

# 32nd Fiscal Period Asset Management Report

Starts Proceed Investment Corporation

3-1-8 Nihonbashi, Chuo-ku, Tokyo

From: May 1, 2021  
To: October 31, 2021

## I. To Our Unitholders

We express our sincere appreciation to all unitholders for your continued loyal patronage to Starts Proceed Investment Corporation (“SPI”).

We would also like to express our deepest sympathies to those who have been stricken with the novel coronavirus (COVID-19) infection and their families, as well as our sincere hope for their earliest possible recovery.

Having settled the 32nd fiscal period ended October 2021 (May 1, 2021 – October 31, 2021), we would like to report on the management status and performance results for the period.

During the fiscal period under review, SPI conducted asset replacement through disposition of Proceed Motoyawata and acquisition of Proceed Shinkawa. This was conducted from the viewpoint of avoiding cost increases for major repairs, etc. required as properties age, as well as the risk of a future drop in prices due to a decline in competitiveness, etc. caused by aging facilities. Consequently, SPI’s portfolio as of the end of the 32nd fiscal period consists of 106 properties with a total acquisition price of 88,461 million yen. SPI also worked to reduce building maintenance and management costs while striving to improve the rent levels and increase the receipt of key money and other revenue. As a result of these endeavors, SPI posted operating revenue of 3,177 million yen, ordinary income of 1,159 million yen and net income of 1,157 million yen for the 32nd fiscal period. Distribution per unit came to 4,563 yen, surpassing the forecast announced earlier.

Among other topics of the 32nd fiscal period, the long-term issuer rating outlook granted to SPI by Japan Credit Rating Agency, Ltd. was upgraded from A- (Stable) to A- (Positive), and SPI was included in the FTSE EPRA/NAREIT Global Real Estate Index, which is widely adopted by many institutional investors both in Japan and abroad as a benchmark for international real estate investment. Looking ahead, we will aim to have our credit ratings further upgraded, and endeavor to make ourselves more appealing to a wide range of investors.

With regard to ESG awareness that attracts rapidly growing attention, Starts Asset Management Co., Ltd. has established an ESG Committee, for which I (Representative Director of the Asset Management Company) serve as Chief Officer, to pursue and promote our policy, goals and measures on ESG. Starting from the small things first, we have adopted environmentally friendly materials, such as paper certified by Forest Stewardship Council (FSC), for the latest asset management report (Japanese version) and the envelopes to enclose it. As such, although step by step, we will make steady endeavors to contribute to realization of a sustainable society.

Going forward, we are resolved to achieve steady growth of our assets under management and secure stable earnings from a medium- to long-term perspective by making the most of the expertise of the Starts Group, the sponsor, in an effort to further enhance unitholder value.

We ask you, our unitholders, to extend to us your continued consideration and support of our operations.

Kazuya Hiraide  
Chief Executive Officer  
Starts Proceed Investment Corporation  
President  
Starts Asset Management Co., Ltd.

## II. Asset Management Report

### 1. Overview of Asset Management

#### (1) Management and other performance highlights of the investment corporation

Fiscal Period	unit	28th period (From May 1, 2019 to October 31, 2019)	29th period (From November 1, 2019 to April 30, 2020)	30th period (From May 1, 2020 to October 31, 2020)	31st period (From November 1, 2020 to April 30, 2021)	32nd period (From May 1, 2021 to October 31, 2021)
Operating revenue	million yen	3,094	3,665	3,352	3,160	3,177
[Of which, real estate rent revenue]	million yen	[3,089]	[3,116]	[3,106]	[3,113]	[3,115]
Operating expenses	million yen	1,730	1,790	1,769	1,797	1,806
[Of which, expenses related to real estate rent business]	million yen	[1,321]	[1,362]	[1,354]	[1,374]	[1,382]
Operating income	million yen	1,364	1,874	1,582	1,362	1,370
Ordinary income	million yen	1,154	1,685	1,394	1,163	1,159
Net income (a)	million yen	1,152	1,683	1,392	1,183	1,157
Total assets (b)	million yen	89,804	90,295	90,411	90,191	90,258
Net assets (c)	million yen	42,936	43,467	43,576	43,366	43,341
Unitholders' capital (net) (Note 2)	million yen	41,684	41,684	41,684	41,684	41,684
Total number of investment units issued and outstanding (d)	units	253,777	253,777	253,777	253,777	253,777
Net assets per unit (c)÷(d)	yen	169,188	171,282	171,711	170,886	170,785
Net income per unit (Note 3)	yen	4,541	6,635	5,487	4,662	4,562
Total distributions (e)	million yen	1,152	1,283	1,392	1,183	1,157
Distribution per unit (e)÷(d)	yen	4,542	5,059	5,488	4,663	4,563
[Of which, distribution of earnings per unit]	yen	[4,542]	[5,059]	[5,488]	[4,663]	[4,563]
[Of which, distribution in excess of earnings per unit]	yen	[-]	[-]	[-]	[-]	[-]
Return on assets (Note 4)	%	1.3 [2.5]	1.9 [3.8]	1.5 [3.1]	1.3 [2.6]	1.3 [2.6]
Return on equity (Note 4)	%	2.7 [5.3]	3.9 [7.8]	3.2 [6.3]	2.7 [5.5]	2.7 [5.3]
Equity ratio (c)÷(b)	%	47.8	48.1	48.2	48.1	48.0
Distribution payout ratio (Note 4)	%	100.0	76.2	100.0	100.0	100.0
[Other Reference Information]						
Number of investments properties (Note 5)	Properties	106	106	107	106	106
Total number of leasable units (Note 5)	units	5,255	5,225	5,227	5,226	5,219
Total leasable floor area	m <sup>2</sup>	194,608.52	193,117.03	193,846.29	192,166.37	192,143.94
Period-end occupancy rate (Note 5)	%	95.7	95.9	95.2	95.4	96.4
Depreciation and amortization	million yen	619	629	650	650	647
Capital expenditures	million yen	117	137	81	114	213
Property leasing NOI (Net Operating Income) (Note 4)	million yen	2,386	2,382	2,401	2,389	2,381
FFO (Funds from Operations) per unit (Note 4)	yen	6,978	6,956	7,086	7,051	6,883
FFO multiple (Note 4)	times	15.2	13.1	14.2	16.0	17.5
Debt service coverage ratio (Note 4)	times	11.8	15.6	13.1	12.0	11.4
Earnings before interest, depreciation and amortization	million yen	1,936	2,471	2,211	2,000	1,979
Interest expenses	million yen	164	158	169	167	174
Total interest-bearing liabilities	million yen	45,646	45,646	45,646	45,646	45,646
LTV (Loan-To-Value) ratio (Note 4)	%	50.8	50.6	50.5	50.6	50.6
Number of days of management	days	184	182	184	181	184

(Note 1) All amounts less than the specified unit are rounded down, and percentage figures and multiples are rounded off to the first decimal place except for distribution payout ratio, which is rounded down to the first decimal place.

(Note 2) Unitholders' capital (net) is the amount obtained by subtracting deduction from unitholders' capital from unitholders' capital.

(Note 3) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units issued and outstanding.

(Note 4) The indicators presented are calculated as follows.

For return on assets and return on equity, figures that are annualized by the number of days of management are also shown in brackets.

Return on assets	$\text{Ordinary income} \div \text{Average total assets}$ Average total assets = $(\text{Total assets at beginning of period} + \text{Total assets at end of period}) \div 2$
Return on equity	$\text{Net income} \div \text{Average net assets}$ Average net assets = $(\text{Net assets at beginning of period} + \text{Net assets at end of period}) \div 2$
Distribution payout ratio	$\text{Distribution per unit} \div \text{Net income per unit}$
Property leasing NOI	$\text{Profit from real estate rent business (Real estate rent revenue} - \text{Expenses related to real estate rent business)} + \text{Depreciation and amortization.}$
FFO per unit	$(\text{Net income} + \text{Depreciation and amortization} + \text{Other depreciation and amortization} - \text{Gain (loss) on sales of real estate properties} + \text{other sales expenses}) \div \text{Total number of investment units issued and outstanding}$
FFO multiple	$\text{Investment unit price at end of period} \div \text{Annualized FFO per unit}$
Debt service coverage ratio	$\text{Earnings before interest, depreciation and amortization} \div \text{Interest expenses (including interest expenses on investment corporation bonds)}$
LTV ratio	$\text{Total interest-bearing liabilities} \div \text{Total assets}$

(Note 5) The number of investment properties are indicated in units that are generally accepted to be one. In addition, the total number of leasable units is the number of units that are leasable for residential, office, retail and other uses, and the period-end occupancy rate is the leased area expressed as a percentage of total leasable floor area as of the closing of accounts.

(Note 6) Fiscal period is a six-month period that ends on April 30 and October 31 of each year.

## (2) Development in management of assets in the fiscal period under review

### i) 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 (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) amounts to 41,684 million yen.

## ii) Investment environment and management performance

In the 32nd fiscal period, the Japanese economy had continued to experience a harsh situation with a drop in consumer spending due to the impact of the re-spread of COVID-19 and the declaration of state of emergency caused by it, along with sluggish exports and capital investments. In September, however, the number of COVID-19 cases decreased and the state of emergency was lifted, and the economy showed a recovery trend with the resumption of economic activities. Even under the COVID-19 pandemic, its impact on SPI, such as a decrease in rent revenue, found to date has been extremely limited as SPI is a REIT specializing in housing. As such, SPI does not foresee any concern of its operations being affected by the pandemic in the short term.

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

In the secondary real estate market, a robust 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. This, combined with limited supply of quality properties, has kept competition in property acquisition overheated, leaving transaction prices at a high level.

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 Corporation, 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. The Asset Management Company also promoted leasing activities in coordination with leasing agents by setting finely tuned leasing conditions based on deeper understanding of regional characteristics and advantages of individual properties as well as thorough comparative analyses of nearby competing properties. Moreover, 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. As a third-party assessment of the Framework, 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).

## iii) Overview of financing

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, the period-end balance of interest-bearing liabilities totaled 45,646 million yen, comprising 10,093 million yen in current portion of long-term loans payable, 33,552 million yen in long-term loans payable and 2,000 million yen in investment corporation bonds as of the end of the 32nd fiscal period, with the period-end LTV ratio standing at 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-

**iv) Summary of business performance and distribution**

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.

### (3) Status of capital increase, etc.

Date	Description	Total numbers of investment units issued and outstanding (units)		Unitholders' capital (net) (Note 1) (Million yen)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
May 2, 2005	Establishment through private placement	750	750	150	150	(Note 2)
November 29, 2005	Capital increase through public offering	21,600	22,350	4,104	4,254	(Note 3)
December 27, 2005	Capital increase through third-party allotment	27	22,377	5	4,259	(Note 4)
May 1, 2006	Capital increase through public offering	13,500	35,877	2,487	6,746	(Note 5)
May 31, 2006	Capital increase through third-party allotment	1,000	36,877	184	6,930	(Note 6)
November 21, 2006	Capital increase through public offering	25,700	62,577	4,469	11,400	(Note 7)
December 19, 2006	Capital increase through third-party allotment	1,000	63,577	173	11,574	(Note 8)
November 22, 2007	Capital increase through public offering	44,400	107,977	7,136	18,710	(Note 9)
May 1, 2013	Capital increase through public offering	37,000	144,977	6,607	25,318	(Note 10)
November 4, 2014	Capital increase through public offering	28,800	173,777	4,777	30,096	(Note 11)
November 21, 2016	Capital increase through public offering	83,000	256,777	12,134	42,230	(Note 12)
April 26, 2019	Cancellation	(3,000)	253,777	(545)	41,684	(Note 13)

(Note 1) Unitholders' capital (net) is the amount obtained by subtracting deduction from unitholders' capital from unitholders' capital.

(Note 2) SPI was established on May 2, 2005.

(Note 3) SPI issued additional investment units through public offering at an issue price of 200,000 yen (purchase price (underwriting price) of 190,000 yen) per unit to procure funds for the acquisition of new properties.

(Note 4) Following the capital increase through public offering described in (Note 3), SPI issued additional investment units through third-party allotment to Shinko Securities Co., Ltd. (stated in its former name, though it merged with Mizuho Securities Co., Ltd. as of May 7, 2009; the same shall apply hereinafter) at a purchase price of 190,000 yen per unit for the secondary offering (over-allotment) conducted by Shinko Securities.

(Note 5) SPI issued additional investment units through public offering at an issue price of 192,103 yen (purchase price (underwriting price) of 184,262 yen) per unit to fund the acquisition of new properties and partially repay borrowings, etc.

(Note 6) Following the capital increase through public offering described in (Note 5), SPI issued additional investment units through third-party allotment to Shinko Securities Co., Ltd. at a purchase price of 184,262 yen per unit for the secondary offering (over-allotment) conducted by Shinko Securities.

(Note 7) SPI issued additional investment units through public offering at an issue price of 181,300 yen (purchase price (underwriting price) of 173,900 yen) per unit to fund the acquisition of new properties and partially repay borrowings, etc.

(Note 8) Following the capital increase through public offering described in (Note 7), SPI issued additional investment units through third-party allotment to Shinko Securities Co., Ltd. at a purchase price of 173,900 yen per unit for the secondary offering (over-allotment) conducted by Shinko Securities.

(Note 9) SPI issued additional investment units through public offering at an issue price of 167,580 yen (purchase price (underwriting price) of 160,740 yen) per unit to fund the acquisition of new properties.

(Note 10) SPI issued additional investment units through public offering at an issue price of 185,035 yen (purchase price (underwriting price) of 178,582 yen) per unit to fund the acquisition of new properties.

(Note 11) SPI issued additional investment units through public offering at an issue price of 171,882 yen (purchase price (underwriting price) of 165,888 yen) per unit to fund the acquisition of new properties.

(Note 12) SPI issued additional investment units through public offering at an issue price of 151,320 yen (purchase price (underwriting price) of 146,198 yen) per unit to fund the acquisition of new properties.

(Note 13) SPI repurchased its own investment units from the market at the Tokyo Stock Exchange based on the discretionary transaction contract with securities companies regarding purchase of treasury investment units, for the period from March 27, 2019 to April 4, 2019. All of the acquired treasury investment units (3,000 units) were cancelled on April 26, 2019, based on the resolution at SPI's Board of the Directors meeting held on April 22, 2019.



#### [Changes in market price of investment certificates]

The highest and lowest prices (closing price) in the Tokyo Stock Exchange, where SPI's investment securities are listed, by fiscal period are as follows.

Fiscal period	28th period	29th period	30th period	31st period	32nd period
Closing month/year	October 2019	April 2020	October 2020	April 2021	October 2021
Highest (yen)	213,800	211,500	214,000	232,000	268,200
Lowest (yen)	172,300	146,000	183,400	190,700	219,100

#### (4) Distributions

Concerning distributions for the fiscal period under review, to ensure that the maximum amount of distributions of earnings is included in deductible expenses by applying the Special Provisions on Taxation (Article 67-15 of the Special Taxation Measures Act), SPI decided to distribute 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

Fiscal period	28th period	29th period	30th period	31st period	32nd period
Calculation period	From May 1, 2019 to October 31, 2019	From November 1, 2019 to April 30, 2020	From May 1, 2020 to October 31, 2020	From November 1, 2020 to April 30, 2021	From May 1, 2021 to October 31, 2021
Total unappropriated retained earnings	1,152,707 thousand yen	1,683,923 thousand yen	1,392,789 thousand yen	1,183,395 thousand yen	1,158,003 thousand yen
Retained earnings	52 thousand yen	400,065 thousand yen	61 thousand yen	33 thousand yen	18 thousand yen
Total distributions	1,152,655 thousand yen	1,283,857 thousand yen	1,392,728 thousand yen	1,183,362 thousand yen	1,157,984 thousand yen
[Distribution per unit]	[4,542 yen]	[5,059 yen]	[5,488 yen]	[4,663 yen]	[4,563 yen]
Of which, total distributions of earnings	1,152,655 thousand yen	1,283,857 thousand yen	1,392,728 thousand yen	1,183,362 thousand yen	1,157,984 thousand yen
[Distribution of earnings per unit]	[4,542 yen]	[5,059 yen]	[5,488 yen]	[4,663 yen]	[4,563 yen]
Of which, total contribution refund	-	-	-	-	-
[Contribution refund per unit]	[-]	[-]	[-]	[-]	[-]
Of the total contribution refund, total distributions from the reserve for temporary difference adjustments	-	-	-	-	-
[Of the contribution refund per unit, distribution per unit from the reserve for temporary difference adjustments]	[-]	[-]	[-]	[-]	[-]
Of the total contribution refund, total distributions through the reduction in unitholders' capital for tax purposes	-	-	-	-	-
[Of the contribution refund per unit, distribution per unit through the reduction in unitholders' capital for tax purpose]	[-]	[-]	[-]	[-]	[-]

#### (5) Future management policy

Looking ahead, the Japanese economy is expected to see consumer spending recover, mainly in the service industry, with the number of COVID-19 cases decreasing and restrictions on activities eased in accordance with a progress in vaccination, while being bolstered by an increase in exports and a pickup in capital investment. On the other hand, careful attention should continue to be paid to the trend of the COVID-19 variants.

In the primary real estate market, as the investment appetite among market players such as listed REITs, private REITs and other investors in Japan and abroad 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.



### i) External Growth Strategy

SPI strives to increase opportunities to newly acquire prime investment real estate, based on the extensive collaborative relationship with the Starts Group. Such relationship has been formed by the pipeline support agreement concluded between the Asset Management Company and Starts Corporation Inc., Starts Development Corporation and Starts Amenity Corporation, respectively, and the property information provision agreement concluded between the Asset Management Company and STARTS Construction and Asset Management Co., Ltd., among other arrangements. Moreover, as SPI aims to expand its asset size and enhance portfolio quality, it will not only acquire properties developed by the Starts Group but also consider acquisition of new and relatively new, high-quality properties that have the potential to generate stable earnings over the medium to long term, while carefully assessing trends in the financial market as well as the primary and secondary real estate markets. Furthermore, along with the progress in external growth, SPI will continue to simultaneously investigate disposition of some assets that are small in size or were built long ago.

### ii) Internal Growth Strategy

Following on from the 32nd 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. 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.

### iii) 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.

## (6) 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 the comprehensive resolution on the issuance of investment corporation bonds resolved at its Board of Directors' meeting 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
Paid-in amount	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 specified assets meeting the eligibility criteria set 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)	Floating rate (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
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 2T, which is conducted with a floating interest rate.

Interest rate swap agreement

Lender:	Aozora Bank, Ltd.
Notional principle amount:	2,820 million yen
Interest rate, etc.:	Payable fixed                      0.850% Receivable floating                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%.

## 2. Overview of the Investment Corporation

### (1) Status of investment in capital

Fiscal period	28th period	29th period	30th period	31st period	32nd period
Closing month/year	As of October 31, 2019	As of April 30, 2020	As of October 31, 2020	As of April 30, 2021	As of October 31, 2021
Total number of authorized investment units	2,000,000 units	2,000,000 units	2,000,000 units	2,000,000 units	2,000,000 units
Total number of investment units issued and outstanding	253,777 units	253,777 units	253,777 units	253,777 units	253,777 units
Unitholders' capital (net) (Note)	41,684 million yen	41,684 million yen	41,684 million yen	41,684 million yen	41,684 million yen
Number of unitholders	14,355 individuals	13,420 individuals	12,955 individuals	12,373 individuals	11,711 individuals

(Note) Unitholders' capital (net) is the amount obtained by subtracting deduction from unitholders' capital from unitholders' capital.

### (2) Major unitholders

The following table shows the twenty largest unitholders according to the percentage of their owned investment units to the total number of investment units outstanding as of October 31, 2021.

Name	Number of investment units owned (units)	Number of investment units owned expressed as a percentage of total number of investment units issued and outstanding (%) (Note)
Custody Bank of Japan, Ltd. (trust account)	35,756	14.08
Starts Corporation, Inc.	34,153	13.45
The Master Trust Bank of Japan, Ltd. (trust account)	24,956	9.83
Custody Bank of Japan, Ltd. (securities investment trust account)	13,851	5.45
The Nomura Trust and Banking Co., Ltd. (investment trust account)	8,550	3.36
JP MORGAN CHASE BANK 385771	4,834	1.90
Nomura Securities Co., Ltd.	4,806	1.89
DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	3,902	1.53
Kinkisangyo Shinkumi Bank	3,313	1.30
SMBC Nikko Securities Inc.	3,242	1.27
Morgan Stanley MUFG Securities Co., Ltd.	2,953	1.16
K. K. Toyosu	2,476	0.97
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	2,187	0.86
Custody Bank of Japan, Ltd. (trust account 7)	2,072	0.81
Kyoichi Kageyama	2,000	0.78
STATE STREET BANK WEST CLIENT - TREATY 505234	1,916	0.75
J. P. MORGAN SECURITIES PLC	1,904	0.75
STATE STREET BANK AND TRUST COMPANY 505103	1,233	0.48
JP MORGAN CHASE BANK 380755	1,095	0.43
BNP-PARIBAS SECURITIES SERVICES FRANKFURT BRANCH/JASDEC/ GERMAN RESIDENTS-AIFM	1,015	0.39
Total	156,214	61.55

(Note) Number of investment units owned expressed as a percentage of total number of investment units issued and outstanding are rounded down to the second decimal place.

### (3) Matters concerning directors, etc.

The Executive Director, Supervising Directors and Independent Auditor as of October 31, 2021 are as follows.

Position	Name	Major concurrent assignments	Total remuneration for each position during the period under review (thousand yen)
Executive Director (Note 1)	Kazuya Hiraide	President, Starts Asset Management Co., Ltd. Director, Starts Research Institute, Ltd.	-
Supervising Director (Note 1)	Shigeki Nomura	Partner, Okuno & Partners Director, Japan Deaf-Blind Association Councilor, National Committee of Welfare for The Blind in Japan	600
Supervising Director (Note 1)	Motohisa Matsushita	Certified Public Accountant, Matsushita Certified Public Accountant Office Controller, Kyoritsu Credit Corporation External Director (Audit and Supervisory Committee Member), Nissan Securities Co., Ltd.	600
Independent Auditor (Note 2) (Note 3)	Nihombashi Corporation	-	8,000

(Note 1) None of the Executive Director or Supervising Directors own investment units in SPI, either in their own name or in someone else's name. Moreover, although the Supervising Directors may be officers of corporations other than those mentioned above, they have no conflict of interest with SPI at those and the above positions.

(Note 2) The dismissal of the Independent Auditor shall be considered in accordance with the provisions of the Investment Trusts Act. The decision to not reappoint the Independent Auditor shall be studied at SPI's Board of Directors by comprehensively considering the audit quality, audit fee and other various conditions

(Note 3) The total remuneration amount paid to Nihombashi Corporation includes the fees for auditing of SPI's English financial statements, other than the services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act (Act No. 103 of 1948, as amended).

### (4) Asset management company, asset custodian and general administrative agents

The following are the asset management company, asset custodian and general administrative agents as of October 31, 2021.

Entrustment category	Name
Asset management company	Starts Asset Management Co., Ltd.
Asset custodian	Sumitomo Mitsui Trust Bank, Limited
General administrative agent (accounting services, administration of unitholder registry)	Sumitomo Mitsui Trust Bank, Limited
General administrative agent (administration of institutional operations)	Starts Asset Management Co., Ltd.
General administrative agent (administration of investment corporation bonds)	Resona Bank, Limited Mizuho Bank, Ltd.

### 3. Status of Assets under Management of the Investment Corporation

#### (1) Composition of assets of the investment corporation

Type of asset	Area	31st period (as of April 30, 2021)		32nd period (as of October 31, 2021)	
		Total value of owned assets (thousand yen) (Note 1)	Percentage of total assets (%) (Note 2)	Total value of owned assets (thousand yen) (Note 1)	Percentage of total assets (%) (Note 2)
Trust beneficiary interest in real estate	Tokyo metropolitan area major cities	64,878,633	71.9	64,889,913	71.9
	Cabinet order designated cities	18,908,964	21.0	18,775,435	20.8
	Regional area major cities	2,277,588	2.5	2,249,393	2.5
Subtotal		86,065,187	95.4	85,914,742	95.2
Deposits and other assets		4,126,771	4.6	4,343,819	4.8
Total assets		90,191,958	100.0	90,258,562	100.0

(Note 1) "Total value of owned assets" indicates the amount posted on the balance sheets as of the closing of accounts (the book value after depreciation for real estate in trust), rounded down to the nearest thousand yen.

(Note 2) "Percentage of total assets" indicates the ratio of trust beneficiary interest in real estate and deposits and other assets to total assets, rounded to the first decimal place.

#### (2) Major assets held

The following is an overview of the major assets (top ten properties on a book value basis) owned by SPI as of October 31, 2021.

Property number	Property name	Book value (thousand yen) (Note 1)	Leasable floor area (m <sup>2</sup> ) (Note 2)	Leased floor area (m <sup>2</sup> ) (Note 3)	Occupancy rate (%)	Ratio to total rent revenue (%) (Note 4)	Main use
C-75	Proceed Shin Yokohama	4,394,988	5,457.56	5,096.31	93.4	3.9	Apartment
C-82	The Parkhabio Yokohama Yamate	3,221,330	2,654.69	2,603.25	98.1	2.1	Apartment
C-41	Proceed Nishiarai	2,947,366	20,137.85	20,011.05	99.4	9.7	Apartment
C-70	Proceed Nishi Shinjuku	2,678,403	2,461.88	2,334.24	94.8	1.8	Apartment
C-69	Proceed Nihonbashi Honcho	2,585,290	2,553.89	2,454.34	96.1	1.9	Apartment
C-77	Proceed Kinshicho	2,231,902	2,302.92	2,241.41	97.3	1.6	Apartment
G-26	Proceed Bentencho	2,228,832	4,134.70	3,997.26	96.7	2.1	Apartment
G-25	Proceed Aratamabashi	2,105,555	5,335.93	4,436.41	83.1	1.7	Apartment
G-24	Proceed Kanayama 2	1,989,908	4,218.01	4,043.40	95.9	2.1	Apartment
C-73	Proceed CO-Z East Building	1,910,769	6,873.33	6,207.84	90.3	2.3	Apartment
Total		26,294,346	56,130.76	53,425.51	95.2	29.3	-

(Note 1) For "Book value," the figures less than the specified unit are rounded down.

(Note 2) "Leasable floor area" means the total leasable floor area of each building, not including the leasable floor area of land (flat parking lot), and indicates the figure stated in the lease agreement and the drawings of the relevant property.

(Note 3) "Leased floor area" means the total leased floor area of each building, not including the leased floor area of land, and indicates the figure stated in the lease agreement.

(Note 4) "Ratio to total rent revenue" refers to the ratio of rent revenue of each property to rent revenue of the entire portfolio, and is rounded to the first decimal place. Accordingly, the sum of the figure of each item may not equal the total.

### (3) Details of real estate properties in the portfolio

The following table provides details of the assets (real estate or trust beneficiary interest in real estate as major trust property) owned by SPI as of October 31, 2021.

Property number	Property name	Location (residential address)	Form of ownership	Leasable floor area (m <sup>2</sup> )	Period-end appraisal value (thousand yen) (Note)	Book value (thousand yen)
C-1	Proceed Ichikawa	2-33-17 Shinden, Ichikawa, Chiba	Trust beneficiary interest	3,322.17	1,410,000	997,449
C-2	Proceed Toyochō	2-1-7 Minamisuna, Koto-ku, Tokyo	Trust beneficiary interest	1,085.56	912,000	566,001
C-3	Proceed Kasai	5-41-6 Nakakasai, Edogawa-ku, Tokyo	Trust beneficiary interest	1,243.80	848,000	590,939
C-4	Proceed Sangenjaya	2-41-1 Sangenjaya, Setagaya-ku, Tokyo	Trust beneficiary interest	1,019.27	631,000	616,118
C-5	Proceed Mizue	3-24-10 Minamishinozakimachi, Edogawa-ku, Tokyo	Trust beneficiary interest	2,076.68	789,000	613,835
C-6	Proceed Funabashi Miyamoto	1-22-13 Miyamoto, Funabashi, Chiba	Trust beneficiary interest	1,685.73	589,000	441,212
C-7	Proceed Minamikasai	6-2-26 Minamikasai, Edogawa-ku, Tokyo	Trust beneficiary interest	1,045.28	312,000	320,576
C-9	Proceed Gyotoku	8-2 Irifune, Ichikawa, Chiba	Trust beneficiary interest	1,218.56	350,000	339,490
C-10	Proceed Makuharihongo	6-2-15 Makuharihongo, Hanamigawa-ku, Chiba, Chiba	Trust beneficiary interest	963.00	322,000	269,928
C-11	Proceed Minamigyotoku	3-12-10 Fukuei, Ichikawa, Chiba	Trust beneficiary interest	838.95	337,000	294,897
C-12	Proceed Makuharihongo 2	5-19-13 Makuharihongo, Hanamigawa-ku, Chiba, Chiba	Trust beneficiary interest	1,104.84	247,000	227,358
C-14	Proceed Funabori	5-5-16 Funabori, Edogawa-ku, Tokyo	Trust beneficiary interest	479.52	247,000	233,839
C-15	Proceed Takenozuka	2-16-6 Iriya, Adachi-ku, Tokyo	Trust beneficiary interest	860.55	249,000	169,705
C-16	Proceed Sengendai 2	5-7-6 Sengendainishi, Koshigaya, Saitama	Trust beneficiary interest	695.81	113,000	90,170
C-17	Proceed Shoto	2-3-11 Shoto, Shibuya-ku, Tokyo	Trust beneficiary interest	890.22	997,000	872,568
C-18	Proceed Sangubashi	3-57-10 Yoyogi, Shibuya-ku, Tokyo	Trust beneficiary interest	527.88	508,000	478,223
C-19	Proceed Urayasu	1-2-1 Fujimi, Urayasu, Chiba	Trust beneficiary interest	1,786.58	456,000	454,187
C-20	Proceed Shinkoiwa	2-31-14 Matsushima, Edogawa-ku, Tokyo	Trust beneficiary interest	1,629.07	553,000	493,416
C-23	Proceed Toritsudaigaku	1-5-8 Yakumo, Meguro-ku, Tokyo	Trust beneficiary interest	808.65	836,000	759,873
C-24	Proceed Toritsudaigaku 2	1-2-3 Tairamachi, Meguro-ku, Tokyo	Trust beneficiary interest	831.74	859,000	720,865
C-25	Proceed Honjoazumabashi	4-15-13 Higashikomagata, Sumida-ku, Tokyo	Trust beneficiary interest	570.53	476,000	289,405
C-26	Proceed Meguro Aobadai	3-5-2 Aobadai, Meguro-ku, Tokyo	Trust beneficiary interest	485.15	466,000	448,263
C-27	Proceed Suginami Miyamae	1-15-12 Miyamae, Suginami-ku, Tokyo	Trust beneficiary interest	680.50	485,000	421,771
C-28	Proceed Ryogoku	1-20-4 Midori, Sumida-ku, Tokyo	Trust beneficiary interest	702.54	600,000	420,595
C-29	Proceed Mita	2-30-9 Shiba, Minato-ku, Tokyo	Trust beneficiary interest	1,500.57	1,660,000	1,401,215
C-30	Proceed Nakanoshimbashi	2-13-8 Yayoicho, Nakano-ku, Tokyo	Trust beneficiary interest	849.08	700,000	664,578
C-31	Proceed Kameido	9-5-13 Kameido, Koto-ku, Tokyo	Trust beneficiary interest	853.98	346,000	343,639
C-32	Proceed Takadanobaba	3-43-18 Takadanobaba, Shinjuku-ku, Tokyo	Trust beneficiary interest	278.36	278,000	248,165
C-33	Proceed Shinkoenji	3-10-21 Horinouchi, Suginami-ku, Tokyo	Trust beneficiary interest	1,040.24	894,000	772,261

Property number	Property name	Location (residential address)	Form of ownership	Leasable floor area (m <sup>2</sup> )	Period-end appraisal value (thousand yen) (Note)	Book value (thousand yen)
C-34	Proceed Koenjiminami	5-2-9 Koenjiminami, Suginami-ku, Tokyo	Trust beneficiary interest	337.05	251,000	306,255
C-35	Proceed Hasune	1-11-10 Hasune, Itabashi-ku, Tokyo	Trust beneficiary interest	587.13	267,000	309,258
C-36	Proceed Oimachi	5-8-9 Higashioi, Shinagawa-ku, Tokyo	Trust beneficiary interest	961.88	950,000	967,586
C-37	Proceed Jujo	4-9-17 Kamijujo, Kita-ku, Tokyo	Trust beneficiary interest	1,206.90	558,000	550,678
C-38	Proceed Hakuraku	1-12 Shirahataminamicho, Kanagawa-ku, Yokohama, Kanagawa	Trust beneficiary interest	445.16	185,000	255,476
C-39	Proceed Shinmaruko	1-547-24 Kosugimachi, Nakahara-ku, Kawasaki, Kanagawa	Trust beneficiary interest	759.00	605,000	659,708
C-41	Proceed Nishiarai	1-18-11, 12, 13 and 14, Nishiaraisakaecho, Adachi-ku, Tokyo	Trust beneficiary interest	20,137.85	6,910,000	2,947,366
C-42	Proceed Chofu	1-28-4 Fuda, Chofu, Tokyo	Trust beneficiary interest	764.48	599,000	391,787
C-43	Proceed TX Rokucho	1-16-17 Higashihokima, Adachi-ku, Tokyo	Trust beneficiary interest	518.31	181,000	174,890
C-44	Proceed Nakagawara	5-10-1 Bubaicho, Fuchu, Tokyo	Trust beneficiary interest	3,061.94	1,340,000	1,207,004
C-45	Proceed Oizumigakuen	4-19-6 Higashioizumi, Nerima-ku, Tokyo	Trust beneficiary interest	483.43	282,000	286,729
C-46	Proceed Chitosekarasuyama	2-38-30 Kamisoshigaya, Setagaya-ku, Tokyo	Trust beneficiary interest	449.96	334,000	325,587
C-47	Proceed Mitaka	3-16-3 Shimorenjaku, Mitaka, Tokyo	Trust beneficiary interest	739.48	581,000	519,555
C-48	Proceed Kashiwa Est	3-8-19 Kashiwa, Kashiwa, Chiba	Trust beneficiary interest	1,279.93	734,000	667,634
C-49	Proceed Kashiwa Nord	5-8-17 Kashiwa, Kashiwa, Chiba	Trust beneficiary interest	1,391.55	636,000	615,262
C-50	Proceed Gyotokuekimae	2-1-18 Gyotokuekimae, Ichikawa, Chiba	Trust beneficiary interest	659.68	372,000	264,899
C-51	Proceed Funabashi Honcho	6-19-18 Honcho, Funabashi, Chiba	Trust beneficiary interest	996.44	591,000	489,338
C-52	Proceed Nishikawaguchi	4-2-18 Namiki, Kawaguchi, Saitama	Trust beneficiary interest	1,630.24	839,000	944,023
C-53	Proceed Gumyoji	1-4-12 Nakazato, Minami-ku, Yokohama, Kanagawa	Trust beneficiary interest	1,246.48	578,000	554,838
C-54	Proceed Tsurugamine	2-9-6 Tsurugamine, Asahi-ku, Yokohama, Kanagawa	Trust beneficiary interest	855.00	378,000	359,921
C-55	Proceed Sagamiotsuka	2-13-5 Sakuramori, Yamato, Kanagawa	Trust beneficiary interest	741.24	217,000	227,034
C-56	Proceed Shinozaki 2	7-21-13 Shinozakimachi, Edogawa-ku, Tokyo	Trust beneficiary interest	2,134.07	1,140,000	774,055
C-57	Proceed Kashiwa Trois	3-9-3 Kashiwa, Kashiwa, Chiba	Trust beneficiary interest	1,149.95	687,000	458,122
C-58	Proceed Shinozaki Tower	7-20-19 Shinozakimachi, Edogawa-ku, Tokyo	Trust beneficiary interest	5,117.49	2,250,000	1,311,110
C-59	Proceed Tobu Nerima	1-3-11 Tokumaru, Itabashi-ku, Tokyo	Trust beneficiary interest	779.84	573,000	402,439
C-60	Proceed Yukigaya	1-15-20 Minamiyukigaya, Ota-ku, Tokyo	Trust beneficiary interest	600.62	394,000	357,387
C-61	Proceed Ichikawa Minami	1-9-27 Ichikawaminami, Ichikawa, Chiba	Trust beneficiary interest	1,635.59	968,000	691,934
C-62	Proceed Ichikawa Myoden	2-14-15 Shioyaki, Ichikawa, Chiba	Trust beneficiary interest	945.00	639,000	518,276
C-63	Proceed Fujisawa Kugenuma	2-6-6 Kugenumaishigami, Fujisawa, Kanagawa	Trust beneficiary interest	2,005.76	914,000	747,399
C-64	Proceed Nihonbashi-horidomecho	2-4-8 Nihonbashi-horidomecho, Chuo-ku, Tokyo	Trust beneficiary interest	1,904.45	1,810,000	1,507,945
C-65	Proceed TX Nagareyama Central Park	UN B139 District 3-2, 9-3 177-1 Maehirai, Nagareyama, Chiba	Trust beneficiary interest	2,976.85	1,180,000	876,096



Property number	Property name	Location (residential address)	Form of ownership	Leasable floor area (m <sup>2</sup> )	Period-end appraisal value (thousand yen) (Note)	Book value (thousand yen)
C-66	Proceed Gyotoku 2	1-6-6 Fukuei, Ichikawa, Chiba	Trust beneficiary interest	1,626.54	926,000	820,725
C-67	Proceed Nishikasai	2-7-6 and 2-7-1, Seishin-cho, Edogawa-ku, Tokyo	Trust beneficiary interest	2,993.52	1,040,000	954,204
C-68	Proceed Kasai 2	7-15-7 Higashikasai, Edogawa-ku, Tokyo	Trust beneficiary interest	2,140.59	957,000	833,611
C-69	Proceed Nihonbashi Honcho	4-10-5 Nihonbashihoncho, Chuo-ku, Tokyo	Trust beneficiary interest	2,553.89	2,630,000	2,585,290
C-70	Proceed Nishi Shinjuku	3-7-23 Nishishinjuku, Shinjuku-ku, Tokyo	Trust beneficiary interest	2,461.88	2,770,000	2,678,403
C-71	Proceed Unoki	2-43-7 Unoki, Ota-ku, Tokyo	Trust beneficiary interest	1,260.58	1,020,000	916,455
C-72	Proceed Minamigyotoku 2	3-3-20 Fukuei, Ichikawa, Chiba	Trust beneficiary interest	2,832.74	1,180,000	1,068,993
C-73	Proceed CO-Z East Building	4-12 Kozunomori, Narita, Chiba	Trust beneficiary interest	6,873.33	2,050,000	1,910,769
C-74	Proceed CO-Z West Building	4-1-1 Kozunomori, Narita, Chiba	Trust beneficiary interest	3,716.05	1,110,000	1,031,076
C-75	Proceed Shin Yokohama	3-21-2 Shin Yokohama, Kohoku-ku, Yokohama, Kanagawa	Trust beneficiary interest	5,457.56	4,460,000	4,394,988
C-76	Life Support Residence Funaboriekimae	4-8-10 Funabori, Edogawa-ku, Tokyo	Trust beneficiary interest	1,408.71	442,000	251,363
C-77	Proceed Kinshicho	4-6-9 Kamezawa, Sumida-ku, Tokyo	Trust beneficiary interest	2,302.92	2,210,000	2,231,902
C-78	Proceed K2	6-8-37 Kashiwa, Kashiwa, Chiba	Trust beneficiary interest	4,099.04	1,320,000	1,241,240
C-79	Proceed K3 Annex	1023-1 Kashiwa, Kashiwa, Chiba	Trust beneficiary interest	1,590.30	316,000	303,961
C-80	Proceed K5	6-8-38 Kashiwa, Kashiwa, Chiba	Trust beneficiary interest	788.95	277,000	287,492
C-81	Proceed Ichikawa Myoden II	2-14-20 Shioyaki, Ichikawa, Chiba	Trust beneficiary interest	1,218.00	848,000	835,986
C-82	The Parkhabio Yokohama Yamate	2-78-11 Ishikawa-cho, Naka-ku, Yokohama, Kanagawa	Trust beneficiary interest	2,654.69	3,150,000	3,221,330
C-83	Proceed Monzennakacho	1-7-8 Fukuzumi, Koto-ku, Tokyo	Trust beneficiary interest	1,515.81	1,390,000	1,296,337
C-84	Proceed Maihama	4-14-13 Fujimi, Urayasu, Chiba	Trust beneficiary interest	1,735.31	1,260,000	1,087,995
C-85	Proceed Nagareyama Otakanomori	1-2-3 Otakanomorikita, Nagareyama, Chiba	Trust beneficiary interest	1,730.96	1,130,000	1,171,273
C-86	Proceed Shinkawa	1-25-14 Shinkawa, Chuo-ku, Tokyo	Trust beneficiary interest	579.96	526,000	536,351
G-8	Proceed Taikodori	4-31 Taikotori, Nakamura-ku, Nagoya, Aichi	Trust beneficiary interest	1,101.56	496,000	323,974
G-11	Proceed Honamicho	3-55 Honamicho, Chikusa-ku, Nagoya, Aichi	Trust beneficiary interest	620.22	244,000	218,924
G-13	Proceed Shinsakae	1-28-21 Shinsakae, Naka-ku, Nagoya, Aichi	Trust beneficiary interest	1,958.44	979,000	612,175
G-14	Proceed Chiyoda	2-10-16 Chiyoda, Naka-ku, Nagoya, Aichi	Trust beneficiary interest	922.40	386,000	239,302
G-15	Proceed Fukuoka Takamiya	1-7-15 Noma, Minami-ku, Fukuoka, Fukuoka	Trust beneficiary interest	1,312.29	513,000	413,413
G-17	Proceed Kanayama	3-11-9 Kanayama, Naka-ku, Nagoya, Aichi	Trust beneficiary interest	2,733.58	1,430,000	914,835
G-18	Proceed Fukiage	2-22-1 Kurumadacho, Showa-ku, Nagoya, Aichi	Trust beneficiary interest	1,204.65	654,000	444,219
G-19	Proceed Toyoda	3-51 Shinmeicho, Toyota, Aichi	Trust beneficiary interest	752.04	312,000	196,730
G-21	Proceed Nishitenma	3-7-3 Nishitenma, Kita-ku, Osaka, Osaka	Trust beneficiary interest	1,775.89	1,200,000	858,156
G-22	Proceed Kobemotomachi	3-5-2 Sakaemachidori, Chuo-ku, Kobe, Hyogo	Trust beneficiary interest	1,590.64	1,050,000	767,433

Property number	Property name	Location (residential address)	Form of ownership	Leasable floor area (m <sup>2</sup> )	Period-end appraisal value (thousand yen) (Note)	Book value (thousand yen)
G-23	Group Home Tanoshii Ie Taisho	3-14-8 Hirao, Taisho-ku, Osaka, Osaka	Trust beneficiary interest	482.72	185,000	153,004
G-24	Proceed Kanayama 2	2-1-22 Kanayama, Naka-ku, Nagoya, Aichi	Trust beneficiary interest	4,218.01	2,360,000	1,989,908
G-25	Proceed Aratamabashi	8-17-2 Mizuhodori, Mizuho-ku, Nagoya, Aichi	Trust beneficiary interest	5,335.93	2,230,000	2,105,555
G-26	Proceed Bentencho	2-5-12 Ichioka Motomachi, Minato-ku, Osaka, Osaka	Trust beneficiary interest	4,134.70	2,340,000	2,228,832
G-27	Proceed Nagaikoendori	2-9-19 Minamisumiyoshi, Sumiyoshi-ku, Osaka, Osaka	Trust beneficiary interest	2,170.80	1,070,000	1,096,569
G-30	Proceed Hyogoekimaedori	1-3-22 Ekimaedori, Hyogo-ku, Kobe, Hyogo	Trust beneficiary interest	3,086.99	1,790,000	1,707,087
G-31	Proceed Mizuho	2-43 Mizuhodori, Mizuho-ku, Nagoya, Aichi	Trust beneficiary interest	1,126.40	539,000	551,030
G-32	Proceed Osu	1-29-32 Osu, Naka-ku, Nagoya, Aichi	Trust beneficiary interest	1,851.30	910,000	818,330
G-33	Proceed Sendai Kozurushinden	3-13-3 Shinden Higashi, Miyagino-ku, Sendai, Miyagi	Trust beneficiary interest	1,913.28	789,000	759,289
G-34	Proceed Sendai Kamisugi	2-4-30 Kamisugi, Aoba-ku, Sendai, Miyagi	Trust beneficiary interest	3,409.93	1,750,000	1,560,535
G-35	Proceed Kanayama 3	2-4-26 Masaki, Naka-ku, Nagoya, Aichi	Trust beneficiary interest	1,799.52	858,000	816,125
R-2	Proceed Mito	3-4-14 Omachi, Mito, Ibaraki	Trust beneficiary interest	1,223.83	486,000	291,306
R-3	Proceed Mito 2	3-2-31 Omachi, Mito, Ibaraki	Trust beneficiary interest	1,381.34	521,000	328,228
R-4	Proceed Tsukuba Gakuentoshi	3-9-4 Ninomiya, Tsukuba, Ibaraki	Trust beneficiary interest	2,659.71	844,000	746,965
R-5	Proceed Mito 3	3-1-41 Minamimachi, Mito, Ibaraki	Trust beneficiary interest	2,258.88	876,000	882,892
Total				192,143.94	101,237,000	85,914,742

(Note) "Period-end appraisal value" refers to the appraisal value or survey value by real estate appraisers (by appraisal or survey benchmarked to the price by the income approach with October 31, 2021 as the appraisal or survey date), based on the Articles of Incorporation of SPI and the Cabinet Office Order on "Regulations on calculations of investment corporations."

The following table provides changes in rent business results for each of the investment properties of SPI.

Property number	Property name	31st period (as of April 30, 2021)				32nd period (as of October 31, 2021)			
		Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)	Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)
C-1	Proceed Ichikawa	49	98.1	44,551	1.4	49	98.1	44,588	1.4
C-2	Proceed Toyocho	45	100.0	23,347	0.7	45	100.0	22,999	0.7
C-3	Proceed Kasai	57	100.0	29,196	0.9	57	100.0	25,345	0.8
C-4	Proceed Sangenjaya	9	100.0	19,021	0.6	9	100.0	19,217	0.6
C-5	Proceed Mizue	27	96.5	26,138	0.8	26	92.9	26,033	0.8
C-6	Proceed Funabashi Miyamoto	33	100.0	22,294	0.7	32	95.6	21,889	0.7
C-7	Proceed Minamikasai	16	100.0	12,393	0.4	16	100.0	12,938	0.4
C-9	Proceed Gyotoku	18	90.0	12,915	0.4	20	100.0	11,724	0.4
C-10	Proceed Makuharihongo	33	97.0	12,540	0.4	33	97.0	12,499	0.4
C-11	Proceed Minamigyotoku	24	93.8	11,917	0.4	26	100.0	11,708	0.4

Property number	Property name	31st period (as of April 30, 2021)				32nd period (as of October 31, 2021)			
		Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)	Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)
C-12	Proceed Makuharihongo 2	19	86.4	10,449	0.3	22	100.0	9,905	0.3
C-14	Proceed Funabori	24	100.0	9,306	0.3	20	83.3	9,401	0.3
C-15	Proceed Takenozuka	15	100.0	8,572	0.3	15	100.0	8,599	0.3
C-16	Proceed Sengendai 2	12	100.0	5,098	0.2	12	100.0	5,144	0.2
C-17	Proceed Shoto	39	97.7	28,320	0.9	36	90.9	27,534	0.9
C-18	Proceed Sangubashi	24	92.4	14,990	0.5	24	92.3	14,440	0.5
C-19	Proceed Urayasu	20	95.1	19,093	0.6	21	100.0	18,808	0.6
C-20	Proceed Shinkoiwa	27	100.0	20,386	0.7	27	100.0	21,296	0.7
C-21	Proceed Yachiyo Midorigaoka I	-	-	15,377	0.5	-	-	-	-
C-22	Proceed Yachiyo Midorigaoka II	-	-	13,345	0.4	-	-	-	-
C-23	Proceed Toritsudaigaku	36	97.4	21,405	0.7	34	92.1	22,307	0.7
C-24	Proceed Toritsudaigaku 2	36	100.0	21,519	0.7	36	100.0	21,519	0.7
C-25	Proceed Honjoazumabashi	19	100.0	11,322	0.4	19	100.0	11,322	0.4
C-26	Proceed Meguro Aobadai	24	100.0	12,264	0.4	24	100.0	12,264	0.4
C-27	Proceed Suginami Miyamae	29	100.0	13,804	0.4	29	100.0	13,788	0.4
C-28	Proceed Ryogoku	27	100.0	14,790	0.5	27	100.0	14,822	0.5
C-29	Proceed Mita	72	100.0	40,937	1.3	72	100.0	40,937	1.3
C-30	Proceed Nakanoshimbashi	50	100.0	20,027	0.6	50	100.0	19,994	0.6
C-31	Proceed Kameido	23	100.0	10,962	0.4	23	100.0	10,962	0.4
C-32	Proceed Takadanobaba	17	100.0	7,620	0.2	17	100.0	7,620	0.2
C-33	Proceed Shinkoenji	57	100.0	24,115	0.8	57	100.0	24,137	0.8
C-34	Proceed Koenjiminami	20	100.0	8,298	0.3	20	100.0	8,298	0.3
C-35	Proceed Hasune	29	100.0	9,342	0.3	29	100.0	9,342	0.3
C-36	Proceed Oimachi	59	100.0	25,177	0.8	59	100.0	25,182	0.8
C-37	Proceed Jujo	30	100.0	16,445	0.5	30	100.0	16,427	0.5
C-38	Proceed Hakuraku	27	100.0	8,646	0.3	27	100.0	8,745	0.3
C-39	Proceed Shinmaruko	46	100.0	17,483	0.6	46	100.0	17,474	0.6
C-40	Proceed Motoyawata	25	100.0	12,008	0.4	-	-	3,948	0.1
C-41	Proceed Nishiarai	286	97.5	303,339	9.7	292	99.4	302,808	9.7
C-42	Proceed Chofu	26	100.0	17,077	0.5	25	96.6	16,662	0.5
C-43	Proceed TX Rokucho	20	100.0	7,155	0.2	19	95.3	7,361	0.2
C-44	Proceed Nakagawara	53	98.3	41,375	1.3	54	100.0	43,364	1.4
C-45	Proceed Oizumigakuen	28	96.6	10,124	0.3	28	96.6	9,570	0.3
C-46	Proceed Chitosekarasuyama	28	100.0	10,548	0.3	27	96.4	10,724	0.3

Property number	Property name	31st period (as of April 30, 2021)				32nd period (as of October 31, 2021)			
		Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)	Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)
C-47	Proceed Mitaka	47	100.0	16,158	0.5	47	100.0	16,180	0.5
C-48	Proceed Kashiwa Est	42	95.7	23,327	0.7	44	100.0	23,140	0.7
C-49	Proceed Kashiwa Nord	46	97.9	20,844	0.7	47	100.0	20,781	0.7
C-50	Proceed Gyotokuekimae	24	100.0	11,903	0.4	24	100.0	11,823	0.4
C-51	Proceed Funabashi Honcho	39	97.5	19,602	0.6	38	95.0	18,536	0.6
C-52	Proceed Nishikawaguchi	94	90.4	30,520	1.0	100	96.2	30,460	1.0
C-53	Proceed Gumyoji	68	88.4	21,509	0.7	65	84.9	19,941	0.6
C-54	Proceed Tsurugamine	48	96.0	13,342	0.4	47	94.0	13,797	0.4
C-55	Proceed Sagamiotsuka	28	97.5	8,338	0.3	29	100.0	8,883	0.3
C-56	Proceed Shinozaki 2	35	100.0	35,937	1.2	35	100.0	33,814	1.1
C-57	Proceed Kashiwa Trois	37	97.6	21,552	0.7	38	100.0	21,570	0.7
C-58	Proceed Shinozaki Tower	85	96.2	91,063	2.9	87	99.2	90,769	2.9
C-59	Proceed Tobu Nerima	33	92.3	18,544	0.6	35	100.0	17,663	0.6
C-60	Proceed Yukigaya	30	85.8	13,854	0.4	35	100.0	12,544	0.4
C-61	Proceed Ichikawa Minami	62	94.1	31,129	1.0	61	93.0	30,169	1.0
C-62	Proceed Ichikawa Myoden	45	100.0	18,599	0.6	43	95.6	18,231	0.6
C-63	Proceed Fujisawa Kugenuma	24	93.9	34,126	1.1	25	100.0	32,373	1.0
C-64	Proceed Nihonbashi-horidomecho	36	96.9	43,759	1.4	37	100.0	44,544	1.4
C-65	Proceed TX Nagareyama Central Park	71	96.8	44,353	1.4	73	100.0	43,779	1.4
C-66	Proceed Gyotoku 2	58	98.3	28,299	0.9	59	100.0	29,322	0.9
C-67	Proceed Nishikasai	63	100.0	38,736	1.2	61	96.8	40,079	1.3
C-68	Proceed Kasai 2	28	95.5	30,074	1.0	29	100.0	31,522	1.0
C-69	Proceed Nihonbashi Honcho	77	89.5	58,852	1.9	80	96.1	58,663	1.9
C-70	Proceed Nishi Shinjuku	60	91.3	60,896	2.0	62	94.8	56,621	1.8
C-71	Proceed Unoki	27	93.1	27,086	0.9	28	96.4	27,081	0.9
C-72	Proceed Minamigyotoku 2	36	100.0	39,664	1.3	36	100.0	39,538	1.3
C-73	Proceed CO-Z East Building	102	91.3	68,779	2.2	101	90.3	72,172	2.3
C-74	Proceed CO-Z West Building	63	88.8	36,888	1.2	63	90.2	40,159	1.3
C-75	Proceed Shin Yokohama	213	94.5	114,695	3.7	210	93.4	122,419	3.9
C-76	Life Support Residence Funaboriekimae	2	100.0	11,774	0.4	2	100.0	11,774	0.4
C-77	Proceed Kinshicho	58	91.2	51,796	1.7	62	97.3	49,692	1.6
C-78	Proceed K2	57	97.2	44,642	1.4	57	96.9	45,204	1.5
C-79	Proceed K3 Annex	24	100.0	12,359	0.4	23	95.9	12,795	0.4

Property number	Property name	31st period (as of April 30, 2021)				32nd period (as of October 31, 2021)			
		Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)	Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)
C-80	Proceed K5	16	92.4	9,215	0.3	16	92.4	8,882	0.3
C-81	Proceed Ichikawa Myoden II	58	100.0	26,836	0.9	58	100.0	30,972	1.0
C-82	The Parkhabio Yokohama Yamate	74	97.9	66,508	2.1	74	98.1	65,807	2.1
C-83	Proceed Monzennakacho	47	97.7	35,492	1.1	46	95.6	35,153	1.1
C-84	Proceed Maihama	62	93.9	33,579	1.1	65	98.2	33,593	1.1
C-85	Proceed Nagareyama Otakanomori	49	98.6	712	0.0	50	100.0	32,518	1.0
C-86	Proceed Shinkawa	-	-	-	-	18	100.0	8,589	0.3
G-8	Proceed Taikodori	39	89.2	17,236	0.6	38	86.9	15,491	0.5
G-11	Proceed Honamicho	7	64.3	4,108	0.1	9	88.2	6,007	0.2
G-13	Proceed Shinsakae	72	93.6	31,760	1.0	68	88.4	32,120	1.0
G-14	Proceed Chiyoda	27	90.1	12,301	0.4	29	96.5	13,385	0.4
G-15	Proceed Fukuoka Takamiya	43	93.1	17,738	0.6	45	98.1	17,548	0.6
G-17	Proceed Kanayama	89	94.3	44,727	1.4	90	96.0	44,656	1.4
G-18	Proceed Fukiage	45	94.0	20,481	0.7	44	92.1	19,709	0.6
G-19	Proceed Toyoda	24	90.5	12,971	0.4	24	90.3	12,382	0.4
G-21	Proceed Nishitenma	55	98.5	32,832	1.1	52	93.8	32,755	1.1
G-22	Proceed Kobemotomachi	58	95.3	28,947	0.9	61	100.0	31,265	1.0
G-23	Group Home Tanoshii Ie Taisho	1	100.0	6,000	0.2	1	100.0	6,000	0.2
G-24	Proceed Kanayama 2	67	92.4	64,289	2.1	69	95.9	65,974	2.1
G-25	Proceed Aratamabashi	61	80.3	59,033	1.9	63	83.1	53,577	1.7
G-26	Proceed Bentencho	125	99.4	66,742	2.1	122	96.7	65,828	2.1
G-27	Proceed Nagaikoendori	77	95.1	29,641	1.0	78	96.3	32,565	1.0
G-30	Proceed Hyogoekimaedori	114	97.6	50,330	1.6	112	95.9	56,228	1.8
G-31	Proceed Mizuho	37	92.7	17,069	0.5	33	83.9	16,154	0.5
G-32	Proceed Osu	59	89.4	28,225	0.9	62	93.9	28,929	0.9
G-33	Proceed Sendai Kozurushinden	55	87.2	24,425	0.8	58	93.2	24,270	0.8
G-34	Proceed Sendai Kamisugi	103	95.6	58,547	1.9	107	99.1	56,300	1.8
G-35	Proceed Kanayama 3	57	94.7	29,066	0.9	57	95.5	28,091	0.9
R-2	Proceed Mito	31	87.1	16,425	0.5	29	82.4	15,316	0.5
R-3	Proceed Mito 2	34	94.4	19,107	0.6	35	97.7	18,771	0.6
R-4	Proceed Tsukuba Gakuentoshi	33	96.6	29,003	0.9	31	90.1	27,602	0.9
R-5	Proceed Mito 3	60	100.0	32,024	1.0	60	100.0	29,821	1.0
Total		4,999	95.4	3,113,450	100.0	5,021	96.4	3,115,991	100.0

- (Note 1) “Number of leased units” indicates the number of end tenants (tenants under ongoing sublease agreement with master lease companies) of each property. For properties under fixed-rent-type master lease agreement, all units are deemed to be occupied.
- (Note 2) “Ratio to total rent revenue” refers to the ratio of rent revenue of each property to rent revenue of the entire portfolio, and is rounded to the first decimal place.
- (Note 3) SPI disposed (C-21) Proceed Yachiyo Midorigaoka I and (C-22) Proceed Yachiyo Midorigaoka II on April 26, 2021, and (C-40) Proceed Motoyawata on July 1, 2021.

#### (4) Contract amount and fair value of specified transactions

The following table provides the contract amount of SPI’s specified transactions and the status of its fair value as of October 31, 2021.

[Unit: thousand yen]

Category	Type	Contract amount etc. (Note 1)		Fair value
			Of which, exceeding 1 year	
Off-market transaction	Interest rate swap transactions Receivable floating; Payable fixed	15,269,000	15,269,000	(Note 2)

(Note 1) The contract amount, etc. of the interest rate swap transactions is based on the notional principal amount.

(Note 2) The fair value is omitted for the transactions that meet the requirements for special accounting pursuant to the Accounting Standard for Financial Instruments.

#### (5) Status of other assets

Trust beneficiary interests in real estate as major trust property are listed on the aforementioned “(3) Details of real estate properties in the portfolio.” As of October 31, 2021, there is no incorporation of major specified assets as principal investment targets by SPI, other than assets in the aforementioned section.

## 4. Capital Expenditures of Real Estate Held

### (1) Schedule of capital expenditures

The following table provides amounts of major capital expenditures that accompany renovation work currently planned for already-acquired assets. The planned construction costs include portions that are separately accounted under expenses.

Property name (Location)	Purpose	Schedule period	Planned construction cost (thousand yen) (Note)		
			Total amount	Payment in the 32nd fiscal period	Total amount already paid
Proceed Kameido (Koto-ku, Tokyo)	Refreshment of exterior finishes	From Jan. 2022 to Apr. 2022	42,000	-	-
Proceed Shinkoiwa (Edogawa-ku, Toyo)	Refreshment of exterior finishes	From Apr. 2022 to Jun. 2022	38,000	-	-
Group Home Tanoshii Ie Taisho (Taisho-ku, Osaka-shi, Osaka)	Refreshment of exterior finishes	From Mar. 2022 to Apr. 2022	11,000	-	-
Proceed Ichikawa Minami (Ichikawa-shi, Chiba)	Replacement of interphone systems	From Aug. 2021 to Dec. 2021	9,130	-	-
Proceed Makuharihongo 2 (Hanamigawa-ku, Chiba-shi, Chiba)	Rooftop waterproofing	From Mar. 2022 to Apr. 2022	6,480	-	-

(Note) Figures are rounded down to the nearest thousand yen.

### (2) Capital expenditures during period

The following table provides the overview of major capital expenditures SPI conducted at its already-acquired assets in the 32nd fiscal period. Capital expenditures during the 32nd fiscal period totaled 213,548 thousand yen. Combined with repair expenses of 107,744 thousand yen that were classified as expenses for the fiscal period, SPI implemented 321,292 thousand yen worth of construction works in the 32nd fiscal period.

Property name (Location)	Purpose	Period	Total expenditures (thousand yen) (Note)
Proceed Nishi Shinjuku (Shinjuku-ku, Tokyo)	Refreshment of exterior finishes	From Jun. 2021 to Oct. 2021	47,789
Proceed Toritsudaigaku 2 (Meguro-ku, Tokyo)	Refreshment of exterior finishes	From Jan. 2021 to May 2021	20,200
Other constructions			145,558
Total			213,548

(Note) Figures are rounded down to the nearest thousand yen.

### (3) Cash reserves for long-term repair and maintenance plans

Based on the long-term repairs and maintenance plans prepared for each property, SPI sets aside repair reserves from the cash flows during the fiscal period, as shown below, in order to fund large-scale repairs, etc.

[Unit: thousand yen]

Fiscal period	28th period	29th period	30th period	31st period	32nd period
Operation period	From May 1, 2019 to Oct. 31, 2019	From Nov. 1, 2019 to Apr. 30, 2020	From May 1, 2020 to Oct. 31, 2020	From Nov. 1, 2020 to Apr. 30, 2021	From May 1, 2021 to Oct. 31, 2021
Balance of reserves at beginning of period	500,000	550,000	600,000	650,000	700,000
Reserves during the period	50,000	50,000	50,000	50,000	50,000
Reversal of reserves during the period	-	-	-	-	-
Amount carried forward to the next period	550,000	600,000	650,000	700,000	750,000

(Note) Figures are rounded down to the nearest thousand yen.



## 5. Status of Expenses and Liabilities

### (1) Details of expenses related to asset management

[Unit: thousand yen]

Item	31st period	32nd period
	(From Nov. 1, 2020 to Apr. 30, 2021)	(From May 1, 2021 to Oct. 31, 2021)
(a) Asset management fees	271,241	268,347
(b) Asset custody fees	8,480	8,480
(c) Administrative service fees	27,033	25,667
(d) Directors' compensations	1,200	1,200
(e) Other operating expenses	124,985	124,896
Total	432,941	428,591

(Note) The asset management fee for the 31st fiscal period includes 5,879 thousand yen for asset management related to property acquisition, capitalized in the acquisition costs of respective properties, and 4,320 thousand yen for asset management related to property disposition. The asset management fee for the 32nd fiscal period includes 2,750 thousand yen for asset management related to property acquisition, capitalized in the acquisition costs of respective properties, and 2,016 thousand yen for asset management related to property disposition.

## (2) Debt financing status

The status of loans from respective financial institutions as of October 31, 2021 is as follows.

	Classification		Drawdown date	Balance at beginning of 32nd FP (thousand yen)	Balance at end of 32nd FP (thousand yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use	Remarks					
	Lender														
Long-Term Loans (Note 3)	Resona Bank, Limited		May 24, 2016	763,500	763,500	0.87499	May 24, 2022	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed					
	Aozora Bank, Ltd.			520,000	520,000										
	Sumitomo Mitsui Banking Corporation			408,500	408,500										
	The Chiba Bank, Ltd.			387,500	387,500										
	The Musashino Bank, Ltd.			387,500	387,500										
	Mizuho Bank, Ltd.			158,500	158,500										
	ORIX Bank Corporation			130,000	130,000										
	Sumitomo Mitsui Trust Bank, Limited			56,500	56,500										
	Mizuho Trust & Banking Co., Ltd.			50,000	50,000										
	The Kagawa Bank, Ltd.			11,500	11,500										
	Resona Bank, Limited			May 24, 2016	763,500						763,500	0.93499	May 24, 2023	Lump-sum repayment on repayment date	Refinancing
	Aozora Bank, Ltd.		520,000		520,000										
	Sumitomo Mitsui Banking Corporation		408,500		408,500										
	The Chiba Bank, Ltd.		387,500		387,500										
	The Musashino Bank, Ltd.		387,500		387,500										
	Mizuho Bank, Ltd.		158,500		158,500										
	ORIX Bank Corporation		130,000		130,000										
	Sumitomo Mitsui Trust Bank, Limited		56,500		56,500										
	Mizuho Trust & Banking Co., Ltd.		50,000		50,000										
	The Kagawa Bank, Ltd.		11,500		11,500										
	Resona Bank, Limited		Dec. 9, 2016		1,095,500	-	0.37364	May 24, 2021	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed				
	Aozora Bank, Ltd.			1,060,500	-										
	Mizuho Bank, Ltd.			917,000	-										
	The Musashino Bank, Ltd.			480,000	-										
	The Chiba Bank, Ltd.			470,000	-										
	The Kagawa Bank, Ltd.			152,000	-										
	Sumitomo Mitsui Trust Bank, Limited			145,000	-										
	Resona Bank, Limited		Dec. 9, 2016	1,105,000	1,105,000	0.40499	Nov. 24, 2021	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed					
	Aozora Bank, Ltd.			1,061,000	1,061,000										
	Mizuho Bank, Ltd.			917,000	917,000										
	The Musashino Bank, Ltd.			480,000	480,000										
	The Chiba Bank, Ltd.			460,000	460,000										
	The Kagawa Bank, Ltd.			152,000	152,000										
	Sumitomo Mitsui Trust Bank, Limited			145,000	145,000										
	Mizuho Bank, Ltd.		May 24, 2017	1,090,000	1,090,000	0.75499	Nov. 24, 2022	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed					
	The Chiba Bank, Ltd.			500,000	500,000										
	The Nishi-Nippon City Bank, Ltd.			500,000	500,000										
	Sumitomo Mitsui Banking Corporation			500,000	500,000										
	The Musashino Bank, Ltd.			500,000	500,000										
	Resona Bank, Limited			385,000	385,000										
	Higashi-Nippon Bank, Ltd.			250,000	250,000										
	Aozora Bank, Ltd.			215,000	215,000										
ORIX Bank Corporation		150,000		150,000											
Mizuho Trust & Banking Co., Ltd.		100,000		100,000											
The Bank of Yokohama, Ltd.		1,000,000		1,000,000											
Resona Bank, Limited		Nov. 24, 2017	519,000	519,000	0.78499	Nov. 24, 2023	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed						
Mizuho Bank, Ltd.			479,000	479,000											
Sumitomo Mitsui Banking Corporation			479,000	479,000											
The Chiba Bank, Ltd.			415,000	415,000											
The Musashino Bank, Ltd.			415,000	415,000											
Aozora Bank, Ltd.			321,000	321,000											
Sumitomo Mitsui Trust Bank, Limited			171,000	171,000											
ORIX Bank Corporation			167,000	167,000											
The Kagawa Bank, Ltd.			34,000	34,000											
Resona Bank, Limited			Dec. 15, 2017	650,000						650,000	0.68499	May 24, 2022	Lump-sum repayment on repayment date	Funds for acquisition of AUM	Unsecured Unguaranteed
Aozora Bank, Ltd.				600,000						600,000					
Mizuho Bank, Ltd.		600,000		600,000											
Sumitomo Mitsui Banking Corporation		600,000		600,000											
Sumitomo Mitsui Trust Bank, Limited		150,000		150,000											
The Kagawa Bank, Ltd.		100,000		100,000											
Higashi-Nippon Bank, Ltd.		100,000		100,000											
Mizuho Trust & Banking Co., Ltd.		100,000		100,000											
Resona Bank, Limited		May 25, 2018		727,000	727,000	0.78499	May 24, 2024	Lump-sum repayment on repayment date	Part of funds for refinancing and acquisition of AUM	Unsecured Unguaranteed					
Aozora Bank, Ltd.				450,000	450,000										
The Bank of Kyoto, Ltd.				400,000	400,000										
Mizuho Bank, Ltd.			299,000	299,000											
Sumitomo Mitsui Banking Corporation			299,000	299,000											
The Chiba Bank, Ltd.			259,000	259,000											
The Musashino Bank, Ltd.			259,000	259,000											
Sumitomo Mitsui Trust Bank, Limited			107,000	107,000											
The Kagawa Bank, Ltd.			100,000	100,000											

Classification	Lender	Drawdown date	Balance at beginning of 32nd FP (thousand yen)	Balance at end of 32nd FP (thousand yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use	Description
Long-Term Loans (Note 3)	Aozora Bank, Ltd.	Nov. 22, 2018	1,089,000	1,089,000	0.93000 (Note 2)	Nov. 22, 2024	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed
	Resona Bank, Limited		825,000	825,000					
	The Chiba Bank, Ltd.		382,000	382,000					
	The Musashino Bank, Ltd.		382,000	382,000					
	Mizuho Bank, Ltd.		357,000	357,000					
	The Kagawa Bank, Ltd.		325,000	325,000					
	Sumitomo Mitsui Banking Corporation		241,000	241,000					
	Sumitomo Mitsui Trust Bank, Limited		99,000	99,000					
	Aozora Bank, Ltd.	May 24, 2019	831,000	831,000	0.86000 (Note 2)	May 23, 2025	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed
	Resona Bank, Limited		635,000	635,000					
	The Chiba Bank, Ltd.		356,000	356,000					
	The Musashino Bank, Ltd.		356,000	356,000					
	The Kagawa Bank, Ltd.		303,000	303,000					
	Mizuho Bank, Ltd.		250,000	250,000					
	Sumitomo Mitsui Banking Corporation		225,000	225,000					
	Sumitomo Mitsui Trust Bank, Limited		93,000	93,000					
	Resona Bank, Limited	Nov. 25, 2019	449,000	449,000	0.87000 (Note 2)	Nov. 25, 2025	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed
	Aozora Bank, Ltd.		278,000	278,000					
	Mizuho Bank, Ltd.		189,000	189,000					
	Sumitomo Mitsui Banking Corporation		189,000	189,000					
	The Chiba Bank, Ltd.		163,000	163,000					
	The Musashino Bank, Ltd.		163,000	163,000					
	Sumitomo Mitsui Trust Bank, Limited		69,000	69,000					
	Resona Bank, Limited		May 22, 2020	1,095,000					
	Aozora Bank, Ltd.	1,060,000		1,060,000					
	Mizuho Bank, Ltd.	917,000		917,000					
	The Musashino Bank, Ltd.	480,000		480,000					
	The Chiba Bank, Ltd.	470,000		470,000					
	The Kagawa Bank, Ltd.	152,000		152,000					
	Sumitomo Mitsui Trust Bank, Limited	146,000		146,000					
	Aozora Bank, Ltd.	Nov. 24, 2020		790,000	790,000	0.90000 (Note 2)	Nov. 24, 2026	Lump-sum repayment on repayment date	Refinancing
	Resona Bank, Limited		590,000	590,000					
	The Chiba Bank, Ltd.		286,000	286,000					
	The Musashino Bank, Ltd.		286,000	286,000					
	Mizuho Bank, Ltd.		248,000	248,000					
	The Kagawa Bank, Ltd.		244,000	244,000					
	Sumitomo Mitsui Banking Corporation		181,000	181,000					
	Sumitomo Mitsui Trust Bank, Limited		75,000	75,000					
	Resona Bank, Limited	May 24, 2021	-	547,500	0.50526	May 24, 2023	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed
	Aozora Bank, Ltd.		-	530,000					
	Mizuho Bank, Ltd.		-	458,000					
	The Musashino Bank, Ltd.		-	240,000					
The Chiba Bank, Ltd.	-		235,000						
The Kagawa Bank, Ltd.	-		76,000						
Sumitomo Mitsui Trust Bank, Limited	-		72,500						
Resona Bank, Limited	May 24, 2021		-	548,000					
Aozora Bank, Ltd.		-	530,500						
Mizuho Bank, Ltd.		-	459,000						
The Musashino Bank, Ltd.		-	240,000						
The Chiba Bank, Ltd.		-	235,000						
The Kagawa Bank, Ltd.		-	76,000						
Sumitomo Mitsui Trust Bank, Limited		-	72,500						
Subtotal			43,646,000	43,646,000					
Total		43,646,000	43,646,000						

(Note 1) The average interest rate is a weighted-average figure during the fiscal period and is rounded to the fifth decimal place.

(Note 2) SPI conducted interest rate swap transactions for these loans in order to hedge against interest rate fluctuation risks, and the stated interest rate is the post-fixation figure.

(Note 3) The current portion of long-term loans payable (10,093,500 thousand yen) on the balance sheets are included in long-term loans payable.

### Status of investment corporation bonds

The status of investment corporation bonds as of October 31, 2021 is as follows.

Issue	Issue date	Balance at beginning of 32nd FP (thousand yen)	Balance at end of 32nd FP (thousand yen)	Interest rate	Redemption date	Redemption method	Use of funds	Remarks
First Series Unsecured Investment Corporation Bond (with pari passu conditions among specified investment corporation bonds)	Nov. 18, 2019	1,000,000	1,000,000	0.470% per annum	Nov. 18, 2024	Lump-sum upon maturity	Partial repayment of borrowings	Unsecured and unguaranteed
Second Series Unsecured Investment Corporation Bond (with pari passu conditions among specified investment corporation bonds)	Nov. 19, 2020	1,000,000	1,000,000	0.540% per annum	Nov. 19, 2025	Lump-sum upon maturity	Partial repayment of borrowings	Unsecured and unguaranteed
Total		2,000,000	2,000,000					

### (3) Status of short-term investment bonds

Not applicable.

### (4) Status of investment unit acquisition rights

Not applicable.

## 6. Status of Sale and Purchase during Period

### (1) Status, etc. of sale and purchase of real estate, etc. and asset-backed securities, etc. and infrastructure assets, etc. and infrastructure-related assets

Property number	Property name	Acquisition		Disposition			
		Acquisition date	Acquisition price (thousand yen) (Note 1)	Disposition date	Disposition price (thousand yen) (Note 1)	Book value (thousand yen)	Gain or loss on sale (thousand yen) (Note 2)
C-40	Proceed Motoyawata	-	-	July 1, 2021	336,000	262,363	61,286
C-86	Proceed Shinkawa	July 2, 2021	500,000	-	-	-	-
Total		-	500,000	-	336,000	262,363	61,286

(Note 1) "Acquisition price" or "Disposition price" indicates the amount (transaction price stated in the sales agreement, etc.) excluding various expenses (transaction brokerage fees, taxes and public dues, etc.) required for acquisition or disposition of the relevant real estate.

(Note 2) "Gain or loss on sale" indicates the amount obtained by subtracting the book value and expenses related to disposition from the disposition price.

### (2) Status, etc. of sales and purchase of other assets

Other assets excluding the above are mostly bank deposits or bank deposits within trust property.

### (3) Investigation into value, etc. of specified assets

#### i) Real estate, etc.

For transactions which require appraisals of real estate, etc., concerning specified assets based on Paragraph 1, Article 201 of the Investment Trusts Act, such are implemented by Chuo Real Estate Appraisal Co., Ltd. based on the Real Estate Appraisal Standards, and SPI has received notices on the results of the concerned appraisals from the relevant party.

Acquisition or disposition	Property number	Property name	Transaction date	Type of asset	Acquisition price or disposition price (thousand yen)	Appraisal value (thousand yen)	Appraisal date	Appraiser
Disposition	C-40	Proceed Motoyawata	Jul. 1, 2021	Real estate in trust	336,000	336,000	Apr. 30, 2021	Chuo Real Estate Appraisal Co., Ltd.
Acquisition	C-86	Proceed Shinkawa	Jul. 2, 2021	Real estate in trust	500,000	522,000	Jun. 1, 2021	Chuo Real Estate Appraisal Co., Ltd.

#### ii) Others

Not applicable.

(4) Status of interested party transactions, etc.

i) Status of sale and purchase transaction with interested parties, etc.

Category	Transaction amount, etc.	
	Purchase amount, etc. (thousand yen)	Sale amount, etc. (thousand yen)
Total amount	500,000	336,000
Breakdown of transactions with interested parties, etc.		
Starts Development Corporation	500,000 (100.0%)	- (-%)
Total	500,000 (100.0%)	- (-%)

ii) Amount of commission fee, etc.

Category	Total paid fee (A) (thousand yen)	Breakdown of transactions with interested parties, etc.		B/A (%)
		Paid party	Paid amount (B) (thousand yen)	
Property management fee	84,242	Starts Amenity Corporation	82,320	97.7
Repair expenses	321,292	Starts Amenity Corporation	302,628	94.2
Maintenance and inspection fee	120,782	Starts Amenity Corporation	118,689	98.3
Advertising expenses	60,207	Starts Amenity Corporation	57,775	96.0
Renewal fee	24,042	Starts Amenity Corporation	23,240	96.7

(Note) "Interested parties, etc." refer to the interested parties, etc., as defined in Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations, of the asset management company that has entered into an asset management agreement with SPI, and other interested parties, etc. as defined in Article 26, Paragraph 1, Item 27 of the Regulations Concerning Investment Reports of Investment Trusts and Investment Corporations issued by The Investment Trusts Association, Japan.

(5) Status, etc. of transaction with the asset management company pertaining to operations of concurrent business engaged in by the asset management company

The asset management company (Starts Asset Management Co., Ltd.) does not concurrently conduct any of the type I financial instruments business, type II financial instruments business, land and building transaction business, or real estate syndication business, and has no such transactions with SPI.

## 7. Accounting

### (1) Status, etc. of assets, liabilities, principal and income and loss

For the status of assets, liabilities, principal and profit/loss, please refer to “Balance Sheets,” “Statements of Income,” “Statements of Changes in Unitholders’ Equity,” “Statements of Cash Flows,” “Notes to Financial Statements” and “Statements of Cash Distributions” on later pages of this report.

### (2) Change in method of calculation of depreciation and amortization

Not applicable.

### (3) Change in method of valuation of real estate, etc. and infrastructure assets, etc.

Not applicable.

## 8. Others

### (1) Notice

#### i) Board of Directors of the investment corporation

The overview of the major conclusion and change of contracts that were approved by the Board of Directors of SPI during the 32nd fiscal period is as follows.

Approval date	Item	Overview
September 24, 2021	Conclusion of agreement to modify general administrative agent agreement	On October 29, 2021, SPI concluded an agreement to modify the provisions regarding service fees, effective on November 1, 2021, in the general administrative agent agreement for accounting services concluded with Sumitomo Mitsui Trust Bank, Limited.

### (2) Status of Self-Managed Investment Trust Beneficiary Certificates

Not applicable.

### (3) Disclosure pertaining to corporation holding overseas real estate

Not applicable.

### (4) Disclosure pertaining to real estate of corporation holding overseas real estate

Not applicable.

### (5) Others

Figures in this document are rounded down (values) and rounded to the nearest decimal place (percentages) unless otherwise indicated.



# Starts Proceed Investment Corporation

## Balance Sheets

[Unit: thousand yen]

	31st Fiscal Period (Reference) (as of April 30, 2021)	32nd Fiscal Period (as of October 31, 2021)
Assets		
Current assets		
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
Total current assets	3,422,350	3,653,586
Non-current assets		
Property, plant and equipment		
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
Total property, plant and equipment	86,065,187	85,914,742
Investment and other assets		
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
Total investments and other assets	687,048	675,041
Total non-current assets	86,752,235	86,589,783
Deferred assets		
Investment corporation bond issuance costs	17,372	15,191
Total deferred assets	17,372	15,191
Total assets	90,191,958	90,258,562

# Starts Proceed Investment Corporation

## Balance Sheets

[Unit: thousand yen]

	31st Fiscal Period (Reference) (as of April 30, 2021)	32nd Fiscal Period (as of October 31, 2021)
<b>Liabilities</b>		
Current liabilities		
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
Total current liabilities	8,998,727	10,555,378
Non-current liabilities		
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
Total non-current liabilities	37,826,291	36,361,636
Total liabilities	46,825,019	46,917,015
<b>Net assets</b>		
Unitholders' equity		
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
Surplus		
Voluntary reserves		
Reserve for reduction entry	99,000	99,000
Reserve for reduction entry under special provisions for property replacement	(Note 2) 400,000	400,000
Total voluntary reserves	499,000	499,000
Unappropriated retained earnings (undisposed loss)	1,183,395	1,158,003
Total surplus	1,682,395	1,657,003
Total unitholders' equity	43,366,939	43,341,547
Total net assets	(Note 3) 43,366,939	43,341,547
Total liabilities and net assets	90,191,958	90,258,562

# Starts Proceed Investment Corporation

## Statements of Income

[Unit: thousand yen]

		31st Fiscal Period (Reference) From: Nov. 1, 2020 To: Apr. 30, 2021	32nd Fiscal Period From: May 1, 2021 To: Oct. 31, 2021
Operating revenue			
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		3,160,123	3,177,278
Operating expenses			
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		1,797,159	1,806,335
Operating income		1,362,963	1,370,942
Non-operating income			
Interest income		16	16
Insurance income		8,300	5,555
Reversal of distribution payable		958	1,000
Total non-operating income		9,275	6,571
Non-operating expenses			
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		209,071	217,586
Ordinary income		1,163,168	1,159,927
Extraordinary income			
Indemnity income	(Note 3)	22,113	-
Total extraordinary income		22,113	-
Income before income taxes		1,185,281	1,159,927
Income taxes – current		1,946	1,958
Income taxes – deferred		0	(0)
Total income taxes		1,947	1,958
Net income		1,183,334	1,157,969
Retained earnings brought forward		61	33
Unappropriated retained earnings (undisposed loss)		1,183,395	1,158,003

# Starts Proceed Investment Corporation

## Statements of Changes in Unitholders' Equity

31st Fiscal Period: from November 1, 2020 to April 30, 2021 (Reference)

[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	1,392,789
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 end of 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 beginning of 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 end of period	1,682,395	43,366,939	43,366,939

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 beginning of 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 end of 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 beginning of 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 end of period	1,657,003	43,341,547	43,341,547

# Starts Proceed Investment Corporation

## Statements of Cash Flows

[Unit: thousand yen]

	31st Fiscal Period (Reference) From: Nov. 1, 2020 To: Apr. 30, 2021	32nd Fiscal Period 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 beginning of period	3,434,307	3,309,856
Cash and cash equivalents at end of period	(Note) 3,309,856	3,539,860

# Starts Proceed Investment Corporation

## Notes to Financial Statements

### 1. Basis of presenting financial statements

SPI maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan (Japanese GAAP), including provisions set forth in the “Financial Instruments and Exchange Act” of Japan, the “Act on Investment Trusts and Investment Corporations” (the Investment Trusts Act), the “Companies Act” and the related regulations, which are different in certain respects as to the adoption and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are basically a translation of the audited financial statements of SPI, which were prepared in accordance with Japanese GAAP and filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to financial statements include information which might not be required under Japanese GAAP but is presented herein as additional information. SPI’s accounting periods end at the end of April and October.

### 2. Summary of significant accounting policies

Fiscal period Item	31st Fiscal Period (Reference) (November 1, 2020 - April 30, 2021)	32nd Fiscal Period (May 1, 2021 - October 31, 2021)								
1. Depreciation method for non-current assets	<p>(1) Property, plant and equipment Depreciation is calculated using the straight-line method.</p> <p>The useful lives of major categories of property, plant and equipment are as follows:</p> <table style="margin-left: 20px;"> <tr> <td>Buildings in trust</td> <td style="text-align: right;">3 - 64 years</td> </tr> <tr> <td>Structures in trust</td> <td style="text-align: right;">10 - 45 years</td> </tr> <tr> <td>Machinery and equipment in trust</td> <td style="text-align: right;">8 years</td> </tr> <tr> <td>Tools, furniture and fixtures in trust</td> <td style="text-align: right;">3 - 15 years</td> </tr> </table> <p>(2) Long-term prepaid expenses Long-term prepaid expenses are amortized using the straight-line method.</p>	Buildings in trust	3 - 64 years	Structures in trust	10 - 45 years	Machinery and equipment in trust	8 years	Tools, furniture and fixtures in trust	3 - 15 years	<p>(1) Property, plant and equipment Same as on the left</p> <p>(2) Long-term prepaid expenses Same as on the left</p>
Buildings in trust	3 - 64 years									
Structures in trust	10 - 45 years									
Machinery and equipment in trust	8 years									
Tools, furniture and fixtures in trust	3 - 15 years									
2. Accounting for deferred assets	<p>Investment corporation bond issuance costs Investment corporation bond issuance costs are amortized using the straight-line method over the period through redemption.</p>	<p>Investment corporation bond issuance costs Same as on the left</p>								
3. Standards for recognition of revenue and expenses	<p>Accounting treatment of property taxes, etc. In connection with property taxes, city planning taxes and depreciable asset taxes, SPI as a rule uses the method of charging the corresponding amounts of assessed taxes to the current fiscal period as expenses related to leasing business.</p> <p>In the case of property taxes, city planning taxes and depreciable asset taxes on owned properties that have a different number of installment tax payments every period, however, the amount of the number of annual tax payments corresponding to the business period is accounted for as expenses related to rent business.</p> <p>The amount equivalent to property taxes, etc. for the initial fiscal year to be borne by SPI upon acquisition of real estate or trust beneficiary interests in real estate as trust property are not expensed but capitalized as part of the acquisition cost of the relevant property.</p>	<p>(1) Accounting treatment of property taxes, etc. In connection with property taxes, city planning taxes and depreciable asset taxes, SPI as a rule uses the method of charging the corresponding amounts of assessed taxes to the current fiscal period as expenses related to leasing business.</p> <p>In the case of property taxes, city planning taxes and depreciable asset taxes on owned properties that have a different number of installment tax payments every period, however, the amount of the number of annual tax payments corresponding to the business period is accounted for as expenses related to rent business.</p> <p>The amount equivalent to property taxes, etc. for the initial fiscal year to be borne by SPI upon acquisition of real estate or trust beneficiary interests in real estate as trust property are not expensed but capitalized as part of the acquisition cost of the relevant property.</p> <p>(2) Standards for revenue recognition The details of main performance obligations concerning revenue generated from contracts between SPI and its customers and the ordinary time to fulfil said performance obligations (ordinary time to recognize revenue) are as follows.</p>								

<p>3. Standards for recognition of revenue and expenses (continued)</p>		<p>a. Sale of real estate properties SPI recognizes revenue from sale of real estate properties when the purchaser who is a customer obtains control of the relevant real estate properties as a result of the seller fulfilling its delivery obligations stipulated in the transaction agreement of the real estate properties.</p> <p>b. Utilities income SPI recognizes utilities income in accordance with the supply of electricity and water, etc. to the lessee who is a customer based on the lease agreement of real estate, etc. and details of agreements incidental to it. Of the utilities income, in the case that SPI deems itself to be an agent, the net amount obtained by deducting the amount it pays to other parties from the amount it receives as charges for electricity and gas, etc. supplied by the said other parties is recognized as revenue.</p>
<p>4. Method of hedge accounting</p>	<p>(1) Method of hedge accounting Special accounting is applied for interest rate swap transactions as they satisfy the requirements for special accounting.</p> <p>(2) Hedging instruments and hedged items Hedging instrument: interest rate swap transactions Hedged items: interest of borrowings</p> <p>(3) Hedging policy Based on its financial policy, SPI conducts derivative transactions to hedge risks, as stipulated in its Articles of Incorporation.</p> <p>(4) Method for assessing the effectiveness of hedging Assessment of the effectiveness of hedging is omitted as requirements for special accounting are satisfied for interest rate swap transactions.</p>	<p>(1) Method of hedge accounting Same as on the left</p> <p>(2) Hedging instruments and hedged items Same as on the left</p> <p>(3) Hedging policy Same as on the left</p> <p>(4) Method for assessing the effectiveness of hedging Same as on the left</p>
<p>5. Scope of funds in the Statements of Cash Flows</p>	<p>The funds (cash and cash equivalents) in the Statements of Cash Flows consist of cash on hand and cash in trust, deposits and deposits in trust that can be withdrawn at any time, and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of value fluctuation.</p>	<p>Same as on the left</p>
<p>6. Other significant items fundamental to preparing the financial statements</p>	<p>(1) Accounting method for trust beneficiary interests in real estate as trust property Regarding trust beneficiary interests in owned real estate as trust property, all asset and liability accounts of the trust properties as well as all revenue and expense accounts generated by the trust properties are recorded in relevant accounts on the Balance Sheets and Statements of Income. Furthermore, among trust properties recorded in relevant accounts, the following material accounts are separately stated on the Balance Sheets.</p> <ul style="list-style-type: none"> <li>a. Cash and deposits in trust</li> <li>b. Buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, land in trust</li> <li>c. Lease and guarantee deposits in trust</li> <li>d. Tenant leasehold and security deposits in trust</li> </ul> <p>(2) Accounting for consumption taxes National and local consumption taxes are excluded from the transaction amounts. For non-current assets and deferred assets, however, the consumption taxes are included.</p>	<p>(1) Accounting method for trust beneficiary interests in real estate as trust property Same as on the left</p> <p>(2) Accounting for consumption taxes Same as on the left</p>



### 3. Notes to changes in accounting policies

31st Fiscal Period (Reference) (November 1, 2020 - April 30, 2021)	32nd Fiscal Period (May 1, 2021 - October 31, 2021)
Not applicable.	<p>1. Application of Accounting Standard for Revenue Recognition, etc.</p> <p>SPI has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 (revised 2020), issued on March 31, 2020) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 (revised 2021), issued on March 26, 2021 from the beginning of the 32nd fiscal period, and decided to recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. The impact of the application of the Accounting Standard, etc. on financial statements of the fiscal period is minimal.</p> <p>2. Application of Accounting Standard for Fair Value Measurement, etc.</p> <p>SPI has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019), etc. from the beginning of the 32nd fiscal period, and decided to adopt the new accounting policies set forth by the said Accounting Standard, etc. going forward in accordance with the transitional treatment as stipulated in Paragraph 19 of the “Accounting Standard for Fair Value Measurement” and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 (revised 2019), issued on July 4, 2019). The impact of this change on the financial statements of the fiscal period is minimal.</p> <p>In addition, pursuant to the provision of Article 2, paragraph 5 of the Supplementary Provision of the “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms, and Preparation Methods of Financial Statements” (Cabinet Office Ordinance No. 61, September 24, 2021), the matters listed in Article 8-6-2, paragraph 1, item 3 of the revised Regulation on Terminology, Forms, and Preparation Methods of Financial Statements are omitted.</p>

## 4. Notes to Balance Sheets

31st Fiscal Period (Reference) (as of April 30, 2021)	32nd Fiscal Period (as of October 31, 2021)																																																
<p>(Note 1) Cancellation of treasury investment units  Total number of cancelled units                      3,000 units  Total amount of cancellation    545,913 thousand yen</p>	<p>(Note 1) Cancellation of treasury investment units  Total number of cancelled units                      3,000 units  Total amount of cancellation    545,913 thousand yen</p>																																																
<p>(Note 2) Breakdown of reserve for reduction entry under special provisions for property replacement defined in Article 2, Paragraph 2, Item 28 of the Regulations on Accounting of Investment Corporations is as follows.</p>	<p>(Note 2) Breakdown of reserve for reduction entry under special provisions for property replacement defined in Article 2, Paragraph 2, Item 28 of the Regulations on Accounting of Investment Corporations is as follows.</p>																																																
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<p>(Note 3) Minimum net assets designated in Article 67-4 of the Act on Investment Trusts and Investment Corporations  50,000 thousand yen</p>	<p>(Note 3) Minimum net assets designated in Article 67-4 of the Act on Investment Trusts and Investment Corporations  50,000 thousand yen</p>																																																

## 5. Notes to Statements of Income

31st Fiscal Period (Reference) (November 1, 2020 - April 30, 2021)	32nd Fiscal Period (May 1, 2021 - October 31, 2021)
<p>(Note 1) Breakdown of revenues and expenses related to real estate rent business</p> <p style="text-align: right;">(thousand yen)</p> <p>A. Real estate rent revenue</p> <p>Rent revenue – real estate</p> <p>Rent 2,699,690</p> <p>Common area maintenance charges 184,202</p> <p>Parking revenue 85,451</p> <p>Incidental revenue 1,589</p> <p>Rent revenue – other 142,516</p> <p><u>Total real estate rent revenue 3,113,450</u></p> <p>B. Expenses related to real estate rent business</p> <p>Expenses related to rent business</p> <p>Management expenses 200,876</p> <p>Repair expenses 87,057</p> <p>Taxes and public dues 182,199</p> <p>Trust fee 34,871</p> <p>Utilities expenses 49,269</p> <p>Casualty insurance 7,775</p> <p>Depreciation and amortization 650,181</p> <p>Other expenses related to rent business 162,185</p> <p><u>Total expenses related to real estate rent business 1,374,418</u></p> <p>C. Profit from real estate rent business (A-B) <u>1,739,032</u></p>	<p>(Note 1) Breakdown of revenues and expenses related to real estate rent business</p> <p style="text-align: right;">(thousand yen)</p> <p>A. Real estate rent revenue</p> <p>Rent revenue – real estate</p> <p>Rent 2,716,070</p> <p>Common area maintenance charges 185,975</p> <p>Parking revenue 84,772</p> <p>Incidental revenue 1,643</p> <p>Rent revenue – other 127,529</p> <p><u>Total real estate rent revenue 3,115,991</u></p> <p>B. Expenses related to real estate rent business</p> <p>Expenses related to rent business</p> <p>Management expenses 205,024</p> <p>Repair expenses 107,744</p> <p>Taxes and public dues 180,386</p> <p>Trust fee 34,269</p> <p>Utilities expenses 45,822</p> <p>Casualty insurance 7,605</p> <p>Depreciation and amortization 647,919</p> <p>Other expenses related to rent business 153,737</p> <p><u>Total expenses related to real estate rent business 1,382,510</u></p> <p>C. Profit from real estate rent business (A-B) <u>1,733,481</u></p>
<p>(Note 2) Breakdown of gain on sales of real estate properties</p> <p style="text-align: right;">(thousand yen)</p> <p>Proceed Yachiyo Midorigaoka I</p> <p>Proceeds from sales of real estate properties 416,925</p> <p>Cost of sales of real estate properties 389,703</p> <p>Other sales expenses 2,901</p> <p><u>Gain on sales of real estate properties 24,321</u></p> <p>Proceed Yachiyo Midorigaoka II</p> <p>Proceeds from sales of real estate properties 372,266</p> <p>Cost of sales of real estate properties 347,257</p> <p>Other sales expenses 2,656</p> <p><u>Gain on sales of real estate properties 22,351</u></p>	<p>(Note 2) Breakdown of gain on sales of real estate properties</p> <p style="text-align: right;">(thousand yen)</p> <p>Proceed Motoyawata</p> <p>Proceeds from sales of real estate properties 336,611</p> <p>Cost of sales of real estate properties 262,363</p> <p>Other sales expenses 12,961</p> <p><u>Gain on sales of real estate properties 61,286</u></p>
<p>(Note 3) Breakdown of indemnity income</p> <p>The indemnity income represents indemnity for establishing sectional superficies at (G-8) Proceed Taikodori.</p>	<p>(Note 3) Breakdown of indemnity income</p> <p>Not applicable.</p>

## 6. Notes to Statements of Changes in Unitholders' Equity

31st Fiscal Period (Reference) (November 1, 2020 - April 30, 2021)	32nd Fiscal Period (May 1, 2021 - October 31, 2021)
<p>Total number of authorized investment units and total number of investment units issued and outstanding</p> <p>Total number of authorized investment units 2,000,000 units</p> <p>Total number of investment units issued and outstanding 253,777 units</p>	<p>Total number of authorized investment units and total number of investment units issued and outstanding</p> <p>Total number of authorized investment units 2,000,000 units</p> <p>Total number of investment units issued and outstanding 253,777 units</p>

## 7. Notes to Statements of Cash Flows

31st Fiscal Period (Reference) (November 1, 2020 - April 30, 2021)	32nd Fiscal Period (May 1, 2021 - October 31, 2021)
(Note) Relationship between the balance of cash and cash equivalents at the end of period and the amounts of the corresponding accounts on the Balance Sheets  (thousand yen) (As of April 30, 2021)	(Note) Relationship between the balance of cash and cash equivalents at the end of period and the amounts of the corresponding accounts on the Balance Sheets  (thousand yen) (As of October 31, 2021)
Cash and deposits	1,389,472
Cash and deposits in trust	1,920,383
Cash and cash equivalents	<u>3,309,856</u>
Cash and deposits	1,558,790
Cash and deposits in trust	1,981,070
Cash and cash equivalents	<u>3,539,860</u>

## 8. Notes to lease transactions

31st Fiscal Period (Reference) (as of April 30, 2021)	32nd Fiscal Period (as of October 31, 2021)
Operating lease transaction (As Lessee) (thousand yen)	Operating lease transaction (As Lessee) (thousand yen)
Future minimum lease payments	Future minimum lease payments
Due within 1 year	88,193
Due after 1 year	<u>3,175,025</u>
Total	<u>3,263,218</u>
Future minimum lease payments	Future minimum lease payments
Due within 1 year	89,021
Due after 1 year	<u>3,157,424</u>
Total	<u>3,246,446</u>

(Note) The above-mentioned future minimum lease payments are rents based on ordinary fixed-term land lease establishment agreements.

## 9. Notes to financial instruments

31st fiscal period (Reference) (from November 1, 2020 to April 30, 2021)

### 1. Matters concerning status of financial instruments

#### (1) Policy on handling financial instruments

SPI principally makes it a policy to utilize only deposits for surplus fund management, although it sometimes utilizes securities and monetary claims, etc. as investment targets. Fund procurement shall be made primarily through issuance of investment units and borrowings. SPI conducts derivative transactions only for the purpose of hedging risks, such as interest rate fluctuation risk for borrowings, etc., and not for speculation purpose.

#### (2) Description of financial instruments and associated risks, and risk management structure

Borrowings and investment corporation bonds are exposed to liquidity risks upon repayment and redemption dates, but SPI works to mitigate these risks by such measures as the administration department of the Asset Management Company preparing cash flow plans and their results on a monthly basis.

Currently, all borrowings are procured with floating interest rates and thus are exposed to interest rate fluctuation risks. However, for part of the borrowings, SPI conducts derivative transactions (interest rate swap transactions) in order to hedge the risk of fluctuations in the rates of interest payable and fix interest expenses. Furthermore, assessment of the effectiveness of these interest rate swaps as a hedge is omitted as it has been determined that they have met the requirements for special accounting.

Deposits are exposed to the risks of failure of the financial institutions holding the deposits as well as other credit risks. SPI mitigates the risks by limiting its deposits to those with short durations.

#### (3) Supplementary explanation on matters concerning fair value of financial instruments

The fair value of financial instruments, aside from values based on market price, may include values based on reasonable calculations when there is no market price. Certain assumptions are made in calculating those values, and there may be cases where the values will vary when different assumptions are used.

### 2. Matters concerning fair value of financial instruments

The following table includes the book values for financial instruments as recorded on the Balance Sheets, the corresponding fair values and the difference between these amounts as of April 30, 2021. Please note that the following table does not include those financial instruments for which determination of fair value is considered to be extremely difficult (refer to (Note 2)).

(thousand yen)

	Book value recorded on the Balance Sheets	Fair value (Note 1)	Difference
(1) Cash and deposits (Note 3)	1,389,472	1,389,472	-
(2) Cash and deposits in trust (Note 3)	1,920,383	1,920,383	-
(3) Lease and guarantee deposits in trust (Note 3)	535,874	416,542	(119,331)
(4) Current portion of long-term loans payable (Note 4)	8,640,000	8,640,000	-
(5) Investment corporation bonds (Note 4)	2,000,000	1,998,524	(1,475)
(6) Long-term loans payable (Note 4)	35,006,000	35,038,055	32,055
(7) Derivative transactions	-	-	-

(Note 1) Calculation method for fair value of financial instruments

#### (1) Cash and deposits and (2) Cash and deposits in trust

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

#### (3) Lease and guarantee deposits in trust

The fair value of lease and guarantee deposits in trust is calculated with the present value by discounting the future cash flows of such deposits by a reasonably estimated rate that takes into account the remaining period until the receipt deadline.

#### (4) Current portion of long-term loans payable and (6) Long-term loans payable

As both of these loans are with floating interest rates and the contract terms require the interest rates to be revised in a certain period of time, the fair value is approximately the same as the book value and is thus stated as that book value. However, the fair value of long-term loans with floating interest rate subject to special accounting for interest rate swaps (refer to (7) Derivative transactions below) is calculated by discounting the total amount of principal and interest (accounted for together with the interest rate swaps) with the reasonably estimated interest rate applicable when similar loans are borrowed.

#### (5) Investment corporation bonds

The fair value is calculated by discounting the total amount of principal and interest by the reasonably estimated interest rate applicable when similar loans are borrowed.

#### (7) Derivative transactions

##### (i) Derivatives to which hedge accounting is not applied

Not applicable.

##### (ii) Derivatives to which hedge accounting is applied

The following is the contract amount or amount equivalent to the principal provided in the contract as of the closing of accounts for each method of hedge accounting.

(thousand yen)

Method of hedge accounting	Type of derivative transactions, etc.	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; Payable fixed	Long-term loans payable	15,269,000	15,269,000	(Note)	-

(Note) Transactions for which special accounting for interest rate swaps is applied are combined with long-term loans payable for accounting purposes. Accordingly, their fair value is included in the fair value of the relevant long-term loans payable (refer to (4) Current portion of long-term loans payable and (6) Long-term loans payable above).

(Note 2) Financial instruments for which determination of fair value is considered extremely difficult

Tenant leasehold and security deposits in trust deposited to the trustees of the respective assets under management of SPI (685,153 thousand yen recorded on the Balance Sheets) are not subject to disclosure of fair value, as it is considered extremely difficult to reasonably estimate cash flows because there is no market price, and it is difficult to calculate the substantial deposit period of lessees from their move-ins to move-outs.

(Note 3) Amount of redemption of monetary claims scheduled to be due after closing date of 31st fiscal period

(thousand yen)

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	1,389,472	-	-	-
Cash and deposits in trust	1,920,383	-	-	-
Lease and guarantee deposits in trust	84	-	-	535,790

(Note 4) Amount of repayment or redemption of loans and investment corporation bonds scheduled to be due after closing date of 31st fiscal period

(thousand yen)

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Current portion of long-term loans payable	8,640,000	-	-	-	-	-
Investment corporation bonds	-	-	-	1,000,000	1,000,000	-
Long-term loans payable	-	9,963,500	6,873,500	6,600,000	4,549,000	7,020,000

32nd fiscal period (from May 1, 2021 to October 31, 2021)

## 1. Matters concerning status of financial instruments

### (1) Policy on handling financial instruments

SPI principally makes it a policy to utilize only deposits for surplus fund management, although it sometimes utilizes securities and monetary claims, etc. as investment targets. Fund procurement shall be made primarily through borrowings from financial institutions, issuance of investment corporation bonds and issuance of investment units, etc. SPI conducts derivative transactions only for the purpose of hedging risks, such as interest rate fluctuation risk for borrowings, etc., and not for speculation purpose.

### (2) Description of financial instruments and associated risks, and risk management structure

Borrowings and investment corporation bonds are exposed to liquidity risks upon repayment and redemption dates, but SPI works to mitigate these risks by such measures as the administration department of the Asset Management Company preparing cash flow plans and their results on a monthly basis.

Currently, all borrowings are procured with floating interest rates and thus are exposed to interest rate fluctuation risks. However, for part of the borrowings, SPI conducts derivative transactions (interest rate swap transactions) in order to hedge the risk of fluctuations in the rates of interest payable and fix interest expenses. Furthermore, assessment of the effectiveness of these interest rate swaps as a hedge is omitted as it has been determined that they have met the requirements for special accounting.

Deposits are exposed to the risks of failure of the financial institutions holding the deposits as well as other credit risks. SPI mitigates the risks by limiting its deposits to those with short durations.

### (3) Supplementary explanation on matters concerning fair value of financial instruments

Certain assumptions are made in calculating the fair value of financial instruments, and there may be cases where the values will vary when different assumptions are used.

## 2. Matters concerning fair value of financial instruments

The following table includes the book values for financial instruments as recorded on the Balance Sheets, the corresponding fair values and the difference between these amounts as of October 31, 2021. Furthermore, notes on "Cash and deposits" and "Cash and deposits in trust are omitted as these are settled with cash and within a short period of time and thus the fair value approximates the book value. Notes on "Tenant leasehold and security deposits in trust" are also omitted as they lack materiality.

(thousand yen)

	Book value recorded on the Balance Sheets	Fair value (Note 1)	Difference
(1) Current portion of long-term loans payable (Note 2)	10,093,500	10,093,500	-
(2) Investment corporation bonds (Note 2)	2,000,000	1,995,877	(4,122)
(3) Long-term loans payable (Note 2)	33,552,500	33,581,808	29,308
(4) Derivative transactions	-	-	-

(Note 1) Calculation method for fair value of financial instruments

(1) Current portion of long-term loans payable and (3) Long-term loans payable As both of these loans are with floating interest rates and the contract terms require the interest rates to be revised in a certain period of time, the fair value is approximately the same as the book value and is thus stated as that book value. However, the fair value of long-term loans with floating interest rate subject to special accounting for interest rate swaps (refer to (4) Derivative transactions below) is calculated by discounting the total amount of principal and interest (accounted for together with the interest rate swaps) with the reasonably estimated interest rate applicable when similar loans are borrowed.

(2) Investment corporation bonds

The fair value is calculated by discounting the total amount of principal and interest by the reasonably estimated interest rate applicable when similar loans are borrowed.

(4) Derivative transactions

(i) Derivatives to which hedge accounting is not applied

Not applicable.

(ii) Derivatives to which hedge accounting is applied

The following is the contract amount or amount equivalent to the principal provided in the contract as of the closing of accounts for each method of hedge accounting.

(thousand yen)

Method of hedge accounting	Type of derivative transactions, etc.	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; Payable fixed	Long-term loans payable	15,269,000	15,269,000	(Note)	-

(Note) Transactions for which special accounting for interest rate swaps is applied are combined with long-term loans payable for accounting purposes. Accordingly, their fair value is included in the fair value of the relevant long-term loans payable.

(Note 2) Amount of repayment or redemption of loans and investment corporation bonds scheduled to be due after closing date of 32nd fiscal period

(thousand yen)

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 year through 4 years	Due after 4 years through 5 years	Due after 5 years
Current portion of long-term loans payable	10,093,500	-	-	-	-	-
Investment corporation bonds	-	-	-	1,000,000	1,000,000	-
Long-term loans payable	-	9,222,500	9,061,000	6,749,000	5,820,000	2,700,000

## 10. Notes to tax effect accounting

31st Fiscal Period (Reference) (November 1, 2020 - April 30, 2021)	32nd Fiscal Period (May 1, 2021 - October 31, 2021)																												
<p>1. Deferred tax assets and liabilities consist of the following: (thousand yen)</p> <p>(Deferred tax assets)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Accrued business taxes not deductible from taxable income</td> <td style="text-align: right;">79</td> </tr> <tr> <td>Asset retirement obligations</td> <td style="text-align: right;">43,595</td> </tr> <tr> <td>Subtotal of deferred tax assets</td> <td style="text-align: right; border-top: 1px solid black;">43,674</td> </tr> <tr> <td>Valuation allowance</td> <td style="text-align: right;">(43,595)</td> </tr> <tr> <td>Total deferred tax assets</td> <td style="text-align: right; border-top: 1px solid black;">79</td> </tr> <tr> <td>(Deferred tax assets, net)</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">79</td> </tr> </table>	Accrued business taxes not deductible from taxable income	79	Asset retirement obligations	43,595	Subtotal of deferred tax assets	43,674	Valuation allowance	(43,595)	Total deferred tax assets	79	(Deferred tax assets, net)	79	<p>1. Deferred tax assets and liabilities consist of the following: (thousand yen)</p> <p>(Deferred tax assets)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Accrued business taxes not deductible from taxable income</td> <td style="text-align: right;">80</td> </tr> <tr> <td>Asset retirement obligations</td> <td style="text-align: right;">43,968</td> </tr> <tr> <td>Subtotal of deferred tax assets</td> <td style="text-align: right; border-top: 1px solid black;">44,048</td> </tr> <tr> <td>Valuation allowance</td> <td style="text-align: right;">(43,968)</td> </tr> <tr> <td>Total deferred tax assets</td> <td style="text-align: right; border-top: 1px solid black;">80</td> </tr> <tr> <td>(Deferred tax assets, net)</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">80</td> </tr> </table>	Accrued business taxes not deductible from taxable income	80	Asset retirement obligations	43,968	Subtotal of deferred tax assets	44,048	Valuation allowance	(43,968)	Total deferred tax assets	80	(Deferred tax assets, net)	80				
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<p>2. Reconciliation between the statutory tax rate and the effective tax rate after applying tax effect accounting</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(%)</td> </tr> <tr> <td>Statutory tax rate</td> <td style="text-align: right;">31.46</td> </tr> <tr> <td>(Adjustment)</td> <td></td> </tr> <tr> <td>Deductible distributions</td> <td style="text-align: right;">(31.41)</td> </tr> <tr> <td>Change in valuation allowance</td> <td style="text-align: right;">0.03</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">0.08</td> </tr> <tr> <td>Effective tax rate after applying tax effect accounting</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">0.16</td> </tr> </table>		(%)	Statutory tax rate	31.46	(Adjustment)		Deductible distributions	(31.41)	Change in valuation allowance	0.03	Others	0.08	Effective tax rate after applying tax effect accounting	0.16	<p>2. Reconciliation between the statutory tax rate and the effective tax rate after applying tax effect accounting</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(%)</td> </tr> <tr> <td>Statutory tax rate</td> <td style="text-align: right;">31.46</td> </tr> <tr> <td>(Adjustment)</td> <td></td> </tr> <tr> <td>Deductible distributions</td> <td style="text-align: right;">(31.41)</td> </tr> <tr> <td>Change in valuation allowance</td> <td style="text-align: right;">0.03</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">0.09</td> </tr> <tr> <td>Effective tax rate after applying tax effect accounting</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">0.17</td> </tr> </table>		(%)	Statutory tax rate	31.46	(Adjustment)		Deductible distributions	(31.41)	Change in valuation allowance	0.03	Others	0.09	Effective tax rate after applying tax effect accounting	0.17
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## 11. Notes to asset retirement obligations

31st Fiscal Period (Reference) (November 1, 2020 - April 30, 2021)	32nd Fiscal Period (May 1, 2021 - October 31, 2021)												
<p>Asset retirement obligations recorded on the Balance Sheets</p> <p>1. Overview of the asset retirement obligations</p> <p>Asset retirement obligations have been recorded as SPI has obligations to restore the sites to their original conditions based on the ordinary fixed-term land lease agreements, etc. for the land of (C-58) Proceed Shinozaki Tower, etc. that it acquired on May 1, 2013.</p> <p>2. Calculation method of the amount of the asset retirement obligations</p> <p>The amount of the asset retirement obligations is calculated by estimating the use period of the relevant assets to be the period from their acquisition to the expiration of the relevant agreements (52 to 62 years) and using the discount rates of 1.624% - 1.672%.</p> <p>3. Change in the total amount of the asset retirement obligations (thousand yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Balance at beginning of period</td> <td style="text-align: right;">134,031</td> </tr> <tr> <td>Accretion</td> <td style="text-align: right;">1,105</td> </tr> <tr> <td>Balance at end of period</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">135,137</td> </tr> </table>	Balance at beginning of period	134,031	Accretion	1,105	Balance at end of period	135,137	<p>Asset retirement obligations recorded on the Balance Sheets</p> <p>1. Overview of the asset retirement obligations</p> <p>Asset retirement obligations have been recorded as SPI has obligations to restore the sites to their original conditions based on the ordinary fixed-term land lease agreements, etc. for the land of (C-58) Proceed Shinozaki Tower, etc. that it acquired on May 1, 2013.</p> <p>2. Calculation method of the amount of the asset retirement obligations</p> <p>The amount of the asset retirement obligations is calculated by estimating the use period of the relevant assets to be the period from their acquisition to the expiration of the relevant agreements (52 to 62 years) and using the discount rates of 1.624% - 1.672%.</p> <p>3. Change in the total amount of the asset retirement obligations (thousand yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Balance at beginning of period</td> <td style="text-align: right;">135,137</td> </tr> <tr> <td>Accretion</td> <td style="text-align: right;">1,114</td> </tr> <tr> <td>Balance at end of period</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">136,251</td> </tr> </table>	Balance at beginning of period	135,137	Accretion	1,114	Balance at end of period	136,251
Balance at beginning of period	134,031												
Accretion	1,105												
Balance at end of period	135,137												
Balance at beginning of period	135,137												
Accretion	1,114												
Balance at end of period	136,251												



## 12. Notes to related party transactions

31st fiscal period (Reference) (from November 1, 2020 to April 30, 2021)

Classification	Name	Business or occupation	Share of owned investment units	Description of transaction	Transaction amount (thousand yen) (Note 1)	Item	Balance at end of period (thousand yen) (Note 1)
Interested party, etc.	Starts Corporation Inc.	Holding company	13.5%	Purchase of trust beneficiary interest (Note 2)	1,069,000	-	-
Interested party, etc.	Starts Amenity Corporation	Real estate leasing and management, construction	-	Property management fee	82,186	Operating accounts payable	128,240
				Repair expenses	199,342		
				Maintenance and inspection fee	114,662		
				Advertising expenses	69,894		
				Renewal fee	23,447		
				Rent revenue, etc. (Note 3)	338,541	Tenant leasehold and security deposits in trust (Note 3)	80,677
Interested party, etc.	Starts Development Corporation	Real estate sales business	-	Disposition of trust beneficiary interest (Note 4)	785,500	-	-
Asset custodian	Sumitomo Mitsui Trust Bank, Limited	Banking business	-			Prepaid expenses	1,425
				Trust fee	14,635	Long-term prepaid expenses	6,177
				Interest expenses	4,476	Accrued expenses	25
				Payment related to financing matters	165	Prepaid expenses	401
						Long-term prepaid expenses	679
				Borrowing of long-term loans payable	75,000	Current portion of long-term loans payable	244,000
				Repayment of long-term loans payable	99,000	Long-term loans payable	1,093,000
Administrative service fees	26,183	Accounts payable – other	19,887				

(Note 1) Consumption taxes are not included in the transaction amount except for the transactions related to capital expenditures. The balance at the end of period includes consumption taxes when the transactions are subject to such taxes.

(Note 2) When purchasing trust beneficiary interest from related parties, etc., the purchase price is determined at a level lower than the relevant appraisal value as a rule, based on the internal regulations, etc. designated by the Asset Management Company. Other transaction terms and conditions are determined based on the market realities.

(Note 3) For rent revenue, etc. and tenant leasehold and security deposits in trust, all transactions under fixed-rent-type agreements and, of the transactions under pass-through-type agreements, those with the Starts Group companies as end tenants are indicated.

(Note 4) When disposing trust beneficiary interest to related parties, etc., the disposition price is determined at a level higher than the relevant appraisal value as a rule, based on the internal regulations, etc. designated by the Asset Management Company. Other transaction terms and conditions are determined based on the market realities.

32nd fiscal period (from May 1, 2021 to October 31, 2021)

Classification	Name	Business or occupation	Share of owned investment units	Description of transaction	Transaction amount (thousand yen) (Note 1)	Item	Balance at end of period (thousand yen) (Note 1)
Interested party, etc.	Starts Amenity Corporation	Real estate leasing and management, construction	-	Property management fee	82,320	Operating accounts payable	170,520
				Repair expenses	302,628		
				Maintenance and inspection fee	118,689		
				Advertising expenses	57,775		
				Renewal fee	23,240		
				Rent revenue, etc. (Note 2)	339,720	Tenant leasehold and security deposits in trust (Note 2)	80,597
Interested party, etc.	Starts Development Corporation	Real estate sales business	-	Purchase of trust beneficiary interest (Note 3)	500,000	-	-
Asset custodian	Sumitomo Mitsui Trust Bank, Limited	Banking business	-	Trust fee	14,635	Prepaid expenses	1,425
						Long-term prepaid expenses	5,464
				Interest expenses	4,713	Accrued expenses	76
				Payment related to financing matters	319	Prepaid expenses	477
						Long-term prepaid expenses	775
				Borrowing of long-term loans payable	145,000	Current portion of long-term loans payable	351,500
				Repayment of long-term loans payable	145,000	Long-term loans payable	961,500
Administrative service fees	25,317	Accounts payable – other	19,837				

(Note 1) Consumption taxes are not included in the transaction amount except for the transactions related to capital expenditures. The balance at the end of period includes consumption taxes when the transactions are subject to such taxes.

(Note 2) For rent revenue, etc. and tenant leasehold and security deposits in trust, all transactions under fixed-rent-type agreements and, of the transactions under pass-through-type agreements, those with the Starts Group companies as end tenants are indicated.

(Note 3) When purchasing trust beneficiary interest from related parties, etc., the purchase price is determined at a level lower than the relevant appraisal value as a rule, based on the internal regulations, etc. designated by the Asset Management Company. Other transaction terms and conditions are determined based on the market realities.

### 13. Notes to investment and rental properties

31st fiscal period (Reference) (from November 1, 2020 to April 30, 2021)

SPI owns rental housing, etc. mainly in the Tokyo metropolitan area as well as in cabinet order designated cities and major cities in regional areas for the purpose of obtaining rent revenue. The following table provides the book value recorded on the Balance Sheets, amount of change during the period and fair value at the end of period of these investment and rental properties as of April 30, 2021.

(thousand yen)

Book value recorded on the Balance Sheets (Note 1)			Fair value at end of period (Note 3)
Balance at beginning of period	Amount of change during period (Note 2)	Balance at end of period	
86,159,298	(94,110)	86,065,187	99,979,000

(Note 1) The book value recorded on the Balance Sheets is the acquisition cost less accumulated depreciation.

(Note 2) Of the amount of change during the 31st fiscal period, the amount of increase is primarily attributable to the acquisition of (C-85) Proceed Nagareyama Otakanomori (1,172,614 thousand yen) and capital expenditures (114,365 thousand yen). The amount of decrease is primarily attributable to the disposition of two properties including (C-21) Proceed Yachiyo Midorigaoka I (736,960 thousand yen in total) and depreciation and amortization (650,181 thousand yen).

(Note 3) The fair value at the end of period is the appraisal value provided by outside real estate appraisers.

For the income (loss) in the 31st fiscal period ended April 2021 for the investment and rental properties, refer to the aforementioned “Notes to Statements of Income.”

32nd fiscal period (from May 1, 2021 to October 31, 2021)

SPI owns rental housing, etc. mainly in the Tokyo metropolitan area as well as in cabinet order designated cities and major cities in regional areas for the purpose of obtaining rent revenue. The following table provides the book value recorded on the Balance Sheets, amount of change during the period and fair value at the end of period of these investment and rental properties as of October 31, 2021.

(thousand yen)

Book value recorded on the Balance Sheets (Note 1)			Fair value at end of period (Note 3)
Balance at beginning of period	Amount of change during period (Note 2)	Balance at end of period	
86,065,187	(150,444)	85,914,742	101,237,000

(Note 1) The book value recorded on the Balance Sheets is the acquisition cost less accumulated depreciation.

(Note 2) Of the amount of change during the 32nd fiscal period, the amount of increase is primarily attributable to the acquisition of (C-86) Proceed Shinkawa (537,435 thousand yen) and capital expenditures (213,548 thousand yen), and the amount of decrease is primarily attributable to the disposition of (C-40) Proceed Motoyawata (262,363 thousand yen) and depreciation and amortization (647,919 thousand yen).

(Note 3) The fair value at the end of period is the appraisal value provided by outside real estate appraisers.

For the income (loss) in the 32nd fiscal period ended October 2021 for the investment and rental properties, refer to the aforementioned "Notes to Statements of Income."

## 14. Notes to per unit information

31st Fiscal Period (Reference) (November 1, 2020 - April 30, 2021)		32nd Fiscal Period (May 1, 2021 - October 31, 2021)	
Net assets per unit	170,886 yen	Net assets per unit	170,785 yen
Net income per unit (Note)	4,662 yen	Net income per unit (Note)	4,562 yen
Net income per unit is calculated by dividing net income by the daily weighted average number of investment units.		Same as on the left	
Diluted net income per unit is not presented as there are no dilutive investment units.			

(Note) Net income per unit was calculated based on the following data.

31st Fiscal Period (Reference) (November 1, 2020 - April 30, 2021)		32nd Fiscal Period (May 1, 2021 - October 31, 2021)	
Net income (thousand yen)	1,183,334	Net income (thousand yen)	1,157,969
Amount not attributable to ordinary unitholders (thousands of yen)	-	Amount not attributable to ordinary unitholders (thousands of yen)	-
Net income attributable to ordinary investment units (thousands of yen)	1,183,334	Net income attributable to ordinary investment units (thousands of yen)	1,157,969
Average number of units during the fiscal period (units)	253,777	Average number of units during the fiscal period (units)	253,777

## 15. Notes to significant subsequent events

31st Fiscal Period (Reference) (November 1, 2020 - April 30, 2021)	32nd Fiscal Period (May 1, 2021 - October 31, 2021)
Not applicable.	Same as on the left

## 16. Notes to revenue recognition

Breakdown information on revenue from contracts with customers

32nd fiscal period (from May 1, 2021 to October 31, 2021)

(thousand yen)

	Revenue from contracts with customers (Note 1)	Sales to external customers
Sales of real estate properties (Note 2)	336,611	61,286
Utilities income	18,279	18,279
Others	-	3,097,711
Total	354,890	3,177,278

(Note 1) Rent revenues subject to the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13) are excluded from “Revenue from contracts with customers” as such revenues are not subject to Accounting Standard for Revenue Recognition. Revenue from contracts with customers mainly represents revenues from the sale of real estate and utilities.

(Note 2) Sales of real estate properties are recorded as gain (loss) on sales of real estate properties on the Statements of Income pursuant to Article 48, Paragraph 2 of the Regulations on Accounting of Investment Corporations (Cabinet Office Order No. 47 of 2006). Accordingly, the amount obtained by deducting cost of sales of real estate properties and other sales expenses proceeds from sales of real estate properties is indicated for Sales to external customers.

## Starts Proceed Investment Corporation

### Statements of Cash Distributions

Fiscal period	31st Fiscal Period (Reference) From: Nov. 1, 2020 To: Apr. 30, 2021	32nd Fiscal Period From: May 1, 2021 To: Oct. 31, 2021
Item		
I. Unappropriated retained earnings	1,183,395,764 yen	1,158,003,138 yen
II. Amount of distributions	1,183,362,151 yen	1,157,984,451 yen
[Amount of distribution per investment unit]	[4,663 yen]	[4,563 yen]
III. Retained earnings brought forward	33,613 yen	18,687 yen
Method of calculation of amount of distributions	<p>Pursuant to the policy on cash distributions provided in Article 35, Paragraph 1 of the Articles of Incorporation of SPI, the amount of distributions shall be in excess of an amount equivalent to 90% of the “amount of earnings available for distribution” provided in Article 67-15 of the Act on Special Measures Concerning Taxation, but no more than the amount of earnings. Based on such policy, SPI decided to pay out distributions of earnings of 1,183,362,151 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 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, 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 its Articles of Incorporation.</p>

## Independent Auditor's Report

To the Board of Directors of Starts Proceed Investment Corporation

### Opinion

We have audited the financial statements of Starts Proceed Investment Corporation (the Company), which comprise the balance sheets as at October 31, 2021, and the statements of income and retained earnings, statements of changes in net assets and statements of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2021, and its financial performance and its cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Supervisory Directors are responsible for overseeing the executive director's performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.  
If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

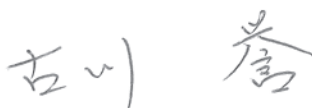
We communicate with executive director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide executive director with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Homare Furukawa  
Designated Engagement Partner  
Certified Public Accountant



Yoshiaki Yanagi  
Designated Engagement Partner  
Certified Public Accountant



Nihombashi Corporation  
Chuo-Ku, Tokyo  
January 24, 2022