

October 28, 2021

For Translation Purposes Only

Real Estate Investment Trust Securities Issuer  
Samty Residential Investment Corporation  
1-8-3 Marunouchi, Chiyoda-ku, Tokyo  
Masafumi Takahashi, Executive Director  
(Securities Code: 3459)

Asset Management Company:  
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Notice Concerning the Decision by the Asset Management Company to Submit a Notification  
Concerning the Establishment of a Hotel-Focused Real Estate Investment Corporation  
and Changes to the Content and Method of Its Business

Samty Asset Management Co., Ltd. ("Asset Management Company"), the asset management company to which Samty Residential Investment Corporation ("Samty Residential") entrusts the management of its assets, decided today at a meeting of its Board of Directors to establish a new investment corporation specializing in hotels, Samty Japan Hotel REIT, Inc. ("Hotel REIT") as the organizer, and to file a notification to the Commissioner of the Financial Services Agency concerning a change in the content and method of its business in accordance with Article 31, Paragraph 3 of the Financial Instruments and Exchange Act and Article 21 of the Cabinet Office Order on Financial Instruments Business, etc.

**1. Purpose of establishing a new investment corporation specializing in hotels**

Since its establishment in March 2015, Samty Residential has been investing in rental housing, etc., not only in the Tokyo metropolitan area, but also in a wide range of regional cities through the supply of a rich pipeline of properties from Samty Co., Ltd., the main sponsor of Samty Residential, and providing residents with safe, secure, and comfortable housing through these leases. Through these investment activities, Samty Residential creates living environments, services, and employment opportunities, etc., that match the conditions and characteristics of each region, thereby revitalizing the Japanese economy from a regional perspective. Based on this basic philosophy, it has provided unitholders with opportunities to invest in a diversified portfolio throughout Japan and has aimed to enhance unitholder value through mid- to long-term management. Under these circumstances, the Asset Management Company believes that by establishing the new Hotel REIT, it will be able to utilize the abundant know-how of Samty Co., Ltd. and the Asset Management Company in the real estate development, acquisition, and management business, etc., mainly in the Tokyo metropolitan area and regional metropolitan areas, to invest in properties that meet the diversifying demand for accommodations in Japan and the demand for accommodations by foreign visitors to Japan against the backdrop of the government's efforts to realize an advanced tourism nation. It is believed that this will contribute to the development of the tourism industry, which is expected to expand in the future, as well as to regional development through the utilization of local tourism resources.

In addition, at the 5th General Meeting of Unitholders of Samty Residential held on October 20, 2021, a proposal to partially amend the Articles of Incorporation to exclude hotels, which have not been acquired to date, from

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the use of assets to be invested in by Samty Residential, in order to clarify the investment policy and the use of assets to be invested in by Samty Residential, was proposed and approved as proposed. As a result, the investment targets of Samty Residential and Hotel REIT will be separated and will not overlap. (Note 1)

In accordance with this change, the Asset Management Guidelines, which are internal rules of the Asset Management Company, were also partially revised on the same day. (Note 2)

In addition to this, necessary changes will be made to the internal rules of the Asset Management Company regarding the handling of real estate information, and the changes to the said rules will be applied and implemented from November 2, 2021.

(Note 1) For details, please refer to the "Notice Concerning Partial Amendments to Articles of Incorporation and Appointment of Directors" released on September 15, 2021.

(Note 2) For details, please refer to the "Notice Concerning Partial Amendments to the Asset Management Guidelines of the Asset Management Company" released on October 20, 2021.

(Note 3) The establishment of Hotel REIT is subject to the approval of the relevant authorities, etc.

## 2. Outline of Hotel REIT (planned) (Note)

Trade name	Samty Japan Hotel REIT, Inc.
Location	1-8-3 Marunouchi, Chiyoda-ku, Tokyo
Executive Officer	Setsuo Ito
Organizer	Samty Asset Management Co., Ltd.
Asset Management Company	Samty Asset Management Co., Ltd.
Investment target assets	Accommodations (hotels, inns, and other lodging facilities)

## 3. Schedule for establishment of Hotel REIT (planned) (Note)

Notification of establishment	November 2, 2021
Date of establishment	November 9, 2021
Application for registration	Late November 2021
Completion of registration	Late December 2021

(Note) The above outline and establishment schedule are plans as of today, and the actual schedule may be subject to change depending on the progress of internal procedures of the Asset Management Company approval by the relevant authorities, and other procedures.

## 4. Notification of changes to the content and method of business

### (1) Content of notification of changes

Upon the establishment of Hotel REIT, the Asset Management Company will change the following points in its business description and method statement.

- a. Revision of the types of assets, etc., to be managed as set forth in the business description and method statement
- b. Organization of the Asset Management Company (Note), segregation of duties, and establishment of rules and regulations
  - Establishment of the Hotel REIT Division to manage Hotel REIT assets
  - Renaming of the REIT Division, which manages the assets of Samty Residential, to the Residential REIT Division

(Note) For details, please refer to the "Notice Concerning Reorganization of the Asset Management Company, Changes in Directors' Positions, and Changes in Key Employees and Their Positions" released today.

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( 2 ) Date of notification  
November 1, 2021 (scheduled)

## 5. System to prevent conflicts of interest

With the establishment of Hotel REIT, the Asset Management Company will be entrusted with the asset management business of Samty Residential, Hotel REIT, and the private funds. From the perspective of preventing conflicts of interest among the asset management companies due to competition for investment opportunities that may arise as a result of this, the Asset Management Company will clarify the classification of assets to be invested in by each asset management company in its Basic Policy on Business, Principles of Business Operation, and Basic Policy on Investment Management. The main content of the relevant regulations is as follows.

- ( 1 ) Accommodation assets (real estate in the area surrounding rental housing, such as rental housing, hotels, inns, and other lodging facilities, and health-care facilities; the same shall apply hereinafter)
  - a. Among accommodation assets, priority will be given to the consideration of acquisitions by Samty Residential of rental housing, accommodation facilities ((a) hotels, inns, and other lodging facilities with an acquisition price of less than 1 billion yen per acquisition target (accommodations for the management of lodging facilities under the Hotel Business Act, including each accommodation facility other than hotels and inns, and serviced apartments, etc., but excluding private accommodations (refers to residences or accommodation facilities that provide accommodation services after furnishings, etc., have been installed and certain other environmental improvements have been made; the same shall apply hereinafter), and their incidental facilities; and (b) private accommodations and their incidental facilities), and health-care facilities (including, but not limited to, buildings whose primary use is housing for the elderly with services as defined in the Act on Securement of Stable Supply of Elderly Persons' Housing, fee-based nursing homes and group homes for the elderly with dementia as defined in the Act on Social Welfare for the Elderly), etc., and information on their sale and purchase will be communicated to the Residential REIT Division on a priority basis.
  - b. Of accommodation assets, hotels, inns, and other lodging facilities (including each accommodation facility other than hotels and inns and serviced apartments, etc., for the purpose of operating lodging facilities under the Hotel Business Act, and limited to those with an acquisition price of 1 billion yen or more per acquisition target; this does not include private accommodations) and their ancillary facilities, priority shall be given to the consideration of acquisition by Hotel REIT, and information on their sale and purchase shall be communicated to the Hotel REIT Division on a priority basis.
  - c. Information on the sale and purchase of accommodation assets acquired by the Investment Department shall also be communicated to either the Residential REIT Division or the Hotel REIT Division on a priority basis.
  - d. In the event that the Residential REIT Division or Hotel REIT Division receives information on accommodation asset sale and purchase from the Investment Department, it shall decide on the acquisition policy, etc., without delay.
  - e. In the event that the Residential REIT Division or Hotel REIT Division decides not to purchase the property, the information will be released to the Investment Department.
  - f. When there is a bridge request from the Residential REIT Division or the Hotel REIT Division concerning the value-up period or the period until the next PO (public offering), consideration shall be given to temporarily acquiring the property by the sponsor or a private fund with which an investment advisory agreement (warehousing support, bridge fund formation) has been concluded.
- ( 2 ) For assets other than accommodation assets, Samty Residential will only consider acquisitions by private funds, and the information on such transactions will be communicated to the Investment Department, which will decide on the acquisition policy, etc., without delay.

- (3) Information on the sale and purchase of multiple properties that include both accommodation assets and non-accommodation assets (for example, bulk sales) shall be communicated to the Residential REIT Division (when accommodation assets that fall under (1)(a) are included), the Hotel REIT Division (when accommodation assets that fall under (1)(b) are included), and the Investment Department. For accommodation assets that fall under (1)(a), the Residential REIT Division will consider the acquisition policy, acquisition price of each individual property, etc., for accommodation assets that fall under (1)(b), the Hotel REIT Division will consider the acquisition policy, acquisition price of each individual property, etc., and for assets other than accommodation assets, the Investment Department will consider the acquisition policy, acquisition price of each individual property, etc. The decision to purchase the relevant property will be made only when it is possible to negotiate a price that is less than or equal to the sum of the acquisition prices of the individual properties calculated by each division and department, and if either the Residential REIT Division, Hotel REIT Division, or Investment Department decides not to purchase the respective asset, the purchase of the relevant property will be forfeited.
- (4) For properties that comprise both accommodation and non-accommodation assets, information on the sale and purchase of the property shall be communicated to the Residential REIT Division if the primary use (Note) is accommodation assets as described in (1)(a), to the Hotel REIT Division if the primary use is accommodation assets as described in (1)(b), and to the Investment Department if the primary use is non-accommodation assets, which will examine the acquisition policy, acquisition price, etc., and make a decision on the purchase.

(Note) "Primary use" refers to the case where the ratio of the leased area corresponding to the relevant use to the leasable area per property is 50% or more.

## 6. Future outlook

The impact of the notification of the establishment of Hotel REIT and the change in content and method of business on the business performance of Samty Residential is not material, and there is no change in the forecast of business performance for the fiscal period ending January 31, 2022 (August 1, 2021, to January 31, 2022), and the fiscal period ending July 31, 2022 (February 1, 2022, to July 31, 2022), described in "(REIT) Summary of Financial Results for Fiscal Period Ended July 2021" released on September 15, 2021.

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