



Starts Proceed  
Investment Corporation

# Starts Proceed Investment Corporation



## Supplementary Explanatory Material Concerning Timely Disclosure Information Announced Today

March 26, 2019

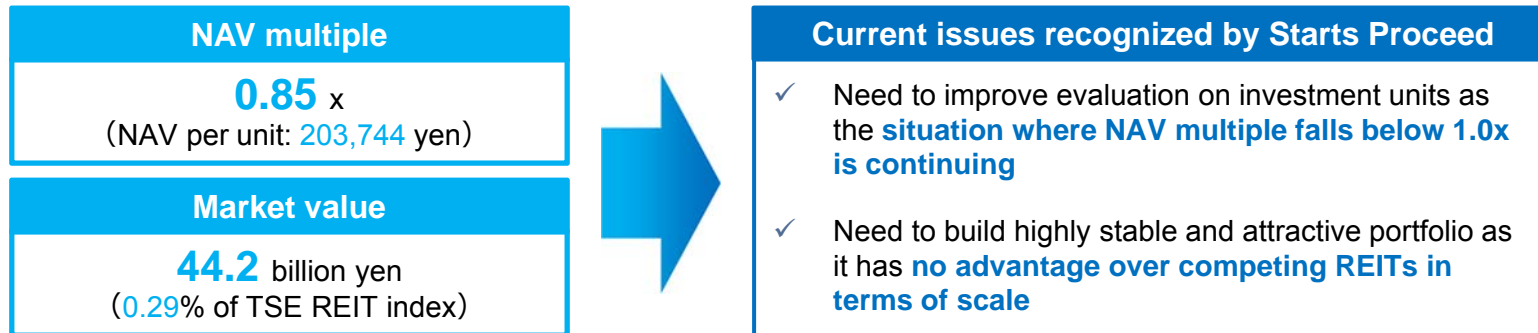


Starts Asset Management  
Company Limited

(Asset Management Company)  
Starts Asset Management Co., Ltd.

Starts Proceed will make various efforts for the improvement of unitholder value.

## Starts Proceed's recognition of the current situation



(Note) NAV per unit is calculated by adding unrealized gain to the total unitholders' equity as of the end of the 26th fiscal period.  
Figures for NAV multiple and market value are as of March 22.  
Ratio to TSE REIT index shows incorporation ratio after adjusting floating units.

**On the basis of current issues, Starts Proceed will implement measures focusing more on the improvement of unitholder value**

## Means to solve current issues for the improvement of unitholder value

- 1 Strengthen portfolio through agile property replacement**
  - ✓ While strengthening the portfolio, return capital gain from disposition to unitholders, benefiting from the high price of real estate
  - ✓ Consider property acquisition as well and strive for enhancement of portfolio quality in addition to maintaining and improving medium- to long-term NOI
- 2 Unitholder return through repurchase of investment units utilizing surplus**
  - ✓ Enforce measures for unitholder return by considering repurchase of investment units, an aggressive approach to utilizing free cash
- 3 Improve liquidity and stability through acquisition of pipeline properties**
  - ✓ Build a highly stable and attractive portfolio through acquisition of properties developed by the competitive sponsor

# Details Concerning Series of Efforts Announced Today

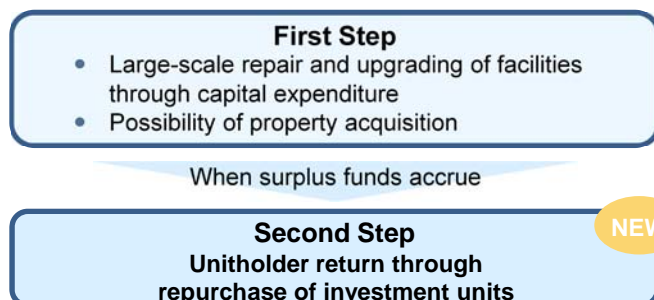
Starts Proceed today announced the repurchase of investment units and disposition of a property. Through these efforts, Starts Proceed will aim to improve its unitholder value. Furthermore, Starts Proceed will continuously consider investment unit buyback and disposition of properties as effective measures for unitholder return.

## Overview of Repurchase of Investment Units and Future Policy

- Purpose of repurchase of investment units
  - ▶ Resolved first repurchase of investment units for the purpose of improving unitholder value
  - ▶ First measure towards making investment unit price more affordable
  - ▶ Introduction of new method for unitholder return, in addition to increasing distribution

<b>Total number of investment units to be repurchased</b>	3,000 units (maximum) (1.17% of total number of issued investment units)
<b>Total repurchase amount</b>	550 million yen (maximum)
<b>Period for repurchase</b>	From March 27, 2019 to April 19, 2019 (on a trade date basis)
<b>Repurchase method</b>	Market purchase at Tokyo Stock Exchange based on a discretionary transaction contract with a securities company

- Starts Proceed will continuously consider repurchase of investment units in the case its investment unit price is low and surplus funds have accrued even after considering measures for expanding and improving the quality of its portfolio.



## Overview of Property Disposition (Proceed Sengendai)

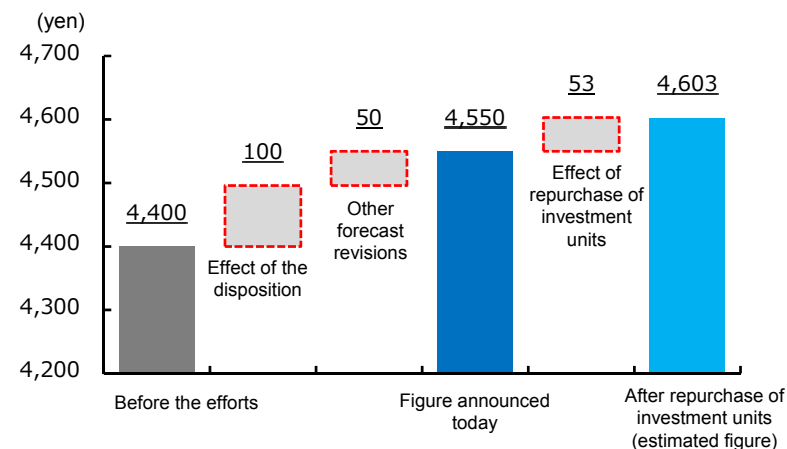
- Purpose of property disposition
  - ▶ Disposed a property aged 27.9 years
  - ▶ Improve portfolio quality by disposing property located outside of Tokyo Gaikan Expressway



<b>Location</b>	2-chome, Sengendai-Nishi, Koshigaya-shi, Saitama
<b>Construction completion date</b>	May 31, 1991 (27.9 years old)
<b>Planned disposition price</b>	300,720 thousand yen
<b>Assumed book value</b>	264,209 thousand yen
<b>Amount of difference between planned disposition price and assumed book value</b>	36,510 thousand yen
<b>Planned disposition date</b>	April 26, 2019

(Note) "Planned disposition price" does not include miscellaneous disposition related expenses, fixed property taxes, city planning taxes, consumption taxes and local consumption taxes.







## Distribution Forecast for the 27th Fiscal Period



# Future Property Disposition Policy and Past Results of Property Replacements

Starts Proceed is improving its portfolio quality through agile property replacements. It increased the asset size by 4,289 million yen and obtained 309 million yen of capital gain through disposition and exchange of assets (of which, 99 million yen was internally reserved as reserve for reduction entry) through property replacements conducted since the previous public offering (from the 23rd fiscal period to the 26th fiscal period). Starts Proceed will continuously consider property replacement and unitholder return.



Acquisition	<p><b>Tokyo</b></p>  <p>Life Support Residence Funaboriekimae</p>	<p><b>Tokyo</b></p>  <p>Proceed Kinshicho</p>	<p><b>Chiba</b></p>    <p>Proceed K2    Proceed K3 Annex    Proceed K5</p>	<p><b>Chiba</b></p>  <p>Proceed Ichikawa Myoden II</p>
	<p>Acquisition price: 380 million yen Average age as of acquisition: 4.2 years</p>	<p>Acquisition price: 5,422 million yen Average age as of acquisition: 12.1 years</p>		<p>Acquisition price: 800 million yen Average age as of acquisition: 15.2 years</p>

**Acquisition of pipeline properties**

- Acquisition of prime properties and development projects of the Starts Group
- Acquisition of new investment targets associated with the amendment to management guideline



Disposition	<p>Disposition price: 365 million yen Average age as of disposition: 26.2 years Gain on exchange: 15 million yen</p>	<p>Disposition price: 2,343 million yen Average age as of disposition: 24.8 years Gain on exchange: 294 million yen</p>	<p>Disposition price: 300 million yen Average age as of disposition: 27.9 years Gain on exchange: 24 million yen</p>
	<p><b>Hokkaido</b></p> 	<p><b>Hokkaido</b></p>  <p><b>Ehime</b></p>  <p><b>Niigata</b></p>  <p><b>Fukuoka</b></p> 	<p><b>Property disposition announced today</b></p> <p><b>Saitama</b></p>  <p>Procede Sengendai</p>

**Aim for the Improvement of Unitholder Value**

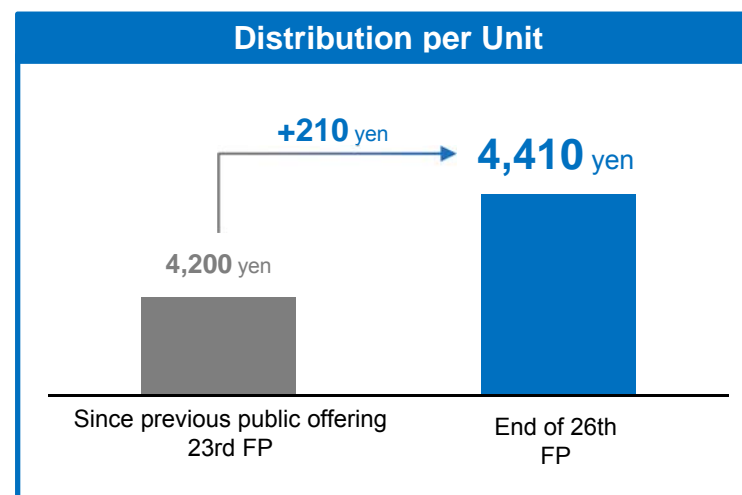
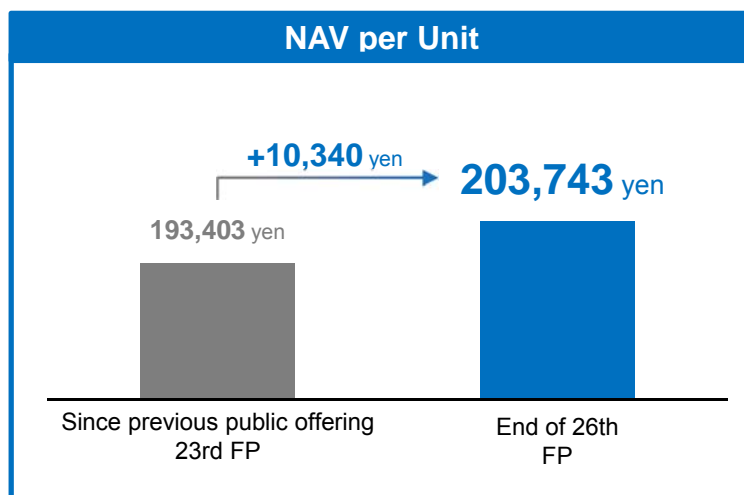
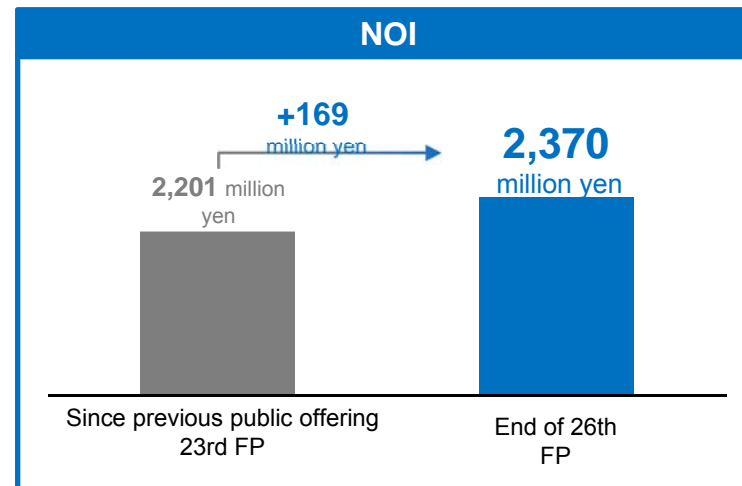
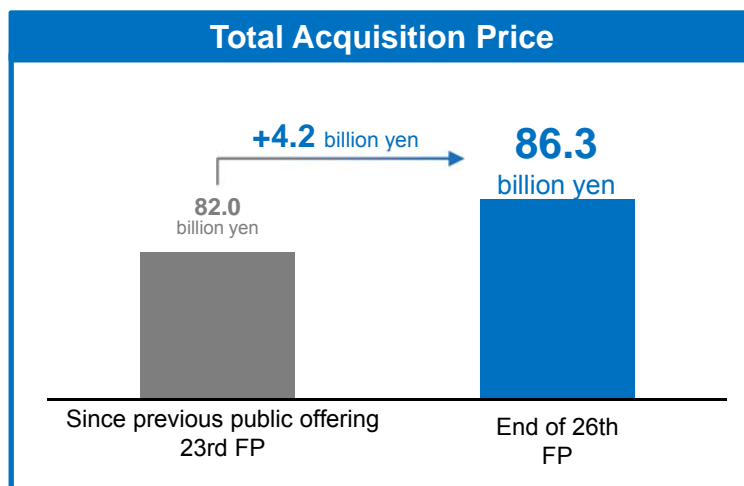
**Future property replacement policy**

- Continuously consider disposition of old properties in regional areas.
- In the future, consider disposition of old properties along the outer fringe of Tokyo.
- In addition to adding capital gain from disposition to distribution as unitholder return, consider use as acquisition funds.
- Acquire more properties than those being disposed and achieve steady external growth in addition to improving portfolio quality.

# Effects from Past Property Replacements

Starts Proceed achieved expansion of asset size while increasing unitholder value through property replacements in the past. Starts Proceed will aim for further growth and improvement of unitholder value through its continuous efforts.

## Effects from past property replacement efforts (since the previous public offering, from the 23rd fiscal period to 26th fiscal period)



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