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Asset Management Company

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Notice Concerning the Asset Management Company Selected as Fund Manager for a Tokyo Metropolitan Government Public-Private Partnership Infrastructure Fund for Facilities Contributing to Welfare

Starts Proceed Investment Corporation (“Starts Proceed”) announces that Starts Asset Management Co., Ltd., to which Starts Proceed entrusts the management of its assets (the “Asset Management Company”), today received a notice stating that it was selected as the fund manager (the “FM”) for a “Public-Private Partnership Infrastructure Fund for Facilities Contributing to Welfare” (the “Fund”) to be newly established by the Tokyo Metropolitan Government, as described below.

1. Intent of Tokyo Metropolitan Government for establishing the Fund

The Tokyo Metropolitan Government will set up the Fund in order to establish a new system for the flow of funds in welfare-related areas, and to promote construction of welfare-related facilities and buildings as well as the “Tokyo-version CCRC” (Note) in Tokyo, where the land is expensive.

Specifically, the Tokyo Metropolitan Government will finance the Fund through its scheme and, using the capital as encouragement, attract the capital and know-how of the private sector to the Fund. The Fund will use the capital to promote construction of childcare support facilities and other buildings that contribute to welfare (including multi-use buildings combined with general income-generating facilities). The Fund will also aim to construct “Tokyo-version CCRC” facilities, or buildings where family households can live over a long period of time and, with childcare support facilities incorporated, multiple generations of people can reside together.

(Note) The Tokyo-based CCRC represents a multi-generation living community featuring safety and security. It is a concept of a community with multi-generation facilities such as facilities for self-support elderly people, facilities for the elderly requiring care, childcare support facilities and daily living facilities (including shops).

*CCRC (Continuing Care Retirement Community) is a system for facilities services which, based on the principle of “continuous care,” provides housing, living services, caring, nursing, medical services and other support in a comprehensive manner in accordance with the needs of elderly people that vary along with aging.

2. Overview of the Fund

The overview of the Fund is as follows. Since details have not been determined yet, Starts Proceed will announce them as soon as they are finalized.

- The Fund shall be a limited partnership for investment (the “LPS”) under the Limited Partnership Act for Investment (Act No. 90 of 1998).
- Each FM or its parent company, etc. (meaning the parent company of the relevant FM or the party that is in effect integrated with the FM) shall be an unlimited partner, and utilize the LPS scheme together with the Tokyo Metropolitan Government and other investors in and outside Japan.
- The LPS shall invest in and loan to business endeavors that aim to construct and promote buildings contributing to welfare, including childcare support facilities (business endeavors that are involved in the projects for buildings contributing to welfare from their development stage and generate new floor areas for either or both of childcare support facilities and facilities for the elderly) to meet local needs. As a rule, the LPS shall do so through the vehicles that are formed for respective development projects, pursuant to the limited partnership agreement for investment (the “LPS agreement”) and the investment guidelines and based on the judgment of the relevant FM.
- The geographical investment target areas shall be Tokyo Prefecture. In particular, investments shall be made in the areas where the business endeavors are highly feasible in light of the needs of users and intensions of the local municipalities, etc.

3. Investment policy of the Tokyo Metropolitan Government for the Fund

The Tokyo Metropolitan Government plans to invest in the Fund as follows:

- The Tokyo Metropolitan Government will participate in the LPS as a limited partner (the “LP”) and invest up to 5 billion yen through the scheme that secures its limited liability. Furthermore, as separate FMs have been appointed for each Fund, the investment amount by the Tokyo Metropolitan Government for the Fund to be managed by the Asset Management Company will be 1.25 billion yen.
- As a rule, the authority to give management instructions for the LPS will be entrusted to each FM, pursuant to the LPS agreement.
- The Tokyo Metropolitan Government will select the FMs with an emphasis placed on their ability to perform operations and evaluate investment targets and, from the standpoint of the LP, will have a function to monitor them. Through these and other measures, it will work to steadily implement the business endeavors to construct and enhance facilities in the welfare-related areas.

(Note) The above 1. Intent of Tokyo Metropolitan Government for establishing the Fund, 2. Overview of the Fund and 3. Investment policy of the Tokyo Metropolitan Government for the Fund have been partly excerpted from the “Application Guidelines for Fund Managers for the Public-Private Partnership Infrastructure Fund for Facilities Contributing to Welfare” (in Japanese) dated May 26, 2015. For more details, please refer to the Application Guidelines.

4. Reasons for applying for the FM of the Fund

The Asset Management Company considered that it would obtain the following advantages by conducting the FM operations for the Fund (the “Operations”), and applied for the task.

- (1) With the involvement of the Asset Management Company in constructing and promoting buildings contributing to welfare through the implementation of the Operations, etc., it is expected that there will be growing opportunities to acquire excellent properties for Starts Proceed.
- (2) Through an attempt to reinforce the earnings structure and stabilize the management base of the Asset Management Company, it is expected that the services provided to Starts Proceed, which entrusts the management of its assets to the Asset Management Company, will be enhanced.
- (3) With the Asset Management Company participating in a variety of investment projects, it is expected that management know-how will be accumulated and human resources will be fostered and reinforced.

(Note) Details of the Fund’s exit strategy have not been determined yet, and it is not decided yet whether the ownership and other rights of the properties of the target business endeavors will be sold to Starts Proceed. If Starts Proceed becomes the buyer, we will make an announcement separately as soon as such a decision is made.

5. Future outlook

The Asset Management Company will start implementing the Operations immediately when necessary filings have been made pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948) and other applicable laws and regulations and preparations for the Operations including adjustments of various terms and conditions have been completed. Even after starting the Operations, the Asset Management Company will remain committed to the asset management for Starts Proceed, with its internal system functioning under the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” prepared by the Financial Services Agency.

This matter will have no impact on the management status of Starts Proceed, and no change is made to the management status forecasts of Starts Proceed for the fiscal periods ending October 2015 and April 2016.

*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/>