

April 19, 2019

## To Our Unitholders

*[Provisional Translation Only]*

*The document is originally for individual investors inside Japan.*

*This English translation of the original Japanese document is provided solely for information purposes.*

*Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.*

## Notice of Distribution in Excess of Earnings per unit for the 7th Fiscal Period

Samty Residential Investment Corporation (“Samty Residential”) resolved at the meeting of its board of directors held on March 15, 2019 that, in addition to the 2,620 yen per unit ordinary distributions of earning for the 7th Fiscal Period (ended January 2019), it will distribute funds in excess of retained earnings (Distribution in excess of earnings; hereinafter “DEE”) of 456 yen per unit for the period. Payment of distributions will commence on April 22, 2019.

This document lays out the tax treatment of the DEE per unit of 456 yen which originates from “unitholders’ capital” and therefore differs from ordinary distributions which originate from “retained earnings.”

The DEE for this period will be distributed entirely from “unitholders’ capital,” and will be categorized as a “return of capital” for tax purposes. This will give rise to a “capital gain/loss from deemed transfer,” which does not fall under dividend income for tax purposes. Please be aware of this when filling final income tax returns.

Furthermore, while this document describes matters concerning the payment of distributions and DEE, the Japanese tax treatment as well as matters that should be notified to unitholders based on the provisions of the tax laws, it does not provide a comprehensive explanation of the tax procedures that are required of unitholders.

As detailed below, the computation of “acquisition price” and “capital gain/loss from deemed transfer” for each investment unit, as well as the computation of income tax on capital gains realized in a future sale of the units will differ for each individual unitholder depending on their particular circumstances. It is therefore recommended that unitholders consult their securities firm, their local tax office, or their tax accountant, etc. regarding these matters.

## 1. Payment of Distributions for this Period

This distributions in this period are sourced from “retained earnings (ordinary distributions of 2,620 yen per unit”) and “unitholders’ capital (DEE of 456 yen per unit).” As different payment procedures are necessary depending on the source of the distributions, the documents indicated below have been enclosed for each payment method.

(1) For unitholders that have chosen to receive distributions via bank transfer:

“Statement of Distributions,” “Confirmation of Bank Transfer Details for Distributions,”  
“Statement of Distribution in Excess of Earnings” and “Confirmation of Bank Transfer  
Details for Distribution in Excess of Earnings”

(2) For unitholders that have not chosen to receive distributions via bank transfer:

“Statement of Distributions,” “Receipt for Distributions” and “Receipt for Distribution in  
Excess of Earnings”

\*“Statement of Distributions” also serves as the “notice of payment” prepared in accordance with the provisions of the Act on Special Measures Concerning Taxation and can be used as an attachment when filing final tax returns.

## 2. Tax Treatment of DEE for this Period.

(1) Category of income of the DEE for this period (Articles 24, 25, etc. of the income Tax Act)

- All of the DEE for this period is distributed from unitholders’ capital. Under the Japanese tax laws, the portion attributable to capital etc. is considered “return of capital,” while the remaining portion not attributable to capital, etc. is considered “deemed dividends.” As all of the DEE for this period is being paid out from the portion attributable to capital, etc. same as up to the previous period, there will be no portion considered “deemed dividends.”
- “Return of capital” is referred to as a “deemed transfer” for Japanese tax purposes as it is deemed that part of the investment units owned by the unitholders has been transferred. Not only will a “deemed transfer” require that an adjustment (reduction) be made to the investment unit acquisition price, in principle, it will also require the computation of “capital gain/loss from deemed transfer.”
- Due to the DEE for this period, final tax returns will need to be filed, in principle, if a “capital gain from deemed transfer” is realized (Note). However, such capital gain may be subject to withholding tax at some securities firms, etc., depending on the account type.

Please confirm with your securities firm, etc., since final tax returns may not need to be filed in such cases.

(Note) “Capital gain on deemed transfer” for the DEE this period is only realized when the average acquisition price is lower than 76,000 yen.

(2) Capital gain/loss from deemed transfer (Article 37-11 of the Act on Special Measures Concerning Taxation)

- Pursuant to the Japanese tax laws, “capital gain/loss from deemed transfer” will arise for unitholders as it is deemed that there has been a transfer of some investment units.
- Income from transfer, etc. is the amount derived by subtracting” (2) Acquisition price of units deemed to have been transferred” from (1) Deemed income.”
- In the DEE for this period, the deemed dividend is “0 yen” and the ratio of net asset value attributable to a reduction in capital is “0.006”

(1) Deemed income	=	Total DEE amount	−	Deemed dividend (0 yen)
(2) Acquisition price of units deemed to have been transferred	=	Previous total acquisition price	×	Ratio of net asset value attributable to a reduction in capital (0.006)
(3) Capital gain/loss from deemed transfer	=	(1) Deemed income	−	(2) Acquisition price of units deemed to have been transferred

[Example] Where 10 investment units of Samty Residential were acquired at 75,000 yen per unit

(1) Deemed income=456 yen (DEE per unit) x 10 units – 0 yen=4,560 yen.

(2) Acquisition price of units deemed to have been transferred = (75,000 yen x 10 units) x 0.006 (ratio of net asset value attributable to a reduction in capital) = 4,500 yen

(3) Capital gain/loss from deemed transfer = 4,560 yen – 4,500yen = 60 yen (deemed capital gain on transfer)

\*Based on the above computation, capital gains from deemed transfer will arise for unitholders whose average acquisition price per investment unit is lower than 76,000 yen.

\*If (3) above is a negative figure as a result of the computation, it will be a deemed loss on transfer.

\*For the details regarding the computation of capital gain/loss from deemed transfer, please consult your local tax office or your tax accountant, etc.

(3) Treatment of acquisition price (Article 114 (1) of the Order for Enforcement of the Income Tax Act)

- Pursuant to the Japanese tax laws, the acquisition price of each investment unit will be adjusted.
- The adjustment formula is indicated below. The ratio of net asset value attributable to a reduction in capital will be “0.006”.

$$\boxed{\text{New acquisition price per unit}} = \boxed{\text{Previous acquisition price per unit}} - \left( \boxed{\text{Previous acquisition price per unit}} \times \boxed{\text{Ration of net asset value attributable to a reduction in capital (0.006)}} \right)$$

[Example] Where 10 investment units of Samty Residential were acquired at 75,000 yen per unit

- (1) Adjustment per unit = 75,000 yen x 0.006 (ratio of net asset value attributable to a reduction in capital) =450 yen.
- (2) New acquisition price per unit = 75,000 yen – 450 yen =74,550 yen
- (3) New acquisition price = 74,550 yen x 10 units = 745,500 yen

\*Acquisition price adjustment, etc. for unitholders with “specified accounts” at securities firms may vary depending on the type of account utilized. Please confirm with securities firm, you have an account with.

\*Unitholders who are not using “specified accounts” at securities firms must make adjustments to the acquisition price using the above formula.

(4) Information for individual unitholders

Items prescribed in Article 114 (5) of the Order for Enforcement of the Income Tax Act	Notification
Ratio of net asset value attributable to a reduction in capital (ratio prescribed in Article 61 (2) (v) of the Order for Enforcement of the Income Tax Act concerning return of capital)	0.006 (rounded up to three decimal places)

(5) Information for corporate unitholders

Items prescribed in Article 23 (4) of the Order for Enforcement of the Corporation Tax Act	Notification
Matters stipulated in Article 24 (1) of the Corporate Tax Act which resulted in the delivery of monies or other assets	Return of capital
Applicable date	April 22, 2019
Deemed dividend per unit	0 yen per unit

Matters prescribed in Article 119-9 (2) of the Order for Enforcement of the Corporation Tax Act	Notification
Ration of net asset value attributable to a reduction in capital	0.006 (rounded up to three decimal places)
Decrease in capital surplus due to return of capital	229,869,600 yen

3. Other Information

(1) Procedures to be followed by unit holders concerning the DEE (not originating from “retained earning” but from “unitholders’ capital”) for this period.

- Computation of “capital gain/loss from deemed transfer” will be necessary.  
In principle, the taxation of “capital gain/loss from deemed transfer” associated with “return of capital” for tax purposes is not included in the computation for specified accounts. However, as it may be included in the computation depending on the account type. Please confirm this with your securities firm, etc.
- If a “capital gain from deemed transfer” arises.  
In principle, final tax returns will need to be filed. However, a “capital gain from deemed transfer” will only arise if the average acquisition price is below 76,000 yen with regard to the DEE (456 yen per unit) for this period. As it may be subject to withholding tax at some securities firms, etc., depending on the account type, please confirm this with your securities firm, etc. since final tax returns may not need to be filed in such cases.
- If a “deemed loss on transfer” is realized and the loss is to be offset against other revenue or to be carried over to forthcoming periods, final tax returns will need to be filed. However, if computation of “capital gain/loss from deemed transfer” is carried out within specified accounts, it will be offset in the specified accounts and thus the filing of final tax return may not be required.
- “Adjustments to the acquisition price” will be necessary.  
Please contact the relevant securities firm, etc. for confirmation.

## (2) Disclaimer

This document outlines matter concerning the tax treatment of DEE for this period and matters that should be notified to unitholders based on provisions of the Japanese tax laws. However, since the particulars will differ for each individual unitholder depending on their specific circumstances, the information outlined in this document is not exhaustive.

If you have any questions please contact the relevant party indicated in “4 Inquiries” below.

Please preserve this document as it may be useful in providing support for the “acquisition price” in the event the investment units are sold in the future.

This notice will also be posted on the Samty Residential Investment Corporation website: (<https://www.samty-residential.com/en/>).

## 4. Inquiries

### (1) General inquiries concerning this document

General administrator of the unitholders’ registry

Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division

Telephone: 0120-232-711 (toll-free number)

Operating hours: 9:00 to 17:00 (except Saturdays, Sundays and holidays)

### (2) Specific inquiries concerning adjustment of acquisition price

Please consult the relevant securities firm, etc., your local tax office or tax accountant, etc.

### (3) Inquiries concerning tax filling, etc.

Please consult your local tax office or tax accountant, etc.