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For Translation Purposes Only

Real Estate Investment Trust Securities Issuer
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Notice Concerning Revisions to the Forecasts of Management Status and Distribution per Unit for Fiscal Period
Ending January 2019 and Fiscal Period Ending July 2019

Samty Residential Investment Corporation (“Samty Residential”) announces revisions to the forecast of its management status and Distribution per unit for the fiscal period ending January 2019 (from August 1, 2018 to January 31, 2019) and fiscal period ending July 2019 (from February 1, to July 31, 2019) which was announced in the “(REIT) Summary of Financial Results for Fiscal Period Ended July 2019” dated September 14, 2018, as below.

1. Revisions to the Forecast of Management Status and Distribution per Unit for Fiscal Period Ending January 2019.

	Operating revenue	Operating income	Ordinary income	Net income	Distribution		
					per unit (including distribution in excess of earnings)	per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
Previous forecast (A)	3,079 million yen	1,464 million yen	1,135 million yen	1,134 million yen	2,700 yen	2,250 yen	450 yen
Revised forecast (B)	3,220 million yen	1,594 million yen	1,308 million yen	1,307 Million yen	3,050 yen	2,594 yen	456 yen
Variation (B-A)	141 million yen	130 million yen	173 million yen	173 million yen	350 yen	344 yen	6 yen
Rate of variation	4.6 %	8.9 %	15.3 %	15.3 %	13.0 %	15.3 %	1.3 %

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2. Revisions to the Forecast of Management Status and Distribution per Unit for Fiscal Period Ending July 2019.

	Operating revenue	Operating income	Ordinary income	Net income	Distribution		
					per unit (including distribution in excess of earnings)	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
Previous forecast (A)	3,167 million yen	1,404 million yen	1,113 million yen	1,112 million yen	2,685 yen	2,207 yen	478 yen
Revised forecast (B)	3,649 million yen	1,851 million yen	1,506 million yen	1,505 million yen	3,474 yen	2,986 yen	488 yen
Variation (B-A)	481 million yen	446 million yen	392 million yen	392 million yen	789 yen	779 yen	10 yen
Rate of variation	15.2 %	31.8 %	35.3 %	35.3 %	29.4 %	35.3 %	2.1 %

(Reference)

Fiscal period ending January 2019

Forecast number of investment units issued and outstanding at end of period: 504,100 units

Forecast net income per unit: 2,594 yen

Fiscal period ending July 2019

Forecast number of investment units issued and outstanding at end of period: 504,100 units

Forecast net income per unit: 2,986 yen

(Note 1) The above forecast is the current forecast calculated based on the assumptions stated in the attached "Assumptions Underlying Forecast of Management Status for Fiscal Period Ending January 2019 and Fiscal Period Ending July 2019." Accordingly, discrepancies with the assumptions may arise due to future additional acquisition or disposition of real estate properties, real estate market and other developments, changes in interest rates, the issue price of new investment units actually determined, further issuance of new investment units in the future, change in other circumstances surrounding Samty Residential and other factors. The actual operating revenue, operating income, ordinary income, net income, distribution per unit (excluding distribution in excess of earnings) and distribution in excess of earnings per unit may vary as a result. In addition, the forecast is not a guarantee of the amount of distributions and distributions in excess of earnings.

(Note 2) Samty Residential may revise the forecast in the event that it expects discrepancies above a certain level from the forecast above.

(Note 3) Amounts are rounded down to the nearest specified unit.

3. Reason for Disclosure

In line with the decisions made on the acquisition and disposition of assets as described in "Notice Concerning Acquisition and Lease of Domestic Real Estate (Trust Beneficiary Interests in Real Estate and Real Estate (in Kind)) and Disposition and Cancellation of Lease of Trust Beneficiary Interests in Domestic Real Estate (Asset Replacement)" announced today, discrepancies of 5% or more in the forecast of distribution per unit for the fiscal period ending January 2019 announced on September 14, 2018, 30% or more in the forecast of ordinary income and net income and 5% or more in the forecast of distribution per unit for the fiscal period ending July 2019 are

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expected. Therefore, revisions to the forecast of management status and distribution per unit for the fiscal periods ending January 2019 and July 2019 have been made.

*This material is distributed to the press club of the Tokyo Stock Exchange (Kabuto Club), the press club of the Ministry of Land, Infrastructure, Transport and Tourism, and the press club for construction trade publications of the Ministry of Land, Infrastructure, Transport and Tourism.

*Samty Residential Investment Corporation website: <https://www.samty-residential.com/en/>

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[Attachment]

Assumption Underlying Forecast of Management Status
for Fiscal Period Ending January 2019 and Fiscal Period Ending July 2019

Item	Assumption
Fiscal period	<ul style="list-style-type: none"> • Fiscal period ending January 2019 (from August 1, 2018 to January 31, 2019) (184 days) • Fiscal period ending July 2019 (from February 1, 2019 to July 31, 2019) (181 days)
Managed assets	<ul style="list-style-type: none"> • Fiscal period ending January 2019: It is assumed that Samty Residential will continue to own the 93 properties it owns as of today, excluding the 1 property to be disposed on January 31, 2019 announced in “Notice Concerning Acquisition and Lease of Domestic Real Estate (Trust Beneficiary Interests in Real Estate and Real Estate (in Kind)) and Disposition and Cancellation of Lease of Trust Beneficiary Interests in Domestic Real Estate (Asset Replacement)” dated today, for a total of 92 properties for real estate/trust beneficiary interests in real estate (the “already acquired assets”) through the end of the fiscal period ending January 2019, and that no other property will be newly acquired. • Fiscal period ending July 2019: It is assumed that Samty Residential will continue to own the 92 properties it owns as of the end of the fiscal period ending January 2019 as well as the 5 to-be-acquired properties, excluding the 1 property to be disposed on July 31, 2019 announced in “Notice Concerning Acquisition and Lease of Domestic Real Estate (Trust Beneficiary Interests in Real Estate and Real Estate (in Kind)) and Disposition and Cancellation of Lease of Trust Beneficiary Interests in Domestic Real Estate (Asset Replacement)” dated today, for a total of 96 properties for real estate/trust beneficiary interests in real estate (the “already acquired assets and to-be-acquired assets”) through the end of the fiscal period ending July 2019, and that no other property will be newly acquired. • In practice, change may arise due to acquisition of new properties with the exception of new properties to be acquired or disposition of owned properties with the exception of properties to be disposed, etc.
Operating revenue	<ul style="list-style-type: none"> • Real estate rent revenue from the already acquired assets and additionally acquired asset is calculated by taking into account the information provided from the current owners, etc. of the respective properties, concluded lease agreements, market trends and other factors. • Gain on sale of the property to be disposed on January 31, 2019 and the property to be disposed on July 31, 2019 announced in “Notice Concerning Acquisition and Lease of Domestic Real Estate (Trust Beneficiary Interests in Real Estate and Real Estate (in Kind)) and Disposition and Cancellation of Lease of Trust Beneficiary Interests in Domestic Real Estate (Asset Replacement)” dated today is assumed to be 188 million yen and 429 million yen, respectively. However, the gain on sale of real estate properties is the assumption as of the date of this document and may change in the future. Operating revenue is based on the assumption that there will be no accrual of gain or loss on sale of real estate properties other than the above two properties.
Operating expenses	<ul style="list-style-type: none"> • Expenses related to the rent business, which are the principal operating expenses, are calculated on the basis of past results of Samty Residential (or the past results disclosed by the previous owners, etc. for the periods for which Samty Residential does not have past results), taking into account the fluctuation factors of expenses. • Real estate rent income (excluding gain on sale of real estate properties) after deducting expenses related to the rent business (including depreciation) is assumed to be 1,796

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	<p>million yen for the fiscal period ending January 2019 and 1,842 million yen for the fiscal period ending July 2019.</p> <ul style="list-style-type: none"> • In general practice, the property taxes and city planning taxes, etc. levied on transactions of real estate properties are settled at the time of acquisition by prorating for the period with the current owner. However, as Samty Residential includes the amount equivalent to such settlement in the acquisition costs for the property, the amount is not recorded as expenses. As for the to-be-acquired assets, the property taxes and city planning taxes, etc. to be included in the acquisition costs are assumed to be 18 million yen in total, and 11 million yen is assumed to be recorded as property taxes and city planning taxes, etc. of such properties from the fiscal period ending July 2020. As for the 11 properties acquired in August and November 2018, the property taxes and city planning taxes, etc. to be included in the acquisition costs are assumed to be 11 million yen in total. For property taxes and city planning taxes, etc. of such properties from the fiscal period ending July 2019, 18 million yen is assumed to be recorded. • Depreciation is calculated using the straight-line method, and is assumed to be 687 million yen for the fiscal period ending January 2019 and 703 million yen for the fiscal period ending July 2019. • Repair expenses for buildings are assumed to be 100 million yen for the fiscal period ending January 2019 and 102 million yen for the fiscal period ending July 2019, based on the medium- to long-term repair plans prepared by the asset management company. However, the amounts could differ significantly from the assumed figures, as increased or additional repair expenses may arise due to unpredictable factors.
Non-operating expenses	<ul style="list-style-type: none"> • As for amortized expenses for issuance of investment units, 11 million yen in the fiscal period ending January 2019 and 11 million yen in the fiscal period ending July 2019 are assumed. • As for amortized expenses for issuance of investment units, 6 million yen in the fiscal period ending January 2019 and 5 million yen in the fiscal period ending July 2019 are assumed. • As for interest expenses and other financing-related expenses, 268 million yen in the fiscal period ending January 2019 and 327 million yen in the fiscal period ending July 2019 are assumed.
Interest-bearing debt	<ul style="list-style-type: none"> • The balance of interest-bearing debt is 48,900 million yen as of today. • Calculated under assumption that refinancing of the entire amount of interest-bearing debt maturing during the fiscal period ending January 2019 and the fiscal period ending July 2019 are conducted, 4,350 million yen is assumed to be borrowed upon the acquisition of 4 properties among the to-be-acquired assets announced in “Notice Concerning Acquisition and Lease of Domestic Real Estate (Trust Beneficiary Interests in Real Estate and Real Estate (in Kind)) and Disposition and Cancellation of Lease of Trust Beneficiary Interests in Domestic Real Estate (Asset Replacement)” dated today, and 3,100 million yen of it is scheduled to be repaid at the end of July 2019. Total interest-bearing debt is assumed to be 48,900 million yen at the end of the fiscal period ending January 2019 and 50,150 million yen at the end of the fiscal period ending July 2019.
Investment units	<ul style="list-style-type: none"> • The number of investment units issued and outstanding as of today is assumed to be 504,100 units. • Other than the above, it is assumed there will be no change in the number of investment units due to issuance of new investment units, etc. through the ends of the fiscal periods ending January 2019 and July 2019.

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<p>Distribution per unit (excluding distribution in excess of earnings)</p>	<ul style="list-style-type: none"> • Distribution per unit (excluding distribution in excess of earnings) is calculated on the assumption that the amount of earnings is distributed pursuant to the cash distribution method stipulated in Samty Residential’s Articles of Incorporation. • There is the possibility that the distribution per unit (excluding distribution in excess of earnings) may vary due to various factors, including changes of managed assets, variation in real estate rental revenue in accordance with change of tenants, and occurrence of unpredicted repairs.
<p>Distribution in excess of earnings per unit (*)</p>	<ul style="list-style-type: none"> • Distribution in excess of earnings per unit is calculated pursuant to the cash distribution method stipulated in Samty Residential’s Articles of Incorporation as well as the Asset Management Company’s internal regulations. • As of today, Samty Residential believes that no significant deterioration is likely to take place for the current external economic environment, the real estate market conditions and Samty Residential’s financial conditions. • Samty Residential anticipates that there will be ample opportunities, etc. to acquire new properties as investments that should contribute to increasing portfolio earning power in the fiscal period ending January 2019 and the fiscal period ending July 2019, although part of the real estate transaction market appears to be overheated. Accordingly, it is highly necessary to reserve certain amounts of funds to make it possible to respond to such opportunities flexibly. On the other hand, in consideration of such factors as Samty Residential’s financial condition and the prospect of its ability to refinance interest-bearing debt, Samty Residential does not consider itself in the 7th and 8th fiscal periods to be in a position to allocate funds preferentially for reinforcing its financial base through such measures as reducing interest-bearing liabilities. While depreciation for the already acquired assets (93 properties) is anticipated to be 687 million yen for the fiscal period ending January 2019 and depreciation for the already acquired assets (92 properties) and to-be-acquired assets (5 properties) is anticipated to be 703 million yen for the fiscal period ending July 2019, the six-month average of the sum total of the estimated urgent repair expenses, estimated short-term repair expenses and estimated long-term repair expenses for the said properties described in the building condition survey reports will be only 100 million yen. (Estimate is 96 million yen for the fiscal period ending January 2019 and 98 million yen for the fiscal period ending July 2019.) Accordingly, Samty Residential expects to have residual free cash flow even after making certain reserves from the cash and deposits on hand equivalent to the depreciation amount at the end of each fiscal period as reserves for capital expenditures to maintain the building functions, etc., as funds equivalent to the estimated amount of working capital, etc. and as reserves in preparation for investments that should contribute to increasing portfolio earning power as stated above. • Considering the above, Samty Residential believes as of today that it is appropriate to implement distribution in excess of earnings for the fiscal period ending January 2019, and anticipates 230 million yen and the fiscal period ending July 2019, and anticipates 246 million yen as total distribution in excess of earnings (Note). In this case, payout ratios will be 77.1% and 79.3% respectively, and the total distribution in excess of earnings will be equivalent to 33.5% and 35.0% of the depreciation expected to accrue in the respective fiscal periods. <p>(Note) Distribution in excess of earnings shall be implemented only when the total continuous appraisal value (referring to the appraisal value of the real estate properties owned by Samty Residential, indicated in the real estate appraisal reports it obtains for each fiscal period as the appraisal date (or surveyed value stated in price survey report (period-end calculated price)). The same follows hereafter) of the real estate properties owned by Samty Residential at the end of the relevant fiscal period is greater than the adjusted total book value (referring to value</p>

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	<p>obtained by subtracting the amount equivalent to the incidental expenses upon acquisition of the real estate properties owned by Samty Residential from the book value of each real estate property at the end of Samty Residential's fiscal period. The same follows hereafter.) of the owned real estate properties plus total reserves for the planned construction work amount (capital expenditures) of the repair and renewal expenses scheduled for the next fiscal period as well as other planned reserves (Please refer to B. Implementation Method in < (Reference) Samty Residential's Basic Policy and Implementation Method for Distributions in Excess of Earnings > below.) If these requirements are not satisfied, Samty Residential will not implement distribution in excess of earnings for the 7th fiscal period ending January 2019 and the 8th fiscal period ending July 2019 despite the above forecast. Moreover, if any significant deterioration or other changes newly occur in the external economic environment, the real estate market condition or Samty Residential's financial condition, etc., or if there is a significant change, etc. in Samty Residential's financial condition (including but not limited to the infringement of financial covenant set forth for the LTV level and Samty Residential's debt) as a result of new borrowings or issuance of investment corporation bonds conducted in line with acquisition of new assets (including to-be-acquired assets), the policy as of today to implement distribution in excess of earnings for the 7th fiscal period ending January 2019 and the 8th fiscal period ending July 2019 as part of the cash management may be changed and, despite the above forecast, distribution in excess of earnings may not be implemented for the 7th fiscal period ending January 2019 and the 8th fiscal period ending July 2019. In addition, as described in below, Samty Residential believes as of today that it is appropriate to implement distribution in excess of earnings for the 7th fiscal period ending January 2019 and the 8th fiscal period ending July 2019 to the extent of the payout ratio (the ratio of total cash distribution, including distribution in excess of earnings, to net income and depreciation combined.) targeting 70% and not surpassing the amount equivalent to 35% of depreciation each fiscal period when excluding temporary factors. Samty Residential believes that the above payout ratio is appropriate as temporary profits due to sales of properties are expected in the 7th fiscal period ending January 2019 and the 8th fiscal period ending July 2019. Furthermore, such an amount or percentage may be reviewed if there newly emerges a major change in the revenue and expense structure of the portfolio due to significant additions of new assets, etc. or important changes take place in the financial environment and the real estate investment trust market conditions, etc. As a result, the amount of distribution in excess of earnings for the 7th fiscal period ending January 2019 and 8th fiscal period ending July 2019 as anticipated above may be changed.</p>
Other	<ul style="list-style-type: none"> • It is assumed that there will be no revision to laws and regulations, tax systems, accounting standards, regulations applying to publicly listed companies and rules of The Investment Trusts Association, Japan, etc. that will impact the aforementioned forecast figures. • It is also assumed that there will be no unexpected material changes in general economic trends and real estate market conditions, etc.

(*) Samty Residential discloses the assumptions for the distribution in excess of earnings per unit based on the following <Basic Policy for Cash Management Regarding Distribution in Excess of Earnings> and <Perception of the Current Situation>, etc.

<Basic Policy for Cash Management Regarding Distributions in Excess of Earnings>

Residential properties located in regional cities, which are the major investment targets of Samty Residential, have a higher proportion of buildings in the total property acquisition price in comparison with residential properties located in Tokyo's 23 wards and, if the property acquisition price is the same, tend to have higher depreciation expenses that are the source of the free cash flow (to be allocated through cash management). In addition, with regard to the already acquired assets and additionally acquired asset of Samty Residential, the total depreciation anticipated to be recorded in the future is projected to surpass the replacement (rebuilding) cost of the buildings for the entire portfolio.

On the other hand, in consideration of the average building age, etc. of the already acquired assets and additionally acquired asset, the proportion of the capital expenditures amount actually required against the amount recorded as depreciation for each fiscal period will remain low for a certain length of time. At the same time, Samty Residential believes that, with the estimated amount of capital expenditures in the future highly predictable, the difference between the estimated amount and the amount of capital expenditures actually

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required will remain small. Moreover, the investment amount per residential property, which is the main investment target of Samty Residential, is smaller compared with other asset types including offices and commercial facilities, and provides the diversification effect of the portfolio. Consequently, Samty Residential is characterized by the fact that it tends to be easier to manage the budgets and results of the capital expenditure plan for the entire portfolio. From a medium- to long-term perspective, Samty Residential is oriented to place newly developed properties supplied by the sponsor at the core of the additional incorporation into the portfolio in the future. Depending on what is additionally incorporated pursuant to this policy, the proportion of the capital expenditures amount to the depreciation expenses of the entire portfolio after such incorporation may possibly remain relatively low compared with the portfolio comprising the already acquired assets and to-be acquired assets.

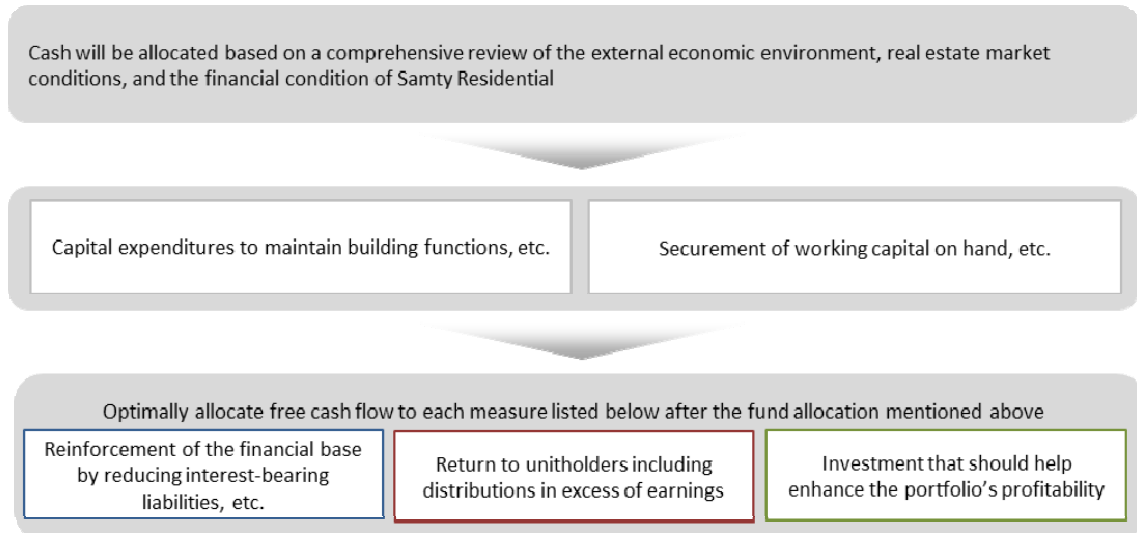
Taking into consideration these characteristics of Samty Residential portfolio that centers on residential properties located in regional cities, and on the assumption that 1) appropriate measures are taken to maintain and enhance the competitiveness of the owned assets and 2) the stable financial base of Samty Residential is fully maintained, Samty Residential believes that implementing distributions in excess of earnings as 3) a means of cash management to achieve improved capital efficiency, if the implementation is deemed to be most appropriate, will help maximize the unitholder value and enhance the evaluation of Samty Residential in the capital market, and thus should contribute to reinforcing its fund procurement ability

<Perception of the Current Situation>

As of today, as explained in detail in the < (Reference) Samty Residential's Basic Policy and Implementation Method for Distributions in Excess of Earnings >, Samty Residential makes it a policy to determine whether or not to implement distribution in excess of earnings as part of its cash management each time for each fiscal period, as the optimum fund allocation in the cash management as indicated in the chart below, comprehensively taking into account the current external economic environment, the real estate market conditions and its financial conditions, etc.

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Cash Management Policy



Based on the above, Samty Residential anticipates that there will be ample opportunities, etc. to acquire new properties as investments that should contribute to increasing portfolio earnings power in the 7th fiscal period ending January 2019, 8th fiscal period ending July 2019, although part of the real estate transaction market appears to be overheated. Accordingly, it is highly necessary to reserve certain amounts of funds to make it possible to respond to such opportunities flexibly. On the other hand, in consideration of such factors as Samty Residential's financial conditions and the prospect of its ability to refinance the borrowings, Samty Residential considers itself to not be in a position in the said two fiscal periods to allocate funds preferentially for reinforcing its financial base through such measures as reducing interest-bearing liabilities.

Moreover, while depreciation for the already acquired assets (93 properties) is anticipated to be 687 million yen for the 7th fiscal period ending January 2019 and depreciation for the already acquired assets (92 properties) and the to-be-acquired assets (5 properties) is anticipated to be 703 million yen for the 8th fiscal period ending July 2019, the six-month average of the sum total of the estimated urgent repair expenses, estimated short-term repair expenses and estimated long-term repair expenses described in the building condition survey reports prepared by Tokio Marine & Nichido Risk Consulting Co., Ltd., Nippon Kanzei Co., Ltd., Japan Constructive Inspect Association, ERI Solution Co., Ltd., Tokyo Kantei Co., Ltd., and Daiwa Real Estate Appraisal Co., Ltd. will be only 100 million yen (estimated to be 96 million yen for the fiscal period ending January 2019 and 98 million yen for the fiscal period ending July 2019).

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<Implementation of Distributions in Excess of Earning>

Based on these, Samty Residential expects as of today to have residual free cash flow for the 7th fiscal period ending January 2019 and the 8th fiscal period ending July 2019 even after making certain reserves from the cash and deposits on hand equivalent to the depreciation amount at the end of each fiscal period as reserves for capital expenditures to maintain the building functions, etc., as funds equivalent to the estimated amount of working capital, etc. and as reserves in preparation for investments that should contribute to increasing portfolio earnings power as stated above. Taking into account the size of the residual free cash flow, Samty Residential believes that it is appropriate to implement distribution in excess of earnings, targeting the amount equivalent to 35% of depreciation, for each fiscal period. Moreover, upon determining whether or not to actually implement distribution in excess of earnings after each fiscal period is ended, Samty Residential will target the payout ratio (Note 1) at around 70% not surpassing the amount equivalent to 35% of depreciation (Note 2), with reference to the payout ratio levels of investment corporations listed on the J-REIT market as of today and that may compete with Samty Residential.

Based on the above judgment and policies, Samty Residential anticipates distribution in excess of earnings for the 7th fiscal period ending January 2019 and the 8th fiscal period ending July 2019 of 230 million yen, 246 million respectively, as total distribution in excess of earnings (Note 3) (Note 4). In this case, the total distribution in excess of earnings will be equivalent to 33.5% and 35.0%, respectively, of the depreciation expected to accrue in each fiscal period, and the payout ratio is anticipated to be 77.1% and 79.3% respectively.

(Note 1) "Payout ratio" represents the ratio of total cash distribution, including distribution in excess of earnings, to net income and depreciation combined. The same follows hereafter.

(Note 2) The target payout ratio indicated above has been determined in consideration of the financial environment and the real estate investment trust market conditions, etc. as of today. The above ratios corresponding to the amount equivalent to depreciation have been determined based on the amount of capital expenditures assumed under Samty Residential's long-term property repair plans as of today and other capital demand, etc., assuming ownership of the already acquired assets and to-be-acquired assets. Accordingly, these ratios in respective fiscal periods may be reviewed if there newly emerges a major change in the revenue and expense structure of the portfolio due to significant additions of new assets, etc. or important changes take place in the financial environment and conditions, etc. of the real estate investment trust market.

(Note 3) Despite the above forecast, distribution in excess of earnings shall be implemented only when the total continuous appraisal value of the real estate properties owned by Samty Residential at the end of the relevant fiscal period is greater than the total book value after adjustment of the owned real estate properties plus total reserves for the planned construction work amount (capital expenditures) of the repair and renewal expenses scheduled for the next fiscal period as well as other planned reserves. (Please refer to B. Implementation Method in < (Reference) Samty Residential's Basic Policy and Implementation Method for Distributions in Excess of Earnings > below.) If these requirements are not satisfied, Samty Residential will not implement distribution in excess of earnings for the 7th fiscal period ending January 2019 and the 8th fiscal period ending July 2019.

Moreover, if any significant deterioration or other changes newly occur in the external economic environment, the real estate market conditions or Samty Residential's financial conditions, etc., or if there is a significant change, etc. in Samty Residential's financial conditions (including but not limited to the infringement of financial covenant set forth for the LTV level and Samty Residential's debt) as a result of new borrowings or issuance of investment corporation bonds conducted in line with acquisition of new assets (including to-be-acquired assets), the policy as of today to implement distribution in excess of earnings for the 7th fiscal period ending January 2019 and the 8th fiscal period ending July 2019 as part of the cash management may be changed and, despite the above forecast, distribution in excess of earnings may not be implemented for the 7th fiscal period ending January 2019 and 8th fiscal period ending July 2019. In addition, as described above, Samty Residential believes as of today that it is appropriate to implement distribution in excess of earnings for the 7th fiscal period ending January 2019 and 8th fiscal period ending July 2019 to the extent of the payout ratio targeting 70% and not surpassing the amount equivalent to 35% of depreciation each fiscal period when excluding temporary factors. Samty Residential believes

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that the above payout ratio is appropriate as temporary profits due to sales of properties are expected in the 7th fiscal period ending January 2019 and the 8th fiscal period ending July 2019. Furthermore, such an amount or percentage may be reviewed as described in (Note 2) above. As a result, the amount of distribution in excess of earnings for the 7th fiscal period ending January 2019 and the 8th fiscal period ending July 2019 as anticipated above may be changed.

(Note 4) As stated above, Samty Residential makes it a policy to determine whether or not to implement distributions in excess of earnings as part of its cash management each time for each fiscal period, taking into account the future external economic environment, the real estate market conditions and its financial conditions, etc. As of today, Samty Residential has prepared its management plans for fiscal periods up to the 8th fiscal period ending July 2019, and made such a decision based on these management plans. Accordingly, it has not decided yet as to the policy to implement distributions in excess of earnings for the 9th fiscal period ending January 2020 and the subsequent fiscal periods. Therefore, Samty Residential neither plans nor guarantees to follow the policy of implementing distributions in excess of earnings for the 9th fiscal period ending January 2020 and the subsequent fiscal periods, as it will for the 7th fiscal period ending January 2019 and the 8th fiscal period ending July 2019. The target payout ratio will be reviewed each fiscal period by considering such factors as the economic environment, trends in the real estate market, conditions of the owned assets and financial conditions (including but not limited to the status related to financial covenant set forth for the LTV level and Samty Residential's debt) on the latest date of the relevant fiscal period, while the ratio to the amount equivalent to depreciation will be reviewed each fiscal period by taking into account such factors as the decrease in depreciation associated with the completion of depreciation in the relevant fiscal period for facilities with shorter useful life, the increase in capital expenditures in association with the aging of buildings and the outlook of Samty Residential's net income levels. As such, there is no guarantee that the respective ratios indicated above for fiscal periods up to the 8th fiscal period ending July 2019 will be applied for the 9th fiscal period ending January 2020 and subsequent fiscal periods.

< (Reference) Samty Residential's Basic Policy and Implementation Method for Distributions in Excess of Earnings >

A. Basic Policy for Distributions in Excess of Earnings

As part of its cash management policy, Samty Residential may implement distributions in excess of earnings (refund of capital contribution to unitholders) (the "Excess Earnings Distribution") on top of cash distributions conducted within the range of earnings (Note).

As described in B. Implementation Method, Samty Residential will determine whether or not to implement the Excess Earnings Distribution by comprehensively taking into account the various conditions at the time of determination for each fiscal period. Accordingly, Samty Residential does not plan to implement the Excess Earnings Distribution continuously for each period or over several periods. However, it may turn out that the Excess Earnings Distribution is implemented continuously over several periods for a certain length of time. Moreover, if the Excess Earnings Distribution is implemented, the relevant amount will be deducted as refund of capital contribution from unitholders' capital or capital surplus.

(Note) The Excess Earnings Distribution represents distributions implemented by Samty Residential based on its judgment, in addition to cash distributions conducted within the range of its earnings, to all unitholders and differs from the refund of investment units conducted in response to the claim by each unitholder of an open-ended investment corporation. In this regard, Samty Residential is a closed-end investment corporation for which no refund of investment units in response to the claim by a unitholder is allowed.

B. Implementation Method

Specifically, if Samty Residential implements the Excess Earnings Distribution as part of its cash management, it will determine whether it is appropriate to implement it and, if so, the amount, as described below.

The Excess Earnings Distribution shall be implemented only when the total "continuous appraisal value" (Note 1) of the real estate properties owned by Samty Residential at the end of the relevant fiscal period (representing the

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fiscal period of Samty Residential over which Samty Residential distributes its cash flows and implements the Excess Earnings Distribution; the “next fiscal period” represents the fiscal period of Samty Residential immediately following the said fiscal period; the same applies in this “B. Implementation Method”) is greater than the total “adjusted book value” (Note 2) of the owned real estate properties at the end of the said fiscal period plus total reserves for the planned construction work amount (capital expenditures) of the repair and renewal expenses scheduled for the next fiscal period as well as other planned reserves, upon comprehensively taking into account external economic environment, the real estate market conditions and its financial conditions (including but not limited to the status related to financial covenant set forth for the LTV level and Samty Residential’s debt), etc.

Moreover, the amount of the Excess Earnings Distribution for the said fiscal period shall be up to the amount obtained by deducting the capital expenditures from the amount equivalent to depreciation recorded respectively in the said fiscal period (or up to 60% of depreciation if the amount exceeds 60% of depreciation) (Note 3). However, the actual Excess Earnings Distribution amount shall be determined by Samty Residential for the respective fiscal periods, to the extent of not affecting the capital expenditures plan (long-term property repair plan) and not negatively impacting its financial conditions after reserving cash and deposits that it believes appropriate in consideration of the establishment of credit lines and other financial arrangements in order to meet other capital demand (for the working capital of Samty Residential and payment of cash distributions as well as for repayment of debt when the real estate market conditions are worsened and securing flexible funds for property acquisitions when new acquisition opportunities are anticipated that are considered to help enhance the investment unit value, among other factors). In addition, references shall be made to the payout ratio levels of other listed J-REITs that may compete with Samty Residential.

Moreover, when temporary expenses for accounting purposes accrue incidentally to financing, such as the investment unit issuance expenses for issuing new investment units and the loan arrangement fees associated with new borrowings, or when accounting losses arise that are not accompanied by an outflow of cash and deposits on hand, such as loss on sales of real estate properties, the amount determined by Samty Residential as the amount corresponding to the whole or part of the said expenses or losses may be included in the amount of the Excess Earnings Distribution determined by Samty Residential as set forth above.

(Note 1) “Continuous appraisal value” refers to the total appraisal value of the real estate properties owned by Samty Residential, indicated in the real estate appraisal reports it obtains with each fiscal period end as the date of value (or surveyed value stated in price survey report (period-end calculated price)). The same follows hereafter.

(Note 2) “Adjusted total book value” refers to value obtained by subtracting the amount equivalent to the incidental expenses upon acquisitions of the real estate properties owned by Samty Residential from the book value of each real estate property at the end of Samty Residential’s fiscal period. The same follows hereafter.

(Note 3) A closed-end investment corporation may make cash distributions in excess of earnings up to the amount equivalent to 60% of the depreciation recorded on the last day of a fiscal period (“Rules Concerning Real Estate Investment Trusts and Real Estate Investment Corporations” by The Investment Trusts Association, Japan).

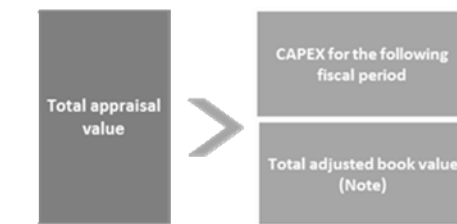
(Note 4) The following is an illustrative scheme of the process for determining whether or not to implement the Excess Earnings Distribution at the end of each fiscal period and, if so, the amount.

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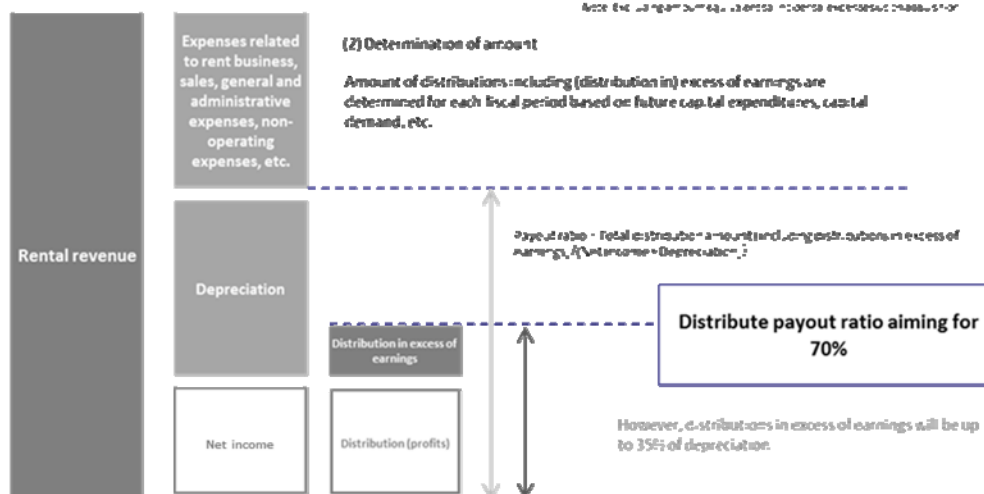
■ **Conceptual diagram of distributions in excess of earnings**

(1) Determination of distributions

With a view to enhancing shareholder value over the medium to long term, distributions in excess of earnings are authorized when Samty Residential's portfolio meets the right conditions.



※ 配当金の決定は、将来の設備投資計画を考慮して行われます。



(Note) This is the policy as of today for the 7th fiscal period ending January 2019 and the 8th fiscal period ending July 2019. Samty Residential has not decided yet as to the policy to implement distributions in excess of earnings for the 9th fiscal period ending January 2020 and the subsequent fiscal periods. The above figure is nothing but an illustrative scheme, and does not indicate the ratio of the Excess Earnings Distribution to net assets, etc. In reality, the actual amount of the Excess Earnings Distribution may vary depending on the economic environment, trends in the real estate market, conditions of the owned assets, financial conditions (including but not limited to the status related to financial covenant set forth for the LTV level and the interest-bearing debt of Samty Residential) and other factors, or the Excess Earnings Distribution may not be implemented.

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