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Asset Management Company

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Notice Concerning Conclusion of Memorandum of Amendments for Pipeline Support Agreements and Property Information Provision Agreement at Asset Management Company

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”), has pipeline support agreements concluded with each of Starts Corporation Inc. (“Starts Corporation”), Starts Amenity Co., Ltd. (“Starts Amenity”) and Starts Development Corporation (“Starts Development”) as well as a property information provision agreement with Starts CAM Co., Ltd. (“Starts CAM”), and decided today to conclude a memorandum of amendments for the pipeline support agreements and property information provision agreement (“Memorandum of Amendments”), as described below.

Moreover, Starts Corporation, Starts Amenity, Starts Development and Starts CAM (collectively the “Support Companies” or individually the “Support Company”) fall within the scope of an interested party, etc. as stipulated in the Act on Investment Trusts and Investment Corporations (“Investment Trusts Act”). With the conclusion of the Memorandum of Amendments, rules concerning transactions with a related company, etc., which are internal rules of the Asset Management Company providing rules in case of transactions between Starts Proceed and an interested party, etc., have also been revised, as described below.

1. Reasons for Conclusion of Memorandum of Amendments

Starts Proceed has adopted a strategy of expanding the size of its assets under management through first refusal rights in relation to external growth based on pipeline support agreements and property information provision agreements between the Asset Management Company and the Support Companies. On the other hand, Starts Proceed has not transferred assets under management, but it acknowledges the necessity of the transfer of aged assets or small assets with relatively high expense ratio in order to enhance competitiveness of its portfolio.

When transferring assets under management hereafter, in order to maximize the unitholders’ value of Starts Proceed, it will of course pursue a wide range of candidate buyers, but on the other hand, the Support Companies are factually high-potential candidate buyers. From such point of view, granting first refusal rights in relation to transfer of assets under management to the Support Companies, which was not specified in the former pipeline support agreements or property information provision agreements, will further strengthen the cooperative structure with the Support Companies and is considered to realize prompt transfer of assets under management from among a wide range of options.

2 Details of Memorandum of Amendments

A new paragraph on first refusal rights for properties subject to transfer will be set within Article 2 (First Refusal Right) of the pipeline support agreements and property information provision agreement, and first refusal rights will be granted to each of the Support Companies. However, assets under management subject to first refusal rights will be limited to those acquired from the Support Companies, SPCs established by such companies or its subsidiaries.

3. Details of Changes to Rules Concerning Transactions with Affiliated Company, etc.

The Asset Management Company specifies the method and structure as well as disclosure of the transaction details when Starts Proceed transacts with interested parties in the rules concerning transactions with affiliated company, etc., which are voluntary rules, and through the compliance with such rules, it strives to prevent conflict of interest with interested parties.

Considering that first refusal right for properties subject to transfer will be granted to the Support Companies, the following has been added.

- (1) On the occasion of a transfer of assets under management subject to first refusal rights, the Asset Management Company shall preferentially offer information of the transfer to the Support Companies and shall negotiate in good faith with the party the Asset Management Company judges appropriate for the transfer among the parties which information of the transfer were offered.
- (2) Regardless of whether first refusal rights will be granted or not, on the occasion of a transfer of assets under management, the Asset Management Company shall offer information of the transfer to the Support Companies with a minimum transfer price equivalent to the most recent appraisal value.
- (3) When an agreement on acquisition conditions cannot be reached with the Support Companies within a certain period of time, or when they have notified to pass on the acquisition of the concerned asset, the Asset Management Company may offer the transfer of the concerned asset to a third party.
- (4) When no third party expresses intention to acquire, or acquisition conditions of a third party fall below the acquisition conditions of the Support Companies and the policy to transfer the concerned asset has not changed at that point in time, the Asset Management Company may once again offer the transfer to the Support Companies.

4. Future outlook

The conclusion of Memorandum of Amendments will have no impact on the management status of Starts Proceed for the fiscal period ending April 2017 (November 1, 2016 to April 30, 2017) and fiscal period ending October 2017 (May 1, 2017 to October 31, 2017) announced as the Financial Report on December 15, 2016.

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