

REIT Financial Report for 34th Fiscal Period

December 16, 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 34th Fiscal Period

Starts Proceed Investment Corporation's 34th fiscal period is the period from May 1, 2022, to October 31, 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	%
34th	3,349	3.9	1,519	7.4	1,303	8.7	1,301	8.7
33rd	3,224	1.5	1,413	3.1	1,199	3.4	1,197	3.4
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		%		%		%
34th		5,127		3.0		1.4		38.9
33rd		4,717		2.8		1.3		37.2

(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	%	%
34th	5,971	1,515	-	-	116.4	3.5
33rd	4,718	1,197	-	-	100.0	2.8

Note 1: The difference between distribution per unit and net income per unit for the 34th fiscal period is due to the reversal and reservation of reserve for reduction entry.

Note 2: 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
34th	90,625	43,484	48.0	171,350
33rd	90,240	43,380	48.1	170,940

(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
34th	4,750	(4,166)	(1,196)	3,415
33rd	2,494	(834)	(1,171)	4,028

2. Forecast for Management Status in 35th Fiscal Period and 36th Fiscal Period

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

Starts Proceed Investment Corporation's 36th fiscal period is the period from May 1, 2023, to October 31, 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	%
35th	3,662	9.3	1,665	9.6	1,392	6.9	1,390	6.9
36th	3,465	(5.4)	1,473	(11.5)	1,197	(14.0)	1,195	(14.0)

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
	million yen	%	million yen	%
35th	5,580	-	-	-
36th	4,580	-	-	-

[Reference] Forecast net income per unit 35th fiscal period: 4,922 yen 36th fiscal period: 4,131 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 | | |
| 34th fiscal period: | 253,777 units | 33rd fiscal period: 253,777 units |
| (b) Number of own investment units at end of period | | |
| 34th fiscal period: | - | 33rd 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 35th Fiscal Period and 36th Fiscal Period" presented on pages 10 to 11.

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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 (34th fiscal period: from May 1, 2022, to October 31, 2022), the total number of investment units issued and outstanding is 253,777 units, total assets amount to 90,625 million yen, and unitholders’ capital (net) amounts to 41,684 million yen.

(b) Investment Environment

In the 34th fiscal period, the Japanese economy remained uncertain with the rapid exchange fluctuation due to soaring resource and energy prices against the backdrop of the situation in Ukraine and the policy interest rate hike in Europe and the U.S. and other factors, while movement restrictions implemented to prevent the spread of COVID-19 were eased and economic activities were normalized. 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 investing in rental 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 34th fiscal period, SPI conducted asset replacement through acquisition of (C-88) Proceed Ishikawadai (acquisition price: 810 million yen) on May 10, 2022, and (C-89) Alpha Grande Chizakura Tower (acquisition price: 2,800 million yen) on October 31, 2022, and disposition of (C-35) Proceed Hasune, (C-39) Proceed Shinmaruko, (C-52) Proceed Nishikawaguchi and (C-56) Proceed Shinozaki 2 (total disposition price: 2,864 million yen) on October 31, 2022. As a result, SPI’s portfolio as of the end of the 34th fiscal period consists of 104 properties with acquisition prices totaling 89,256 million yen and a total leasable floor area of 192,437.53 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, the Asset Management Company continued to support remote work and strengthen competitiveness by making online infrastructure free. These measures worked to maintain the occupancy rate of the entire portfolio stably at 96.1% on average and resulted in a period-end occupancy rate of 96.1%.

As ESG initiatives, SPI participated in the Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment for the first time based on its ESG policy. GRESB Real Estate Assessment is an annual benchmark assessment measuring the consideration to ESG in the real estate sector and was established in 2009 mainly by a group of major European pension funds leading the Principles for Responsible Investment (PRI). In addition, SPI acquired "S Rank," the highest evaluation rank under CASBEE Certification for Real Estate, for (C-41) Proceed Nishiarai (Artier) in October 2022. As a result, SPI has acquired CASBEE Certification for Real Estate for one property and Building-Housing Energy-Efficiency Labeling System (BELS) Certification for three properties as of the end of the 34th fiscal period.

(d) Status of Fund Procurement

In the 34th fiscal period, SPI borrowed a long-term loan of 2,873.5 million yen (term: 6 years) and a long-term loan of 2,900 million yen (term: 5.5 years) to repay a long-term loan of 5,773.5 million yen due for repayment on May 24, 2022.

As a result, the period-end balance of interest-bearing liabilities totaled 45,646 million yen, comprising 9,222 million yen in current portion of long-term loans payable, 32,923 million yen in long-term loans payable and 3,500 million yen in investment corporation bonds as of the end of the 34th fiscal period, with the period-end LTV ratio standing at 50.4%.

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

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

(e) Overview of Business Performance and Distributions

As a result of the management described above, business performance recorded for the 34th fiscal period was operating revenue of 3,349 million yen, operating income of 1,519 million yen, ordinary income of 1,303 million yen and net income of 1,301 million yen.

Concerning distributions, SPI conducts distributions to ensure the 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"). In the 34th fiscal period, SPI decided to distribute the entire amount, excluding fractions of distribution per investment unit of less than 1 yen, which is obtained by adding 313 million yen of reversal of reserve for reduction entry accumulated in accordance with Article 66-2 of the Special Taxation Measures Act to unappropriated retained earnings and reserving 99 million yen as reserve for reduction entry in accordance with Article 65-7 of the Special Taxation Measures Act. Accordingly, SPI declared a distribution per investment unit of 5,971 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 a moderate recovery in consumption due to the normalization of social and economic activities despite the impact of COVID-19. On the other hand, careful attention should continue to be paid to the situation inside and outside Japan, such as the prolonged conflict in Ukraine as well as the soaring resource and energy prices against the backdrop of such situation in Ukraine and the policy interest rate hike in Europe and the U.S.

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 34th 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. SPI will also continue to improve asset value through large-scale repair work and facility renewal. 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

Issuance of New Investment Units

SPI resolved at its Board of Directors' meetings held on October 14, 2022, and October 24, 2022, the issuance of new investment units to partially fund the acquisition of specified assets. As for the issuance through primary offering, payment was completed on November 1, 2022. As a result, unitholders' capital (net) was 47,536,732,300 yen and the total number of investment units issued and outstanding was 282,477 units.

For details of the new investment units, please refer to "2. Financial Statements (8) Notes to Financial Statements "Notes to Significant Subsequent Events"" below.

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(Reference Information)

A. Acquisition of Asset

The following specified asset (trust beneficiary interest) was acquired on November 1, 2022.

Property number	Property name	Location	Seller (Note 1)	Acquisition price (thousand yen) (Note 2)
C-90	Proceed Yamashita Koen The Tower	Yokohama-shi, Kanagawa	Starts Corporation Inc.	7,900,000
C-91	Shinozaki Twin Place	Edogawa-ku, Tokyo	Shinozaki-eki Nishiguchi Koeki Fukugo Shisetsu K.K.	1,500,000
C-92	Proceed Minamisunamachi	Koto-ku, Tokyo	Starts Development Corporation	735,000
G-36	Proceed Tsurigane	Osaka-shi, Osaka		795,000
G-37	Proceed Fukaebashi	Osaka-shi, Osaka		1,305,000
Total				12,235,000

Note 1: The acquisition has 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 (New) and Conclusion of Interest Rate Swap Agreement

SPI borrowed Term Loan 2W and Term Loan 2X as follows to allocate funds for part of the acquisition of the above specified assets acquired on November 1, 2022 and related expenses.

	Term Loan 2W	Term Loan 2X
Lender	The Bank of Yokohama, Ltd. Resona Bank, Limited	Resona Bank, Limited Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Aozora Bank, Ltd. The Chiba Bank, Ltd. The 77 Bank, Ltd. The Joyo Bank, Ltd.
Loan amount	4,200 million yen	3,000 million yen
Drawdown date	November 1, 2022	
Principal repayment date	November 24, 2028	November 24, 2026
Interest rate (Note)	Floating rate (Base interest rate (JBA 3-month Japanese Yen TIBOR) + 0.650%)	Floating rate (Base interest rate (JBA 3-month Japanese Yen TIBOR) + 0.530%)
Interest payment date	The first interest payment date shall be the last day of November 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).

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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 2W, which is conducted with a floating interest rate.

Agreement concerning Term Loan 2W	
Lender	Resona Bank, Limited
Notional principal amount	4,200 million yen
Interest rate, etc.	Fixed interest rate payable: 1.160% Floating interest rate receivable: Base interest rate (JBA 3-month Japanese Yen TIBOR) + 0.650%
Commencement date	November 1, 2022
Termination date	November 24, 2028
Payment date	The first interest payment date shall be the last day of November 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 2W is, in effect, fixed.

C. Borrowing of Funds (Refinancing)

SPI borrowed Term Loan 2Y as follows to fund the repayment of Term Loan 2I (loan balance: 4,190 million yen) for which the repayment date arrived on November 24, 2022.

Term Loan 2Y	
Lender	Mizuho Bank, Ltd. The Musashino Bank, Ltd. The Chiba Bank, Ltd. Sumitomo Mitsui Banking Corporation The Nishi-Nippon City Bank, Ltd. Resona Bank, Limited Higashi-Nippon Bank, Ltd. Aozora Bank, Ltd. Asahi Shinkin Bank The Bank of Kyoto, Ltd. Mizuho Trust & Banking Co., Ltd.
Loan amount	4,190 million yen
Drawdown date	November 24, 2022
Principal repayment date	May 24, 2029
Interest rate (Note)	Floating rate (Base interest rate (JBA 3-month Japanese Yen TIBOR) + 0.680%)
Interest payment date	The first interest payment date shall be the last day of November 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).

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D. Disposition of Assets

SPI concluded a sale and purchase agreement for the disposition of the following specified assets (trust beneficiary interests) on October 14, 2022, and the assets are scheduled to be handed over on April 28, 2023.

Property No.	Property name	Location	Buyer (Note 1)	Planned disposition price (thousand yen) (Note 2)
C-34	Proceed Koenjiminami	Suginami-ku, Tokyo	Starts Development Corporation	251,000
C-38	Proceed Hakuraku	Yokohama-shi, Kanagawa		185,000
C-57	Proceed Kashiwa Trois	Kashiwa-shi, Chiba		688,000
Total				1,124,000

Note 1: The disposition has 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: "Planned disposition price" does not include miscellaneous disposition related expenses, fixed property taxes, city planning taxes, consumption taxes and local consumption taxes.

Note 3: The above sale and purchase agreement is a "forward commitment, etc." as defined in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." by the Financial Services Agency. If either party materially breaches its obligations under the sale and purchase agreement, causing the other party to fail to achieve the purpose for which the sale and purchase agreement was concluded and cancel the agreement, the party which cancelled the agreement may demand an amount equivalent to 20% of the transaction price as a penalty fee from the other party. SPI assumes that, considering its financial status, the possibility of an adverse impact of forward commitment, etc. pertaining to the disposition of the assets to be disposed on SPI's financial profile, etc. is deemed to be low.

(c) Outlook for Management Status

SPI expects the following management status in the 35th fiscal period (from November 1, 2022, to April 30, 2023) and 36th fiscal period (from May 1, 2023, to October 31, 2023). For the assumptions underlying this outlook for management status, please refer to "Assumptions Underlying Forecast for Management Status in 35th Fiscal Period and 36th Fiscal Period" below.

	35th Fiscal Period	36th Fiscal Period
	From: Nov. 1, 2022 To: Apr. 30, 2023	From: May 1, 2023 To: Oct. 31, 2023
Operating revenue	3,662 million yen	3,465 million yen
Operating income	1,665 million yen	1,473 million yen
Ordinary income	1,392 million yen	1,197 million yen
Net income	1,390 million yen	1,195 million yen
Distribution per unit	5,580 yen	4,580 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.

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Assumptions Underlying Forecast for Management Status in 35th Fiscal Period and 36th Fiscal Period

Item	Assumption
Business period	35th fiscal period: from November 1, 2022, to April 30, 2023 (181 days) 36th fiscal period: from May 1, 2023, to October 31, 2023 (184 days)
Assets under management	<ul style="list-style-type: none"> • The forecast assumes as assets the already acquired assets within the SPI portfolio as at the end of the 34th fiscal period (the “already acquired assets”) to which the acquisition of (C-90) Proceed Yamashita Koen The Tower, (C-91) Shinozaki Twin Place, (C-92) Proceed Minamisunamachi, (G-36) Proceed Tsurigane and (G-37) Proceed Fukaebashi on November 1, 2022 (the “Assets”) is reflected. (C-34) Proceed Koenjiminami, (C-38) Proceed Hakuraku and (C-57) Proceed Kashiwa Trois will be disposed on April 28, 2023, and it is assumed that there will be no other changes (acquisition of new properties, disposition of existing properties, etc.) through to the end of the 36th 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. • Gain on sale of real estate, etc. of 115 million yen is assumed for the 35th fiscal period due to the disposition of (C-34) Proceed Koenjiminami, (C-38) Proceed Hakuraku and (C-57) Proceed Kashiwa Trois scheduled to be conducted on April 28, 2023. • 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 Assets 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 247 million yen for the 35th fiscal period and 242 million yen for the 36th fiscal period. • Repair expenses, which are recognized as expenses in the amount presumed to be necessary in the business period, are expected to be 131 million yen for the 35th fiscal period and 120 million yen for the 36th 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 176 million yen for the 35th fiscal period and 201 million yen for the 36th fiscal period. As for the fixed asset tax, city planning tax, etc. on the Assets, 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 692 million yen for the 35th fiscal period and 652 million yen for the 36th 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 431 million yen for the 35th fiscal period and 478 million yen for the 36th fiscal period.

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Item	Assumption
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses (including interest expenses on investment corporation bonds) are expected to be 220 million yen for the 35th fiscal period and 224 million yen for the 36th fiscal period. • Borrowing-related expenses are expected to be 43 million yen for the 35th fiscal period and 43 million yen for the 36th 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 2 million yen for the 35th fiscal period and 2 million yen for the 36th fiscal period. • Expenses related to capital increase through public offering of investment units are recorded as deferred assets and assumed to be amortized over three years using the straight-line method. The amount is expected to be 2 million yen for the 35th fiscal period and 2 million yen for the 36th fiscal period.
Interest-bearing liabilities	<ul style="list-style-type: none"> • Of the loans balance as of today of 49,346 million yen, the forecast assumes that the loan due for repayment during the 36th fiscal period (5,032 million yen) will be refinanced in the entire amount and the loans balance will remain unchanged at 49,346 million yen through to the end of the 36th 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 36th 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 the date of this document of 282,477 units and assumes there will be no subsequent issuance of investment units through to the end of the 36th fiscal period.
Distribution per unit (excluding distribution in excess of earnings)	<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 is calculated assuming unappropriated retained earnings and reversal of reserve for reduction entry are paid out. The amount of reversal of reserve for reduction entry is expected to be 185 million yen for the 35th fiscal period and 99 million yen for the 36th fiscal period. • 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

Please refer to the “Investment Risks” in the most recent securities report (submitted on July 28, 2022).

Starts Proceed Investment Corporation (8979) Financial Report for 34th Fiscal Period

2. Financial Statements
(1) Balance Sheets

	[Unit: thousand yen]	
	33rd Fiscal Period	34th Fiscal Period
	As of Apr. 30, 2022	As of Oct. 31, 2022
Assets		
Current assets		
Cash and deposits	2,109,924	1,434,739
Cash and deposits in trust	1,918,318	1,980,700
Operating accounts receivable	32,510	26,459
Prepaid expenses	69,981	82,873
Others	9,797	7,274
Total current assets	4,140,531	3,532,046
Non-current assets		
Property, plant and equipment		
Buildings in trust	46,907,339	48,355,761
Accumulated depreciation	(11,131,809)	(11,258,805)
Buildings in trust, net	35,775,530	37,096,956
Structures in trust	1,287,299	1,263,759
Accumulated depreciation	(858,191)	(870,052)
Structures in trust, net	429,107	393,707
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	642,370	697,073
Accumulated depreciation	(316,059)	(338,894)
Tools, furniture and fixtures in trust, net	326,310	358,179
Land in trust	48,879,302	47,610,451
Total property, plant and equipment	85,410,519	85,459,562
Intangible assets		
Leasehold in trust	-	871,571
Software	407	364
Total intangible assets	407	871,936
Investment and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	541,719	608,281
Long-term prepaid expenses	93,421	100,392
Deferred tax assets	81	81
Others	19,265	20,745
Total investments and other assets	664,487	739,501
Total non-current assets	86,075,414	87,071,000
Deferred assets		
Investment corporation bond issuance costs	24,961	22,151
Total deferred assets	24,961	22,151
Total assets	90,240,908	90,625,199

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	[Unit: thousand yen]	
	33rd Fiscal Period	34th Fiscal Period
	As of Apr. 30, 2022	As of Oct. 31, 2022
Liabilities		
Current liabilities		
Current portion of long-term loans payable	9,963,500	9,222,500
Operating accounts payable	160,868	202,506
Accounts payable – other	205,052	246,638
Accrued expenses	16,557	25,060
Income taxes payable	1,965	1,976
Accrued consumption taxes	14,056	82,270
Advances received	1,919	1,794
Others	323	4,681
Total current liabilities	10,364,244	9,787,427
Non-current liabilities		
Investment corporation bonds	3,500,000	3,500,000
Long-term loans payable	32,182,500	32,923,500
Tenant leasehold and security deposits in trust	675,912	678,572
Asset retirement obligations	137,375	250,985
Total non-current liabilities	36,495,788	37,353,058
Total liabilities	46,860,032	47,140,485
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)	1,197,331	1,301,169
Total surplus	1,696,331	1,800,169
Total unitholders' equity	43,380,875	43,484,713
Total net assets	43,380,875	43,484,713
Total liabilities and net assets	90,240,908	90,625,199

Starts Proceed Investment Corporation (8979) Financial Report for 34th Fiscal Period

(2) Statements of Income

	[Unit: thousand yen]	
	33rd Fiscal Period	34th Fiscal Period
	From: Nov 1, 2021 To: Apr. 30, 2022	From: May 1, 2022 To: Oct. 31, 2022
Operating revenue		
Rent revenue – real estate	3,154,624	3,154,026
Gain on sales of real estate properties	69,375	195,510
Total operating revenue	<u>3,224,000</u>	<u>3,349,536</u>
Operating expenses		
Expenses related to rent business	1,391,429	1,416,086
Asset management fee	260,896	269,873
Asset custody fee	8,476	8,480
Administrative service fees	22,654	22,450
Directors' compensations	1,200	1,200
Other operating expenses	125,494	112,376
Total operating expenses	<u>1,810,151</u>	<u>1,830,467</u>
Operating income	<u>1,413,848</u>	<u>1,519,069</u>
Non-operating income		
Interest income	17	16
Insurance income	5,780	14,144
Reversal of distribution payable	1,157	1,224
Other	530	143
Total non-operating income	<u>7,486</u>	<u>15,529</u>
Non-operating expenses		
Interest expenses	168,655	178,364
Interest expenses on investment corporation bonds	10,343	11,198
Amortization of investment corporation bond issuance costs	3,508	2,809
Borrowing related expenses	38,981	38,513
Others	565	576
Total non-operating expenses	<u>222,055</u>	<u>231,463</u>
Ordinary income	<u>1,199,280</u>	<u>1,303,135</u>
Income before income taxes	<u>1,199,280</u>	<u>1,303,135</u>
Income taxes – current	1,967	1,978
Income taxes – deferred	(0)	(0)
Total income taxes	<u>1,966</u>	<u>1,978</u>
Net income	<u>1,197,313</u>	<u>1,301,157</u>
Retained earnings brought forward	18	11
Unappropriated retained earnings (undisposed loss)	1,197,331	1,301,169

(3) Statements of Changes in Unitholders' Equity

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 34th Fiscal Period

34th Fiscal Period: from May 1, 2022, to October 31, 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	1,197,331
Changes of items during the period							
Dividends from surplus							(1,197,319)
Net income							1,301,157
Total changes of items during the period	-	-	-	-	-	-	103,837
Balance at end of period	42,230,457	(545,913)	41,684,544	99,000	400,000	499,000	1,301,169

[Unit: thousand yen]

	Unitholders' equity		Total net assets
	Surplus	Total unitholders' equity	
	Total surplus		
Balance at beginning of period	1,696,331	43,380,875	43,380,875
Changes of items during the period			
Dividends from surplus	(1,197,319)	(1,197,319)	(1,197,319)
Net income	1,301,157	1,301,157	1,301,157
Total changes of items during the period	103,837	103,837	103,837
Balance at end of period	1,800,169	43,484,713	43,484,713

Starts Proceed Investment Corporation (8979) Financial Report for 34th Fiscal Period

(4) Statements of Cash Distributions

Fiscal period Item	33rd Fiscal Period	34th Fiscal Period
	From: Nov. 1, 2021 To: Apr. 30, 2022	From: May 1, 2022 To: Oct. 31, 2022
I. Unappropriated retained earnings	1,197,331,817 yen	1,301,169,665 yen
II. Reversal of voluntary reserves		
Reversal of reserve for reduction entry	- yen	313,151,007 yen
III. Amount of distributions	1,197,319,886 yen	1,515,302,467 yen
[Amount of distribution per investment unit]	[4,718 yen]	[5,971 yen]
IV. Voluntary reserves		
Provision of reserve for reduction entry	- yen	99,000,000 yen
V. Retained earnings brought forward	11,931 yen	18,205 yen
Method of calculation of amount of distributions	<p>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.</p>	<p>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, in the 34th fiscal period, SPI decided to pay out distributions of earnings of 1,515,302,467 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (253,777 units) not in excess of the amount after adding the amount of reversal of reserve for reduction entry accumulated in accordance with Article 66-2 of the Act on Special Measures Concerning Taxation to unappropriated retained earnings and reserving the reserve for reduction entry in accordance with Article 65-7 of the Act on Special Measures Concerning Taxation. SPI shall not distribute the cash in excess of earnings provided in Article 35, Item 4 of its Articles of Incorporation.</p>

Starts Proceed Investment Corporation (8979) Financial Report for 34th Fiscal Period

(5) Statements of Cash Flows

	[Unit: thousand yen]	
	33rd Fiscal Period	34th Fiscal Period
	From: Nov. 1, 2021 To: Apr. 30, 2022	From: May 1, 2022 To: Oct. 31, 2022
Net cash provided by (used in) operating activities		
Income before income taxes	1,199,280	1,303,135
Depreciation and amortization	645,540	651,974
Amortization of investment corporation bond issuance costs	3,508	2,809
Interest income	(17)	(16)
Interest expenses	178,999	189,563
Decrease (increase) in operating accounts receivable	(8,675)	6,051
Decrease (increase) in prepaid expenses	6,691	(12,891)
Decrease (increase) in consumption taxes receivable	8,072	-
Increase (decrease) in accrued consumption taxes	6,886	68,213
Increase (decrease) in operating accounts payable	(42,086)	46,996
Increase (decrease) in accounts payable – other	(935)	23,432
Decrease (increase) in long-term prepaid expenses	12,075	(6,971)
Decrease from sales of property, plant and equipment in trust	661,973	2,654,157
Others, net	(4,692)	6,663
Subtotal	<u>2,666,622</u>	<u>4,933,119</u>
Interest income received	17	16
Interest expenses paid	(169,774)	(181,061)
Income taxes paid	(1,959)	(1,967)
Net cash provided by (used in) operating activities	<u>2,494,906</u>	<u>4,750,107</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(835,626)	(3,229,656)
Purchase of intangible assets	(445)	(871,571)
Proceeds from tenant leasehold and security deposits in trust	52,998	75,919
Repayments of tenant leasehold and security deposits in trust	(49,970)	(73,258)
Decrease (increase) in other investments	(1,521)	(68,041)
Net cash provided by (used in) investing activities	<u>(834,564)</u>	<u>(4,166,609)</u>
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	2,820,000	5,773,500
Repayments of long-term loans payable	(4,320,000)	(5,773,500)
Proceeds from investment corporation bond issuance	1,500,000	-
Payments of investment corporation bond issuance costs	(13,278)	-
Dividends paid	(1,158,681)	(1,196,301)
Net cash provided by (used in) financing activities	<u>(1,171,959)</u>	<u>(1,196,301)</u>
Net increase (decrease) in cash and cash equivalents	<u>488,381</u>	<u>(612,802)</u>
Cash and cash equivalents at beginning of period	<u>3,539,860</u>	<u>4,028,242</u>
Cash and cash equivalents at end of period	<u>4,028,242</u>	<u>3,415,440</u>