

Translation Purpose Only

For Immediate Release

REIT Issuer

Starts Proceed Investment Corporation
3-1-8 Nihonbashi, Chuo-ku, Tokyo
Kazuya Hiraide, Executive Director
(Security Code: 8979)

Asset Management Company

Starts Asset Management Co., Ltd.
Kazuya Hiraide, Representative Director
Inquiries: Hideki Hamaguchi, General Manager of
Financial Control and Administration Division
TEL. +81-3-6202-0856

Notice Concerning Submission of Revised Shelf Registration Statement for Issuance of Green Bonds

Starts Proceed Investment Corporation (“SPI”) announces today that it has submitted a revised shelf registration statement for the issuance of green bonds (unsecured investment corporation bonds).

1. Content of the revised shelf registration statement for issuance of the Green Bonds

SPI today submitted a revised shelf registration statement of investment corporation bonds to the Director-General of the Kanto Local Finance Bureau in connection with the issuance of the Green Bonds.

SPI plans to apply all of the proceeds from the Green Bonds to fund the acquisition of eligible green assets (described in “3. Outline of the green finance framework (2) Eligibility criteria” below), to make repayments of loans or bonds outstanding to acquire eligible green assets, and to make payments of refurbishments of the eligible green assets, to make repayments of loans or bonds outstanding to pay for the refurbishments of the eligible green assets.
2. Purpose and background of the issuance of the Green Bonds

As awareness of ESG (Environment, Social, and Governance) and SDGs (Sustainable Development Goals) has increased globally, Starts Asset Management Co., Ltd. (the Asset Management Company), an affiliate of Starts Group and the asset management company to which SPI entrusts the management of its assets, has been taking actions to help build a sustainable society driven by the Starts Group’s corporate philosophy that “People are everything, the heart is all” and slogan; Leading a fulfilling life is the key to a sustainable society.

SPI and the Asset Management Company is filing this revised shelf registration statement with aims to strengthen the funding platform by expanding the ESG investor base, along with promoting sustainability initiatives, by procuring funds through green bonds.
3. Outline of the green finance framework

To promote green finance, including the issuance of the Green Bonds, SPI has formulated a green finance framework in line with the “Green Bond Principles (2021)” (Note 1), the “Green Loan Principles (2021)” (Note 2), the “Green Bond Guidelines (2020)” (Note 3), and the “Green Loan and Sustainability Linked Loan Guidelines (2020)” (Note 4). Mizuho Securities Co., Ltd. and SMBC Nikko Securities Inc. were mandated as Green bond structuring agents (Note 5) in connection with devising the green finance framework and obtaining external review.

(Note 1) “Green Bond Principles (2021)” refers to the guidelines for green bond issuance formulated by the Green Bond Principles Executive Committee, a non-government organization for which the International Capital Market Association (ICMA) serves as secretariat, and are hereinafter referred to as the “Green Bond Principles and Social Bond Principles Executive Committee.”

- (Note 2) “Green Loan Principles (2021)” refers to the guidelines for loans made available exclusively for use on green projects formulated by the Loan Market Association (LMA) and the Asia Pacific Loan Market Association (APLMA), and are hereinafter referred to as the “Green Loan Principles.”
- (Note 3) “Green Bond Guidelines (2020)” refers to the guidelines formulated and published in March 2017 and revised in March 2020 by the Ministry of the Environment of Japan. The Guidelines, in accordance with the Green Bond Principles, seek to provide market participants with illustrative examples of specific approaches and interpretations tailored to the Japanese market to aid with decision-making regarding green bonds, thereby promoting green bond issuances and investments in Japan. The Guidelines are hereinafter referred to as the “Green Bond Guidelines.”
- (Note 4) “Green Loan and Sustainability-Linked Loan Guidelines (2020)” refers to the guidelines formulated and published in March 2020 by the Ministry of the Environment of Japan. The Guidelines, in accordance with the Green Loan Principles for green loans, seek to provide borrowers, lenders and other market participants with illustrative examples of specific approaches and interpretations tailored to the Japanese market to aid with decision-making regarding green loans, thereby spurring utilization of green loans in Japan.
- (Note 5) “Green bond structuring agents” refer to agents that assisted in the issuance of green bonds through devising the green bond framework and obtaining second party opinions.

(1) Use of proceeds

SPI will allocate funds raised through green finance towards assets that meet the following green-qualified criteria (hereinafter referred to as “Eligible Green Assets”) and renovation work, as well as any refinancing of such allocated funds.

(2) Eligibility criteria

Eligible Green Assets refer to buildings that meet either Green Criteria-1 or Green Criteria-2.

a. Green Criteria-1

Buildings that have or will have one of the following environmental certifications valid

- ① DBJ Green Building Certification (Note 6): five stars, four stars or three stars
- ② CASBEE Appraisal (Note 7): rank S, A, or B+
- ③ BELS Certification (Note 8): five stars, four stars or three stars

b. Green Criteria-2

Renovation of assets under management with the objective to enhance energy efficiency, reduce water usage, and any other environmental benefits (i.e. reduction of electricity and water usage by 30%).

- (Note 6) “DBJ Green Building Certification” is for real estate that is environmentally and socially friendly (Green Building), using a comprehensive scoring model originally developed by Development Bank of Japan (DBJ). DBJ performs assessments based on a graded scale of 1 to 5 stars.
- (Note 7) “CASBEE (Comprehensive Assessment System for Built Environment Efficiency)” is a method to evaluate and rate the environmental performance of buildings (C rank to S rank). It is a system that comprehensively evaluates the environmental performance of buildings, including consideration for the landscape, in addition to the aspects of reducing environmental load such as energy saving, resource saving, and recycling performance.
- (Note 8) “BELS (Building-Housing Energy-efficiency Labeling System)” is a public evaluation system established by the Ministry of Land, Infrastructure, Transport and Tourism. It is a system that evaluates energy-saving performance on a graded scale (1 to 5 stars) based on the primary energy consumption of a building.

(3) Project evaluation and selection process

The Financial Control and Administration Division of the Asset Management Company will select green projects which will be evaluated by the ESG Committee consisting of the Representative Director acting as ESG Chief Officer, the General Manager of the Financial Control and Administration Division acting as ESG Executive Officer, heads of each division, and other appointed members.

In order to maximize unitholder interests, profitability and risks are factored into the decisions on selecting projects upon identifying all pertinent risks of the asset based on various due diligence reports, assessments, and opinions prepared by outside professionals such as real estate appraisal reports, engineering reports, seismic analyses, environmental and soil assessments.

Although the Asset Management Company is aware of the importance of the ESG initiatives, if any concerns about

negative impacts on the environment or society arises with respect to a particular target asset for acquisition, the Asset Management Company will minimize such impacts by discussing with the seller on measures to remedy such risks and verifying whether such risks are appropriately managed, mitigated or remedied.

(4) Management of proceeds

Once the proceeds are transferred to the designated account, the Financial Control and Administration Division of the Asset Management Company will instruct the asset custodian where to remit the funds.

The Financial Control and Administration Division is also responsible for tracking the status of green finance proceeds. As long as there remains a balance green finance proceeds, this division will periodically verify the amount of unallocated funds and whether the entire amount of proceeds have been allocated or not. Until the entire amount of green finance proceeds are allocated to Eligible Green Assets, such unallocated funds will be managed in cash or cash equivalents (certificate of deposit).

If unallocated funds are generated, such as by selling an Eligible Green Asset funded by green finance proceeds, the temporarily unallocated funds will be re-allocated to other assets or projects meeting the eligibility criteria. Furthermore, in the case that unallocated funds are present, such funds will be managed as cash or cash equivalents until an alternative destination is determined.

(5) Reporting

SPI will make reasonable efforts to disclose the following status reports and KPI's once a year on its website.

a. Reporting on funding status

SPI will disclose the status of allocated funds until the full amount of green finance proceeds are allocated to Eligible Green Assets.

b. Impact reporting

As long as there remains a balance of green finance proceeds, SPI will disclose the following KPIs of Eligible Green Assets that meet Green Criteria-1.

- ① Volume of electricity usage
- ② Volume of CO2 emissions
- ③ Volume of water usage
- ④ Progress on obtaining environmental certifications (number of assets, total floor area, certification date, grade/rank)

As long as there remains a balance of green finance proceeds, SPI will disclose the following KPIs of Eligible Green Assets that meet Green Criteria-2 before renovation work commences or after its completed.

- ① Volume of Electricity usage
- ② Volume of CO2 emissions
- ③ Volume of water usage

c. Reporting on significant changes

Any significant changes involving initially allocated funds that generate unallocated funds are disclosed on the SPI website upon seeking approval from the Asset Management Company.

4. External review

For eligibility of the green finance framework, SPI has been assigned "Green 1 (F)," the highest evaluation grade in the JCR Green Finance Framework Evaluation (Note 9) by Japan Credit Rating Agency, Ltd. ("JCR"). Furthermore, as an issuance supporter under the Ministry of the Environment of Japan's Fiscal 2021 Financial Support Programme for Green Bond Issuance (Note 10), JCR has received the notification of decision to grant the subsidy from the Green Finance Organization, making the assignment of third-party evaluation of the green finance framework of SPI eligible for grant of the subsidy.

(Note 9) The "JCR Green Finance Framework Evaluation" refers to a third-party assessment of issuers or borrowers issuing green bonds, or green loan policies (green finance policies) based on the Green Bond Principles established by ICMA, the Green Loan Principles established by LMA, APLMA and LSTA and the Green Bond Guidelines and the Green Loan and Sustainability-Linked Loan Guidelines established by the Ministry of the Environment of Japan. In this assessment, JCR assess whether the project classification described in the issuer's or borrower's green finance policy corresponds to the green project. JCR evaluates green eligibility, the use of the proceeds (the proportion allocated to the green project) and the management, operation, and transparency of the issuer's or

borrower's management and operation system. As a comprehensive evaluation, the "JCR Green Finance Framework Evaluation" is determined. In addition, "JCR Green Finance Framework Evaluation" is indicated with (F) at the end of the evaluation number in order to differentiate it with evaluation on individual bonds or borrowings. The "JCR Green Finance Framework Evaluation" of SPI can be viewed on JCR's website. <https://www.jcr.co.jp/en/greenfinance/>

- (Note 10) "Financial Support Programme for Green Bond Issuance" refers to a program providing subsidies for the expenses required by those who support companies, municipalities and other bodies who seek to issue green bonds, etc. in the form of granting external reviews, consultation on establishing a green bond or other framework, etc. The requirements for green bonds, etc. to be eligible are that the proceeds are exclusively applied to green projects and that all of the following requirements are met at the time of issuance.
- (1) Any of the following criteria is met at the time of issuance of green bonds, etc.:
 - ① A project that contributes mainly to domestic decarbonization (renewable energy, energy-saving, etc.)
 - Project for which half or more of the proceeds, or of which half or more the number of projects, are for domestic decarbonization-related projects.
 - ② A project that has a significant effect on decarbonization and vitalization of local economies.
 - Decarbonization effect: Projects whose subsidy amount per ton of domestic CO2 reduction is less than the specified amount.
 - Local community vitalization effect: Projects that are recognized in the ordinances or plans established by the municipalities to be contributing to vitalization of local economy.
 - Projects and other activities which the municipalities are expected to invest in.
 - (2) Compliance of the green bond or other framework with the Green Bond Guidelines has been confirmed by an external review organization before issuance.
 - (3) Not a so-called "green-wash bond" (bond claiming to be green bond, etc. even though it does not actually have an environmental improvement effect or the proceeds are not properly allocated to environmental projects)."

* Starts Proceed website: <https://www.sp-inv.co.jp/en/>