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Notice Concerning Revisions to Management Status and Distribution Forecast for the Fiscal Period Ending April 2018 and Announcement of Management Status Forecast for the Fiscal Period Ending October 2018

Starts Proceed Investment Corporation (“Starts Proceed”) announces that it has decided to make following revisions to its management status and distribution forecast for the fiscal period ending April 2018 (November 1, 2017 to April 30, 2018) announced in the financial report dated June 14, 2017.

Starts Proceed also newly announces the management status forecast for the fiscal period ending October 2018 (May 1, 2018 to October 31, 2018).

As to the management status and distribution forecast for the fiscal period ended October 2017 (May 1, 2017 to October 31, 2017), no revision has been made to the forecasts announced in “Notice Concerning Revisions to Management Status and Distribution Forecast for the Fiscal Period Ending October 2017” dated September 28, 2017.

 1. Revisions to Management Status and Distribution Forecast for the Fiscal Period Ending April 2018
 (November 1, 2017 to April 30, 2018)

(1) Revisions to Management Status Forecast

	Operating revenue	Operating income	Ordinary income	Net income	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
Previous forecast (A)	3,013 million yen	1,274 million yen	1,080 million yen	1,078 million yen	4,200 yen	- yen
Revised forecast (B)	3,136 million yen	1,397 million yen	1,190 million yen	1,188 million yen	4,630 yen	- yen
Variation (B-A)=C	122 million yen	122 million yen	110 million yen	110 million yen	430 yen	- yen
Rate of variation (C/A)	4.1%	9.6%	10.2%	10.2%	10.2%	-%

(Note 1) Forecast of number of investment units issued and outstanding at the end of the fiscal period ending April 2018: 256,777 units

(Note 2) The above forecast is as of the present calculated under the assumptions stated on the attachment. Therefore, actual operating revenue, operating income, ordinary income, net income, distribution per unit and distribution in excess of earnings per unit are subject to change due to additional acquisitions or disposition of real estate, etc., changes in the real estate market, managing environment and changes in other situations surrounding Starts Proceed in the future. Furthermore, the above forecasts do not guarantee actual results or amounts of distribution.

(Note 3) When a certain level of divergence from the above forecast is expected, the forecast may be revised.

(Note 4) Figures have been rounded down to the nearest specified unit. Rate of variation is rounded off to one decimal place

(2) Reason for Revision

Starts Proceed decided to revise the forecast of distribution per unit as well as the management status as the assumption concerning the management status forecast for the fiscal period ending April 2018 (November 1, 2017 to April 30, 2018) have been changed and a difference of 5% or more is expected to occur in the forecast as a result of taking into consideration the management status pertaining to the acquisition of specified assets (the “Acquisition”) in addition to the accrual of capital gain through the disposition of specified assets (the “Disposition”) as described in the “Notice Concerning Disposition and Acquisition of Trust Beneficiary Interests in Domestic Real Estate” separately announced today.

1. Management Status Forecast for the Fiscal Period Ending October 2018 (May 1, 2018 to October 31, 2018)

	Operating revenue	Operating income	Ordinary income	Net income	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
Forecast for the Fiscal Period Ending October 2018	3,046 million yen	1,315 million yen	1,111 million yen	1,109 million yen	4,320 yen	- yen

(Note 1) Forecast of number of investment units issued and outstanding at the end of the fiscal period ending October 2018: 256,777 units

(Note 2) The above forecast is as of the present calculated under the assumptions stated on the attachment. Therefore, actual operating revenue, operating income, ordinary income, net income, distribution per unit and distribution in excess of earnings per unit are subject to change due to additional acquisitions or disposition of real estate, etc., changes in the real estate market, managing environment and changes in other situations surrounding Starts Proceed in the future. Furthermore, the above forecasts do not guarantee actual results or amounts of distribution.

(Note 3) When a certain level of divergence from the above forecast is expected, the forecast may be revised.

(Note 4) Figures have been rounded down to the nearest specified unit.

*Distribution: Kabuto Club, Ministry of Land, Infrastructure, Transport and Tourism Press Club, and Ministry of Land, Infrastructure, Transport and Tourism Press Club for Construction Publications

*Start Proceed website: <http://www.sp-inv.co.jp/en/>

[Attachment]

Assumptions Underlying Revision to Forecast for Management Status in 25th and 26th Fiscal Periods

Item	Assumption
Business period	<ul style="list-style-type: none"> • 25th fiscal period: from November 1, 2017 to April 30, 2018 (181 days) • 26th fiscal period: from May 1, 2018 to October 31, 2018 (184 days)
Assets under management	<ul style="list-style-type: none"> • The forecast assumes that, the Disposition and the Acquisition is reflected on the 105 properties owned by Starts Proceed as of today (the “already acquired properties”), and after completing the Disposition and the Acquisition, there will be no change (new property acquisitions, disposition of existing properties, etc.) to the properties through the end of the 26th fiscal period. The actual number of properties may vary due to changes in assets under management.
Operating revenue	<ul style="list-style-type: none"> • Real estate rent revenue is calculated based on the assumption that it includes operating revenue from the properties to be acquired through the Acquisition (the “properties to be acquired”), in addition to rents, common area maintenance charges, parking revenue, incidental revenue, etc. accrued based on leasing contracts of the already acquired properties owned as of today and the properties to be acquired. • Gain on sales of real estate, etc. through the Disposition is assumed to be 73 million yen for the 25th fiscal period.
Operating expenses	<ul style="list-style-type: none"> • Expenses related to rent business other than depreciation and amortization are calculated separately for the already acquired properties, which are calculated based on historical data and future forecast and by reflecting factors that may cause fluctuations in expenses, and the properties to be acquired, which are calculated based on historical data by using materials provided from the current owners, etc. as the basis and by reflecting factors that may cause fluctuations in expenses. • Management expenses are expected to be 192 million yen for the 25th fiscal period and 192 million yen for the 26th fiscal period. • Repair expenses, which are recorded as expenses in the amount presumed to be necessary in the respective business period, are expected to be 103 million yen for the 25th fiscal period and 83 million yen for the 26th 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., 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 171 million yen for the 25th fiscal period and 172 million yen for the 26th fiscal period. As for the fixed asset tax, city planning tax and depreciable asset tax, etc. on properties to be acquired, it is general practice in the transaction of real estate and other fixed assets 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 reimbursed amount in the acquisition costs and thus does not recognize them as expenses at the time of acquisition. The amount equivalent to the reimbursed amount for fixed asset tax, city planning tax and depreciable asset tax, etc. to be included in the acquisition costs for the properties to be acquired is expected to be 6 million yen, and the amount to be paid in April 2018 or after will be recognized as 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 615 million yen for the 25th fiscal period and 620 million yen for the 26th 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 396 million yen for the 25th fiscal period and 415 million yen for the 26th fiscal period.
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses are expected to be 153 million yen for the 25th fiscal period and 153 million yen for the 26th fiscal period. • Borrowing related expenses are expected to be 48 million yen for the 25th fiscal period and 46 million yen for the 26th fiscal period. • Expenses related to the public offering of investment units are recorded as deferred assets and assumed to be depreciated over three years using the straight-line method. The amount is expected to be 4 million yen for the 25th fiscal period and 4 million yen for the 26th fiscal period.

Item	Assumption
Loans	<ul style="list-style-type: none"> With the assumption that the loans balance as of today is 42,746 million yen for the 25th fiscal period, the forecast assumes that new loans of 2,900 million yen from qualified institutional investors as defined in Article 2, paragraph (3), item (i) of the Financial Instruments and Exchange Act to be made for using the borrowings as part of the funds for acquiring the properties to be acquired. The forecast assumes 45,646 million yen as the loans balance at the end of the 25th fiscal period under precondition that no significant change in interest rates occurs during the period. As for the 26th fiscal period, the forecast assumes that the borrowings due for repayment (2,500 million yen) will be refinanced in the entire amount. The forecast assumes 45,646 million yen as the loans balance at the end of the 26th fiscal period under precondition that no significant change in interest rates occurs during the period.
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> The forecast assumes the total number of investment units issued and outstanding as of today of 256,777 units, and that there will be no change in the number of investment units due to the issuance of new investment units through the end of the 26th 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.