

# REIT Financial Report for 25th Fiscal Period

June 14, 2018

REIT Securities Issuer: Starts Proceed Investment Corporation  
 Listing: Tokyo Stock Exchange  
 Securities Code: 8979  
 URL: <http://www.sp-inv.co.jp>  
 Representative: Kazuya Hiraide, Executive Director  
 Asset Management Company: Starts Asset Management Co., Ltd.  
 Representative: Kazuya Hiraide, President  
 Contact: Shigeru Matsuda,  
 General Manager of Financial Control and Administration Division  
 TEL: +81-3-6202-0856 (main)

Scheduled date of submission of securities report: July 27, 2018  
 Scheduled date of commencement of distribution payout: July 19, 2018  
 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 25th Fiscal Period

Starts Proceed Investment Corporation's 25th fiscal period is the period from November 1, 2017 to April 30, 2018.

### (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	%
25th	3,127	(1.5)	1,398	(6.0)	1,194	(7.3)	1,192	(7.3)
24th	3,173	6.5	1,488	15.1	1,288	13.9	1,286	13.9

Fiscal period	Net income per unit	Ratio of net income to equity [Return on equity]	Ratio of ordinary income to total assets [Return on assets]	Ratio of ordinary income to operating revenue
	yen	%	%	%
25th	4,645	2.7	1.3	38.2
24th	5,009	3.0	1.5	40.6

### (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	%	%
25th	4,645	1,192	0	0	100.0	2.7
24th	4,624	1,187	0	0	92.3	2.7

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

Note 2: The discrepancy between distribution per unit and net income per unit for the 24th fiscal period is attributable to making a provision of reserve for reduction entry of 99 million yen.

### (3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
25th	90,384	43,522	48.2	169,494
24th	87,480	43,516	49.7	169,473

#### (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
25th	1,981	(5,830)	1,708	3,641
24th	3,725	(158)	(1,125)	5,781

#### 2. Forecast for Management Status in 26th Fiscal Period and 27th Fiscal Period

Starts Proceed Investment Corporation's 26th fiscal period is the period from May 1, 2018 to October 31, 2018.

Starts Proceed Investment Corporation's 27th fiscal period is the period from November 1, 2018 to April 30, 2019.

[% 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	%
26th	3,055	(2.3)	1,325	(5.3)	1,116	(6.6)	1,114	(6.6)
27th	3,093	1.2	1,336	0.9	1,129	1.1	1,127	1.1

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
		yen		yen
26th		4,340		0
27th		4,390		0

[Reference] Forecast net income per unit 26th fiscal period: 4,340 yen 27th fiscal period: 4,390 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

25th fiscal period: 256,777 units 24th fiscal period: 256,777 units

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

25th fiscal period: 0 units 24th 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 26th Fiscal Period and 27th Fiscal Period" presented on pages 8 to 9.

Table of Contents

1. Related Parties of Starts Proceed Investment Corporation .....	4
2. Management Policy and Management Status .....	4
A. Management Policy .....	4
B. Management Status .....	4
(1) Overview of Fiscal Period under Review .....	4
(2) Outlook for Next Fiscal Period .....	5
3. Financial Statements .....	10
(1) Balance Sheets .....	10
(2) Statements of Income .....	12
(3) Statements of Changes in Unitholders' Equity .....	13
(4) Statements of Cash Distributions .....	14
(5) Statements of Cash Flows .....	15

## 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 29, 2018).

## 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 29, 2018).

### 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 (25th fiscal period: from November 1, 2017 to April 30, 2018), the total number of investment units issued and outstanding was 256,777 units, total assets was 90,384 million yen and unitholders’ capital was 42,230 million yen.

##### (b) Investment Environment

In the 25th fiscal period, the Japanese economy saw a lull in economic recovery impacted by factors such as stagnation in individual consumption, which accounts for roughly 60% of GDP, due to the rise in prices of perishable food caused by unusual weather accompanying a cold spell, as well as slowdown in exports of electronic parts and other electronic devices which had been the main export driver. However, since wages are on the rise and the slowdown in exports is due to temporary factors, the Japanese economy as a whole maintained the mild recovery trend which started in December 2012.

As to demand trends in the market for rental housing, in which Starts Proceed invests, stable demand has continued in the Tokyo metropolitan areas, Osaka, Nagoya, Fukuoka and other major metropolitan areas, maintaining high occupancy rates, due to ongoing population inflow from other areas, increase in the number of households brought about by increase in one-person and married-couple-only households and other factors; and the rent levels also continued to see a moderate rise.

In the secondary real estate market, while a robust investment appetite continued to be seen among J-REITs and other investors in Japan and abroad amid the ongoing favorable fund procurement environment, competition in property acquisition has remained intensified with limited supply of quality properties, leaving transaction prices at a high level.

## (c) Management Performance

In the 25th fiscal period, disposition of three properties including (G-6) Proceed Hakozaikigu II on December 8, 2017 (disposition price: 396 million yen); and acquisition of five properties in total, (C-77) Proceed Kinshicho on November 1, 2017, and four properties including (C-78) Proceed K2 on December 15, 2017 (total acquisition price: 5,422 million yen), were conducted to enhance the competitiveness of the portfolio. As a result, Starts Proceed's portfolio as of the end of the 25th fiscal period was 106 properties with acquisition prices totaling 85,577 million yen and total leasable floor area of 193,583.85 m<sup>2</sup>.

In addition, in close collaboration with the property management company Starts Amenity Co., Ltd., the Asset Management Company also made efforts for reduction of building maintenance and management costs, while striving to raise rent and increase the receipt of key money and other revenue. Furthermore, efforts were made to restore vacant space to its original state ready to be put into service in a prompt manner, along with carrying out finely tuned leasing activities that are based on the characteristics of the region and individual properties, in order to realize greater stability of 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 resulted in a period-average occupancy rate of 96.0% and period-end occupancy rate of 95.9%.

## (d) Status of Fund Procurement

In the 25th fiscal period, a 4,000-million-yen long-term loan (floating rate; term: 6 years) was borrowed to allocate to repayment of a total amount of 4,000 million yen due for repayment on November 24, 2017; and a 2,900-million-yen long-term loan (floating rate; term: 4 years and 5 months) was borrowed to allocate to part of the funds for the acquisition and the related expenses of the new specified assets (four properties including Proceed K2 with acquisition price of 3,282 million yen) on December 15, 2017. As a result, as of the end of the 25th fiscal period, the current portion of long-term loans payable was 6,200 million yen and long-term loans payable was 39,446 million yen for a period-end interest-bearing liabilities balance of 45,646 million yen and LTV ratio of 50.5%.

As of the date of this document, Starts Proceed has acquired the following credit rating.

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

## (e) Overview of Business Performance and Distributions

As a result of the management described above, business performance recorded for the 25th fiscal period was operating revenue of 3,127 million yen, operating income of 1,398 million yen, ordinary income of 1,194 million yen and net income of 1,192 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 4,645 yen.

## (2) Outlook for Next Fiscal Period

## (a) Management Policy and Challenges to Address

## a. Investment Environment

In the 26th fiscal period, the Japanese economy is expected to maintain a moderate recovery trend since an increase in capital investment including investments for saving labor and R&D to address labor shortage against the backdrop of the increase in export as well as in corporate earnings backed by recovery of the overseas economy is forecast; and individual consumption is also likely to remain solid reflecting wage hikes and favorable employment situations. On the other hand, trade friction brought up by the U.S. Trump administration, rise in crude oil prices associated with destabilization of the Middle East situation, etc. are considered as downward risk factors for the economy, and thus should be carefully watched as external risks when projecting the Japanese economy.

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 and rapid change in financial environment is unlikely while strong investment demand is expected to continue against the

backdrop of a favorable fund procurement environment. Transaction prices are thus likely to remain at a high level.

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. Furthermore, 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 addition to acquiring properties developed by the Starts Group, with an aim to expand asset size and enhance portfolio quality. Also, along with the progress in external growth, Starts Proceed will continue to simultaneously investigate disposition of some assets that are small in size or were built long ago, etc.

c. Internal Growth Strategy

Following on from the 25th 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.

(b) Significant Subsequent Events

Not applicable.

(Reference Information)

A. Acquisition of Assets

The following specified assets (trust beneficiary interests) were acquired on May 25, 2018.

Property No.	Property name	Location	Seller (Note 1)	Acquisition price (thousand yen) (Note 2)
C-81	Proceed Ichikawa Myoden II	Ichikawa-shi, Chiba	Starts Development Corporation	800,000

Note 1: The transaction has 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.

## B. Borrowing of Funds (Refinancing)

Starts Proceed borrowed Term Loan 2L as follows to allocate to part of the repayment of Term Loan X (loan balance: 2,500 million yen) and of the funds for acquiring assets described in the above A. Bank of Kyoto, Ltd. has been newly added to the line-up of lenders in the borrowing this time in order to further diversify financing sources.

	Term Loan 2L
Lender	Resona Bank, Limited Aozora Bank, Ltd. Bank of Kyoto, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation The Chiba Bank, Ltd. The Musashino Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited The Kagawa Bank, Ltd.
Loan Amount	2,900 million yen
Drawdown Date	May 25, 2018
Principal Repayment Date	May 24, 2024
Interest Rate (Note)	Floating rate (Base interest rate (JBA 1-month Japanese Yen TIBOR) + 0.70%)
Interest Payment Date	The first interest payment date shall be the last day of May 31 2018, 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 26th fiscal period (from May 1, 2018 to October 31, 2018) and 27th fiscal period (from November 1, 2018 to April 30, 2019). For the assumptions underlying this outlook for management status, please refer to "Assumptions Underlying Forecast for Management Status in 26th Fiscal Period and 27th Fiscal Period."

	26th Fiscal Period From: May 1, 2018 To: Oct. 31, 2018	27th Fiscal Period From: Nov. 1, 2018 To: Apr. 30, 2019
Operating revenue	3,055 million yen	3,093 million yen
Operating income	1,325 million yen	1,336 million yen
Ordinary income	1,116 million yen	1,129 million yen
Net income	1,114 million yen	1,127 million yen
Distribution per unit	4,340 yen	4,390 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.

Assumptions Underlying Forecast for Management Status in 26th Fiscal Period and 27th Fiscal Period

Item	Assumption
Business period	26th fiscal period: from May 1, 2018 to October 31, 2018 (184 days) 27th fiscal period: from November 1, 2018 to April 30, 2019 (181 days)
Assets under management	<ul style="list-style-type: none"> <li>The forecast assumes assets are the already-acquired assets in the Starts Proceed portfolio as at the end of the 25th fiscal period (April 30, 2018) (the “already-acquired assets”) to which the acquisition of Proceed Ichikawa Myoden II on May 25, 2018 (the “Acquisition”) is reflected to total 107 properties in the Starts Proceed portfolio as of today and assumes that there will be no changes (acquisition of new properties, disposition of existing properties, etc.) through to the end of the 27th 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 for the already-acquired assets based on historical data and future forecast and by reflecting factors that may cause fluctuations in expenses, and calculated for the assets from the Acquisition based on historical data on the basis of materials provided by the previous owner, etc. and by reflecting factors that may cause fluctuations in expenses.</li> <li>Management expenses are expected to be 194 million yen for the 26th fiscal period and 194 million yen for the 27th fiscal period.</li> <li>Repair expenses, which are recognized as expenses in the amount presumed to be necessary in the business period, are expected to be 83 million yen for the 26th fiscal period and 93 million yen for the 27th 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 180 million yen for the 26th fiscal period and 181 million yen for the 27th fiscal period. As for the fixed asset tax, city planning tax and depreciable asset tax, etc. on the assets from the Acquisition, it is general practice in the transaction of real estate, etc. to calculate and reimburse the pro rata portion of fixed asset tax and city planning tax based on number of days of ownership to the previous owner and settle them at the time of acquisition. However, Starts Proceed includes the amount equivalent to the reimbursed amount in the acquisition costs and thus does not recognize them as expenses at the time of acquisition.</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 616 million yen for the 26th fiscal period and 616 million yen for the 27th 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 418 million yen for the 26th fiscal period and 417 million yen for the 27th fiscal period.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>Interest expenses are expected to be 158 million yen for the 26th fiscal period and 156 million yen for the 27th fiscal period.</li> <li>Borrowing related expenses are expected to be 46 million yen for the 26th fiscal period and 47 million yen for the 27th fiscal period.</li> <li>Expenses related to the public offering of investment units are recorded as deferred assets and assumed to be amortized over three years using the straight-line method.</li> </ul>



Starts Proceed Investment Corporation (8979) Financial Report for 25th Fiscal Period

Item	Assumption
	The amount is expected to be 4 million yen for the 26th fiscal period and 4 million yen for the 27th fiscal period.
Loans	<ul style="list-style-type: none"> <li>• Of the loans balance as of today of 46,046 million yen, the forecast assumes that the loan due for repayment during the 27th fiscal period (3,700 million yen) will be refinanced in the entire amount and the loans balance will remain unchanged at 46,046 million yen through to the end of the 27th fiscal period.</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 today of 256,777 units and assumes there will be no subsequent issuance of investment units through to the end of the 27th 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>

Starts Proceed Investment Corporation (8979) Financial Report for 25th Fiscal Period

3. Financial Statements  
(1) Balance Sheets

	[Unit: thousand yen]	
	24th Fiscal Period	25th Fiscal Period
	As of Oct. 31, 2017	As of Apr. 30, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	3,868,635	1,713,559
Cash and deposits in trust	1,913,186	1,927,684
Operating accounts receivable	28,323	29,426
Prepaid expenses	100,655	95,170
Deferred tax assets	80	84
Consumption taxes receivable	-	47,561
Other	1,806	1,108
<b>Total current assets</b>	<b>5,912,688</b>	<b>3,814,595</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings in trust	41,568,037	43,765,198
Accumulated depreciation	(6,609,210)	(7,108,960)
Buildings in trust, net	34,958,827	36,656,238
Structures in trust	1,188,743	1,216,160
Accumulated depreciation	(544,065)	(580,195)
Structures in trust, net	644,678	635,964
Machinery and equipment in trust	5,376	5,376
Accumulated depreciation	(2,845)	(3,149)
Machinery and equipment in trust, net	2,531	2,226
Tools, furniture and fixtures in trust	300,626	317,657
Accumulated depreciation	(156,925)	(164,975)
Tools, furniture and fixtures in trust, net	143,701	152,682
Land in trust	45,096,455	48,400,499
<b>Total property, plant and equipment</b>	<b>80,846,193</b>	<b>85,847,610</b>
<b>Intangible assets</b>		
Software	3,960	3,366
<b>Total intangible assets</b>	<b>3,960</b>	<b>3,366</b>
<b>Investments and other assets</b>		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	530,943	530,943
Long-term prepaid expenses	148,366	152,564
Other	11,751	12,387
<b>Total investments and other assets</b>	<b>701,061</b>	<b>705,895</b>
<b>Total non-current assets</b>	<b>81,551,215</b>	<b>86,556,872</b>
<b>Deferred assets</b>		
Investment unit issuance expenses	16,972	12,729
<b>Total deferred assets</b>	<b>16,972</b>	<b>12,729</b>
<b>Total assets</b>	<b>87,480,876</b>	<b>90,384,197</b>

Starts Proceed Investment Corporation (8979) Financial Report for 25th Fiscal Period

	[Unit: thousand yen]	
	24th Fiscal Period	25th Fiscal Period
	As of Oct. 31, 2017	As of Apr. 30, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Current portion of long-term loans payable	6,500,000	6,200,000
Operating accounts payable	137,740	159,634
Accounts payable – other	214,242	202,510
Accrued expenses	810	3,462
Income taxes payable	1,954	2,007
Accrued consumption taxes	58,220	9,703
Advances received	1,987	2,702
Other	419	157
<b>Total current liabilities</b>	<b>6,915,376</b>	<b>6,580,178</b>
<b>Non-current liabilities</b>		
Long-term loans payable	36,246,000	39,446,000
Tenant leasehold and security deposits in trust	675,045	707,011
Asset retirement obligations	127,586	128,638
<b>Total non-current liabilities</b>	<b>37,048,631</b>	<b>40,281,650</b>
<b>Total liabilities</b>	<b>43,964,007</b>	<b>46,861,829</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	42,230,457	42,230,457
<b>Surplus</b>		
Voluntary retained earnings		
Reserve for reduction entry	-	99,000
<b>Total voluntary retained earnings</b>	<b>-</b>	<b>99,000</b>
Unappropriated retained earnings (undisposed loss)	1,286,411	1,192,910
<b>Total surplus</b>	<b>1,286,411</b>	<b>1,291,910</b>
<b>Total unitholders' equity</b>	<b>43,516,868</b>	<b>43,522,367</b>
<b>Total net assets</b>	<b>43,516,868</b>	<b>43,522,367</b>
<b>Total liabilities and net assets</b>	<b>87,480,876</b>	<b>90,384,197</b>

Starts Proceed Investment Corporation (8979) Financial Report for 25th Fiscal Period

(2) Statements of Income

	[Unit: thousand yen]	
	24th Fiscal Period	25th Fiscal Period
	From: May 1, 2017	From: Nov. 1, 2017
	To: Oct. 31, 2017	To: Apr. 30, 2018
Operating revenue		
Rent revenue – real estate	2,953,501	3,053,129
Gain on sales of real estate properties	220,399	73,921
Total operating revenue	3,173,900	3,127,051
Operating expenses		
Expenses related to rent business	1,275,672	1,328,909
Asset management fee	258,716	265,187
Asset custody fee	8,407	8,465
Administrative service fees	26,772	28,552
Directors' compensations	1,200	1,200
Other operating expenses	114,683	96,121
Total operating expenses	1,685,451	1,728,436
Operating income	1,488,449	1,398,614
Non-operating income		
Interest income	16	18
Insurance income	3,959	1,562
Reversal of distribution payable	978	1,611
Other	46	-
Total non-operating income	5,000	3,192
Non-operating expenses		
Interest expenses	148,397	153,941
Amortization of investment unit issuance expenses	7,427	4,243
Borrowing related expenses	48,773	48,329
Other	540	450
Total non-operating expenses	205,139	206,964
Ordinary income	1,288,310	1,194,843
Income before income taxes	1,288,310	1,194,843
Income taxes – current	1,956	2,010
Income taxes – deferred	(1)	(3)
Total income taxes	1,955	2,006
Net income	1,286,354	1,192,836
Retained earnings brought forward	56	74
Unappropriated retained earnings (undisposed loss)	1,286,411	1,192,910

Starts Proceed Investment Corporation (8979) Financial Report for 25th Fiscal Period

(3) Statements of Changes in Unitholders' Equity

For the period from May 1, 2017 to October 31, 2017

[Unit: thousand yen]

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of the period	42,230,457	1,129,105	1,129,105	43,359,562	43,359,562
Changes of items during the period					
Dividends from surplus		(1,129,048)	(1,129,048)	(1,129,048)	(1,129,048)
Net income		1,286,354	1,286,354	1,286,354	1,286,354
Total changes of items during the period	-	157,305	157,305	157,305	157,305
Balance at end of the period	42,230,457	1,286,411	1,286,411	43,516,868	43,516,868

For the period from November 1, 2017 to April 30, 2018

[Unit: thousand yen]

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Reserve for reduction entry	Total voluntary retained earnings	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of the period	42,230,457	-	-	1,286,411	1,286,411	43,516,868	43,516,868
Changes of items during the period							
Provision of reserve for reduction entry		99,000	99,000	(99,000)	-	-	-
Dividends from surplus				(1,187,336)	(1,187,336)	(1,187,336)	(1,187,336)
Net income				1,192,836	1,192,836	1,192,836	1,192,836
Total changes of items during the period	-	99,000	99,000	(93,500)	5,499	5,499	5,499
Balance at end of the period	42,230,457	99,000	99,000	1,192,910	1,291,910	43,522,367	43,522,367

Starts Proceed Investment Corporation (8979) Financial Report for 25th Fiscal Period

(4) Statements of Cash Distributions

Item	Period	24th Fiscal Period	25th Fiscal Period
		From: May 1, 2017 To: Oct. 31, 2017	From: Nov. 1, 2017 To: Apr. 30, 2018
I. Unappropriated retained earnings		1,286,411,241 yen	1,192,910,475 yen
II. Amount of distributions [Amount of distribution per investment unit]		1,187,336,848 yen [4,624 yen]	1,192,729,165 yen [4,645 yen]
III. Voluntary retained earnings Provision of reserve for reduction entry		99,000,000 yen	-
IV. Retained earnings carried forward		74,393 yen	181,310 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 1,187,336,848 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (256,777 units) for the amount remaining after deduction of the provision of reserve for reduction entry by the "Special Provisions for Taxation in the Event of Advance Acquisition of Land, etc. in 2009 and 2010" provided in Article 66-2 of the Special Taxation Measures Act from 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 1,192,729,165 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (256,777 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 25th Fiscal Period

(5) Statements of Cash Flows

	[Unit: thousand yen]	
	24th Fiscal Period	25th Fiscal Period
	From: May 1, 2017	From: Nov. 1, 2017
	To: Oct. 31, 2017	To: Apr. 30, 2018
Net cash provided by (used in) operating activities		
Income before income taxes	1,288,310	1,194,843
Depreciation and amortization	596,599	609,134
Amortization of investment unit issuance expenses	7,427	4,243
Interest income	(16)	(18)
Interest expenses	148,397	153,941
Decrease (increase) in operating accounts receivable	5,252	(1,102)
Decrease (increase) in prepaid expenses	475	5,485
Decrease (increase) in consumption taxes receivable	88,180	(47,561)
Increase (decrease) in accrued consumption taxes	58,220	(48,517)
Increase (decrease) in operating accounts payable	(38,897)	(32,407)
Increase (decrease) in accounts payable – other	7,612	(5,674)
Decrease (increase) in long-term prepaid expenses	17,511	(4,197)
Decrease from sales of property, plant and equipment in trust	1,698,622	306,096
Other, net	61	590
Subtotal	3,877,758	2,134,853
Interest income received	16	18
Interest expenses paid	(150,130)	(151,289)
Income taxes paid	(1,941)	(1,957)
Net cash provided by (used in) operating activities	3,725,701	1,981,625
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(125,839)	(5,861,751)
Proceeds from tenant leasehold and security deposits in trust	38,516	81,436
Repayments of tenant leasehold and security deposits in trust	(70,567)	(49,469)
Decrease (increase) in other investments	(660)	(636)
Net cash provided by (used in) investing activities	(158,550)	(5,830,420)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	4,190,000	6,900,000
Repayments of long-term loans payable	(4,190,277)	(4,000,000)
Dividends paid	(1,125,580)	(1,191,782)
Net cash provided by (used in) financing activities	(1,125,858)	1,708,217
Net increase (decrease) in cash and cash equivalents	2,441,292	(2,140,577)
Cash and cash equivalents at beginning of period	3,340,529	5,781,821
Cash and cash equivalents at end of period	5,781,821	3,641,243