

REIT Financial Report for 36th Fiscal Period

December 15, 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 36th Fiscal Period

Starts Proceed Investment Corporation's 36th fiscal period is the period from May 1, 2023, to October 31, 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	%
36th	3,532	(3.9)	1,500	(10.8)	1,226	(13.8)	1,218	(13.9)
35th	3,676	9.8	1,682	10.7	1,423	9.2	1,415	8.8
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		%		%		%
36th		4,313		2.5		1.2		34.7
35th		5,009		3.1		1.5		38.7

(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	%	%
36th	4,664	1,317	0	0	108.1	2.7
35th	5,667	1,600	0	0	113.1	3.3

Note 1: The difference between total distributions and net income is due to the reversal of reserve for reduction entry.

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
36th	103,441	48,854	47.2	172,949
35th	103,703	49,236	47.5	174,303

(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
36th	2,130	(1,085)	(1,611)	3,671
35th	2,894	(13,597)	11,526	4,239

2. Forecast for Management Status in 37th Fiscal Period and 38th Fiscal Period

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

Starts Proceed Investment Corporation's 38th fiscal period is the period from May 1, 2024, to October 31, 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	%
37th	3,548	0.5	1,512	0.8	1,228	0.1	1,220	0.1
38th	3,530	(0.5)	1,514	0.1	1,228	0.0	1,220	0.0

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	
37th	4,319		331		4,650	
38th	4,319		331		4,650	

[Reference] Forecast net income per unit 37th fiscal period: 4,319 yen 38th fiscal period: 4,319 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
- 36th fiscal period: 282,477 units 35th fiscal period: 282,477 units
- (b) Number of own investment units at end of period
- 36th fiscal period: - 35th 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 37th Fiscal Period and 38th Fiscal Period" presented on page 9.

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 (36th fiscal period: from May 1, 2023, to October 31, 2023), the total number of investment units issued and outstanding is 282,477 units, total assets amount to 103,441 million yen, and unitholders’ capital (net) amounts to 47,536 million yen.

(b) Investment Environment

In the 36th fiscal period, in line with the reclassification of COVID-19 as a Class 5 disease and the further easing of restrictions on movement that were implemented to prevent its spread, the Japanese economy continued to show a moderate recovery. Despite the impacts of price hikes, personal consumption remained steady thanks to improvements in the employment and income environment, and corporate earnings also improved. On the other hand, the decision by the Bank of Japan’s Policy Board and Monetary Policy Meeting to more flexibly implement yield curve control measures means that attention must be paid to domestic rises in long-term interest rates, global monetary tightening, and jumps in inflation rates, for example. As such, the future remains uncertain.

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 36th fiscal period, SPI acquired (G-38) Proceed Nishioji (acquisition price: 745 million yen) on September 29, 2023, to enhance the competitiveness of its portfolio. As a result, SPI’s portfolio as of the end of the 36th fiscal period consists of 108 properties, with acquisition prices totaling 101,679 million yen and a total leasable floor area of 208,500.36 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. 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 97.1% and an average occupancy rate of 96.8%.

As for ESG initiatives, SPI continues to participate in the Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment based on its ESG policy. SPI has acquired the GRESB 1-Star rating, which is determined based on an entity's comprehensive score and relative global quintile position. Moreover, SPI was also recognized with the second-best Level B ranking for its disclosure of ESG information. Further, through its second round of green financing, SPI was able to further promote its sustainability initiatives. 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 36th fiscal period.

(d) Status of Fund Procurement

In the 36th fiscal period, to repay a long-term loan of 5,032.5 million yen due for repayment on May 24, 2023, SPI issued the 1,500 million yen Fourth Series Unsecured Investment Corporation Bond below, and borrowed a long-term loan of 3,532.5 million yen (term: 6 years and 6 months).

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
Interest rate: 0.800% per annum
Issuance date: May 22, 2023
Redemption date: May 22, 2028
Security and guarantee: Unsecured and unguaranteed

As a result, the period-end balance of interest-bearing liabilities totaled 52,846 million yen, comprising 9,061 million yen in current portion of long-term loans payable, 38,785 million yen in long-term loans payable and 5,000 million yen in investment corporation bonds as of the end of the 36th fiscal period, with the period-end LTV ratio standing at 51.1%.

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 (Stable)	A

(e) Overview of Business Performance and Distributions

As a result of the management described above, business performance recorded for the 36th fiscal period was operating revenue of 3,532 million yen, operating income of 1,500 million yen, ordinary income of 1,226 million yen and net income of 1,218 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 36th 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 99 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 4,664 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 continue with its recovery in line with various factors, including the increasing normalization of socio-economic activities, recovery in personal consumption thanks to improvements in the employment and income environment, and increasing capital investments made possible by strong corporate earnings. On the other hand, SPI believes that it will be necessary to pay attention to future monetary policies and interest rate trends, while closely monitoring the impact of price hikes, supply constraints, and 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 36th 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. Borrowing of Funds (New) and Conclusion of Interest Rate Swap Agreement
SPI borrowed Term Loan 3A as follows to fund the repayment of Term Loan 2J (loan balance: 4,000 million yen) for which the repayment date arrived on November 24, 2023.

	Term Loan 3A
Lender	The Bank of Yokohama, Ltd. Resona Bank, Limited Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation The Musashino Bank, Ltd. The Chiba Bank, Ltd. Aozora Bank, Ltd. The Hachijuni Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited
Loan amount	4,000 million yen
Drawdown date	November 24, 2023
Principal repayment date	May 24, 2030
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 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 3A, which is conducted with a floating interest rate.

	Agreement concerning Term Loan 3A
Lender	Resona Bank, Limited
Notional principal amount	4,000 million yen
Interest rate, etc.	Fixed interest rate payable: 1.490% Floating interest rate receivable: Base interest rate (JBA 3-month Japanese Yen TIBOR) + 0.680%
Commencement date	November 24, 2023
Termination date	May 24, 2030
Payment date	The first interest payment date shall be the last day of November 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 3A is, in effect, fixed.

(c) Outlook for Management Status

SPI expects the following management status in the 37th fiscal period (from November 1, 2023, to April 30, 2024) and 38th fiscal period (from May 1, 2024, to October 31, 2024). For the assumptions underlying this outlook for management status, please refer to "Assumptions Underlying Forecast for Management Status in 37th Fiscal Period and 38th Fiscal Period" below.

	37th Fiscal Period	38th Fiscal Period
	From: November 1, 2023 To: April 30, 2024	From: May 1, 2024 To: October 31, 2024
Operating revenue	3,548 million yen	3,530 million yen
Operating income	1,512 million yen	1,514 million yen
Ordinary income	1,228 million yen	1,228 million yen
Net income	1,220 million yen	1,220 million yen
Distribution per unit (excluding distribution in excess of earnings)	4,319 yen	4,319 yen
Distribution in excess of earnings per unit	331 yen	331 yen
Distribution per unit (including distribution in excess of earnings)	4,650 yen	4,650 yen

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 36th Fiscal Period

Assumptions Underlying Forecast for Management Status in 37th Fiscal Period and 38th Fiscal Period

Item	Assumption
Business period	37th fiscal period: from November 1, 2023, to April 30, 2024 (182 days) 38th fiscal period: from May 1, 2024, to October 31, 2024 (184 days)
Assets under management	<ul style="list-style-type: none"> The forecast assumes that assets are the 108 properties in the SPI portfolio as of October 31, 2023, and there will be no changes (acquisition of new properties, disposition of existing properties, etc.) through to the end of the 38th 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.
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. Management expenses are expected to be 242 million yen for the 37th fiscal period and 239 million yen for the 38th fiscal period. Repair expenses, which are recognized as expenses in the amount presumed to be necessary in the business period, are expected to be 125 million yen for the 37th fiscal period and 120 million yen for the 38th 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 203 million yen for the 37th fiscal period and 205 million yen for the 38th fiscal period. 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 674 million yen for the 37th fiscal period and 675 million yen for the 38th 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 474 million yen for the 37th fiscal period and 474 million yen for the 38th fiscal period.
Non-operating expenses	<ul style="list-style-type: none"> Interest expenses (including interest expenses on investment corporation bonds) are expected to be 237 million yen for the 37th fiscal period and 239 million yen for the 38th fiscal period. Borrowing-related expenses are expected to be 44 million yen for the 37th fiscal period and 44 million yen for the 38th 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 4 million yen for the 37th fiscal period and 4 million yen for the 38th 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 37th fiscal period and 2 million yen for the 38th fiscal period.
Interest-bearing liabilities	<ul style="list-style-type: none"> Of the loans balance as of today of 47,846 million yen, the forecast assumes that the loan due for repayment during the 38th fiscal period (5,061 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 38th fiscal period. 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 38th fiscal period.

Starts Proceed Investment Corporation (8979) Financial Report for 36th Fiscal Period

Item	Assumption
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 38th 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 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"> 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. Distribution in excess of earnings per unit is expected to be 331 yen for the 37th fiscal period, and 331 yen for the 38th fiscal period.
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, 2023).

Starts Proceed Investment Corporation (8979) Financial Report for 36th Fiscal Period

2. Financial Statements
(1) Balance Sheets

	[Unit: thousand yen]	
	35th Fiscal Period	36th Fiscal Period
	As of Apr. 30, 2023	As of Oct. 31, 2023
Assets		
Current assets		
Cash and deposits	1,997,761	1,307,187
Cash and deposits in trust	2,241,549	2,364,605
Operating accounts receivable	43,892	28,112
Prepaid expenses	85,241	81,785
Consumption taxes receivable	57,503	-
Others	8,959	8,295
Total current assets	4,434,907	3,789,985
Non-current assets		
Property, plant and equipment		
Buildings in trust	52,585,883	53,144,986
Accumulated depreciation	(11,668,684)	(12,257,229)
Buildings in trust, net	40,917,198	40,887,756
Structures in trust	1,279,506	1,281,242
Accumulated depreciation	(891,639)	(910,773)
Structures in trust, net	387,867	370,468
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	794,115	851,440
Accumulated depreciation	(369,788)	(415,933)
Tools, furniture and fixtures in trust, net	424,327	435,507
Land in trust	55,563,624	55,981,772
Total property, plant and equipment	97,293,287	97,675,773
Intangible assets		
Leasehold in trust	1,042,267	1,033,873
Software	322	280
Total intangible assets	1,042,590	1,034,154
Investment and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	710,820	710,820
Long-term prepaid expenses	153,966	149,522
Deferred tax assets	682	610
Others	27,593	34,430
Total investments and other assets	903,061	905,383
Total non-current assets	99,238,939	99,615,311
Deferred assets		
Investment corporation bond issuance costs	19,342	27,794
Investment unit issuance costs	10,358	8,286
Total deferred assets	29,700	36,081
Total assets	103,703,546	103,441,378

Starts Proceed Investment Corporation (8979) Financial Report for 36th Fiscal Period

	[Unit: thousand yen]	
	35th Fiscal Period	36th Fiscal Period
	As of Apr. 30, 2023	As of Oct. 31, 2023
Liabilities		
Current liabilities		
Current portion of long-term loans payable	9,032,500	9,061,000
Operating accounts payable	124,919	232,635
Accounts payable – other	256,231	247,225
Accrued expenses	42,831	54,228
Income taxes payable	8,568	7,779
Accrued consumption taxes	16,040	18,673
Advances received	1,462	3,783
Others	255	78
Total current liabilities	9,482,809	9,625,404
Non-current liabilities		
Investment corporation bonds	3,500,000	5,000,000
Long-term loans payable	40,313,500	38,785,000
Tenant leasehold and security deposits in trust	870,171	873,856
Asset retirement obligations	300,411	302,809
Total non-current liabilities	44,984,082	44,961,666
Total liabilities	54,466,892	54,587,070
Net assets		
Unitholders' equity		
Unitholders' capital	48,082,645	48,082,645
Deduction from unitholders' capital	(545,913)	(545,913)
Unitholders' capital (net)	47,536,732	47,536,732
Surplus		
Voluntary reserves		
Reserve for reduction entry	99,000	99,000
Reserve for reduction entry under special provisions for property replacement	185,848	-
Total voluntary reserves	284,848	99,000
Unappropriated retained earnings (undisposed loss)	1,415,073	1,218,575
Total surplus	1,699,922	1,317,575
Total unitholders' equity	49,236,654	48,854,307
Total net assets	49,236,654	48,854,307
Total liabilities and net assets	103,703,546	103,441,378

Starts Proceed Investment Corporation (8979) Financial Report for 36th Fiscal Period

(2) Statements of Income

	[Unit: thousand yen]	
	35th Fiscal Period	36th Fiscal Period
	From: Nov. 1, 2022 To: Apr. 30, 2023	From: May 1, 2023 To: Oct. 31, 2023
Operating revenue		
Rent revenue – real estate	3,554,688	3,532,337
Gain on sales of real estate properties	122,212	-
Total operating revenue	<u>3,676,901</u>	<u>3,532,337</u>
Operating expenses		
Expenses related to rent business	1,554,855	1,546,187
Asset management fee	298,910	318,969
Asset custody fee	8,810	8,800
Administrative service fees	25,254	23,792
Directors' compensations	1,200	1,200
Other operating expenses	105,718	132,722
Total operating expenses	<u>1,994,748</u>	<u>2,031,672</u>
Operating income	<u>1,682,152</u>	<u>1,500,664</u>
Non-operating income		
Interest income	17	19
Insurance income	11,592	6,725
Reversal of distribution payable	969	1,070
Other	-	304
Total non-operating income	<u>12,580</u>	<u>8,120</u>
Non-operating expenses		
Interest expenses	208,084	214,660
Interest expenses on investment corporation bonds	10,868	16,590
Amortization of investment corporation bond issuance costs	2,809	3,402
Amortization of investment unit issuance costs	2,071	2,071
Borrowing related expenses	47,296	45,179
Others	576	576
Total non-operating expenses	<u>271,706</u>	<u>282,480</u>
Ordinary income	<u>1,423,026</u>	<u>1,226,304</u>
Income before income taxes	<u>1,423,026</u>	<u>1,226,304</u>
Income taxes – current	8,571	7,782
Income taxes – deferred	(600)	72
Total income taxes	<u>7,970</u>	<u>7,854</u>
Net income	<u>1,415,055</u>	<u>1,218,449</u>
Retained earnings brought forward	18	125
Unappropriated retained earnings (undisposed loss)	1,415,073	1,218,575

Starts Proceed Investment Corporation (8979) Financial Report for 36th Fiscal Period

(3) Statements of Changes in Unitholders' Equity

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 36th Fiscal Period

36th Fiscal Period: from May 1, 2023, to October 31, 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	48,082,645	(545,913)	47,536,732	99,000	185,848	284,848	1,415,073
Changes of items during the period							
Reversal of reserve for reduction entry				-	(185,848)	(185,848)	185,848
Dividends from surplus							(1,600,797)
Net income							1,218,449
Total changes of items during the period	-	-	-	-	(185,848)	(185,848)	(196,498)
Balance at end of period	48,082,645	(545,913)	47,536,732	99,000	-	99,000	1,218,575

[Unit: thousand yen]

	Unitholders' equity		Total net assets
	Surplus	Total unitholders' equity	
	Total surplus		
Balance at beginning of period	1,699,922	49,236,654	49,236,654
Changes of items during the period			
Reversal of reserve for reduction entry	-	-	-
Dividends from surplus	(1,600,797)	(1,600,797)	(1,600,797)
Net income	1,218,449	1,218,449	1,218,449
Total changes of items during the period	(382,347)	(382,347)	(382,347)
Balance at end of period	1,317,575	48,854,307	48,854,307

Starts Proceed Investment Corporation (8979) Financial Report for 36th Fiscal Period

(4) Statements of Cash Distributions

Fiscal period Item	35th Fiscal Period	36th Fiscal Period
	From: Nov. 1, 2022 To: Apr. 30, 2023	From: May 1, 2023 To: Oct. 31, 2023
I. Unappropriated retained earnings	1,415,073,669 yen	1,218,575,444 yen
II. Reversal of voluntary reserves		
Reversal of reserve for reduction entry	185,848,993 yen	99,000,000 yen
III. Amount of distributions	1,600,797,159 yen	1,317,472,728 yen
[Amount of distribution per investment unit]	[5,667 yen]	[4,664 yen]
IV. Retained earnings brought forward	125,503 yen	102,716 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 36th 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>	<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 36th fiscal period, SPI decided to pay out distributions of earnings of 1,317,472,728 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 65-7 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 36th Fiscal Period

(5) Statements of Cash Flows

	[Unit: thousand yen]	
	35th Fiscal Period	36th Fiscal Period
	From: Nov. 1, 2022 To: Apr. 30, 2023	From: May 1, 2023 To: Oct. 31, 2023
Net cash provided by (used in) operating activities		
Income before income taxes	1,423,026	1,226,304
Depreciation and amortization	689,295	662,260
Amortization of investment corporation bond issuance costs	2,809	3,402
Amortization of investment unit issuance costs	2,071	2,071
Interest income	(17)	(19)
Interest expenses	218,952	231,251
Decrease (increase) in operating accounts receivable	(17,433)	15,780
Decrease (increase) in prepaid expenses	(2,368)	3,455
Decrease (increase) in consumption taxes receivable	(57,503)	57,503
Increase (decrease) in accrued consumption taxes	(66,229)	2,633
Increase (decrease) in operating accounts payable	(40,889)	134,833
Increase (decrease) in accounts payable – other	6,135	10,353
Decrease (increase) in long-term prepaid expenses	(53,573)	4,443
Decrease from sales of property, plant and equipment in trust	998,225	-
Others, net	(5,032)	4,135
Subtotal	3,097,467	2,358,410
Interest income received	17	19
Interest expenses paid	(201,181)	(219,854)
Income taxes paid	(1,979)	(8,571)
Net cash provided by (used in) operating activities	2,894,325	2,130,003
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(13,500,157)	(1,082,750)
Purchase of intangible assets	(179,191)	-
Proceeds from tenant leasehold and security deposits in trust	273,575	54,642
Repayments of tenant leasehold and security deposits in trust	(81,977)	(50,957)
Decrease (increase) in other investments	(109,386)	(6,837)
Net cash provided by (used in) investing activities	(13,597,137)	(1,085,903)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	11,390,000	3,532,500
Repayments of long-term loans payable	(4,190,000)	(5,032,500)
Proceeds from issuance of investment corporation bonds	-	1,500,000
Payments of investment corporation bond issuance costs	-	(11,855)
Proceeds from investment unit issuance	5,852,188	-
Payments of investment unit issuance costs	(12,430)	-
Dividends paid	(1,513,075)	(1,599,763)
Net cash provided by (used in) financing activities	11,526,681	(1,611,618)
Net increase (decrease) in cash and cash equivalents	823,870	(567,518)
Cash and cash equivalents at beginning of period	3,415,440	4,239,310
Cash and cash equivalents at end of period	4,239,310	3,671,792