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For Translation Purposes Only

Real Estate Investment Trust Securities Issuer
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Notice Concerning Revisions to the Forecast of Management Status for Fiscal Period Ending January 2017

Samty Residential Investment Corporation (“Samty Residential”) announces that it has revised the forecast of its management status for the fiscal period ending January 2017 (from August 1, 2016 to January 31, 2017) which was announced in the “Notice Concerning Forecasts of Management Status and Distribution per Unit for Fiscal Period Ending January 2017 and Fiscal Period Ending July 2017” dated July 11, 2016, and “Summary of Financial Results for Fiscal Period Ended July 2016” dated September 14, 2016 as described below.

1. Revisions to the Forecast of Management Status for Fiscal Period Ending January 2017

	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)	1,790 million yen	834 million yen	582 million yen	581 million yen	2,600 yen	2,056 yen	544 yen
Revised forecast (B)	1,806 million yen	849 million yen	606 million yen	605 million yen	2,645 yen	2,138 yen	507 yen
Variation (B – A)	16 million yen	15 million yen	23 million yen	23 million yen	45 yen	82yen	-37 yen
Rate of variation	0.9%	1.8%	4.0%	3.8%	1.7%	4.0%	-6.8%

(Reference) Fiscal period ending January 2017

Forecast number of investment units issued and outstanding at end of period: 283,000units

Forecast net income per unit: 2,138 yen

(Note 1) The above forecast figures are forecast of distribution as of present and the actual distribution amount may differ. In addition, the forecast is not a guarantee of the amount of distributions.

(Note 2) Amounts are rounded down to the nearest specified unit and rates are rounded to the nearest first decimal place.

3. Reasons for Revisions to the Forecast of Management Status

The management status for the fiscal period ended January 2017 (3rd fiscal period) generally became clear in the process of settlement of accounts and the distribution per unit for the fiscal period ended January 2017 will likely differ from that announced in “Notice Concerning Forecasts of Management Status and Distribution per Unit for Fiscal Period Ending January 2017 and Fiscal Period Ending July 2017” dated July 11, 2016 and summary of financial

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results for the fiscal period ended July 2016 dated September 14, 2016. Accordingly, Samty Residential will revise the forecast of management status and distribution for the fiscal period ended January 2017.

The following are the major factors underlying the revisions.

- (1) The outlook now being that operating revenue will exceed the assumption due to increase of operation of rental rooms and parking lots.
- (2) The outlook now being that leasing promotion expenses will be reduced due to tenant replacement falling below the assumption in addition to the change of power supply company, reduction of utilities expenses due to the introduction of LED lighting and the reduction of management costs due to the revision of contract with the building maintenance company, and that depreciation will be lower than the assumption. On the other hand, repair expenses increased due to value-adding work, etc. on owned properties. As a result, rental business expenses are forecasted to exceed the assumption.
- (3) The outlook now being that the attorneys' fees and other operating expenses will exceed the assumption
- (4) The outlook now being that interest expenses, financing-related expenses and other non-operating expenses will fall below the assumption.

Due to the above reasons, net income for the 3rd fiscal period ended January 2017 is forecasted to be approximately 23 million yen, exceeding the assumption.

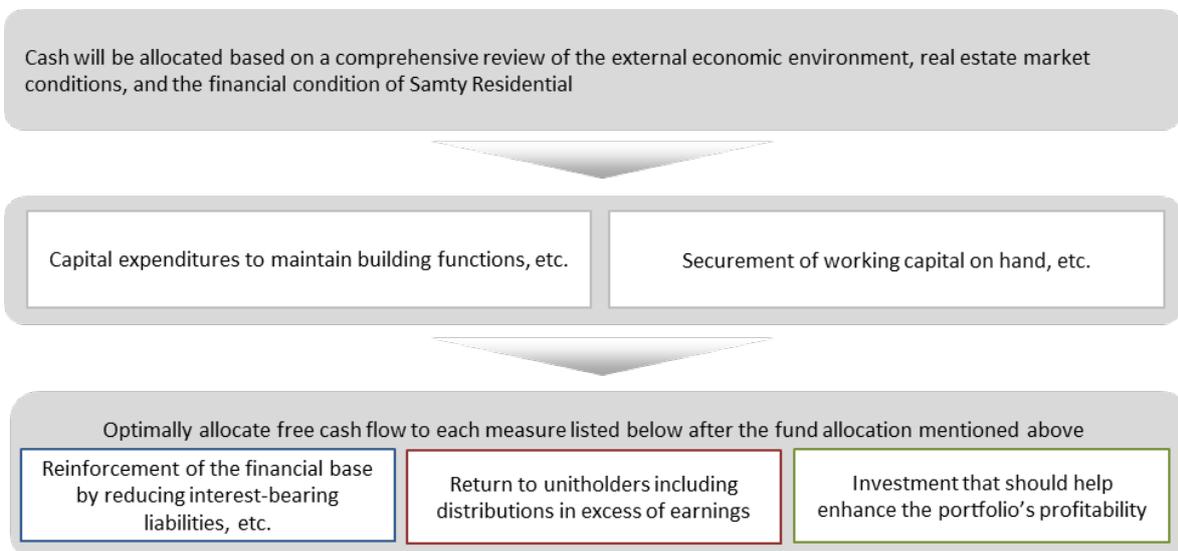
Moreover, the impact of the determination on acquisition of assets (equity interest in silent partnership) by Samty Residential on the forecast of management status and distribution for the 4th fiscal period ending July 2017 (February 1, 2017 through July 31, 2017) is minimal, as announced in the "Notice Concerning Acquisition of Asset (Equity Interest in Silent Partnership)" separately announced today, but is currently under review and will be notified at the time of the announcement of the financial results for the 3rd fiscal period ended January 2017 (August 1, 2016 through January 31, 2017) scheduled to be made on March 15, 2017.

4. Cash Management Regarding Distributions in Excess of Earnings

<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.

Cash Management Policy



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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 3rd fiscal period ending January 2017, 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 three 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 (49 properties in total) is anticipated to be 434 million yen for the 3rd fiscal period ending January 2017, 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 49 properties described in the building condition survey reports prepared by Tokio Marine & Nichido Risk Consulting Co., Ltd., Nippon Kanzai Co., Ltd. and Japan Constructive Inspect Association will be only 49 million yen.

<Implementation of Distributions in Excess of Earning>

Based on these, Samty Residential expects as of today to have residual free cash flow for the 3rd fiscal period ending January 2017 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 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 3rd fiscal period ending January 2017 of 143 million yen as total distribution in excess of earnings (Note 3) . In this case, the total distribution in excess of earnings will be equivalent to 33.0% of the depreciation expected to accrue , and the payout ratio is anticipated to be 72.0% .

(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 to the amount equivalent to depreciation have been determined based on the capital expenditures amount 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 material changes take place in the financial environment and the real estate investment trust market conditions, etc. by the time of final distribution in excess of earnings for the respective fiscal periods.

(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 exceeds 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, therefore, Samty Residential will not implement distribution in excess of earnings for the 3rd fiscal period ended January 2017.

Moreover, if any significant deterioration newly occurs 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), the policy as of today to implement distribution in excess of earnings for the 3rd fiscal period ended January 2017 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 3rd fiscal period ended January 2017. In addition, as described above, Samty Residential believes as of today that it is appropriate to implement distribution in excess of earnings for the 3rd fiscal period ended January 2017 to the extent of the payout ratio targeting 72% (the amount equivalent to 33% of depreciation when assuming the forecast of management status as of today). However, 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 3rd fiscal period ended January 2017 as anticipated above may be changed.

< (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 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") exceeding 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

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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 sale 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 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.

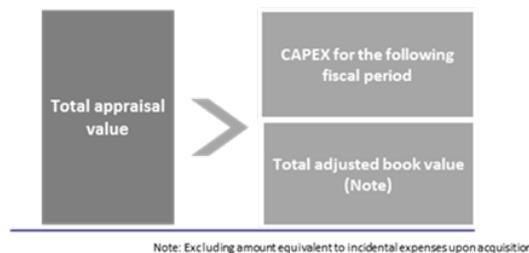
(Note 3) A closed - end investment corporation may make cash distributions in excess of earnings up to the amount equivalent to 60% of the depreciation recorded on the last day of a fiscal period (“Rules Concerning Real Estate Investment Trusts and Real Estate Investment Corporations” by The Investment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

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

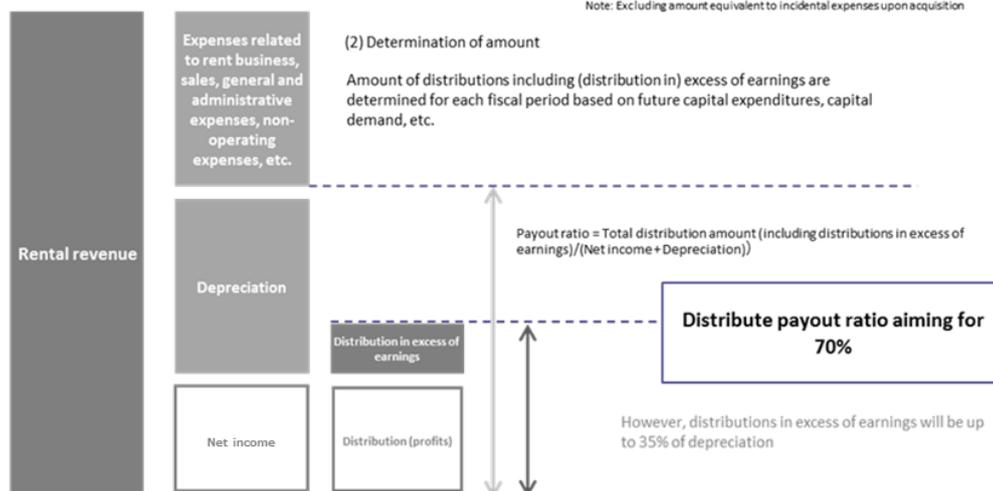
(1) **Determination of distributions**

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



(2) **Determination of amount**

Amount of distributions including (distribution in) excess of earnings are determined for each fiscal period based on future capital expenditures, capital demand, etc.



(Note) This is the policy as of today for the 3rd fiscal period ended January 2017. 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



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