

REIT Financial Report for 33rd Fiscal Period

June 14, 2022

REIT Securities Issuer: Starts Proceed Investment Corporation Listing: Tokyo Stock Exchange
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 (for analysts and institutional investors)

[Amounts are rounded down to the nearest million yen]

1. Status of Management and Assets in 33rd Fiscal Period

Starts Proceed Investment Corporation's 33rd fiscal period is the period from November 1, 2021, to April 30, 2022.

(1) Management Status

[% figures represent the increase (decrease) compared with the previous period]

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
33rd	3,224	1.5	1,413	3.1	1,199	3.4	1,197	3.4
32nd	3,177	0.5	1,370	0.6	1,159	(0.3)	1,157	(2.1)
Fiscal period	Net income per unit		Ratio of net income to equity [Return on equity]		Ratio of ordinary income to total assets [Return on assets]		Ratio of ordinary income to operating revenue	
		yen		%		%		%
33rd		4,717		2.8		1.3		37.2
32nd		4,562		2.7		1.3		36.5

(2) Distributions Status

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]	Total distributions [excluding distributions in excess of earnings]	Distribution in excess of earnings per unit	Total distributions in excess of earnings	Distribution payout ratio	Ratio of distributions to net assets
	yen	million yen	yen	million yen	%	%
33rd	4,718	1,197	-	-	100.0	2.8
32nd	4,563	1,157	-	-	100.0	2.7

Note: Distribution payout ratio is rounded down to one decimal place.

(3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
33rd	90,240	43,380	48.1	170,940
32nd	90,258	43,341	48.0	170,785

(4) Status of Cash Flows

Fiscal period	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
33rd	2,494	(834)	(1,171)	4,028
32nd	2,145	(732)	(1,182)	3,539

2. Forecast for Management Status in 34th Fiscal Period and 35th Fiscal Period

Starts Proceed Investment Corporation's 34th fiscal period is the period from May 1, 2022, to October 31, 2022.

Starts Proceed Investment Corporation's 35th fiscal period is the period from November 1, 2022, to April 30, 2023.

[% figures represent the increase (decrease) compared with the previous period]

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
34th	3,135	(2.7)	1,385	(2.0)	1,156	(3.5)	1,154	(3.6)
35th	3,165	1.0	1,392	0.5	1,161	0.4	1,159	0.4

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
	million yen	%	million yen	%
34th	4,550	-	-	-
35th	4,570	-	-	-

[Reference] Forecast net income per unit 34th fiscal period: 4,550 yen 35th fiscal period: 4,570 yen

3. Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

- | | |
|---|------|
| (a) Changes in accounting policies accompanying amendments to accounting standards, etc.: | None |
| (b) Changes in accounting policies other than in (a): | None |
| (c) Changes in accounting estimates: | None |
| (d) Retrospective restatement: | None |

(2) Total Number of Investment Units Issued and Outstanding

- | | | |
|---|---------------|-----------------------------------|
| (a) Total number of investment units (including own investment units) issued and outstanding at end of period | | |
| 33rd fiscal period: | 253,777 units | 32nd fiscal period: 253,777 units |
| (b) Number of own investment units at end of period | | |
| 33rd fiscal period: | - | 32nd fiscal period: - |

* Financial reports are not subject to audit by a certified public accountant or an audit company.

* Special notations

The outlook for management status and other forward-looking statements contained in this report are based on information currently available to and certain assumptions deemed reasonable by Starts Proceed Investment Corporation. Accordingly, actual management status and other results may differ materially due to a variety of factors. In addition, the forecast is not a guarantee of the amount of distributions.

For the assumptions underlying the forecast for management status, please refer to "Assumptions Underlying Forecast for Management Status in 34th Fiscal Period and 35th Fiscal Period" presented on pages 9 to 10.

Table of Contents

1. Management Status	4
A. Management Status.....	4
(1) Overview of Fiscal Period under Review	4
(2) Outlook for Next Fiscal Period	6
B. Investment Risks	10
2. Financial Statements	11
(1) Balance Sheets.....	11
(2) Statements of Income.....	13
(3) Statements of Changes in Unitholders' Equity.....	14
(4) Statements of Cash Distributions.....	16
(5) Statements of Cash Flows	17

1. Management Status

A. Management Status

(1) Overview of Fiscal Period under Review

(a) Brief Background of the Investment Corporation

Starts Proceed Investment Corporation (“SPI”) was established on May 2, 2005, with 150 million yen in capital (750 units) based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; including amendments thereto) (the “Investment Trusts Act”), completed registration with the Kanto Local Finance Bureau based on Article 187 of the Investment Trusts Act on June 15, 2005 (Registration No. 37 issued by the Director-General of the Kanto Local Finance Bureau), implemented additional issuance of investment units through public offering (21,600 units) on November 29, 2005, and listed on Jasdaq Securities Exchange, Inc. (currently Tokyo Stock Exchange, Inc. JASDAQ Market) (Securities Code: 8979) the next day. After three capital increases through public offering and other developments since listing on the JASDAQ Market, SPI listed on the Tokyo Stock Exchange, Inc. Real Estate Investment Trust Securities Market (Securities Code: 8979) on July 27, 2010, and this was accompanied by an application for delisting being filed with the JASDAQ Market on August 10, 2010, and the delisting from the JASDAQ Market taking effect on October 1, 2010.

SPI entrusts asset management to Starts Asset Management Co., Ltd. (the “Asset Management Company”) and sets the focus of management on investment in real estate of which the principal use is use as rental housing (“rental housing”) as well as specified assets (the meaning provided in Article 2, Paragraph 1 of the Investment Trusts Act; the same hereinafter) backed mainly by rental housing. SPI also invests in monthly rental apartments, serviced apartments, hotels, residential facilities for the elderly (collectively referred to as “rental housing, etc.” together with “rental housing”), which are assets related to rental housing, and real estate from which income can be expected due to other leasing revenue or specified assets backed by such real estate. As it invests in rental housing, etc., SPI adopts the basic policy of setting rental housing for average-income households in particular, the demand for which SPI believes to be the most stable, as the primary investment target. In addition, SPI takes measures, such as leveraging the capabilities of the Starts Group, to enhance asset management efficiency, with an aim to secure steady growth of assets under management and stable earnings over the medium to long term.

As of the end of the fiscal period under review (33rd fiscal period: from November 1, 2021, to April 30, 2022), the total number of investment units issued and outstanding is 253,777 units, total assets amount to 90,240 million yen, and unitholders’ capital (net) amounts to 41,684 million yen.

(b) Investment Environment

In the 33rd fiscal period, the Japanese economy had continued to be in a strong sense of stagnation due in part to the impact of priority measures to prevent the spread of infection being issued with the resurgence of COVID-19 (variants), but dining out, travel and other consumer spending did show signs of gradually picking up after the measures were lifted. On the other hand, financial and economic sanctions on Russia for its invasion of Ukraine, soaring energy and food prices, the U.S. monetary tightening and other factors are making global economic trends extremely uncertain. Even under the COVID-19 pandemic, its impact on SPI, such as a decrease in rent revenue, found to date has been extremely limited as SPI is a REIT specializing in housing. As such, SPI does not foresee any concern of its operations being affected by the pandemic in the short term.

Under such circumstances, demand trends in the rental housing market in which SPI invests have continued to be stable in the Tokyo metropolitan area, Osaka, Nagoya, Fukuoka, Sendai, and other major metropolitan areas, and rental apartments owned by listed REITs specializing in housing have also maintained high occupancy rates.

In the secondary real estate market, a robust property acquisition appetite continued to be seen among investors amid the ongoing favorable fund procurement environment. This, combined with limited supply of quality properties, has kept competition in property acquisition overheated, leaving transaction prices at a high level.

(c) Management Performance

In the 33rd fiscal period, SPI conducted asset replacement through acquisition of (C-87) Proceed Kinshicho 2 (acquisition price: 537 million yen) on April 1, 2022, and disposition of (C-30) Proceed Nakanoshimbashi (disposition price: 760 million yen) on April 28, 2022, to avoid increase in costs for major repairs, etc. seen as necessary as properties age in addition to risk of a future drop in prices due to a decline in competitiveness, etc. caused by aging facilities. As a result, SPI’s portfolio as of the end of the 33rd fiscal period consists of 106 properties with acquisition prices totaling 88,359 million yen and a total leasable floor area of 192,005.05 m².

In close collaboration with the property management company Starts Amenity Corporation, the Asset Management Company made efforts to reduce building maintenance and management costs while striving to increase rent, the receipt of key money and other revenue. The Asset Management Company also promoted leasing activities in coordination with leasing agents by setting finely tuned leasing conditions based on deeper understanding of regional characteristics and advantages of individual properties as well as thorough comparative analyses of nearby competing properties. Moreover, ongoing efforts were made to put vacant space into service quickly with an aim of maintaining the high occupancy rate. These measures worked to maintain the occupancy rate of the entire portfolio at a stable level of over 96% throughout the period and resulted in a period-average occupancy rate of 96.5% and period-end occupancy rate of 96.3%.

As ESG initiatives, electric power contracts for 71 of the portfolio properties were changed to 100% renewable electricity plans as an initiative contributing to “reduction of greenhouse gas emissions and energy consumption,” which is one of the material issues that SPI has identified based on its ESG policy. Through the initiative, virtually zero CO₂ emissions will be achieved with respect to electricity used by the properties with the concerned electricity plans (common areas). In addition, SPI acquired the Building-Housing Energy-Efficiency Labeling System (BELS) Certification for one property ((G-34) Proceed Sendai Kamisugi) in April 2022.

(d) Status of Fund Procurement

In the 33rd fiscal period, SPI issued the Third Series Unsecured Investment Corporation Bond of 1,500 million yen below and borrowed a long-term loan of 2,820 million yen (term: 5.5 years) to repay a long-term loan of 4,320 million yen due for repayment on November 24, 2021.

Name:	Starts Proceed Third Series Unsecured Investment Corporation Bond (with pari passu conditions among specified investment corporation bonds) (Green Bonds)
Issue amount:	1,500 million yen
Interest rate:	0.800% per annum
Issue date:	November 18, 2021
Redemption date:	November 18, 2031
Security and guarantee:	Unsecured and unguaranteed

As a result, the period-end balance of interest-bearing liabilities totaled 45,646 million yen, comprising 9,963 million yen in current portion of long-term loans payable, 32,182 million yen in long-term loans payable and 3,500 million yen in investment corporation bonds as of the end of the 33rd fiscal period, with the period-end LTV ratio standing at 50.6%.

As of the date of this document, SPI has acquired the following credit ratings.

Credit rating agency	Credit rating	
	Long-term issuer rating	Bond rating
Japan Credit Rating Agency, Ltd. (JCR)	A- (Positive)	A-

(e) Overview of Business Performance and Distributions

As a result of the management described above, business performance recorded for the 33rd fiscal period was operating revenue of 3,224 million yen, operating income of 1,413 million yen, ordinary income of 1,199 million yen and net income of 1,197 million yen.

Concerning distributions, to ensure that the maximum amount of distributions of earnings is included in deductible expenses based on application of Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957; including amendments thereto) (the “Special Taxation Measures Act”), SPI distributes the entire amount of unappropriated retained earnings, excluding fractions of distribution per investment unit of less than 1 yen. Accordingly, SPI declared a distribution per investment unit of 4,718 yen.

(2) Outlook for Next Fiscal Period

(a) Management Policy and Challenges to Address

a. Investment Environment

Looking ahead, the Japanese economy is expected to see consumer spending gradually recover, mainly in the service industry, as the impact of COVID-19 wanes with the progress in vaccination, the government's economic measures and other developments. On the other hand, careful attention should continue to be paid to the situation in Ukraine and other factors that could be downside risks to the global economy, and the trend of the COVID-19 variants.

In the secondary real estate market, as the property acquisition appetite among investors remains strong against the backdrop of the favorable fund procurement environment including low interest rates, the transaction prices are expected to remain at high levels. In the rental housing market, meanwhile, it is expected that occupancy rates will remain high and an upward trend in rent per unit will continue to a certain degree, mainly in the Tokyo metropolitan area.

b. External Growth Strategy

SPI strives to increase opportunities to newly acquire prime investment real estate, based on the extensive collaborative relationship with the Starts Group. Such relationship has been formed by the pipeline support agreement concluded between the Asset Management Company and Starts Corporation Inc., Starts Development Corporation and Starts Amenity Corporation, respectively, and the property information provision agreement concluded between the Asset Management Company and STARTS Construction and Asset Management Co., Ltd., among other arrangements. Moreover, as SPI aims to expand its asset size and enhance portfolio quality, it will not only acquire properties developed by the Starts Group but also consider acquisition of new and relatively new, high-quality properties that have the potential to generate stable earnings over the medium to long term, while carefully assessing trends in the financial market as well as the primary and secondary real estate markets. Furthermore, along with the progress in external growth, SPI will continue to simultaneously investigate disposition of some assets that are small in size or were built long ago.

c. Internal Growth Strategy

Following on from the 33rd fiscal period, SPI will endeavor to enhance convenience and comfort for residents through the provision of high-quality management services, under close collaboration with Starts Amenity Corporation, the property management company, and Starts Pitat House Co., Ltd., to which leasing business operations are re-entrusted. SPI will also work to enhance earnings from and occupancy rates of assets under management and cut costs by conducting finely tuned management suited to the respective area's real estate leasing market trends and individual property characteristics, without stopping at uniform management. Furthermore, SPI believes that initiatives on issues such as environmental and social consideration and the strengthening of governance contribute to the development of a sustainable society, and aims for medium- to long-term growth by conducting management based on such idea.

d. Financial Strategy

With its sight set on smooth fund procurement upon asset acquisition and reduction of refinancing risk, SPI will promote its ongoing favorable relationship with financing banks. At the same time, SPI aims to further strengthen the financial base and diversify its fund procurement means, including issuance of investment corporation bonds, while expanding the lineup of financing banks, reducing financing costs, extending loan periods, diversifying repayment dates and shifting to fixed-interest loans, on an as-needed basis.

(b) Significant Subsequent Events
Not applicable.

(Reference Information)

A. Acquisition of Asset

The following specified asset (trust beneficiary interest) was acquired on May 10, 2022.

Property number	Property name	Location	Seller (Note 1)	Acquisition price (thousand yen) (Note 2)
C-88	Proceed Ishikawadai	Ota-ku, Tokyo	Starts Development Corporation	810,000

Note 1: All transactions have been determined after following appropriate procedures based on the internal rules of the Asset Management Company and pursuant to standards stipulated by laws and regulations.

Note 2: "Acquisition price" does not include miscellaneous acquisition related expenses, fixed property taxes, city planning taxes, consumption taxes and local consumption taxes.

B. Borrowing of Funds (Refinancing) and Conclusion of Interest Rate Swap Agreement

SPI borrowed Term Loan 2U and Term Loan 2V as follows to fund the repayment of Term Loan 2B (loan balance: 2,873.5 million yen) and 2K (loan balance: 2,900 million yen) for which the repayment date arrived on May 24, 2022.

	Term Loan 2U	Term Loan 2V
Lender	Resona Bank, Limited Aozora Bank, Ltd. Sumitomo Mitsui Banking Corporation The Chiba Bank, Ltd. The Musashino Bank, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Mizuho Trust & Banking Co., Ltd. The Kagawa Bank, Ltd.	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Resona Bank, Limited Aozora Bank, Ltd. The Bank of Kyoto, Ltd. The 77 Bank, Ltd. The Joyo Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Mizuho Trust & Banking Co., Ltd. The Kagawa Bank, Ltd. The Higashi-Nippon Bank, Ltd
Loan amount	2,873.5 million yen	2,900 million yen
Drawdown date	May 24, 2022	
Principal repayment date	May 24, 2028	November 24, 2027
Interest rate (Note)	Floating rate (Base interest rate (JBA 3-month Japanese Yen TIBOR) + 0.700%)	Floating rate (Base interest rate (JBA 3-month Japanese Yen TIBOR) + 0.670%)
Interest payment date	The first interest payment date shall be the last day of May 2022, and for subsequent payments, the last day of February, May, August and November thereafter (however, in the event that one of these days is not a business day, the business day immediately preceding it) and the principal repayment date.	
Principal repayment method	Lump-sum repayment on repayment date	
Security and guarantee	Unsecured and unguaranteed	

Note: The base interest rate applicable to the calculation period for the interest payable on an interest payment date shall be the JBA 3-month Japanese Yen TIBOR two business days prior to the interest payment date immediately preceding the respective interest payment date (except for the first interest payment, in which case it shall be the drawdown date).

Starts Proceed Investment Corporation (8979) Financial Report for 33rd Fiscal Period

In addition, SPI concluded an interest rate swap agreement as follows to hedge against the risk of interest rate hike concerning the above Term Loan 2U and Term Loan 2V, which is conducted with a floating interest rate.

	Agreement concerning Term Loan 2U	Agreement concerning Term Loan 2V
Lender	Aozora Bank, Ltd.	
Notional principal amount	2,873.5 million yen	2,900 million yen
Interest rate, etc.	Fixed interest rate payable: 1.068% Floating interest rate receivable: Base interest rate (JBA 3-month Japanese Yen TIBOR) + 0.700%	Fixed interest rate payable: 1.016% Floating interest rate receivable: Base interest rate (JBA 3-month Japanese Yen TIBOR) + 0.670%
Commencement date	May 24, 2022	
Termination date	May 24, 2028	November 24, 2027
Payment date	The first interest payment date shall be the last day of May 2022, and for subsequent payments, the last day of February, May, August and November thereafter (however, in the event that one of these days is not a business day, the business day immediately preceding it) and the principal repayment date.	

Note: In accordance with conclusion of the interest rate swap agreement, the actual interest rate on Term Loan 2U and Term Loan 2V is, in effect, fixed.

(c) Outlook for Management Status

SPI expects the following management status in the 34th fiscal period (from May 1, 2022, to October 31, 2022) and 35th fiscal period (from November 1, 2022, to April 30, 2023). For the assumptions underlying this outlook for management status, please refer to “Assumptions Underlying Forecast for Management Status in 34th Fiscal Period and 35th Fiscal Period” below.

	34th Fiscal Period	35th Fiscal Period
	From: May 1, 2022 To: Oct. 31, 2022	From: Nov. 1, 2022 To: Apr. 30, 2023
Operating revenue	3,135 million yen	3,165 million yen
Operating income	1,385 million yen	1,392 million yen
Ordinary income	1,156 million yen	1,161 million yen
Net income	1,154 million yen	1,159 million yen
Distribution per unit	4,550 yen	4,570 yen
Distribution in excess of earnings per unit	-	-

Note: The forecast figures above are the current forecast calculated based on certain assumptions. Accordingly, actual operating revenue, operating income, ordinary income, net income and distribution per unit may vary due to future additional acquisition or sale of real estate, etc., changes in the real estate market, etc., changes in the management environment or other circumstances surrounding SPI and other factors. In addition, the forecast is not a guarantee of actual business performance or the amount of distributions.

Starts Proceed Investment Corporation (8979) Financial Report for 33rd Fiscal Period

Assumptions Underlying Forecast for Management Status in 34th Fiscal Period and 35th Fiscal Period

Item	Assumption
Business period	34th fiscal period: from May 1, 2022, to October 31, 2022 (184 days) 35th fiscal period: from November 1, 2022, to April 30, 2023 (181 days)
Assets under management	<ul style="list-style-type: none"> • The forecast assumes assets are the already acquired assets within the SPI portfolio as at the end of the 33rd fiscal period (the “already acquired assets”) to which the acquisition of (C-88) Proceed Ishikawadai on May 10, 2022 (the “Asset”) is reflected to total 107 properties in the SPI portfolio as of today, and assumes that there will be no changes (acquisition of new properties, disposition of existing properties, etc.) through to the end of the 35th fiscal period. The actual assets under management may vary due to changes in assets under management.
Operating revenue	<ul style="list-style-type: none"> • Real estate rent revenue includes rent, common area maintenance charges, parking revenue, incidental revenue, etc. and is calculated based on historical data and future forecast. • Other than the above, the forecast assumes that there will be no deferral of payment, reduction in amount, etc. of rent from lessees given the present state of generally no impact of rent decrease or such due to the spread of COVID-19 found at this point in time.
Operating expenses	<ul style="list-style-type: none"> • Expenses related to rent business other than depreciation and amortization are calculated for the already acquired assets based on historical data and future forecast and by reflecting factors that may cause fluctuation in expenses, and calculated for the Asset based on historical data on the basis of materials provided by the previous owner, etc. and by reflecting factors that may cause fluctuation in expenses. • Management expenses are expected to be 204 million yen for the 34th fiscal period and 206 million yen for the 35th fiscal period. • Repair expenses, which are recognized as expenses in the amount presumed to be necessary in the business period, are expected to be 110 million yen for the 34th fiscal period and 115 million yen for the 35th fiscal period. However, repair expenses may differ materially from the forecast amount due to a variety of factors, including repair expenses possibly arising from unforeseen events, the variation in the amount depending on the fiscal year being large and repair expenses not being an amount that arises periodically. • Concerning fixed asset tax, city planning tax and depreciable asset tax, etc. on portfolio properties, in principle, of the tax amount assessed and determined, the amount of tax payable during the business period (in the case of fixed asset tax, city planning tax and depreciable asset tax, etc. on properties that have a different number of installment tax payments every period, the amount of the number of annual tax payments corresponding to the business period) is calculated as expenses related to rent business. The amount is expected to be 179 million yen for the 34th fiscal period and 179 million yen for the 35th fiscal period. As for the fixed asset tax, city planning tax, etc. on the Asset, the practice is to calculate and reimburse the pro rata portion based on number of days of ownership to the previous owner and settle them at the time of acquisition. However, SPI includes the amount equivalent to the reimbursed amount in the acquisition costs and thus does not recognize them as expenses at the time of acquisition. • Depreciation and amortization, which is calculated using the straight-line method inclusive of incidental expenses at the time of acquisition and future additional capital expenditures, is expected to be 610 million yen for the 34th fiscal period and 607 million yen for the 35th fiscal period. • Operating expenses other than expenses related to rent business (asset management fee, asset custody fee, administrative service fees, etc.) are expected to be 395 million yen for the 34th fiscal period and 403 million yen for the 35th fiscal period.

Starts Proceed Investment Corporation (8979) Financial Report for 33rd Fiscal Period

Item	Assumption
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses (including interest expenses on investment corporation bonds) are expected to be 187 million yen for the 34th fiscal period and 192 million yen for the 35th fiscal period. • Borrowing-related expenses are expected to be 38 million yen for the 34th fiscal period and 35 million yen for the 35th fiscal period. • Expenses for the issuance of investment corporation bonds are recorded as deferred assets and assumed to be amortized until redemption using the straight-line method. The amount is expected to be 3 million yen for the 34th fiscal period and 3 million yen for the 35th fiscal period.
Interest-bearing liabilities	<ul style="list-style-type: none"> • Of the loans balance as of today of 42,146 million yen, the forecast assumes that the loan due for repayment during the 35th fiscal period (4,190 million yen) will be refinanced in the entire amount and the loans balance will remain unchanged at 42,146 million yen through to the end of the 35th fiscal period. • The forecast assumes the balance of investment corporation bonds of 3,500 million yen as of today will remain unchanged through to the end of the 35th fiscal period.
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> • The forecast assumes the total number of investment units issued and outstanding as of today of 253,777 units and assumes there will be no subsequent issuance of investment units through to the end of the 35th fiscal period.
Distribution per unit	<ul style="list-style-type: none"> • Distributions (distribution per unit) are calculated by assuming the policy on cash distributions provided in the Articles of Incorporation of SPI. • Distribution per unit may vary due to various factors, including fluctuation in leasing revenue accompanying change in assets under management, change in tenants, etc. and repair expenses possibly arising from unforeseen events.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • No distributions in excess of earnings (distribution in excess of earnings per unit) are scheduled at present.
Others	<ul style="list-style-type: none"> • For other items, the forecast assumes that there will be no revision of laws and regulations, tax systems, accounting standards, listing regulations, rules of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. • The forecast assumes that there will be no unforeseen material change in general economic trends and real estate market conditions, etc.

B. Investment Risks

Disclosure is omitted because there are no significant changes from the “Investment Risks” in the most recent securities report (submitted on January 27, 2022).

Starts Proceed Investment Corporation (8979) Financial Report for 33rd Fiscal Period

2. Financial Statements
(1) Balance Sheets

	[Unit: thousand yen]	
	32nd Fiscal Period	33rd Fiscal Period
	As of Oct. 31, 2021	As of Apr. 30, 2022
Assets		
Current assets		
Cash and deposits	1,558,790	2,109,924
Cash and deposits in trust	1,981,070	1,918,318
Operating accounts receivable	23,835	32,510
Prepaid expenses	76,672	69,981
Consumption taxes receivable	8,072	-
Others	5,144	9,797
Total current assets	3,653,586	4,140,531
Non-current assets		
Property, plant and equipment		
Buildings in trust	46,851,393	46,907,339
Accumulated depreciation	(10,627,991)	(11,131,809)
Buildings in trust, net	36,223,402	35,775,530
Structures in trust	1,287,397	1,287,299
Accumulated depreciation	(822,940)	(858,191)
Structures in trust, net	464,457	429,107
Machinery and equipment in trust	5,376	5,376
Accumulated depreciation	(5,107)	(5,107)
Machinery and equipment in trust, net	268	268
Tools, furniture and fixtures in trust	547,811	642,370
Accumulated depreciation	(288,872)	(316,059)
Tools, furniture and fixtures in trust, net	258,939	326,310
Land in trust	48,967,674	48,879,302
Total property, plant and equipment	85,914,742	85,410,519
Intangible assets		
Software	-	407
Total intangible assets	-	407
Investment and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	541,719	541,719
Long-term prepaid expenses	105,496	93,421
Deferred tax assets	80	81
Others	17,744	19,265
Total investments and other assets	675,041	664,487
Total non-current assets	86,589,783	86,075,414
Deferred assets		
Investment corporation bond issuance costs	15,191	24,961
Total deferred assets	15,191	24,961
Total assets	90,258,562	90,240,908

Starts Proceed Investment Corporation (8979) Financial Report for 33rd Fiscal Period

	[Unit: thousand yen]	
	32nd Fiscal Period	33rd Fiscal Period
	As of Oct. 31, 2021	As of Apr. 30, 2022
Liabilities		
Current liabilities		
Current portion of long-term loans payable	10,093,500	9,963,500
Operating accounts payable	234,972	160,868
Accounts payable – other	207,842	205,052
Accrued expenses	7,332	16,557
Income taxes payable	1,956	1,965
Accrued consumption taxes	7,169	14,056
Advances received	2,210	1,919
Others	393	323
Total current liabilities	10,555,378	10,364,244
Non-current liabilities		
Investment corporation bonds	2,000,000	3,500,000
Long-term loans payable	33,552,500	32,182,500
Tenant leasehold and security deposits in trust	672,884	675,912
Asset retirement obligations	136,251	137,375
Total non-current liabilities	36,361,636	36,495,788
Total liabilities	46,917,015	46,860,032
Net assets		
Unitholders' equity		
Unitholders' capital	42,230,457	42,230,457
Deduction from unitholders' capital	(545,913)	(545,913)
Unitholders' capital (net)	41,684,544	41,684,544
Surplus		
Voluntary reserves		
Reserve for reduction entry	99,000	99,000
Reserve for reduction entry under special provisions for property replacement	400,000	400,000
Total voluntary reserves	499,000	499,000
Unappropriated retained earnings (undisposed loss)	1,158,003	1,197,331
Total surplus	1,657,003	1,696,331
Total unitholders' equity	43,341,547	43,380,875
Total net assets	43,341,547	43,380,875
Total liabilities and net assets	90,258,562	90,240,908

Starts Proceed Investment Corporation (8979) Financial Report for 33rd Fiscal Period

(2) Statements of Income

	[Unit: thousand yen]	
	32nd Fiscal Period	33rd Fiscal Period
	From: May 1, 2021 To: Oct. 31, 2021	From: Nov. 1, 2021 To: Apr. 30, 2022
Operating revenue		
Rent revenue – real estate	3,115,991	3,154,624
Gain on sales of real estate properties	61,286	69,375
Total operating revenue	<u>3,177,278</u>	<u>3,224,000</u>
Operating expenses		
Expenses related to rent business	1,382,510	1,391,429
Asset management fee	263,581	260,896
Asset custody fee	8,480	8,476
Administrative service fees	25,667	22,654
Directors' compensations	1,200	1,200
Other operating expenses	124,896	125,494
Total operating expenses	<u>1,806,335</u>	<u>1,810,151</u>
Operating income	<u>1,370,942</u>	<u>1,413,848</u>
Non-operating income		
Interest income	16	17
Insurance income	5,555	5,780
Reversal of distribution payable	1,000	1,157
Other	-	530
Total non-operating income	<u>6,571</u>	<u>7,486</u>
Non-operating expenses		
Interest expenses	168,949	168,655
Interest expenses on investment corporation bonds	5,147	10,343
Amortization of investment corporation bond issuance costs	2,180	3,508
Borrowing related expenses	40,743	38,981
Others	565	565
Total non-operating expenses	<u>217,586</u>	<u>222,055</u>
Ordinary income	<u>1,159,927</u>	<u>1,199,280</u>
Income before income taxes	<u>1,159,927</u>	<u>1,199,280</u>
Income taxes – current	1,958	1,967
Income taxes – deferred	(0)	(0)
Total income taxes	<u>1,958</u>	<u>1,966</u>
Net income	<u>1,157,969</u>	<u>1,197,313</u>
Retained earnings brought forward	33	18
Unappropriated retained earnings (undisposed loss)	1,158,003	1,197,331

(3) Statements of Changes in Unitholders' Equity

32nd Fiscal Period: from May 1, 2021, to October 31, 2021

[Unit: thousand yen]

	Unitholders' equity						
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from Unitholders' capital	Unitholders' capital (net)	Voluntary reserves			Unappropriated retained earnings (undisposed loss)
Reserve for reduction entry				Reserve for reduction entry under special provisions for property replacement	Total voluntary reserves		
Balance at beginning of period	42,230,457	(545,913)	41,684,544	99,000	400,000	499,000	1,183,395
Changes of items during the period							
Dividends from surplus							(1,183,362)
Net income							1,157,969
Total changes of items during the period	-	-	-	-	-	-	(25,392)
Balance at end of period	42,230,457	(545,913)	41,684,544	99,000	400,000	499,000	1,158,003

[Unit: thousand yen]

	Unitholders' equity		Total net assets
	Surplus	Total unitholders' equity	
	Total surplus		
Balance at beginning of period	1,682,395	43,366,939	43,366,939
Changes of items during the period			
Dividends from surplus	(1,183,362)	(1,183,362)	(1,183,362)
Net income	1,157,969	1,157,969	1,157,969
Total changes of items during the period	(25,392)	(25,392)	(25,392)
Balance at end of period	1,657,003	43,341,547	43,341,547

Starts Proceed Investment Corporation (8979) Financial Report for 33rd Fiscal Period

33rd Fiscal Period: from November 1, 2021, to April 30, 2022

[Unit: thousand yen]

	Unitholders' equity						
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from Unitholders' capital	Unitholders' capital (net)	Voluntary reserves			Unappropriated retained earnings (undisposed loss)
				Reserve for reduction entry	Reserve for reduction entry under special provisions for property replacement	Total voluntary reserves	
Balance at beginning of period	42,230,457	(545,913)	41,684,544	99,000	400,000	499,000	1,158,003
Changes of items during the period							
Dividends from surplus							(1,157,984)
Net income							1,197,313
Total changes of items during the period	-	-	-	-	-	-	39,328
Balance at end of period	42,230,457	(545,913)	41,684,544	99,000	400,000	499,000	1,197,331

[Unit: thousand yen]

	Unitholders' equity		Total net assets
	Surplus	Total unitholders' equity	
	Total surplus		
Balance at beginning of period	1,657,003	43,341,547	43,341,547
Changes of items during the period			
Dividends from surplus	(1,157,984)	(1,157,984)	(1,157,984)
Net income	1,197,313	1,197,313	1,197,313
Total changes of items during the period	39,328	39,328	39,328
Balance at end of period	1,696,331	43,380,875	43,380,875

Starts Proceed Investment Corporation (8979) Financial Report for 33rd Fiscal Period

(4) Statements of Cash Distributions

Fiscal period Item	32nd Fiscal Period	33rd Fiscal Period
	From: May 1, 2021 To: Oct. 31, 2021	From: Nov. 1, 2021 To: Apr. 30, 2022
I. Unappropriated retained earnings	1,158,003,138 yen	1,197,331,817 yen
II. Amount of distributions [Amount of distribution per investment unit]	1,157,984,451 yen [4,563 yen]	1,197,319,886 yen [4,718 yen]
III. Retained earnings brought forward	18,687 yen	11,931 yen
Method of calculation of amount of distributions	Pursuant to the policy on cash distributions provided in Article 35, Paragraph 1 of the Articles of Incorporation of SPI, the amount of distributions shall be in excess of an amount equivalent to 90% of the "amount of earnings available for distribution" provided in Article 67-15 of the Act on Special Measures Concerning Taxation, but no more than the amount of earnings. Based on such policy, SPI decided to pay out distributions of earnings of 1,157,984,451 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (253,777 units) in an amount not in excess of unappropriated retained earnings. SPI shall not distribute the cash in excess of earnings provided in Article 35, Item 4 of its Articles of Incorporation.	Pursuant to the policy on cash distributions provided in Article 35, Paragraph 1 of the Articles of Incorporation of SPI, the amount of distributions shall be in excess of an amount equivalent to 90% of the "amount of earnings available for distribution" provided in Article 67-15 of the Act on Special Measures Concerning Taxation, but no more than the amount of earnings. Based on such policy, SPI decided to pay out distributions of earnings of 1,197,319,886 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (253,777 units) in an amount not in excess of unappropriated retained earnings. SPI shall not distribute the cash in excess of earnings provided in Article 35, Item 4 of its Articles of Incorporation.

Starts Proceed Investment Corporation (8979) Financial Report for 33rd Fiscal Period

(5) Statements of Cash Flows

	[Unit: thousand yen]	
	32nd Fiscal Period	33rd Fiscal Period
	From: May 1, 2021	From: Nov. 1, 2021
	To: Oct. 31, 2021	To: Apr. 30, 2022
Net cash provided by (used in) operating activities		
Income before income taxes	1,159,927	1,199,280
Depreciation and amortization	647,919	645,540
Amortization of investment corporation bond issuance costs	2,180	3,508
Interest income	(16)	(17)
Interest expenses	174,097	178,999
Decrease (increase) in operating accounts receivable	7,805	(8,675)
Decrease (increase) in prepaid expenses	3,186	6,691
Decrease (increase) in consumption taxes receivable	(8,072)	8,072
Increase (decrease) in accrued consumption taxes	(7,941)	6,886
Increase (decrease) in operating accounts payable	59,635	(42,086)
Increase (decrease) in accounts payable – other	2,038	(935)
Decrease (increase) in long-term prepaid expenses	19,373	12,075
Decrease from sales of property, plant and equipment in trust	262,363	661,973
Others, net	(3,212)	(4,692)
Subtotal	2,319,285	2,666,622
Interest income received	16	17
Interest expenses paid	(172,160)	(169,774)
Income taxes paid	(1,946)	(1,959)
Net cash provided by (used in) operating activities	2,145,194	2,494,906
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(713,237)	(835,626)
Purchase of intangible assets	-	(445)
Proceeds from tenant leasehold and security deposits in trust	42,750	52,998
Repayments of tenant leasehold and security deposits in trust	(55,020)	(49,970)
Decrease (increase) in other investments	(7,366)	(1,521)
Net cash provided by (used in) investing activities	(732,872)	(834,564)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	4,320,000	2,820,000
Repayments of long-term loans payable	(4,320,000)	(4,320,000)
Proceeds from investment corporation bond issuance	-	1,500,000
Payments of investment corporation bond issuance costs	-	(13,278)
Dividends paid	(1,182,317)	(1,158,681)
Net cash provided by (used in) financing activities	(1,182,317)	(1,171,959)
Net increase (decrease) in cash and cash equivalents	230,004	488,381
Cash and cash equivalents at beginning of period	3,309,856	3,539,860
Cash and cash equivalents at end of period	3,539,860	4,028,242