

REIT Financial Report for 21st Fiscal Period

June 14, 2016

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 28, 2016
 Scheduled date of commencement of distribution payout: July 15, 2016
 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 21st Fiscal Period

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

(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	%
21st	2,239	0.8	918	0.4	715	1.7	713	1.7
20th	2,220	(0.9)	914	(3.5)	703	(3.5)	701	(3.5)

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	%	%	%
21st	4,104	2.3	1.2	31.9
20th	4,034	2.3	1.1	31.7

(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	%	%
21st	4,104	713	0	0	100.0	2.3
20th	4,035	701	0	0	100.0	2.3

[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
21st	61,704	30,809	49.9	177,292
20th	61,754	30,797	49.9	177,223

(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
21st	1,178	(99)	(790)	3,584
20th	1,282	(121)	(804)	3,295

2. Forecast for Management Status in 22nd Fiscal Period and 23rd Fiscal Period

Starts Proceed Investment Corporation's 22nd fiscal period is the period from May 1, 2016 to October 31, 2016.

Starts Proceed Investment Corporation's 23rd fiscal period is the period from November 1, 2016 to April 30, 2017.

[% 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	%
22nd	2,246	0.3	909	(1.0)	716	0.1	714	0.1
23rd	2,264	0.8	904	(0.5)	718	0.3	716	0.3

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
	yen		yen	
22nd	4,110		0	
23rd	4,120		0	

[Reference] Forecast net income per unit 22nd fiscal period: 4,110 yen 23rd fiscal period: 4,120 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 | | |
| 21st fiscal period: | 173,777 units | 20th fiscal period: 173,777 units |
| (b) Number of own investment units at end of period | | |
| 21st fiscal period: | 0 units | 20th 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 22nd Fiscal Period (from May 1, 2016 to October 31, 2016) and 23rd Fiscal Period (from November 1, 2016 to April 30, 2017)" presented on page 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, 2016).

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, 2016).

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. 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 (21st fiscal period: from November 1, 2015 to April 30, 2016), the total number of investment units issued and outstanding was 173,777 units, total assets was 61,704 million yen and unitholders’ capital was 30,096 million yen.

(b) Investment Environment

In the 21st fiscal period, the Japanese economy was generally under a harsh environment, remaining at a standstill due to the rapid appreciation of the yen and the plunge in crude oil prices as well as a slowdown in emerging economies including China after the start of 2016 on top of weak individual consumption. However some trends of economic recovery were evidenced in the continuation of improvement in the income and employment environment due to the effects of financial and monetary policies implemented by the government and the Bank of Japan.

Demand trends in the rental housing market in which Starts Proceed invests are 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. Particularly, rental housing owned by J-REITs maintain high occupancy rates and the rent levels also seem to be continuing to improve slowly.

In the secondary real estate market, while investors’ appetite for investing is robust due to diversification of market players, strong occupancy status, anticipation for rent rise, etc. amid the ongoing favorable fund procurement environment, fall of expected cap rates and rise of transaction prices are further progressing with limited supply of new quality properties leading to more intensified property acquisition competitions.

(c) Management Performance

In the 21st fiscal period, even though Starts Proceed utilized the information channels that it has nurtured and deliberated the acquisition of properties with careful selection, there were no properties that would contribute to maintaining and improving investment effects and portfolio quality for Starts Proceed, and so no acquisitions were made. As such, Starts Proceed focused on internal growth during the 21st fiscal period as detailed below.

In close collaboration with the Asset Management Company and the property management company Starts Amenity Co., Ltd., Starts Proceed worked in more meticulous manners such as reducing costs by carefully assessing need for work to restore interior to its original state, etc. as well as making efforts to reduce other maintenance costs and large-scale repair costs, along with striving to raise rent and increase the receipt of key money and other revenue. With respect to leasing, 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 resulting in a period-average occupancy rate of 96.6% and period-end occupancy rate of 95.9%.

Starts Proceed's portfolio as of the end of the 21st fiscal period was 96 properties with acquisition prices totaling 57,110 million yen and total leasable floor area of 146,415.29m², without change from the end of the previous fiscal period.

(d) Status of Fund Procurement

In the 21st fiscal period, long-term loans of 3,700 million yen (term: 5 years) were taken to be allotted as part of the fund for the partial repayment of 3,711 million yen (floating rate, term: 2 years and 6 months/2 years and 7 months) of long-term loans that were maturing on November 24, 2015. An interest rate swap agreement was concluded for this loan 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 21st fiscal period, the current portion of long-term loans payable was 9,318 million yen and long-term loans payable was 20,590 million yen for a period-end interest-bearing liabilities balance of 29,908 million yen and LTV ratio of 48.5%.

(e) Overview of Business Performance and Distributions

As a result of the management described above, business performance recorded for the 21st fiscal period was operating revenue of 2,239 million yen, operating income of 918 million yen, ordinary income of 715 million yen and net income of 713 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 4,104 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 22nd fiscal period is that, even though a downward swing on production/tourism from the 2016 Kumamoto Earthquake will negatively impact the economy for a while, the Japanese economy is believed to start recovering this summer, supported not only by a pickup in public investment, improvement in the employment and income environment backed by labor shortage, etc. among other factors, but also by an increase in demand for renewing facilities and an anticipated mild recovery in exports.

In the secondary real estate market, the harsh environment for acquisition of quality properties is expected to continue as the shortage on the supply side remains unchanged while strong investment demand is likely to continue against the backdrop of favorable fund procurement environment. Transaction prices are thus believed to continue to rise mildly or remain at a high level. 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 21st 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. Property Acquisition

The following specified asset was acquired on May 6, 2016.

Property No.	Property name	Location	Seller	Acquisition price (thousand yen) (Note 1)
C-68	Proceed Kasai 2	Edogawa-ku, Tokyo	Starts Development Corporation	750,000

(Note) "Acquisition price" does not include miscellaneous acquisition related expenses, fixed property taxes, city planning taxes, consumption taxes and local consumption taxes.

B. Borrowing of Funds (Refinancing)

Starts Proceed borrowed Term Loan 2B and 2C 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 Q (long-term loans in the amount of 3,100 million yen borrowed from Resona Bank, Ltd., The Chiba Bank, Ltd., The Musashino Bank, Ltd., Sumitomo Mitsui Banking Corporation, Aozora Bank, Ltd., The Higashi-Nippon Bank, Limited, ORIX Bank Corporation and Mizuho Trust & Banking Co., Ltd.) as well as Term Loan V (long-term loans in the amount of 2,647 million yen borrowed from Resona Bank, Ltd., Aozora Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Chiba Bank, Ltd., The Musashino Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, ORIX Bank Corporation and The Kagawa Bank, Ltd.) that were due for repayment on May 24, 2016.

	Term Loan 2B (Term: 6 years / Floating interest rate)	Term Loan 2C (Term: 7 years / Floating interest rate)
Lender	Resona Bank, Ltd. Aozora Bank, Ltd. Sumitomo Mitsui Banking Corporation The Chiba Bank, Ltd. The Musashino Bank, Ltd. Mizuho Bank, Ltd. ORIX Bank Corporation Sumitomo Mitsui Trust Bank, Limited Mizuho Trust & Banking Co., Ltd. The Kagawa Bank, Ltd.	Resona Bank, Ltd. Aozora Bank, Ltd. Sumitomo Mitsui Banking Corporation The Chiba Bank, Ltd. The Musashino Bank, Ltd. Mizuho Bank, Ltd. ORIX Bank Corporation Sumitomo Mitsui Trust Bank, Limited Mizuho Trust & Banking Co., Ltd. The Kagawa Bank, Ltd.
Loan Amount	2,873.5 million yen	2,873.5 million yen
Drawdown Date	May 24, 2016	May 24, 2016
Principal Repayment Date	May 24, 2022	May 24, 2023
Interest Rate (Note)	Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.79%	Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.85%
Interest Payment Date	The first interest payment date shall be the last day of May 2016, 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	

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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).

(c) Outlook for Management Status

Starts Proceed expects the following management status in the 22nd fiscal period (from May 1, 2016 to October 31, 2016) and 23rd fiscal period (from November 1, 2016 to April 30, 2017). For the assumptions underlying this outlook for management status, please refer to "Assumptions Underlying Forecast for Management Status in 22nd fiscal period (from May 1, 2016 to October 31, 2016) and 23rd fiscal period (from November 1, 2016 to April 30, 2017)."

	22nd Fiscal Period From: May 1, 2016 To: Oct. 31, 2016	23rd Fiscal Period From: Nov. 1, 2016 To: Apr. 30, 2017
Operating revenue	2,246 million yen	2,264 million yen
Operating income	909 million yen	904 million yen
Ordinary income	716 million yen	718 million yen
Net income	714 million yen	716 million yen
Distribution per unit	4,110 yen	4,120 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 22nd Fiscal Period (from May 1, 2016 to October 31, 2016) and 23rd Fiscal Period (from November 1, 2016 to April 30, 2017)

Item	Assumption
Business period	22nd fiscal period: from May 1, 2016 to October 31, 2016 (184 days) 23rd fiscal period: from November 1, 2016 to April 30, 2017 (181 days)
Assets under management	<ul style="list-style-type: none"> The forecast assumes the 97 properties in the Starts Proceed portfolio (adding 1 property acquired on May 6, 2016 to the 96 properties held as at April 30, 2016) and assumes there will be no acquisition of new properties, sale of existing properties, etc. after the completion of the acquisition through to the end of the 23rd 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 based on historical data and future forecast and by reflecting factors that may cause fluctuations in expenses. Management expenses are expected to be 136 million yen for the 22nd fiscal period and 136 million yen for the 23rd fiscal period. Repair expenses, which are recognized as expenses in the amount presumed to be necessary in the respective business period, are expected to be 85 million yen for the 22nd fiscal period and 90 million yen for the 23rd 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 130 million yen for the 22nd fiscal period and 130 million yen for the 23rd 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 485 million yen for the 22nd fiscal period and 488 million yen for the 23rd 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 300 million yen for the 22nd fiscal period and 307 million yen for the 23rd fiscal period.
Non-operating expenses	<ul style="list-style-type: none"> Interest expenses are expected to be 147 million yen for the 22nd fiscal period and 145 million yen for the 23rd fiscal period. Borrowing related expenses are expected to be 42 million yen for the 22nd fiscal period and 38 million yen for the 23rd fiscal period.
Loans	<ul style="list-style-type: none"> Concerning the loans balance as of the date of this report of 29,895 million yen, because contractual repayments are expected, the forecast assumes 29,830 million yen as the balance at the end of the 22nd fiscal period and 29,788 million yen as the balance at the end of the 23rd fiscal period. Of this, the forecast assumes that the loan due for repayment during the 23rd fiscal period (3,482 million yen) will be refinanced in the entire amount.
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 report of 173,777 units and assumes there will be no subsequent issuance of investment units through to the end of the 23rd fiscal period.

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<p>Distribution per unit</p>	<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 Starts Proceed. • 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.
<p>Distribution in excess of earnings per unit</p>	<ul style="list-style-type: none"> • No distributions in excess of earnings (distribution in excess of earnings per unit) are scheduled at present.
<p>Other</p>	<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.

3. Financial Statements

(1) Balance Sheets

	[Unit: thousand yen]	
	20th Fiscal Period	21st Fiscal Period
	As of Oct. 31, 2015	As of Apr. 30, 2016
Assets		
Current assets		
Cash and deposits	1,773,761	2,109,258
Cash and deposits in trust	1,521,969	1,474,924
Operating accounts receivable	22,044	25,293
Prepaid expenses	95,384	86,644
Deferred tax assets	80	82
Other	1,601	1,854
Total current assets	<u>3,414,843</u>	<u>3,698,058</u>
Noncurrent assets		
Property, plant and equipment		
Buildings in trust	32,836,018	32,967,262
Accumulated depreciation	(4,982,292)	(5,411,860)
Buildings in trust, net	<u>27,853,725</u>	<u>27,555,402</u>
Structures in trust	1,044,827	1,045,362
Accumulated depreciation	(412,788)	(444,399)
Structures in trust, net	<u>632,039</u>	<u>600,963</u>
Machinery and equipment in trust	5,376	5,376
Accumulated depreciation	(1,625)	(1,930)
Machinery and equipment in trust, net	<u>3,750</u>	<u>3,445</u>
Tools, furniture and fixtures in trust	253,268	261,894
Accumulated depreciation	(111,641)	(126,250)
Tools, furniture and fixtures in trust, net	<u>141,626</u>	<u>135,644</u>
Land in trust	29,040,889	29,040,889
Total property, plant and equipment	<u>57,672,032</u>	<u>57,336,345</u>
Intangible fixed assets		
Software	-	5,742
Total intangible fixed assets	<u>-</u>	<u>5,742</u>
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	530,919	530,919
Long-term prepaid expenses	100,531	104,084
Other	9,418	9,843
Total investments and other assets	<u>650,869</u>	<u>654,847</u>
Total noncurrent assets	<u>58,322,901</u>	<u>57,996,935</u>
Deferred assets		
Investment unit issuance costs	16,468	9,552
Total deferred assets	<u>16,468</u>	<u>9,552</u>
Total assets	<u>61,754,213</u>	<u>61,704,545</u>

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	[Unit: thousand yen]	
	20th Fiscal Period	21st Fiscal Period
	As of Oct. 31, 2015	As of Apr. 30, 2016
Liabilities		
Current liabilities		
Current portion of long-term loans payable	9,615,553	9,318,673
Operating accounts payable	91,565	138,033
Accounts payable – other	144,300	140,948
Accrued expenses	1,669	2,340
Income taxes payable	1,898	1,951
Accrued consumption taxes	12,970	5,358
Advances received	998	1,423
Other	536	252
Total current liabilities	9,869,491	9,608,980
Noncurrent liabilities		
Long-term loans payable	20,383,174	20,590,277
Tenant leasehold and security deposits in trust	580,778	571,457
Asset retirement obligations	123,463	124,481
Total noncurrent liabilities	21,087,416	21,286,216
Total liabilities	30,956,907	30,895,196
Net assets		
Unitholders' equity		
Unitholders' capital	30,096,023	30,096,023
Surplus		
Unappropriated retained earnings (undisposed loss)	701,281	713,325
Total surplus	701,281	713,325
Total unitholders' equity	30,797,305	30,809,348
Total net assets	30,797,305	30,809,348
Total liabilities and net assets	61,754,213	61,704,545

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(2) Statements of Income

	[Unit: thousand yen]	
	20th Fiscal Period	21st Fiscal Period
	From: May 1, 2015	From: Nov. 1, 2015
	To: Oct. 31, 2015	To: Apr. 30, 2016
Operating revenue		
Rent revenue – real estate	2,220,571	2,239,022
Total operating revenue	2,220,571	2,239,022
Operating expenses		
Expenses related to rent business	1,011,956	1,029,954
Asset management fee	173,120	171,513
Asset custody fee	7,771	7,769
Administrative service fees	22,347	22,484
Directors' compensations	1,800	1,200
Other operating expenses	89,367	88,089
Total operating expenses	1,306,362	1,321,011
Operating income	914,209	918,011
Non-operating income		
Interest income	288	320
Insurance income	5,170	5,457
Reversal of distribution payable	1,045	909
Other	74	-
Total non-operating income	6,578	6,688
Non-operating expenses		
Interest expenses	153,422	148,983
Amortization of investment unit issuance costs	6,916	6,916
Borrowing related expenses	56,763	53,027
Other	540	540
Total non-operating expenses	217,642	209,466
Ordinary income	703,145	715,232
Income before income taxes	703,145	715,232
Income taxes – current	1,956	2,000
Income taxes – deferred	5	(1)
Total income taxes	1,961	1,998
Net income	701,183	713,233
Retained earnings brought forward	98	91
Unappropriated retained earnings (undisposed loss)	701,281	713,325

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(3) Statements of Unitholders' Equity

	[Unit: thousand yen]	
	20th Fiscal Period	21st Fiscal Period
	From: May 1, 2015	From: Nov. 1, 2015
	To: Oct. 31, 2015	To: Apr. 30, 2016
Unitholders' equity		
Unitholders' capital		
Balance at the beginning of current period	30,096,023	30,096,023
Changes of items during the period		
Issuance of new investment units	-	-
Total changes of items during the period	-	-
Balance at the end of current period	30,096,023	30,096,023
Surplus		
Unappropriated retained earnings (undisposed loss)		
Balance at the beginning of current period	726,833	701,281
Changes of items during the period		
Dividends from surplus	(726,735)	(701,190)
Net income	701,183	713,233
Total changes of items during the period	(25,551)	12,043
Balance at the end of current period	701,281	713,325
Total surplus		
Balance at the beginning of current period	726,833	701,281
Changes of items during the period		
Dividends from surplus	(726,735)	(701,190)
Net income	701,183	713,233
Total changes of items during the period	(25,551)	12,043
Balance at the end of current period	701,281	713,325
Total unitholders' equity		
Balance at the beginning of current period	30,822,856	30,797,305
Changes of items during the period		
Dividends from surplus	(726,735)	(701,190)
Net income	701,183	713,233
Total changes of items during the period	(25,551)	12,043
Balance at the end of current period	30,797,305	30,809,348
Total net assets		
Balance at the beginning of current period	30,822,856	30,797,305
Changes of items during the period		
Dividends from surplus	(726,735)	(701,190)
Net income	701,183	713,233
Total changes of items during the period	(25,551)	12,043
Balance at the end of current period	30,797,305	30,809,348

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(4) Statements of Cash Distributions

Item	Period	20th Fiscal Period	21st Fiscal Period
		From: May 1, 2015 To: Oct. 31, 2015	From: Nov. 1, 2015 To: Apr. 30, 2016
I. Unappropriated retained earnings		701,281,775 yen	713,325,446 yen
II. Amount of distributions [Amount of distribution per investment unit]		701,190,195 yen [4,035 yen]	713,180,808 yen [4,104 yen]
III. Retained earnings carried forward		91,580 yen	144,638 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 701,190,195 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.	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 713,180,808 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.

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(5) Statements of Cash Flows

	[Unit: thousand yen]	
	20th Fiscal Period	21st Fiscal Period
	From: May 1, 2015	From: Nov. 1, 2015
	To: Oct. 31, 2015	To: Apr. 30, 2016
Net cash provided by (used in) operating activities		
Income before income taxes	703,145	715,232
Depreciation and amortization	474,700	476,290
Amortization of investment unit issuance costs	6,916	6,916
Interest income	(288)	(320)
Interest expenses	153,422	148,983
Decrease (increase) in operating accounts receivable	4,714	(3,249)
Decrease (increase) in prepaid expenses	13,812	8,740
Decrease (increase) in consumption taxes receivable	37,165	-
Increase (decrease) in accrued consumption taxes	12,970	(7,612)
Increase (decrease) in operating accounts payable	13,042	(10,034)
Increase (decrease) in accounts payable – other	2,640	(3,334)
Decrease (increase) in long-term prepaid expenses	14,649	(3,553)
Other, net	250	(2)
Subtotal	1,437,141	1,328,056
Interest income received	288	320
Interest expenses paid	(152,568)	(148,312)
Income taxes paid	(2,109)	(1,947)
Net cash provided by (used in) operating activities	1,282,752	1,178,117
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(96,415)	(83,903)
Purchase of intangible fixed assets	-	(5,940)
Proceeds from tenant leasehold and security deposits in trust	37,105	39,990
Repayments of tenant leasehold and security deposits in trust	(48,702)	(49,312)
Decrease (increase) in other investments	(13,041)	(424)
Net cash provided by (used in) investing activities	(121,054)	(99,590)
Net cash provided by (used in) financing activities		
Decrease in short-term loans payable	(3,700,000)	-
Proceeds from long-term loans payable	3,700,000	3,700,000
Repayment of long-term loans payable	(78,776)	(3,789,776)
Dividends paid	(725,242)	(700,298)
Net cash provided by (used in) financing activities	(804,019)	(790,074)
Net increase (decrease) in cash and cash equivalents	357,678	288,452
Cash and cash equivalents at beginning of period	2,938,052	3,295,731
Cash and cash equivalents at end of period	3,295,731	3,584,183