

REIT Financial Report for 26th Fiscal Period

December 14, 2018

REIT Securities Issuer: Starts Proceed Investment Corporation Listing: Tokyo Stock Exchange
 Securities Code: 8979 URL: <https://www.sp-inv.co.jp>
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 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 26th Fiscal Period

Starts Proceed Investment Corporation's 26th fiscal period is the period from May 1, 2018 to October 31, 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	%
26th	3,079	(1.5)	1,338	(4.3)	1,134	(5.1)	1,132	(5.1)
25th	3,127	(1.5)	1,398	(6.0)	1,194	(7.3)	1,192	(7.3)

Fiscal period	Net income per unit	Ratio of net income to equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
		[Return on equity]	[Return on assets]	
	yen	%	%	%
26th	4,409	2.6	1.3	36.8
25th	4,645	2.7	1.3	38.2

(2) Distributions Status

Fiscal period	Distribution per unit	Total distributions	Distribution in excess of earnings	Total distributions in excess of earnings	Distribution payout ratio	Ratio of distributions to net assets
	[excluding distribution in excess of earnings]	[excluding distributions in excess of earnings]	per unit			
	yen	million yen	yen	million yen	%	%
26th	4,410	1,132	0	0	100.0	2.6
25th	4,645	1,192	0	0	100.0	2.7

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

(3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
26th	90,751	43,461	47.9	169,259
25th	90,384	43,522	48.2	169,494

(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
26th	1,866	(986)	(791)	3,730
25th	1,981	(5,830)	1,708	3,641

2. Forecast for Management Status in 27th Fiscal Period and 28th Fiscal Period

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

Starts Proceed Investment Corporation's 28th fiscal period is the period from May 1, 2019 to October 31, 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	%
27th	3,101	0.7	1,336	(0.2)	1,131	(0.2)	1,129	(0.2)
28th	3,070	(1.0)	1,328	(0.6)	1,121	(0.9)	1,119	(0.9)

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
	million yen	%	million yen	%
27th	4,400	0	0	0
28th	4,360	0	0	0

[Reference] Forecast net income per unit 27th fiscal period: 4,400 yen 28th fiscal period: 4,360 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
- 26th fiscal period: 256,777 units 25th fiscal period: 256,777 units
- (b) Number of own investment units at end of period
- 26th fiscal period: 0 units 25th 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 27th Fiscal Period and 28th Fiscal Period" presented on pages 8 to 9.

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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 27, 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 July 27, 2018).

Starts Proceed Investment Corporation (“Starts Proceed”) is scheduled to submit a proposal for partial amendments to the Articles of Incorporation, including the “Investment Policy,” to the 8th General Meeting of Unitholders to be held on January 18, 2019. In addition, Starts Proceed’s asset management company passed a resolution at its Board of Directors’ meeting held on December 14, 2018 to make amendments to its internal rules, the Management Guidelines, with approval of the abovementioned proposal for partial amendments to the Articles of Incorporation at the General Meeting of Unitholders as a condition precedent (the scheduled effective date of the amendments is January 18, 2019).

For the abovementioned partial amendments to the Articles of Incorporation and amendments to the Management Guidelines of the asset management company, and the changes in the basic policy on management of Starts Proceed accompanying these, please refer to the press release “Notice Concerning Amendments to the Articles of Incorporation and Appointment of Directors” dated December 14, 2018, the press release “Notice Concerning Amendments to the Internal Rules (Management Guidelines) of Asset Management Company” dated December 14, 2018 and the extraordinary report submitted on December 14, 2018.

B. Management Status

(1) Overview of Fiscal Period under Review

(a) Brief Background of the 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 (26th fiscal period: from May 1, 2018 to October 31, 2018), the total number of investment units issued and outstanding was 256,777 units, total assets was 90,751 million yen and unitholders’ capital was 42,230 million yen.

(b) Investment Environment

In the 26th fiscal period, the Japanese economy saw a series of natural disasters, such as the Heavy Rain Event of July 2018 followed by Typhoon Jebi (No. 21) and 2018 Hokkaido Eastern Iburi Earthquake in September, lead to decrease in opportunities to go out, business suspensions, factory shutdowns and distribution network disruptions, acting as downward pressure on consumption and exports. Despite the natural disasters being temporary factors causing a decelerating trend, a moderate economic recovery trend was maintained as robust capital investment, steady improvement in the employment and income situation, etc. persisted as economic trends under favorable corporate earnings.

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 26th fiscal period, Starts Proceed acquired (C-81) Proceed Ichikawa Myoden II (acquisition price: 800 million yen) on May 25, 2018 to enhance the competitiveness of the portfolio. As a result, Starts Proceed's portfolio as of the end of the 26th fiscal period was 107 properties with acquisition prices totaling 86,377 million yen and total leasable floor area of 194,801.85 m².

In close collaboration with the property management company Starts Amenity Co., Ltd., the Asset Management Company strove to raise rent and increase the receipt of key money and other revenue, and also continued to make efforts for reduction of building maintenance and management costs. In addition, finely tuned leasing condition settings and leasing activities in coordination with leasing agents that are based on regional factors, characteristics of individual properties and analyses of nearby competition were performed. Furthermore, ongoing efforts were made to put vacant space into service in an aim for 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 95.0% throughout the period and resulted in a period-average occupancy rate of 95.9% and period-end occupancy rate of 96.0%.

(d) Status of Fund Procurement

In the 26th fiscal period, a 2,500-million-yen long-term loan (floating rate; term: 6 years) was borrowed to allocate to repayment of a 2,500-million-yen long-term loan due for repayment on May 25, 2018. As a result, as of the end of the 26th fiscal period, the current portion of long-term loans payable was 7,149 million yen and long-term loans payable was 38,897 million yen for a period-end interest-bearing liabilities balance of 46,046 million yen and LTV ratio of 50.7%.

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 26th fiscal period was operating revenue of 3,079 million yen, operating income of 1,338 million yen, ordinary income of 1,134 million yen and net income of 1,132 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 4,410 yen.

(2) Outlook for Next Fiscal Period

(a) Management Policy and Challenges to Address

a. Investment Environment

In the 27th fiscal period, the Japanese economy is expected to maintain a moderate recovery trend, backed by growing demand for capital investment following improvement in corporate earnings and with the absence of temporary adverse impact stemming from the natural disasters coupled with also other factors, such as upward effects of the elimination of logistics supply-side constraints and demand accompanying restoration and reconstruction from the natural disasters. Although the U.S.-China trade conflict and other signs of deceleration in the outlook for the global economy suggest that export-driven growth is not anticipated, individual consumption is expected to remain resilient, reflecting continued increase in corporate capital investment, tightening supply-demand balance in the labor market and increase in nominal wages, among other factors.

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 26th 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)

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

Starts Proceed borrowed Term Loan 2M as follows to allocate to repayment of Term Loan Z (loan balance: 3,700 million yen).

	Term Loan 2M
Lender	Aozora Bank, Ltd. Resona Bank, Limited The Chiba Bank, Ltd. The Musashino Bank, Ltd. Mizuho Bank, Ltd. The Kagawa Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited

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Loan Amount	3,700 million yen
Drawdown Date	November 22, 2018
Principal Repayment Date	November 22, 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 November 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).

In addition, Starts Proceed concluded an interest rate swap agreement as follows to hedge against risk of interest rate hike concerning Term Loan 2M, the borrowing to be conducted under the condition of floating interest rate as mentioned above.

Interest Rate Swap Agreement

Counterparty: Resona Bank, Limited
 Notional Principle Amount: 3,700 million yen
 Interest Rate, etc.: Fixed interest rate payable: 0.93%
 Floating interest rate receivable:
 Base interest rate (JBA 1-month Japanese Yen TIBOR) + 0.70% (Note)
 Commencement Date: November 22, 2018
 Termination Date: November 22, 2024
 Payment Date: The first interest payment date shall be the last day of November 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.

Note: In accordance with conclusion of the interest rate swap agreement, the actual interest rate on Term Loan 2M is, in effect, fixed at 0.93%.

(c) Outlook for Management Status

Starts Proceed expects the following management status in the 27th fiscal period (from November 1, 2018 to April 30, 2019) and 28th fiscal period (from May 1, 2019 to October 31, 2019). For the assumptions underlying this outlook for management status, please refer to "Assumptions Underlying Forecast for Management Status in 27th Fiscal Period and 28th Fiscal Period."

	27th Fiscal Period	28th Fiscal Period
	From: Nov. 1, 2018 To: Apr. 30, 2019	From: May 1, 2019 To: Oct. 31, 2019
Operating revenue	3,101 million yen	3,070 million yen
Operating income	1,336 million yen	1,328 million yen
Ordinary income	1,131 million yen	1,121 million yen
Net income	1,129 million yen	1,119 million yen
Distribution per unit	4,400 yen	4,360 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 27th Fiscal Period and 28th Fiscal Period

Item	Assumption
Business period	27th fiscal period: from November 1, 2018 to April 30, 2019 (181 days) 28th fiscal period: from May 1, 2019 to October 31, 2019 (184 days)
Assets under management	<ul style="list-style-type: none"> The forecast assumes assets are the 107 properties in the Starts Proceed portfolio as at October 31, 2018, and assumes that there will be no changes (acquisition of new properties, disposition of existing properties, etc.) through to the end of the 28th 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 197 million yen for the 27th fiscal period and 195 million yen for the 28th fiscal period. Repair expenses, which are recognized as expenses in the amount presumed to be necessary in the business period, are expected to be 96 million yen for the 27th fiscal period and 94 million yen for the 28th 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 177 million yen for the 27th fiscal period and 177 million yen for the 28th 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 618 million yen for the 27th fiscal period and 619 million yen for the 28th 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 423 million yen for the 27th fiscal period and 417 million yen for the 28th fiscal period.
Non-operating expenses	<ul style="list-style-type: none"> Interest expenses are expected to be 157 million yen for the 27th fiscal period and 159 million yen for the 28th fiscal period. Borrowing related expenses are expected to be 43 million yen for the 27th fiscal period and 43 million yen for the 28th fiscal period. 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. The amount is expected to be 4 million yen for the 27th fiscal period and 4 million yen for the 28th fiscal period.
Loans	<ul style="list-style-type: none"> Of the loans balance as of today of 46,046 million yen, the forecast assumes that the loan due for repayment during the 28th fiscal period (3,449 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 28th fiscal period.
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> The forecast assumes the total number of investment units issued and outstanding as of today of 256,777 units and assumes there will be no subsequent issuance of investment units through to the end of the 28th fiscal period.

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Item	Assumption
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]	
	25th Fiscal Period	26th Fiscal Period
	As of Apr. 30, 2018	As of Oct. 31, 2018
Assets		
Current assets		
Cash and deposits	1,713,559	1,697,815
Cash and deposits in trust	1,927,684	2,032,413
Operating accounts receivable	29,426	23,140
Prepaid expenses	95,170	84,706
Consumption taxes receivable	47,561	-
Other	1,108	1,671
Total current assets	<u>3,814,511</u>	<u>3,839,747</u>
Non-current assets		
Property, plant and equipment		
Buildings in trust	43,765,198	44,054,191
Accumulated depreciation	<u>(7,108,960)</u>	<u>(7,670,448)</u>
Buildings in trust, net	<u>36,656,238</u>	<u>36,383,743</u>
Structures in trust	1,216,160	1,217,384
Accumulated depreciation	<u>(580,195)</u>	<u>(616,904)</u>
Structures in trust, net	<u>635,964</u>	<u>600,479</u>
Machinery and equipment in trust	5,376	5,376
Accumulated depreciation	<u>(3,149)</u>	<u>(3,454)</u>
Machinery and equipment in trust, net	<u>2,226</u>	<u>1,921</u>
Tools, furniture and fixtures in trust	317,657	338,335
Accumulated depreciation	<u>(164,975)</u>	<u>(182,982)</u>
Tools, furniture and fixtures in trust, net	<u>152,682</u>	<u>155,352</u>
Land in trust	48,400,499	49,060,326
Total property, plant and equipment	<u>85,847,610</u>	<u>86,201,824</u>
Intangible assets		
Software	3,366	2,772
Total intangible assets	<u>3,366</u>	<u>2,772</u>
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	530,943	535,874
Long-term prepaid expenses	152,564	139,879
Deferred tax assets	84	75
Other	12,387	13,023
Total investments and other assets	<u>705,979</u>	<u>698,853</u>
Total non-current assets	<u>86,556,956</u>	<u>86,903,449</u>
Deferred assets		
Investment unit issuance expenses	12,729	8,486
Total deferred assets	<u>12,729</u>	<u>8,486</u>
Total assets	<u>90,384,197</u>	<u>90,751,682</u>

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	[Unit: thousand yen]	
	25th Fiscal Period	26th Fiscal Period
	As of Apr. 30, 2018	As of Oct. 31, 2018
Liabilities		
Current liabilities		
Current portion of long-term loans payable	6,200,000	7,149,000
Operating accounts payable	159,634	184,273
Accounts payable – other	202,510	202,517
Accrued expenses	3,462	864
Income taxes payable	2,007	1,879
Accrued consumption taxes	9,703	15,001
Advances received	2,702	2,265
Other	157	1,108
Total current liabilities	<u>6,580,178</u>	<u>7,556,911</u>
Non-current liabilities		
Long-term loans payable	39,446,000	38,897,000
Tenant leasehold and security deposits in trust	707,011	706,148
Asset retirement obligations	128,638	129,699
Total non-current liabilities	<u>40,281,650</u>	<u>39,732,848</u>
Total liabilities	<u>46,861,829</u>	<u>47,289,759</u>
Net assets		
Unitholders' equity		
Unitholders' capital	42,230,457	42,230,457
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	99,000	99,000
Total voluntary retained earnings	<u>99,000</u>	<u>99,000</u>
Unappropriated retained earnings (undisposed loss)	1,192,910	1,132,465
Total surplus	<u>1,291,910</u>	<u>1,231,465</u>
Total unitholders' equity	<u>43,522,367</u>	<u>43,461,923</u>
Total net assets	<u>43,522,367</u>	<u>43,461,923</u>
Total liabilities and net assets	<u>90,384,197</u>	<u>90,751,682</u>

Starts Proceed Investment Corporation (8979) Financial Report for 26th Fiscal Period

(2) Statements of Income

	[Unit: thousand yen]	
	25th Fiscal Period	26th Fiscal Period
	From: Nov. 1, 2017 To: Apr. 30, 2018	From: May 1, 2018 To: Oct. 31, 2018
Operating revenue		
Rent revenue – real estate	3,053,129	3,079,506
Gain on sales of real estate properties	73,921	-
Total operating revenue	<u>3,127,051</u>	<u>3,079,506</u>
Operating expenses		
Expenses related to rent business	1,328,909	1,325,306
Asset management fee	265,187	264,990
Asset custody fee	8,465	8,489
Administrative service fees	28,552	28,108
Directors' compensations	1,200	1,200
Other operating expenses	96,121	113,234
Total operating expenses	<u>1,728,436</u>	<u>1,741,329</u>
Operating income	<u>1,398,614</u>	<u>1,338,176</u>
Non-operating income		
Interest income	18	16
Insurance income	1,562	5,626
Reversal of distribution payable	1,611	750
Other	-	193
Total non-operating income	<u>3,192</u>	<u>6,586</u>
Non-operating expenses		
Interest expenses	153,941	158,371
Amortization of investment unit issuance expenses	4,243	4,243
Borrowing related expenses	48,329	47,433
Other	450	540
Total non-operating expenses	<u>206,964</u>	<u>210,588</u>
Ordinary income	<u>1,194,843</u>	<u>1,134,175</u>
Income before income taxes	<u>1,194,843</u>	<u>1,134,175</u>
Income taxes – current	2,010	1,881
Income taxes – deferred	(3)	8
Total income taxes	<u>2,006</u>	<u>1,890</u>
Net income	<u>1,192,836</u>	<u>1,132,284</u>
Retained earnings brought forward	74	181
Unappropriated retained earnings (undisposed loss)	1,192,910	1,132,465

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(3) Statements of Changes in Unitholders' Equity

25th Fiscal Period: from November 1, 2017 to April 30, 2018

[Unit: thousand yen]

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Voluntary retained earnings		Unappropriated retained earnings (undisposed loss)	Total surplus		
		Reserve for reduction entry	Total voluntary retained earnings				
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

26th Fiscal Period: from May 1, 2018 to October 31, 2018

[Unit: thousand yen]

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Voluntary retained earnings		Unappropriated retained earnings (undisposed loss)	Total surplus		
		Reserve for reduction entry	Total voluntary retained earnings				
Balance at beginning of the period	42,230,457	99,000	99,000	1,192,910	1,291,910	43,522,367	43,522,367
Changes of items during the period							
Dividends from surplus				(1,192,729)	(1,192,729)	(1,192,729)	(1,192,729)
Net income				1,132,284	1,132,284	1,132,284	1,132,284
Total changes of items during the period	-	-	-	(60,444)	(60,444)	(60,444)	(60,444)
Balance at end of the period	42,230,457	99,000	99,000	1,132,465	1,231,465	43,461,923	43,461,923

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(4) Statements of Cash Distributions

Item	Period	25th Fiscal Period	26th Fiscal Period
		From: Nov. 1, 2017 To: Apr. 30, 2018	From: May 1, 2018 To: Oct. 31, 2018
I. Unappropriated retained earnings		1,192,910,475 yen	1,132,465,701 yen
II. Amount of distributions [Amount of distribution per investment unit]		1,192,729,165 yen [4,645 yen]	1,132,386,570 yen [4,410 yen]
III. Retained earnings carried forward		181,310 yen	79,131 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 1,192,729,165 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.	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 1,132,386,570 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 26th Fiscal Period

(5) Statements of Cash Flows

	[Unit: thousand yen]	
	25th Fiscal Period	26th Fiscal Period
	From: Nov. 1, 2017 To: Apr. 30, 2018	From: May 1, 2018 To: Oct. 31, 2018
Net cash provided by (used in) operating activities		
Income before income taxes	1,194,843	1,134,175
Depreciation and amortization	609,134	617,103
Amortization of investment unit issuance expenses	4,243	4,243
Interest income	(18)	(16)
Interest expenses	153,941	158,371
Decrease (increase) in operating accounts receivable	(1,102)	6,285
Decrease (increase) in prepaid expenses	5,485	10,464
Decrease (increase) in consumption taxes receivable	(47,561)	47,561
Increase (decrease) in accrued consumption taxes	(48,517)	5,298
Increase (decrease) in operating accounts payable	(32,407)	33,730
Increase (decrease) in accounts payable – other	(5,674)	(276)
Decrease (increase) in long-term prepaid expenses	(4,197)	12,685
Decrease from sales of property, plant and equipment in trust	306,096	-
Other, net	590	262
Subtotal	<u>2,134,853</u>	<u>2,029,887</u>
Interest income received	18	16
Interest expenses paid	(151,289)	(160,969)
Income taxes paid	(1,957)	(2,010)
Net cash provided by (used in) operating activities	<u>1,981,625</u>	<u>1,866,924</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(5,861,751)	(979,814)
Proceeds from tenant leasehold and security deposits in trust	81,436	49,472
Repayments of tenant leasehold and security deposits in trust	(49,469)	(50,335)
Decrease (increase) in other investments	(636)	(5,567)
Net cash provided by (used in) investing activities	<u>(5,830,420)</u>	<u>(986,244)</u>
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	6,900,000	2,900,000
Repayments of long-term loans payable	(4,000,000)	(2,500,000)
Dividends paid	(1,191,782)	(1,191,694)
Net cash provided by (used in) financing activities	<u>1,708,217</u>	<u>(791,694)</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,140,577)</u>	<u>88,985</u>
Cash and cash equivalents at beginning of period	<u>5,781,821</u>	<u>3,641,243</u>
Cash and cash equivalents at end of period	<u>3,641,243</u>	<u>3,730,228</u>