

REIT Financial Report for 28th Fiscal Period

December 13, 2019

REIT Securities Issuer: Starts Proceed Investment Corporation Listing: Tokyo Stock Exchange
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 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 28th Fiscal Period

Starts Proceed Investment Corporation's 28th fiscal period is the period from May 1, 2019, to October 31, 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	%
28th	3,094	(1.6)	1,364	(0.8)	1,154	(2.1)	1,152	(2.1)
27th	3,144	2.1	1,374	2.7	1,178	3.9	1,177	4.0

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	%	%	%
28th	4,541	2.7	1.3	37.3
27th	4,585	2.7	1.3	37.5

(2) Distributions Status

Fiscal period	Distribution per unit	Total distributions	Distribution in excess of earnings per unit	Total distributions in excess of earnings	Distribution payout ratio	Ratio of distributions to net assets
	[excluding distribution in excess of earnings]	[excluding distributions in excess of earnings]				
	yen	million yen	yen	million yen	%	%
28th	4,542	1,152	-	-	100.0	2.7
27th	4,638	1,177	-	-	99.9	2.7

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

Note 2: The number of investment units during the 27th 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
28th	89,804	42,936	47.8	169,188
27th	90,190	42,960	47.6	169,285

(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
28th	2,010	(948)	(1,575)	3,363
27th	1,953	(129)	(1,677)	3,877

2. Forecast for Management Status in 29th Fiscal Period and 30th Fiscal Period

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

Starts Proceed Investment Corporation's 30th fiscal period is the period from May 1, 2020, to October 31, 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	%
29th	3,128	1.1	1,346	(1.3)	1,144	(0.9)	1,142	(0.9)
30th	3,095	(1.1)	1,339	(0.5)	1,131	(1.1)	1,129	(1.1)

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
	yen		yen	
29th	4,500		-	
30th	4,450		-	

[Reference] Forecast net income per unit 29th fiscal period: 4,500 yen 30th fiscal period: 4,450 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

28th fiscal period: 253,777 units 27th fiscal period: 253,777 units

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

28th fiscal period: - 27th fiscal period: -

* 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 29th Fiscal Period and 30th Fiscal Period" presented on pages 9 to 10.

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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, and real estate from 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.

As of the end of the fiscal period under review (28th fiscal period: from May 1, 2019, to October 31, 2019), the total number of investment units issued and outstanding is 253,777 units, total assets amount to 89,804 million yen, and unitholders' capital (net amount) amounts to 41,684 million yen

(b) Investment Environment

In the 28th 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, domestic demand maintained a moderate recovery trend 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 28th fiscal period, Starts Proceed conducted asset replacement by disposing (C-13) Proceed Higashikawaguchi (disposition price: 205 million yen) on September 27, 2019, to avoid increase in costs for major repairs, etc. seen as necessary as the property ages in addition to risk of a future price fall due to a decline in competitiveness, etc. caused by aging facilities, and acquired (G-35) Proceed Kanayama 3 (acquisition price: 770 million yen) on October 1, 2019. As a result, Starts Proceed's portfolio as of the end of the 28th fiscal period comprises 106 properties with acquisition prices totaling 86,681 million yen and a total leasable floor area of 194,608.52 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 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 stable level of over 95.0% throughout the period and resulted in a period-average occupancy rate of 96.0% and period-end occupancy rate of 95.7%.

(d) Status of Fund Procurement

In the 28th fiscal period, a long-term loan of 3,049 million yen (term: 6 years) was borrowed to repay a long-term loan of 3,449 million yen due for repayment on May 24, 2019. 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 28th fiscal period, the current portion of long-term loans payable to be repaid within 1 year is 6,820 million yen and the current portion of long-term loans payable is 38,826 million yen. The period-end balance for interest-bearing liabilities is 45,646 million yen and the LTV ratio is 50.8%.

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

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

(e) Overview of Business Performance and Distributions

As a result of the management described above, business performance recorded for the 28th fiscal period was operating revenue of 3,094 million yen, operating income of 1,364 million yen, ordinary income of 1,154 million yen and net income of 1,152 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 4,542 yen.

(2) Outlook for Next Fiscal Period

(a) Management Policy and Challenges to Address

a. Investment Environment

In the 29th fiscal period, the Japanese economy is expected to continue its modest recovery although close attention should be paid to fluctuation in financial and capital markets affected by the U.S. administration and U.S.-China trade friction, among other factors.

In the primary real estate market, with the investment appetite among market players such as listed REITs, private REITs and domestic business companies remaining strong against the backdrop of the favorable fund procurement environment, active real estate transactions are expected to continue to take place. In addition, in the market for rental housing, high occupancy rates and an upward trend in unit rent are expected to continue mainly in the greater Tokyo area.

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 28th 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 its sight set on smooth fund procurement upon asset acquisition and reduction of refinancing risk, Starts Proceed will promote its ongoing favorable relationship with financing banks and enhance the lineup of financing banks, reduce financing costs, extend loan periods, build a ladder for repayment deadlines and shift borrowings to fixed-interest loans as needed in an aim to further strengthen the financial base and diversify its fund procurement including through the issuance of investment corporation bonds.

(b) Significant Subsequent Events

Not applicable.

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(Reference Information)

A. Issuance of Investment Corporation Bonds

Starts Proceed issued investment corporation bonds under the following conditions based on the “Comprehensive Resolution Regarding the Issuance of Investment Corporation Bonds” made at the Board of Directors’ meeting of Starts Proceed held on November 8, 2019.

Name	Starts Proceed First Series Unsecured Investment Corporation Bond (with pari passu conditions among specified investment corporation bonds)
Total Issue Amount	1,000 million yen
Payment Date	November 18, 2019
Paid-in Amount	100 yen per 100 yen of each investment corporation bond
Interest Rate	0.470% per annum
Security and Guarantee	Unsecured and Unguaranteed
Redemption Date	The total amount will be redeemed on November 18, 2024. The Investment Corporation Bonds may be repurchased and cancelled at any time on or after the date subsequent to the payment date, unless otherwise determined by laws and regulations, or other rules including the operational rules of a book-entry transfer institution.
Interest Payment Date	May 18 and November 18 of each year
Use of Funds	Allocated as part of funds for the repayment of Term Loan Y (loan balance: 2,500 million yen) for which the repayment date arrived on November 25, 2019.

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

Starts Proceed borrowed Term Loan 2O as follows to partially fund the repayment of Term Loan Y for which the repayment date arrived on November 25, 2019 (loan balance: 2,500 million yen).

	Term Loan 2O
Lender	Resona Bank, Limited Aozora Bank, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation The Chiba Bank, Ltd. The Musashino Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited
Loan Amount	1,500 million yen
Drawdown Date	November 25, 2019
Principal Repayment Date	November 25, 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 November 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).

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In addition, Starts Proceed concluded an interest rate swap agreement as follows to hedge against risk of interest rate hike concerning Term Loan 20, the borrowing to be conducted under the condition of a floating interest rate as mentioned above.

Interest Rate Swap Agreement

Counterparty: Resona Bank, Limited
 Notional Principle Amount: 1,500 million yen
 Interest Rate, etc.: Fixed interest rate payable: 0.870%
 Floating interest rate receivable:
 Base interest rate (JBA 1-month Japanese Yen TIBOR) + 0.70% (Note)
 Commencement Date: November 25, 2019
 Termination Date: November 25, 2025
 Payment Date: The first interest payment date shall be the last day of November 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 20 is, in effect, fixed at 0.870%

(c) Outlook for Management Status

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

	29th Fiscal Period	30th Fiscal Period
	From: Nov. 1, 2019 To: Apr. 30, 2020	From: May 1, 2020 To: Oct. 31, 2020
Operating revenue	3,128 million yen	3,095 million yen
Operating income	1,346 million yen	1,339 million yen
Ordinary income	1,144 million yen	1,131 million yen
Net income	1,142 million yen	1,129 million yen
Distribution per unit	4,500 yen	4,450 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.

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Assumptions Underlying Forecast for Management Status in 29th Fiscal Period and 30th Fiscal Period

Item	Assumption
Business period	29th fiscal period: from November 1, 2019, to April 30, 2020 (182 days) 30th fiscal period: from May 1, 2020, to October 31, 2020 (184 days)
Assets under management	<ul style="list-style-type: none"> The forecast assumes assets are the 106 properties in the Starts Proceed portfolio as at October 31, 2019, and assumes that there will be no changes (acquisition of new properties, disposition of existing properties, etc.) through to the end of the 30th 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 for the acquired properties are calculated based on the historical data and future forecast and by reflecting factors that may cause fluctuations in expenses. Management expenses are expected to be 200 million yen for the 29th fiscal period and 198 million yen for the 30th fiscal period. Repair expenses, which are recognized as expenses in the amount presumed to be necessary in the business period, are expected to be 99 million yen for the 29th fiscal period and 90 million yen for the 30th 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 179 million yen for the 29th fiscal period and 180 million yen for the 30th 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 621 million yen for the 29th fiscal period and 622 million yen for the 30th 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 432 million yen for the 29th fiscal period and 430 million yen for the 30th fiscal period.
Non-operating expenses	<ul style="list-style-type: none"> Interest expenses (including interest expenses on investment corporation bonds) are expected to be 158 million yen for the 29th fiscal period and 166 million yen for the 30th fiscal period. Borrowing-related expenses are expected to be 42 million yen for the 29th fiscal period and 41 million yen for the 30th fiscal period. Expenses for the issuance of investment corporation bonds are recorded as deferred assets and assumed to be amortized until the redemption using the straight-line method. For the 29th and 30th fiscal periods, the amount for each period is expected to be 1 million yen.
Interest-bearing liabilities	<ul style="list-style-type: none"> Of the loans balance as of today of 44,646 million yen, the forecast assumes that the loan due for repayment during the 30th fiscal period (4,320 million yen) will be refinanced in the entire amount and the loans balance will remain unchanged at 44,646 million yen through to the end of the 30th fiscal period. The forecast assumes the balance of investment corporation bonds of 1,000 million yen as of today will remain unchanged through to the end of the 30th fiscal period.
Total number of investment units issued and	<ul style="list-style-type: none"> 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 30th fiscal period.

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Item	Assumption
outstanding	
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.

2. Financial Statements

(1) Balance Sheets

	[Unit: thousand yen]	
	27th Fiscal Period	28th Fiscal Period
	As of Apr. 30, 2019	As of Oct. 31, 2019
Assets		
Current assets		
Cash and deposits	1,950,605	1,350,833
Cash and deposits in trust	1,926,790	2,012,701
Operating accounts receivable	33,734	26,364
Prepaid expenses	90,896	92,283
Other	3,567	2,462
Total current assets	4,005,594	3,484,645
Non-current assets		
Property, plant and equipment		
Buildings in trust	43,965,915	44,623,256
Accumulated depreciation	(8,185,697)	(8,722,662)
Buildings in trust, net	35,780,218	35,900,594
Structures in trust	1,216,982	1,233,580
Accumulated depreciation	(653,067)	(688,351)
Structures in trust, net	563,915	545,228
Machinery and equipment in trust	5,376	5,376
Accumulated depreciation	(3,759)	(4,064)
Machinery and equipment in trust, net	1,616	1,312
Tools, furniture and fixtures in trust	356,344	378,412
Accumulated depreciation	(200,388)	(215,918)
Tools, furniture and fixtures in trust, net	155,956	162,494
Land in trust	48,929,300	48,978,128
Total property, plant and equipment	85,431,006	85,587,757
Intangible assets		
Software	2,178	1,584
Total intangible assets	2,178	1,584
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	187,623	170,326
Deferred tax assets	80	79
Other	13,659	14,295
Total investments and other assets	747,238	730,576
Total non-current assets	86,180,423	86,319,918
Deferred assets		
Investment unit issuance expenses	4,243	-
Total deferred assets	4,243	-
Total assets	90,190,261	89,804,563

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	[Unit: thousand yen]	
	27th Fiscal Period	28th Fiscal Period
	As of Apr. 30, 2019	As of Oct. 31, 2019
Liabilities		
Current liabilities		
Current portion of long-term loans payable	5,949,000	6,820,000
Operating accounts payable	131,656	183,992
Accounts payable – other	201,565	202,979
Accrued expenses	4,325	906
Income taxes payable	1,948	1,932
Accrued consumption taxes	13,433	4,665
Advances received	1,918	2,112
Other	144	770
Total current liabilities	<u>6,303,993</u>	<u>7,217,358</u>
Non-current liabilities		
Long-term loans payable	40,097,000	38,826,000
Tenant leasehold and security deposits in trust	697,855	693,105
Asset retirement obligations	130,769	131,848
Total non-current liabilities	<u>40,925,625</u>	<u>39,650,953</u>
Total liabilities	<u>47,229,618</u>	<u>46,868,312</u>
Net assets		
Unitholders' equity		
Unitholders' capital	42,230,457	42,230,457
Deduction from unitholders' capital	(545,913)	(545,913)
Unitholders' capital (net)	<u>41,684,544</u>	<u>41,684,544</u>
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)	1,177,098	1,152,707
Total surplus	<u>1,276,098</u>	<u>1,251,707</u>
Total unitholders' equity	<u>42,960,642</u>	<u>42,936,251</u>
Total net assets	<u>42,960,642</u>	<u>42,936,251</u>
Total liabilities and net assets	<u>90,190,261</u>	<u>89,804,563</u>

Starts Proceed Investment Corporation (8979) Financial Report for 28th Fiscal Period

(2) Statements of Income

	[Unit: thousand yen]	
	27th Fiscal Period	28th Fiscal Period
	From: Nov. 1, 2018 To: Apr. 30, 2019	From: May 1, 2019 To: Oct. 31, 2019
Operating revenue		
Rent revenue – real estate	3,119,057	3,089,056
Gain on sales of real estate properties	25,797	5,882
Total operating revenue	3,144,854	3,094,939
Operating expenses		
Expenses related to rent business	1,349,131	1,321,692
Asset management fee	261,435	263,286
Asset custody fee	8,487	8,468
Administrative service fees	28,966	27,117
Directors' compensations	1,200	1,200
Other operating expenses	120,695	108,559
Total operating expenses	1,769,916	1,730,322
Operating income	1,374,938	1,364,616
Non-operating income		
Interest income	18	18
Insurance income	9,769	3,783
Reversal of distribution payable	859	649
Other	-	16
Total non-operating income	10,646	4,467
Non-operating expenses		
Interest expenses	156,754	164,602
Amortization of investment unit issuance expenses	4,243	4,243
Borrowing related expenses	44,917	45,135
Other	703	540
Total non-operating expenses	206,619	214,521
Ordinary income	1,178,965	1,154,562
Income before income taxes	1,178,965	1,154,562
Income taxes – current	1,951	1,934
Income taxes – deferred	(4)	1
Total income taxes	1,946	1,936
Net income	1,177,019	1,152,626
Retained earnings brought forward	79	80
Unappropriated retained earnings (undisposed loss)	1,177,098	1,152,707

(3) Statements of Changes in Unitholders' Equity

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

[Unit: thousand yen]

	Unitholders' equity		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

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28th Fiscal Period: from May 1, 2019, to October 31, 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	(545,913)	41,684,544	99,000	99,000	1,177,098	1,276,098
Changes of items during the period							
Dividends from surplus						(1,177,017)	(1,177,017)
Net income						1,152,626	1,152,626
Total changes of items during the period	-	-	-	-	-	(24,391)	(24,391)
Balance at end of the period	42,230,457	(545,913)	41,684,544	99,000	99,000	1,152,707	1,251,707

[Unit: thousand yen]

	Unitholders' capital	Total net assets
	Total unitholders' equity	
Balance at beginning of the period	42,960,642	42,960,642
Changes of items during the period		
Dividends from surplus	(1,177,017)	(1,177,017)
Net income	1,152,626	1,152,626
Total changes of items during the period	(24,391)	(24,391)
Balance at end of the period	42,936,251	42,936,251

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(4) Statements of Cash Distributions

Item	Period	27th Fiscal Period	28th Fiscal Period
		From: Nov. 1, 2018 To: Apr. 30, 2019	From: May 1, 2019 To: Oct. 31, 2019
I. Unappropriated retained earnings		1,177,098,426 yen	1,152,707,292 yen
II. Amount of distributions [Amount of distribution per investment unit]		1,177,017,726 yen [4,638 yen]	1,152,655,134 yen [4,542 yen]
III. Retained earnings carried forward		80,700 yen	52,158 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 1,177,017,726 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.	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 1,152,655,134 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.

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(5) Statements of Cash Flows

	[Unit: thousand yen]	
	27th Fiscal Period	28th Fiscal Period
	From: Nov. 1, 2018	From: May 1, 2019
	To: Apr. 30, 2019	To: Oct. 31, 2019
Net cash provided by (used in) operating activities		
Income before income taxes	1,178,965	1,154,562
Depreciation and amortization	619,462	620,100
Amortization of investment unit issuance expenses	4,243	4,243
Interest income	(18)	(18)
Interest expenses	156,754	164,602
Decrease (increase) in operating accounts receivable	(10,594)	7,370
Decrease (increase) in prepaid expenses	(6,190)	(1,386)
Increase (decrease) in accrued consumption taxes	(1,568)	(8,767)
Increase (decrease) in operating accounts payable	(44,715)	28,095
Increase (decrease) in accounts payable – other	(850)	743
Decrease (increase) in long-term prepaid expenses	(47,744)	17,297
Decrease from sales of property, plant and equipment in trust	264,209	190,933
Other, net	(2,996)	2,436
Subtotal	<u>2,108,958</u>	<u>2,180,213</u>
Interest income received	18	18
Interest expenses paid	(153,293)	(168,022)
Income taxes paid	(1,882)	(1,951)
Net cash provided by (used in) operating activities	<u>1,953,801</u>	<u>2,010,257</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(120,162)	(943,033)
Proceeds from tenant leasehold and security deposits in trust	39,924	43,217
Repayments of tenant leasehold and security deposits in trust	(48,217)	(47,968)
Decrease (increase) in other investments	(636)	(636)
Net cash provided by (used in) investing activities	<u>(129,091)</u>	<u>(948,420)</u>
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	3,700,000	3,049,000
Repayments of long-term loans payable	(3,700,000)	(3,449,000)
Purchase of treasury investment units	(545,913)	-
Dividends paid	(1,131,629)	(1,175,697)
Net cash provided by (used in) financing activities	<u>(1,677,542)</u>	<u>(1,575,697)</u>
Net increase (decrease) in cash and cash equivalents	<u>147,167</u>	<u>(513,860)</u>
Cash and cash equivalents at beginning of period	<u>3,730,228</u>	<u>3,877,396</u>
Cash and cash equivalents at end of period	<u>3,877,396</u>	<u>3,363,535</u>