

REIT Financial Report for 18th Fiscal Period

December 15, 2014

REIT Securities Issuer: Starts Proceed Investment Corporation Listing: Tokyo Stock Exchange
 Securities Code: 8979 URL: <http://www.sp-inv.co.jp>
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Scheduled date of submission of securities report: January 29, 2015
 Scheduled date of commencement of distribution payout: January 19, 2015
 Preparation of supplementary explanatory materials on financial results: Yes / No
 Holding of briefing session on financial results: Yes / No
 (for analysts and institutional investors)

[Amounts are rounded down to the nearest million yen]

1. Status of Management and Assets in 18th Fiscal Period

Starts Proceed Investment Corporation's 18th fiscal period is the period from May1, 2014 to October 31, 2014.

(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	%
18th	1,916	(0.5)	793	(2.8)	585	(4.0)	584	(4.0)
17th	1,926	1.2	816	(3.1)	609	(3.7)	608	(3.7)

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	%	%	%
18th	4,028	2.3	1.1	30.6
17th	4,195	2.3	1.2	31.7

(2) Distributions Status

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]	Total distributions	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	%	%
18th	4,028	583	0	0	100.0	2.3
17th	4,196	608	0	0	100.0	2.3

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

(3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
18th	51,651	25,902	50.1	178,666
17th	51,942	25,926	49.9	178,834

(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
18th	1,038	(189)	(749)	2,477
17th	978	(298)	(763)	2,377

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2. Forecast for Management Status in 19th Fiscal Period and 20th Fiscal Period

Starts Proceed Investment Corporation's 19th fiscal period is the period from November 1, 2014 to April 30, 2015.

Starts Proceed Investment Corporation's 20th fiscal period is the period from May 1, 2015 to October 31, 2015.

[% 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	%
19th	2,229	16.4	944	19.0	716	22.4	715	22.5
20th	2,234	0.2	923	(2.2)	700	(2.3)	698	(2.3)

Fiscal period	Distribution per unit [excluding distribution in excess of earnings]		Distribution in excess of earnings per unit	
	yen		yen	
19th	4,115		0	
20th	4,020		0	

[Reference] Forecast net income per unit 19th fiscal period: 4,115 yen 20th fiscal period: 4,020 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) Number of Investment Units Issued and Outstanding

(a) Number of investment units (including own investment units) issued and outstanding at end of period

18th fiscal period: 144,977 units 17th fiscal period: 144,977 units
 18th fiscal period: 0 units 17th fiscal period: 0 units

* Presentation of the status of implementation of audit procedures

At the time of disclosure of this financial report, audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

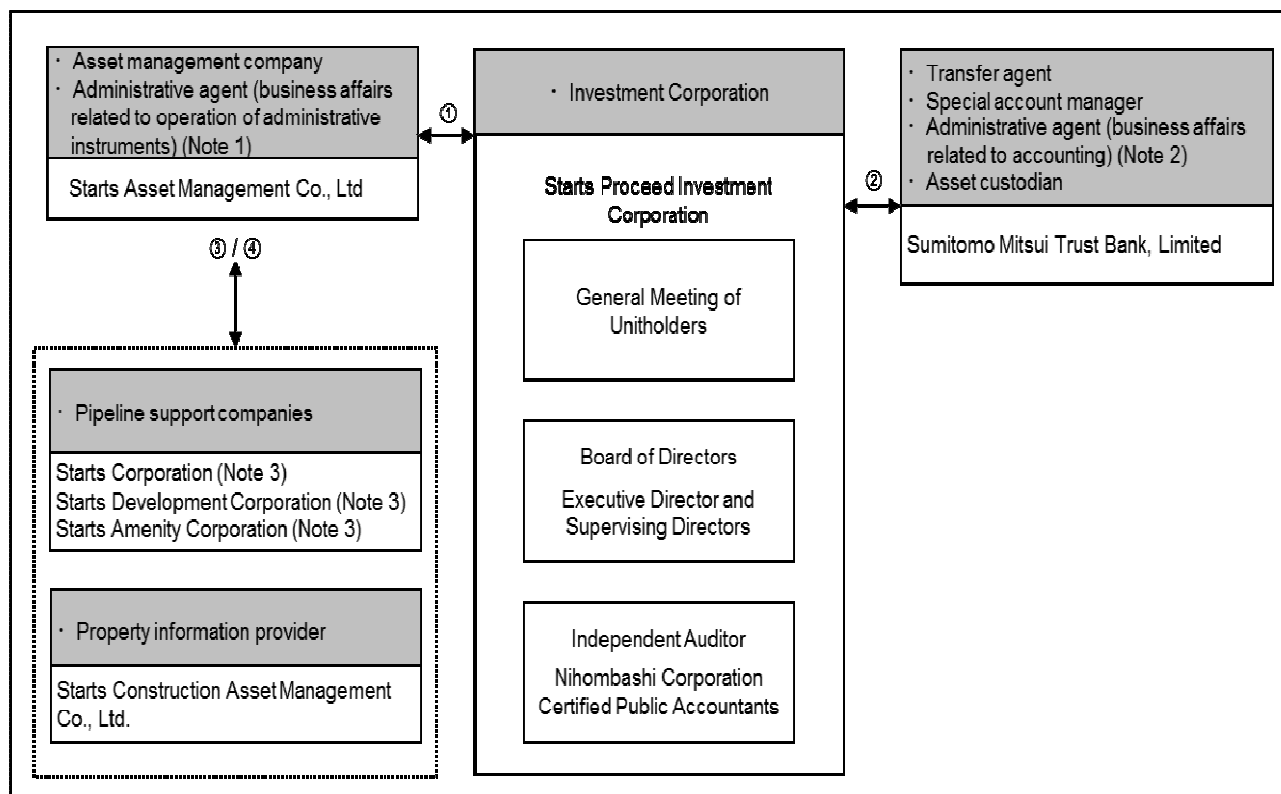
* Explanation of the appropriate use of the forecast for management status, and other matters of special note

The outlook for management status and other forward-looking statements contained in this report are based on information currently available to and certain assumptions deemed reasonable by Starts Proceed Investment Corporation. Accordingly, actual management status and other results may differ materially due to a variety of factors. In addition, the forecast is not a guarantee of the amount of distributions.

For the assumptions underlying the forecast for management status, please refer to "Assumptions Underlying Forecast for Management Status in 19th Fiscal Period (from November 1, 2014 to April 30, 2015) and 20th Fiscal Period (from May 1, 2015 to October 31, 2015)" presented on pages 9-10.

1. Related Parties of Starts Proceed Investment Corporation

Starts Proceed Investment Corporation conducted, on October 30, 2014, maturity redemption for Starts Proceed's First Series Unsecured Investment Corporation Bonds (with subordination agreement/prohibition of partition) (the "Subordinated Investment Corporation Bonds") issued on October 30, 2009. In line with this redemption, administrative affairs related to the Subordinated Investment Corporation Bonds (business affairs related to investment corporation bonds), which were entrusted to Resona Bank, Ltd., were terminated and thus Resona Bank, Ltd. no longer falls under the category of the related parties of Starts Proceed Investment Corporation.



Number	Agreements
(1)	Asset management agreement / General administrative agreement (business affairs related to operation of administrative instruments)
(2)	Transfer agent agreement / Special account management agreement / General administrative agreement (business affairs related to accounting) / Asset custodian agreement
(3)	Pipeline support agreement
(4)	Property information provision agreement

(Note 1) Business affairs related to operation of administrative instruments refer to matters regarding preparation of minutes of general meetings of unitholders and Board of Directors meetings. The same applies hereinafter.

(Note 2) Business affairs related to accounting refer to matters regarding calculations, preparation of accounting books, etc. and payment of taxes. The same applies hereinafter.

(Note 3) Starts Corporation, Starts Development Corporation and Starts Amenity Corporation fall under the category of the specified related entities set forth in Article 12-3 of the Cabinet Office Ordinance on Disclosure of Information, etc. of Regulated Securities (Ordinance of the Ministry of Finance No.22 of 1993, including amendments thereto).

2. Management Policy and Management Status

A. Management Policy

Disclosure is omitted because there are no significant changes from the “Investment Policy,” “Investment Targets” and “Distribution Policy” set out in the recent securities reports (submitted on January 29, 2014) and securities registration statement (submitted on October 10, 2014).

B. Management Status

(1) Overview of Fiscal Period under Review

(a) Brief Background of the Investment Corporation

Starts Proceed Investment Corporation (“Starts Proceed”) was established on May 2, 2005 with 150 million yen in capital (750 units) based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; including amendments thereto) (the “Investment Trust Act”), completed registration with the Kanto Local Finance Bureau based on Article 187 of the Investment Trust Act on June 15, 2005 (Registration No. 37 issued by the Director-General of the Kanto Local Finance Bureau), implemented additional issuance of investment units through public offering (21,600 units) on November 29, 2005, and listed on JASDAQ Securities Exchange, Inc. (currently, Tokyo Stock Exchange, Inc. JASDAQ Market (Securities Code: 8979) on the next day. After three capital increases through public offering and other developments since listing on the JASDAQ Market, Starts Proceed listed on the Tokyo Stock Exchange, Inc. (“Tokyo Stock Exchange”) 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 (the “rental housing”) or specified assets (the meaning provided in Article 2, Paragraph 1 of the Investment Trust Act; the same hereinafter) backed mainly by rental housing. In investment in rental housing, Starts Proceed adopts the basic policy of particularly setting rental housing for average-income households, the demand for which is believed to be the most stable, as the primary investment target. In addition, Starts Proceed takes measures, such as leveraging the capabilities of the Starts Group, to achieve enhancement of management efficiency, in an aim to secure steady growth and stable revenue of assets under management over the medium to long term.

As at the end of the fiscal period under review (18th fiscal period: from May 1, 2014 to October 31, 2014), the number of investment units issued and outstanding was 144,977 units, total assets was 51,651 million yen and unitholders’ capital was 25,318 million yen.

(b) Investment Environment

In the 18th fiscal period, the Japanese economy struggled to recover from the plunge after the consumption tax hike impacted by the backlash following rush demand ahead of the consumption tax hike and the production adjustment, etc. resulting in a 0.5% (annualized 1.9%) quarter-on-quarter decrease in the secondary preliminary figures for real GDP for the July to September period, indicating the second consecutive quarterly decrease. These among other factors prolonged stagnation of the economy, but as a whole, the mechanism of self-sustained economic recovery in which positive effects on the corporate sector due to favorable earnings environment brought by the yen’s depreciation spread to the household sector intact. Therefore, the economy is believed to be on a steady track.

The rental housing market in which Starts Proceed invests began to show signs of hitting bottom, as the average occupancy rate increased not only in the Tokyo metropolitan area but also in such major city areas as Osaka, Nagoya and Fukuoka, and the average monthly rent levels tended to stop declining. In the real estate transaction market, although demand mainly from J-REITs and overseas funds remained strong, given the favorable fund procurement environment, both the number of transactions and transaction value showed a downward trend as scarcity of properties became more evident amid limited supply of new properties. Transaction prices of properties continue to show an upward trend reflecting such a supply-demand balance.

(c) Management Performance

In the 18th fiscal period, Starts Proceed conducted no new acquisitions of investment assets and focused on internal growth. In close collaboration with the Asset Management Company and property management company, Starts Amenity Co., Ltd., Start Proceed made efforts based on the characteristics of the region and of individual properties to finely-tune leasing activities while at the same time worked to raise rents and increase the receipt of key money and other incidental income. Moreover, Starts Proceed aimed to enhance the occupancy rate by striving to shorten the period taken

to restore a property to its original state after a tenant moves out of the property. These measures proved effective in maintaining the occupancy rate of the entire portfolio at a high level of no less than 96% throughout the period, achieving both an average occupancy rate and period-end occupancy rate of 96.8%.

(d) Status of Fund Procurement

In the 18th fiscal period, Starts Proceed refinanced long-term loans totaling 1,318 million yen (loan period: 1 year and 1 month) and short-term loans totaling 2,393 million yen (loan period: 1 year) that became due for repayment on May 23, 2014, with short-term loans totaling 3,700 million yen (loan period: 1 year). In addition, Starts Proceed borrowed short-term loans totaling 2,000 million yen (loan period: 1 year) on October 27, 2014 in order to allocate funds for the redemption of the Subordinated Investment Corporation Bonds (2,000 million yen outstanding) of which the redemption date arrived on October 30, 2014.

As a result, as of the end of the 18th fiscal period, short-term loans payable was 5,700 million yen, the current portion of long-term loans payable was 4,605 million yen, long-term loans payable was 14,651 million yen and for a period-end interest-bearing liabilities balance of 24,956 million yen and LTV ratio of 48.3%.

(e) Overview of Business Performance and Distributions

As a result of the management described above, business performance recorded for the 18th fiscal period was operating revenue of 1,916 million yen, operating income of 793 million yen, ordinary income of 585 million yen and net income of 584 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 4,028 yen.

(2) Outlook for Next Fiscal Period

(a) Management Policy and Challenges to Address

a. Investment Environment

The Japanese economy in the 19th fiscal period is expected to gradually shift to a recovery phase due to factors such as (1) mild recovery is anticipated in personal spending supported by the postponement of the consumption tax hike to 10% and the improvement in the employment and income environment, (2) in the corporate sector, corporate sentiment of capital investments will remain at a high level and domestic demand is likely to boost the economy due to positive investment stances such as the completion of a round of inventory adjustment and favorable earnings environment, and (3) exports are expected to continue to increase with the robust economic recovery of the U.S. and such.

In the real estate transaction market, transaction prices are expected to continue to rise somewhat as construction cost is likely to increase going forward in addition to the shortage of supply, resulting in the continuation of the tight environment for acquiring quality properties. As for the rental housing market, it is anticipated that there will continue to be stable demand in the Tokyo metropolitan area and other major city areas that are the primary target areas of Starts Proceed.

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. Going forward, 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 an aim to expand asset size and enhance portfolio quality. On the other hand, along with the progress in external growth, Starts Proceed will simultaneously investigate sales of some properties that are small in size or were built long ago, etc.

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c. Internal Growth Strategy

Following on from the 18th 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, 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

Issuance of new investment units

Starts Proceed resolved at the Board of Directors' meetings held on October 10, 2014 and October 21, 2014 the issuance of new investment units for allocating funds for part of the acquisition of specified assets. As for the primary offering, the payments were completed on November 4, 2014. As a result, total equity stands at 30,096,023,400 yen and the number of units issued and outstanding at 173,777 units.

For details of the new investment units, please refer to (Notes on Significant Subsequent Events) (Japanese only).

(Reference Information)

A. Property Acquisition

The following specified assets (trust beneficiary interests) were acquired on November 4, 2014.

Property No.	Property name	Location	Seller	Acquisition price (thousand yen) (Note 1)
C-64	Proceed Nihonbashi-horidomecho	Chuo-ku, Tokyo	Starts Development Corporation	1,485,800
C-65	Proceed TX Nagareyama Central Park	Nagareyama-shi, Chiba	Starts Corporation Inc.	979,700
C-66	Proceed Gyotoku 2	Ichikawa-shi, Chiba	Starts Development Corporation	830,000
C-67	Proceed Nishikasai	Edogawa-ku, Tokyo	Starts Development Corporation	875,600
G-24	Proceed Kanayama 2	Nagoya-shi, Aichi	Starts Development Corporation	2,040,400
G-25	Proceed Aratamabashi	Nagoya-shi, Aichi	Starts Development Corporation	2,129,600
R-4	Proceed Tsukuba Gakuentoshi	Tsukuba-shi, Ibaraki	Starts Development Corporation	775,600
Total				9,116,700

(Note 1) "Acquisition price" does not include miscellaneous acquisition related expenses, fixed property taxes, city planning taxes, consumption taxes and local consumption taxes.

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B. Borrowing of Funds (New Borrowing)

Starts Proceed conducted borrowing of Term Loan U described below to allocate funds for part of the acquisition and the related expenses of the specified assets, based on the basic loan agreement (hereinafter referred to as the “Basic Loan Agreement,” including subsequent revisions and additions of lenders (Note 1)) executed on November 19, 2009.

	Term Loan U (Floating interest rate)
Lender	Resona Bank, Ltd. Aozora Bank, Ltd.
Loan Amount	5,200 million yen
Drawdown Date	November 4, 2014
Principal Repayment Date	November 25, 2014
Interest Rate (Note 2)	Base interest rate (JBA 1-month Japanese Yen TIBOR) + 0.3%
Interest Payment Date	Principal repayment date
Principle Repayment Method	Lump-sum repayment on repayment date
Collateral	Collateralized
Guarantee	Unguaranteed

(Note 1) For details, please refer to the press release “Notice Concerning the Execution and Repayment of Borrowings” dated November 18, 2009.

(Note 2) The base interest applicable to the calculating of interest payable on the interest payment date is JBA 1-month Japanese Yen TIBOR two business days prior to the drawdown date.

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

Starts Proceed conducted borrowings of Term Loans V, W, X and Y to allocate funds for the repayment of borrowings totaling 11,647 million yen maturing on November 25, 2014.

	Term Loan V (Floating interest rate)	Term Loan W (Floating interest rate)	Term Loan X (Floating interest rate)	Term Loan Y (Floating interest rate)
Lender	Resona Bank, Ltd. Aozora Bank, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation The Chiba Bank, Ltd. The Musashino Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited ORIX Bank Corporation The Kagawa Bank, Ltd.	Resona Bank, Ltd. Aozora Bank, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation The Chiba Bank, Ltd. The Musashino Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited ORIX Bank Corporation The Kagawa Bank, Ltd.	Resona Bank, Ltd. Aozora Bank, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation The Chiba Bank, Ltd. The Musashino Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited ORIX Bank Corporation The Kagawa Bank, Ltd.	Resona Bank, Ltd. Aozora Bank, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation The Chiba Bank, Ltd. The Musashino Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited ORIX Bank Corporation The Kagawa Bank, Ltd.
Loan Amount	2,647 million yen	4,000 million yen	2,500 million yen	2,500 million yen
Drawdown Date	November 25, 2014	November 25, 2014	November 25, 2014	November 25, 2014
Principal Repayment Date	May 24, 2016	November 24, 2017	May 25, 2018	November 25, 2019
Interest Rate (Note 1)	Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.50%	Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.75%	Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.77%	Base interest rate (JBA 1-month Japanese Yen TIBOR) +0.85%
Interest Payment Date	The first interest payment date shall be the last day of November 2014, 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 (Note 2)			
Guarantee	Unguaranteed			

(Note 1) The base interest applicable to the calculation of interest payable on the interest payment day is JBA 1-month Japanese Yen TIBOR two business days prior to the drawdown date.

(Note 2) For details, please refer to “D. Release of Collateral” below.

To hedge against risk of interest rate hike concerning Term Loan X and Y among the borrowings mentioned above, interest-rate swap agreements were conducted as follows.

Interest Rate Swap Agreement (Term Loan X)

Lender: Resona Bank, Ltd.
 Notional Principle Amount: 2,500 million yen
 Interest Rate, etc.: Fixed interest payable: 1.022%
 Floating interest rate receivable: Base interest rate (JBA 1-month

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Japanese Yen TIBOR) + 0.77% (Note)
 Commencement Date: November 25, 2014
 Termination Date: May 25, 2018
 Payment Date: The first interest payment date shall be the last day of November 2014, 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 interest rate on Term Loan X is, in effect, fixed at 1.022%.

Interest Rate Swap Agreement (Term Loan Y)

Lender: Resona Bank, Ltd.
 Notional Principle Amount: 2,500 million yen
 Interest Rate, etc.: Fixed interest payable: 1.190%
 Floating interest rate receivable: Base interest rate (JBA 1-month Japanese Yen TIBOR) + 0.85% (Note)

Commencement Date: November 25, 2014
 Termination Date: November 25, 2019
 Payment Date: The first interest payment date shall be the last day of November 2014, 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 interest rate on Term Loan Y is, in effect, fixed at 1.190%.

D. Release of Collateral

Starts Proceed received a notice from Resona Bank, Ltd., the agent, on November 6, 2014 that it gained approval from all lenders concerning non-collateralization of transactions (all borrowings by Starts Proceed are applicable) based on the Basic Loan Agreement. On November 20, 2014, Starts Proceed concluded the Amendment Agreement on the Basic Loan Agreement with all lenders to release revolving pledges on trust beneficiary interests having lenders placed as collateral holders in relation to transactions based on the Basic Loan Agreement and cancel agreements concerning revolving mortgages on real estate with a condition precedent concluded between the lenders. (The effective date of the Amendment Agreement on the Basic Loan Agreement is also November 20, 2014.)

(c) Outlook for Management Status

Starts Proceed expects the following management status in the 19th fiscal period (from November 1, 2014 to April 30, 2015) and 20th fiscal period (from May 1, 2015 to October 31, 2015). For the assumptions underlying this outlook for management status, please refer to "Assumptions Underlying Forecast for Management Status in 19th Fiscal Period (from November 1, 2014 to April 30, 2015) and 20th Fiscal Period (from May 1, 2015 to October 31, 2015)."

	19th Fiscal Period	20th Fiscal Period
	From: Nov. 1, 2014 To: Apr. 30, 2015	From: May 1, 2015 To: Oct. 31, 2015
Operating revenue	2,229 million yen	2,234 million yen
Operating income	944 million yen	923 million yen
Ordinary income	716 million yen	700 million yen
Net income	715 million yen	698 million yen
Distribution per unit	4,115 yen	4,020 yen
Distribution in excess of earnings per unit	0 yen	0 yen

Note: The forecast figures above are the current forecast calculated based on certain assumptions. Accordingly, actual operating revenue, operating income, ordinary income, net income and distribution per unit may vary due to future additional acquisition or sale of real estate, etc., changes in the real estate market, etc., changes in the management environment or other circumstances surrounding Starts Proceed and other factors. In addition, the forecast is not a guarantee of actual business performance or the amount of distributions.

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Assumptions Underlying Forecast for Management Status in 19th Fiscal Period (from November 1, 2014 to April 30, 2015) and 20th Fiscal Period (from May 1, 2015 to October 31, 2015)

Item	Assumption
Business period	19th fiscal period: from November 1, 2014 to April 30, 2015 (181 days) 20th fiscal period: from May 1, 2015 to October 31, 2015 (184 days)
Assets under management	<ul style="list-style-type: none"> The forecast assumes the 89 properties owned by Starts Proceed as at October 31, 2014 plus the acquisition of 7 properties on November 4, 2014 to total 96 properties. The forecast assumes that, after completion of the acquisition, there will be no acquisition of new properties, sale of existing properties, etc. through to the end of the 20th fiscal period. The actual assets under management may vary due to changes in assets under management.
Operating revenue	<ul style="list-style-type: none"> Real estate rent revenue includes rent, common area maintenance charges, parking revenue, incidental revenue, etc., and is calculated based on historical data and future forecast.
Operating expenses	<ul style="list-style-type: none"> Expenses related to rent business other than depreciation and amortization are calculated based on historical data and future forecast and by reflecting factors that may cause fluctuations in expenses. Management expenses are expected to be 138 million yen for the 19th fiscal period and 139 million yen for the 20th fiscal period. Repair expenses, which are recognized as expenses in the amount presumed to be necessary in the respective business period, are expected to be 85 million yen for the 19th fiscal period and 65 million yen for the 20th 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 119 million yen for the 19th fiscal period and 131 million yen for the 20th fiscal period. Furthermore, with regard to Group Home Tanoshii Ie Taisho that Starts Proceed acquired on February 21, 2014 and seven properties that Starts Proceed acquired on November 4, 2014, the settled amount of the fixed asset tax, city planning tax and depreciable asset tax, etc. will be included in the acquisition price of the property. Thus the amount of tax payable in the fiscal year 2014 will not be recorded in the operating expenses, but the amount of tax payable in April 2015 and after will be recorded in the operating expenses. 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 475 million yen for the 19th fiscal period and 476 million yen for the 20th 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 257 million yen for the 19th fiscal period and 301 million yen for the 20th fiscal period.
Non-operating expenses	<ul style="list-style-type: none"> Interest expenses are expected to be 148 million yen for the 19th fiscal period and 150 million yen for the 20th fiscal period. Borrowing related expenses are expected to be 70 million yen for the 19th fiscal period and 64 million yen for the 20th fiscal period.
Loans	<ul style="list-style-type: none"> Concerning the loans balance as of the date of this report of 30,143 million yen, because contractual repayments are expected, the forecast assumes 30,077 million yen as the balance at the end of the 19th fiscal period and 29,998 million yen as the balance at the end of the 20th fiscal period. Of this, the forecast assumes that the loan due for repayment during the 20th fiscal period (3,700 million yen) will be refinanced in the entire amount.

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<p>Number of investment units issued and outstanding</p>	<ul style="list-style-type: none"> • The forecast assumes the number of investment units issued and outstanding as of the date of this report of 173,777 units and assumes there will be no subsequent issuance of investment units through to the end of the 20th fiscal period.
<p>Distribution per unit</p>	<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.
<p>Distribution in excess of earnings per unit</p>	<ul style="list-style-type: none"> • No distributions in excess of earnings (distribution in excess of earnings per unit) are scheduled at present.
<p>Other</p>	<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.

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3. Financial Statements

(1) Balance Sheets

	[Unit: thousand yen]	
	17th Fiscal Period	18th Fiscal Period
	As of Apr. 30, 2014	As of Oct. 31, 2014
Assets		
Current assets		
Cash and deposits	1,101,081	1,153,274
Cash and deposits in trust	1,276,721	1,323,994
Operating accounts receivable	22,220	16,044
Prepaid expenses	85,835	96,215
Deferred tax assets	46	50
Other	2,917	1,595
Total current assets	2,488,822	2,591,175
Noncurrent assets		
Property, plant and equipment		
Buildings in trust	27,181,098	27,211,243
Accumulated depreciation	(3,770,568)	(4,127,583)
Buildings in trust, net	23,410,530	23,083,660
Structures in trust	941,605	942,406
Accumulated depreciation	(321,110)	(349,591)
Structures in trust, net	620,494	592,814
Machinery and equipment in trust	5,376	5,376
Accumulated depreciation	(711)	(1,016)
Machinery and equipment in trust, net	4,665	4,360
Tools, furniture and fixtures in trust	197,541	210,275
Accumulated depreciation	(70,221)	(83,093)
Tools, furniture and fixtures in trust, net	127,319	127,181
Land in trust	24,619,676	24,619,676
Total property, plant and equipment	48,782,685	48,427,693
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	518,514	518,514
Long-term prepaid expenses	118,694	85,142
Other	7,508	8,145
Total investments and other assets	654,717	621,801
Total noncurrent assets	49,437,403	49,049,495
Deferred assets		
Investment corporation bond issuance costs	1,321	-
Investment unit issuance costs	14,928	11,196
Total deferred assets	16,250	11,196
Total assets	51,942,476	51,651,866

Starts Proceed Investment Corporation (8979) Financial Report for 18th Fiscal Period

	[Unit: thousand yen]	
	17th Fiscal Period	18th Fiscal Period
	As of Apr. 30, 2014	As of Oct. 31, 2014
Liabilities		
Current liabilities		
Short-term loans payable	2,393,000	15,700,000
Current portion of long-term loans payable	5,975,335	4,605,105
Current portion of investment corporation bonds	2,000,000	-
Operating accounts payable	218,751	86,850
Accounts payable – other	115,349	119,842
Accrued expenses	695	806
Income taxes payable	1,499	1,503
Accrued consumption taxes	5,045	7,081
Advances received	883	269
Other	266	231
Total current liabilities	10,710,826	10,521,689
Noncurrent liabilities		
Long-term loans payable	14,730,504	14,651,727
Tenant leasehold and security deposits in trust	510,383	511,431
Asset retirement obligation	63,943	64,477
Total noncurrent liabilities	15,304,831	15,227,636
Total liabilities	26,015,658	25,749,326
Net assets		
Unitholders' equity		
Unitholders' capital	25,318,449	25,318,449
Surplus		
Unappropriated retained earnings (undisposed loss)	608,368	584,091
Total surplus	608,368	584,091
Total unitholders' equity	25,926,817	25,902,540
Total net assets	25,926,817	25,902,540
Total liabilities and net assets	51,942,476	51,651,866

Starts Proceed Investment Corporation (8979) Financial Report for 18th Fiscal Period

(2) Statements of Income

	[Unit: thousand yen]	
	17h Fiscal Period	18h Fiscal Period
	From: Nov. 1, 2013 To: Apr. 30, 2014	From: May 1, 2014 To: Oct. 31, 2014
Operating revenue		
Rent revenue – real estate	1,926,553	1,916,313
Total operating revenue	1,926,553	1,916,313
Operating expenses		
Expenses related to rent business	873,544	873,604
Asset management fee	135,072	135,983
Asset custody fee	7,524	7,521
Administrative service fees	21,498	20,920
Directors' compensations	2,400	2,400
Other operating expenses	70,263	82,671
Total operating expenses	1,110,302	1,123,100
Operating income	816,250	793,213
Non-operating income		
Interest income	248	224
Insurance income	5,883	7,093
Reversal of distribution payable	1,582	1,395
Other	50	-
Total non-operating income	7,765	8,713
Non-operating expenses		
Interest expenses	125,137	127,619
Interest expenses on investment corporation bonds	26,256	26,349
Amortization of investment corporation bond issuance costs	1,586	1,321
Amortization of investment unit issuance costs	3,732	3,732
Borrowing related expenses	56,953	56,756
Other	540	555
Total non-operating expenses	214,205	216,335
Ordinary income	609,810	585,591
Income before income taxes	609,810	585,591
Income taxes – current	1,549	1,549
Income taxes – deferred	10	(4)
Total income taxes	1,559	1,544
Net income	608,250	584,046
Retained earnings brought forward	118	45
Unappropriated retained earnings (undisposed loss)	608,368	584,091

Starts Proceed Investment Corporation (8979) Financial Report for 18th Fiscal Period

(3) Statements of Unitholders' Equity

	[Unit: thousand yen]	
	17h Fiscal Period	18h Fiscal Period
	From: Nov. 1, 2013	From: May 1, 2014
	To: Apr. 30, 2014	To: Oct. 31, 2014
Unitholders' equity		
Unitholders' capital		
Balance at the beginning of current period	25,318,449	25,318,449
Changes of items during the period		
Issuance of new investment units	-	-
Total changes of items during the period	-	-
Balance at the end of current period	<u>25,318,449</u>	<u>25,318,449</u>
Surplus		
Unappropriated retained earnings (undisposed loss)		
Balance at the beginning of current period	631,638	608,368
Changes of items during the period		
Dividends from surplus	(631,519)	(608,323)
Net income	608,250	584,046
Total changes of items during the period	<u>(23,269)</u>	<u>(24,277)</u>
Balance at the end of current period	<u>608,368</u>	<u>584,091</u>
Total surplus		
Balance at the beginning of current period	631,638	608,368
Changes of items during the period		
Dividends from surplus	(631,519)	(608,323)
Net income	608,250	584,046
Total changes of items during the period	<u>(23,269)</u>	<u>(24,277)</u>
Balance at the end of current period	<u>608,368</u>	<u>584,091</u>
Total unitholders' equity		
Balance at the beginning of current period	25,950,087	25,926,817
Changes of items during the period		
Issuance of new investment units	-	-
Dividends from surplus	(631,519)	(608,323)
Net income	608,250	584,046
Total changes of items during the period	<u>(23,269)</u>	<u>(24,277)</u>
Balance at the end of current period	<u>25,926,817</u>	<u>25,902,540</u>
Total net assets		
Balance at the beginning of current period	25,950,087	25,926,817
Changes of items during the period		
Issuance of new investment units	-	-
Dividends from surplus	(631,519)	(608,323)
Net income	608,250	584,046
Total changes of items during the period	<u>(23,269)</u>	<u>(24,277)</u>
Balance at the end of current period	<u>25,926,817</u>	<u>25,902,540</u>

(4) Statements of Cash Distributions

Item	Period	17h Fiscal Period	18h Fiscal Period
		From: Nov. 1, 2013 To: Apr. 30, 2014	From: May 1, 2014 To: Oct. 31, 2014
I. Unappropriated retained earnings		608,368,953 yen	584,091,896 yen
II. Amount of distributions [Amount of distribution per investment unit]		608,323,492 yen [4,196 yen]	583,967,356 yen [4,028 yen]
III. Retained earnings carried forward		45,461 yen	124,540 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 608,323,492 yen, which is the largest integral multiple of the number of investment units issued and outstanding (144,977 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 583,967,356 yen, which is the largest integral multiple of the number of investment units issued and outstanding (144,977 units) in an amount not in excess of unappropriated retained earnings. Starts Proceed shall not distribute the cash in excess of earnings provided in Article 35, Item 4 of the Articles of Incorporation of Starts Proceed.

Starts Proceed Investment Corporation (8979) Financial Report for 18th Fiscal Period

(5) Statements of Cash Flows

	[Unit: thousand yen]	
	17h Fiscal Period	18h Fiscal Period
	From: Nov. 1, 2013	From: May 1, 2014
	To: Apr. 30, 2014	To: Oct. 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes	609,810	585,591
Depreciation and amortization	393,126	398,672
Amortization of investment corporation bond issuance costs	1,586	1,321
Amortization of investment unit issuance costs	3,732	3,732
Interest income	(248)	(224)
Interest expenses	151,393	153,969
Decrease (increase) in operating accounts receivable	(3,173)	6,176
Decrease (increase) in prepaid expenses	13,639	(10,380)
Decrease (increase) in consumption taxes receivable	23,866	-
Increase (decrease) in accrued consumption taxes	5,045	2,036
Increase (decrease) in operating accounts payable	(26,145)	14,659
Increase (decrease) in accounts payable – other	221	5,059
Decrease (increase) in long-term prepaid expenses	(40,845)	33,552
Other, net	(1,065)	(189)
Subtotal	1,130,943	1,193,976
Interest income received	248	224
Interest expenses paid	(151,489)	(153,858)
Income taxes paid	(1,658)	(1,544)
Net cash provided by (used in) operating activities	978,044	1,038,798
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(301,928)	(190,240)
Proceeds from tenant leasehold and security deposits in trust	47,919	38,679
Repayments of tenant leasehold and security deposits in trust	(43,680)	(37,632)
Decrease (increase) in other investments	(616)	(636)
Net cash provided by (used in) investing activities	(298,306)	(189,829)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	-	5,700,000
Decrease in short-term loans payable	(6,200,000)	(2,393,000)
Proceeds from long-term loans payable	6,200,000	-
Repayment of long-term loans payable	(131,007)	(1,449,007)
Payment of investment unit issuance costs	-	(2,000,000)
Dividends paid	(632,325)	(607,495)
Net cash provided by (used in) financing activities	(763,332)	(749,502)
Net increase (decrease) in cash and cash equivalents	(83,594)	99,466
Cash and cash equivalents at beginning of period	2,461,397	2,377,802
Cash and cash equivalents at end of period	2,377,802	2,477,268