

# REIT Financial Report for 27th Fiscal Period

June 14, 2019

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 (for analysts and institutional investors)

[Amounts are rounded down to the nearest million yen]

## 1. Status of Management and Assets in 27th Fiscal Period

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

### (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	%
27th	3,144	2.1	1,374	2.7	1,178	3.9	1,177	4.0
26th	3,079	(1.5)	1,338	(4.3)	1,134	(5.1)	1,132	(5.1)

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	%	%	%
27th	4,585	2.7	1.3	37.5
26th	4,409	2.6	1.3	36.8

### (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	%	%
27th	4,638	1,177	-	-	99.9	2.7
26th	4,410	1,132	-	-	100.0	2.6

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

Note 2: The number of investment units during the fiscal period changed as repurchase and cancellation of own investment units was conducted during the fiscal period. Therefore, distribution payout ratio for the 27th fiscal period is calculated using the following formula:

Distribution payout ratio = Total distributions (excluding distributions in excess of earnings) / Net income x 100

### (3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
27th	90,190	42,960	47.6	169,285
26th	90,751	43,461	47.9	169,259

### (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
27th	1,953	(129)	(1,677)	3,877
26th	1,866	(986)	(791)	3,730

## 2. Forecast for Management Status in 28th Fiscal Period and 29th Fiscal Period

*Starts Proceed Investment Corporation's 28th fiscal period is the period from May 1, 2019 to October 31, 2019.*

*Starts Proceed Investment Corporation's 29th fiscal period is the period from November 1, 2019 to April 30, 2020.*

[% 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	%
28th	3,074	(2.2)	1,336	(2.8)	1,123	(4.7)	1,121	(4.7)
29th	3,109	1.1	1,330	(0.5)	1,123	0.0	1,121	0.0

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
	yen		yen	
28th	4,420		-	
29th	4,420		-	

[Reference] Forecast net income per unit      28th fiscal period: 4,420 yen      29th fiscal period: 4,420 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
  - 27th fiscal period: 253,777 units      26th fiscal period: 256,777 units
- (b) Number of own investment units at end of period
  - 27th fiscal period: 0 units      26th fiscal period: 0 units

\* Financial reports are not subject to audit by a certified public accountant or an audit company.

\* Special notations

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 28th Fiscal Period and 29th Fiscal Period" presented on pages 9 to 10.

Table of Contents

1. Management Status .....	4
A. Management Status.....	4
(1) Overview of Fiscal Period under Review .....	4
(2) Outlook for Next Fiscal Period .....	6
2. Financial Statements .....	11
(1) Balance Sheets.....	11
(2) Statements of Income .....	13
(3) Statements of Changes in Unitholders' Equity.....	14
(4) Statements of Cash Distributions.....	16
(5) Statements of Cash Flows .....	17

## 1. Management Status

### A. 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") 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. In addition, Starts Proceed also invests in monthly rental apartments, serviced apartments, hotels, residential facilities for the elderly (collectively referred to as "rental housing, etc." together with "rental housing"), which are related to rental housing, as well as real estate in which income can be expected due to other leasing revenue or specified assets backed by such real estate. 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, with an aim to secure steady growth and stable revenue of assets under management over the medium to long term.

In the fiscal period under review, Starts Proceed repurchased own investment units (total number of investment units repurchased: 3000 units, total repurchased amount: 545 million yen) during the period from March 27, 2019 to April 4, 2019, and cancelled all of the investment units repurchased on April 26, 2019, from the perspective of improving unitholder value over the medium to long term. As a result, the total number of investment units issued and outstanding was 253,777 units, total assets was 90,190 million yen and unitholders' capital was 41,684 million yen as of the end of the fiscal period under review (27th fiscal period: from November 1, 2018 to April 30, 2019).

##### (b) Investment Environment

In the 27th fiscal period, the Japanese economy has had cause for concern, including growing uncertainties regarding overseas economic trends and policies such as the slowdown of the Chinese economy stemming from the U.S.-China trade friction and UK Brexit issues. However, it maintained a moderate recovery trend as a whole backed by improvement in corporate earnings and the employment/income situation as well as the continuation of strong capital investment.

As to demand trends in the market for rental housing in which Starts Proceed invests, stable demand has continued in the Tokyo metropolitan area, Osaka, Nagoya, Fukuoka, and other major metropolitan areas, maintaining high occupancy rates attributable to ongoing population inflow from other areas, increase in the number of households brought about by increase in single-person and married-couple-only households and other factors. Meanwhile, 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 listed REITs, private REITs and other investors in Japan and abroad amid the ongoing favorable fund procurement environment, competition in property acquisition has remained intense with limited supply of quality properties, leaving transaction prices at a high level.

## (c) Management Performance

In the 27th fiscal period, Starts Proceed disposed (C-8) Proceed Sengendai (disposition price: 300 million yen) on April 25, 2019 to avoid increase in costs for major repairs, etc. seen as necessary as the property ages, as well as the risk of a future price fall due to a decline of competitiveness, etc. caused by aging facilities. As a result, Starts Proceed's portfolio as of the end of the 27th fiscal period was 106 properties with acquisition prices totaling 86,117 million yen and total leasable floor area of 193,457.11 m<sup>2</sup>.

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 quickly 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 high and stable level of over 96.0% throughout the period and resulted in a period-average occupancy rate of 96.4% and period-end occupancy rate of 96.3%.

## (d) Status of Fund Procurement

In the 27th fiscal period, a long-term loan of 3,700 million yen (term: 6 years) was borrowed to repay a long-term loan of 3,700 million yen due for repayment on November 22, 2018. The interest rate of the said borrowing has been substantively fixed through an interest rate swap agreement to hedge against the risk of an interest rate hike.

As a result, as of the end of the 27th fiscal period, the current portion of long-term loans payable was 5,949 million yen and long-term loans payable was 40,097 million yen for a period-end interest-bearing liabilities balance of 46,046 million yen. The LTV ratio of 51.1%.

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 27th fiscal period was operating revenue of 3,144 million yen, operating income of 1,374 million yen, ordinary income of 1,178 million yen and net income of 1,177 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 4,638 yen.

Furthermore, in the 27th fiscal period, Starts Proceed repurchased own investment units through a market purchase at the Tokyo Stock Exchange based on discretionary transaction contracts with securities companies, comprehensively taking into account factors such as the level of investment unit price, status of cash on hand, financial status and market environment from the perspective of improving unit holder value over the medium to long term, and cancelled all of the investment units. The total number of investment units repurchased and cancelled in the 27th fiscal period was 3,000 units (1.17% of the total number of issued investment units before the repurchase and cancellation) and the total repurchased amount was 545 million yen. Distribution per investment unit increased by 54 yen due to the repurchase and cancellation of own investment units.

(2) Outlook for Next Fiscal Period

(a) Management Policy and Challenges to Address

a. Investment Environment

In the 28th fiscal period, the Japanese economy is expected to maintain a modest recovery as a whole backed by continuation of recovery in individual consumption to take future demand in advance and of the upward trends in capital investment in the face of the consumption tax rate hike although close attention should be paid to the impact of the U.S.-China trade friction on the global economy as well as the effect of the fluctuation of financial and capital markets. It is hoped that the backlash following the rush demand ahead of the consumption tax rate hike will be eased somewhat by the government's various economic measures. In the primary real estate market, with investment appetite among market players such as listed REITs, private REITs and domestic business companies remaining strong against the backdrop of favorable fund procurement environment, active real estate transactions are expected to continue to take place.

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 27th 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 2N as follows to partially fund the repayment of Term Loan 2E (loan balance: 3,449 million yen).

	Term Loan 2N
Lender	Aozora Bank, Ltd. Resona Bank, Limited The Chiba Bank, Ltd. The Musashino Bank, Ltd. The Kagawa Bank, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited
Loan Amount	3,049 million yen
Drawdown Date	May 24, 2019
Principal Repayment Date	May 23, 2025
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 2019, 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 2N, 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: 3,049 million yen  
Interest Rate, etc.: Fixed interest rate payable: 0.860%  
Floating interest rate receivable:  
Base interest rate (JBA 1-month Japanese Yen TIBOR) + 0.70% (Note)  
Commencement Date: May 24, 2019  
Termination Date: May 23, 2025  
Payment Date: The first interest payment date shall be the last day of May 2019, 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 2N is, in effect, fixed at 0.860%.

## (c) Outlook for Management Status

Starts Proceed expects the following management status in the 28th fiscal period (from May 1, 2019 to October 31, 2019) and 29th fiscal period (from November 1, 2019 to April 30, 2020). For the assumptions underlying this outlook for management status, please refer to "Assumptions Underlying Forecast for Management Status in 28th Fiscal Period and 29th Fiscal Period."

	28th Fiscal Period From: May 1, 2019 To: Oct. 31, 2019	29th Fiscal Period From: Nov. 1, 2019 To: Apr. 30, 2020
Operating revenue	3,074 million yen	3,109 million yen
Operating income	1,336 million yen	1,330 million yen
Ordinary income	1,123 million yen	1,123 million yen
Net income	1,121 million yen	1,121 million yen
Distribution per unit	4,420 yen	4,420 yen
Distribution in excess of earnings per unit	-	-

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 28th Fiscal Period and 29th Fiscal Period

Item	Assumption
Business period	28th fiscal period: from May 1, 2019 to October 31, 2019 (184 days) 29th fiscal period: from November 1, 2019 to April 30, 2020 (182 days)
Assets under management	<ul style="list-style-type: none"> <li>The forecast assumes assets are the 106 properties in the Starts Proceed portfolio as at April 30, 2019, and assumes that there will be no changes (acquisition of new properties, disposition of existing properties, etc.) through to the end of the 29th 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 for the acquired properties are calculated based on the historical data and future forecast and by reflecting factors that may cause fluctuations in expenses.</li> <li>Management expenses are expected to be 195 million yen for the 28th fiscal period and 197 million yen for the 29th 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 86 million yen for the 28th fiscal period and 100 million yen for the 29th 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 179 million yen for the 28th fiscal period and 178 million yen for the 29th fiscal period.</li> <li>Depreciation and amortization, which is calculated using the straight-line method inclusive of incidental expenses at the time of acquisition and future additional capital expenditures, is expected to be 618 million yen for the 28th fiscal period and 620 million yen for the 29th 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 420 million yen for the 28th fiscal period and 430 million yen for the 29th fiscal period.</li> <li>It is assumed that consumption tax rate will be raised to 10% in October 2019. The increase in expenses accompanying the tax hike is expected to be 3 million yen for the 28th fiscal period and 15 million yen for the 29th fiscal period.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>Interest expenses are expected to be 163 million yen for the 28th fiscal period and 162 million yen for the 29th fiscal period.</li> <li>Borrowing related expenses are expected to be 45 million yen for the 28th fiscal period and 44 million yen for the 29th 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. The amount is expected to be 4 million yen for the 28th fiscal period.</li> </ul>
Loans	<ul style="list-style-type: none"> <li>Of the loans balance as of today of 45,646 million yen, the forecast assumes that the loan due for repayment during the 29th fiscal period (2,500 million yen) will be refinanced in the entire amount and the loans balance will remain unchanged at 45,646 million yen through to the end of the 29th fiscal period.</li> </ul>

Item	Assumption
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 253,777 units and assumes there will be no subsequent issuance of investment units through to the end of the 29th 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>

## 2. Financial Statements

## (1) Balance Sheets

	[Unit: thousand yen]	
	26th Fiscal Period	27th Fiscal Period
	As of Oct. 31, 2018	As of Apr. 30, 2019
Assets		
Current assets		
Cash and deposits	1,697,815	1,950,605
Cash and deposits in trust	2,032,413	1,926,790
Operating accounts receivable	23,140	33,734
Prepaid expenses	84,706	90,896
Other	1,671	3,567
Total current assets	3,839,747	4,005,594
Non-current assets		
Property, plant and equipment		
Buildings in trust	44,054,191	43,965,915
Accumulated depreciation	(7,670,448)	(8,185,697)
Buildings in trust, net	36,383,743	35,780,218
Structures in trust	1,217,384	1,216,982
Accumulated depreciation	(616,904)	(653,067)
Structures in trust, net	600,479	563,915
Machinery and equipment in trust	5,376	5,376
Accumulated depreciation	(3,454)	(3,759)
Machinery and equipment in trust, net	1,921	1,616
Tools, furniture and fixtures in trust	338,335	356,344
Accumulated depreciation	(182,982)	(200,388)
Tools, furniture and fixtures in trust, net	155,352	155,956
Land in trust	49,060,326	48,929,300
Total property, plant and equipment	86,201,824	85,431,006
Intangible assets		
Software	2,772	2,178
Total intangible assets	2,772	2,178
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	535,874	535,874
Long-term prepaid expenses	139,879	187,623
Deferred tax assets	75	80
Other	13,023	13,659
Total investments and other assets	698,853	747,238
Total non-current assets	86,903,449	86,180,423
Deferred assets		
Investment unit issuance expenses	8,486	4,243
Total deferred assets	8,486	4,243
Total assets	90,751,682	90,190,261

Starts Proceed Investment Corporation (8979) Financial Report for 27th Fiscal Period

	[Unit: thousand yen]	
	26th Fiscal Period	27th Fiscal Period
	As of Oct. 31, 2018	As of Apr. 30, 2019
Liabilities		
Current liabilities		
Current portion of long-term loans payable	7,149,000	5,949,000
Operating accounts payable	184,273	131,656
Accounts payable – other	202,517	201,565
Accrued expenses	864	4,325
Income taxes payable	1,879	1,948
Accrued consumption taxes	15,001	13,433
Advances received	2,265	1,918
Other	1,108	144
Total current liabilities	7,556,911	6,303,993
Non-current liabilities		
Long-term loans payable	38,897,000	40,097,000
Tenant leasehold and security deposits in trust	706,148	697,855
Asset retirement obligations	129,699	130,769
Total non-current liabilities	39,732,848	40,925,625
Total liabilities	47,289,759	47,229,618
Net assets		
Unitholders' equity		
Unitholders' capital	42,230,457	42,230,457
Deduction from unitholders' capital	-	(545,913)
Unitholders' capital (net)	42,230,457	41,684,544
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	99,000	99,000
Total voluntary retained earnings	99,000	99,000
Unappropriated retained earnings (undisposed loss)	1,132,465	1,177,098
Total surplus	1,231,465	1,276,098
Total unitholders' equity	43,461,923	42,960,642
Total net assets	43,461,923	42,960,642
Total liabilities and net assets	90,751,682	90,190,261

## (2) Statements of Income

	[Unit: thousand yen]	
	26th Fiscal Period	27th Fiscal Period
	From: May 1, 2018	From: Nov. 1, 2018
	To: Oct. 31, 2018	To: Apr. 30, 2019
Operating revenue		
Rent revenue – real estate	3,079,506	3,119,057
Gain on sales of real estate properties	-	25,797
Total operating revenue	3,079,506	3,144,854
Operating expenses		
Expenses related to rent business	1,325,306	1,349,131
Asset management fee	264,990	261,435
Asset custody fee	8,489	8,487
Administrative service fees	28,108	28,966
Directors' compensations	1,200	1,200
Other operating expenses	113,234	120,695
Total operating expenses	1,741,329	1,769,916
Operating income	1,338,176	1,374,938
Non-operating income		
Interest income	16	18
Insurance income	5,626	9,769
Reversal of distribution payable	750	859
Other	193	-
Total non-operating income	6,586	10,646
Non-operating expenses		
Interest expenses	158,371	156,754
Amortization of investment unit issuance expenses	4,243	4,243
Borrowing related expenses	47,433	44,917
Other	540	703
Total non-operating expenses	210,588	206,619
Ordinary income	1,134,175	1,178,965
Income before income taxes	1,134,175	1,178,965
Income taxes – current	1,881	1,951
Income taxes – deferred	8	(4)
Total income taxes	1,890	1,946
Net income	1,132,284	1,177,019
Retained earnings brought forward	181	79
Unappropriated retained earnings (undisposed loss)	1,132,465	1,177,098

## (3) Statements of Changes in Unitholders' Equity

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

27th Fiscal Period: from November 1, 2018 to April 30, 2019

[Unit: thousand yen]

	Unitholders' equity						
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from Unitholders' capital	Unitholders' capital (net)	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	-	42,230,457	99,000	99,000	1,132,465	1,231,465
Changes of items during the period							
Dividends from surplus						(1,132,386)	(1,132,386)
Net income						1,177,019	1,177,019
Repurchase of own investment units							
Cancellation of own investment units		(545,913)	(545,913)				
Total changes of items during the period	-	(545,913)	(545,913)	-	-	44,632	44,632
Balance at end of the period	42,230,457	(545,913)	41,684,544	99,000	99,000	1,177,098	1,276,098

Starts Proceed Investment Corporation (8979) Financial Report for 27th Fiscal Period

[Unit: thousand yen]

	Unitholders' capital		Total net assets
	Own investment units	Total unitholders' equity	
Balance at beginning of the period	-	43,461,923	43,461,923
Changes of items during the period			
Dividends from surplus		(1,132,386)	(1,132,386)
Net income		1,177,019	1,177,019
Repurchase of own investment units	(545,913)	(545,913)	(545,913)
Cancellation of own investment units	545,913	-	-
Total changes of items during the period	-	(501,280)	(501,280)
Balance at end of the period	-	42,960,642	42,960,642

## (4) Statements of Cash Distributions

Item	Period	26th Fiscal Period	27th Fiscal Period
		From: May 1, 2018 To: Oct. 31, 2018	From: Nov. 1, 2018 To: Apr. 30, 2019
I. Unappropriated retained earnings		1,132,465,701 yen	1,177,098,426 yen
II. Amount of distributions		1,132,386,570 yen	1,177,017,726 yen
[Amount of distribution per investment unit]		[4,410 yen]	[4,638 yen]
III. Retained earnings carried forward		79,131 yen	80,700 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 1,132,386,570 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.	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 1,177,017,726 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (253,777 units) in an amount not in excess of unappropriated retained earnings. Starts Proceed shall not distribute the cash in excess of earnings provided in Article 35, Item 4 of the Articles of Incorporation of Starts Proceed.



## (5) Statements of Cash Flows

	[Unit: thousand yen]	
	26th Fiscal Period	27th Fiscal Period
	From: May 1, 2018	From: Nov. 1, 2018
	To: Oct. 31, 2018	To: Apr. 30, 2019
Net cash provided by (used in) operating activities		
Income before income taxes	1,134,175	1,178,965
Depreciation and amortization	617,103	619,462
Amortization of investment unit issuance expenses	4,243	4,243
Interest income	(16)	(18)
Interest expenses	158,371	156,754
Decrease (increase) in operating accounts receivable	6,285	(10,594)
Decrease (increase) in prepaid expenses	10,464	(6,190)
Decrease (increase) in consumption taxes receivable	47,561	-
Increase (decrease) in accrued consumption taxes	5,298	(1,568)
Increase (decrease) in operating accounts payable	33,730	(44,715)
Increase (decrease) in accounts payable – other	(276)	(850)
Decrease (increase) in long-term prepaid expenses	12,685	(47,744)
Decrease from sales of property, plant and equipment in trust	-	264,209
Other, net	262	(2,996)
Subtotal	2,029,887	2,108,958
Interest income received	16	18
Interest expenses paid	(160,969)	(153,293)
Income taxes paid	(2,010)	(1,882)
Net cash provided by (used in) operating activities	1,866,924	1,953,801
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(979,814)	(120,162)
Proceeds from tenant leasehold and security deposits in trust	49,472	39,924
Repayments of tenant leasehold and security deposits in trust	(50,335)	(48,217)
Decrease (increase) in other investments	(5,567)	(636)
Net cash provided by (used in) investing activities	(986,244)	(129,091)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	2,900,000	3,700,000
Repayments of long-term loans payable	(2,500,000)	(3,700,000)
Purchase of treasury investment units	-	(545,913)
Dividends paid	(1,191,694)	(1,131,629)
Net cash provided by (used in) financing activities	(791,694)	(1,677,542)
Net increase (decrease) in cash and cash equivalents	88,985	147,167
Cash and cash equivalents at beginning of period	3,641,243	3,730,228
Cash and cash equivalents at end of period	3,730,228	3,877,396