

## **Disclaimer**

This document has been prepared solely for the purpose of providing U.K. and Dutch investors with certain information under Article 23 of the European Alternative Investment Fund Managers Directive (European Directive 2011/61/EU) (the “AIFMD”) as implemented in their respective jurisdictions. Accordingly, you should not use this document for any other purpose.

## ***Netherlands***

The units of Sekisui House Residential Investment Corporation (the “SHI” or the “AIF”) are being marketed in the Netherlands under Section 1:13b of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, or the “Wft”). In accordance with this provision, Sekisui House Asset Management, Ltd. (the “AIFM”) has submitted a notification with the Dutch Authority for the Financial Markets. The units of SHI will not, directly or indirectly, be offered, sold, transferred or delivered in the Netherlands, except to or by individuals or entities that are qualified investors (*gekwalficeerde beleggers*) within the meaning of Article 1:1 of the Wft, and as a consequence neither the AIFM nor SHI is subject to the license requirement pursuant to the Wft. Consequently, neither the AIFM nor SHI is subject to supervision of the Dutch Central Bank (*De Nederlandsche Bank*, “DNB”) or the Netherlands Authority for Financial Markets (*Autoriteit Financiële Markten*, the “AFM”) and this Article 23 AIFMD prospectus is not subject to approval by the AFM. No approved prospectus is required to be published in the Netherlands pursuant to Article 3 of the European Directive 2003/71/EC (the EU Prospectus Directive) as amended and implemented in Netherlands law. The AIFM is solely subject to limited ongoing regulatory requirements as referred to in Article 42 of the AIFMD.

## ***United Kingdom***

Units of the SHI are being marketed in the United Kingdom pursuant to Article 59 of the United Kingdom Alternative Investment Fund Managers Regulations 2013. In accordance with this provision, the AIFM has submitted a notification with the Financial Conduct Authority (the “FCA”) in the United Kingdom.

For the purposes of the United Kingdom Financial Services and Markets Act 2000 (“FSMA”) the SHI is an unregulated collective investment scheme which has not been authorized by the FCA.

Accordingly, any communication of an invitation or inducement to invest in the SHI may be made to persons in the United Kingdom only if the communication falls within one or more of the categories of exempt financial promotions under the Financial Services and Markets Act (Financial Promotion) Order 2005 (the “Order”), such as financial promotions communicated to:

- (1) persons who are investment professionals, as defined in article 19 of the Order;
- (2) persons who are high net worth companies, unincorporated associations, or other entities listed in article 49 of the Order

or if the communication is made to persons to whom such an invitation or inducement may otherwise lawfully be communicated. The distribution of this document to any person in the United Kingdom in circumstances not falling within one of the above categories is not permitted and may contravene FSMA. No person falling outside those categories should treat this document as constituting a promotion to him, or act on it for any purposes whatever.

### ***European Economic Area***

In relation to each Member State of the European Economic Area (the “EEA”) which has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) no offer of units of the SHI may be made to the public in that Relevant Member State except in circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of units shall require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive, or a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “an offer of units to the public” in relation to any units in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the units to be offered so as to enable an investor to decide to purchase or subscribe the units, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant

implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

The units of SHI are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, “IMD”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the units of SHI or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the units of SHI or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

| Article 23 (1)(a)                                 |   |
|---|---|
| Objectives of the AIF                             | Sekisui House Residential Investment Corporation (the “SHI” or the “AIF”) is a J-REIT that invests in residential properties; Sekisui House, Ltd. serves as the sponsor. SHI’s basic policy is to manage properties with the aim of obtaining stable earnings and steady growth of assets under management over the medium to long term.  |
| Investment strategy                               | SHI’s basic strategy is to build a portfolio that focuses on high-quality residential properties developed by Sekisui House, Ltd., its sponsor, with the aim to maximize its business value as well as its unitholders’ interest. To achieve earnings based on stable demand and risk diversification, SHI invests in real estate-related assets that are mainly used as residence. Residential properties include student dorms, company housing and serviced housing for the elderly. SHI invests in assets located in Greater Tokyo (Tokyo, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture) and major cities in Japan, such as government designated cities, and neighboring areas within commuting distance from the foregoing locations. The key investment areas in Greater Tokyo are the major urban areas.  |
| Types of assets the AIF may invest in             | Real estate, real estate leasehold rights, surface rights, trust beneficiary interests in the foregoing assets and other assets.  |
| Techniques it may employ and all associated risks | <p>SHI invests in assets located in Greater Tokyo (Tokyo, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture), and major cities in Japan such as government designated cities and neighboring areas within commuting distance.</p> <p>The principal risks with respect to investment in SHI are as follows:</p> <ul style="list-style-type: none"> <li>• Any adverse conditions in the Japanese economy could adversely affect SHI;</li> <li>• SHI may not be able to acquire properties to execute SHI’s growth and investment strategy in a manner that is accretive to earnings;</li> <li>• SHI’s unit price and investment corporation bond price may fluctuate significantly due to various market factors, such as supply-demand imbalance, performance of other assets, interest rates, and macroeconomic conditions;</li> <li>• The high geographic concentration of SHI’s real estate portfolio could have a material adverse effect on SHI’s business;</li> <li>• The high concentration of residence in SHI’s real estate portfolio could have a material adverse effect on SHI’s business;</li> <li>• Competition for tenants may adversely affect SHI’s ability to retain SHI’s current tenants and find new tenants, and to achieve favorable rental rates and occupancy rates;</li> <li>• SHI’s reliance on the Sekisui House Group could have a material adverse effect on SHI’s business;</li> <li>• SHI may suffer large losses if any of SHI’s properties incur damage from a natural or man-made disaster or acts of violence;</li> <li>• SHI may not be able to promptly dispose of properties in SHI’s portfolio on acceptable terms in response to changing economic, financial or investment conditions;</li> <li>• Any inability to obtain financing for future acquisitions, or any restrictions on SHI’s activities under SHI’s financing arrangements, could adversely affect SHI;</li> </ul> |

- SHI's success depends on the performances of service providers to which SHI is required to assign various key functions;
- Conflicts of interest between SHI and parties involved in the operation of SHI could adversely affect SHI;
- SHI may not be able to benefit from reductions in certain real estate taxes enjoyed by qualified J-REITs; and
- Changes in Japanese tax laws may significantly increase SHI's tax burden.

In addition, SHI is subject to the following risks:

- Risks related to increasing operating costs;
- Risks related to the illiquidity in the real estate market, which may limit the ability to grow or adjust the portfolio;
- Risks related to the cash distributions;
- Risks related to the cancellation of the SHI's registration as an investment corporation under the Act on Investment Trusts and Investment Corporations (the "ITA");
- Risks related to SHI's performance, which depends on the efforts of the directors of Sekisui House Asset Management Ltd. (the "AIFM"); Risks related to boundary disputes;
- Risks that SHI may change its detailed investment policy without an approval of General Meeting of Unitholders;
- Risks related to the restrictive covenants under debt financing arrangement;
- Risks related to entering into forward commitment contracts;
- Risks related to third party leasehold interests in the land underlying SHI's properties;
- Risks related to holding the property in the form of compartmentalized ownership (*kubun shoyū*) interests or co-ownership interests (*kyōyū-mochibun*);
- Risks related to holding the property in the form of limited proprietary right of land (as it called "*soko-chi*");
- Risks related to properties not in operation (including properties under development);
- Risks related to the defective title, design, construction or other defects or problems in the properties;
- Risks related to suffering impairment losses relating to the properties;
- Risks related to decreasing tenant leasehold deposits and/or security deposits;
- Risks related to lease agreements with tenants, including the risks of tenants' default as a result of financial difficulty or insolvency;
- Risks related to the status of use of real estate by tenants;
- Risks related to the insolvency of seller of the properties
- Risks related to relying on expert appraisals and engineering, environmental and seismic reports as well as industry and market data;
- Risks related to the presence of hazardous or toxic substances in the properties, or the failure to properly remediate such substances;
- Risks related to the amendment of the applicable administrative laws and local ordinances;
- Risks related to investments in anonymous associations (*tokumei kumiai*);
- Risks related to investments in trust beneficiary interest;
- Risks related to the tight supervision by the regulatory authorities and compliance

|   |  |
|---|--|
|   | <p>with applicable rules and regulations;</p> <ul style="list-style-type: none"> <li>• Risks related to the tax authority disagreement with the AIFM’s interpretations of the Japanese tax laws and regulations; and</li> <li>• Risk of dilution as a result of further issuances of units.</li> </ul>   |
| Any applicable investment restrictions          | <p>SHI is subject to investment restrictions under Japanese laws and regulations (e.g., ITA), the Financial Instruments and Exchange Act (the “FIEA”) as well as its Articles of Incorporation.</p> <p>SHI must invest primarily in real estate, etc., which are included in specified assets as defined in the ITA. Real estate, etc. means real estate, leaseholds of real estate, surface rights (<i>chijō-ken</i>) (i.e., right to use land for the purpose of having a structure on it) or trust beneficiary interests in any such assets. SHI also invests in other specified assets. A listed J-REIT must invest substantially all of its assets in real estate, real estate-related assets and liquid assets as provided by the listing requirements. Real estate in this context includes, but is not limited to, real estate, leaseholds of real estate, surface rights, and trust beneficiary interests for these assets, and real estate-related assets in this context include, but not limited to, anonymous association (<i>tokumei kumiai</i>) interests for investment in real estate. Pursuant to the ITA, J-REITs may not independently develop land for housing or to construct buildings, but may outsource such activities provided that certain conditions are met.</p> <p>Investment restrictions that SHI stipulate in its Articles of Incorporation are as follows:</p> <p>(1) Restrictions relating to securities and monetary claims</p> <p>SHI will not make active investments in securities and monetary claims. Investments in securities and monetary claims may be made after taking security and liquidity into consideration. In other cases, investments in securities and monetary claims will be made after taking into consideration the relevance to specified assets.</p> <p>(2) Restrictions relating to derivatives</p> <p>SHI will invest in derivatives only for the purpose of hedging against risks including interest rate risk arising from its liabilities and other risks.</p> |
| Circumstances in which the AIF may use leverage | <p>SHI may take out loans or issue short-term or long-term investment corporation bonds for the purpose of investing in properties, conducting repairs, paying cash distributions, operations, repaying its obligations (including repayment of tenant leasehold or security deposits and obligations related to loans or short-term or long-term investment corporation bonds) and other activities.</p>  |
| The types and sources of leverage permitted     | <p>Loans or investment corporation bonds.</p> <p>In the event of an increase in interest rates, to the extent that SHI has any debt with</p>   |

|  |  |
|--|--|
| and associated risks   | <p>unhedged floating rates of interest or SHI incurs new debt, interest payments may increase, which in turn could reduce the amount of cash available for distributions to unitholders.</p> <p>Furthermore, SHI may be subject to restrictive covenants in connection with any future indebtedness that may restrict the operation and limit the ability to make cash distributions to unitholders.</p>   |
| Any restrictions on leverage   | The maximum amount of each loan and investment corporation bond issuance will be ¥1 trillion, and the aggregate amount of all such debt will not exceed ¥1 trillion.   |
| Any restrictions on collateral and asset reuse arrangements  | No applicable arrangements.  |
| Maximum level of leverage which the AIFM is entitled to employ on behalf of the AIF  | To conduct stable financial management, SHI has set an upper limit of 60% as a general rule for its loan-to-value, or LTV, ratio. SHI may, however, temporarily exceed the 60% threshold as a result of property acquisitions or other events.   |
| <b>Article 23(1) (b)</b>   |  |
| Procedure by which the AIF may change its investment strategy / investment policy  | Amendment of the Articles of Incorporation requires a quorum of a majority of the total issued units and at least a two-thirds vote of the voting rights represented at the meeting. The approval at a general meeting of unitholders is required for changes in fundamental matters, such as target investments and investment policies, which are stipulated in the Articles of Incorporation. However, more detailed policies and operational guidelines of the AIF, which are prepared by SHI's or the AIFM's board of directors based on the fundamental matters stipulated in the Articles of Incorporation, can be modified without such approval.  |
| <b>Article 23(1) (c)</b>   |  |
| Description of the main legal implications of the contractual relationship entered into for the purpose of investment, including jurisdiction, applicable law, and the existence or not of any legal instruments providing for the recognition and enforcement of judgments in the territory where the | <p>The AIFM has entered into pipeline support agreements, governed by Japanese law, with Sekisui House, LTD., Sekiwa Real Estate, LTD., Sekiwa Real Estate Kanto, Ltd., Sekiwa Real Estate Tohoku, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chugoku, Ltd., and Sekiwa Real Estate Kyushu, Ltd.</p> <p>SHI is not involved in or threatened by any legal arbitration, administrative or other proceedings, the results of which might, individually or in the aggregate, be material.</p> <p>SHI is a corporate-type investment trust in the form of investment corporation (<i>toshi hojin</i>) provided for under the ITA. Therefore, the relationship between SHI and its unitholders is governed by SHI's articles of incorporation (as opposed to individual agreements), which can be amended from time to time upon resolution of a general unitholders' meeting. SHI's articles of incorporation stipulate rules relating to general unitholders' meetings, including the convocation, setting of record date, exercise of voting rights, resolutions and election of SHI's directors.</p> |

|   |   |
|---|---|
| AIF is established  | <p>The relationship between SHI and its unitholders is also governed by, and is subject to the provisions of, Japanese law, including the ITA.</p> <p>The courts in Japan would recognize as a valid judgment any final and conclusive civil judgment for monetary claims (which, for this purpose, are limited to those of a purely civil nature and do not include monetary claims of the nature of criminal or administrative sanction, such as punitive damages, even though they take the form of civil claims) against SHI obtained in a foreign court provided that (i) the jurisdiction of such foreign court is admitted under the laws of Japan, (ii) SHI has received service of process for the commencement of the relevant proceedings, otherwise than by a public notice or any method comparable thereto, or has appeared without any reservation before such foreign court, (iii) neither such judgment nor the relevant proceeding is repugnant to public policy as applied in Japan, (iv) there exists reciprocity as to the recognition by such foreign court of a final judgment obtained in a Japanese court and (v) there is no conflicting judgement on the subject matter by any Japanese court.</p>                               |
| <b>Article 23(1) (d)</b>  |   |
| The identity of the AIFM, AIF's depository, auditor and any other service providers and a description of their duties and the investors' rights thereto | <ul style="list-style-type: none"> <li>• AIFM (Asset Manager): Sekisui House Asset Management, Ltd.</li> <li>• Independent Auditor: Ernst &amp; Young ShinNihon LLC</li> <li>• Custodian and Account Administrator: Mizuho Trust &amp; Banking Co., Ltd.</li> <li>• Administrator (Institutional Management): Sekisui House Asset Management, Ltd.</li> <li>• Transfer Agent: Mizuho Trust &amp; Banking Co., Ltd.</li> <li>• Investment Corporation Bond Administrator: The Bank of Tokyo-Mitsubishi UFJ, Ltd.</li> </ul> <p>Service providers owe contractual obligations under their respective agreements with the AIF or AIFM, as the case may be. In addition, the FIEA provides that the Asset Manager owes the AIF a fiduciary duty and must conduct its activities as the asset manager in good faith. The FIEA also prohibits the Asset Manager from engaging in certain specified conduct, including entering into transactions outside the ordinary course of business or with related parties of the Asset Manager that are contrary to or violate the AIF's interests. Pursuant to the ITA, the unitholders have the right to approve the execution or termination of the asset management agreement at a general meeting of unitholders.</p> |
| <b>Article 23(1) (e)</b>  |   |
| Description of how the AIFM complies with the requirements to cover professional liability risks (own funds / professional indemnity insurance)         | Not applicable.   |
| <b>Article 23(1) (f)</b>  |   |
| Description of any  | Not applicable.   |

|   |   |
|---|---|
| <p>delegated management function such as portfolio management or risk management and of any safekeeping function delegated by the depositary, the identification of the delegate and any conflicts of interest that may arise from such delegations</p> | <p>There is no delegation of such functions beyond the AIFM, which is responsible for portfolio and risk management, and the Custodian, which is responsible for safekeeping activities.</p>  |
| <p><b>Article 23(1) (g)</b></p>   |   |
| <p>Description of the AIF's valuation procedure and pricing methodology, including the methods used in valuing hard-to-value assets</p>   | <p>SHI shall evaluate assets in accordance with its Article of Incorporation. The methods and standards that SHI uses for the evaluation of assets shall be based on the Regulations Concerning the Calculations of Investment Corporations, as well as the Regulations Concerning Real Estate Investment Trusts and Real Estate Investment Corporations and other regulations stipulated by ITA, in addition to Japanese GAAP. J-REITs may only use the valuation methods prescribed in the rules of the Investment Trusts Association, Japan, which emphasize market price valuation.</p> |
| <p><b>Article 23(1) (h)</b></p>   |   |
| <p>Description of the AIF's liquidity risk management, including redemption rights in normal and exceptional circumstances and existing redemption arrangements with investors</p>  | <p>SHI seeks to manage the capital resources and liquidity sources to provide adequate funds for current and future financial obligations and other cash needs and acquisitions. SHI manages liquidity risk by implementing a strategic cash management plan, varying repayment terms of its loans and diversifying lenders and financing methods. As SHI is a closed-end investment corporation, unitholders are not entitled to request the redemption of their investment.</p>   |
| <p><b>Article 23(1) (i)</b></p>   |   |
| <p>Description of all fees, charges and expenses and a maximum amount which is directly / indirectly borne by the investors</p>   | <p>Compensation: The Articles of Incorporation provide that SHI may pay its executive director up to ¥1 million per month and each of its supervisory directors up to ¥0.5 million per month. The board of directors is responsible for determining a reasonable compensation amount for the executive director and each of the supervisory directors.</p> <p><u>Asset Manager:</u></p> <p style="text-align: center;">Asset Management Fees: SHI will pay the AIFM an asset management fee, which</p>  |

comprises the type (1) asset management fee, type (2) asset management fee, acquisition fee, disposition fee and merger fee as described below.

Type (1) Asset Management Fee – SHI will, within one month after the end of each fiscal period, pay an amount calculated as the sum of (i) total asset value up to ¥200 billion multiplied by a certain rate agreed with the AIFM, and (ii) total asset value in excess of ¥200 billion multiplied by another rate agreed with the AIFM, where the total asset value used will be as set forth on the balance sheet dated as of the most recent fiscal period-end ; provided that no such rate will exceed 0.22% p.a. Such amount calculated is prorated based on the actual number of days in the relevant fiscal period, using 365 days for one year. In addition, if such amount includes a fraction less than one yen, such fraction shall be rounded down. The current rates agreed with the AIFM applicable are 0.15% with respect to total asset value up to ¥200 billion and 0.10% with respect to total asset value in excess of ¥200 billion.

Type (2) Asset Management Fee – SHI will, within one month following the day of approval of the financial statements for relevant fiscal period, pay an amount equal rent revenue - real estate after subtracting the expenses related to rent business, multiplied by a rate agreed with the AIFM that may not exceed 5.0%. The rent revenue - real estate includes anonymous association (*tokumei kumiai*) interests related real estate, dividends relating to real estate-backed securities or other forms of income and the expenses relates to rent business excludes depreciation and loss on retirement of non-current assets. The current rate agreed with the AIFM is 4.0%.

Acquisition Fee – For each acquisition of an asset, the AIFM receives an acquisition fee in an amount equal to the acquisition price multiplied by a rate agreed with the AIFM, where such rate may not exceed 0.8% or, in case of a transaction with an interested party, 0.4%. Acquisition price excludes national and local consumption taxes and expenses for the acquisition and means sale price in case of purchase and sale, appraisal value in case of an asset replacement or investment amount in case of an investment. SHI will pay this fee within one month after the end of the month which includes the day of the relevant acquisition (i.e., the day on which ownership is transferred). The current rate agreed with the AIFM is 0.8% (or, in case of a transaction with an interested party, 0.4%).

Disposition Fee – For each disposition of an asset, the AIFM receives a disposition fee in an amount equal to the disposition price multiplied by a rate agreed with the AIFM, where such rate may not exceed 0.8% or, in

case of a transaction with an interested party, 0.4%. Disposition price excludes national and local consumption taxes and expenses for the disposition and means sale price in case of purchase and sale or appraisal value in case of an asset replacement. SHI will pay this fee within one month after the end of the month which includes the day of the relevant disposition (i.e., the day on which ownership is transferred). The current rate agreed with the AIFM is 0.8% (or, in case of a transaction with an interested party, 0.4%).

Merger Fee – Where SHI succeeds assets pursuant to a merger, SHI will pay an amount equal to the appraisal value of succeeded assets, multiplied by a rate agreed with the AIFM that may not exceed 0.8%. SHI will pay this fee within three months of the end of the month of the effective day of the relevant merger. The applicable rate for the merger fee will be determined in the future as needed through discussion as there is no specific plan for a merger.

Administrator (Institutional Management):

- Under the institutional management agreement, SHI will, by the end of the month immediately following the end of each fiscal period, pay the General Administrator for such fiscal period, ¥1,400,000 (with the amount of national and local consumption taxes) for management of executive committee meeting.
- SHI will pay the General Administrator ¥4,700,000 per meeting with the amount of national and local consumption taxes, as a fee of management of general meetings of unitholders, by the end of the month following the month in which any general meeting is held.

Account Administrator:

- SHI will, by the end of the month following the last day of each fiscal period, pay fees for the services provided by the Account Administrator, as agreed upon between SHI and the Account Administrator, up to the semi-annual amount to be calculated by the formula as shown below, based on the total assets (which must be real estate and/or trust beneficiary interests in real estate or deposits) recorded on SHI's balance sheet as of the last day of the fiscal period immediately preceding the first day of each fiscal period.

| Amount of Total Assets | Calculation Method<br>(semi-annual amount) |
|------------------------|--|
| ¥30 billion or less    | ¥9,000,000                                 |
| over ¥30 billion       | Total assets × 0.0200%                     |

- If the fees as set out above become inadequate due to a change in economic conditions or otherwise, such fees may be revised by agreement between the Account Administrator and SHI.
- If assets include any assets other than real estate, trust beneficiary interests in real estate or deposits, the Account Administrator and SHI will discuss good faith change in the fees to take into consideration any additional work for the Account Administrator.
- SHI will bear any national and local consumption taxes.

Transfer Agent:

- Standard transfer agent fees are for services such as the preparation, maintenance and storage of SHI’s unitholder register; and preparation of materials concerning end-of-period unitholder statistical data (number of unitholders, total units held, and distribution per geographic area). Up to monthly standard fees are determined by calculating one sixth of the total number of unitholders falling under each section as shown below. There is a minimum monthly fee of ¥200,000.

| Number of Unitholders   | Fees per Unitholder |
|-------------------------|---------------------|
| first 5,000 unitholders | ¥480                |
| over 5,000 to 10,000    | ¥420                |
| over 10,000 to 30,000   | ¥360                |
| over 30,000 to 50,000   | ¥300                |
| over 50,000 to 100,000  | ¥260                |
| over 100,000            | ¥225                |

- SHI also pays certain de minimis fees in addition to the Standard Fees in connection with the administration and handling of distributions (minimum of 350,000 yen per distribution) and other unitholder-related services.

Custodian:

- SHI will, by the end of the month following the last day of the previous fiscal period, pay fees for the services provided by the Custodian, as agreed upon between SHI and the Custodian, up to the semi-annual amount to be calculated by the formula as shown below, based on the total assets (which must be real estate and/or trust beneficiary interests in real estate or deposits) recorded on SHI’s balance sheet as of the last day of the fiscal period immediately preceding the first day of each fiscal period.
- If the fees as set out above become inadequate due to a change in economic conditions or otherwise, such fees may be revised by agreement between the Custodian and SHI.

- If assets include any assets other than real estate, trust beneficiary interests entrusting real estate and deposit, the Custodian and SHI discuss change in the amount of the fee in good faith in order to take additional works into account.
- SHI will bear national and local consumption taxes.

| Amount of Total Assets | Calculation Method (semi-annual amount) |
|------------------------|---|
| ¥30 billion or less    | ¥4,500,000                              |
| over ¥30 billion       | Total assets × 0.0100%                  |

Independent Auditor:

- SHI may pay the independent auditor up to ¥15 million per fiscal period. The board of directors is responsible for determining the actual compensation amount.

SHI may also incur other miscellaneous fees in connection with:

- Administration for investment corporation bonds; and
- Property management.

| <b>Article 23(1) (j)</b>  |   |
|---|---|
| Description of the AIFM's procedure to ensure fair treatment of investors and details of any preferential treatment received by investors, including detailing the type of investors and their legal or economic links with the AIF or AIFM | Under Article 77 paragraph 4 of the ITA, which applies the requirements of Article 109 paragraph 1 of the Companies Act to investment corporations, investment corporations are required to treat unitholders equally depending on the number and content of units held. In addition, upon liquidation, the allotment of residual assets to unitholders is required to be made equally depending on the number units held under Article 77 paragraph 2 item 2 and Article 158 of the ITA. |
| <b>Article 23(1) (k)</b>  |   |
| The latest annual report referred to in Article 22(1)   | Additional information may be found in our most recent semi-annual report prepared in accordance with Article 22 of the AIFMD, which is available at the Asset Manager's office located at 3-1-31 Minami-Aoyama, Minato-ku, Tokyo.  |
| <b>Article 23(1) (l)</b>  |   |

| The procedure and conditions for the issue and sale of the units  | SHI is authorized under the Articles of Incorporation to issue up to 10,000,000 units. Its units have been listed on the Tokyo Stock Exchange since July 28, 2005. Secondary market sales and transfers of units will be conducted in accordance with the rules of the Tokyo Stock Exchange. Unit prices on the Tokyo Stock Exchange are determined on a real-time basis by the equilibrium between bids and offers. The Tokyo Stock Exchange sets daily price limits, which limit the maximum range of fluctuation within a single trading day. Daily price limits are set according to the previous day's closing price or special quote.  |                                 |  |                                 |  |   |         |        |        |   |         |         |        |   |         |         |        |
|---|--|---------------------------------|--|---------------------------------|--|---|---------|--------|--------|---|---------|---------|--------|---|---------|---------|--------|
| <b>Article 23(1) (m)</b>  |  |                                 |  |                                 |  |   |         |        |        |   |         |         |        |   |         |         |        |
| Latest net asset value of the AIF or latest market price of the unit or share of the AIF  | SHI's unit's latest market price is publicly available at the Tokyo Stock Exchange or from financial information vendors (including Reuters, which can be viewed at <a href="http://www.reuters.com/finance/stocks/overview?symbol=8973.T">http://www.reuters.com/finance/stocks/overview?symbol=8973.T</a> ).   |                                 |  |                                 |  |   |         |        |        |   |         |         |        |   |         |         |        |
| <b>Article 23(1) (n)</b>  |  |                                 |  |                                 |  |   |         |        |        |   |         |         |        |   |         |         |        |
| Details of the historical performance of the AIF, where available   | <p>The units of SHI were listed on the Tokyo Stock Exchange on July 28, 2005. The performance of the units for the most recent three fiscal periods is as follows. Please also see SHI's "<a href="#">Semi-Annual Report</a>".</p> <table border="1" data-bbox="422 1008 1468 1456"> <thead> <tr> <th data-bbox="422 1008 758 1131">Fiscal period</th> <th data-bbox="758 1008 981 1131">Total Assets (JPY millions)</th> <th data-bbox="981 1008 1212 1131">Total Net Assets (JPY millions)</th> <th data-bbox="1212 1008 1468 1131">Total Net Assets per unit (base value) (JPY)</th> </tr> </thead> <tbody> <tr> <td data-bbox="422 1131 758 1243">22nd fiscal period (From April 1, 2016 to Sept. 30, 2016)</td> <td data-bbox="758 1131 981 1243">203,257</td> <td data-bbox="981 1131 1212 1243">91,292</td> <td data-bbox="1212 1131 1468 1243">89,668</td> </tr> <tr> <td data-bbox="422 1243 758 1355">23rd fiscal period (From Oct. 1, 2016 to Mar. 31, 2017)</td> <td data-bbox="758 1243 981 1355">210,166</td> <td data-bbox="981 1243 1212 1355">101,318</td> <td data-bbox="1212 1243 1468 1355">91,648</td> </tr> <tr> <td data-bbox="422 1355 758 1467">24th fiscal period (From April 1, 2017 to Sept. 30, 2017)</td> <td data-bbox="758 1355 981 1467">210,009</td> <td data-bbox="981 1355 1212 1467">101,341</td> <td data-bbox="1212 1355 1468 1467">91,669</td> </tr> </tbody> </table> | Fiscal period                   | Total Assets (JPY millions)                  | Total Net Assets (JPY millions) | Total Net Assets per unit (base value) (JPY) | 22nd fiscal period (From April 1, 2016 to Sept. 30, 2016) | 203,257 | 91,292 | 89,668 | 23rd fiscal period (From Oct. 1, 2016 to Mar. 31, 2017) | 210,166 | 101,318 | 91,648 | 24th fiscal period (From April 1, 2017 to Sept. 30, 2017) | 210,009 | 101,341 | 91,669 |
| Fiscal period   | Total Assets (JPY millions)  | Total Net Assets (JPY millions) | Total Net Assets per unit (base value) (JPY) |                                 |  |   |         |        |        |   |         |         |        |   |         |         |        |
| 22nd fiscal period (From April 1, 2016 to Sept. 30, 2016)   | 203,257  | 91,292                          | 89,668                                       |                                 |  |   |         |        |        |   |         |         |        |   |         |         |        |
| 23rd fiscal period (From Oct. 1, 2016 to Mar. 31, 2017)   | 210,166  | 101,318                         | 91,648                                       |                                 |  |   |         |        |        |   |         |         |        |   |         |         |        |
| 24th fiscal period (From April 1, 2017 to Sept. 30, 2017)   | 210,009  | 101,341                         | 91,669                                       |                                 |  |   |         |        |        |   |         |         |        |   |         |         |        |
| <b>Article 23(1) (o)</b>  |  |                                 |  |                                 |  |   |         |        |        |   |         |         |        |   |         |         |        |
| Identity of the prime broker, any material arrangements of the AIF with its prime brokers, how conflicts of interest are managed with the prime broker and the provision in the contract with the depositary on the | Not applicable.  |                                 |  |                                 |  |   |         |        |        |   |         |         |        |   |         |         |        |

|  |  |
|--|--|
| possibility of transfer and reuse of AIF assets, and information about any transfer of liability to the prime broker that may exist  |  |
| <b>Article 23(1) (p)</b>   |  |
| Description of how and when periodic disclosures will be made in relation to leverage, liquidity and risk profile of the assets, pursuant to Articles 23(4) and 23(5)                        | The AIFM will disclose the matters described in Articles 23(4) and 23(5) periodically through its Internet website and semi-annual report. |
| <b>Article 23(2)</b>   |  |
| The AIFM shall inform the investors before they invest in the AIF of any arrangement made by the depositary to contractually discharge itself of liability in accordance with Article 21(13) | Not applicable.  |
| The AIFM shall also inform investors of any changes with respect to depositary liability without delay   | Not applicable.  |
| <b>Article 23(4)(a)</b>  |  |
| Percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature. The percentage shall be   | There are no assets that are subject to special arrangements arising from their illiquid nature.   |

|  |   |
|--|---|
| calculated as the net value of those assets subject to special arrangements divided by the net asset value of the AIF concerned  |   |
| Overview of any special arrangements, including whether they relate to side pockets, gates or other arrangements   | There are no such special arrangements.   |
| Valuation methodology applied to assets which are subject to such arrangements   | There are no such special arrangements.   |
| How management and performance fees apply to such assets   | There are no such special arrangements.   |
| <b>Article 23(4)(b)</b>  |   |
| Any new arrangements for managing the liquidity of the AIF   | Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time. |
| For each AIF that the AIFM manages that is not an unleveraged closed-end AIF, notify to investors whenever they make changes to its liquidity management systems (which enable an AIFM to monitor the liquidity risk of the AIF and to ensure the liquidity profile of the investments of the AIF complies with its underlying obligations) that are material in accordance with | Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time. |

|   |  |
|---|--|
| <p>Article 106(1) of Regulation (EU) NO 231/2013 (i.e. there is a substantial likelihood that a reasonable investor, becoming aware of such information, would reconsider its investment in the AIF, including because such information could impact an investor's ability to exercise its rights in relation to its investment, or otherwise prejudice the interests of one or more investors in the AIF).</p> |  |
| <p>Immediately notify investors where they activate gates, side pockets or similar special arrangements or where they decide to suspend redemptions</p>   | <p>Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.</p>                           |
| <p>Overview of changes to liquidity arrangements, even if not special arrangements</p>  | <p>Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.</p>                           |
| <p>Terms of redemption and circumstances where management discretion applies, where relevant</p>  | <p>As SHI is a closed-end investment corporation and unitholders are not entitled to request the redemption of their investment.</p> |
| <p>Also any voting or other restrictions exercisable, the length of any lock-up or any provision concerning</p>   | <p>There are no voting or other restrictions on the rights attaching to units.</p>   |

|  |  |
|--|--|
| <p>'first in line' or 'pro-rating' on gates and suspensions shall be included</p>  |  |
| <p><b>Article 23(4)(c)</b></p>   |  |
| <p>The current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks</p>  | <p>Deposits are exposed to risks of failure of the financial institution holding the deposit and other credit risks, but such risks are controlled through diversification of financial institutions holding the deposits.</p> <p>The fund proceeds from borrowings and issuance of investment corporation bonds are used for the purpose of investing in properties, conducting repairs, paying cash distributions, operating the AIF, repaying obligations and other activities. These borrowings and investment bonds are exposed to liquidity risks. SHI strives to reduce the liquidity risks and a risk of rising interest rates by diversifying repayment dates, fee, and so forth.</p> <p>Derivative transactions are also utilized to hedge the interest rate risks arising from any borrowing or other debts.</p> <p>SHI retains cash and deposits sufficient to response any potential finance needs, including funds for acquiring asset, paying cash distributions, and so forth.</p> |
| <p>Measures to assess the sensitivity of the AIF's portfolio to the most relevant risks to which the AIF is or could be exposed</p>  | <p>No such measures have been implemented.</p>   |
| <p>If risk limits set by the AIFM have been or are likely to be exceeded and where these risk limits have been exceeded a description of the circumstances and the remedial measures taken</p> | <p>No such situation has occurred.</p>   |
| <p><b>Article 23(5)(a)</b></p>   |  |
| <p>Any changes to the maximum amount of leverage which the AIFM may employ on behalf of the AIF,</p>   | <p>Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.</p>   |

|   |  |
|---|--|
| <p>calculated in accordance with the gross and commitment methods. This shall include the original and revised maximum level of leverage calculated in accordance with Articles 7 and 8 of Regulation (EU) No 231/2013 , whereby the level of leverage shall be calculated as the relevant exposure divided by the net asset value of the AIF</p> |  |
| <p>Any right of the reuse of collateral or any guarantee granted under the leveraging agreement, including the nature of the rights granted for the reuse of collateral and the nature of the guarantees granted</p>  | <p>To be disclosed in the semi-annual report or on AIF’s homepage, if any such right or guarantee exists.</p>  |
| <p>Details of any change in service providers relating to the above.</p>  | <p>Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.</p>   |
| <p><b>Article 23(5)(b)</b></p>  |  |
| <p>Information on the total amount of leverage employed by the AIF calculated in accordance with the gross and commitment methods</p>   | <p>The aggregate amount of debt with interest is ¥105,532 million as of October 31, 2017.<br/>Please also see SHI’s <a href="#">“Interest-Bearing Debt”</a>.</p> |