to total assets <sup>(Note 3)</sup>	(%)	1.4	1.3	1.4	1.5	1.5
[Annualized]	(%)	(2.7)	(2.7)	(2.7)	(3.0)	(3.0)
Return on equity <sup>(Note 3)</sup>	(%)	2.7	2.7	2.8	3.0	3.1
[Annualized]	(%)	(5.4)	(5.4)	(5.5)	(6.0)	(6.1)
Equity ratio at end of period <sup>(Note 3)</sup>	(%)	49.5	49.5	49.6	49.3	49.1
[Period-on-period variation]	(%)	(-0.2)	(-0.0)	(0.0)	(-0.2)	(-0.3)
Cash distribution payout ratio <sup>(Note 3)</sup>	(%)	105.1	103.2	103.0	99.2	102.5
[Other reference information]						
Number of operating days	(days)	184	181	184	181	184
Number of properties at end of period	(properties)	60	60	63	62	71
Depreciation	(million yen)	682	697	743	763	963
Capital expenditures	(million yen)	424	471	605	787	1,107
Lease NOI (Net Operating Income) <sup>(Note 3)</sup>	(million yen)	4,261	4,263	4,650	4,521	5,542
FFO (Funds from Operation) <sup>(Note 3)</sup>	(million yen)	3,199	3,257	3,525	3,422	4,116
FFO per unit <sup>(Note 3)</sup>	(yen)	1,787	1,820	1,834	1,780	1,735
Ratio of interest-bearing debt to total assets at end of period (LTV)	(%)	46.4	46.3	46.4	46.3	47.5

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

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

(Note 3) It is calculated based on the following formula.

Ratio of ordinary income to total assets	$\text{Ordinary income} \div \{(\text{total assets at beginning of period} + \text{total assets at end of period}) \div 2\} \times 100$
Return on equity	$\text{Net income} \div \{(\text{net assets at beginning of period} + \text{net assets at end of period}) \div 2\} \times 100$
Equity ratio at end of period	$\text{Net assets at end of period} \div \text{total assets at end of period} \times 100$
Cash distribution payout ratio	$\text{Cash distributions per unit (excluding cash distributions in excess of earnings)} \div \text{net income per unit} \times 100$ The figures for the 12th, 14th, and 16th fiscal periods were calculated based on the formula below as investment units outstanding changed during the period as a result of a public offering of investment units. $\text{Total cash distributions (excluding cash distributions in excess of earnings)} \div \text{net income} \times 100$
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)	$\text{Net income} + \text{Depreciation} - \text{gain (loss) on sales of real estate}$
FFO per unit	$\text{FFO} \div \text{total number of investment units issued and outstanding}$

## Balance Sheet

(Unit: thousand yen)

	15th fiscal period (As of July 31, 2023)	16th fiscal period (As of January 31, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	3,262,429	2,466,478
Cash and deposits in trust	8,525,306	9,186,964
Operating accounts receivable	139,180	319,557
Prepaid expenses	197,986	276,610
Consumption taxes receivable	–	1,245,234
Others	14,462	18,498
Total current assets	12,139,365	13,513,345
Non-current assets		
Property, plant and equipment		
Tools, furniture and fixtures	114	114
Accumulated depreciation	(114)	(114)
Tools, furniture and fixtures, net	0	0
Buildings in trust	56,821,886	72,991,822
Accumulated depreciation	(6,898,692)	(7,735,645)
Buildings in trust, net	49,923,193	65,256,177
Structures in trust	25,744	37,679
Accumulated depreciation	(7,577)	(8,703)
Structures in trust, net	18,166	28,975
Machinery and equipment in trust	251,570	306,175
Accumulated depreciation	(44,740)	(58,216)
Machinery and equipment in trust, net	206,829	247,958
Tools, furniture and fixtures in trust	139,432	150,147
Accumulated depreciation	(48,732)	(54,677)
Tools, furniture and fixtures in trust, net	90,699	95,470
Land in trust	139,857,495	169,768,470
Construction in progress in trust	33,095	170
Total property, plant and equipment	190,129,480	235,397,221
Intangible assets		
Leasehold rights in trust	4,082,300	6,251,893
Total intangible assets	4,082,300	6,251,893
Investments and other assets		
Investments in other securities of subsidiaries and associates	1,588,015	1,588,015
Investment securities	740,000	1,170,000
Long-term prepaid expenses	331,220	542,728
Leasehold and guarantee deposits	10,359	10,239
Leasehold and guarantee deposits in trust	–	263,988
Others	191,122	343,228
Total investments and other assets	2,860,717	3,918,199
Total non-current assets	197,072,498	245,567,314
Deferred assets		
Investment corporation bond issuance costs	10,543	9,522
Investment unit issuance costs	36,758	65,149
Total deferred assets	47,301	74,672
<b>Total assets</b>	<b>209,259,165</b>	<b>259,155,332</b>

(Unit: thousand yen)

	15th fiscal period (As of July 31, 2023)	16th fiscal period (As of January 31, 2024)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	995,681	983,908
Short-term borrowings	–	1,300,000
Current portion of long-term borrowings	14,340,000	13,285,000
Accounts payable - other	534,593	664,966
Accrued expenses	75,324	96,918
Income taxes payable	605	605
Accrued consumption taxes	252,695	48,408
Advances received	1,236,897	1,028,917
Others	35,505	26,846
Total current liabilities	17,471,301	17,435,570
Non-current liabilities		
Investment corporation bonds	1,000,000	1,000,000
Long-term borrowings	81,500,000	107,555,000
Leasehold and guarantee deposits received	4,179	4,053
Leasehold and guarantee deposits received in trust	5,965,643	5,915,288
Asset retirement obligations	–	98,969
Others	93,578	18,825
Total non-current liabilities	88,563,401	114,592,137
<b>Total liabilities</b>	<b>106,034,702</b>	<b>132,027,707</b>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	66,123,367	89,316,185
Surplus		
Unitholders' capital surplus	25,132,218	25,132,218
Voluntary reserve		
Reserve for temporary difference adjustment	*2 8,535,586	*2 8,446,674
Total voluntary reserve	8,535,586	8,446,674
Unappropriated retained earnings (undisposed loss)	3,340,372	3,909,364
Total surplus	37,008,177	37,488,257
Total unitholders' equity	103,131,545	126,804,443
Valuation and translation adjustments		
Deferred gains or losses on hedges	92,917	323,181
Total valuation and translation adjustments	92,917	323,181
<b>Total net assets</b>	<b>*1 103,224,463</b>	<b>*1 127,127,624</b>
<b>Total liabilities and net assets</b>	<b>209,259,165</b>	<b>259,155,332</b>

## Statement of Income and Retained Earnings

(Unit: thousand yen)

	15th fiscal period (From February 1, 2023 to July 31, 2023)	16th fiscal period (From August 1, 2023 to January 31, 2024)
<b>Operating revenue</b>		
Rental revenue	*1 6,048,231	*1 7,077,860
Other lease business revenue	*1 454,964	*1 447,056
Gain on sale of real estate	*2 414,166	*2 374,516
Other revenue	29,564	65,436
Total operating revenue	6,946,926	7,964,869
<b>Operating expenses</b>		
Expenses related to rent business	*1 2,744,572	*1 2,946,506
Asset management fee	418,486	512,727
Asset custody and administrative service fees	42,395	48,711
Directors' compensations	2,400	2,400
Other operating expenses	132,242	144,769
Total operating expenses	3,340,096	3,655,114
Operating income	3,606,830	4,309,754
<b>Non-operating income</b>		
Interest income	53	58
Reversal of unpaid distributions	1,046	1,583
Subsidy income	504	–
Interest on refund	315	–
Total non-operating income	1,918	1,642
<b>Non-operating expenses</b>		
Interest expenses	377,649	463,491
Interest expenses on investment corporation bonds	3,500	3,500
Borrowing related expenses	140,125	294,089
Amortization of investment corporation bond issuance costs	1,020	1,020
Amortization of investment unit issuance costs	12,611	20,812
Total non-operating expenses	534,906	782,913
Ordinary income	3,073,841	3,528,484
Income before income taxes	3,073,841	3,528,484
Income taxes - current	605	605
Total income taxes	605	605
Net income	3,073,236	3,527,879
Retained earnings brought forward	267,135	381,485
Unappropriated retained earnings (undisposed loss)	3,340,372	3,909,364

## Statement of Changes in Unitholders' Equity

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

(Unit: thousand yen)

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



Statement of Changes in Unitholders' Equity

16th fiscal period (from August 1, 2023 to January 31, 2024)

(Unit: thousand yen)

	Unitholders' equity						Valuation and translation adjustments		Total net assets	
	Surplus						Deferred gains or losses on hedges	Total valuation and translation adjustments		
	Unitholders' capital	Unitholders' capital surplus	Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus				Total unitholders' equity
		Reserve for temporary difference adjustment	Total voluntary reserve							
Balance at beginning of the period	66,123,367	25,132,218	8,535,586	8,535,586	3,340,372	37,008,177	103,131,545	92,917	92,917	103,224,463
Changes of items during the period										
Issuance of new investment units	23,192,817						23,192,817			23,192,817
Dividends from surplus					(3,047,798)	(3,047,798)	(3,047,798)			(3,047,798)
Reversal of reserve for temporary difference adjustment			(88,912)	(88,912)	88,912	-	-			-
Net income					3,527,879	3,527,879	3,527,879			3,527,879
Net changes of items other than unitholders' equity								230,263	230,263	230,263
Total changes of items during the period	23,192,817	-	(88,912)	(88,912)	568,992	480,080	23,672,898	230,263	230,263	23,903,161
Balance at end of the period	*1 89,316,185	25,132,218	8,446,674	8,446,674	3,909,364	37,488,257	126,804,443	323,181	323,181	127,127,624

Statement of Cash Distributions

(Unit: yen)

	15th fiscal period (From February 1, 2023 to July 31, 2023)	16th fiscal period (From August 1, 2023 to January 31, 2024)
I. Unappropriated retained earnings	3,340,372,051	3,909,364,877
II. Reversal of voluntary reserve Reversal of reserve for temporary difference adjustment *1	88,912,365	88,912,365
III. Cash distribution [Cash distribution per unit]	3,047,798,754	3,614,928,000
Cash distribution of earnings [Cash distribution of earnings per unit]	(1,586)	(1,524)
	3,047,798,754	3,614,928,000
	(1,586)	(1,524)
IV. Retained earnings carried forward	381,485,662	383,349,242
Method of calculation of amount of cash distributions	Pursuant to the cash distribution policy provided in Article 35, Paragraph 1 of SAR's Articles of Incorporation, SAR shall distribute in excess of the amount equivalent to 90% of the amount of distributable earnings of SAR as defined in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation. In accordance with such policy, concerning cash distribution of earnings (not including cash distribution in excess of earnings), the decision was made to distribute 3,047,798,754 yen, which is equivalent to the sum of the amount remaining after reserving 114,350,316 yen from net income and the amount of reversal of reserve for temporary difference adjustment of 88,912,365 yen.	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 this policy, concerning the cash distribution of earnings (not including cash distribution in excess of earnings), the decision was made to distribute 3,614,928,000 yen, which is the integral multiple of the total number of investment units issued and outstanding and the sum of 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)

	15th fiscal period (From February 1, 2023 to July 31, 2023)	16th fiscal period (From August 1, 2023 to January 31, 2024)
<b>Cash flows from operating activities</b>		
Income before income taxes	3,073,841	3,528,484
Depreciation	763,353	963,602
Amortization of investment corporation bond issuance costs	1,020	1,020
Amortization of investment unit issuance costs	12,611	20,812
Interest income	(53)	(58)
Interest expenses	381,149	466,991
Decrease (increase) in operating accounts receivable	8,532	(180,377)
Decrease (increase) in consumption taxes receivable	181,189	(1,245,234)
Increase (decrease) in accrued consumption taxes	205,289	(204,286)
Decrease (increase) in prepaid expenses	13,262	(78,623)
Decrease (increase) in long-term prepaid expenses	(297)	(211,507)
Increase (decrease) in operating accounts payable	(42,522)	101,183
Increase (decrease) in accounts payable - other	(4,176)	104,651
Increase (decrease) in advances received	217,372	(207,980)
Decrease in property, plant and equipment in trust due to sale	688,594	2,670,427
Others	(9,408)	(8,731)
Subtotal	5,489,759	5,720,373
Interest income received	53	58
Interest expenses paid	(383,278)	(445,423)
Income taxes paid	1,406	(616)
Net cash provided by operating activities	5,107,940	5,274,392
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment in trust	(698,358)	(48,883,791)
Purchase of intangible assets in trust	–	(2,176,621)
Repayments of leasehold and guarantee deposits received	(1,701)	(126)
Repayments of leasehold and guarantee deposits received in trust	(130,365)	(294,990)
Proceeds from leasehold and guarantee deposits received in trust	255,855	244,635
Proceeds from refund of leasehold and guarantee deposits	–	120
Payments of leasehold and guarantee deposits in trust	–	(263,988)
Purchase of investments in other securities of subsidiaries and associates	(1,578,073)	–
Purchase of investment securities	(340,000)	(430,000)
Others	–	(10)
Net cash used in investing activities	(2,492,642)	(51,804,771)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	–	1,300,000
Proceeds from long-term borrowings	10,790,000	29,840,000
Repayments of long-term borrowings	(10,790,000)	(4,840,000)
Proceeds from issuance of investment units	–	23,143,614
Dividends paid	(2,866,153)	(3,047,528)
Net cash provided by (used in) financing activities	(2,866,153)	46,396,086
<b>Net increase (decrease) in cash and cash equivalents</b>	(250,855)	(134,292)
<b>Cash and cash equivalents at beginning of period</b>	12,038,591	11,787,736
<b>Cash and cash equivalents at end of period</b>	*1 11,787,736	*1 11,653,443

## 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). It 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 Invest 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 has been executing active management, aiming to maximize the interests of unitholders and striving to expand its asset size and increase distributions per unit. The asset size as of the 16th fiscal period (January 31, 2024) is 243,871 million yen.

## Basis of Presentation

SAR has prepared the financial statements attached hereto in accordance with the accounting principles generally accepted in Japan (J-GAAP). J-GAAP differs from international accounting standards in the specific details of accounting and disclosure standards.

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

Certain notes are added to the financial statements published in Japan to facilitate the understanding for overseas readers.

SAR's fiscal periods are six months ending January 31 and July 31 every year.

Since SAR has no subsidiaries, no consolidated financial statements are prepared.

## Notes on the Going Concern Assumption

Not applicable.

## Notes on Matters Relating to Significant Accounting Policies

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

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

Cost method through moving-average method

#### (2) Other securities

Those with market price

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

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

#### (1) 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 2-70 years

Structures 7-30 years

Machinery and equipment 7-17 years

Tools, furniture and fixtures 2-15 years

#### (2) Intangible assets (including trust assets)

The straight-line method is adopted.

Fixed-term land leasehold is amortized using the straight-line method over the remaining period.

### 3. Accounting for deferred assets

#### (1) Investment unit issuance costs

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

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

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

### 4. Revenue and expense recognition

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

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

The amount equivalent to fixed property tax, etc. in the initial fiscal year borne by SAR upon acquisition of real estate or beneficiary interest in trust for real estate is not recorded as expenses but included in the cost of acquisition of the concerned real estate, etc. In the fiscal period under review, the amount equivalent to fixed property tax, etc. included in the cost of acquisition of real estate, etc. is 63,569 thousand yen.

#### (2) Standards for recording revenue

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

##### 1) Sale of real estate

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

##### 2) Utilities income

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

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

### 5. Hedge accounting approach

#### (1) Hedge accounting approach

Deferral hedge accounting is adopted.

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

Hedging instruments: Interest rate swap transaction

Hedged items: Interest on loans

#### (3) Hedging policy

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

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

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

### 6. Scope of funds in the statement of cash flows (cash and cash equivalents)

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

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

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

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

Notes to Financial Statements

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 in trust
- 5) Leasehold and guarantee deposits received in trust

**(2) Accounting for consumption taxes**

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

**Notes on 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)

15th fiscal period (As of July 31, 2023)	16th fiscal period (As of January 31, 2024)
50,000	50,000

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

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

(Unit: thousand yen)

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

(Note) Gain on negative goodwill indicates the amount of provision of gain on negative goodwill recorded in the past fiscal period, and will be reversed in equal amount or more over 50 years or less every fiscal period starting from the 12th fiscal period, which is the period following the fiscal period in which the provision was made.

**16th fiscal period (As of January 31, 2024)**

(Unit: thousand yen)

	Initial amount	Balance at beginning of the period	Reserve during the period	Reversal during the period	Balance at end of the period	Reasons for provision and reversal
Gain on negative goodwill <sup>(Note)</sup>	8,891,236	8,535,586	–	88,912	8,446,674	Appropriate for distribution

(Note) Gain on negative goodwill indicates the amount of provision of gain on negative goodwill recorded in the past fiscal period, and will be reversed in equal amount or more over 50 years or less every fiscal period starting from the 12th fiscal period, which is the period following the fiscal period in which the provision was made.

**Notes on the Statement of Income and Retained Earnings**

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

(Unit: thousand yen)

	15th fiscal period (From February 1, 2023 to July 31, 2023)	16th fiscal period (From August 1, 2023 to January 31, 2024)
<b>A. Operating revenue from real estate leasing</b>		
Rental revenue		
Rental revenue	5,232,657	6,268,199
Common area maintenance revenue	570,304	561,698
Parking revenue	206,214	208,004
Facility use revenue	31,807	33,406
Other rental revenue	7,247	6,551
Total	6,048,231	7,077,860
Other lease business revenue		
Utilities income	358,375	351,432
Other revenue	96,588	95,624
Total	454,964	447,056
Total operating revenue from real estate leasing	6,503,195	7,524,917
<b>B. Operating expenses from real estate leasing</b>		
Expenses related to rent business		
Management fee	452,917	454,790
Utilities expenses	389,316	372,542
Taxes and dues	493,000	490,171
Repair expenses	308,817	319,629
Trust fee	30,653	28,668
Insurance premium	13,322	15,314
Depreciation	763,353	963,602
Other expenses	293,190	301,786
Total operating expenses from real estate leasing	2,744,572	2,946,506
<b>C. Operating income (loss) from real estate leasing [A–B]</b>	3,758,623	4,578,410

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

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

(Unit: thousand yen)

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

16th fiscal period (from August 1, 2023 to January 31, 2024)

(Unit: thousand yen)

Urban Park Gokokuji	
Proceeds from sale of real estate	1,800,000
Cost of sale of real estate	1,488,569
Other sales expenses	46,106
Gain on sale of real estate	265,324
Urban Park Koenji	
Proceeds from sale of real estate	1,315,000
Cost of sale of real estate	1,181,858
Other sales expenses	23,950
Gain on sale of real estate	109,191

Notes on the Statement of Unitholders' Equity

\*1 Total number of investment units authorized and total number of investment units issued and outstanding

	15th fiscal period (From February 1, 2023 to July 31, 2023)	16th fiscal period (From August 1, 2023 to January 31, 2024)
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	1,921,689 units	2,372,000 units

Notes on the Statement of Cash Distributions

15th fiscal period (From February 1, 2023 to July 31, 2023)	16th fiscal period (From August 1, 2023 to January 31, 2024)
*1 Reserve for temporary difference adjustment SAR provided 8,891,236 thousand yen as reserve for temporary difference adjustment in the 10th fiscal period. From the 11th fiscal period, SAR plans to reverse the same amount or more in each fiscal period over a period of up to 50 years. In the fiscal period under review, SAR decided to reverse 88,912 thousand yen.	*1 Reserve for temporary difference adjustment SAR provided 8,891,236 thousand yen as reserve for temporary difference adjustment in the 10th fiscal period. From the 11th fiscal period, SAR plans to reverse the same amount or more in each fiscal period over a period of up to 50 years. In the fiscal period under review, SAR decided to reverse 88,912 thousand yen.

Notes on 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)

	15th fiscal period (From February 1, 2023 to July 31, 2023)	16th fiscal period (From August 1, 2023 to January 31, 2024)
Cash and deposits	3,262,429	2,466,478
Cash and deposits in trust	8,525,306	9,186,964
Cash and cash equivalents	11,787,736	11,653,443

Notes on Lease Transactions

Operating leases (as lessee)

Future minimum lease payments

(Unit: thousand yen)

	15th fiscal period (As of July 31, 2023)	16th fiscal period (As of January 31, 2024)
Not later than 1 year	-	173,606
Later than 1 year	-	6,358,578
Total	-	6,532,184

Operating leases (as lessor)

Future minimum lease payments

(Unit: thousand yen)

	15th fiscal period (As of July 31, 2023)	16th fiscal period (As of January 31, 2024)
Not later than 1 year	5,715,787	6,246,687
Later than 1 year	9,733,645	22,516,811
Total	15,449,432	28,763,498

Notes on Financial Instruments

1. Matters concerning 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 loans, 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

Notes to Financial Statements

with floating interest rates are exposed to interest rate fluctuation risk, but derivative transactions (interest rate swap transactions) are utilized as hedging instruments to, in effect, convert interest rates to fixed rates in order to mitigate that risk. For the hedge accounting approach, hedging instruments, hedged items, hedging policy and method of assessing the effectiveness of hedging, please refer to “5. Hedge accounting approach” described under “Notes on Matters Relating to Significant Accounting Policies” earlier in this document.

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

Not applicable.

**2. Matters concerning fair value, etc. of financial instruments**

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

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

(Unit: thousand yen)

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

(\*) 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.

**16th fiscal period (As of January 31, 2024)**

(Unit: thousand yen)

	Carrying amount	Fair value	Difference
(1) Current portion of long-term borrowings	13,285,000	13,285,000	–
(2) Investment corporation bonds	1,000,000	989,600	(10,400)
(3) Long-term borrowings	107,555,000	107,482,716	(72,283)
Liabilities total	121,840,000	121,757,316	(82,683)
(4) Derivative transactions (*)	323,181	323,181	–

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

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

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

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

(2) Investment corporation bonds

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

(4) Derivative transactions

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

(Note 2) Amount of repayment of investment corporation bonds and loans to be due after the date of settlement of accounts

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

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Investment corporation bonds	–	–	–	–	–	1,000,000
Long-term borrowings	14,340,000	11,085,000	20,910,000	19,965,000	19,490,000	10,050,000
Total	14,340,000	11,085,000	20,910,000	19,965,000	19,490,000	11,050,000

**16th fiscal period (As of January 31, 2024)**

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Investment corporation bonds	–	–	–	–	1,000,000	–
Long-term borrowings	13,285,000	19,150,000	20,275,000	21,650,000	21,680,000	24,800,000
Total	13,285,000	19,150,000	20,275,000	21,650,000	22,680,000	24,800,000

**Notes on Securities**

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

Notes are omitted because they lack significance.

**16th fiscal period (As of January 31, 2024)**

Notes are omitted because they lack significance.

**Notes on Derivative Transactions**

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

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

Not applicable.

**16th fiscal period (As of January 31, 2024)**

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.

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

(Unit: thousand yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc. (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	82,305,000	68,965,000	92,917

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

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

16th fiscal period (As of January 31, 2024)

(Unit: thousand yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc. <sup>(Note 1)</sup>		Fair value <sup>(Note 2)</sup>
				Of which, later than 1 year	
Principle method of accounting	Interest rate swap transaction (floating receivable; fixed payable)	Long-term borrowings	77,465,000	68,965,000	323,181

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

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

**Notes on Retirement Benefits**

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

Not applicable.

16th fiscal period (As of January 31, 2024)

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)

	15th fiscal period (As of July 31, 2023)	16th fiscal period (As of January 31, 2024)
Deferred tax assets		
Valuation adjustment upon merger	1,090,958	1,069,936
Leasehold interests in land	-	2,211
Acquisition cost of securities	3,030	4,518
Asset retirement obligations	-	31,135
Deferred gains or losses on hedges	30,895	6,303
Deferred tax assets, subtotal	1,124,884	1,114,105
Valuation allowance	(1,124,884)	(1,114,105)
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: %)

	15th fiscal period (As of July 31, 2023)	16th fiscal period (As of January 31, 2024)
Statutory tax rate	31.46	31.46
[Adjustments]		
Deductible distributions payable	(31.19)	(31.14)
Reversal of excess depreciation	(0.90)	(0.40)
Others	0.65	0.09
Effective income tax rate after application of tax-effect accounting	0.02	0.02

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

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

Notes are omitted because they lack significance.

16th fiscal period (As of January 31, 2024)

Notes are omitted because they lack significance.

**Notes on Related-Party Transactions**

1. Parent company, major corporate unitholders, etc.

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

Not applicable.

16th fiscal period (from August 1, 2023 to January 31, 2024)

Not applicable.

2. Affiliated companies, etc.

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

Not applicable.

16th fiscal period (from August 1, 2023 to January 31, 2024)

Not applicable.

3. Fellow subsidiaries, etc.

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

Not applicable.

16th fiscal period (from August 1, 2023 to January 31, 2024)

Not applicable.

4. Directors, major individual unitholders, etc.

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

(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 the period
Director, or close relative of director	Atsushi Kato	-	-	Executive Director of SAR, and President and CEO of the Asset Manager	0.03%	Payment of asset management fee to the Asset Manager <sup>(Note 1)</sup>	445,612 <sup>(Note 2)</sup>	Accounts payable - others <sup>(Note 3)</sup>	456,595 <sup>(Note 2)</sup>

16th fiscal period (from August 1, 2023 to January 31, 2024)

(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 the period
Director, or close relative of director	Atsushi Kato	—	—	Executive Director of SAR, and President and CEO of the Asset Manager	0.03%	Payment of asset management fee to the Asset Manager (Note 1)	794,310 (Note 2) (Note 3)	Accounts payable — others	564,000 (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 15th fiscal period includes the acquisition incentive portion included in the book value of preferred equity securities in the amount of 15,625 thousand yen and the transfer incentive portion for real estate, etc. in the amount of 11,500 thousand yen. The asset management fee for the 16th fiscal period includes the acquisition incentive portion included in the book value of individual real estate, etc. in the amount of 250,433 thousand yen and the transfer incentive portion for real estate, etc. in the amount of 31,150 thousand yen.

## Notes on Asset Retirement Obligations

### 1. Outline of the asset retirement obligations

SAR concluded a fixed-term subleasehold agreement for the land of its asset Best Western Plus Fukuoka Tenjin-minami, and recognized asset retirement obligations in connection with the obligation to restore the site to its original condition at the end of the sublease term.

### 2. Method of calculating asset retirement obligations

Asset retirement obligations are calculated using the expected period of use, which is estimated at 55 years from the expiration of the fixed-term subleasehold agreement, and a discount rate of 1.925%.

### 3. Changes in total asset retirement obligations

(Unit: thousand yen)

	15th fiscal period (From February 1, 2023 to July 31, 2023)	16th fiscal period (From August 1, 2023 to January 31, 2024)
Balance at beginning of period	—	—
Increase due to purchases of property, plant and equipment	—	98,187
Adjustment due to passage of time	—	782
Balance at end of the period	—	98,969

## 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)

	15th fiscal period (From February 1, 2023 to July 31, 2023)	16th fiscal period (From August 1, 2023 to January 31, 2024)
Carrying amount		
Balance at beginning of the period	194,843,394	194,178,685
Amount of increase (decrease) during the period	(664,708)	47,470,259
Balance at end of the period	194,178,685	241,648,945
Fair value at end of the period	215,096,000	266,696,000

(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 15th fiscal period, the amount of increase is mainly attributable to capital expenditures (787,991 thousand yen), while the amount of decrease is mainly attributable to disposition of real estate beneficiary interest in trust of a property (688,594 thousand yen) and depreciation (763,353 thousand yen). During the 16th fiscal period, the amount of increase is mainly attributable to the acquisition of real estate beneficiary interests in trust of 11 properties (49,825,623 thousand yen), capital expenditures (1,107,190 thousand yen, which includes 275,884 thousand yen for extension work), and the acquisition of leasehold interests for leased land of property held (171,477 thousand yen), while the amount of decrease is mainly attributable to the disposition of real estate beneficiary interests in trust of 2 properties (2,670,427 thousand yen) and depreciation (963,602 thousand yen).

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

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

## Notes on Revenue Recognition

### 1. Breakdown information on revenue from contracts with customers

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

(Unit: thousand yen)

	Revenue from contracts with customers (Note)	Sales to external customers
Proceeds from sale of real estate (Note 2)	414,166	414,166
Utilities income	358,375	358,375
Others	—	6,174,384
Total	772,542	6,946,926

(Note 1) Rental revenue, etc. subject to the "Accounting Standard for Lease Transactions" (ASBJ Statement No.13) are excluded from the above amount as such revenue is not subject to the Revenue Recognition Accounting Standard. Revenue from contracts with customers mainly represents proceeds from sale of real estate and utilities income.

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



16th fiscal period (from August 1, 2023 to January 31, 2024)

(Unit: thousand yen)

	Revenue from contracts with customers <sup>(Note 1)</sup>	Sales to external customers
Proceeds from sale of real estate <sup>(Note 2)</sup>	374,516	374,516
Utilities income	351,432	351,432
Others	–	7,238,921
Total	725,948	7,964,869

(Note 1) Rental revenue, etc. subject to the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13) are excluded from the above amount as such revenue is not subject to the Revenue Recognition Accounting Standard. Revenue from contracts with customers mainly represents proceeds from sale of real estate and utilities income.

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

2. Foundational information for understanding revenue from contracts with customers

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

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

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

(Unit: thousand yen)

	15th fiscal period (From February 1, 2023 to July 31, 2023)	16th fiscal period (From August 1, 2023 to January 31, 2024)
Receivables generated from contracts with customers (balance at beginning of the period)	87,858	71,460
Receivables generated from contracts with customers (balance at end of the period)	71,460	62,199
Contract assets (balance at beginning of the period)	–	–
Contract assets (balance at end of the period)	–	–
Contract liabilities (balance at beginning of the period)	–	–
Contract liabilities (balance at end of the period)	–	–

(2) Transaction value allocated to remaining performance obligations

Not applicable.

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

Notes on Segment Information

1. Segment information

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

2. Related information

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

(1) Information about products and services

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

(2) Information about geographic areas

1) Net sales

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

2) Property, plant and equipment

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

(3) Information about each major customer

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

16th fiscal period (from August 1, 2023 to January 31, 2024)

(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

	15th fiscal period (From February 1, 2023 to July 31, 2023)	16th fiscal period (From August 1, 2023 to January 31, 2024)
Net assets per unit	53,715 yen	53,595 yen
Net income per unit	1,599	1,518

(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)

	15th fiscal period (From February 1, 2023 to July 31, 2023)	16th fiscal period (From August 1, 2023 to January 31, 2024)
Net income	3,073,236	3,527,879
Amount not attributable to common uni-tholders	-	-
Net income attributable to common invest-ment units	3,073,236	3,527,879
Average number of investment units during the period (units)	1,921,689	2,323,053

Notes on Significant Subsequent Events

Not applicable.

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	Prepaid accrued interest	Fair value	Unrealized gain or loss	Remarks
Corporate bonds	Star Asia Mezzanine Loan Debt Investment Series 7	400,000	400,000	3,444	-	400,000	-	(Note 1) (Note 4)
Trust beneficiary interest	Star Asia Mezzanine Loan Debt Investment Series 8 Class A Beneficial Interest	-	430,000	3,922	-	430,000	-	(Note 2) (Note 4)
Trust beneficiary interest	Star Asia Mezzanine Loan Debt Investment Series 8 Class B Beneficial Interest	-	340,000	4,256	-	340,000	-	
Preferred equity security	GSA JP Project 1 Tokutei Mokuteki Kaisha (TMK) Preferred Equity Securities	-	1,588,015	-	-	1,789,139	201,123	(Note 3) (Note 5)
Total		-	2,758,015	11,623	-	2,959,139	201,123	

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

(Note 2) The underlying assets are trust beneficiary interests in a trust mainly comprised of Centurion Hotel Grand Akasaka. Class A beneficiary interests and Class B beneficiary interests were acquired on September 13, 2023, and February 20, 2023, respectively.

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

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

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

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

(Unit: thousand yen)

Category	Type	Contract amount, etc. (Note 1)		Fair value (Note 2)
			Of which, later than 1 year	
Transaction other than market transaction	Interest rate swap transaction (floating receivable; fixed payable)	77,465,000	68,965,000	323,181
Total		77,465,000	68,965,000	323,181

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

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

### 3. Summary table of schedule of real estate

(Unit: thousand yen)

Type of asset	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Accumulated depreciation or accumulated amortization		Net balance at end of the period	Remarks
					For period			
Tools, furniture and fixtures	114	-	-	114	114	-	0	
Buildings in trust	56,821,886	16,739,805	569,868	72,991,822	7,735,645	931,820	65,256,177	(Note)
Structures in trust	25,744	11,934	-	37,679	8,703	1,125	28,975	
Property, plant and equipment								
Machinery and equipment in trust	251,570	54,604	-	306,175	58,216	13,475	247,958	
Tools, furniture and fixtures in trust	139,432	16,432	5,717	150,147	54,677	10,152	95,470	
Land in trust	139,857,495	32,104,893	2,193,918	169,768,470	-	-	169,768,470	(Note)
Construction in progress in trust	33,095	-	32,925	170	-	-	170	
Subtotal	197,129,339	48,927,669	2,802,429	243,254,578	7,857,356	956,574	235,397,221	
Intangible assets								
Leasehold rights in trust	4,082,300	2,176,621	-	6,258,921	7,028	7,028	6,251,893	
Subtotal	4,082,300	2,176,621	-	6,258,921	7,028	7,028	6,251,893	
Total	201,211,639	51,104,290	2,802,429	249,513,500	7,864,385	963,602	241,649,115	

(Note) The amount of increase in property, plant and equipment during the 16th fiscal period is mainly attributable to the acquisition of the 11 properties below.

Urban Park Mitaka, Urban Park Kamata Minami I, Urban Park Kamata Minami II, Urban Park Umejima, KOKO HOTEL Ginza 1-chome, KOKO HOTEL Sapporo Ekimae, KOKO HOTEL Fukuoka Tenjin, KOKO HOTEL Hiroshima Ekimae, KOKO HOTEL Kagoshima Tenmonkan, KOKO HOTEL Sapporo Odori, and Best Western Plus Fukuoka Tenjin-minami

### 4. Schedule of other specified assets

Not applicable.

### 5. Schedule of investment corporation bonds

(Unit: thousand yen)

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

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

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years
Investment corporation bonds	-	-	-	-	1,000,000

### 6. Schedule of borrowings

(Unit: thousand yen)

Category (Note 2)	Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment date	Repayment method	Use	Remarks
Sumitomo Mitsui Banking Corporation		-	650,000	-	650,000	0.2716%	August 30, 2024	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Mizuho Bank, Ltd.		-	650,000	-	650,000					
Subtotal		-	1,300,000	-	1,300,000					
Long-term borrowings										
Sumitomo Mitsui Banking Corporation		850,000	-	850,000	-	0.8120% (Note 3)	September 20, 2023	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Mizuho Bank, Ltd.		750,000	-	750,000	-					
Sumitomo Mitsui Trust Bank, Limited		700,000	-	700,000	-					
Aozora Bank, Ltd.		500,000	-	500,000	-					
SBI Shinsei Bank, Limited		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	0.7532% (Note 3)	April 22, 2024	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Mizuho Bank, Ltd.		2,050,000	-	-	2,050,000					
Sumitomo Mitsui Trust Bank, Limited		1,250,000	-	-	1,250,000					
Aozora Bank, Ltd.		700,000	-	-	700,000					
SBI Shinsei Bank, Limited		700,000	-	-	700,000					
Resona Bank, Limited		700,000	-	-	700,000					
Mizuho Trust & Banking Co., Ltd.		400,000	-	-	400,000					
Sumitomo Mitsui Banking Corporation		1,950,000	-	-	1,950,000	0.7588% (Note 3)	April 21, 2025	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Mizuho Bank, Ltd.		2,500,000	-	-	2,500,000					
Sumitomo Mitsui Trust Bank, Limited		1,050,000	-	-	1,050,000					
Aozora Bank, Ltd.		600,000	-	-	600,000					
SBI Shinsei Bank, Limited		600,000	-	-	600,000					
Resona Bank, Limited		600,000	-	-	600,000					
The Bank of Fukuoka, Ltd.		500,000	-	-	500,000	0.5360% (Note 3)	February 29, 2024	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed

Category <sup>(Note 2)</sup>	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
Sumitomo Mitsui Banking Corporation	2,150,000	-	-	2,150,000	0.6975% <sup>(Note 3)</sup>	August 29, 2025	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Mizuho Bank, Ltd.	2,000,000	-	-	2,000,000					
Aozora Bank, Ltd.	1,500,000	-	-	1,500,000					
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000					
The Nishi-Nippon City Bank, Ltd.	1,000,000	-	-	1,000,000					
Resona Bank, Limited	600,000	-	-	600,000					
Sumitomo Mitsui Banking Corporation	1,350,000	-	-	1,350,000	0.6850% <sup>(Note 3)</sup>	October 31, 2025	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000					
Sumitomo Mitsui Trust Bank, Limited	850,000	-	-	850,000					
Aozora Bank, Ltd.	400,000	-	-	400,000					
Sumitomo Mitsui Banking Corporation	1,680,000	-	-	1,680,000	0.7025% <sup>(Note 3)</sup>	April 30, 2026	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Mizuho Bank, Ltd.	1,530,000	-	-	1,530,000					
The Bank of Yokohama, Ltd.	1,000,000	-	-	1,000,000					
SBI Shinsei Bank, Limited	600,000	-	-	600,000					
Aozora Bank, Ltd.	600,000	-	-	600,000					
Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000					
Sumitomo Mitsui Banking Corporation	750,000	-	-	750,000					
Mizuho Bank, Ltd.	750,000	-	-	750,000					
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.9455% <sup>(Note 3)</sup>	April 28, 2028	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
The Kiyo Bank, Ltd.	500,000	-	-	500,000					
Fukoku Mutual Life Insurance Company	500,000	-	-	500,000					
Sumitomo Mitsui Banking Corporation	750,000	-	-	750,000					
Mizuho Bank, Ltd.	750,000	-	-	750,000	0.6780% <sup>(Note 3)</sup>	August 19, 2026	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000					
Aozora Bank, Ltd.	500,000	-	-	500,000					
The Bank of Yokohama, Ltd.	500,000	-	-	500,000					
The Minato Bank, Ltd.	750,000	-	-	750,000					

Long-term borrowings

Category <sup>(Note 2)</sup>	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
Sumitomo Mitsui Banking Corporation	750,000	-	-	750,000	0.8894% <sup>(Note 3)</sup>	August 21, 2028	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Mizuho Bank, Ltd.	750,000	-	-	750,000					
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000					
Aozora Bank, Ltd.	500,000	-	-	500,000					
The Minato Bank, Ltd.	750,000	-	-	750,000					
Sumitomo Mitsui Banking Corporation	1,150,000	-	-	1,150,000					
Mizuho Bank, Ltd.	540,000	-	-	540,000	0.6955% <sup>(Note 3)</sup>	August 31, 2026	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
SBI Shinsei Bank, Limited	2,160,000	-	-	2,160,000					
The Minato Bank, Ltd.	500,000	-	-	500,000					
Sumitomo Mitsui Banking Corporation	800,000	-	-	800,000	0.9106% <sup>(Note 3)</sup>	August 31, 2028	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Mizuho Bank, Ltd.	500,000	-	-	500,000					
SBI Shinsei Bank, Limited	1,500,000	-	-	1,500,000					
Aozora Bank, Ltd.	500,000	-	-	500,000					
San ju San Bank, Ltd.	500,000	-	-	500,000	0.4701%	October 21, 2024	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Sumitomo Mitsui Banking Corporation	932,500	-	-	932,500					
Mizuho Bank, Ltd.	857,500	-	-	857,500					
SBI Shinsei Bank, Limited	300,000	-	-	300,000					
Sumitomo Mitsui Trust Bank, Limited	525,000	-	-	525,000					
Aozora Bank, Ltd.	300,000	-	-	300,000					
Resona Bank, Limited	100,000	-	-	100,000	0.7505% <sup>(Note 3)</sup>	October 20, 2026	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
The Bank of Fukuoka, Ltd.	170,000	-	-	170,000					
Mizuho Trust & Banking Co., Ltd.	100,000	-	-	100,000					
The Dai-ichi Life Insurance Company, Limited	500,000	-	-	500,000	0.7505% <sup>(Note 3)</sup>	October 20, 2026	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Sumitomo Mitsui Banking Corporation	932,500	-	-	932,500					
Mizuho Bank, Ltd.	857,500	-	-	857,500					
SBI Shinsei Bank, Limited	300,000	-	-	300,000					
Sumitomo Mitsui Trust Bank, Limited	525,000	-	-	525,000					
Aozora Bank, Ltd.	300,000	-	-	300,000					
Resona Bank, Limited	100,000	-	-	100,000					

Long-term borrowings

Category <sup>(Note 2)</sup>	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
Mizuho Trust & Banking Co., Ltd.	100,000	-	-	100,000	0.7505% <sup>(Note 3)</sup>	October 20, 2026	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured Unguaranteed
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	0.8276%	May 31, 2027	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured Unguaranteed
Mizuho Bank, Ltd.	450,000	-	-	450,000					
SBI Shinsei Bank, Limited	600,000	-	-	600,000					
Sumitomo Mitsui Trust Bank, Limited	700,000	-	-	700,000					
Aozora Bank, Ltd.	500,000	-	-	500,000					
Resona Bank, Limited	500,000	-	-	500,000					
The Bank of Fukuoka, Ltd.	250,000	-	-	250,000					
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000					
Long-term borrowings	Mizuho Bank, Ltd.	550,000	-	550,000	0.9067%	May 31, 2027	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured Unguaranteed
	SBI Shinsei Bank, Limited	400,000	-	400,000					
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	500,000					
	Aozora Bank, Ltd.	400,000	-	400,000					
	Resona Bank, Limited	400,000	-	400,000					
	Sumitomo Mitsui Banking Corporation	450,000	-	450,000					
	SBI Shinsei Bank, Limited	450,000	-	450,000					
	Aozora Bank, Ltd.	200,000	-	200,000					
	The Kiyo Bank, Ltd.	1,000,000	-	1,000,000					
	Sumitomo Mitsui Banking Corporation	1,400,000	-	1,400,000					
Mizuho Bank, Ltd.	1,400,000	-	1,400,000						
SBI Shinsei Bank, Limited	800,000	-	800,000						
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	1,000,000						
Aozora Bank, Ltd.	800,000	-	800,000						
Resona Bank, Limited	800,000	-	800,000						
The Chiba Bank, Ltd.	1,000,000	-	1,000,000						
Sumitomo Mitsui Banking Corporation	1,400,000	-	1,400,000						
Mizuho Bank, Ltd.	1,400,000	-	1,400,000	0.8722% <sup>(Note 3)</sup>	August 31, 2027	Lump sum repayment on repayment date	<sup>(Note 5)</sup>	Unsecured Unguaranteed	
SBI Shinsei Bank, Limited	800,000	-	800,000						
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	1,000,000						
Aozora Bank, Ltd.	800,000	-	800,000						
Resona Bank, Limited	800,000	-	800,000						
The Chiba Bank, Ltd.	1,000,000	-	1,000,000						
Sumitomo Mitsui Banking Corporation	1,400,000	-	1,400,000						
Mizuho Bank, Ltd.	1,400,000	-	1,400,000						

Category <sup>(Note 2)</sup>	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
Sumitomo Mitsui Banking Corporation	1,380,000	-	-	1,380,000	0.6999% <sup>(Note 3)</sup>	April 30, 2026	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured Unguaranteed
SBI Shinsei Bank, Limited	1,380,000	-	-	1,380,000					
Resona Bank, Limited	340,000	-	-	340,000					
Sumitomo Mitsui Banking Corporation	1,120,000	-	-	1,120,000	0.8999% <sup>(Note 3)</sup>	August 31, 2027	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured Unguaranteed
SBI Shinsei Bank, Limited	1,120,000	-	-	1,120,000					
Resona Bank, Limited	260,000	-	-	260,000					
Sumitomo Mitsui Banking Corporation	2,020,000	-	-	2,020,000	1.1110% <sup>(Note 3)</sup>	April 28, 2028	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured Unguaranteed
Mizuho Bank, Ltd.	640,000	-	-	640,000					
SBI Shinsei Bank, Limited	1,700,000	-	-	1,700,000					
Sumitomo Mitsui Trust Bank, Limited	560,000	-	-	560,000					
Aozora Bank, Ltd.	900,000	-	-	900,000					
Resona Bank, Limited	620,000	-	-	620,000					
The Bank of Fukuoka, Ltd.	350,000	-	-	350,000					
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000					
Mizuho Bank, Ltd.	280,000	-	-	280,000					
SBI Shinsei Bank, Limited	750,000	-	-	750,000					
Sumitomo Mitsui Trust Bank, Limited	240,000	-	-	240,000	1.2779% <sup>(Note 3)</sup>	February 28, 2029	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured Unguaranteed
Aozora Bank, Ltd.	400,000	-	-	400,000					
Resona Bank, Limited	280,000	-	-	280,000					
The Bank of Fukuoka, Ltd.	150,000	-	-	150,000	0.2701%	April 30, 2024	Lump sum repayment on repayment date	<sup>(Note 4)</sup>	Unsecured Unguaranteed
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000					
Mizuho Bank, Ltd.	500,000	-	-	500,000					

Category <sup>(Note 2)</sup>	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
Sumitomo Mitsui Banking Corporation	-	650,000	-	650,000	0.7216%	February 28, 2029	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Mizuho Bank, Ltd.	-	650,000	-	650,000					
SBI Shinsei Bank, Limited	-	1,300,000	-	1,300,000					
Sumitomo Mitsui Trust Bank, Limited	-	1,800,000	-	1,800,000					
Aozora Bank, Ltd.	-	800,000	-	800,000					
Resona Bank, Limited	-	800,000	-	800,000					
The Bank of Fukuoka, Ltd.	-	430,000	-	430,000					
The Chiba Bank, Ltd.	-	1,000,000	-	1,000,000					
The Juhachi-Shinwa Bank, Ltd.	-	400,000	-	400,000					
Asahi Shinkin Bank	-	1,000,000	-	1,000,000					
The Musashino Bank, Ltd.	-	400,000	-	400,000					
The Yamagata Bank, Ltd.	-	500,000	-	500,000					
Sumitomo Mitsui Banking Corporation	-	1,300,000	-	1,300,000					
Mizuho Bank, Ltd.	-	1,300,000	-	1,300,000					
SBI Shinsei Bank, Limited	-	1,700,000	-	1,700,000					
Sumitomo Mitsui Trust Bank, Limited	-	1,600,000	-	1,600,000					
Aozora Bank, Ltd.	-	1,200,000	-	1,200,000	0.8716%	August 30, 2030	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Resona Bank, Limited	-	1,200,000	-	1,200,000					
The Bank of Fukuoka, Ltd.	-	570,000	-	570,000					
The Kiyo Bank, Ltd.	-	500,000	-	500,000					
San ju San Bank, Ltd.	-	500,000	-	500,000					
The Juhachi-Shinwa Bank, Ltd.	-	600,000	-	600,000					
Asahi Shinkin Bank	-	1,000,000	-	1,000,000					
The Musashino Bank, Ltd.	-	600,000	-	600,000					

Long-term borrowings

Category <sup>(Note 2)</sup>	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate <sup>(Note 1)</sup>	Repayment date	Repayment method	Use	Remarks
Sumitomo Mitsui Banking Corporation	-	850,000	-	850,000	0.6783%	September 20, 2028	Lump sum repayment on repayment date	(Note 4)	Unsecured Unguaranteed
Mizuho Bank, Ltd.	-	750,000	-	750,000					
Sumitomo Mitsui Trust Bank, Limited	-	700,000	-	700,000					
SBI Shinsei Bank, Limited	-	600,000	-	600,000					
Aozora Bank, Ltd.	-	500,000	-	500,000					
Resona Bank, Limited	-	500,000	-	500,000					
The Nishi-Nippon City Bank, Ltd.	-	500,000	-	500,000					
The Bank of Fukuoka, Ltd.	-	240,000	-	240,000					
Mizuho Trust & Banking Co., Ltd.	-	200,000	-	200,000					
Sumitomo Mitsui Banking Corporation	-	1,600,000	-	1,600,000					
Mizuho Bank, Ltd.	-	1,600,000	-	1,600,000					
Subtotal	95,840,000	29,840,000	4,840,000	120,840,000					
Total	95,840,000	31,140,000	4,840,000	122,140,000					

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

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

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

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

(Note 5) Funds are used for acquisition funds of beneficiary interest in trust for real estate which is a green eligible asset.

(Note 6) The yearly schedule of repayment for long-term borrowings within five years of the balance sheet date is as follows:

	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	13,285,000	19,150,000	20,275,000	21,650,000	21,680,000

(Unit: thousand yen)

## Independent Auditor's Report



## Independent Auditor's Report

The Board of Directors  
Star Asia Investment Corporation

***The Audit of the Financial Statements*****Opinion**

We have audited the accompanying financial statements of Star Asia Investment Corporation (the Company), which comprise the balance sheet as at January 31, 2024, and the statements of income and retained earnings, changes in unitholders' equity, cash distributions and cash flows for the six months period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2024, and its financial performance and its cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

**Basis for Opinion**

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

**Other Information**

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

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

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

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

We have nothing to report in this regard.

## Independent Auditor's Report

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

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

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

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

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

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

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

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



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

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

***Fee-related Information***

The fees for the audits of the financial statements of Star Asia Investment Corporation and other services provided by us and other EY member firms for the six months period ended January 31, 2024 are 15 million yen and 11 million yen, respectively.

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

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

Ernst & Young ShinNihon LLC  
Tokyo, Japan

May 30, 2024

Hitoshi Sakurai

Hitoshi Sakurai  
Designated Engagement Partner  
Certified Public Accountant

Hiroto Inoue

Hiroto Inoue  
Designated Engagement Partner  
Certified Public Accountant