

REIT Financial Report for 37th Fiscal Period

June 14, 2024

REIT Securities Issuer: Starts Proceed Investment Corporation Listing: Tokyo Stock Exchange
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 (for analysts and institutional investors)

[Amounts are rounded down to the nearest million yen]

1. Status of Management and Assets in 37th Fiscal Period

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

(1) Management Status

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

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
37th	3,756	6.3	1,707	13.8	1,417	15.6	1,409	15.7
36th	3,532	(3.9)	1,500	(10.8)	1,226	(13.8)	1,218	(13.9)

Fiscal period	Net income per unit	Ratio of net income to equity [Return on equity]	Ratio of ordinary income to total assets [Return on assets]	Ratio of ordinary income to operating revenue
	yen	%	%	%
37th	4,990	2.9	1.3	37.7
36th	4,313	2.5	1.2	34.7

(2) Distributions Status

Fiscal period	Distribution per unit [including distribution in excess of earnings]	Distribution per unit [excluding distribution in excess of earnings]	Distribution in excess of earnings per unit	Total distributions [including distribution in excess of earnings]	Total distributions [excluding distribution in excess of earnings]	Total distributions in excess of earnings	Distribution payout ratio	Ratio of distributions to net assets
	yen	yen	yen	million yen	million yen	million yen		
37th	5,321	4,990	331	1,503	1,409	93	100.0	2.9
36th	4,664	4,664	0	1,317	1,317	0	108.1	2.7

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

(3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
37th	106,659	48,946	45.9	173,275
36th	103,441	48,854	47.2	172,949

(4) Status of Cash Flows

Fiscal period	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
37th	2,636	(4,577)	1,766	3,497
36th	2,130	(1,085)	(1,611)	3,671

2. Forecast for Management Status in 38th Fiscal Period and 39th Fiscal Period

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

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

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

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
38th	3,738	(0.5)	1,675	(1.9)	1,363	(3.8)	1,355	(3.8)
39th	3,620	(3.2)	1,541	(8.0)	1,233	(9.5)	1,225	(9.6)

Fiscal period	Distribution per unit [including distribution in excess of earnings]	Distribution per unit [excluding distribution in excess of earnings]	Distribution in excess of earnings per unit
	yen	yen	yen
38th	5,130	4,799	331
39th	4,670	4,339	331

[Reference] Forecast net income per unit 38th fiscal period: 4,799 yen 39th fiscal period: 4,339 yen

3. Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

- | | |
|---|------|
| (a) Changes in accounting policies accompanying amendments to accounting standards, etc.: | None |
| (b) Changes in accounting policies other than in (a): | None |
| (c) Changes in accounting estimates: | None |
| (d) Retrospective restatement: | None |

(2) Total Number of Investment Units Issued and Outstanding

- | | | |
|---|---------------|-----------------------------------|
| (a) Total number of investment units (including own investment units) issued and outstanding at end of period | | |
| 37th fiscal period: | 282,477 units | 36th fiscal period: 282,477 units |
| (b) Number of own investment units at end of period | | |
| 37th fiscal period: | - units | 36th fiscal period: - units |

* Financial reports are not subject to audit by a certified public accountant or an audit company.

* Special notations

The outlook for management status and other forward-looking statements contained in this report are based on information currently available to and certain assumptions deemed reasonable by Starts Proceed Investment Corporation. Accordingly, actual management status and other results may differ materially due to a variety of factors. In addition, the forecast is not a guarantee of the amount of distributions.

For the assumptions underlying the forecast for management status, please refer to "Assumptions Underlying Forecast for Management Status in 38th Fiscal Period and 39th Fiscal Period" presented on page 10.

Table of Contents

1. Management Status	4
A. Management Status.....	4
(1) Overview of Fiscal Period under Review.....	4
(2) Outlook for Next Fiscal Period	6
B. Investment Risks	11
2. Financial Statements	12
(1) Balance Sheets.....	12
(2) Statements of Income.....	14
(3) Statements of Changes in Unitholders' Equity.....	15
(4) Statements of Cash Distributions.....	17
(5) Statements of Cash Flows	18

1. Management Status

A. Management Status

(1) Overview of Fiscal Period under Review

(a) Brief Background of the Investment Corporation

Starts Proceed Investment Corporation (“SPI”) was established on May 2, 2005, with 150 million yen in capital (750 units) based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; including amendments thereto) (the “Investment Trusts Act”), completed registration with the Kanto Local Finance Bureau based on Article 187 of the Investment Trusts Act on June 15, 2005 (Registration No. 37 issued by the Director-General of the Kanto Local Finance Bureau), implemented additional issuance of investment units through public offering (21,600 units) on November 29, 2005, and listed on Jasdaq Securities Exchange, Inc. (currently Tokyo Stock Exchange, Inc. JASDAQ Market) (Securities Code: 8979) the next day. After three capital increases through public offering and other developments since listing on the JASDAQ Market, SPI listed on the Tokyo Stock Exchange, Inc. Real Estate Investment Trust Securities Market (Securities Code: 8979) on July 27, 2010, and this was accompanied by an application for delisting being filed with the JASDAQ Market on August 10, 2010, and the delisting from the JASDAQ Market taking effect on October 1, 2010.

SPI entrusts asset management to Starts Asset Management Co., Ltd. (the “Asset Management Company”) and sets the focus of management on investment in real estate of which the principal use is use as rental housing (“rental housing”) as well as specified assets (the meaning provided in Article 2, Paragraph 1 of the Investment Trusts Act; the same hereinafter) backed mainly by rental housing. SPI also invests in monthly rental apartments, serviced apartments, hotels, residential facilities for the elderly (collectively referred to as “rental housing, etc.” together with “rental housing”), which are assets related to rental housing, and real estate from which income can be expected due to other leasing revenue or specified assets backed by such real estate. As it invests in rental housing, etc., SPI adopts the basic policy of setting rental housing for average-income households in particular, the demand for which SPI believes to be the most stable, as the primary investment target. In addition, SPI takes measures, such as leveraging the capabilities of the Starts Group, to enhance asset management efficiency, with an aim to secure steady growth of assets under management and stable earnings over the medium to long term.

As of the end of the fiscal period under review (37th fiscal period: from November 1, 2023, to April 30, 2024), the total number of investment units issued and outstanding is 282,477 units, total assets amount to 106,659 million yen, and unitholders’ capital (net) amounts to 47,536 million yen.

(b) Investment Environment

In the 37th fiscal period, the Japanese economy continued to see steady personal consumption, with the impact of inflation offset by improvement in the employment and income environment, and corporate earnings also remained strong, bolstered by a weak yen and improvement in profitability as a result of cost pass-through. However, attention must still be paid to the impact of the Bank of Japan’s monetary policy shift and downside risks posed by overseas economies.

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

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

(c) Management Performance

In the 37th fiscal period, SPI acquired (C-94) Proceed Shinozaki 2, (C-95) Proceed Shinmatsudo, (G-39) Proceed Shin-Anjo and (G-40) Proceed Nisseki Dori (total acquisition price: 3,992 million yen) on March 29, 2024 and also disposed of (C-23) Proceed Toritsudaigaku (transfer price: 915 million yen) on April 26, 2024, to enhance the competitiveness of its portfolio. As a result, SPI’s portfolio as of the end of the 37th fiscal period consists of 111 properties, with acquisition prices totaling 104,880 million yen and a total leasable floor area of 214,907.86 m².

In close collaboration with the property management company Starts Amenity Corporation, the Asset Management Company made efforts to reduce building maintenance and management costs while striving to increase rent, the receipt of key money and other revenue. The Asset Management Company also promoted leasing activities in coordination with leasing agents by setting finely tuned leasing conditions based on deeper understanding of regional characteristics and advantages of individual properties as well as thorough comparative analyses of nearby competing properties. Furthermore, the

Asset Management Company continued to reduce utility costs by converting the common lighting for common areas to LED lighting. These measures worked to maintain the occupancy rate of the entire portfolio stably, resulting in a period-end occupancy rate of 96.3% and an average occupancy rate of 96.9%.

As for ESG initiatives, SPI continues to participate in the Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment based on its ESG policy. SPI has acquired the GRESB 1-Star rating, which is determined based on an entity's comprehensive score and relative global quintile position. Moreover, SPI was also recognized with the second-best Level B ranking for its disclosure of ESG information. Furthermore, recognizing the importance of disclosing climate-related financial information, SPI conducted an analysis of climate-related risks and opportunities based on the four thematic areas recommended by the TCFD (governance, strategy, risk management, and metrics and targets) and began disclosing information about its climate-related initiatives from June 2024 after the closing date. Additionally, in initiatives to acquire external energy-saving and environmental certifications for portfolio properties, SPI acquired CASBEE Certification for Real Estate for (C-90) Proceed Yamashitakoen The Tower in March 2024, Building-Housing Energy-efficiency Labeling System (BELS) Certification for (C-95) Proceed Shinmatsudo in April 2024 and for (G-39) Proceed Shin-Anjo in May 2024 after the closing date, and also acquired DBJ Green Building Certification for (C-75) Proceed Shinyokohama in May 2024 after the closing date. SPI has acquired DBJ Green Building Certification for one property, CASBEE Certification for Real Estate for two properties, and Building-Housing Energy-Efficiency Labeling System (BELS) Certification for five properties as of the date of this document.

(d) Status of Fund Procurement

In the 37th fiscal period, SPI borrowed a long-term loan of 4,000 million yen (term: 6 years and 6 months) to repay a long-term loan of 4,000 million due for repayment on November 24, 2023, and also borrowed a short-term loan of 4,000 million yen (term: 8 months) to fund the abovementioned acquisitions of (C-94) Proceed Shinozaki 2 and three other properties. SPI also used the proceeds from the abovementioned disposition of (C-23) Proceed Toritsudaigaku for the early repayment of 915 million yen of this short-term loan.

As a result, the period-end balance of interest-bearing liabilities totaled 55,931 million yen, comprising 3,085 million yen in short-term loans payable, 8,761 million yen in current portion of long-term loans payable, 39,085 million yen in long-term loans payable, 1,000 million yen in current portion of investment corporation bonds, and 4,000 million yen in investment corporation bonds as of the end of the 37th fiscal period, with the period-end LTV ratio standing at 52.4%.

As of the date of this document, SPI has acquired the following credit ratings.

Credit rating agency	Credit rating	
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating A (Stable)	Bond rating A

(e) Overview of Business Performance and Distributions

As a result of the management described above, business performance recorded for the 37th fiscal period was operating revenue of 3,756 million yen, operating income of 1,707 million yen, ordinary income of 1,417 million yen and net income of 1,409 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 4,990 yen.

In addition, SPI's policy is to conduct cash distributions in excess of earnings each fiscal period on a continuous basis, in principle, in accordance with the distribution policy in its Articles of Incorporation. In accordance with this policy, SPI has decided to distribute 93,499,887 yen, which is the difference between depreciation expense for properties that are buildings with fixed-term land leasehold rights owned as of the end of the 37th fiscal period and depreciation expense calculated on the assumption of land ownership, as a refund of investment. As a result, the distribution in excess of earnings per investment unit was 331 yen.

(2) Outlook for Next Fiscal Period

(a) Management Policy and Challenges to Address

a. Investment Environment

Looking ahead, the Japanese economy is expected to continue with its recovery, driven by rebound in personal consumption fueled by improvement in the employment and income environment and increasing capital investment made possible by strong corporate earnings. However, attention must still be paid to future monetary policies and interest rate trends, and the impact of inflation, supply constraints, and financial and capital market volatility must be closely monitored.

In the secondary real estate market, even though central banks around the world are tightening monetary policy and raising interest rates, property acquisition appetite among investors remains strong thanks to the relative stability of the Japanese market compared with overseas markets, and transaction prices are expected to remain at high levels. In the rental housing market, meanwhile, it is expected that occupancy rates will remain high and an upward trend in rent per unit will continue to a certain degree, mainly in the Tokyo metropolitan area.

b. External Growth Strategy

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

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

c. Internal Growth Strategy

Following on from the 37th fiscal period, SPI will endeavor to enhance convenience and comfort for residents through the provision of high-quality management services, under close collaboration with Starts Amenity Corporation, the property management company, and Starts Pitat House Co., Ltd., to which leasing business operations are re-entrusted. SPI will also work to enhance earnings from and occupancy rates of assets under management and cut costs by conducting finely tuned management suited to the respective area's real estate leasing market trends and individual property characteristics, without stopping at uniform management. SPI will also continue to improve asset value through large-scale repair work and facility renewal. Furthermore, SPI believes that initiatives on issues such as environmental and social consideration and the strengthening of governance contribute to the development of a sustainable society, and aims for medium- to long-term growth by conducting management based on such idea.

d. Financial Strategy

With its sight set on smooth fund procurement upon asset acquisition and reduction of refinancing risk, SPI will promote its ongoing favorable relationship with financing banks. At the same time, SPI aims to further strengthen the financial base and diversify its fund procurement means, including issuance of investment corporation bonds, while expanding the lineup of financing banks, reducing financing costs, extending loan periods, diversifying repayment dates and shifting to fixed-interest loans, on an as-needed basis.

(b) Significant Subsequent Events

Not applicable.

Starts Proceed Investment Corporation (8979) Financial Report for 37th Fiscal Period

(Reference Information)

A. Disposition of Asset and Partial Early Payment of Loan

SPI disposed of the following specified asset (trust beneficiary interest) on May 14, 2024.

SPI also used the proceeds from this disposition for the early repayment of 2,385 million yen of a short-term loan (Term Loan 3B) on May 31, 2024.

Property no.	Property name	Buyer	Disposition price (thousand yen) (Note 1)	Book value (thousand yen)	Amount of difference between disposition price and book value (thousand yen)
C-77	Proceed Kinshicho	Domestic limited liability company (Note 2)	2,385,000	2,216,036	168,963

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

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

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

SPI borrowed Term Loan 3C and Term Loan 3D as follows to repay Term Loan 2L (loan balance: 2,900 million yen) and Term Loan 2S (loan balance: 2,161 million yen) which were due for repayment on May 24, 2024.

	Term Loan 3C	Term Loan 3D
Lender	Resona Bank, Limited Aozora Bank, Ltd. The Bank of Kyoto, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation The Musashino Bank, Ltd. The Chiba Bank, Ltd. Asahi Shinkin Bank Sumitomo Mitsui Trust Bank, Limited The Kagawa Bank, Ltd.	Resona Bank, Limited Aozora Bank, Ltd. Mizuho Bank, Ltd. The Musashino Bank, Ltd. The Chiba Bank, Ltd. The Kagawa Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited
Loan amount	2,900 million yen	2,161 million yen
Drawdown date	May 24, 2024	
Principal repayment date	November 22, 2030	May 24, 2027
Interest rate (Note)	Floating rate (Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.680%)	Floating rate (Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.470%)
Interest payment date	The interest payment dates shall be the last day of May 2024 and the last day of every month thereafter (however, in the event that one of these days is not a business day, the business day immediately preceding it) and the principal repayment date.	
Principal repayment method	Lump-sum repayment on repayment date	
Security and guarantee	Unsecured and unguaranteed	

Note: The base interest rate applicable to the calculation period for the interest payable on an interest payment date shall be the JBA 1-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).

Starts Proceed Investment Corporation (8979) Financial Report for 37th Fiscal Period

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 3C and Term Loan 3D, which is conducted with a floating interest rate.

	Agreement concerning Term Loan 3C	Agreement concerning Term Loan 3D
Lender	Aozora Bank, Ltd.	
Notional principal amount	2,900 million yen	2,161 million yen
Interest rate, etc.	Fixed interest rate payable: 1.577% Floating interest rate receivable: Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.680%	Fixed interest rate payable: 1.129% Floating interest rate receivable: Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.470%
Commencement date	May 24, 2024	
Termination date	November 22, 2030	May 24, 2027
Payment date	The interest payment dates shall be the last day of May 2024 and the last day of every month 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 3C and Term Loan 3D is, in effect, fixed.

C. Disposition of Asset and Partial Early Repayment of Loan

SPI concluded a trust beneficiary interest transfer agreement subject to conditions precedent on May 31, 2024 with respect to the following specified asset (trust beneficiary interest), and plans to dispose of this asset on June 28, 2024. SPI also plans to use the proceeds from this disposition for the partial early repayment of a short-term loan (Term Loan 3B).

Property no.	Property name	Buyer	Planned disposition price (thousand yen) (Note 1)	Assumed book value (thousand yen)	Amount of difference between planned disposition price and assumed book value (thousand yen)
C-45	Proceed Oizumigakuen	Domestic operating company (Note 2)	284,500	282,867	1,633

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

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

Starts Proceed Investment Corporation (8979) Financial Report for 37th Fiscal Period

(c) Outlook for Management Status

SPI expects the following management status in the 38th fiscal period (from May 1, 2024, to October 31, 2024) and 39th fiscal period (from November 1, 2024, to April 30, 2025). For the assumptions underlying this outlook for management status, please refer to “Assumptions Underlying Forecast for Management Status in 38th Fiscal Period and 39th Fiscal Period” below.

	38th Fiscal Period From: May 1, 2024 To: October 31, 2024	39th Fiscal Period From: November 1, 2024 To: April 30, 2025
Operating revenue	3,738 million yen	3,620 million yen
Operating income	1,675 million yen	1,541 million yen
Ordinary income	1,363 million yen	1,233 million yen
Net income	1,355 million yen	1,225 million yen
Distribution per unit (including distribution in excess of earnings)	5,130 yen	4,670 yen
Distribution per unit (excluding distribution in excess of earnings)	4,799 yen	4,339 yen
Distribution in excess of earnings per unit	331 yen	331 yen

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

Starts Proceed Investment Corporation (8979) Financial Report for 37th Fiscal Period

Assumptions Underlying Forecast for Management Status in 38th Fiscal Period and 39th Fiscal Period

Item	Assumption
Business period	38th fiscal period: from May 1, 2024, to October 31, 2024 (184 days) 39th fiscal period: from November 1, 2024, to April 30, 2025 (181 days)
Assets under management	<ul style="list-style-type: none"> • The forecast assumes that assets are the 111 properties in the SPI portfolio as of April 30, 2024, that SPI disposed of (C-77) Proceed Kinshicho on May 14, 2024, and SPI disposes of (C-45) Proceed Oizumigakuen on June 28, 2024, and there will be no changes (acquisition of new properties, disposition of existing properties, etc.) through to the end of the 39th fiscal period. The actual assets under management may vary due to changes in assets under management.
Operating revenue	<ul style="list-style-type: none"> • Real estate rent revenue includes rent, common area maintenance charges, parking revenue, incidental revenue, etc. and is calculated based on historical data and future forecast.
Operating expenses	<ul style="list-style-type: none"> • Expenses related to rent business other than depreciation and amortization are calculated for the already acquired assets based on historical data and future forecast and by reflecting factors that may cause fluctuation in expenses. • Management expenses are expected to be 244 million yen for the 38th fiscal period and 245 million yen for the 39th fiscal period. • Repair expenses, which are recognized as expenses in the amount presumed to be necessary in the business period, are expected to be 118 million yen for the 38th fiscal period and 120 million yen for the 39th fiscal period. However, repair expenses may differ materially from the forecast amount due to a variety of factors, including repair expenses possibly arising from unforeseen events, the variation in the amount depending on the fiscal year being large and repair expenses not being an amount that arises periodically. • Concerning fixed asset tax, city planning tax and depreciable asset tax, etc. on portfolio properties, in principle, of the tax amount assessed and determined, the amount of tax payable during the business period (in the case of fixed asset tax, city planning tax and depreciable asset tax, etc. on properties that have a different number of installment tax payments every period, the amount of the number of annual tax payments corresponding to the business period) is calculated as expenses related to rent business. The amount is expected to be 203 million yen for the 38th fiscal period and 204 million yen for the 39th fiscal period. • Depreciation and amortization, which is calculated using the straight-line method inclusive of incidental expenses at the time of acquisition and future additional capital expenditures, is expected to be 701 million yen for the 38th fiscal period and 703 million yen for the 39th fiscal period. • Operating expenses other than expenses related to rent business (asset management fee, asset custody fee, administrative service fees, etc.) are expected to be 488 million yen for the 38th fiscal period and 488 million yen for the 39th fiscal period.
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses (including interest expenses on investment corporation bonds) are expected to be 259 million yen for the 38th fiscal period and 262 million yen for the 39th fiscal period. • Borrowing-related expenses are expected to be 49 million yen for the 38th fiscal period and 43 million yen for the 39th fiscal period. • Expenses for the issuance of investment corporation bonds are recorded as deferred assets and assumed to be amortized until redemption using the straight-line method. The amount is expected to be 4 million yen for the 38th fiscal period and 4 million yen for the 39th fiscal period. • Expenses related to capital increase through public offering of investment units are recorded as deferred assets and assumed to be amortized over three years using the straight-line method. The amount is expected to be 2 million yen for the 38th fiscal period and 2 million yen for the 39th fiscal period.

Starts Proceed Investment Corporation (8979) Financial Report for 37th Fiscal Period

Item	Assumption
Interest-bearing liabilities	<ul style="list-style-type: none"> • With respect to loans due for repayment during the 39th fiscal period (4,400 million yen) included in the loans balance as of today of 48,546 million yen, the forecast assumes the partial early repayment of a short-term loan of 700 million yen during the 38th fiscal period and the lump-sum repayment of the remainder. The forecast assumes that the other loans due for repayment of 3,700 million yen will be refinanced in the entire amount and that at the end of the 39th fiscal period, the loans balance will be 47,846 million yen. • With respect to the 1,000 million yen worth of investment corporation bonds due for redemption during the 39th fiscal period that are included in the balance of investment corporation bonds of 5,000 million yen as of today, the forecast assumes repayment of the entire amount using funds raised through the issuance of investment corporation bonds or borrowing, etc. The forecast assumes that the remaining balance of investment corporation bonds of 4,000 million yen will remain unchanged through to the end of the 39th fiscal period.
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> • The forecast assumes the total number of investment units issued and outstanding as of the date of this document of 282,477 units and assumes there will be no subsequent issuance of investment units through to the end of the 39th fiscal period.
Distribution per unit (excluding distribution in excess of earnings)	<ul style="list-style-type: none"> • Distributions (distribution per unit) are calculated by assuming the policy on cash distributions provided in the Articles of Incorporation of SPI. • Distribution per unit may vary due to various factors, including fluctuation in leasing revenue accompanying change in assets under management, change in tenants, etc. and repair expenses possibly arising from unforeseen events.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • Distribution in excess of earnings per unit is calculated in accordance with the policy on cash distributions provided in the Articles of Incorporation of SPI. • Distribution in excess of earnings per unit is expected to be 331 yen for the 38th fiscal period, and 331 yen for the 39th fiscal period.
Others	<ul style="list-style-type: none"> • For other items, the forecast assumes that there will be no revision of laws and regulations, tax systems, accounting standards, listing regulations, rules of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. • The forecast assumes that there will be no unforeseen material change in general economic trends and real estate market conditions, etc.

B. Investment Risks

Please refer to the “Investment Risks” in the most recent securities report (submitted on January 29, 2024).

Starts Proceed Investment Corporation (8979) Financial Report for 37th Fiscal Period

2. Financial Statements
(1) Balance Sheets

	[Unit: thousand yen]	
	36th Fiscal Period	37th Fiscal Period
	As of Oct. 31, 2023	As of Apr. 30, 2024
Assets		
Current assets		
Cash and deposits	1,307,187	1,191,304
Cash and deposits in trust	2,364,605	2,306,559
Operating accounts receivable	28,112	40,555
Prepaid expenses	81,785	110,396
Others	8,295	14,555
Total current assets	3,789,985	3,663,370
Non-current assets		
Property, plant and equipment		
Buildings in trust	53,144,986	55,972,271
Accumulated depreciation	(12,257,229)	(12,772,113)
Buildings in trust, net	40,887,756	43,200,157
Structures in trust	1,281,242	1,302,942
Accumulated depreciation	(910,773)	(927,327)
Structures in trust, net	370,468	375,615
Machinery and equipment in trust	5,376	5,376
Accumulated depreciation	(5,107)	(5,107)
Machinery and equipment in trust, net	268	268
Tools, furniture and fixtures in trust	851,440	933,886
Accumulated depreciation	(415,933)	(464,573)
Tools, furniture and fixtures in trust, net	435,507	469,313
Land in trust	55,981,772	56,872,655
Total property, plant and equipment	97,675,773	100,918,011
Intangible assets		
Leasehold in trust	1,033,873	1,025,479
Software	280	238
Total intangible assets	1,034,154	1,025,718
Investments and other assets		
Leasehold and guarantee deposits	10,000	10,000
Leasehold and guarantee deposits in trust	710,820	710,902
Long-term prepaid expenses	149,522	252,554
Deferred tax assets	610	623
Others	34,430	48,316
Total investments and other assets	905,383	1,022,396
Total non-current assets	99,615,311	102,966,126
Deferred assets		
Investment corporation bond issuance costs	27,794	23,733
Investment unit issuance costs	8,286	6,215
Total deferred assets	36,081	29,948
Total assets	103,441,378	106,659,446

Starts Proceed Investment Corporation (8979) Financial Report for 37th Fiscal Period

	[Unit: thousand yen]	
	36th Fiscal Period	37th Fiscal Period
	As of Oct. 31, 2023	As of Apr. 30, 2024
Liabilities		
Current liabilities		
Short-term loans payable	-	3,085,000
Current portion of investment corporation bonds	-	1,000,000
Current portion of long-term loans payable	9,061,000	8,761,000
Operating accounts payable	232,635	210,536
Accounts payable - other	247,225	289,436
Accrued expenses	54,228	64,526
Income taxes payable	7,779	7,922
Accrued consumption taxes	18,673	12,825
Advances received	3,783	1,519
Others	78	961
Total current liabilities	9,625,404	13,433,727
Non-current liabilities		
Investment corporation bonds	5,000,000	4,000,000
Long-term loans payable	38,785,000	39,085,000
Tenant leasehold and security deposits in trust	873,856	889,028
Asset retirement obligations	302,809	305,227
Total non-current liabilities	44,961,666	44,279,255
Total liabilities	54,587,070	57,712,983
Net assets		
Unitholders' equity		
Unitholders' capital	48,082,645	48,082,645
Deduction from unitholders' capital	(545,913)	(545,913)
Unitholders' capital (net)	47,536,732	47,536,732
Surplus		
Voluntary reserve		
Reserve for reduction entry	99,000	-
Total voluntary reserve	99,000	-
Unappropriated retained earnings (undisposed loss)	1,218,575	1,409,730
Total surplus	1,317,575	1,409,730
Total unitholders' equity	48,854,307	48,946,462
Total net assets	48,854,307	48,946,462
Total liabilities and net assets	103,441,378	106,659,446

Starts Proceed Investment Corporation (8979) Financial Report for 37th Fiscal Period

(2) Statements of Income

	[Unit: thousand yen]	
	36th Fiscal Period	37th Fiscal Period
	From: May 1, 2023	From: Nov. 1, 2023
	To: Oct. 31, 2023	To: Apr. 30, 2024
Operating revenue		
Rent revenue – real estate	3,532,337	3,612,908
Gain on sales of real estate properties	-	143,512
Total operating revenue	3,532,337	3,756,420
Operating expenses		
Expenses related to rent business	1,546,187	1,554,620
Asset management fee	318,969	338,645
Asset custody fee	8,800	8,824
Administrative service fees	23,792	19,864
Directors' compensations	1,200	1,200
Other operating expenses	132,722	125,452
Total operating expenses	2,031,672	2,048,607
Operating income	1,500,664	1,707,813
Non-operating income		
Interest income	19	128
Insurance income	6,725	6,800
Reversal of distribution payable	1,070	1,137
Others	304	-
Total non-operating income	8,120	8,066
Non-operating expenses		
Interest expenses	214,660	228,631
Interest expenses on investment corporation bonds	16,590	16,863
Amortization of investment corporation bond issuance costs	3,402	4,061
Amortization of investment unit issuance costs	2,071	2,071
Borrowing related expenses	45,179	45,680
Others	576	1,032
Total non-operating expenses	282,480	298,339
Ordinary income	1,226,304	1,417,539
Income before income taxes	1,226,304	1,417,539
Income taxes – current	7,782	7,924
Income taxes – deferred	72	(13)
Total income taxes	7,854	7,911
Net income	1,218,449	1,409,627
Retained earnings brought forward	125	102
Unappropriated retained earnings (undisposed loss)	1,218,575	1,409,730

Starts Proceed Investment Corporation (8979) Financial Report for 37th Fiscal Period

(3) Statements of Changes in Unitholders' Equity

36th Fiscal Period: from May 1, 2023, to October 31, 2023

[Unit: thousand yen]

	Unitholders' equity						
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital (net)	Voluntary reserves			Unappropriated retained earnings (undisposed loss)
				Reserve for reduction entry	Reserve for reduction entry under special provisions for property replacement	Total voluntary reserves	
Balance at beginning of period	48,082,645	(545,913)	47,536,732	99,000	185,848	284,848	1,415,073
Changes of items during the period							
Reversal of reserve for reduction entry				-	(185,848)	(185,848)	185,848
Dividends from surplus							(1,600,797)
Net income							1,218,449
Total changes of items during the period	-	-	-	-	(185,848)	(185,848)	(196,498)
Balance at end of period	48,082,645	(545,913)	47,536,732	99,000	-	99,000	1,218,575

[Unit: thousand yen]

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

Starts Proceed Investment Corporation (8979) Financial Report for 37th Fiscal Period

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

[Unit: thousand yen]

	Unitholders' equity					
	Unitholders' capital			Surplus		
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital (net)	Voluntary reserves		Unappropriated retained earnings (undisposed loss)
				Reserve for reduction entry	Total voluntary reserves	
Balance at beginning of period	48,082,645	(545,913)	47,536,732	99,000	99,000	1,218,575
Changes of items during the period						
Reversal of reserve for reduction entry				(99,000)	(99,000)	99,000
Dividends from surplus						(1,317,472)
Net income						1,409,627
Total changes of items during the period	-	-	-	(99,000)	(99,000)	191,154
Balance at end of period	48,082,645	(545,913)	47,536,732	-	-	1,409,730

[Unit: thousand yen]

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

Starts Proceed Investment Corporation (8979) Financial Report for 37th Fiscal Period

(4) Statements of Cash Distributions

Item	Fiscal period	36th Fiscal Period	37th Fiscal Period
		From: May 1, 2023 To: Oct. 31, 2023	From: Nov. 1, 2023 To: Apr. 30, 2024
I. Unappropriated retained earnings		1,218,575,444 yen	1,409,730,423 yen
II. Additional amount of distribution in excess of earnings			
Deduction from unitholders' capital		- yen	93,499,887 yen
III. Reversal of voluntary reserves			
Reversal of reserve for reduction entry		99,000,000 yen	- yen
IV. Amount of distributions		1,317,472,728 yen	1,503,060,117 yen
[Amount of distribution per investment unit]		[4,664 yen]	[5,321 yen]
Distribution of earnings		1,317,472,728 yen	1,409,560,230 yen
[Distribution of earnings per unit]		[4,664 yen]	[4,990 yen]
Distribution in excess of earnings		- yen	93,499,887 yen
[Distribution in excess of earnings per unit]		[- yen]	[331 yen]
V. Retained earnings brought forward		102,716 yen	170,193 yen
Method of calculation of amount of distributions		<p>Pursuant to the policy on cash distributions provided in Article 35, Paragraph 1 of the Articles of Incorporation of SPI, the amount of distributions shall be in excess of an amount equivalent to 90% of the "amount of earnings available for distribution" provided in Article 67-15 of the Act on Special Measures Concerning Taxation, but no more than the amount of earnings. Based on such policy, in the 36th fiscal period, SPI decided to pay out distributions of earnings of 1,317,472,728 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (282,477 units) not in excess of the amount after adding the amount of reversal of reserve for reduction entry accumulated in accordance with Article 65-7 of the Act on Special Measures Concerning Taxation to unappropriated retained earnings. SPI shall not distribute the cash in excess of earnings provided in Article 35, Item 4 of its Articles of Incorporation.</p>	<p>Pursuant to the policy on cash distributions provided in Article 35, Paragraph 1 of the Articles of Incorporation of SPI, the amount of distributions shall be in excess of an amount equivalent to 90% of the "amount of earnings available for distribution" provided in Article 67-15 of the Act on Special Measures Concerning Taxation, but no more than the amount of earnings. Based on this policy, in the 37th fiscal period, SPI decided to pay out distributions of earnings of 1,409,560,230 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (282,477 units) that does not exceed the amount of unappropriated retained earnings at the end of the 37th fiscal period. In addition, based on SPI's policy to conduct cash distributions in excess of earnings set out Article 35, (iv) of its Articles of Incorporation, SPI is committed to making cash distributions in excess of earnings each fiscal period on a continuous basis, in principle. Under this policy, SPI has decided to distribute 93,499,887 yen, which is the amount equivalent to 13.8% of depreciation expense in the 37th period (677,816,247 yen), as distributions in excess of earnings (return of capital).</p>

Starts Proceed Investment Corporation (8979) Financial Report for 37th Fiscal Period

(5) Statements of Cash Flows

	[Unit: thousand yen]	
	36th Fiscal Period	37th Fiscal Period
	From: May 1, 2023	From: Nov. 1, 2023
	To: Oct. 31, 2023	To: Apr. 30, 2024
Net cash provided by (used in) operating activities		
Income before income taxes	1,226,304	1,417,539
Depreciation and amortization	662,260	677,783
Amortization of investment corporation bond issuance costs	3,402	4,061
Amortization of investment unit issuance costs	2,071	2,071
Interest income	(19)	(128)
Interest expenses	231,251	245,494
Decrease (increase) in operating accounts receivable	15,780	(12,443)
Decrease (increase) in prepaid expenses	3,455	(28,610)
Decrease (increase) in consumption taxes receivable	57,503	-
Increase (decrease) in accrued consumption taxes	2,633	(5,848)
Increase (decrease) in operating accounts payable	134,833	(107,512)
Increase (decrease) in accounts payable - other	10,353	40,549
Decrease (increase) in long-term prepaid expenses	4,443	(103,032)
Decrease from sales of property, plant and equipment in trust	-	755,575
Others, net	4,135	(5,924)
Subtotal	<u>2,358,410</u>	<u>2,879,574</u>
Interest income received	19	128
Interest expenses paid	(219,854)	(235,195)
Income taxes paid	(8,571)	(7,782)
Net cash provided by (used in) operating activities	<u>2,130,003</u>	<u>2,636,725</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(1,082,750)	(4,578,304)
Proceeds from tenant leasehold and security deposits in trust	54,642	66,435
Repayments of tenant leasehold and security deposits in trust	(50,957)	(51,263)
Decrease (increase) in investments and other assets	(6,837)	(13,968)
Net cash provided by (used in) investing activities	<u>(1,085,903)</u>	<u>(4,577,100)</u>
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	-	4,000,000
Repayments of short-term loans payable	-	(915,000)
Proceeds from long-term loans payable	3,532,500	4,000,000
Repayments of long-term loans payable	(5,032,500)	(4,000,000)
Proceeds from issuance of investment corporation bonds	1,500,000	-
Payments of investment corporation bond issuance costs	(11,855)	-
Dividends paid	(1,599,763)	(1,318,553)
Net cash provided by (used in) financing activities	<u>(1,611,618)</u>	<u>1,766,446</u>
Net increase (decrease) in cash and cash equivalents	<u>(567,518)</u>	<u>(173,928)</u>
Cash and cash equivalents at beginning of period	<u>4,239,310</u>	<u>3,671,792</u>
Cash and cash equivalents at end of period	<u>* 3,671,792</u>	<u>* 3,497,863</u>