

REIT Financial Report for 22nd Fiscal Period

December 15, 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: January 27, 2017
 Scheduled date of commencement of distribution payout: January 20, 2017
 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 22nd Fiscal Period

Starts Proceed Investment Corporation's 22nd fiscal period is the period from May 1, 2016 to October 31, 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	%
22nd	2,245	0.3	918	0.0	732	2.4	730	2.4
21st	2,239	0.8	918	0.4	715	1.7	713	1.7

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	%	%	%	%	%	%	
22nd	4,203	2.4	2.4	1.2	32.6			
21st	4,104	2.3	2.3	1.2	31.9			

(2) Distributions Status

Fiscal period	Distribution per unit	Total distributions	Distribution in excess of earnings per unit	Total distributions in excess of earnings	Distribution payout ratio	Ratio of distributions to net assets
	[excluding distribution in excess of earnings] yen	[excluding distributions in excess of earnings] million yen	yen	million yen	%	%
22nd	4,204	730	0	0	100.0	2.4
21st	4,104	713	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
22nd	61,667	30,826	50.0	177,391
21st	61,704	30,809	49.9	177,292

(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
22nd	1,245	(973)	(790)	3,066
21st	1,178	(99)	(790)	3,584

2. Forecast for Management Status in 23rd Fiscal Period and 24th Fiscal Period

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

Starts Proceed Investment Corporation's 24th fiscal period is the period from May 1, 2017 to October 31, 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	%
23rd	2,984	32.9	1,283	39.8	1,080	47.5	1,078	47.7
24th	3,005	0.7	1,275	(0.7)	1,067	(1.2)	1,065	(1.2)

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]	Distribution in excess of earnings per unit
	yen	yen
23rd	4,200	0
24th	4,150	0

[Reference] Forecast net income per unit

23rd fiscal period: 4,200 yen

24th fiscal period: 4,150 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

22nd fiscal period: 173,777 units 21st fiscal period: 173,777 units

(b) Number of own investment units at end of period

22nd fiscal period: 0 units 21st 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 23rd Fiscal Period and 24th Fiscal Period" 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 July 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 July 28, 2016) and securities registration statement (submitted on November 4, 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 (22nd fiscal period: from May 1, 2016 to October 31, 2016), the total number of investment units issued and outstanding was 173,777 units, total assets was 61,667 million yen and unitholders’ capital was 30,096 million yen.

(b) Investment Environment

In the 22nd fiscal period, the Japanese economy maintained a mild recovery trend as a whole backed by foreign demand centering on housing investment and exports, while individual consumption and capital investment continued to lack strength due to factors such as unstable weather, mounting uncertainties of business environment caused by the issue of U.K.’s withdrawal from EU.

As to demand trends in the rental housing market in which Starts Proceed invests, vacancy rates have risen in some areas due to imbalance of supply-demand caused by the increased supply of wooden and light-gauge steel rental apartments constructed as part of inheritance tax planning. However, rental housing owned by J-REITs saw continuous stable demand and maintained high occupancy rates in major metropolitan areas such as the Tokyo metropolitan area, Osaka, Nagoya and Fukuoka due to ongoing population inflow from other areas as well as an increase in the number of households brought by the increase in one-person and married-couple-only households, etc., and the rent levels also continue to show mild improvement.

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, heated property acquisition competition has continued with limited supply of new quality properties and transaction prices remain at a high level, not quite peaking out yet.

(c) Management Performance

In the 22nd fiscal period, in close collaboration with the Asset Management Company and the property management company Starts Amenity Co., Ltd., Starts Proceed made efforts for continuous cost reduction including cutting electricity bills in line with electricity deregulation while 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 move-outs, 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 over 95% throughout the period and resulting in a period-average occupancy rate of 95.6% and period-end occupancy rate of 95.3 %.

As to external growth, Starts Proceed newly acquired (C-68) Proceed Kasai 2 (acquisition price: 750 million yen) on May 6, 2016 using own fund. As a result, Starts Proceed's portfolio as of the end of the 22nd fiscal period was 97 properties with acquisition prices totaling 57,860 million yen and total leasable floor area of 148,555.88m².

(d) Status of Fund Procurement

In the 22nd fiscal period, long-term loans of 2,873 million yen (floating rate, term: 6 years) and long-term loans of 2,873 million yen (floating rate, term: 7 years) were taken to be allotted as the fund for the repayment of long-term loans of 3,100 million yen (floating rate, term: 2 years and 6 months) and 2,647 million yen (floating rate, term: 1 year and 6 months) that were maturing on May 24, 2016. These measures extended loan terms and enhanced the stability of the finance base.

As a result, as at the end of the 22nd fiscal period, the current portion of long-term loans payable was 7,683 million yen and long-term loans payable was 22,147 million yen for a period-end interest-bearing liabilities balance of 29,830 million yen and LTV ratio of 48.4%.

(e) Overview of Business Performance and Distributions

As a result of the management described above, business performance recorded for the 22nd fiscal period was operating revenue of 2,245 million yen, operating income of 918 million yen, ordinary income of 732 million yen and net income of 730 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 4,204 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 23rd fiscal period is that weak domestic demand is likely to continue centering on individual consumption and capital investment. In addition, uncertain factors remain, such as unforeseeable impact of measures that will be taken by Donald Trump, who won the U.S. presidential election in November 2016, on the Japanese economy. However, moderate growth, though with lingering sense of stagnation, is anticipated as the increase in export mainly to emerging nations in Asia such as ASEAN, which has seen economic recovery, contribute to supporting production activities.

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 likely to remain at a high level. In the rental housing market, stable demand is believed 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 22nd 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, reducing financing cost, extending loan periods, laddering repayment deadlines and shifting borrowings to fixed-interest loans as needed, in an aim to further strengthen the financial base.

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(b) Significant Subsequent Events

Issuance of new investment units

Starts Proceed resolved at the Board of Directors' meetings held on November 4, 2016 and November 14, 2016 the issuance of new investment units for allocating funds for part of the acquisition of specified assets. As for the primary offering, the payments were completed on November 21, 2016. As a result, total equity stands at 42,230,457,400 yen and the total number of investment units issued and outstanding at 256,777 units.

For details of the new investment units, please refer to "3. Financial Statements (9) Notes to the Financial Statements, Notes to Significant Subsequent Events" below (Japanese only).

(Reference Information)

A. Property Acquisition

The following specified assets (trust beneficiary interests) were acquired on November 21, 2016.

Property No.	Property name	Location	Seller (Note 1)	Acquisition price (thousand yen) (Note 2)
C-69	Proceed Nihonbashi Honcho	Chuo-ku, Tokyo	Starts Development Corporation	2,449,000
C-70	Proceed Nishi Shinjuku	Shinjuku-ku, Tokyo	Starts Development Corporation	2,549,000
C-71	Proceed Unoki	Ota-ku, Tokyo	Starts Development Corporation	917,000
C-72	Proceed Minamigyotoku 2	Ichikawa-shi, Chiba	Starts Development Corporation	1,080,000
C-73	Proceed CO-Z East Building	Narita-shi, Chiba	Starts Development Corporation	1,830,000
C-74	Proceed CO-Z West Building	Narita-shi, Chiba	Starts Development Corporation	971,000
C-75	Proceed Shi Yokohama	Yokohama-shi, Kanagawa	Starts Development Corporation	4,330,000
G-26	Proceed Bentencho	Osaka-shi, Osaka	Starts Development Corporation	2,170,000
G-27	Proceed Nagaikoendori	Osaka-shi, Osaka	Starts Development Corporation	1,070,000
G-28	Proceed Nishinagahori	Osaka-shi, Osaka	Starts Development Corporation	942,000
G-29	Proceed Kyobashi	Osaka-shi, Osaka	Starts Development Corporation	2,040,000
G-30	Proceed Hyogoekimaedori	Kobe-shi, Hyogo	Starts Development Corporation	1,670,000
G-31	Proceed Mizuho	Nagoya-shi, Aichi	Starts Development Corporation	535,000
G-32	Proceed Osu	Nagoya-shi, Aichi	Starts Development Corporation	831,000
G-33	Proceed Sendai Kozurushinden	Sendai-shi, Miyagi	Starts Development Corporation	698,000
Total				24,082,000

(Note 1) All transactions have been determined after following appropriate procedures based on the internal rules of the Asset Management Company and pursuant to standards stipulated by laws and regulations.

(Note 2) "Acquisition price" does not include miscellaneous acquisition related expenses, fixed property taxes, city planning taxes, consumption taxes and local consumption taxes.

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B. Borrowing of Funds (New Borrowings)

Starts Proceed conducted borrowing of Term Loan 2D described below to allocate funds for part of the acquisition and the related expenses of the newly specified assets, based on the basic loan agreement (hereinafter referred to as the “Basic Loan Agreement,” 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) executed on November 19, 2009.

	Term Loan 2D
Lender	Resona Bank, Ltd.
Loan Amount	12,960 million yen
Drawdown Date	November 21, 2016
Principal Repayment Date	December 9, 2016
Interest Rate (Note)	Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.29%
Interest Payment Date	The last day of November 2016 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).

C. Borrowing of Funds (Refinancing)

Starts Proceed borrowed Term Loan 2E as follows based on the “Basic Loan Agreement” to allocate the funds to part of repayment of Term Loan M (long-term loans in the amount of 1,225 million yen borrowed from Aozora Bank, Ltd., Resona Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, ORIX Bank Corporation, Sumitomo Mitsui Trust Bank, Limited, The Chiba Bank, Ltd. and The Musashino Bank, Ltd.) and Term Loan P (long-term loans in the amount of 2,225 million yen borrowed from Aozora Bank, Ltd., Resona Bank, Ltd., The Chiba Bank, Ltd., The Musashino Bank, Ltd., The Kagawa Bank, Ltd. and Mizuho Bank, Ltd.) that were due for repayment on November 24, 2016.

	Term Loan 2E
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 Sumitomo Mitsui Trust Bank, Limited
Loan Amount	3,449 million yen
Drawdown Date	November 24, 2016
Principal Repayment Date	May 24, 2019
Interest Rate (Note)	Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.42%
Interest Payment Date	The first interest payment date shall be the last day of November 2016, and for subsequent payments, the last day of every month thereafter (however, in the event that one of these days is not a

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	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).

D. Borrowing of Funds (Refinancing)

Starts Proceed borrowed Term Loan 2F, 2G and 2H as follows based on the "Basic Loan Agreement" to allocate the funds to repayment of Term Loan 2D (short-term loans in the amount of 12,960 million yen borrowed from Resona Bank, Ltd.) that was due for repayment on December 9, 2016.

	Term Loan 2F	Term Loan 2G	Term Loan 2H
Lender	Resona Bank, Ltd. Aozora Bank, Ltd. Mizuho Bank, Ltd. The Musashino Bank, Ltd. The Chiba Bank, Ltd. The Kagawa Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	Resona Bank, Ltd. Aozora Bank, Ltd. Mizuho Bank, Ltd. The Musashino Bank, Ltd. The Chiba Bank, Ltd. The Kagawa Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	Resona Bank, Ltd. 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	4,320 million yen	4,320 million yen	4,320 million yen
Drawdown Date	December 9, 2016	December 9, 2016	December 9, 2016
Principal Repayment Date	May 22, 2020	May 24, 2021	November 24, 2021
Interest Rate (Note)	Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.26%	Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.29%	Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.32%
Interest Payment Date	The first interest payment date shall be the last day of December 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		

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 23rd fiscal period (from November 1, 2016 to April 30, 2017) and 24th fiscal period (from May 1, 2017 to October 31, 2017). For the assumptions for management status, please refer to "Assumptions Underlying Forecast for Management Status in 23rd fiscal period (from November 1, 2016 to April 30, 2017) and 24th fiscal period (from May 1, 2017 to October 31, 2017)."

	23rd Fiscal Period	24th Fiscal Period
	From: Nov. 1, 2016 To: Apr. 30, 2017	From: May 1, 2017 To: Oct. 31, 2017
Operating revenue	2,984 million yen	3,005 million yen
Operating income	1,283 million yen	1,275 million yen
Ordinary income	1,080 million yen	1,067 million yen
Net income	1,078 million yen	1,065 million yen
Distribution per unit	4,200 yen	4,150 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 23rd Fiscal Period (from November 1, 2016 to April 30, 2017) and 24th Fiscal Period (from May 1, 2017 to October 31, 2017)

Item	Assumption
Business period	23rd fiscal period: from November 1, 2016 to April 30, 2017 (181 days) 24th fiscal period: from May 1, 2017 to October 31, 2017 (184 days)
Assets under management	<ul style="list-style-type: none"> • The forecast assumes the 112 properties in the Starts Proceed portfolio (adding 15 properties acquired on November 21, 2016 to the 97 properties held as at October 31, 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 24th 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 185 million yen for the 23rd fiscal period and 186 million yen for the 24th 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 136 million yen for the 23rd fiscal period and 116 million yen for the 24th 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 147 million yen for the 23rd fiscal period and 175 million yen for the 24th fiscal period. As for the fixed asset tax, city planning tax and depreciable asset tax, etc. on the 15 properties acquired on November 21, 2016 among the portfolio, it is a general practice to calculate and reimburse the pro rata portion of fixed asset tax, city planning tax and other public charges based on number of days of ownership to the previous owner and settle them at the time of acquisition. However, Starts Proceed includes the reimbursed amount in the acquisition costs and thus does not recognize them as expenses at the time of acquisition. The amount equivalent to the reimbursed amount for fixed asset tax, city planning tax and depreciable asset tax, etc. to be included in the acquisition costs for the acquired properties is expected to be 14 million yen, and the amount to be paid in April 2017 or after will be recognized as expenses. • 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 595 million yen for the 23rd fiscal period and 605 million yen for the 24th 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 383 million yen for the 23rd fiscal period and 411 million yen for the 24th fiscal period.

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Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses are expected to be 153 million yen for the 23rd fiscal period and 148 million yen for the 24th fiscal period. • Borrowing related expenses are expected to be 52 million yen for the 23rd fiscal period and 50 million yen for the 24th fiscal period. • Expenses related to the public offering of investment units are recorded as deferred tax assets and are assumed to be depreciated in three years using the straight-line method. Such expenses are expected to be 8 million yen for the 23rd fiscal period and 8 million yen for the 24th fiscal period.
Loans	<ul style="list-style-type: none"> • Concerning the loans balance as of the date of this report of 42,780 million yen, because contractual repayments are expected, the forecast assumes 42,746 million yen as the balance at the end of the 23rd fiscal period and 42,746 million yen as the balance at the end of the 24th fiscal period. Of this, the forecast assumes that the loan due for repayment during the 24th fiscal period (4,190 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 256,777 units and assumes there will be no subsequent issuance of investment units through to the end of the 24th fiscal period.
Distribution per unit	<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.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • No distributions in excess of earnings (distribution in excess of earnings per unit) are scheduled at present.
Other	<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]	
	21st Fiscal Period	22nd Fiscal Period
	As of Apr. 30, 2016	As of Oct. 31, 2016
Assets		
Current assets		
Cash and deposits	2,109,258	1,566,963
Cash and deposits in trust	1,474,924	1,499,085
Operating accounts receivable	25,293	20,782
Prepaid expenses	86,644	85,053
Deferred tax assets	82	76
Other	1,854	1,411
Total current assets	3,698,058	3,173,372
Noncurrent assets		
Property, plant and equipment		
Buildings in trust	32,967,262	33,542,486
Accumulated depreciation	(5,411,860)	(5,847,599)
Buildings in trust, net	27,555,402	27,694,887
Structures in trust	1,045,362	1,047,409
Accumulated depreciation	(444,399)	(476,083)
Structures in trust, net	600,963	571,326
Machinery and equipment in trust	5,376	5,376
Accumulated depreciation	(1,930)	(2,235)
Machinery and equipment in trust, net	3,445	3,141
Tools, furniture and fixtures in trust	261,894	273,684
Accumulated depreciation	(126,250)	(140,991)
Tools, furniture and fixtures in trust, net	135,644	132,693
Land in trust	29,040,889	29,417,454
Total property, plant and equipment	57,336,345	57,819,502
Intangible fixed assets		
Software	5,742	5,148
Total intangible fixed assets	5,742	5,148
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	104,084	111,348
Other	9,843	10,479
Total investments and other assets	654,847	662,747
Total noncurrent assets	57,996,935	58,487,397
Deferred assets		
Investment unit issuance costs	9,552	6,368
Total deferred assets	9,552	6,368
Total assets	61,704,545	61,667,138

Starts Proceed Investment Corporation (8979) Financial Report for 21st Fiscal Period

	[Unit: thousand yen]	
	21st Fiscal Period	22nd Fiscal Period
	As of Apr. 30, 2016	As of Oct. 31, 2016
Liabilities		
Current liabilities		
Current portion of long-term loans payable	9,318,673	7,683,174
Operating accounts payable	138,033	160,031
Accounts payable – other	140,948	148,526
Accrued expenses	2,340	795
Income taxes payable	1,951	1,889
Accrued consumption taxes	5,358	2,452
Advances received	1,423	236
Other	252	696
Total current liabilities	9,608,980	7,997,802
Noncurrent liabilities		
Long-term loans payable	20,590,277	22,147,000
Tenant leasehold and security deposits in trust	571,457	570,180
Asset retirement obligations	124,481	125,507
Total noncurrent liabilities	21,286,216	22,842,688
Total liabilities	30,895,196	30,840,490
Net assets		
Unitholders' equity		
Unitholders' capital	30,096,023	30,096,023
Surplus		
Unappropriated retained earnings (undisposed loss)	713,325	730,624
Total surplus	713,325	730,624
Total unitholders' equity	30,809,348	30,826,647
Total net assets	30,809,348	30,826,647
Total liabilities and net assets	61,704,545	61,667,138

Starts Proceed Investment Corporation (8979) Financial Report for 21st Fiscal Period

(2) Statements of Income

	[Unit: thousand yen]	
	21st Fiscal Period	22nd Fiscal Period
	From: Nov. 1, 2015 To: Apr. 30, 2016	From: May 1, 2016 To: Oct. 31, 2016
Operating revenue		
Rent revenue – real estate	2,239,022	2,245,933
Total operating revenue	2,239,022	2,245,933
Operating expenses		
Expenses related to rent business	1,029,954	1,029,594
Asset management fee	171,513	177,759
Asset custody fee	7,769	7,768
Administrative service fees	22,484	22,473
Directors' compensations	1,200	1,200
Other operating expenses	88,089	88,814
Total operating expenses	1,321,011	1,327,611
Operating income	918,011	918,321
Non-operating income		
Interest income	320	22
Insurance income	5,457	8,436
Reversal of distribution payable	909	1,020
Total non-operating income	6,688	9,479
Non-operating expenses		
Interest expenses	148,983	146,430
Amortization of investment unit issuance costs	6,916	3,184
Borrowing related expenses	53,027	45,267
Other	540	540
Total non-operating expenses	209,466	195,422
Ordinary income	715,232	732,378
Income before income taxes	715,232	732,378
Income taxes – current	2,000	1,892
Income taxes – deferred	(1)	5
Total income taxes	1,998	1,898
Net income	713,233	730,479
Retained earnings brought forward	91	144
Unappropriated retained earnings (undisposed loss)	713,325	730,624

Starts Proceed Investment Corporation (8979) Financial Report for 21st Fiscal Period

(3) Statements of Unitholders' Equity

	[Unit: thousand yen]	
	21st Fiscal Period	22nd Fiscal Period
	From: Nov. 1, 2015 To: Apr. 30, 2016	From: May 1, 2016 To: Oct. 31, 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	701,281	713,325
Changes of items during the period		
Dividends from surplus	(701,190)	(713,180)
Net income	713,233	730,479
Total changes of items during the period	12,043	17,298
Balance at the end of current period	713,325	730,624
Total surplus		
Balance at the beginning of current period	701,281	713,325
Changes of items during the period		
Dividends from surplus	(701,190)	(713,180)
Net income	713,233	730,479
Total changes of items during the period	12,043	17,298
Balance at the end of current period	713,325	730,624
Total unitholders' equity		
Balance at the beginning of current period	30,797,305	30,809,348
Changes of items during the period		
Dividends from surplus	(701,190)	(713,180)
Net income	713,233	730,479
Total changes of items during the period	12,043	17,298
Balance at the end of current period	30,809,348	30,826,647
Total net assets		
Balance at the beginning of current period	30,797,305	30,809,348
Changes of items during the period		
Dividends from surplus	(701,190)	(713,180)
Net income	713,233	730,479
Total changes of items during the period	12,043	17,298
Balance at the end of current period	30,809,348	30,826,647

Starts Proceed Investment Corporation (8979) Financial Report for 21st Fiscal Period

(4) Statements of Cash Distributions

Item	Period	21st Fiscal Period	22nd Fiscal Period
		From: Nov. 1, 2015 To: Apr. 30, 2016	From: May 1, 2016 To: Oct. 31, 2016
I. Unappropriated retained earnings		713,325,446 yen	730,624,096 yen
II. Amount of distributions [Amount of distribution per investment unit]		713,180,808 yen [4,104 yen]	730,558,508 yen [4,204 yen]
III. Retained earnings carried forward		144,638 yen	65,588 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 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.	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 730,558,508 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.

Starts Proceed Investment Corporation (8979) Financial Report for 21st Fiscal Period

(5) Statements of Cash Flows

	[Unit: thousand yen]	
	21st Fiscal Period	22nd Fiscal Period
	From: Nov. 1, 2015	From: May 1, 2016
	To: Apr. 30, 2016	To: Oct. 31, 2016
Net cash provided by (used in) operating activities		
Income before income taxes	715,232	732,378
Depreciation and amortization	476,290	483,063
Amortization of investment unit issuance costs	6,916	3,184
Interest income	(320)	(22)
Interest expenses	148,983	146,430
Decrease (increase) in operating accounts receivable	(3,249)	4,510
Decrease (increase) in prepaid expenses	8,740	1,590
Increase (decrease) in accrued consumption taxes	(7,612)	(2,905)
Increase (decrease) in operating accounts payable	(10,034)	27,619
Increase (decrease) in accounts payable – other	(3,334)	7,179
Decrease (increase) in long-term prepaid expenses	(3,553)	(7,263)
Other, net	(2)	(293)
Subtotal	1,328,056	1,395,472
Interest income received	320	22
Interest expenses paid	(148,312)	(147,975)
Income taxes paid	(1,947)	(1,954)
Net cash provided by (used in) operating activities	1,178,117	1,245,564
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(83,903)	(971,247)
Purchase of intangible fixed assets	(5,940)	-
Proceeds from tenant leasehold and security deposits in trust	39,990	53,455
Repayments of tenant leasehold and security deposits in trust	(49,312)	(54,732)
Decrease (increase) in other investments	(424)	(636)
Net cash provided by (used in) investing activities	(99,590)	(973,160)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	3,700,000	5,747,000
Repayment of long-term loans payable	(3,789,776)	(5,825,776)
Dividends paid	(700,298)	(711,761)
Net cash provided by (used in) financing activities	(790,074)	(790,538)
Net increase (decrease) in cash and cash equivalents	288,452	(518,134)
Cash and cash equivalents at beginning of period	3,295,731	3,584,183
Cash and cash equivalents at end of period	3,584,183	3,066,048