

# REIT Financial Report for 38th Fiscal Period

December 16, 2024

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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 38th Fiscal Period

*Starts Proceed Investment Corporation's 38th fiscal period is the period from May 1, 2024, to October 31, 2024.*

### (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	%
38th	3,768	0.3	1,707	(0.0)	1,379	(2.7)	1,377	(2.2)
37th	3,756	6.3	1,707	13.8	1,417	15.6	1,409	15.7

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	%	%	%
38th	4,878	2.8	1.3	36.6
37th	4,990	2.9	1.3	37.7

### (2) Distributions Status

Fiscal period	Distribution per unit [including distribution in excess of earnings]	Distribution per unit [excluding distribution in excess of earnings]	Distribution in excess of earnings per unit	Total distributions [including distribution in excess of earnings]	Total distributions [excluding distribution in excess of earnings]	Total distributions in excess of earnings	Distribution payout ratio	Ratio of distributions to net assets
	yen	yen	yen	million yen	million yen	million yen		
38th	5,250	4,878	372	1,483	1,377	105	100.0	2.8
37th	5,321	4,990	331	1,503	1,409	93	100.0	2.9

Note 1: Distribution payout ratio is rounded down to one decimal place.

Note 2: All distributions in excess of earnings in the fiscal period ended April 30, 2024, are a refund of investment, which is a return of capital under tax law.  
 Of distributions in excess of earnings in the fiscal period ended October 31, 2024, the allowance for temporary difference adjustments, etc. was 11 million yen. The refund of investment, a return of capital under tax law, was 93 million yen.

Note 3: The ratio of a reduction in unitholders' paid-in capital attributable to distributions in excess of earnings (a refund of investment, which is a return of capital under tax law) was 0.002 in the fiscal periods ended April 30 and October 31, 2024. The ratio of the reduction in unitholders' paid-in capital is calculated in accordance with Article 23, Paragraph 1, Item 5 of the Order for Enforcement of the Corporation Tax Act.

### (3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
38th	103,834	48,821	47.0	172,833
37th	106,659	48,946	45.9	173,275

#### (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
38th	4,649	(303)	(4,172)	3,671
37th	2,636	(4,577)	1,766	3,497

## 2. Forecast for Management Status in 39th Fiscal Period and 40th Fiscal Period

Starts Proceed Investment Corporation's 39th fiscal period is the period from November 1, 2024, to April 30, 2025.

Starts Proceed Investment Corporation's 40th fiscal period is the period from May 1, 2025, to October 31, 2025.

[% 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	%
39th	3,781	0.3	1,648	(3.4)	1,302	(5.6)	1,300	(5.6)
40th	3,538	(6.4)	1,479	(10.3)	1,138	(12.6)	1,136	(12.6)

Fiscal period	Distribution per unit [including distribution in excess of earnings]		Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
	yen		yen		yen	
39th	4,980		4,602		378	
40th	4,400		4,022		378	

[Reference] Forecast net income per unit      39th fiscal period: 4,602 yen      40th fiscal period: 4,022 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  
38th fiscal period: 282,477 units      37th fiscal period: 282,477 units

- (b) Number of own investment units at end of period  
38th fiscal period: - units      37th fiscal period: - units

\* 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 39th Fiscal Period and 40th Fiscal Period" presented on page 10.

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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 (38th fiscal period: from May 1, 2024, to October 31, 2024), the total number of investment units issued and outstanding is 282,477 units, total assets amount to 103,834 million yen, and unitholders' capital (net) amounts to 47,443 million yen.

##### (b) Investment Environment

In the 38th fiscal period, the Japanese economy continued to see steady personal consumption, with the impact of inflation offset by a special fixed-amount deduction from income tax and other government support and an improvement in the employment and income environment, and corporate earnings also remained strong, bolstered by a weak yen and improvement in profitability as a result of cost pass-through. However, attention must still be paid to the impact of interest rate hikes by the Bank of Japan and downside risks posed by overseas economies.

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 38th fiscal period, SPI disposed of (C-77) Proceed Kinshicho (transfer price: 2,385 million yen) on May 14, 2024 and (C-45) Proceed Oizumi-gakuen (transfer price: 284.5 million yen) on June 28, 2024, based on its strategy of replacing them with four properties acquired in the previous fiscal period to enhance the competitiveness of its portfolio. As a result, SPI's portfolio as of the end of the 38th fiscal period consists of 109 properties, with acquisition prices totaling 102,472 million yen and a total leasable floor area of 212,121.51 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 96.8% and an average occupancy rate of 97.0%.

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. Furthermore, recognizing the importance of disclosing climate-related financial information, SPI conducted an analysis of climate-related risks and opportunities based on the four thematic areas recommended by the TCFD (governance, strategy, risk management, and metrics and targets) and discloses information about its climate-related initiatives. In May 2024, SPI achieved a BELS (Building-Housing Energy-efficiency Labeling System) rating for (G-39) Proceed Shin-anjo and DBJ Green Building certification for (C-75) Proceed Shin Yokohama. This achievement reflects SPI's commitment to obtaining external certification for energy conservation and environmental performance. After the closing date, in November 2024, SPI achieved DBJ Green Building certification for (C-82) The Park Habio Yokohama Yamate and (C-89) Alpha Grande Chizakura Tower. SPI has acquired DBJ Green Building Certification for three property, CASBEE Certification for Real Estate for two properties, and Building-Housing Energy-Efficiency Labeling System (BELS) Certification for five properties as of the date of this document.

(d) Status of Fund Procurement

In the 38th fiscal period, SPI took out long-term loans of 2,900 million yen (term: 6 years and 6 months) and 2,161 million yen (term: 3 years) to repay a long-term loan of 5,061 million yen due for repayment on May 24, 2024. SPI used the proceeds from the aforementioned disposition of (C-77) Proceed Kinshicho and (C-45) Proceed Oizumi-gakuen for early repayment of 2,669.5 million yen of a short-term loan for acquiring four properties in the previous fiscal period.

As a result, the period-end balance of interest-bearing liabilities totaled 53,261 million yen, comprising 6,749 million yen in current portion of long-term loans payable, 41,097 million yen in long-term loans payable, 1,000 million yen in current portion of investment corporation bonds, and 4,000 million yen in investment corporation bonds as of the end of the 38th fiscal period, with the period-end LTV ratio standing at 51.3%.

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 38th fiscal period was operating revenue of 3,768 million yen, operating income of 1,707 million yen, ordinary income of 1,379 million yen and net income of 1,377 million yen.

Concerning distributions, to ensure that the maximum amount of distributions of earnings is included in deductible expenses based on application of Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957; including amendments thereto) (the "Special Taxation Measures Act"), SPI distributes the entire amount of unappropriated retained earnings, excluding fractions of distribution per investment unit of less than 1 yen. Accordingly, SPI declared a distribution per investment unit of 4,878 yen.

In addition, SPI's policy is to conduct cash distributions in excess of earnings each fiscal period on a continuous basis, in principle, in accordance with the distribution policy in its Articles of Incorporation. Under this policy, SPI has decided to pay out distributions of 93,499,887 yen, which is the difference between the depreciation for the properties, buildings with fixed-term land leasehold rights, owned as of the end of the 38th fiscal period and the depreciation calculated on the assumption of land ownership, as a refund of investment. SPI will also pay out distributions of 11,581,557 yen, which is equivalent to the amortization of fixed-term leaseholds, asset retirement obligations, and asset retirement obligation interest, etc. for the 38th fiscal period, as an allowance for temporary difference adjustments, etc. Consequently, the distribution in excess of earnings per investment unit is 372 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 recover moderately, driven by a rebound in personal consumption fueled by an improvement in the employment and income environment and increasing capital investment made possible by strong corporate earnings. However, attention must still be paid to future monetary policies and interest rate trends, and the impact of inflation, supply constraints, and financial and capital market volatility must be closely monitored.

In the secondary real estate market, as interest rate hikes resulting from global monetary tightening have slowed, property acquisition appetite among investors remains strong, reflecting the relative stability of the Japanese market compared with overseas markets. As a result, 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 38th 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

A. Decision on Matters Relating to Acquisition of Own Investment Units

On December 16, 2024, SPI determined the matters relating to the acquisition of its own investment units in accordance with Article 80-2 of the Act on Investment Trusts and Investment Corporations applied under Article 80-5, Paragraph 2 of the same act. Moreover, all the own investment units are scheduled to be cancelled during the fiscal period ending April 30, 2025.

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Total number of investment units that can be acquired:	A maximum of 12,000
Total acquisition value of investment units:	A maximum of 2,000 million yen
Acquisition method:	Market purchase based on discretionary transactions with securities company
Acquisition period:	From December 17, 2024 to April 22, 2025

## (Reference Information)

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

SPI issued investment corporation bonds under the conditions below based on a comprehensive resolution on the issuance of investment corporation bonds passed at a meeting of the Board of Directors held on October 24, 2024.

Name	Starts Proceed Fifth Series Unsecured Investment Corporation Bonds (ranking pari passu among specified investment corporation bonds) (Green bonds)
Total amount issued	2,000 million yen
Payment date	November 18, 2024
Paid-in amount	100 yen per 100 yen of each investment corporation bond
Interest rate	1.227 % per annum
Security and guarantee	Unsecured and unguaranteed
Redemption date	SPI will conduct the redemption of the total amount on November 16, 2029. The Investment Corporation Bonds may be repurchased and canceled 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. If the maturity date of the Investment Corporation Bonds falls on a bank holiday, the payment will be moved forward to the preceding bank business day.
Interest payment date	May 18 and November 18 every year First interest payment date will be May 18, 2025. If the interest payment date falls on a bank holiday, the payment will be made on the preceding bank business day.
Use of funds	SPI procured the funds to acquire (C-41) Proceed Nishiarai (Artier), which is an eligible green asset in the green finance framework. The entire amount was used to repay The First Series Unsecured Investment Corporation Bonds and a loan.

**B. Borrowing of Funds (New)**

SPI borrowed Term Loan 3E as follows to repay Term Loan 2M (loan balance: 3,700 million yen) and Term Loan 3B (loan balance: 415 million yen) which were due for repayment on November 22, 2024.

	Term Loan 3E
Lender	Aozora Bank, Ltd. Resona Bank, Limited The Chiba Bank, Ltd. The Musashino Bank, Ltd. Mizuho Bank, Ltd. The Kagawa Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited
Loan amount	3,100 million yen
Drawdown date	November 22, 2024
Principal repayment date	May 23, 2031
Interest rate (Note)	Floating rate (Base interest rate (JBA 3-month Japanese Yen TIBOR) +0.680%)
Interest payment date	The interest payment dates shall be the last day of November 2024 and the last day of every 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).

**C. Transfer of Assets**

SPI concluded a trust beneficiary interest transfer agreement subject to conditions precedent for Proceed Shinkoiwa on November 29, 2024, and a similar agreement for Proceed Hyogoekimaedori on December 13, 2024. SPI will dispose of these assets on February 28, 2025, and January 24, 2025, respectively.

Property no.	Property name	Buyer	Planned disposition price (thousand yen) (Note 1)	Assumed book value (thousand yen)	Amount of difference between planned disposition price and assumed book value (thousand yen)
C-20	Proceed Shinkoiwa	Tokyo Tatemono Real Estate Sales Co., Ltd.	618,000	512,379	105,620
G-30	Proceed Hyogoekimaedori	Domestic operating company (Note 2)	1,900,000	1,737,760	162,239

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

Note 2: The buyer is a domestic operating company and its name is not disclosed as consent for disclosure has not been obtained.



## (c) Outlook for Management Status

SPI expects the following management status in the 39th fiscal period (from November 1, 2024, to April 30, 2025) and 40th fiscal period (from May 1, 2025, to October 31, 2025). For the assumptions underlying this outlook for management status, please refer to “Assumptions Underlying Forecast for Management Status in 39th Fiscal Period and 40th Fiscal Period” below.

	39th Fiscal Period From: November 1, 2024 To: April 30, 2025	40th Fiscal Period From: May 1, 2025 To: October 31, 2025
Operating revenue	3,781 million yen	3,538 million yen
Operating income	1,648 million yen	1,479 million yen
Ordinary income	1,302 million yen	1,138 million yen
Net income	1,300 million yen	1,136 million yen
Distribution per unit (including distribution in excess of earnings)	4,980 yen	4,400 yen
Distribution per unit (excluding distribution in excess of earnings)	4,602 yen	4,022 yen
Distribution in excess of earnings per unit	378 yen	378 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 (excluding distribution in excess of earnings) 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.

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Assumptions Underlying Forecast for Management Status in 39th Fiscal Period and 40th Fiscal Period

Item	Assumption
Business period	39th fiscal period: from November 1, 2024, to April 30, 2025 (181 days) 40th fiscal period: from May 1, 2025, to October 31, 2025 (184 days)
Assets under management	<ul style="list-style-type: none"> <li>The forecast assumes that assets are the 109 properties in the SPI portfolio as of October 31, 2024, that SPI disposed of (G-30) Proceed Hyogoekimaedori on January 24, 2025, and SPI disposes of (C-20) Proceed Shinkoiwa on February 28, 2025, and there will be no changes (acquisition of new properties, disposition of existing properties, etc.) through to the end of the 40th 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 242 million yen for the 39th fiscal period and 239 million yen for the 40th 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 136 million yen for the 39th fiscal period and 125 million yen for the 40th 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 219 million yen for the 39th fiscal period and 220 million yen for the 39th 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 708 million yen for the 39th fiscal period and 707 million yen for the 40th 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 503 million yen for the 39th fiscal period and 459 million yen for the 40th 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 292 million yen for the 39th fiscal period and 292 million yen for the 40th fiscal period.</li> <li>Borrowing-related expenses are expected to be 49 million yen for the 39th fiscal period and 44 million yen for the 40th 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 4 million yen for the 39th fiscal period and 4 million yen for the 40th 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 39th fiscal period and 2 million yen for the 40th fiscal period.</li> </ul>
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>Of the loan's balance as of today of 47,246 million yen, the forecast assumes that the entire amount of the loan due for repayment during the 40th fiscal period (3,049 million yen) will be refinanced and the loan balance will remain unchanged at 47,246 million yen through to the end of the 40th fiscal period.</li> <li>The forecast assumes that the remaining balance of investment corporation bonds of 6,000 million yen will remain unchanged through to the end of the 40th fiscal period.</li> </ul>
Total number of investment	<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 40th fiscal period.</li> </ul>

Item	Assumption
units issued and outstanding	<ul style="list-style-type: none"> <li>The acquisition/cancellation of own investment units described in 1. Management Status, A. Management Status, (2) Outlook for Next Fiscal Period, (b) Significant Subsequent Events is not taken into consideration.</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>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>Assuming that SPI owns five properties with fixed-term land leasehold rights as of the date of publication of this document, SPI estimates that the distribution in excess of earnings per investment unit will be 378 yen for the fiscal period ending April 30, 2025, and 378 yen for the fiscal period ending October 31, 2025. The distribution in excess of earnings is the sum of the difference between the depreciation for the five properties with fixed-term land leasehold rights and the depreciation calculated on the assumption of land ownership (other distributions in excess of earnings, or a refund of investment) and the amount equivalent to the amortization of fixed-term leaseholds, the amortization of asset retirement obligations, and asset retirement obligation interest, etc. (distributions of an allowance for temporary difference adjustments).</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 July 29, 2024).

Starts Proceed Investment Corporation (8979) Financial Report for 38th Fiscal Period

2. Financial Statements

(1) Balance Sheets

	[Unit: thousand yen]	
	37th Fiscal Period	38th Fiscal Period
	As of Apr. 30, 2024	As of Oct. 31, 2024
Assets		
Current assets		
Cash and deposits	1,191,304	1,264,128
Cash and deposits in trust	2,306,559	2,407,345
Operating accounts receivable	40,555	30,594
Prepaid expenses	110,396	109,908
Others	14,555	8,607
Total current assets	3,663,370	3,820,584
Non-current assets		
Property, plant and equipment		
Buildings in trust	55,972,271	55,433,846
Accumulated depreciation	(12,772,113)	(13,280,856)
Buildings in trust, net	43,200,157	42,152,990
Structures in trust	1,302,942	1,307,095
Accumulated depreciation	(927,327)	(945,847)
Structures in trust, net	375,615	361,248
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	933,886	969,859
Accumulated depreciation	(464,573)	(510,717)
Tools, furniture and fixtures in trust, net	469,313	459,142
Land in trust	56,872,655	54,960,795
Total property, plant and equipment	100,918,011	97,934,445
Intangible assets		
Leasehold in trust	1,025,479	1,017,085
Software	238	479
Total intangible assets	1,025,718	1,017,564
Investments and other assets		
Leasehold and guarantee deposits	10,000	10,000
Leasehold and guarantee deposits in trust	710,902	734,611
Long-term prepaid expenses	252,554	236,225
Deferred tax assets	623	29
Others	48,316	57,503
Total investments and other assets	1,022,396	1,038,370
Total non-current assets	102,966,126	99,990,380
Deferred assets		
Investment corporation bond issuance costs	23,733	19,672
Investment unit issuance costs	6,215	4,143
Total deferred assets	29,948	23,815
Total assets	106,659,446	103,834,781

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	[Unit: thousand yen]	
	37th Fiscal Period	38th Fiscal Period
	As of Apr. 30, 2024	As of Oct. 31, 2024
Liabilities		
Current liabilities		
Short-term loans payable	3,085,000	415,500
Current portion of investment corporation bonds	1,000,000	1,000,000
Current portion of long-term loans payable	8,761,000	6,749,000
Operating accounts payable	210,536	186,765
Accounts payable - other	289,436	259,008
Accrued expenses	64,526	72,158
Income taxes payable	7,922	1,185
Accrued consumption taxes	12,825	49,769
Advances received	1,519	1,648
Others	961	253
Total current liabilities	13,433,727	8,735,289
Non-current liabilities		
Investment corporation bonds	4,000,000	4,000,000
Long-term loans payable	39,085,000	41,097,000
Tenant leasehold and security deposits in trust	889,028	873,477
Asset retirement obligations	305,227	307,663
Total non-current liabilities	44,279,255	46,278,141
Total liabilities	57,712,983	55,013,431
Net assets		
Unitholders' equity		
Unitholders' capital	48,082,645	48,082,645
Deduction from unitholders' capital	(545,913)	(639,413)
Unitholders' capital (net)	47,536,732	47,443,232
Surplus		
Unappropriated retained earnings (undisposed loss)	1,409,730	1,378,117
Total surplus	1,409,730	1,378,117
Total unitholders' equity	48,946,462	48,821,350
Total net assets	48,946,462	48,821,350
Total liabilities and net assets	106,659,446	103,834,781

Starts Proceed Investment Corporation (8979) Financial Report for 38th Fiscal Period

(2) Statements of Income

	[Unit: thousand yen]	
	37th Fiscal Period	38th Fiscal Period
	From: Nov 1, 2023	From: May. 1, 2024
	To: Apr. 30, 2024	To: Oct. 31, 2024
Operating revenue		
Rent revenue – real estate	3,612,908	3,620,089
Gain on sales of real estate properties	143,512	148,859
Total operating revenue	3,756,420	3,768,949
Operating expenses		
Expenses related to rent business	1,554,620	1,559,676
Asset management fee	338,645	335,858
Asset custody fee	8,824	8,811
Administrative service fees	19,864	20,204
Directors' compensations	1,200	1,200
Other operating expenses	125,452	136,042
Total operating expenses	2,048,607	2,061,793
Operating income	1,707,813	1,707,156
Non-operating income		
Interest income	128	7,492
Insurance income	6,800	1,389
Reversal of distribution payable	1,137	1,041
Others	-	346
Total non-operating income	8,066	10,269
Non-operating expenses		
Interest expenses	228,631	264,825
Interest expenses on investment corporation bonds	16,863	17,297
Amortization of investment corporation bond issuance costs	4,061	4,061
Amortization of investment unit issuance costs	2,071	2,071
Borrowing related expenses	45,680	48,842
Others	1,032	557
Total non-operating expenses	298,339	337,656
Ordinary income	1,417,539	1,379,769
Income before income taxes	1,417,539	1,379,769
Income taxes – current	7,924	1228
Income taxes – deferred	(13)	593
Total income taxes	7,911	1,821
Net income	1,409,627	1,377,947
Retained earnings brought forward	102	170
Unappropriated retained earnings (undisposed loss)	1,409,730	1,378,117

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

37th Fiscal Period: from November 1, 2023, to April 30, 2024

[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	Total voluntary reserves	
Balance at beginning of period	48,082,645	(545,913)	47,536,732	99,000	99,000	1,218,575
Changes of items during the period						
Reversal of reserve for reduction entry				(99,000)	(99,000)	99,000
Dividends from surplus						(1,317,472)
Net income						1,409,627
Total changes of items during the period	-	-	-	(99,000)	(99,000)	191,154
Balance at end of period	48,082,645	(545,913)	47,536,732	-	-	1,409,730

[Unit: thousand yen]

	Unitholders' equity		Total net assets
	Surplus	Total unitholders' equity	
	Total surplus		
Balance at beginning of the period	1,317,575	48,854,307	48,854,307
Changes of items during the period			
Reversal of reserve for reduction entry	-	-	-
Dividends from surplus	(1,317,472)	(1,317,472)	(1,317,472)
Net income	1,409,627	1,409,627	1,409,627
Total changes of items during the period	92,154	92,154	92,154
Balance at end of period	1,409,730	48,946,462	48,946,462

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38th Fiscal Period: from May 1, 2024, to October 31, 2024

[Unit: thousand yen]

	Unitholders' equity			
	Unitholders' capital			Surplus
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital (net)	Unappropriated retained earnings (undisposed loss)
Balance at beginning of period	48,082,645	(545,913)	47,536,732	1,409,730
Changes of items during the period				
Distributions in excess of earnings		(93,499)	(93,499)	-
Dividends from surplus				(1,409,560)
Net income				1,377,947
Total changes of items during the period	-	(93,499)	(93,499)	(31,612)
Balance at end of period	48,082,645	(639,413)	47,443,232	1,378,117

[Unit: thousand yen]

	Unitholders' equity		Total net assets
	Surplus	Total unitholders' equity	
	Total surplus		
Balance at beginning of the period	1,409,730	48,946,462	48,946,462
Changes of items during the period			
Distributions in excess of earnings	-	(93,499)	(93,499)
Dividends from surplus	(1,409,560)	(1,409,560)	(1,409,560)
Net income	1,377,947	1,377,947	1,377,947
Total changes of items during the period	(31,612)	(125,112)	(125,112)
Balance at end of period	1,378,117	48,821,350	48,821,350



## (4) Statements of Cash Distributions

Item	Fiscal period	37th Fiscal Period	38th Fiscal Period
		From: Nov. 1, 2023 To: Apr. 30, 2024	From: May. 1, 2024 To: Oct. 31, 2024
I. Unappropriated retained earnings		1,409,730,423 yen	1,378,117,785 yen
II. Additional amount of distribution in excess of earnings		93,499,887 yen	105,081,444 yen
Allowance for temporary difference adjustments		- yen	11,581,557 yen
Other deduction from unitholders' capital		93,499,887 yen	93,499,887 yen
III. Amount of distributions		1,503,060,117 yen	1,483,004,250 yen
[Amount of distribution per investment unit]		[5,321 yen]	[5,250 yen]
Distribution of earnings		1,409,560,230 yen	1,377,922,806 yen
[Distribution of earnings per unit]		[4,990 yen]	[4,878 yen]
Distribution in an allowance for temporary difference adjustments		- yen	11,581,557 yen
[Distribution in excess of earnings per unit (those pertaining to an allowance for temporary difference adjustments)]		[- yen]	[41 yen]
Distribution in other distributions in excess of earnings		93,499,887 yen	93,499,887 yen
[Distribution in excess of earnings per unit (those pertaining to other distributions in excess of earnings)]		[331 yen]	[331 yen]
IV. Retained earnings brought forward		170,193 yen	194,979 yen

Starts Proceed Investment Corporation (8979) Financial Report for 38th Fiscal Period

Item	Fiscal period	37th Fiscal Period From: Nov. 1, 2023 To: Apr. 30, 2024	38th Fiscal Period From: May. 1, 2024 To: Oct. 31, 2024
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 this policy, in the 37th fiscal period, SPI decided to pay out distributions of earnings of 1,409,560,230 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (282,477 units) that does not exceed the amount of unappropriated retained earnings at the end of the 37th fiscal period.</p> <p>In addition, based on SPI's policy to conduct cash distributions in excess of earnings set out Article 35, (iv) of its Articles of Incorporation, SPI is committed to making cash distributions in excess of earnings each fiscal period on a continuous basis, in principle.</p> <p>Under this policy, SPI has decided to distribute 93,499,887 yen, which is the amount equivalent to 13.8% of depreciation expense in the 37th period (677,816,247 yen), as distributions in excess of earnings (return of capital).</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 this policy, in the 37th fiscal period, SPI decided to pay out distributions of earnings of 1,377,922,806 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (282,477 units) that does not exceed the amount of unappropriated retained earnings at the end of the 37th fiscal period.</p> <p>In addition, based on SPI's policy to conduct cash distributions in excess of earnings set out Article 35, (iv) of its Articles of Incorporation, SPI is committed to making cash distributions in excess of earnings each fiscal period on a continuous basis, in principle.</p> <p>SPI also pays out distributions of an allowance for temporary difference adjustments, considering the impact on the distributions of tax income in excess of accounting income due to expenses related to asset retirement obligations and the amortization of fixed-term leaseholds in trust for the fiscal period under review.</p> <p>Under this policy, SPI has decided to pay out distributions totaling 105,081,444 yen as distributions in excess of earnings. These distributions are the sum of 93,499,887 yen (a refund of investment, which is a return of capital under tax law), which is equivalent to 13.5% of depreciation (excluding the amortization of leaseholds in trust, etc.) totaling 694,946,508 yen for the fiscal period under review, and 11,581,557 yen (an allowance for temporary difference adjustments, etc.), which is roughly equivalent to tax income in excess of accounting income.</p>

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(5) Statements of Cash Flows

	[Unit: thousand yen]	
	37th Fiscal Period	38th Fiscal Period
	From: Nov. 1, 2023	From: May. 1, 2024
	To: Apr. 30, 2024	To: Oct. 31, 2024
Net cash provided by (used in) operating activities		
Income before income taxes	1,417,539	1,379,769
Depreciation and amortization	677,783	703,408
Amortization of investment corporation bond issuance costs	4,061	4,061
Amortization of investment unit issuance costs	2,071	2,071
Interest income	(128)	(7,492)
Interest expenses	245,494	282,122
Decrease (increase) in operating accounts receivable	(12,443)	9,961
Decrease (increase) in prepaid expenses	(28,610)	487
Increase (decrease) in accrued consumption taxes	(5,848)	36,944
Increase (decrease) in operating accounts payable	(107,512)	20,251
Increase (decrease) in accounts payable - other	40,549	(29,494)
Decrease (increase) in long-term prepaid expenses	(103,032)	16,328
Decrease from sales of property, plant and equipment in trust	755,575	2,498,889
Others, net	(5,924)	6,764
Subtotal	2,879,574	4,924,074
Interest income received	128	7,492
Interest expenses paid	(235,195)	(274,490)
Income taxes paid	(7,782)	(7,965)
Net cash provided by (used in) operating activities	2,636,725	4,649,110
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(4,578,304)	(254,293)
Purchase of intangible assets	-	(308)
Proceeds from tenant leasehold and security deposits in trust	66,435	52,432
Repayments of tenant leasehold and security deposits in trust	(51,263)	(67,983)
Decrease (increase) in investments and other assets	(13,968)	(32,895)
Net cash provided by (used in) investing activities	(4,577,100)	(303,048)
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	4,000,000	-
Repayments of short-term loans payable	(915,000)	(2,669,500)
Proceeds from long-term loans payable	4,000,000	5,061,000
Repayments of long-term loans payable	(4,000,000)	(5,061,000)
Dividends paid	(1,318,553)	(1,409,452)
Distributions in excess of earnings	-	(93,499)
Net cash provided by (used in) financing activities	1,766,446	(4,172,452)
Net increase (decrease) in cash and cash equivalents	(173,928)	173,610
Cash and cash equivalents at beginning of period	3,671,792	3,497,863
Cash and cash equivalents at end of period	3,497,863	3,671,474