

# REIT Financial Report for 35th Fiscal Period

June 14, 2023

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 35th Fiscal Period

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

### (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	%
35th	3,676	9.8	1,682	10.7	1,423	9.2	1,415	8.8
34th	3,349	3.9	1,519	7.4	1,303	8.7	1,301	8.7
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		%		%		%
35th		5,009		3.1		1.5		38.7
34th		5,127		3.0		1.4		38.9

### (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	%	%
35th	5,667	1,600	0	0	113.1	3.3
34th	5,971	1,515	-	-	116.4	3.5

Note 1: The difference between total distributions and net income is due to the reversal and reservation of reserve for reduction entry for the 34th fiscal period and the reversal of reserve for reduction entry for the 35th fiscal period.

Note 2: Distribution payout ratio for the 35th fiscal period is calculated using the following formula due to change in the number of investment units during the period from having conducted a capital increase through public offering during the period.

Distribution payout ratio = Total distributions [excluding distributions in excess of earnings] ÷ Net income × 100

Note 3: 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
35th	103,703	49,236	47.5	174,303
34th	90,625	43,484	48.0	171,350

#### (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
35th	2,894	(13,597)	11,526	4,239
34th	4,750	(4,166)	(1,196)	3,415

## 2. Forecast for Management Status in 36th Fiscal Period and 37th Fiscal Period

Starts Proceed Investment Corporation's 36th fiscal period is the period from May 1, 2023, to October 31, 2023.

Starts Proceed Investment Corporation's 37th fiscal period is the period from November 1, 2023, to April 30, 2024.

[% 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	%
36th	3,489	(5.1)	1,470	(12.6)	1,196	(15.9)	1,194	(15.6)
37th	3,523	1.0	1,476	0.4	1,202	(0.5)	1,200	0.5

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit		Distribution per unit [including distribution in excess of earnings]	
	yen		yen		yen	
36th	4,580		0		4,580	
37th	4,249		331		4,580	

[Reference] Forecast net income per unit 36th fiscal period: 4,230 yen 37th fiscal period: 4,249 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  
 35th fiscal period: 282,477 units 34th fiscal period: 253,777 units
- (b) Number of own investment units at end of period  
 35th fiscal period: - 34th fiscal period: -

(Note) Please refer to "Notes to Information Per Unit" on page 25 for the number of investment units used as the basis for calculating net income per unit.

\* 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 36th Fiscal Period and 37th Fiscal Period" presented on page 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 .....	11
2. Financial Statements .....	12
(1) Balance Sheets.....	12
(2) Statements of Income.....	14
(3) Statements of Changes in Unitholders' Equity.....	15
(4) Statements of Cash Distributions.....	17
(5) Statements of Cash Flows .....	18

## 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 (35th fiscal period: from November 1, 2022, to April 30, 2023), the total number of investment units issued and outstanding is 282,477 units, total assets amount to 103,703 million yen, and unitholders’ capital (net) amounts to 47,536 million yen.

##### (b) Investment Environment

In the 35th fiscal period, the Japanese economy saw a progress in the normalization of economic and social activities and a recovery in personal consumption centering on service consumption such as dining out and travel as well as an improvement in corporate earnings due to the easing of movement restrictions implemented to prevent the spread of COVID-19. On the other hand, the business environment remained unstable due to soaring resource and energy prices against the backdrop of the conflict in Ukraine as well as the rapid inflation and rising interest rates in the U.S. and other factors.

Under such circumstances, as for the demand trends in the rental housing market in which SPI invests, the demand and supply environment was favorable mainly in the Tokyo metropolitan area. Demand continued to be stable in other major metropolitan areas, and rental apartments owned by listed REITs specializing in housing have maintained high occupancy rates.

In the secondary real estate market, the demand of investors for rental housing showing stable operation and revenue was robust amid the ongoing favorable fund procurement environment. This has kept competition in property acquisition overheated, leaving transaction prices at a high level.

##### (c) Management Performance

In the 35th fiscal period, SPI conducted asset replacement through 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 (total acquisition price: 12,235 million yen) on November 1, 2022, and (C-93) Proceed Matsudo (acquisition price: 498 million yen) on April 28, 2023, and disposition of (C-34) Proceed Koenjiminami, (C-38) Proceed Hakuraku and (C-57) Proceed Kashiwa Trois (total disposition price: 1,124 million yen) on April 28, 2023. As a result, SPI’s portfolio as of the end of the 35th fiscal period consists of 107 properties with acquisition prices totaling 100,933 million yen and a total leasable floor area of 207,039.40 m<sup>2</sup>.

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. Furthermore, the Asset Management Company continued to reduce utility costs by converting the common lighting for common areas to LED lighting. These measures worked to maintain the occupancy rate of the entire portfolio stably, resulting in a period-end occupancy rate of 96.3% and an average occupancy rate of 96.6%.

As for ESG initiatives, SPI continues to participate in the Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment based on its ESG policy. In addition, as an initiative on governance, SPI partially revised its Articles of Incorporation at the General Meeting of Unitholders held on January 20, 2023 and changed the management fee structure for the Asset Management Company for the purpose of further enhancing the linkage between the compensation for the Asset Management Company and unitholders' interests. 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 35th fiscal period.

(d) Status of Fund Procurement

In the 35th fiscal period, SPI procured 5,852 million yen through the issuance of new investment units (28,700 units through primary offering) and 7,200 million yen through new borrowings on November 1, 2022 to fund the acquisition of the above five properties acquired on November 1, 2022. In addition, SPI borrowed a long-term loan of 4,190 million yen (term: 6 years and 6 months) to repay a long-term loan of 4,190 million yen due for repayment on November 24, 2022.

As a result, the period-end balance of interest-bearing liabilities totaled 52,846 million yen, comprising 9,032 million yen in current portion of long-term loans payable, 40,313 million yen in long-term loans payable and 3,500 million yen in investment corporation bonds as of the end of the 35th fiscal period, with the period-end LTV ratio standing at 51.0%.

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 35th fiscal period was operating revenue of 3,676 million yen, operating income of 1,682 million yen, ordinary income of 1,423 million yen and net income of 1,415 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 35th 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 185 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. Accordingly, SPI declared a distribution per investment unit of 5,667 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 pick up due to the progress in the normalization of economic and social activities amid the coexistence with COVID-19. On the other hand, SPI believes that it is necessary to pay attention to the prolonged conflict in Ukraine and the downside risks of global price hikes and interest rate hikes against the backdrop of such situation and closely monitor the impact of fluctuations in the financial and capital markets.

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, Starts Amenity Corporation and the group companies in major cities in Japan (Note), 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.

Note: Group companies in major cities in Japan refer to Starts Hokkaido Co., Ltd., Starts Tohoku Co., Ltd., Starts Tokai Co., Ltd., Starts Kansai Co., Ltd., Starts Kyushu Co., Ltd., and Starts Okinawa Co., Ltd., which operate in major cities in Japan with Starts Corporation Inc. as the parent company.

c. Internal Growth Strategy

Following on from the 35th 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  
Not applicable.

## (Reference Information)

## A. Issuance of Investment Corporation Bonds (Green Bonds)

SPI issued investment corporation bonds under the following conditions based on a “comprehensive resolution on the issuance of investment corporation bonds” determined at the meeting of the Board of Directors of SPI held on April 24, 2023.

Name	Starts Proceed Fourth Series Unsecured Investment Corporation Bond (with pari passu conditions among specified investment corporation bonds) (Green Bonds)
Total issue amount	1,500 million yen
Payment date	May 22, 2023
Amount to be paid in	100 yen per 100 yen of each investment corporation bond
Interest rate	0.800% per annum
Security and guarantee	Unsecured and unguaranteed
Redemption date	The total amount will be redeemed on May 22, 2028. The Investment Corporation Bonds may be repurchased and cancelled at any time on or after the date subsequent to the payment date, unless otherwise determined by laws and regulations, or the book-entry transfer institution's operational rules and other rules.
Interest payment date	May 22 and November 22 of each year The first interest payment date is November 22, 2023. If an interest payment date falls on a bank holiday, then the date of payment will be moved to the immediately preceding bank business day.
Use of funds	Use as part of the funds for repayment of the borrowings procured and later refinanced to acquire “(C-41) Proceed Nishiarai (Artier),” which is a specified asset meeting the eligibility criteria set in the green finance framework.

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

SPI borrowed Term Loan 2Z as follows to partially fund the repayment of Term Loan 2C (loan balance: 2,873.5 million yen) and Term Loan 2R (loan balance: 2,159 million yen) for which the repayment date arrived on May 24, 2023.

	Term Loan 2Z
Lender	Resona Bank, Limited Aozora Bank, Ltd. The Musashino Bank, Ltd. The Chiba Bank, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Mizuho Trust & Banking Co., Ltd.
Loan amount	3,532.5 million yen
Drawdown date	May 24, 2023
Principal repayment date	November 22, 2029
Interest rate (Note)	Floating rate (Base interest rate (JBA 3-month Japanese Yen TIBOR) + 0.680%)

## Starts Proceed Investment Corporation (8979) Financial Report for 35th Fiscal Period

Interest payment date	The first interest payment date shall be the last day of May 2023, 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).

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

	Agreement concerning Term Loan 2Z
Lender	Resona Bank, Limited
Notional principal amount	3,532.5 million yen
Interest rate, etc.	Fixed interest rate payable: 1.220% Floating interest rate receivable: Base interest rate (JBA 3-month Japanese Yen TIBOR) + 0.680%
Commencement date	May 24, 2023
Termination date	November 22, 2029
Payment date	The first interest payment date shall be the last day of May 2023, 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 2Z is, in effect, fixed.

## (c) Outlook for Management Status

SPI expects the following management status in the 36th fiscal period (from May 1, 2023, to October 31, 2023) and 37th fiscal period (from November 1, 2023, to April 30, 2024). For the assumptions underlying this outlook for management status, please refer to "Assumptions Underlying Forecast for Management Status in 36th Fiscal Period and 37th Fiscal Period" below.

	36th Fiscal Period	37th Fiscal Period
	From: May 1, 2023 To: Oct. 31, 2023	From: November 1, 2023 To: April 30, 2024
Operating revenue	3,489 million yen	3,523 million yen
Operating income	1,470 million yen	1,476 million yen
Ordinary income	1,196 million yen	1,202 million yen
Net income	1,194 million yen	1,200 million yen
Distribution per unit (excluding distribution in excess of earnings)	4,580 yen	4,249 yen
Distribution in excess of earnings per unit	-	331 yen
Distribution per unit (including distribution in excess of earnings)	4,580 yen	4,580 yen



## Starts Proceed Investment Corporation (8979) Financial Report for 35th Fiscal Period

Note: The forecast figures above are the current forecast calculated based on certain assumptions. Accordingly, actual operating revenue, operating income, ordinary income, net income, distribution per unit and distribution in excess of earnings 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 35th Fiscal Period

Assumptions Underlying Forecast for Management Status in 36th Fiscal Period and 37th Fiscal Period

Item	Assumption
Business period	36th fiscal period: from May 1, 2023, to October 31, 2023 (184 days) 37th fiscal period: from November 1, 2023, to April 30, 2024 (182 days)
Assets under management	<ul style="list-style-type: none"> <li>The forecast assumes that assets are the 107 properties in the SPI portfolio as of April 30, 2023, and there will be no changes (acquisition of new properties, disposition of existing properties, etc.) through to the end of the 37th fiscal period. The actual assets under management may vary due to changes in assets under management.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>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.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>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.</li> <li>Management expenses are expected to be 237 million yen for the 36th fiscal period and 242 million yen for the 37th fiscal period.</li> <li>Repair expenses, which are recognized as expenses in the amount presumed to be necessary in the business period, are expected to be 119 million yen for the 36th fiscal period and 125 million yen for the 37th 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.</li> <li>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 201 million yen for the 36th fiscal period and 201 million yen for the 37th fiscal period.</li> <li>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 685 million yen for the 36th fiscal period and 685 million yen for the 37th fiscal period.</li> <li>Operating expenses other than expenses related to rent business (asset management fee, asset custody fee, administrative service fees, etc.) are expected to be 468 million yen for the 36th fiscal period and 465 million yen for the 37th fiscal period.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>Interest expenses (including interest expenses on investment corporation bonds) are expected to be 224 million yen for the 36th fiscal period and 224 million yen for the 37th fiscal period.</li> <li>Borrowing-related expenses are expected to be 43 million yen for the 36th fiscal period and 44 million yen for the 37th fiscal period.</li> <li>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 36th fiscal period and 3 million yen for the 37th fiscal period.</li> <li>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 36th fiscal period and 2 million yen for the 37th fiscal period.</li> </ul>
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>Of the loans balance as of today of 47,846 million yen, the forecast assumes that the loan due for repayment during the 37th fiscal period (4,000 million yen) will be refinanced in the entire amount and the loans balance will remain unchanged at 47,846 million yen through to the end of the 37th fiscal period.</li> <li>The forecast assumes the balance of investment corporation bonds of 5,000 million yen as of today will remain unchanged through to the end of the 37th fiscal period.</li> </ul>

Starts Proceed Investment Corporation (8979) Financial Report for 35th Fiscal Period

Item	Assumption
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>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 37th fiscal period.</li> </ul>
Distribution per unit (excluding distribution in excess of earnings)	<ul style="list-style-type: none"> <li>Distributions (distribution per unit) are calculated by assuming the policy on cash distributions provided in the Articles of Incorporation of SPI.</li> <li>As for distribution per unit, the amount of reversal of reserve for reduction entry is expected to be 99 million yen for the 36th fiscal period.</li> <li>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.</li> </ul>
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> <li>Distribution in excess of earnings per unit is calculated in accordance with the policy on cash distributions provided in the Articles of Incorporation of SPI.</li> <li>For the 37th fiscal period, distribution in excess of earnings per unit is expected to be 331 yen.</li> </ul>
Others	<ul style="list-style-type: none"> <li>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.</li> <li>The forecast assumes that there will be no unforeseen material change in general economic trends and real estate market conditions, etc.</li> </ul>

B. Investment Risks

Please refer to the “Investment Risks” in the most recent securities report (submitted on January 27, 2023).

Starts Proceed Investment Corporation (8979) Financial Report for 35th Fiscal Period

2. Financial Statements  
(1) Balance Sheets

	[Unit: thousand yen]	
	34th Fiscal Period	35th Fiscal Period
	As of Oct. 31, 2022	As of Apr. 30, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	1,434,739	1,997,761
Cash and deposits in trust	1,980,700	2,241,549
Operating accounts receivable	26,459	43,892
Prepaid expenses	82,873	85,241
Consumption taxes receivable	-	57,503
Others	7,274	8,959
<b>Total current assets</b>	<b>3,532,046</b>	<b>4,434,907</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings in trust	48,355,761	52,585,883
Accumulated depreciation	(11,258,805)	(11,668,684)
Buildings in trust, net	37,096,956	40,917,198
Structures in trust	1,263,759	1,279,506
Accumulated depreciation	(870,052)	(891,639)
Structures in trust, net	393,707	387,867
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	697,073	794,115
Accumulated depreciation	(338,894)	(369,788)
Tools, furniture and fixtures in trust, net	358,179	424,327
Land in trust	47,610,451	55,563,624
<b>Total property, plant and equipment</b>	<b>85,459,562</b>	<b>97,293,287</b>
<b>Intangible assets</b>		
Leasehold in trust	871,571	1,042,267
Software	364	322
<b>Total intangible assets</b>	<b>871,936</b>	<b>1,042,590</b>
<b>Investment and other assets</b>		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	608,281	710,820
Long-term prepaid expenses	100,392	153,966
Deferred tax assets	81	682
Others	20,745	27,593
<b>Total investments and other assets</b>	<b>739,501</b>	<b>903,062</b>
<b>Total non-current assets</b>	<b>87,071,000</b>	<b>99,238,939</b>
<b>Deferred assets</b>		
Investment corporation bond issuance costs	22,151	19,342
Investment unit issuance costs	-	10,358
<b>Total deferred assets</b>	<b>22,151</b>	<b>29,700</b>
<b>Total assets</b>	<b>90,625,199</b>	<b>103,703,546</b>

Starts Proceed Investment Corporation (8979) Financial Report for 35th Fiscal Period

	[Unit: thousand yen]	
	34th Fiscal Period	35th Fiscal Period
	As of Oct. 31, 2022	As of Apr. 30, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Current portion of long-term loans payable	9,222,500	9,032,500
Operating accounts payable	202,506	124,919
Accounts payable – other	246,638	256,231
Accrued expenses	25,060	42,831
Income taxes payable	1,976	8,568
Accrued consumption taxes	82,270	16,040
Advances received	1,794	1,462
Others	4,681	255
<b>Total current liabilities</b>	<b>9,787,427</b>	<b>9,482,809</b>
<b>Non-current liabilities</b>		
Investment corporation bonds	3,500,000	3,500,000
Long-term loans payable	32,923,500	40,313,500
Tenant leasehold and security deposits in trust	678,572	870,171
Asset retirement obligations	250,985	300,411
<b>Total non-current liabilities</b>	<b>37,353,058</b>	<b>44,984,082</b>
<b>Total liabilities</b>	<b>47,140,485</b>	<b>54,466,892</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	42,230,457	48,082,645
Deduction from unitholders' capital	(545,913)	(545,913)
Unitholders' capital (net)	<b>41,684,544</b>	<b>47,536,732</b>
<b>Surplus</b>		
<b>Voluntary reserves</b>		
Reserve for reduction entry	99,000	99,000
Reserve for reduction entry under special provisions for property replacement	400,000	185,848
<b>Total voluntary reserves</b>	<b>499,000</b>	<b>284,848</b>
Unappropriated retained earnings (undisposed loss)	1,301,169	1,415,073
<b>Total surplus</b>	<b>1,800,169</b>	<b>1,699,922</b>
<b>Total unitholders' equity</b>	<b>43,484,713</b>	<b>49,236,654</b>
<b>Total net assets</b>	<b>43,484,713</b>	<b>49,236,654</b>
<b>Total liabilities and net assets</b>	<b>90,625,199</b>	<b>103,703,546</b>

Starts Proceed Investment Corporation (8979) Financial Report for 35th Fiscal Period

(2) Statements of Income

	[Unit: thousand yen]	
	34th Fiscal Period	35th Fiscal Period
	From: May 1, 2022 To: Oct. 31, 2022	From: Nov. 1, 2022 To: Apr. 30, 2023
Operating revenue		
Rent revenue – real estate	3,154,026	3,554,688
Gain on sales of real estate properties	195,510	122,212
Total operating revenue	<u>3,349,536</u>	<u>3,676,901</u>
Operating expenses		
Expenses related to rent business	1,416,086	1,554,855
Asset management fee	269,873	298,910
Asset custody fee	8,480	8,810
Administrative service fees	22,450	25,254
Directors' compensations	1,200	1,200
Other operating expenses	112,376	105,718
Total operating expenses	<u>1,830,467</u>	<u>1,994,748</u>
Operating income	<u>1,519,069</u>	<u>1,682,152</u>
Non-operating income		
Interest income	16	17
Insurance income	14,144	11,592
Reversal of distribution payable	1,224	969
Other	143	-
Total non-operating income	<u>15,529</u>	<u>12,580</u>
Non-operating expenses		
Interest expenses	178,364	208,084
Interest expenses on investment corporation bonds	11,198	10,868
Amortization of investment corporation bond issuance costs	2,809	2,809
Amortization of investment unit issuance costs	-	2,071
Borrowing related expenses	38,513	47,296
Others	576	576
Total non-operating expenses	<u>231,463</u>	<u>271,706</u>
Ordinary income	<u>1,303,135</u>	<u>1,423,026</u>
Income before income taxes	<u>1,303,135</u>	<u>1,423,026</u>
Income taxes – current	1,978	8,571
Income taxes – deferred	(0)	(600)
Total income taxes	<u>1,978</u>	<u>7,970</u>
Net income	<u>1,301,157</u>	<u>1,415,055</u>
Retained earnings brought forward	11	18
Unappropriated retained earnings (undisposed loss)	1,301,169	1,415,073

## (3) Statements of Changes in Unitholders' Equity

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 35th Fiscal Period

35th Fiscal Period: from November 1, 2022, to April 30, 2023

[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	1,301,169
Changes of items during the period							
Issuance of new investment units	5,852,188		5,852,188				
Provision of reserve for reduction entry				99,000	-	99,000	(99,000)
Reversal of reserve for reduction entry				(99,000)	(214,151)	(313,151)	313,151
Dividends from surplus							(1,515,302)
Net income							1,415,055
Total changes of items during the period	5,852,188	-	5,852,188	-	(214,151)	(214,151)	113,904
Balance at end of period	48,082,645	(545,913)	47,536,732	99,000	185,848	284,848	1,415,073

[Unit: thousand yen]

	Unitholders' equity		Total net assets
	Surplus	Total unitholders' equity	
	Total surplus		
Balance at beginning of period	1,800,169	43,484,713	43,484,713
Changes of items during the period			
Issuance of new investment units		5,852,188	5,852,188
Provision of reserve for reduction entry	-	-	-
Reversal of reserve for reduction entry	-	-	-
Dividends from surplus	(1,515,302)	(1,515,302)	(1,515,302)
Net income	1,415,055	1,415,055	1,415,055
Total changes of items during the period	(100,247)	5,751,941	5,751,941
Balance at end of period	1,699,922	49,236,654	49,236,654



## Starts Proceed Investment Corporation (8979) Financial Report for 35th Fiscal Period

## (4) Statements of Cash Distributions

Fiscal period	34th Fiscal Period	35th Fiscal Period
	From: May 1, 2022 To: Oct. 31, 2022	From: Nov. 1, 2022 To: Apr. 30, 2023
Item		
I. Unappropriated retained earnings	1,301,169,665 yen	1,415,073,669 yen
II. Reversal of voluntary reserves		
Reversal of reserve for reduction entry	313,151,007 yen	185,848,993 yen
III. Amount of distributions	1,515,302,467 yen	1,600,797,159 yen
[Amount of distribution per investment unit]	[5,971 yen]	[5,667 yen]
IV. Voluntary reserves		
Provision of reserve for reduction entry	99,000,000 yen	- yen
V. Retained earnings brought forward	18,205 yen	125,503 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, 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>	<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 35th fiscal period, SPI decided to pay out distributions of earnings of 1,600,797,159 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (282,477 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. 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 35th Fiscal Period

(5) Statements of Cash Flows

	[Unit: thousand yen]	
	34th Fiscal Period	35th Fiscal Period
	From: May 1, 2022	From: Nov. 1, 2022
	To: Oct. 31, 2022	To: Apr. 30, 2023
Net cash provided by (used in) operating activities		
Income before income taxes	1,303,135	1,423,026
Depreciation and amortization	651,974	689,295
Amortization of investment corporation bond issuance costs	2,809	2,809
Amortization of investment unit issuance costs	-	2,071
Interest income	(16)	(17)
Interest expenses	189,563	218,952
Decrease (increase) in operating accounts receivable	6,051	(17,433)
Decrease (increase) in prepaid expenses	(12,891)	(2,368)
Decrease (increase) in consumption taxes receivable	-	(57,503)
Increase (decrease) in accrued consumption taxes	68,213	(66,229)
Increase (decrease) in operating accounts payable	46,996	(40,889)
Increase (decrease) in accounts payable – other	23,432	6,135
Decrease (increase) in long-term prepaid expenses	(6,971)	(53,573)
Decrease from sales of property, plant and equipment in trust	2,654,157	998,225
Others, net	6,663	(5,032)
Subtotal	4,933,119	3,097,467
Interest income received	16	17
Interest expenses paid	(181,061)	(201,181)
Income taxes paid	(1,967)	(1,979)
Net cash provided by (used in) operating activities	4,750,107	2,894,325
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(3,229,656)	(13,500,157)
Purchase of intangible assets	(871,571)	(179,191)
Proceeds from tenant leasehold and security deposits in trust	75,919	273,575
Repayments of tenant leasehold and security deposits in trust	(73,258)	(81,977)
Decrease (increase) in other investments	(68,041)	(109,386)
Net cash provided by (used in) investing activities	(4,166,609)	(13,597,137)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	5,773,500	11,390,000
Repayments of long-term loans payable	(5,773,500)	(4,190,000)
Proceeds from investment unit issuance	-	5,852,188
Payments of investment unit issuance costs	-	(12,430)
Dividends paid	(1,196,301)	(1,513,075)
Net cash provided by (used in) financing activities	(1,196,301)	11,526,681
Net increase (decrease) in cash and cash equivalents	(612,802)	823,870
Cash and cash equivalents at beginning of period	4,028,242	3,415,440
Cash and cash equivalents at end of period	3,415,440	4,239,310