

# REIT Financial Report for 19th Fiscal Period

June 12, 2015

REIT Securities Issuer: Starts Proceed Investment Corporation Listing: Tokyo Stock Exchange  
 Securities Code: 8979 URL: <http://www.sp-inv.co.jp>  
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Scheduled date of submission of securities report: July 30, 2015

Scheduled date of commencement of distribution payout: July 15, 2015

Preparation of supplementary explanatory materials on financial results: ☒ Yes / No

Holding of briefing session on financial results: ☒ Yes / No

(for analysts and institutional investors)

[Amounts are rounded down to the nearest million yen]

## 1. Status of Management and Assets in 19th Fiscal Period

*Starts Proceed Investment Corporation's 19th fiscal period is the period from November 1, 2014 to April 30, 2015.*

### (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	%
19th	2,239	16.9	947	19.5	728	24.5	726	24.4
18th	1,916	(0.5)	793	(2.8)	585	(4.0)	584	(4.0)

Fiscal period	Net income per unit	Ratio of net income to equity [Return on equity]	Ratio of ordinary income to total assets [Return on assets]	Ratio of ordinary income to operating revenue
	yen	%	%	%
19th	4,193	2.6	1.3	32.5
18th	4,028	2.3	1.1	30.6

### (2) Distributions Status

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]	Total distributions [excluding distributions in excess of earnings]	Distribution in excess of earnings per unit	Total distributions in excess of earnings	Distribution payout ratio	Ratio of distributions to net assets
	yen	million yen	yen	million yen	%	%
19th	4,182	726	0	0	100.0	2.3
18th	4,028	583	0	0	100.0	2.3

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

[Note 2] Distribution payout ratio for the 19th fiscal period is calculated using the following formula due to change in the number of investment units during the period from having conducted a capital increase through public offering during the period.

Distribution payout ratio = Total distributions [excluding distributions in excess of earnings] ÷ Net income × 100

### (3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
19th	61,893	30,822	49.8	177,370
18th	51,651	25,902	50.1	178,666

### (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
19th	1,128	(9,964)	9,297	2,938
18th	1,038	(189)	(749)	2,477

## 2. Forecast for Management Status in 20th Fiscal Period and 21st Fiscal Period

Starts Proceed Investment Corporation's 20th fiscal period is the period from May 1, 2015 to October 31, 2015.

Starts Proceed Investment Corporation's 21st fiscal period is the period from November 1, 2015 to April 30, 2016.

[% 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	%
20th	2,232	(0.3)	918	(3.1)	700	(3.8)	698	(3.8)
21st	2,249	0.7	919	0.1	702	0.2	700	0.2

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
		yen		yen
20th		4,020		0
21st		4,030		0

[Reference] Forecast net income per unit

20th fiscal period: 4,020 yen

21st fiscal period: 4,030 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

19th fiscal period: 173,777 units      18th fiscal period: 144,977 units

19th fiscal period: 0 units      18th fiscal period: 0 units

### \* Presentation of the status of implementation of audit procedures

At the time of disclosure of this financial report, audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

### \* Explanation of the appropriate use of the forecast for management status, and other matters of special note

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 20th Fiscal Period (from May 1, 2015 to October 31, 2015) and 21st Fiscal Period (from November 1, 2015 to April 30, 2016)" presented on pages 7 to 8.

1. Related Parties of Starts Proceed Investment Corporation

Disclosure is omitted because there are no significant changes from the “Structure of the Investment Corporation” set out in the most recent securities report (submitted on January 28, 2015).

2. Management Policy and Management Status

A. Management Policy

Disclosure is omitted because there are no significant changes from the “Investment Policy,” “Investment Targets” and “Distribution Policy” set out in the most recent securities report (submitted on January 28, 2015).

B. Management Status

(1) Overview of Fiscal Period under Review

(a) Brief Background of the Investment Corporation

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

Starts Proceed 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”) and monthly rental apartments, serviced apartments, hotels, residential facilities for the elderly, etc. (collectively referred to together with “rental housing” as “rental housing, etc.”), as well as specified assets (the meaning provided in Article 2, Paragraph 1 of the Investment Trust Act; the same hereinafter) backed mainly by rental housing, etc. In investment in rental housing, etc., Starts Proceed adopts the basic policy of particularly setting rental housing for average-income households, the demand for which Starts Proceed believes to be the most stable, as the primary investment target. In addition, Starts Proceed takes measures, such as leveraging the capabilities of the Starts Group, to achieve enhancement of management efficiency, in an aim to secure steady growth and stable revenue of assets under management over the medium to long term.

As at the end of the fiscal period under review (19th fiscal period: from November 1, 2014 to April 30, 2015), the total number of investment units issued and outstanding was 173,777 units, total assets was 61,893 million yen and unitholders’ capital was 30,096 million yen.

(b) Investment Environment

In the 19th fiscal period the Japanese economy showed moderate recovery, having pulled out of the decrease in demand on the rebound of the rush demand ahead of the consumption tax hike. As evident by such factors as personal spending remaining resilient amid movements of improvement in the income and employment environment continuing, capital investment taking an upward turn with improvement in corporate performance and exports maintaining an increasing trend backed by depreciation of the yen and overseas economic expansion, the Japanese economy is following a trend of moderate recovery.

Demand trends in the rental housing market in which Starts Proceed invests is expected to be stable in light of such factors as population inflow from other areas continuing in not only the Tokyo metropolitan area but also in other major metropolitan areas, such as Osaka, Nagoya and Fukuoka, and increase in number of households due to increase in one-person and married-couple-only households. In addition, in the secondary real estate market, demand was strong, centering on J-REITs and overseas funds, buoyed by the favorable fund procurement environment, but a state of short supply is becoming increasingly apparent amid limited supply of new properties. Reflecting such supply-demand balance, the upward trend in property transaction prices still continues.

(c) Management Performance

In the 19th fiscal period, Starts Proceed newly acquired (C-64) Proceed Nihonbashi-horidomecho and six other properties (sum total of acquisition prices: 9,116 million yen) on November 4, 2014. As a result, Starts Proceed's portfolio as at the end of the 19th fiscal period was 96 properties with acquisition prices totaling 57,110 million yen and total leasable floor area of 146,415.29m<sup>2</sup>.

In close collaboration with the Asset Management Company and the property management company Starts Amenity Co., Ltd., ongoing cost reduction was pursued, along with striving to raise rent and increase the receipt of key money and other revenue. In addition, efforts were made to shorten the period taken to restore a property to its original state after a resident moves out of the property, along with carrying out finely-tuned leasing activities that are based on the characteristics of the region and individual properties, in an aim to enhance the occupancy rate. These measures proved effective in maintaining the occupancy rate of the entire portfolio at a stable level of around 96% throughout the period and achieving a period-average occupancy rate of 96.0% and period-end occupancy rate of 96.3%.

(d) Status of Fund Procurement

In the 19th fiscal period, funds were procured in the amount of 4,777 million yen through issuance of new investment units (the primary offering of 28,800 units) and in the amount of 5,200 million yen through new borrowing on November 4, 2014 to allocate to funds for the acquisition of the abovementioned seven properties. The 5,200 million yen loan was due for repayment on November 25, 2014, on which date a long-term loan in the amount of 4,447 million yen and a short-term loan in the amount of 2,000 million yen were also due for repayment. Combined, a total amount of 11,647 million yen was due for repayment, which was financed by borrowing floating-rate loans in the amount of 2,647 million yen (term: 1 year and 6 months), 4,000 million yen (term: 3 years), 2,500 million yen (term: 3 years and 6 months) and 2,500 million yen (term: 5 years). This refinancing led to further extending loan periods and laddering repayment deadlines. In addition, of this refinancing, interest rate swap agreements were concluded for the 2,500 million yen (term: 3 years and 6 months) and 2,500 million yen (term: 5 years) loans that, in effect, fixed the interest rate and thereby enhanced the stability of the financial base.

As a result, as at the end of the 19th fiscal period, short-term loans payable was 3,700 million yen, the current portion of long-term loans payable was 3,868 million yen and long-term loans payable was 22,508 million yen for a period-end interest-bearing liabilities balance of 30,077 million yen and LTV ratio of 48.6%.

In addition, the collateral for existing loans was released, effective November 20, 2014, by agreement with the lending financial institutions, making the loans borrowed by Starts Proceed all unsecured and unguaranteed. This is deemed to have improved and enhanced the creditworthiness and fund procurement capability of Starts Proceed, and will enable more agile and flexible fund procurement going forward.

(e) Overview of Business Performance and Distributions

As a result of the management described above, business performance recorded for the 19th fiscal period was operating revenue of 2,239 million yen, operating income of 947 million yen, ordinary income of 728 million yen and net income of 726 million yen.

Concerning distributions, to ensure that the maximum amount of distributions of earnings would be 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"), Starts Proceed decided to distribute the entire amount of unappropriated retained earnings, excluding fractions of the distribution per investment unit that are less than 1 yen. Accordingly, Starts Proceed declared a distribution per investment unit of 4,182 yen.

(2) Outlook for Next Fiscal Period

(a) Management Policy and Challenges to Address

a. Investment Environment

The outlook for the Japanese economy in the 20th fiscal period is that the moderate recovery trend will continue in light of such factors as expectations for recovery in personal spending with increase in wages due to tightening of labor supply-demand, corporate sentiment on capital investment being expected to take an upward turn backed by strong corporate performance and expectations for recovery in the corporate sector, and exports being expected to continue to be on an upward trend due to steady U.S. economic recovery and accelerating growth of Asian emerging markets amid the trend of depreciation of the yen that is expected to continue.

In the secondary real estate market, the environment for acquisition of quality properties is expected to keep increasing further in harshness due in part to entry of overseas funds, etc. in addition to the state of shortage on the supply side. Transaction prices are thus believed to continue to rise to a certain extent. In the rental housing market, stable demand is thought to continue to be expected in major metropolitan areas, including the Tokyo metropolitan area that Starts Proceed sets as the primary investment target.

b. External Growth Strategy

Based on the extensive collaborative relationship with the Starts Group, which is formed by agreements such as a pipeline support agreement concluded between the Asset Management Company and each of Starts Corporation Inc., Starts Development Corporation and Starts Amenity Co., Ltd. as well as a property information provision agreement concluded between the Asset Management Company and Starts CAM Co., Ltd., Starts Proceed strives to increase opportunities to newly acquire prime investment real estate. Going forward, Starts Proceed will consider acquisition of quality newly built or relatively newly built properties that have the potential to generate stable revenue over the medium to long term, while carefully assessing trends in the financial market as well as the primary and secondary real estate markets, in an aim to expand asset size and enhance portfolio quality. On the other hand, along with the progress in external growth, Starts Proceed will simultaneously investigate sales of some properties that are small in size or were built long ago, etc.

c. Internal Growth Strategy

Following on from the 19th fiscal period, under close collaboration with the property management company Starts Amenity Co., Ltd. and Starts Pitat House Co., Ltd., to which leasing business operations are re-entrusted, efforts will be made to enhance convenience and comfort for residents through the provision of high-quality management services, along with not stopping at uniform management but conducting finely-tuned management suited to the respective area's real estate leasing market trends and individual property characteristics, in order to enhance the revenues and occupancy rates of assets under management and cut costs.

d. Financial Strategy

With sights set on smooth fund procurement upon asset acquisition and reduction of refinancing risks, Starts Proceed will promote ongoing favorable relationships with financing banks, along with enhancing the financing bank formation, extending loan periods, laddering repayment deadlines and shifting borrowings to fixed-interest loans as needed, in an aim to further strengthen the financial base.

(b) Significant Subsequent Events

Not applicable.

(Reference Information)

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

Starts Proceed borrowed Term Loan Z as follows based on the "Basic Loan Agreement" executed on November 19, 2009 (including subsequent revisions and additions of lenders; please refer to Starts Proceed's press release "Notice Concerning Borrowing of Funds and Repayment of Borrowings" dated November 18, 2009 for details) to allocate to repayment of Term Loan S (short-term loan in the amount of 3,700 million yen borrowed from Aozora Bank, Ltd., Resona Bank, Ltd., The Chiba Bank, Ltd., The Musashino Bank, Ltd., Mizuho Bank, Ltd., The Kagawa Bank, Ltd., Sumitomo Mitsui Banking Corporation, ORIX Bank Corporation and Sumitomo Mitsui Trust Bank, Limited) that was due for repayment on May 22, 2015.

	Term Loan Z (Term: 3 years and 6 months / Floating interest rate)
Lender	Aozora Bank, Ltd. Resona Bank, Ltd. The Chiba Bank, Ltd. The Musashino Bank, Ltd. Mizuho Bank, Ltd. The Kagawa Bank, Ltd. Sumitomo Mitsui Banking Corporation ORIX Bank Corporation Sumitomo Mitsui Trust Bank, Limited

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Loan Amount	3,700 million yen
Drawdown Date	May 22, 2015
Principal Repayment Date	November 22, 2018
Interest Rate (Note)	Base interest rate (JBA 1-month Japanese Yen TIBOR) + 0.71%
Interest Payment Date	The first interest payment date shall be the last day of May 2015, and for subsequent payments, 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.
Principle Repayment Method	Lump-sum repayment on repayment date
Collateral	Unsecured
Guarantee	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).

In addition, Starts Proceed concluded an interest rate swap agreement as follows to hedge against risk of interest rate hike concerning the abovementioned loan Term Loan Z.

Interest rate swap agreement

Lender: Resona Bank, Ltd.  
 Notional Principle Amount: 3,700 million yen  
 Interest Rate, etc.: Fixed interest rate payable: 0.907%  
 Floating interest rate receivable:  
 Base interest rate (JBA 1-month Japanese Yen TIBOR) + 0.71% (Note)  
 Commencement Date: May 22, 2015  
 Termination Date: November 22, 2018  
 Payment Date: The first interest payment date shall be the last day of May 2015, and for subsequent payments, 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 Z is, in effect, fixed at 0.907%.

(c) Outlook for Management Status

Starts Proceed expects the following management status in the 20th fiscal period (from May 1, 2015 to October 31, 2015) and 21st fiscal period (from November 1, 2015 to April 30, 2016). For the assumptions underlying this outlook for management status, please refer to "Assumptions Underlying Forecast for Management Status in 20th Fiscal Period (from May 1, 2015 to October 31, 2015) and 21st Fiscal Period (from November 1, 2015 to April 30, 2016)."

	20th Fiscal Period From: May 1, 2015 To: Oct. 31, 2015	21st Fiscal Period From: Nov. 1, 2015 To: Apr. 30, 2016
Operating revenue	2,232 million yen	2,249 million yen
Operating income	918 million yen	919 million yen
Ordinary income	700 million yen	702 million yen
Net income	698 million yen	700 million yen
Distribution per unit	4,020 yen	4,030 yen
Distribution in excess of earnings per unit	0 yen	0 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 and distribution per unit may vary due to future additional acquisition or sale of real estate, etc., changes in the real estate market, etc., changes in the management environment or other circumstances surrounding Starts Proceed and other factors. In addition, the forecast is not a guarantee of actual business performance or the amount of distributions.

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Assumptions Underlying Forecast for Management Status in 20th Fiscal Period (from May 1, 2015 to October 31, 2015) and 21st Fiscal Period (from November 1, 2015 to April 30, 2016)

Item	Assumption
Business period	20th fiscal period: from May 1, 2015 to October 31, 2015 (184 days) 21st fiscal period: from November 1, 2015 to April 30, 2016 (182 days)
Assets under management	<ul style="list-style-type: none"> <li>The forecast assumes the 96 properties in the Starts Proceed portfolio as at April 30, 2015 and assumes there will be no acquisition of new properties, sale of existing properties, etc. through to the end of the 21st fiscal period. The actual assets under management may vary due to changes in assets under management.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>Real estate rent revenue includes rent, common area maintenance charges, parking revenue, incidental revenue, etc., and is calculated based on historical data and future forecast.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>Expenses related to rent business other than depreciation and amortization are calculated based on historical data and future forecast and by reflecting factors that may cause fluctuations in expenses.</li> <li>Management expenses are expected to be 139 million yen for the 20th fiscal period and 138 million yen for the 21st fiscal period.</li> <li>Repair expenses, which are recognized as expenses in the amount presumed to be necessary in the respective business period, are expected to be 65 million yen for the 20th fiscal period and 72 million yen for the 21st fiscal period. However, repair expenses may differ materially from the forecast amount due to a variety of factors, including repair expenses possibly arising from unforeseen events, the variation in the amount depending on the fiscal year being large and repair expenses not being an amount that arises periodically.</li> <li>Concerning fixed asset tax, city planning tax and depreciable asset tax, etc. on portfolio properties, in principle, of the tax amount assessed and determined, the amount of tax payable during the business period (in the case of fixed asset tax, city planning tax and depreciable asset tax, etc. on properties that have a different number of installment tax payments every period, the amount of the number of annual tax payments corresponding to the business period) is calculated as expenses related to rent business. The amount is expected to be 131 million yen for the 20th fiscal period and 131 million yen for the 21st fiscal period.</li> <li>Depreciation and amortization, which is calculated using the straight-line method inclusive of incidental expenses at the time of acquisition and future additional capital expenditures, is expected to be 476 million yen for the 20th fiscal period and 479 million yen for the 21st fiscal period.</li> <li>Operating expenses other than expenses related to rent business (asset management fee, asset custody fee, administrative service fees, etc.) are expected to be 307 million yen for the 20th fiscal period and 302 million yen for the 21st fiscal period.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>Interest expenses are expected to be 154 million yen for the 20th fiscal period and 153 million yen for the 21st fiscal period.</li> <li>Borrowing related expenses are expected to be 57 million yen for the 20th fiscal period and 57 million yen for the 21st fiscal period.</li> </ul>
Loans	<ul style="list-style-type: none"> <li>Concerning the loans balance as of the date of this report of 30,064 million yen, because contractual repayments are expected, the forecast assumes 29,998 million yen as the balance at the end of the 20th fiscal period and 29,919 million yen as the balance at the end of the 21st fiscal period. Of this, the forecast assumes that the loan due for repayment during the 21st fiscal period (3,711 million yen) will be refinanced in the entire amount.</li> </ul>
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>The forecast assumes the total number of investment units issued and outstanding as of the date of this report of 173,777 units and assumes there will be no subsequent issuance of investment units through to the end of the 21st fiscal period.</li> </ul>

Distribution per unit	<ul style="list-style-type: none"> <li>• Distributions (distribution per unit) are calculated by assuming the policy on cash distributions provided in the Articles of Incorporation of Starts Proceed.</li> <li>• Distribution per unit may vary due to various factors, including fluctuation in leasing revenue accompanying change in assets under management, change in tenants, etc. and repair expenses possibly arising from unforeseen events.</li> </ul>
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> <li>• No distributions in excess of earnings (distribution in excess of earnings per unit) are scheduled at present.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• For other items, the forecast assumes that there will be no revision of laws and regulations, tax systems, accounting standards, listing regulations, rules of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above.</li> <li>• The forecast assumes that there will be no unforeseen material change in general economic trends and real estate market conditions, etc.</li> </ul>



## 3. Financial Statements

## (1) Balance Sheets

	[Unit: thousand yen]	
	18th Fiscal Period	19th Fiscal Period
	As of Oct. 31, 2014	As of Apr. 30, 2015
Assets		
Current assets		
Cash and deposits	1,153,274	1,461,626
Cash and deposits in trust	1,323,994	1,476,425
Operating accounts receivable	16,044	26,759
Prepaid expenses	96,215	109,197
Deferred tax assets	50	85
Consumption taxes receivable	-	37,165
Other	1,595	1,594
Total current assets	2,591,175	3,112,854
Noncurrent assets		
Property, plant and equipment		
Buildings in trust	27,211,243	32,805,819
Accumulated depreciation	(4,127,583)	(4,553,878)
Buildings in trust, net	23,083,660	28,251,941
Structures in trust	942,406	1,044,827
Accumulated depreciation	(349,591)	(381,182)
Structures in trust, net	592,814	663,645
Machinery and equipment in trust	5,376	5,376
Accumulated depreciation	(1,016)	(1,320)
Machinery and equipment in trust, net	4,360	4,055
Tools, furniture and fixtures in trust	210,275	241,578
Accumulated depreciation	(83,093)	(97,266)
Tools, furniture and fixtures in trust, net	127,181	144,312
Land in trust	24,619,676	29,040,889
Total property, plant and equipment	48,427,693	58,104,844
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	518,514	518,514
Long-term prepaid expenses	85,142	115,180
Other	8,145	8,782
Total investments and other assets	621,801	652,476
Total noncurrent assets	49,049,495	58,757,321
Deferred assets		
Investment unit issuance costs	11,196	23,384
Total deferred assets	11,196	23,384
Total assets	51,651,866	61,893,560

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	[Unit: thousand yen]	
	18th Fiscal Period As of Oct. 31, 2014	19th Fiscal Period As of Apr. 30, 2015
Liabilities		
Current liabilities		
Short-term loans payable	5,700,000	3,700,000
Current portion of long-term loans payable	4,605,105	3,868,553
Operating accounts payable	86,850	133,050
Accounts payable – other	119,842	141,212
Accrued expenses	806	814
Income taxes payable	1,503	2,050
Accrued consumption taxes	7,081	-
Advances received	269	966
Other	231	275
Total current liabilities	10,521,689	7,846,923
Noncurrent liabilities		
Long-term loans payable	14,651,727	22,508,951
Tenant leasehold and security deposits in trust	511,431	592,375
Asset retirement obligations	64,477	122,453
Total noncurrent liabilities	15,227,636	23,223,779
Total liabilities	25,749,326	31,070,703
Net assets		
Unitholders' equity		
Unitholders' capital	25,318,449	30,096,023
Surplus		
Unappropriated retained earnings (undisposed loss)	584,091	726,833
Total surplus	584,091	726,833
Total unitholders' equity	25,902,540	30,822,856
Total net assets	25,902,540	30,822,856
Total liabilities and net assets	51,651,866	61,893,560

## (2) Statements of Income

	[Unit: thousand yen]	
	18th Fiscal Period	19th Fiscal Period
	From: May 1, 2014 To: Oct. 31, 2014	From: Nov. 1, 2014 To: Apr. 30, 2015
Operating revenue		
Rent revenue – real estate	1,916,313	2,239,837
Total operating revenue	1,916,313	2,239,837
Operating expenses		
Expenses related to rent business	873,604	1,036,104
Asset management fee	135,983	168,742
Asset custody fee	7,521	7,770
Administrative service fees	20,920	23,412
Directors' compensations	2,400	2,400
Other operating expenses	82,671	53,566
Total operating expenses	1,123,100	1,291,997
Operating income	793,213	947,840
Non-operating income		
Interest income	224	266
Insurance income	7,093	3,046
Reversal of distribution payable	1,395	1,195
Total non-operating income	8,713	4,508
Non-operating expenses		
Interest expenses	127,619	146,612
Interest expenses on investment corporation bonds	26,349	-
Amortization of investment corporation bond issuance costs	1,321	-
Amortization of investment unit issuance costs	3,732	6,916
Borrowing related expenses	56,756	69,510
Other	555	530
Total non-operating expenses	216,335	223,569
Ordinary income	585,591	728,778
Income before income taxes	585,591	728,778
Income taxes – current	1,549	2,104
Income taxes – deferred	(4)	(34)
Total income taxes	1,544	2,069
Net income	584,046	726,708
Retained earnings brought forward	45	124
Unappropriated retained earnings (undisposed loss)	584,091	726,833

## (3) Statements of Unitholders' Equity

	[Unit: thousand yen]	
	18th Fiscal Period	19th Fiscal Period
	From: May 1, 2014 To: Oct. 31, 2014	From: Nov. 1, 2014 To: Apr. 30, 2015
Unitholders' equity		
Unitholders' capital		
Balance at the beginning of current period	25,318,449	25,318,449
Changes of items during the period		
Issuance of new investment units	-	4,777,574
Total changes of items during the period	-	4,777,574
Balance at the end of current period	25,318,449	30,096,023
Surplus		
Unappropriated retained earnings (undisposed loss)		
Balance at the beginning of current period	608,368	584,091
Changes of items during the period		
Dividends from surplus	(608,323)	(583,967)
Net income	584,046	726,708
Total changes of items during the period	(24,277)	142,741
Balance at the end of current period	584,091	726,833
Total surplus		
Balance at the beginning of current period	608,368	584,091
Changes of items during the period		
Dividends from surplus	(608,323)	(583,967)
Net income	584,046	726,708
Total changes of items during the period	(24,277)	142,741
Balance at the end of current period	584,091	726,833
Total unitholders' equity		
Balance at the beginning of current period	25,926,817	25,902,540
Changes of items during the period		
Issuance of new investment units	-	4,777,574
Dividends from surplus	(608,323)	(583,967)
Net income	584,046	726,708
Total changes of items during the period	(24,277)	4,920,315
Balance at the end of current period	25,902,540	30,822,856
Total net assets		
Balance at the beginning of current period	25,926,817	25,902,540
Changes of items during the period		
Issuance of new investment units	-	4,777,574
Dividends from surplus	(608,323)	(583,967)
Net income	584,046	726,708
Total changes of items during the period	(24,277)	4,920,315
Balance at the end of current period	25,902,540	30,822,856

## (4) Statements of Cash Distributions

Item	Period	18th Fiscal Period	19th Fiscal Period
		From: May 1, 2014 To: Oct. 31, 2014	From: Nov. 1, 2014 To: Apr. 30, 2015
I. Unappropriated retained earnings		584,091,896 yen	726,833,470 yen
II. Amount of distributions [Amount of distribution per investment unit]		583,967,356 yen [4,028 yen]	726,735,414 yen [4,182 yen]
III. Retained earnings carried forward		124,540 yen	98,056 yen
Method of calculation of amount of distributions		Pursuant to the policy on cash distributions provided in Article 35, Paragraph 1 of the Articles of Incorporation of Starts Proceed, 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 Special Taxation Measures Act, but no more than the amount of earnings. Based on such policy, Starts Proceed decided to pay out distributions of earnings of 583,967,356 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (144,977 units) in an amount not in excess of unappropriated retained earnings. Starts Proceed shall not distribute the cash in excess of earnings provided in Article 35, Item 4 of the Articles of Incorporation of Starts Proceed.	Pursuant to the policy on cash distributions provided in Article 35, Paragraph 1 of the Articles of Incorporation of Starts Proceed, 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 Special Taxation Measures Act, but no more than the amount of earnings. Based on such policy, Starts Proceed decided to pay out distributions of earnings of 726,735,414 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (173,777 units) in an amount not in excess of unappropriated retained earnings. Starts Proceed shall not distribute the cash in excess of earnings provided in Article 35, Item 4 of the Articles of Incorporation of Starts Proceed.

## (5) Statements of Cash Flows

	[Unit: thousand yen]	
	18th Fiscal Period	19th Fiscal Period
	From: May 1, 2014 To: Oct. 31, 2014	From: Nov. 1, 2014 To: Apr. 30, 2015
Net cash provided by (used in) operating activities		
Income before income taxes	585,591	728,778
Depreciation and amortization	398,672	472,363
Amortization of investment corporation bond issuance costs	1,321	-
Amortization of investment unit issuance costs	3,732	6,916
Interest income	(224)	(266)
Interest expenses	153,969	146,612
Decrease (increase) in operating accounts receivable	6,176	(10,714)
Decrease (increase) in prepaid expenses	(10,380)	(12,981)
Decrease (increase) in consumption taxes receivable	-	(37,165)
Increase (decrease) in accrued consumption taxes	2,036	(7,081)
Increase (decrease) in operating accounts payable	14,659	(1,053)
Increase (decrease) in accounts payable – other	5,059	20,434
Decrease (increase) in long-term prepaid expenses	33,552	(30,038)
Other, net	(189)	548
Subtotal	1,193,976	1,276,353
Interest income received	224	266
Interest expenses paid	(153,858)	(146,604)
Income taxes paid	(1,544)	(1,557)
Net cash provided by (used in) operating activities	1,038,798	1,128,457
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(190,240)	(10,045,286)
Proceeds from tenant leasehold and security deposits in trust	38,679	135,117
Repayments of tenant leasehold and security deposits in trust	(37,632)	(54,173)
Decrease (increase) in other investments	(636)	(636)
Net cash provided by (used in) investing activities	(189,829)	(9,964,979)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	5,700,000	5,200,000
Decrease in short-term loans payable	(2,393,000)	(7,200,000)
Proceeds from long-term loans payable	-	11,647,000
Repayment of long-term loans payable	(1,449,007)	(4,526,328)
Redemption of investment corporation bonds	(2,000,000)	-
Proceeds from issuance of investment units	-	4,777,574
Payment of investment unit issuance costs	-	(19,104)
Dividends paid	(607,495)	(581,836)
Net cash provided by (used in) financing activities	(749,502)	9,297,305
Net increase (decrease) in cash and cash equivalents	99,466	460,783
Cash and cash equivalents at beginning of period	2,377,802	2,477,268
Cash and cash equivalents at end of period	2,477,268	2,938,052