

REIT Financial Report for 29th Fiscal Period

June 18, 2020

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

Scheduled date of submission of securities report: July 27, 2020
 Scheduled date of commencement of distribution payout: July 17, 2020
 Preparation of supplementary explanatory materials on financial results: Yes / No
 Holding of briefing session on financial results: Yes / No

[Amounts are rounded down to the nearest million yen]

1. Status of Management and Assets in 29th Fiscal Period

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

(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	%
29th	3,665	18.4	1,874	37.4	1,685	46.0	1,683	46.1
28th	3,094	(1.6)	1,364	(0.8)	1,154	(2.1)	1,152	(2.1)
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	%	yen	%	yen	%	yen	%
29th	6,635	3.9		3.9		1.9		46.0
28th	4,541	2.7		2.7		1.3		37.3

(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	%	%
29th	5,059	1,283	-	-	76.2	3.0
28th	4,542	1,152	-	-	100.0	2.7

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

Note 2: Distribution per unit for the 29th fiscal period is calculated by dividing the amount obtained by subtracting provision of reserve for reduction entry (400 million yen) from unappropriated retained earnings by the number of investment units issued and outstanding.

(3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
29th	90,295	43,467	48.1	171,282
28th	89,804	42,936	47.8	169,188

(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
29th	4,258	(3,473)	(1,162)	2,985
28th	2,010	(948)	(1,575)	3,363

2. Forecast for Management Status in 30th Fiscal Period and 31st Fiscal Period

Starts Proceed Investment Corporation's 30th fiscal period is the period from May 1, 2020, to October 31, 2020.

Starts Proceed Investment Corporation's 31st fiscal period is the period from November 1, 2020, to April 30, 2021.

[% 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	%
30th	3,348	(8.7)	1,587	(15.3)	1,377	(18.3)	1,375	(18.3)
31st	3,155	(5.8)	1,361	(14.2)	1,151	(16.4)	1,149	(16.4)

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
	million yen	%	million yen	%
30th	5,420	-	-	-
31st	4,530	-	-	-

[Reference] Forecast net income per unit 30th fiscal period: 5,420 yen 31st fiscal period: 4,530 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
 29th fiscal period: 253,777 units 28th fiscal period: 253,777 units
 (b) Number of own investment units at end of period
 29th fiscal period: - 28th 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 30th Fiscal Period and 31st Fiscal Period" presented on pages 12 to 13.

To prevent spread of the novel coronavirus (COVID-19) infection, Starts Proceed will not hold a briefing session on financial results. However, a video of the session will be streamed from its website where the presentation material will also be made available.

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	14
(1) Balance Sheets.....	14
(2) Statements of Income.....	16
(3) Statements of Changes in Unitholders' Equity.....	17
(4) Statements of Cash Distributions.....	19
(5) Statements of Cash Flows	20

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 (29th fiscal period: from November 1, 2019, to April 30, 2020), the total number of investment units issued and outstanding is 253,777 units, total assets amount to 90,295 million yen, and unitholders' capital (net amount) amounts to 41,684 million yen

(b) Investment Environment

In the 29th fiscal period, the Japanese economy maintained improvement in its corporate earnings and employment/income situations as well as continuation of strong capital investment despite concerns such as the prolonged U.S.-China trade friction, slowdown of overseas economies and growing uncertainty concerning policies overseas. On the other hand, however, it is likely that the Japanese economy will continue facing a difficult situation with the spread of the novel coronavirus infection on top of the impact of the consumption tax hike that took effect in October 2019.

Under such circumstances, demand trends in the market for rental housing in which Starts Proceed invests have continued to be stable in the Tokyo metropolitan area, Osaka, Nagoya, Fukuoka, Sendai, and other major metropolitan areas, and rental apartments owned by listed REITs specializing in housing have also maintained high occupancy rates.

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 29th fiscal period, Starts Proceed conducted asset replacement by disposing (G-20) Proceed Kitahorie (disposition price: 2,451 million yen) on March 27, 2020, 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 (C-82) The Parkhabio Yokohamayamate (acquisition price: 3,047 million yen) on March 31, 2020. As a result, Starts Proceed's portfolio as of the end of the 29th fiscal period comprises 106 properties with acquisition prices totaling 87,811 million yen and a total leasable floor area of 193,117.03 m².

In close collaboration with the property management company Starts Amenity Co., Ltd., the Asset Management Company made efforts to reduce building maintenance and management costs while striving to improve the rent levels and increase the receipt of key money and other revenue. In addition, with finely tuned leasing conditions set based on understanding of regional characteristics and advantages of individual properties as well as thorough comparative analyses of nearby competitive properties, leasing activities in coordination with leasing agents were promoted. Furthermore, ongoing efforts were made to put vacant space into service quickly with an aim of maintaining the high occupancy rate. These measures worked to maintain the occupancy rate of the entire portfolio at a stable level of over 95.0%, the target level, throughout the period and resulted in a period-average occupancy rate of 96.1% and period-end (April 30, 2020) occupancy rate of 95.9%.

(d) Status of Fund Procurement

In the 29th fiscal period, Starts Proceed borrowed a long-term loan of 1,500 million yen (term: 6 years) and issued the following First Series Unsecured Investment Corporation Bond (1,000 million yen) to repay a long-term loan of 2,500 million yen due for repayment on November 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.

Name	: Starts Proceed First Series Unsecured Investment Corporation Bond (with pari passu conditions among specified investment corporation bonds)
Issue amount	: 1,000 million yen
Interest rate	: 0.470% per annum
Issue date	: November 18, 2019
Redemption date	: November 18, 2024
Security and guarantee	: Unsecured and unguaranteed

As a result, as of the end of the 29th fiscal period, the current portion of long-term loans payable is 8,020 million yen, long-term loans payable is 36,626 million yen and investment corporation bonds is 1,000 million yen. The period-end balance for interest-bearing liabilities is 45,646 million yen and the period-end LTV ratio is 50.6%.

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 29th fiscal period was operating revenue of 3,665 million yen, operating income of 1,874 million yen, ordinary income of 1,685 million yen and net income of 1,683 million yen.

Concerning distributions, to ensure that the maximum amount of distributions of earnings is 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 distributes the entire amount of unappropriated retained earnings, excluding fractions of distribution per investment unit of less than 1 yen.

In the 29th fiscal period, Starts Proceed decided to internally reserve part (400 million yen) of capital gain from the disposition in March 2020 of Proceed Kitahorie as reserve for reduction entry by applying "Special Provisions for Taxation in the Event of Advance Acquisition of Land, etc. in 2009 and 2010" (Article 66-2 of the Special Taxation Measures Act). Based on such policy, Starts Proceed has decided to pay out distributions of earnings of 1,283 million yen, which is the remaining amount after subtracting the 400 million yen provided for reserve for reduction entry from unappropriated retained earnings. Accordingly, Starts Proceed declared a distribution per investment unit of 5,059 yen.

(2) Outlook for Next Fiscal Period

(a) Management Policy and Challenges to Address

a. Investment Environment

Continued close attention on economic activities and trends of unstable financial markets, etc. given the expected worsening of business conditions both in Japan and abroad due to the spread of the novel coronavirus and its impact on the entire world economy is required for the Japanese economy going forward.

In the primary real estate market, with the investment appetite among market players such as listed REITs, private REITs and domestic businesses remaining strong against the backdrop of the favorable environment for fund procurement, the continued execution of transactions at a high price range is expected. 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 although the impact of working from home taking root, etc. on the market is difficult to forecast.

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 29th 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. Investment Risks

Due to the spread of the novel coronavirus, the following changes have been made to “(1) Risks regarding the character of Starts Proceed’s investment units/d. Risks regarding fluctuation of the price of Starts Proceed’s investment units” and “(3) Risks regarding real estate/Risks of damage, destruction and deterioration of buildings due to disasters, etc.,” and “(6) Other/c. Risks regarding the spread of the novel coronavirus” has been added to “Investment Risks” in the most recent securities report (submitted on January 29, 2020) as of the date of this document. The amended parts are underlined.

(1) Risks regarding the character of Starts Proceed’s investment units

d. Risks regarding fluctuation of the price of Starts Proceed’s investment units

The market price of Starts Proceed’s investment units is affected by various factors including the supply-demand relationship in the financial instruments exchange market, trend of investments in real estate-related assets, comparison with investments in other assets, conditions of the securities market, interest rate fluctuation and economic conditions. In addition, in the event of natural disasters such as earthquakes and other incidents, there is no guarantee that the supply-demand balance of the overall real estate investment trust will remain stable in the comparison between investments in real estate and investments in other assets.

Starts Proceed invests mainly in real estate and real estate trust beneficiary rights (the “Investment Target Real Estate, Etc.”) but it is said that the price of the Investment Target Real Estate, Etc. is likely to be affected especially by real estate market conditions and social circumstances. Furthermore, since the liquidity of the Investment Target Real Estate, Etc. is generally low, there is a possibility that the Investment Target Real Estate, Etc. cannot be sold at a desirable time or price, and that the price may decline by the actual time of sale. If the value of assets owned by Starts Proceed declines due to such factors, there is a possibility that the value of Starts Proceed’s investment units will decline. Moreover, the market price of Starts Proceed’s investment units may decline when recommendations on administrative sanctions are made or when administrative sanctions are implemented by supervisory authorities against Starts Proceed, the Asset Management Company or other investment corporations or asset management companies. If the value of assets owned by Starts Proceed declines due to such factors, there is a possibility that the value of Starts Proceed’s investment units will decline.

In addition, there is a possibility that the future scale of the real estate investment trust securities market in the Tokyo Stock Exchange, uncertainty of liquidity in the market and change in legal system and tax system will affect the formation of the price of Starts Proceed’s investment units.

Moreover, if Starts Proceed’s investment units are temporarily sold in large volume on the financial instruments exchange market, there is a possibility that the market price of Starts Proceed’s investment units will drop significantly.

In particular, due to the worldwide spread of the novel coronavirus, economic activities have become stagnant and the market price of real estate investment trust securities has been adversely affected. Based on Article 32, Paragraph 1 of the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response (Act No. 31 of 2012, as amended), a state of emergency was declared for Tokyo, Kanagawa, Saitama, Chiba, Osaka, Hyogo and Fukuoka on April 7, 2020, and the targeted area was expanded to all prefectures on April 16, 2020. Due to the declaration of a state of emergency and measures and requests associated with it, economic activities have been further suppressed. If the novel coronavirus spreads in the future and has a prolonged effect, there is a possibility that economic activities will be further suppressed and the financial instruments exchange market and the market price of Starts Proceed’s investment securities will be adversely affected to a significant degree.

(3) Risk regarding real estate

c. Risks of damage, destruction and deterioration of buildings due to disasters, etc. and outbreak of infectious diseases, etc.

There is a possibility that the investment target real estate will be destroyed, deteriorated or damaged and its value will be affected due to fire, explosive bursts, lightning, wind, hail, snow disaster, water disaster, earthquake fire, earthquake rupture, earthquake collapse, eruption, liquefaction, tornado, storm, tsunami, electrical accidents, mechanical accidents and other accidental and unexpected accidents as well as war, riot, disturbance and terrorism (“disasters, etc.”). In addition, there is a possibility that normal operation of real estate will be disrupted and the value of such real estate will be affected due to the outbreak of novel influenza, etc. at real estate or in the surrounding area of such real estate. In such a case, there is a possibility that rental revenue will decrease as the operation of buildings will be forced to be suspended for a certain period in order to repair the portion that has been destroyed, deteriorated or damaged, or that unitholders will suffer damage as a result of the decline in the value of the said investment target real estate. However, Starts Proceed plans to take out fire insurance, earthquake insurance and liability insurance that cover the damage caused by disasters, etc. (please refer to “2. Investment Policy A. Investment Policy (7) Insurance Policy” above). By arranging multiple insurances like this, restoration measures can be expected within the insurance period and insurance fee for the said insurance even when the risk of disasters, etc. surfaces. There is a possibility that the revenue of Starts Proceed will be adversely affected when insurance contracts are not concluded due to individual circumstances of the investment target real estate, damage exceeding the upper limit of the amount to be paid in the insurance contract occurs, disasters, etc. that are not covered in the insurance contract occur or when payment by insurance companies based on insurance contracts is not made due to some other reasons and the amount is reduced or payment is delayed. In addition, the ability, etc. of tenants to pay may be adversely affected by disasters, etc. The insurance policy will be determined by comparing and considering the impact of disasters, etc. and the burden of insurance fee. Also, even if insurance is paid, it may be impossible to restore the said investment target real estate to the state before occurrence of disasters, etc. due to administrative regulations or other reasons.

(6) Other

c. Risks regarding the spread of the novel coronavirus

The novel coronavirus is spreading across the world, and measures of the national government and municipalities to prevent the spread of infection are having an effect. If the spread of the novel coronavirus is prolonged, there is a possibility that the creditworthiness of some commercial tenants will deteriorate, rent reduction will be requested and vacancy risks associated with the departure of tenants will occur. Moreover, vacancy risks associated with the departure of tenants at rental housing may occur due to economic reasons.

In addition, the Asset Management Company is shifting to a working form utilizing telework for the purpose of avoiding infection of its executives and employees. However, there are many businesses that are not suitable for such working form, and if the novel coronavirus has a prolonged effect, there is a possibility that businesses of the Asset Management Company will become stagnant and consequentially have an adverse effect on asset management conducted for Starts Proceed.

Since the time when the pandemic of the novel coronavirus infection will end still remains uncertain and it is difficult to forecast the final effect, there is a possibility that risks other than the adverse effect mentioned above will surface and consequentially have an adverse effect on the revenue, etc. of Starts Proceed.

(b) Significant Subsequent Events

Not applicable.

Starts Proceed Investment Corporation (8979) Financial Report for 29th Fiscal Period

(Reference Information)

A. Acquisition of Assets

The following specified assets (trust beneficiary interests) were acquired on May 29, 2020.

Property No.	Property name	Location	Seller (Note 1)	Acquisition price (thousand yen) (Note 2)
C-83	Proceed Monzennakacho	Koto-ku, Tokyo	Starts Development Corporation	1,240,000
C-84	Proceed Maihama	Urayasu-shi, Chiba	Starts Development Corporation	1,029,000
R-5	Proceed Mito 3	Mito-shi, Ibaraki	Starts Development Corporation	824,000
Total				3,093,000

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

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

B. Disposition of Assets

The following specified assets (trust beneficiary interests) were disposed on May 29, 2020.

Property No.	Property name	Buyer	Disposition price (thousand yen) (Note 1)	Assumed book value (thousand yen)	Amount of difference between disposition price and assumed book value (thousand yen)
G-28	Proceed Nishinagahori	A domestic company (Note 2)	1,050,000	974,219	75,780
G-29	Proceed Kyobashi		2,300,000	2,105,275	194,724
Total			3,350,000	3,079,494	270,505

Note 1: "Disposition price" does not include miscellaneous disposition-related expenses, fixed property taxes, city planning taxes, consumption taxes and local consumption taxes.

Note 2: The buyer is a domestic company, but has not agreed to the disclosure and is thus not disclosed.

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

Starts Proceed borrowed Term Loan 2P as follows to fund the repayment of Term Loan 2F for which the repayment date arrived on May 22, 2020 (loan balance: 4,320 million yen).

	Term Loan 2P
Lender	Resona Bank, Limited Aozora Bank, Ltd. Mizuho Bank, Ltd. The Musashino Bank, Ltd. The Chiba Bank, Ltd. The Kagawa Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited
Loan Amount	4,320 million yen
Drawdown Date	May 22, 2020
Principal Repayment Date	May 22, 2026
Interest Rate (Note)	Floating rate (Base interest rate (JBA 1-month Japanese Yen TIBOR) + 0.700%)
Interest Payment Date	The first interest payment date shall be the last day of May 2020, 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 2P, 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: 4,320 million yen
 Interest Rate, etc.: Fixed interest rate payable: 0.920%
 Floating interest rate receivable:
 Base interest rate (JBA 1-month Japanese Yen TIBOR) + 0.700% (Note)
 Commencement Date: May 22, 2020
 Termination Date: May 22, 2026
 Payment Date: The first interest payment date shall be the last day of May 2020, 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 2P is, in effect, fixed at 0.920%

(c) Outlook for Management Status

Starts Proceed expects the following management status in the 30th fiscal period (from May 1, 2020 to October 31, 2020) and 31st fiscal period (from November 1, 2020 to April 30, 2021). For the assumptions underlying this outlook for management status, please refer to "Assumptions Underlying Forecast for Management Status in 30th Fiscal Period and 31st Fiscal Period" below.

	30th Fiscal Period	31st Fiscal Period
	From: May 1, 2020 To: Oct. 31, 2020	From: Nov. 1, 2020 To: Apr. 30, 2021
Operating revenue	3,348 million yen	3,155 million yen
Operating income	1,587 million yen	1,361 million yen
Ordinary income	1,377 million yen	1,151 million yen
Net income	1,375 million yen	1,149 million yen
Distribution per unit	5,420 yen	4,530 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.

Starts Proceed Investment Corporation (8979) Financial Report for 29th Fiscal Period

Assumptions Underlying Forecast for Management Status in 30th Fiscal Period and 31st Fiscal Period

Item	Assumption
Business period	30th fiscal period: from May 1, 2020, to October 31, 2020 (184 days) 31st fiscal period: from November 1, 2020, to April 30, 2021 (181 days)
Assets under management	<ul style="list-style-type: none"> • The forecast assumes assets are the already acquired assets within the Starts Proceed portfolio as at the end of the 29th fiscal period (April 30, 2020) (the “already acquired assets”) to which the acquisition of Proceed Monzennakacho, Proceed Maihama and Proceed Mito 3 on May 29, 2020 (the “Acquisition”), and the disposition of Proceed Nishinagahori and Proceed Kyobashi on the same date (the “Disposition”) are reflected in the total 107 properties of the Starts Proceed portfolio as of today, and assumes that there will be no changes (acquisition of new properties, disposition of existing properties, etc.) through to the end of the 31st 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. • Gain on sales of real estate properties from the Disposition is presumed to be 238 million yen for the 30th fiscal period.
Operating expenses	<ul style="list-style-type: none"> • Expenses related to rent business other than depreciation and amortization are calculated for the already acquired assets based on historical data and future forecast and by reflecting factors that may cause fluctuation in expenses, calculated for the assets from the Acquisition based on historical data on the basis of materials provided by the previous owner, etc. and by reflecting factors that may cause fluctuation in expenses. • Management expenses are expected to be 202 million yen for the 30th fiscal period and 202 million yen for the 31st fiscal period. • Repair expenses, which are recognized as expenses in the amount presumed to be necessary in the business period, are expected to be 84 million yen for the 30th fiscal period and 92 million yen for the 31st 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 178 million yen for the 30th fiscal period and 178 million yen for the 31st fiscal period. As for the fixed asset tax, city planning tax and depreciable asset tax, etc. on the assets from the Acquisition, it is general practice in the transaction of real estate, etc. to calculate and reimburse the pro rata portion of fixed asset tax and city planning tax based on number of days of ownership to the previous owner and settle them at the time of acquisition. However, Starts Proceed includes the amount equivalent to the reimbursed amount in the acquisition costs and thus does not recognize them as expenses at the time of acquisition. • 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 644 million yen for the 30th fiscal period and 646 million yen for the 31st 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 422 million yen for the 30th fiscal period and 432 million yen for the 31st fiscal period.
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses (including interest expenses on investment corporation bonds) are expected to be 165 million yen for the 30th fiscal period and 165 million yen for the 31st fiscal period. • Borrowing-related expenses are expected to be 41 million yen for the 30th fiscal period and 41 million yen for the 31st fiscal period. • Expenses for the issuance of investment corporation bonds are recorded as deferred

Starts Proceed Investment Corporation (8979) Financial Report for 29th Fiscal Period

Item	Assumption
	assets and assumed to be amortized until redemption using the straight-line method. For the 30th and 31st 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 31st fiscal period (3,700 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 31st 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 31st 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 253,777 units and assumes there will be no subsequent issuance of investment units through to the end of the 31st fiscal period.
Distribution per unit	<ul style="list-style-type: none"> • Distributions (distribution per unit) are calculated by assuming the policy on cash distributions provided in the Articles of Incorporation of Starts Proceed. • Distribution per unit may vary due to various factors, including fluctuation in leasing revenue accompanying change in assets under management, change in tenants, etc. and repair expenses possibly arising from unforeseen events.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • No distributions in excess of earnings (distribution in excess of earnings per unit) are scheduled at present.
Other	<ul style="list-style-type: none"> • For other items, the forecast assumes that there will be no revision of laws and regulations, tax systems, accounting standards, listing regulations, rules of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. • The forecast assumes that there will be no unforeseen material change in general economic trends and real estate market conditions, etc.

Starts Proceed Investment Corporation (8979) Financial Report for 29th Fiscal Period

2. Financial Statements
(1) Balance Sheets

	[Unit: thousand yen]	
	28th Fiscal Period	29th Fiscal Period
	As of Oct. 31, 2019	As of Apr. 30, 2020
Assets		
Current assets		
Cash and deposits	1,350,833	1,079,720
Cash and deposits in trust	2,012,701	1,905,599
Operating accounts receivable	26,364	32,501
Prepaid expenses	92,283	86,311
Other	2,462	2,295
Total current assets	3,484,645	3,106,428
Non-current assets		
Property, plant and equipment		
Buildings in trust	44,623,256	44,899,168
Accumulated depreciation	(8,722,662)	(9,128,351)
Buildings in trust, net	35,900,594	35,770,816
Structures in trust	1,233,580	1,250,939
Accumulated depreciation	(688,351)	(722,413)
Structures in trust, net	545,228	528,525
Machinery and equipment in trust	5,376	5,376
Accumulated depreciation	(4,064)	(4,369)
Machinery and equipment in trust, net	1,312	1,007
Tools, furniture and fixtures in trust	378,412	401,987
Accumulated depreciation	(215,918)	(232,407)
Tools, furniture and fixtures in trust, net	162,494	169,579
Land in trust	48,978,128	49,999,491
Construction in progress in trust	-	1,903
Total property, plant and equipment	85,587,757	86,471,323
Intangible assets		
Software	1,584	990
Total intangible assets	1,584	990
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	170,326	145,848
Deferred tax assets	79	80
Other	14,295	14,932
Total investments and other assets	730,576	706,735
Total non-current assets	86,319,918	87,179,049
Deferred assets		
Investment corporation bond issuance costs	-	10,143
Total deferred assets	-	10,143
Total assets	89,804,563	90,295,621

Starts Proceed Investment Corporation (8979) Financial Report for 29th Fiscal Period

	[Unit: thousand yen]	
	28th Fiscal Period	29th Fiscal Period
	As of Oct. 31, 2019	As of Apr. 30, 2020
Liabilities		
Current liabilities		
Current portion of long-term loans payable	6,820,000	8,020,000
Operating accounts payable	183,992	83,142
Accounts payable – other	202,979	226,220
Accrued expenses	906	2,974
Income taxes payable	1,932	1,956
Accrued consumption taxes	4,665	37,056
Advances received	2,112	2,484
Other	770	9,555
Total current liabilities	7,217,358	8,383,390
Non-current liabilities		
Investment corporation bonds	-	1,000,000
Long-term loans payable	38,826,000	36,626,000
Tenant leasehold and security deposits in trust	693,105	685,827
Asset retirement obligations	131,848	132,935
Total non-current liabilities	39,650,953	38,444,763
Total liabilities	46,868,312	46,828,153
Net assets		
Unitholders' equity		
Unitholders' capital	42,230,457	42,230,457
Deduction from unitholders' capital	(545,913)	(545,913)
Unitholders' capital (net)	41,684,544	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)	1,152,707	1,683,923
Total surplus	1,251,707	1,782,923
Total unitholders' equity	42,936,251	43,467,467
Total net assets	42,936,251	43,467,467
Total liabilities and net assets	89,804,563	90,295,621

Starts Proceed Investment Corporation (8979) Financial Report for 29th Fiscal Period

(2) Statements of Income

	[Unit: thousand yen]	
	28th Fiscal Period	29th Fiscal Period
	From: May 1, 2019 To: Oct. 31, 2019	From: Nov. 1, 2019 To: Apr. 30, 2020
Operating revenue		
Rent revenue – real estate	3,089,056	3,116,596
Gain on sales of real estate properties	5,882	549,257
Total operating revenue	<u>3,094,939</u>	<u>3,665,853</u>
Operating expenses		
Expenses related to rent business	1,321,692	1,362,896
Asset management fee	263,286	276,731
Asset custody fee	8,468	8,455
Administrative service fees	27,117	26,605
Directors' compensations	1,200	1,200
Other operating expenses	108,559	115,108
Total operating expenses	<u>1,730,322</u>	<u>1,790,997</u>
Operating income	<u>1,364,616</u>	<u>1,874,856</u>
Non-operating income		
Interest income	18	17
Insurance income	3,783	12,815
Reversal of distribution payable	649	806
Other	16	-
Total non-operating income	<u>4,467</u>	<u>13,639</u>
Non-operating expenses		
Interest expenses	164,602	156,820
Interest expenses on investment corporation bonds	-	2,111
Amortization of investment corporation bond issuance costs	-	1,127
Amortization of investment unit issuance expenses	4,243	-
Borrowing related expenses	45,135	42,156
Other	540	450
Total non-operating expenses	<u>214,521</u>	<u>202,666</u>
Ordinary income	<u>1,154,562</u>	<u>1,685,829</u>
Income before income taxes	<u>1,154,562</u>	<u>1,685,829</u>
Income taxes – current	1,934	1,959
Income taxes – deferred	1	(1)
Total income taxes	<u>1,936</u>	<u>1,958</u>
Net income	<u>1,152,626</u>	<u>1,683,871</u>
Retained earnings brought forward	80	52
Unappropriated retained earnings (undisposed loss)	1,152,707	1,683,923

(3) Statements of Changes in Unitholders' Equity

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

Starts Proceed Investment Corporation (8979) Financial Report for 29th Fiscal Period

29th Fiscal Period: from November 1, 2019 to April 30, 2020

[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	1,152,707	1,251,707
Changes of items during the period							
Dividends from surplus						(1,152,655)	(1,152,655)
Net income						1,683,871	1,683,871
Total changes of items during the period	-	-	-	-	-	531,215	531,215
Balance at end of the period	42,230,457	(545,913)	41,684,544	99,000	99,000	1,683,923	1,782,923

[Unit: thousand yen]

	Unitholders' capital	Total net assets
	Total unitholders' equity	
Balance at beginning of the period	42,936,251	42,936,251
Changes of items during the period		
Dividends from surplus	(1,152,655)	(1,152,655)
Net income	1,683,871	1,683,871
Total changes of items during the period	531,215	531,215
Balance at end of the period	43,467,467	43,467,467

Starts Proceed Investment Corporation (8979) Financial Report for 29th Fiscal Period

(4) Statements of Cash Distributions

Item	Period	28th Fiscal Period	29th Fiscal Period
		From: May 1, 2019 To: Oct. 31, 2019	From: Nov. 1, 2019 To: Apr. 30, 2020
I. Unappropriated retained earnings		1,152,707,292 yen	1,683,923,202 yen
II. Amount of distributions [Amount of distribution per investment unit]		1,152,655,134 yen [4,542 yen]	1,283,857,843 yen [5,059 yen]
III. Voluntary retained earnings [Provision of reserve for reduction entry]		-	400,000,000 yen
IV. Retained earnings carried forward		52,158 yen	65,359 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 1,152,655,134 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.	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 1,283,857,843 yen, which is the remaining amount after subtracting the 400,000,000 yen actually provided for reserve for reduction entry (within the maximum amount of provision of reserve for reduction entry set forth in Article 66-2 of the Special Taxation Measures Act) from unappropriated retained earnings. Starts Proceed shall not distribute the cash in excess of earnings provided in Article 35, Item 4 of the Articles of Incorporation of Starts Proceed.

Starts Proceed Investment Corporation (8979) Financial Report for 29th Fiscal Period

(5) Statements of Cash Flows

	[Unit: thousand yen]	
	28th Fiscal Period	29th Fiscal Period
	From: May 1, 2019 To: Oct. 31, 2019	From: Nov. 1, 2019 To: Apr. 30, 2020
Net cash provided by (used in) operating activities		
Income before income taxes	1,154,562	1,685,829
Depreciation and amortization	620,100	629,689
Amortization of investment corporation bond issuance costs	-	1,127
Amortization of investment unit issuance expenses	4,243	-
Interest income	(18)	(17)
Interest expenses	164,602	158,932
Decrease (increase) in operating accounts receivable	7,370	(6,136)
Decrease (increase) in prepaid expenses	(1,386)	5,971
Increase (decrease) in accrued consumption taxes	(8,767)	32,390
Increase (decrease) in operating accounts payable	28,095	(40,902)
Increase (decrease) in accounts payable – other	743	22,698
Decrease (increase) in long-term prepaid expenses	17,297	24,478
Decrease from sales of property, plant and equipment in trust	190,933	1,893,390
Other, net	2,436	9,604
Subtotal	<u>2,180,213</u>	<u>4,417,055</u>
Interest income received	18	17
Interest expenses paid	(168,022)	(156,864)
Income taxes paid	(1,951)	(1,934)
Net cash provided by (used in) operating activities	<u>2,010,257</u>	<u>4,258,273</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(943,033)	(3,465,999)
Proceeds from tenant leasehold and security deposits in trust	43,217	54,063
Repayments of tenant leasehold and security deposits in trust	(47,968)	(61,341)
Decrease (increase) in other investments	(636)	(636)
Net cash provided by (used in) investing activities	<u>(948,420)</u>	<u>(3,473,913)</u>
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	3,049,000	1,500,000
Repayments of long-term loans payable	(3,449,000)	(2,500,000)
Purchase of treasury investment units	-	1,000,000
Payments of investment corporation bond issuance costs	-	(11,270)
Dividends paid	(1,175,697)	(1,151,306)
Net cash provided by (used in) financing activities	<u>(1,575,697)</u>	<u>(1,162,576)</u>
Net increase (decrease) in cash and cash equivalents	<u>(513,860)</u>	<u>(378,215)</u>
Cash and cash equivalents at beginning of period	<u>3,877,396</u>	<u>3,363,535</u>
Cash and cash equivalents at end of period	<u>3,363,535</u>	<u>2,985,319</u>