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For Immediate Release

REIT Issuer

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Asset Management Company

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Notice Concerning Amendments to Internal Rules (Management Guideline) of the Asset Management Company

Starts Proceed Investment Corporation (“Starts Proceed”) announces that Starts Asset Management Co., Ltd. (the “Asset Management Company”), to which Starts Proceed entrusts the management of its assets, resolved at its Board of Directors’ meeting held today to change the management guideline, the internal rules of the Asset Management Company, as detailed below. Moreover, with regard to the matters described in [Basic Policy on Portfolio Construction and Change by Use and Type of Residence] in “1. Main Content of Change in Management Guideline” below, the approval of the proposal concerning amendments to the Articles of Incorporation (Note) at the Eighth General Meeting of Unitholders scheduled to be held on January 18, 2019 will be set as the condition precedent.

(Note) For details of the said proposal, please refer to “Notice Concerning Amendments to the Articles of Incorporation and Appointment of Directors” dated today.

## 1. Main Content of Change in Management Guideline

The main content of change is as follows (other slight changes have been omitted. The revised parts are underlined.)

Before Change			After Change		
[Basic Policy on Portfolio Construction and Change by Use and Type of Residence] In compliance with the basic policy, the Company will invest mainly in specified assets, real estate of which the principal use is use as rental housing (“rental housing”) or specified assets backed mainly by rental housing on behalf of Starts Proceed.			[Basic Policy on Portfolio Construction and Change by Use and Type of Residence] In compliance with the basic policy, the Company will set specified assets, real estate of which the principal use is use as rental housing (“rental housing”) or specified assets backed mainly by rental housing as its main investment targets on behalf of Starts Proceed. <u>In addition, the Company will also invest in monthly rental apartments, serviced apartments, hotels, residential facilities for the elderly (collectively referred to as “rental housing, etc.” together with “rental housing”), which are related to rental housing, as well as real estate in which income can be expected due to other leasing revenue or specified assets backed by such real estate.</u>		
Use of specified assets and policy on portfolio construction by exclusive floor area and type of residence are as follows. <By Use>			Use of specified assets and policy on portfolio construction by exclusive floor area and type of residence are as follows. <By Use>		
Investment target	Characteristics	Price ratio	Investment target	Characteristics	Price ratio
①Rental housing	Regular rental housing for singles, DINKS, families, etc. Apartments for students whose operation is assumed to be entrusted to a special operator and corporate housing (or dormitories) whose rooms are assumed to be leased by corporations are also included.	80% or more	①Rental housing	Regular rental housing for singles, DINKS, families, etc. Apartments for students whose operation is assumed to be entrusted to a special operator and corporate housing (or dormitories) whose rooms are assumed to be leased by corporations are also included.	70% or more

Before Change			After Change		
②Monthly apartments (=Short stay apartments)	Rental housing with furniture that accepts short-term contracts such as a monthly contract. Assumed to be leased in its entirety by concluding a master lease agreement with a special operator as unique operational organization and know-how are required.	15% or less	②Monthly apartments (=Short stay apartments)	Rental housing with furniture that accepts short-term contracts such as a monthly contract. Assumed to be leased in its entirety by concluding a master lease agreement with a special operator as unique operational organization and know-how are required.	25% or less
③Serviced apartments	Rental housing with furniture that provides services such as linen change and front desk service. Assumed to be leased in its entirety by concluding a master lease agreement with special operators as unique operational organization and know-how are required.		③Serviced apartments	Rental housing with furniture that provides services such as linen change and front desk service. Assumed to be leased in its entirety by concluding a master lease agreement with a special operator as unique operational organization and know-how are required.	
④Hotels	Business hotels specialized in lodging. Assumed to be leased in its entirety by concluding a master lease agreement with a special operator as unique operational organization and know-how are required.		④Hotels	<u>Assumed to be, but not limited to, business hotels specialized in lodging. Assumed to be leased in its entirety by concluding a master lease agreement with a special operator as unique operational organization and know-how are required.</u>	
⑤Residential facilities for the elderly	Rental housing in a style of pay nursing homes and such. Assumed to be leased in its entirety by concluding a master lease agreement with a special operator as unique operational organization and know-how are required.	10% or less	⑤Facilities for the elderly	<u>Assumed to be, but not limited to, rental housing in a style of pay nursing homes and such and facilities covered by long-term care insurance such as nursing care welfare facilities for the elderly (including medical facilities incidental to them). Assumed to be leased in its entirety by concluding a master lease agreement with a special operator as unique operational organization and know-how are required.</u>	10% or less
(Newly established)	(Newly established)	(Newly established)	⑥Other	<u>Assumed to be, but not limited to, properties whose use does not fall under the category of rental housing, etc. and developed in PFI, PPP, urban redevelopment projects, etc. implementing architectural planning, etc. through real estate consulting business which the Company conducts as a side job.</u>	25% or less

<By Type of Residence>

Category of type of residence	Characteristics	Area ratio
Single type	<Assumed image of major tenants> Singles centering on students and workers <Assumed number of tenants> 1 <Exclusive floor area> Around 18 m <sup>2</sup> -28 m <sup>2</sup> <Type> Studio, 1K, 1DK	20%-50%
DINKS type	<Assumed image of major tenants> Singles seeking comfort, DINKS placing importance on convenience and families with a single infant. <Assumed number of tenants> 1-3 <Exclusive floor area> Around 28 m <sup>2</sup> ~45 m <sup>2</sup> <Type> 1LDK, 2DK	5%-25%
Family type	<Assumed image of major tenants> Families with children placing importance on convenience as well as residential environment <Assumed number of tenants> 2 or more <Exclusive floor area> Around 45 m <sup>2</sup> or more <Type> 2LDK, 3DK, 3LDK or more	40%-60%

<By Type of Residence>

Category of type of residence	Characteristics	Area ratio
Single type	<Assumed image of major tenants> Singles centering on students and workers <Assumed number of tenants> 1 <Exclusive floor area> Around 18 m <sup>2</sup> -28 m <sup>2</sup> <Type> Studio, 1K, 1DK	20%-50%
DINKS type	<Assumed image of major tenants> Singles seeking comfort, DINKS placing importance on convenience and families with a single infant. <Assumed number of tenants> 1-3 <Exclusive floor area> Around 28 m <sup>2</sup> -45 m <sup>2</sup> <Type> 1LDK, 2DK	5%-25%
Family type	<Assumed image of major tenants> Families with children placing importance on convenience as well as residential environment <Assumed number of tenants> 2 or more <Exclusive floor area> Around 45 m <sup>2</sup> or more <Type> 2LDK, 3DK, 3LDK or more	30%-60%

Before Change	After Change
<p>[Abolition of weighted average age of portfolio and addition of standard in acquisition policy]</p> <p><u>• Aim to maintain the price-based weighted average age of the entire portfolio at “12 years or less”</u> (Newly established)</p> <p>[Change in Property Scale Upon Selection] We will set the lower limit of the total floor area of buildings at 300 m<sup>2</sup> (total area for those considered as a cluster of sites) and invest, in compliance with the policy on portfolio construction, mainly in properties with an area of around <u>1,000 m<sup>2</sup></u> to <u>1,500 m<sup>2</sup></u> by taking into consideration regional dispersion.</p> <p>[Change in Policy of Earthquake Insurance] <u>Earthquake insurance will be secured and the risk of incurrence of unexpected loss by earthquakes will be reduced to compensate for the loss caused by earthquakes.</u></p>	<p>[Abolition of weighted average age of portfolio and addition of standard in acquisition policy]</p> <p style="text-align: center;">(Deleted)</p> <p><u>• In principle, building age shall be 20 years or less upon acquisition</u></p> <p>[Change in Property Scale Upon Selection] We will set the lower limit of the total floor area of buildings at 300 m<sup>2</sup> (total area for those considered as a cluster of sites) and invest, in compliance with the policy on portfolio construction, mainly in properties with an area of around <u>2,000 m<sup>2</sup></u> to <u>4,000 m<sup>2</sup></u> by taking into consideration regional dispersion.</p> <p>[Change in Policy of Earthquake Insurance] <u>In principle, earthquake insurance will be secured for properties with a PML of 10% or more</u></p>

2. Reason for Change in Management Guideline

[Basic Policy on Portfolio Construction and Change by Use and Type of Residence]

Change in <By Use>

Starts Proceed adopts the basic policy on portfolio construction of investing in real estate of which the principal use is rental housing (“rental housing”) and monthly rental apartments, serviced apartments, hotels, residential facilities for the elderly, etc., as well as specified assets backed mainly by rental housing, etc., and currently manages 107 properties worth 86.3 billion yen (total acquisition price) through investment in monthly rental apartments and residential facilities for the elderly with a focus on rental housing.

Starts Proceed will partially expand the investment target by use due to the following reasons while maintaining the basic policy of investing mainly in rental housing. Through such efforts, Starts Proceed believes that unitholder value can be maximized by increasing its opportunities for acquiring carefully selected assets and constructing a more stable portfolio.

The Asset Management Company conducts real estate consulting business as a side job alongside its investment management business. Consulting business of development projects (“development projects”) in PFI, PPP, urban redevelopment projects, etc. of Starts Group accounts for a large portion of the business, and hotels, commercial facilities, etc. are included in the development projects for which an agreement was reached through public proposals, etc. Starts Proceed believes that assets which are likely to become an attractive investment target after completion are included in such development projects. However, since assets which do not necessarily fall under such category are assumed to be included in “rental housing” defined in the current management guideline, Starts Proceed will create a new type of investment target categorized as “Others” (price ratio: 25% or more) and invest in properties developed mainly through development projects other than the existing type.

In addition, the Asset Management Company partially changed the regulation to enable the acquisition of not only pay nursing homes which were originally envisioned but also facilities covered by long-term care insurance, thereby setting facilities for the elderly as the investment target for residential facilities for the elderly and further expanding the investment target through the elimination of limited expressions for hotels.

The Asset Management Company will acquire assets other than rental housing after carefully selecting the location and future upside potential as usual, as well as proactively consider the utilization of the master lease agreement of the sponsor. The price ratio for investments in rental housing will be changed from 80% or more to 70% or more for the sake of establishing a system to flexibly acquire attractive properties contributing to the improvement of unitholder value.

Change in <By Type of Residence>

The area ratio will be changed based on the increasing demand from singles and DINKS in recent years in addition to Starts Proceed’s investment and management performance.

[Abolition of weighted average age of portfolio and addition of standard in acquisition policy]

The incorporation of properties developed in PFI, PPP, and urban redevelopment projects in cooperation with Starts Group is one of the characteristics of the external growth of Starts Proceed. Starts Proceed manages acquired properties such as Proceed Nishiarai (C-41) and Proceed Shinozaki Tower (C-58) and plans to continue conducting investment as described in [Basic Policy on Portfolio Construction and Change by Use and Type of Residence] above. Such properties are carefully selected among the projects in which the Asset Management Company has been involved since the planning stage and is familiar with in both hard and soft aspects as contributing to the maximization of unitholder value, and high competitiveness and profitability can be maintained by conducting appropriate repair work regardless of building scale and age.

Starts Proceed will also consider property replacement to continue improving the competitiveness of the portfolio and will abolish the targeted weighted average age as management eyeing long-term holdings may contribute more to the maximization of unitholder value due to the characteristics of each property described above. Meanwhile, Starts Proceed will impose certain restrictions by limiting the property age upon acquisition to “20 years or less” in the acquisition policy.

[Change in Property Scale Upon Selection]

The standard of the total floor area of the building to be acquired will be changed by adding the reduction of the impact on regional dispersion, etc. upon the acquisition of large-scale properties associated with the enlargement of the scale of properties developed by the sponsor and the expansion of the portfolio of Starts Proceed in addition to Starts Proceed’s investment and management performance.

[Change in Policy of Earthquake Insurance]

In principle, Starts Proceed secured earthquake insurance for properties which it had acquired until now. However, it will limit the properties to be insured to those with a PML of 10% or more by comprehensively taking into account the earthquake resistance of properties complying with the new standard on earthquake-resistant design, limit in payment of earthquake insurance, insurance fee, etc. as there have been many cases where earthquake insurance was not secured for properties owned by REITs while Starts Proceed held properties with excellent seismic isolation structure, etc.

3. Scheduled Date of Change

January 18, 2019

However, [Change in Policy of Earthquake Insurance] above will be made as of December 14, 2018.

4. Future Outlook

This matter will have no impact on the business performance of Starts Proceed.

5. Other

As for this matter, an extraordinary report has been submitted to the Kanto Local Finance Bureau as of December 14, 2018.

\* 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

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