

# REIT Financial Report for 32nd Fiscal Period

December 15, 2021

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 32nd Fiscal Period

*Starts Proceed Investment Corporation's 32nd fiscal period is the period from May 1, 2021, to October 31, 2021.*

### (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	%
32nd	3,177	0.5	1,370	0.6	1,159	(0.3)	1,157	(2.1)
31st	3,160	(5.7)	1,362	(13.9)	1,163	(16.6)	1,183	(15.0)
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	%		%		%		%
32nd	4,562	2.7		2.7		1.3		36.5
31st	4,662	2.7		2.7		1.3		36.8

### (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	%	%
32nd	4,563	1,157	-	-	100.0	2.7
31st	4,663	1,183	-	-	100.0	2.7

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

### (3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
32nd	90,258	43,341	48.0	170,785
31st	90,191	43,366	48.1	170,886

### (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
32nd	2,145	(732)	(1,182)	3,539
31st	2,533	(1,256)	(1,401)	3,309

## 2. Forecast for Management Status in 33rd Fiscal Period and 34th Fiscal Period

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

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

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

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
33rd	3,133	(1.4)	1,369	(0.1)	1,149	(0.9)	1,147	(0.9)
34th	3,121	(0.4)	1,369	0.0	1,149	0.0	1,147	0.0

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
	million yen	%	million yen	%
33rd	4,520	-	-	-
34th	4,520	-	-	-

[Reference] Forecast net income per unit      33rd fiscal period: 4,520 yen      34th fiscal period: 4,520 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.: | Yes  |
| (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 |               |                                   |
| 32nd fiscal period:   | 253,777 units | 31st fiscal period: 253,777 units |
| (b) Number of own investment units at end of period   |               |                                   |
| 32nd fiscal period:   | -             | 31st 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 ("SPI"). 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 33rd Fiscal Period and 34th Fiscal Period" presented on pages 10 to 11.

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## 1. Management Status

### A. Management Status

#### (1) Overview of Fiscal Period under Review

##### (a) Brief Background of the Investment Corporation

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 Trust Act"), completed registration with the Kanto Local Finance Bureau based on Article 187 of the Investment Trust 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 Trust Act; the same hereinafter) backed mainly by rental housing. In addition, 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 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. In investment in rental housing, etc., SPI adopts the basic policy of particularly setting rental housing for average-income households, 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 achieve enhancement of management efficiency, with an aim to secure steady growth and stable revenue of assets under management over the medium to long term.

As of the end of the fiscal period under review (32nd fiscal period: from May 1, 2021, to October 31, 2021), the total number of investment units issued and outstanding is 253,777 units, total assets amount to 90,258 million yen, and unitholders' capital (net amount) amounts to 41,684 million yen.

##### (b) Investment Environment

In the 32nd fiscal period, the Japanese economy continued to experience a harsh situation with the decrease in individual consumption as well as sluggish exports and capital investments due to the impact of the re-spread of COVID-19 and the declaration of state of emergency caused by it, but the number of COVID-19 cases decreased and the state of emergency was lifted in September, and a recovery trend was seen with the resumption of economic activities. However, being a REIT specializing in housing, SPI does not foresee concerns regarding the impact of the COVID-19 pandemic on its operations in the short term given the extremely limited impact of decrease in revenue from rent and such found at this point in time.

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

In the secondary real estate market, while a robust investment appetite continued to be seen among listed REITs, private REITs and other investors in Japan and abroad amid the ongoing favorable fund procurement environment, competition in property acquisition has remained intense with limited supply of quality properties, leaving transaction prices at a high level.

##### (c) Management Performance

In the 32nd fiscal period, SPI conducted asset replacement through disposition of (C-40) Proceed Motoyawata (disposition price: 336 million yen) on July 1, 2021, and acquisition of (C-86) Proceed Shinkawa (acquisition price: 500 million yen) on July 2, 2021, to avoid increase in costs for major repairs, etc. seen as necessary as properties age in addition to risk of a future drop in prices due to a decline in competitiveness, etc. caused by aging facilities.

As a result, SPI's portfolio as of the end of the 32nd fiscal period consists of 106 properties with acquisition prices totaling 88,461 million yen and a total leasable floor area of 192,143.94 m<sup>2</sup>.

In close collaboration with the property management company Starts Amenity Co., Ltd., the Asset Management Company made efforts to reduce building maintenance and management costs while striving to improve the rent levels and increase the receipt of key money and other revenue. In addition, with finely tuned leasing conditions set based on understanding of regional characteristics and advantages of individual properties as well as thorough comparative analyses of nearby competitive properties, leasing activities in coordination with leasing agents were promoted. Furthermore, ongoing efforts were made to put vacant space into service quickly with an aim of maintaining the high occupancy rate. These measures worked to maintain the occupancy rate of the entire portfolio at a stable level of over 95.0%, the target level, throughout the period and resulted in a period-average occupancy rate of 95.8% and period-end occupancy rate of 96.4%.

As the most recent ESG initiative, SPI acquired the Building-Housing Energy-Efficiency Labeling System (BELS) Certification for two properties ((C-83) Proceed Monzennakacho and (C-84) Proceed Maihama) in June 2021. In addition, SPI established the “Green Finance Framework” with an aim to strengthen the funding platform by expanding the investor base interested in ESG investment and lending, along with promoting sustainability initiatives, by procuring funds through green financing. SPI has been assigned “Green 1 (F)”, the highest evaluation grade in the “JCR Green Finance Framework Evaluation”, by Japan Credit Rating Agency, Ltd. (JCR) as the third-party evaluation of the said framework.

(d) Status of Fund Procurement

In the 32nd fiscal period, SPI borrowed a long-term loan of 2,159 million yen (term: 2 years) and a long-term loan of 2,161 million yen (term: 3 years) to repay a long-term loan of 4,320 million yen due for repayment on May 24, 2021.

As a result, as of the end of the 32nd fiscal period, the current portion of long-term loans payable is 10,093 million yen, long-term loans payable is 33,552 million yen and investment corporation bonds is 2,000 million yen. The period-end balance for interest-bearing liabilities is 45,646 million yen and the period-end LTV ratio is 50.6%.

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- (positive)	Bond rating A-

(e) Overview of Business Performance and Distributions

As a result of the management described above, business performance recorded for the 32nd fiscal period was operating revenue of 3,177 million yen, operating income of 1,370 million yen, ordinary income of 1,159 million yen and net income of 1,157 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 4,563 yen.

(2) Outlook for Next Fiscal Period

(a) Management Policy and Challenges to Address

a. Investment Environment

Concerning the outlook for the Japanese economy, the number of COVID-19 cases is decreasing and restrictions on activities have been eased due to the promotion of vaccination, and the recovery of individual consumption is expected mainly in the service industry backed by the increase in exports and picking up of capital investments. On the other hand, it is believed that careful attention should continue to be paid to the trend of the COVID-19 variant.

In the primary real estate market, with the investment appetite among market players such as listed REITs, private REITs and other investors in Japan and abroad remaining strong against the backdrop of low interest rates and the favorable environment for fund procurement, the continued execution of transactions at a high price range is expected. In addition, in the market for rental housing, high occupancy rates and an upward trend in unit rent are still expected to continue to a certain degree mainly in the greater Tokyo area.

b. External Growth Strategy

Based on the extensive collaborative relationship with the Starts Group, which is formed by agreements such as a pipeline support agreement concluded between the Asset Management Company and each of Starts Corporation Inc., Starts Development Corporation and Starts Amenity Co., Ltd. as well as a property information provision agreement concluded between the Asset Management Company and Starts CAM Co., Ltd., SPI strives to increase opportunities to newly acquire prime investment real estate. Furthermore, SPI will consider acquisition of quality newly built or relatively newly built properties that have the potential to generate stable revenue over the medium to long term, while carefully assessing trends in the financial market as well as the primary and secondary real estate markets, in addition to acquiring properties developed by the Starts Group, with an aim to expand asset size and enhance portfolio quality. 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, etc.

c. Internal Growth Strategy

Following on from the 32nd fiscal period, under close collaboration with the property management company Starts Amenity Co., Ltd. and Starts Pitat House Co., Ltd., to which leasing business operations are re-entrusted, efforts will be made to enhance convenience and comfort for residents through the provision of high-quality management services, along with not stopping at uniform management but conducting finely tuned management suited to the respective area's real estate leasing market trends and individual property characteristics, in order to enhance the revenues and occupancy rates of assets under management and cut costs. 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 and enhance the lineup of financing banks, reduce financing costs, extend loan periods, build a ladder for repayment deadlines and shift borrowings to fixed-interest loans as needed with an aim to further strengthen the financial base and diversify its fund procurement including through the issuance of investment corporation bonds.

(b) Significant Subsequent Events  
Not applicable.

## (Reference Information)

## A. Issuance of Investment Corporation Bonds

SPI issued investment corporation bonds (Green Bonds) under the following conditions based on a comprehensive resolution on the issuance of investment corporation bonds made at the meeting of the Board of Directors of SPI held on October 22, 2021.

Name	Starts Proceed Third 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	November 18, 2021
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 November 18, 2031. 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 18 and November 18 of each year The first interest payment date is May 18, 2022. 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 funds for repayment of borrowings outstanding to acquire "(C-83) Proceed Monzennakacho" and "(C-84) Proceed Maihama" which are eligible green assets in the green finance framework.

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

SPI borrowed Term Loan 2T as follows to partially fund the repayment of Term Loan 2H (loan balance: 4,320 million yen) for which the repayment date arrived on November 24, 2021.

	Term Loan 2T
Lender	Resona Bank, Limited Aozora Bank, Ltd. Mizuho Bank, Ltd. The Chiba Bank, Ltd. The Musashino Bank, Ltd. The 77 Bank, Ltd. The Kagawa Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited
Loan Amount	2,820 million yen
Drawdown Date	November 24, 2021
Principal Repayment Date	May 24, 2027
Interest Rate (Note)	Base interest rate (JBA 3-month Japanese Yen TIBOR) +0.670%
Interest Payment Date	The first interest payment date shall be the last day of November 2021, 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.
Principle Repayment Method	Lump-sum repayment on repayment date
Collateral 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).

SPI concluded an interest rate swap agreement as follows to hedge against risk of interest rate hike concerning Term Loan 2T, the borrowings to be conducted under the condition of floating interest rate as mentioned above.

## Interest Rate Swap Agreement

Lender	Aozora Bank, Ltd.
Notional Principle Amount	2,820 million yen
Interest Rate, Etc.	Fixed interest rate 0.850% payable Floating interest rate receivable Base interest rate (JBA 3-month Japanese Yen TIBOR) + 0.670% (Note)
Commencement Date	November 24, 2021
Termination Date	May 24, 2027
Payment Date	The first interest payment date shall be the last day of November 2021, 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 2T is, in effect, fixed at 0.850%.



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(c) Outlook for Management Status

SPI expects the following management status in the 33rd fiscal period (from November 1, 2021, to April 30, 2022) and 34th fiscal period (from May 1, 2022, to October 31, 2022). For the assumptions underlying this outlook for management status, please refer to "Assumptions Underlying Forecast for Management Status in 33rd Fiscal Period and 34th Fiscal Period" below.

	33rd Fiscal Period	34th Fiscal Period
	From: Nov. 1, 2021 To: Apr. 30, 2022	From: May 1, 2022 To: Oct. 31, 2022
Operating revenue	3,133 million yen	3,121 million yen
Operating income	1,369 million yen	1,369 million yen
Ordinary income	1,149 million yen	1,149 million yen
Net income	1,147 million yen	1,147 million yen
Distribution per unit	4,520 yen	4,520 yen
Distribution in excess of earnings per unit	-	-

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

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Assumptions Underlying Forecast for Management Status in 33rd Fiscal Period and 34th Fiscal Period

Item	Assumption
Business period	33rd fiscal period: from November 1, 2021, to April 30, 2022 (181 days) 34th fiscal period: from May 1, 2022, to October 31, 2022 (184 days)
Assets under management	<ul style="list-style-type: none"> <li>The forecast assumes assets are the 106 properties in the SPI portfolio as at October 31, 2021, and assumes that there will be no changes (acquisition of new properties, disposition of existing properties, etc.) through to the end of the 34th 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> <li>Other than the above, the forecast assumes that there will be no deferral of payment, reduction in amount, etc. of rent from lessees given the present state of generally no impact of rent decrease or such due to the spread of COVID-19 found at this point in time.</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 199 million yen for the 33rd fiscal period and 199 million yen for the 34th 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 108 million yen for the 33rd fiscal period and 106 million yen for the 34th 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 181 million yen for the 33rd fiscal period and 181 million yen for the 34th 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 620 million yen for the 33rd fiscal period and 621 million yen for the 34th 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 413 million yen for the 33rd fiscal period and 406 million yen for the 34th 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 180 million yen for the 33rd fiscal period and 180 million yen for the 34th fiscal period.</li> <li>Borrowing-related expenses are expected to be 38 million yen for the 33rd fiscal period and 38 million yen for the 34th 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 2 million yen for the 33rd fiscal period and 2 million yen for the 34th fiscal period.</li> </ul>
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>Of the loans balance as of today of 42,146 million yen, the forecast assumes that the loan due for repayment during the 34th fiscal period (5,773 million yen) will be refinanced in the entire amount and the loans balance will remain unchanged at 42,146 million yen through to the end of the 34th fiscal period.</li> <li>The forecast assumes the balance of investment corporation bonds of 3,500 million yen as of today will remain unchanged through to the end of the 34th fiscal period.</li> </ul>

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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 today of 253,777 units and assumes there will be no subsequent issuance of investment units through to the end of the 34th fiscal period.</li> </ul>
Distribution per unit	<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>No distributions in excess of earnings (distribution in excess of earnings per unit) are scheduled at present.</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**

Disclosure is omitted because there are no significant changes from the “Investment Risks” in the most recent securities report (submitted on July 27, 2021).

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2. Financial Statements  
(1) Balance Sheets

	[Unit: thousand yen]	
	31st Fiscal Period	32nd Fiscal Period
	As of Apr. 30, 2021	As of Oct. 31, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	1,389,472	1,558,790
Cash and deposits in trust	1,920,383	1,981,070
Operating accounts receivable	31,641	23,835
Prepaid expenses	79,859	76,672
Consumption taxes receivable	-	8,072
Others	994	5,144
<b>Total current assets</b>	<b>3,422,350</b>	<b>3,653,586</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings in trust	46,820,953	46,851,393
Accumulated depreciation	(10,151,186)	(10,627,991)
Buildings in trust, net	36,669,766	36,223,402
Structures in trust	1,286,882	1,287,397
Accumulated depreciation	(787,356)	(822,940)
Structures in trust, net	499,525	464,457
Machinery and equipment in trust	5,376	5,376
Accumulated depreciation	(4,978)	(5,107)
Machinery and equipment in trust, net	397	268
Tools, furniture and fixtures in trust	473,714	547,811
Accumulated depreciation	(266,404)	(288,872)
Tools, furniture and fixtures in trust, net	207,310	258,939
Land in trust	48,688,187	48,967,674
<b>Total property, plant and equipment</b>	<b>86,065,187</b>	<b>85,914,742</b>
<b>Investment and other assets</b>		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	535,874	541,719
Long-term prepaid expenses	124,870	105,496
Deferred tax assets	79	80
Others	16,223	17,744
<b>Total investments and other assets</b>	<b>687,048</b>	<b>675,041</b>
<b>Total non-current assets</b>	<b>86,752,235</b>	<b>86,589,783</b>
<b>Deferred assets</b>		
Investment corporation bond issuance costs	17,372	15,191
<b>Total deferred assets</b>	<b>17,372</b>	<b>15,191</b>
<b>Total assets</b>	<b>90,191,958</b>	<b>90,258,562</b>

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	[Unit: thousand yen]	
	31st Fiscal Period	32nd Fiscal Period
	As of Apr. 30, 2021	As of Oct. 31, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Current portion of long-term loans payable	8,640,000	10,093,500
Operating accounts payable	128,736	234,972
Accounts payable – other	205,759	207,842
Accrued expenses	5,396	7,332
Income taxes payable	1,944	1,956
Accrued consumption taxes	15,110	7,169
Advances received	1,515	2,210
Others	265	393
<b>Total current liabilities</b>	<b>8,998,727</b>	<b>10,555,378</b>
<b>Non-current liabilities</b>		
Investment corporation bonds	2,000,000	2,000,000
Long-term loans payable	35,006,000	33,552,500
Tenant leasehold and security deposits in trust	685,153	672,884
Asset retirement obligations	135,137	136,251
<b>Total non-current liabilities</b>	<b>37,826,291</b>	<b>36,361,636</b>
<b>Total liabilities</b>	<b>46,825,019</b>	<b>46,917,015</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	42,230,457	42,230,457
Deduction from unitholders' capital (Note 1)	(545,913)	(545,913)
Unitholders' capital (net)	41,684,544	41,684,544
<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 (Note 2)	400,000	400,000
<b>Total voluntary reserves</b>	<b>499,000</b>	<b>499,000</b>
Unappropriated retained earnings (undisposed loss)	1,183,395	1,158,003
<b>Total surplus</b>	<b>1,682,395</b>	<b>1,657,003</b>
<b>Total unitholders' equity</b>	<b>43,366,939</b>	<b>43,341,547</b>
<b>Total net assets</b> (Note 3)	<b>43,366,939</b>	<b>43,341,547</b>
<b>Total liabilities and net assets</b>	<b>90,191,958</b>	<b>90,258,562</b>

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(2) Statements of Income

		[Unit: thousand yen]	
		31st Fiscal Period	32nd Fiscal Period
		From: Nov. 1, 2020 To: Apr. 30, 2021	From: May 1, 2021 To: Oct. 31, 2021
<b>Operating revenue</b>			
Rent revenue – real estate	(Note 1)	3,113,450	3,115,991
Gain on sales of real estate properties	(Note 2)	46,672	61,286
Total operating revenue		<u>3,160,123</u>	<u>3,177,278</u>
<b>Operating expenses</b>			
Expenses related to rent business	(Note 1)	1,374,418	1,382,510
Asset management fee		261,041	263,581
Asset custody fee		8,480	8,480
Administrative service fees		27,033	25,667
Directors' compensations		1,200	1,200
Other operating expenses		124,985	124,896
Total operating expenses		<u>1,797,159</u>	<u>1,806,335</u>
Operating income		<u>1,362,963</u>	<u>1,370,942</u>
<b>Non-operating income</b>			
Interest income		16	16
Insurance income		8,300	5,555
Reversal of distribution payable		958	1,000
Total non-operating income		<u>9,275</u>	<u>6,571</u>
<b>Non-operating expenses</b>			
Interest expenses		162,311	168,949
Interest expenses on investment corporation bonds		4,708	5,147
Amortization of investment corporation bond issuance costs		2,180	2,180
Borrowing related expenses		39,404	40,743
Others		465	565
Total non-operating expenses		<u>209,071</u>	<u>217,586</u>
Ordinary income		<u>1,163,168</u>	<u>1,159,927</u>
<b>Extraordinary income</b>			
Indemnity income	(Note 3)	22,113	-
Total extraordinary income		<u>22,113</u>	<u>-</u>
Income before income taxes		<u>1,185,281</u>	<u>1,159,927</u>
Income taxes – current		1,946	1,958
Income taxes – deferred		0	(0)
Total income taxes		<u>1,947</u>	<u>1,958</u>
Net income		<u>1,183,334</u>	<u>1,157,969</u>
Retained earnings brought forward		61	33
Unappropriated retained earnings (undisposed loss)		1,183,395	1,158,003

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(3) Statements of Changes in Unitholders' Equity

31st Fiscal Period: from November 1, 2021, to April 30, 2021

[Unit: thousand yen]

	Unitholders' equity						
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from Unitholders' capital	Unitholders' capital (net)	Voluntary reserves			Unappropriated retained earnings (undisposed loss)
				Reserve for reduction entry	Reserve for reduction entry under special provisions for property replacement	Total voluntary reserves	
Balance at the beginning of the period	42,230,457	(545,913)	41,684,544	99,000	400,000	499,000	1,392,789
Changes of items during the period							
Dividends from surplus							(1,392,728)
Net income							1,183,334
Total changes of items during the period	-	-	-	-	-	-	(209,394)
Balance at the end of the period	42,230,457	(545,913)	41,684,544	99,000	400,000	499,000	1,183,395

[Unit: thousand yen]

	Unitholders' equity		Total net assets
	Surplus	Total unitholders' equity	
	Total surplus		
Balance at the beginning of the period	1,891,789	43,576,333	43,576,333
Changes of items during the period			
Dividends from surplus	(1,392,728)	(1,392,728)	(1,392,728)
Net income	1,183,334	1,183,334	1,183,334
Total changes of items during the period	(209,394)	(209,394)	(209,394)
Balance at the end of the period	1,682,395	43,366,939	43,366,939

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

[Unit: thousand yen]

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

[Unit: thousand yen]

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



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(4) Statements of Cash Distributions

Item	Period	31st Fiscal Period	32nd Fiscal Period
		From: Nov. 1, 2020 To: Apr. 30, 2021	From: May 1, 2021 To: Oct. 31, 2021
I. Unappropriated retained earnings		1,183,395,764 yen	1,158,003,138 yen
II. Amount of distributions [Amount of distribution per investment unit]		1,183,362,151 yen [4,663 yen]	1,157,984,451 yen [4,563 yen]
III. Retained earnings brought forward		33,613 yen	18,687 yen
Method of calculation of amount of distributions		Pursuant to the policy on cash distributions provided in Article 35, Paragraph 1 of the Articles of Incorporation of SPI, the amount of distributions shall be in excess of an amount equivalent to 90% of the "amount of earnings available for distribution" provided in Article 67-15 of the Act on Special Measures Concerning Taxation, but no more than the amount of earnings. Based on such policy, SPI decided to pay out distributions of earnings of 1,183,362,151 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (253,777 units) in an amount not in excess of unappropriated retained earnings. SPI shall not distribute the cash in excess of earnings provided in Article 35, Item 4 of the Articles of Incorporation of SPI.	Pursuant to the policy on cash distributions provided in Article 35, Paragraph 1 of the Articles of Incorporation of SPI, the amount of distributions shall be in excess of an amount equivalent to 90% of the "amount of earnings available for distribution" provided in Article 67-15 of the Act on Special Measures Concerning Taxation, but no more than the amount of earnings. Based on such policy, SPI decided to pay out distributions of earnings of 1,157,984,451 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (253,777 units) in an amount not in excess of unappropriated retained earnings. SPI shall not distribute the cash in excess of earnings provided in Article 35, Item 4 of the Articles of Incorporation of SPI.

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(5) Statements of Cash Flows

	[Unit: thousand yen]	
	31st Fiscal Period	32nd Fiscal Period
	From: Nov. 1, 2020 To: Apr. 30, 2021	From: May 1, 2021 To: Oct. 31, 2021
Net cash provided by (used in) operating activities		
Income before income taxes	1,185,281	1,159,927
Depreciation and amortization	650,577	647,919
Amortization of investment corporation bond issuance costs	2,180	2,180
Indemnity income	(22,113)	-
Interest income	(16)	(16)
Interest expenses	167,019	174,097
Decrease (increase) in operating accounts receivable	(4,892)	7,805
Decrease (increase) in prepaid expenses	(412)	3,186
Decrease (increase) in consumption taxes receivable	-	(8,072)
Increase (decrease) in accrued consumption taxes	3,054	(7,941)
Increase (decrease) in operating accounts payable	(45,095)	59,635
Increase (decrease) in accounts payable – other	(8,123)	2,038
Decrease (increase) in long-term prepaid expenses	14,388	19,373
Decrease from sales of property, plant and equipment in trust	736,960	262,363
Others, net	273	(3,212)
Subtotal	2,679,080	2,319,285
Interest income received	16	16
Interest expenses paid	(165,590)	(172,160)
Indemnity received	22,113	-
Income taxes paid	(1,954)	(1,946)
Net cash provided by (used in) operating activities	2,533,666	2,145,194
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(1,255,405)	(713,237)
Proceeds from tenant leasehold and security deposits in trust	62,648	42,750
Repayments of tenant leasehold and security deposits in trust	(63,222)	(55,020)
Decrease (increase) in other investments	(655)	(7,366)
Net cash provided by (used in) investing activities	(1,256,635)	(732,872)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	2,700,000	4,320,000
Repayments of long-term loans payable	(3,700,000)	(4,320,000)
Proceeds from investment corporation bond issuance	1,000,000	-
Payments of investment corporation bond issuance costs	(10,537)	-
Dividends paid	(1,390,945)	(1,182,317)
Net cash provided by (used in) financing activities	(1,401,482)	(1,182,317)
Net increase (decrease) in cash and cash equivalents	(124,451)	230,004
Cash and cash equivalents at the beginning of period	3,434,307	3,309,856
Cash and cash equivalents at the end of period	(Note) 3,309,856	3,539,860