

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.

European Economic Area Investors

The Directive 2011/61/EU (the “Alternative Investment Fund Managers Directive”, or the “AIFMD”), was adopted on June 8, 2011 and was required to be implemented by each Member State of the EEA into its national legislation by July 22, 2013. The units of SHR may not be marketed (within the meaning given to the term “marketing” under the AIFMD), and the Communication may not be conducted, to prospective investors domiciled or with a registered office in any Member State of the EEA unless: (i) the units of SHR may be marketed under any national private placement regime (including under the AIFMD) or other exemption in that Member State; or (ii) the units of SHR can otherwise be lawfully marketed or sold in that Member State in circumstances in which the AIFMD does not apply, provided that any such offer or sale is not made to a retail investor as described above. We have made a notification to each of the Netherlands Authority for the Financial Markets and the United Kingdom Financial Conduct Authority pursuant to Article 42 of the AIFMD in order to market the units of SHR in the Netherlands and the United Kingdom, respectively.

Prohibition of Sales to EEA Retail Investors

In addition to the restrictions under the AIFMD, the units of Sekisui House Reit, Inc. (“SHR” or the “AIF”) are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area, or 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, or the MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, 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 Regulation (EU) 2017/1129, as amended, the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014, or the PRIIPs Regulation, for offering or selling the units of SHR or otherwise making

them available to retail investors in the EEA has been prepared and therefore offering or selling the units of SHR, or otherwise making them available, to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United Kingdom

The units of SHR 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, Sekisui House Asset Management, Ltd. (the “AIFM”) has notified the Financial Conduct Authority (the “FCA”) of its intention to offer these units in the United Kingdom. For the purposes of the United Kingdom Financial Services and Markets Act 2000 (“FSMA”) SHR is an unregulated collective investment scheme which has not been authorized by the FCA. Accordingly, any communications of an invitation or inducement to invest in SHR may be made only to: (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order; (ii) high net worth companies, unincorporated associations or other entities falling within Articles 49(2)(a) to (d) of the Order; or (iii) other persons to whom it may lawfully be communicated (all such persons together being referred to as “Relevant Persons”). In the United Kingdom, this document and its contents are directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. The transmission of this document and its contents in the United Kingdom to any person other than a Relevant Person is unauthorized and may contravene the FSMA and other United Kingdom securities laws and regulations

Prohibition of Sales to UK Retail Investors

In addition to the restrictions under the AIFMD, as retained by the United Kingdom in its domestic laws, the Units of SHR are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes of this provision, a “retail investor” means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129, as it forms part of domestic law by virtue of the EUWA; and the expression “offer” includes the communication in any form

and by any means of sufficient information on the terms of the offer and the international units to be offered so as to enable an investor to decide to purchase or subscribe the international units.

Consequently no key information document required by Regulation (EU) No 1286/2014, as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”), for offering or selling the international units or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the international units or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

Netherlands

The units of SHR 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, the AIFM has notified the Dutch Authority for the Financial Markets of its intention to offer these units in the Netherlands. The units of SHR 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 (gekwalificeerde beleggers) within the meaning of Article 1:1 of the Wft, and as a consequence neither the AIFM nor SHR is subject to the license requirement pursuant to the Wft. Consequently, neither the AIFM nor SHR 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 Regulation (EU) 2017/1129 (the “Prospectus Regulation”) as amended and applicable in the Netherlands. The AIFM is therefore solely subject to limited ongoing regulatory requirements as referred to in Article 42 of the AIFMD.

Article 23 (1)(a)	
Objectives of the AIF	<p>Sekisui House Reit, Inc. (“SHR” or the “AIF”) intends to maintain a competitive portfolio in the medium to long term by investing primarily in rigorously selected high quality residential and commercial properties located in strategic locations, including those properties that meet its selection criteria for core investment targets based on strengths of the economic area, convenience, livability/functionality, environmental consideration, safety/business continuity planning and brand, which we refer to as “prime properties”. We target residential properties located primarily in Greater Tokyo and commercial properties located primarily in the three major metropolitan areas, which are supported by strong tenant demand as well as other major cities taking into account investment area diversity. SHR intends to make these investments upon careful consideration of location, size, quality, specifications and suitability for use by tenants and operate them in a manner that increases unitholder value by securing stable income and achieving steady growth of its portfolio over the medium to long term.</p> <p>Please also see SHR’s “Corporate Data”.</p>
Investment strategy	<p><i>Increase unitholder value by focusing on acquisition of prime properties.</i> SHR believes residential tenants’ needs are growing for properties located in sites suited for bases for sustainable living, which provide residential tenants with comfort, sustainability and security. On the other hand, we believe commercial tenants’ needs are growing for properties located in places that allow sustainable operation of business by providing commercial tenants with functional and operational capabilities to accommodate various business needs. SHR will focus on acquiring these high-quality residential properties and commercial properties located in strategic locations, or “prime properties”, that meet its selection criteria as the core investment targets. SHR will seek to generate stable earnings over the medium to long term by primarily investing in these prime properties based on the following assessments:</p> <ul style="list-style-type: none"> • <i>Residential properties:</i> Strengths of the economic area, convenience, livability, environmental consideration, safety and brand. • <i>Office buildings and hotels:</i> Strengths of the economic area, convenience, functionality, environmental consideration, business continuity planning and brand. <p><i>Continue to improve portfolio diversification through growth in assets under management and pursue internal growth opportunity by taking advantage of favorable market conditions.</i> SHR will pursue internal growth opportunity by taking advantage of the favorable market conditions unique to each asset type, in addition to continuing to improve portfolio diversification through growth in assets under management. SHR will leverage the Sekisui House Group’s skills, knowhow and extensive network related to real estate management and operation to pursue those goals.</p> <p>Please also see SHR’s “Investment Strategy” and “Growth Strategy”.</p>

Types of assets the AIF may invest in	<p>Real estate, trust beneficiary interests in real estate, real estate-backed securities and other specified assets. As provided for in the Order for Enforcement of the Act on Investment Trusts and Investment Corporations, SHR may also acquire equity interests in corporations holding overseas real estate.</p> <p>Please also see SHR’s “Articles of Incorporation”.</p>
Techniques it may employ and all associated risks	<p>SHR focuses on investing in prime properties, which are residential properties and commercial properties situated in strategic locations and are of high quality.</p> <p>The principal risks with respect to investment in SHR are as follows:</p> <p>Property and Business Risks</p> <ul style="list-style-type: none"> • Any adverse conditions in the Japanese economy could adversely affect us; • The worldwide economic impact of the coronavirus pandemic may adversely affect us; • We may be unable to realize the expected benefits of our merger with SHI; • Our plan to pursue more pass-through type master lease schemes for our office buildings may not yield the results we anticipate; • We may not be able to acquire, sell or replace properties in a manner that is accretive to earnings; • Increases in prevailing market interest rates may increase our interest expense and may result in a decline in the market price of our units; • Effects of monetary easing policies by Japan and other major countries may result in increased market interest rates in Japan and reduced cash distributions; • Adverse conditions in any of the sectors in which we make real estate investments may adversely affect us; • The geographic concentration of our portfolio in Greater Tokyo could have a material adverse effect on our business; • Our reliance on Sekisui House, Ltd. (“Sekisui House” or the “Sponsor”) and other Sekisui House Group companies could have a material adverse effect on our business; • There are potential conflicts of interest between us and certain Sekisui House Group companies, including Sekisui House Asset Management, Ltd. (the “AIFM” or the “Asset Manager”); • The past experience in the Japanese real estate market of Sekisui House or the Asset Manager is not an indicator or guarantee of our future results; • Significant and increasing competition for tenants may adversely affect our ability to retain our current tenants and attract new tenants, and to maintain occupancy rates or maintain profitability of our properties; • It may be difficult for us to find replacement tenants or sell properties, particularly if our properties cater to single tenants or are customized or designed for a specific use; • Any inability to obtain financing for future acquisitions could adversely affect the growth of our portfolio;

- Liquidity and other limitations on our activities under debt financing arrangements may adversely affect our business, financial condition and results of operations;
- A high LTV ratio may increase our exposure to changes in interest rates and have a material adverse effect on our business, financial condition and results of operations;
- A downgrading of our credit rating may affect our cost of financing and ability to refinance or newly issue investment corporation bonds;
- We may suffer impairment losses relating to our properties;
- Our cost of complying with regulations applicable to the properties we own or intend to acquire could adversely affect the results of our operations;
- Any property defect may adversely affect our business, financial condition and results of operations;
- We may incur unexpected expenses, expenditures or other losses for repair or maintenance of our properties;
- We may be strictly liable for any unforeseen loss, damage or injury suffered by a third party at our properties;
- Properties located on reclaimed land are subject to unique risks, including land contamination and liquefaction;
- We may suffer large losses if any of our properties incurs damage from a natural or man-made disaster or acts of violence or war;
- We rely on expert appraisals and engineering, environmental and seismic reports, which are subject to significant uncertainties;
- We rely on industry and market data that are subject to significant uncertainties;
- Buildings that we own or intend to acquire may violate earthquake resistance standards or other building codes, and any such buildings may collapse in even minor earthquakes or may be required to be strengthened or demolished by us at significant expense;
- The environmental assessments of our properties made prior to our ownership may not uncover all environmental liabilities, and Japanese laws subject property owners to strict environmental liabilities;
- We may be exposed to regulatory and financial risks related to climate change;
- Security breaches and other disruptions could compromise our information and expose us to liability, which could cause our business and reputation to suffer;
- Illiquidity in the Japanese real estate market may limit our ability to grow or adjust our portfolio;
- Entering into forward commitment contracts or contracts to purchase properties under development may expose us to contractual penalties and market risks;
- Decreases in tenant leasehold deposits and/or security deposits may increase our funding costs;
- Master lease agreements expose us to the risk of becoming an unsecured creditor of our master lessees in the event of their insolvency;

The rent guarantee system pursuant to which the guarantor companies guarantee rent payments of the end-tenants expose us to the risk of decreased rental revenues in the event of insolvency of the guarantor companies;

- Our lack of control over operating costs may adversely affect our business;
- We may lose rental revenues in the event of lease terminations, decreased lease renewals, the default of a tenant as a result of financial difficulty or insolvency, or careless or imprudent property management by a tenant;
- Epidemics and pandemics may adversely affect our rental revenues and profitability of our properties;
- Unitholders have limited control over changes in our investment policies;
- Our success depends on the performances of service providers to which we are required to entrust various key functions;
- Our performance depends on the efforts of key personnel of the Asset Manager;
- J-REITs and their asset managers are subject to tight supervision by the regulatory authorities;
- We may not be able to make distributions from reserve for distribution as contemplated by our distribution policy;
- Our financial statements are prepared in accordance with Japanese GAAP, which differs in certain material respects from IFRS, U.S. GAAP and generally accepted accounting principles and financial reporting standards in other jurisdictions; and
- Any future borrowings or issuances of investment corporation bonds would be senior to our units upon liquidation, which could adversely affect the market price of our units.

In addition, SHR is subject to the following risks:

- Our failure to satisfy a complex series of requirements pursuant to Japanese tax regulations would disqualify us from certain taxation benefits and significantly reduce our cash distributions to our unitholders;
- If the Japanese tax authorities disagree with our interpretations of the Japanese tax laws and regulations for prior periods, we may be forced to pay additional taxes for those periods;
- We may not be able to benefit from reductions in certain real estate transfer taxes enjoyed by qualified J-REITs;
- We are subject to risks related to the tax and accounting treatment of negative goodwill recognized in connection with asset dispositions or other transactions;
- Changes in Japanese tax laws may significantly increase our tax burden;
- Changes in tax laws or their interpretation may limit our ability to utilize our reserve retained for distribution;
- We may reduce our cash distributions due to limitations relating to reversal of allowance for temporary difference adjustment;
- Our ownership rights in some of our properties may be declared invalid or limited;
- We may lose our rights in a property that we own or intend to acquire if the purchase of the property is recharacterized as a secured financing;

	<ul style="list-style-type: none"> • Our leasehold or subleasehold rights may be terminated or may not be asserted against a third party in some cases; • Properties in which third parties hold leasehold interests in the land and own the buildings may subject us to various risks; • Some of our properties are in the form of compartmentalized ownership (kubun shoyu) interests and our rights relating to such properties may be materially and adversely affected by the actions or intentions of other owners; • Some of the properties that we currently own and may acquire in the future may be held in the form of co-ownership (kyoyu) or quasi co-ownership (jun kyoyu) and our rights relating to such properties may be affected by the intentions of other owners; • We may hold interests in some properties through silent partnership (tokumei kumiai) agreements, and our rights relating to such properties may be limited; • Any adverse changes in applicable laws may affect our potential liabilities relating to our properties and operations; • We own all of our properties through trust beneficiary interests and may suffer losses as a trust beneficiary; and • There are important differences regarding the rights of unitholders in a J-REIT compared to those of shareholders in a corporation.
<p>Any applicable investment restrictions</p>	<p>SHR is subject to investment restrictions under Japanese laws and regulations (e.g., the Act on Investment Trusts and Investment Corporations (the “ITA”), the Financial Instruments and Exchange Act (the “FIEA”)) as well as its Articles of Incorporation. SHR must invest primarily in specified assets as defined in the ITA. Specified assets include, but are not limited to, securities, real estate, leaseholds of real estate, surface rights (chijō-ken) (i.e., right to use land for the purpose of having a structure on it) or trust beneficiary interests for securities or real estate, leaseholds of real estate or surface rights. 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 (tokumei kumiai) 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 SHR places in its Articles of Incorporation are as follows:</p> <ol style="list-style-type: none"> (1) Restrictions relating to securities and monetary receivables SHR only makes investments in securities and monetary receivables, excluding real-estate related assets, for the purpose of improving stability and liquidity, and does not undertake such investments for the purpose of actively seeking profit. (2) Restrictions relating to derivatives SHR invests in derivatives only for the purpose of hedging against risks including interest rate risk arising from its liabilities and currency risk relating to its investment assets. (3) Restrictions relating to specified real estate assets

	<p>SHR conducts its asset management operations so that the ratio of specified real estate assets to total specified assets is 75% or greater.</p> <p>(4) Restrictions relating to the real estate-related assets</p> <p>SHR conducts its asset management operations so that the ratio of real estate-related assets (as defined in Article 22-19 of the Ordinance for Enforcement of the Act on Special Measures Concerning Taxation) to total assets is 70% or greater.</p>
Circumstances in which the AIF may use leverage	SHR shall procure funds through borrowings or the issuance of investment corporation bonds for the purposes of utilizing such funds for the acquisition of assets, payments of repair expenses or distributions, operations of SHR, repayment of obligations or other.
The types and sources of leverage permitted and associated risks	<p>Loans and investment corporation bonds. Currently all of SHR's outstanding long-term loans are unsecured and unguaranteed.</p> <p>SHR may be subject to restrictive covenants in connection with any future indebtedness that may restrict operations and limit its ability to make cash distributions to unitholders, to dispose of properties or to acquire additional properties. Furthermore, SHR may violate restrictive covenants contained in the loan agreements SHR executes, such as the maintenance of debt service coverage or loan-to-value, or LTV, ratios, which may entitle the lenders to require SHR to collateralize the properties or demand that the entire outstanding balance be paid. Further, in the event of an increase in interest rates, to the extent that SHR has any debt with unhedged floating rates of interest or SHR incurs new debt, interest payments may increase, which in turn could reduce the amount of cash available for distributions to unitholders. Higher interest rates may also limit the capacity for short- and long-term borrowings, which would in turn limit the ability to acquire properties. Thus, higher interest rates could cause the market price of the units to decline.</p>
Any restrictions on leverage	The maximum amount of each loan and investment corporation bond issuance is ¥1 trillion, and the aggregate amount of all such debt cannot 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	SHR has set an upper limit of 60% as a general rule for its LTV ratio and intends to maintain an LTV ratio of between 40% and 50% in order to operate with a stable financial condition. SHR may, however, temporarily exceed the 60% threshold as a result of property acquisitions or other events.
Article 23(1) (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.

Article 23(1) (c)	
<p>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 AIF is established</p>	<p>On May 1, 2018, SHR entered into a new sponsor support agreement, governed by Japanese law, with the AIFM and the Sponsor, following the termination of the prior pipeline support agreement and sponsor support agreement as of the same date.</p> <p>SHR 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. SHR 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 SHR and its unitholders is governed by SHR's articles of incorporation (as opposed to individual agreements), which can be amended from time to time upon resolution of a general unitholders' meeting. SHR'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 SHR's directors.</p> <p>The relationship between SHR 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 SHR obtained in a foreign court provided that (i) the jurisdiction of such foreign court is admitted under the laws of Japan, (ii) SHR 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>
Article 23(1) (d)	
<p>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</p>	<ul style="list-style-type: none"> ● AIFM (Asset Manager): Sekisui House Asset Management, Ltd. The AIFM manages and operates the operating assets. ● Auditor: Ernst & Young ShinNihon LLC The Auditor audits financial statements and prepare audit reports. ● Custodian and General Administrator: Mitsubishi UFJ Trust and Banking Corporation The Custodian provides administrative services related to custody of assets, money and related documents. ● Transfer Agent: Mizuho Trust & Banking Co., Ltd. The transfer agent provides administrative services related to unitholders' roster, and management of institutions. ● General Administrator (Fiscal Agent): MUFG Bank, Ltd. The General Administrator works as a fiscal agent for investment corporation bonds.

	<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>
Article 23(1) (e)	
Description of how the AIFM complies with the requirements to cover professional liability risks (own funds / professional indemnity insurance)	Not applicable.
Article 23(1) (f)	
Description of any 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	Not applicable. 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.
Article 23(1) (g)	
Description of the AIF’s valuation procedure and pricing methodology, including the methods used in valuing hard-to-value assets	<p>SHR shall evaluate assets in accordance with its Article of Incorporation. The methods and standards that SHR 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>SHR shall evaluate assets in accordance with Japanese Generally Accepted Accounting Principles, or Japanese GAAP.</p> <p>Please also see SHR’s “Articles of Incorporation”.</p>

Article 23(1) (h)	
Description of the AIF's liquidity risk management, including redemption rights in normal and exceptional circumstances and existing redemption arrangements with investors	SHR 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. SHR manages liquidity risk by implementing a strategic cash management plan and by entering into committed lines of credit from its major lenders, varying repayment terms and maturities of its loans and diversifying lenders and financing methods. As SHR is a closed-end investment corporation, unitholders are not entitled to request the redemption of their investment.
Article 23(1) (i)	
Description of all fees, charges and expenses and a maximum amount which is directly / indirectly borne by the investors	<p><u>Director Compensation:</u> The Articles of Incorporation provide that SHR may pay each of its executive directors up to 1,000,000 yen per month and each of its supervisory directors up to 500,000 yen per month. The Board of Directors is responsible for determining the amount of compensation for each executive and supervisory director, after taking into account general price and wage movements and other relevant factors.</p> <p><u>Asset Manager:</u></p> <ul style="list-style-type: none"> • Asset Management Fee: SHR pays the Asset Manager asset management fees as follows: <ol style="list-style-type: none"> 1. Type 1 Management Fee Type 1 Management Fees are calculated by multiplying (a) total assets (deducting, however, the amount of unamortized goodwill) as stated on SHR's balance sheet (as approved by the Board of Directors in accordance with Article 131, Paragraph 2 of the Investment Trust Act) as of the most recent fiscal period-end by (b) the total of an annual rate agreed upon by SHR and the Asset Manager (but in any event, no more than 0.5% per annum) and a rate calculated based on the relative performance of SHR's unit price against the TSE REIT Index over the course of the most recent fiscal period, such resulting amount being prorated based on the number of operating days in the calculation period and on a 365 - day year basis, and rounded down to the nearest yen. Type 1 Management Fees shall be paid within three months of the end of each fiscal period. Notwithstanding the foregoing, with regard to the first fiscal period, fees were paid in the following manner: Type 1 Management Fees were calculated by multiplying (a) the total assets of SHR as of the end of the month in which SHR acquired assets for the first time by (b) a rate agreed by SHR and Asset Manager (but in any event, no more than 0.5% per annum), multiplied by the number of days from the day on which SHR acquired the asset for the first time until the first fiscal period-end and divided by 365, and rounded down to the nearest yen. Such fees were paid within three months from the end of the fiscal period. 2. Type 2 Management Fee Type 2 Management Fees are calculated for each fiscal period by multiplying (a) the Distributable Amount (hereinafter defined) (before deduction of Type 2 Management Fees) by (b) Operating Income (before deduction of Type 2 Management Fee) and (c) a rate agreed upon by SHR and Asset Manager (but in any

event, no more than 0.004% per annum), dividing such amount by (d) the number of outstanding investment units at the end of such fiscal period, and (e) rounding down to the nearest yen.

“Distributable Amount” is the amount of income before income taxes (as stated on SHR’s statement of income and retained earnings as approved by the Board of Directors in accordance with Article 131, Paragraph 2 of the Investment Trust Act) (after adding back amortization of goodwill and deducting any gain on negative goodwill) after adding Type 2 Management Fees for the fiscal period (including non-deductible consumption tax on Type 2 Management Fee) and, if applicable, loss carryforwards from the previous fiscal period.

“Operating Income” is the amount of operating income as stated on SHR’s profit and loss sheet after adding back amortization of goodwill and Type 2 Management Fee for the fiscal period (including non-deductible consumption tax on Type 2 Management Fee).

Type 2 Management Fees shall be paid within three months of the end of each fiscal period.

3. Type 3 Management Fee (Acquisition Fees)

For each new property SHR acquires, the Asset Manager receives an acquisition fee calculated by multiplying (a) the purchase price of property (excluding national and local consumption tax and expenses) by (b) a rate agreed upon by SHR and the Asset Manager (but in any event, no more than 0.5%), and (c) rounding down to the nearest yen; provided, however, that no such fee shall be paid in the case of transaction with a related party. Type 3 Management Fees shall be paid by the end of the month immediately following the end of the month in which the acquisition occurs.

4. Type 4 Management Fee (Disposition Fees)

For each property SHR disposes of, the Asset Manager receives a disposition fee calculated by multiplying (a) the disposition price (excluding national and local consumption tax and expenses) by (b) a rate agreed upon by SHR and the Asset Manager (but in any event, no more than 0.5%), and (c) rounding down to the nearest yen; provided, however, that no such fee shall be paid in the case of transaction with a related-party. Type 4 Management Fees shall be paid by the end of the month immediately following the end of the month in which the disposition occurs.

5. Type 5 Management Fee (Merger Fee)

In a consolidation-type merger or absorption-type merger (collectively, a “merger”) between SHR and another investment corporation, if such merger takes effect after the AIFM investigates and assesses the assets and other properties held by such investment corporation and conducts any other business associated with the merger, Type 5 Management Fee shall be calculated by multiplying (i) the then assessed value of the Real Estate-Related Assets held by such investment corporation when such merger takes effect by (ii) a rate separately agreed between SHR and AIFM (up to 0.8%). Type 5 Management Fees shall be paid within two months after the merger takes effect.

“Real Estate-Related Assets” is the assets listed in Article 32, Paragraph 2, Items (a) to (e) of the Articles of Incorporation amended on May 1, 2018.

6. Adjustment Provisions

Certain adjustment regarding Type 1 and Type 2 Management Fees will be made following any unit split, rights offering and other transaction pursuant to the Articles of Incorporation amended on May 1, 2018.

Custodian:

- Custodian Fees:

SHR pays custodian fees to the Custodian for each calculation period, which is the three-month period that ends on the last day of January, April, July or October of each year. Such custodian fees are paid by the end of the month immediately following the end of the relevant calculation period. The amount of custodian fees is determined by an agreement between SHR and the Custodian, and is capped at the amount calculated using the schedule below (plus national and local consumption taxes) for each calculation period, based on SHR's total assets on the balance sheet as of the immediately preceding fiscal period.

Total assets (JPY billion)	Calculation method (annualized)
Portions not exceeding 10	4,200,000 yen
Over 10 and not more than 50	4,200,000 yen +(Total assets – 10 billion yen) × 0.030 %
Over 50 and not more than 100	16,200,000 yen +(Total assets – 50 billion yen) × 0.024 %
Over 100 and not more than 200	28,200,000 yen +(Total assets – 100 billion yen) × 0.021 %
Over 200 and not more than 300	49,200,000 yen +(Total assets – 200 billion yen) × 0.018 %
Over 300 and not more than 500	67,200,000 yen +(Total assets – 300 billion yen) × 0.015 %
Over 500	97,200,000 yen +(Total assets – 500 billion yen) × 0.012 %

If the above fee arrangement becomes inadequate due to changes in economic conditions or other circumstances, SHR may revise the custodian fees based on mutual consultation with the Custodian.

Notwithstanding the foregoing, if unitholders' capital on the balance sheet as of the end of the fiscal period immediately preceding the first day of the relevant calculation period is under 500,000,000 yen, the custodian fee is determined based on an agreement between SHR and the Custodian, with the maximum amount being capped at 4,200,000 yen multiplied by the number of days in the calculation period and divided by 365 (plus national and local consumption tax), and rounded down to the nearest yen.

If unitholders' capital first surpasses 500,000,000 yen during a calculation period, the custodian fee is determined based on an agreement between SHR and the Custodian, with the maximum amount being capped at the sum of (a) and (b) below (plus national and local consumption tax), and rounded to the nearest yen.

(a): 4,200,000 yen multiplied by the number of days from the first day of the calculation period up until, but not including, the date on which SHR's unitholders' capital first exceeded 500,000,000 yen and divided by 365, and rounded down to the nearest yen.

(b): the amount calculated according to the payment schedule above based on the amount of unitholders' capital as of the date on which unitholders' capital first exceeded 500,000,000 yen multiplied by the number of days up until, and including, the last day of the calculation period and divided by 365 (where, for purposes of this

section (b), “total assets” in the schedule shall be deemed to be replaced with “unitholders’ capital”.)

Transfer Agent:

- SHR pays the Transfer Agent various transfer agency fees based on the mutual consultation of the parties, up to the amounts described in the tables below. However, with respect to payment for one-time transfer agency services in connection with the issuance of new investment units, such amounts are determined on a case-by-case basis between SHR and the Transfer Agent.

- **Standard Fee:**

SHR pays the Transfer Agent a standard fee for services such as the preparation, maintenance and storage of the unitholder register; and preparation of materials concerning end-of-period unitholder statistical data (number of unitholders, total units held, distribution by geographical area). Monthly standard fees equal one sixth of the total amount of fees calculated in the manner below; however, the minimum monthly fee shall be 200,000 yen.

Number of unitholders	Fees per unitholder
first 5,000 investors	420 yen
over 5,000 to 10,000	360 yen
over 10,000 to 30,000	300 yen
over 30,000 to 50,000	300 yen
over 50,000 to 100,000	260 yen
over 100,000	225 yen

- **Fees for Management and Payment of Distributions**

SHR pays the Transfer Agent fees for (i) administrative services such as the preparation of the distributions register, distributions receipts, designated bank account deposit slips, deposit notices; book-keeping, which includes keeping record of distribution amounts paid, determining outstanding distribution amounts, keeping payment records; paying stamp taxes; as well as (ii) payment of distributions and management of the distributions register after the bank handling period. The fees paid are determined by calculating the total number of unitholders receiving distributions falling under each of the sections as shown below; however, the minimum fee per arrangement is 350,000 yen.

Number of unitholders	Fees per unitholder
first 5,000 unitholders	120 yen
over 5,000 and up to 10,000	110 yen
over 10,000 and up to 30,000	100 yen
over 30,000 and up to 50,000	80 yen
over 50,000 and up to 100,000	60 yen
over 100,000	50 yen

- **Other fees:**

SHR pays the unitholders’ register other fees for various other services, including in connection with unitholders meetings.

General Administrator:

- **General Administration Fee:**

SHR pays to the General Administrator a general administration fee for each calculation period, which is the three-month period that ends on the last day of January, April, July or October of each year. Such general administration fees are paid by the end of the month immediately following the end of the relevant calculation period. The general administration fee is determined by an agreement between SHR and the Custodian, and is capped at the amount calculated using the schedule below (plus national and local consumption taxes) for each calculation period, based on SHR's total assets on the balance sheet as of the immediately preceding fiscal period.

Total assets (JPY billion)	Calculation method (Annualized)
Portions not exceeding 10	11,000,000 yen
Over 10 and not more than 50	11,000,000 yen + (Total assets – 10 billion yen) × 0.080 %
Over 50 and not more than 100	43,000,000 yen + (Total assets – 50 billion yen) × 0.060 %
Over 100 and not more than 200	73,000,000 yen + (Total assets – 100 billion yen) × 0.055 %
Over 200 and not more than 300	128,000,000 yen + (Total assets – 200 billion yen) × 0.040 %
Over 300 and not more than 500	168,000,000 yen + (Total assets – 300 billion yen) × 0.035 %
Over 500	238,000,000 yen + (Total assets – 500 billion yen) × 0.030 %

If the above fee arrangement becomes inadequate due to changes in economic conditions or other circumstances, SHR may revise the general administration fee based on mutual consultation with the General Administrator.

Notwithstanding the foregoing, if unitholders' capital on the balance sheet as of the end of the fiscal period immediately preceding the first day of the relevant calculation period is under 500,000,000 yen, the general administration fee is determined based on an agreement between SHR and the General Administrator, with the maximum amount being capped at 11,000,000 yen multiplied by the number of days in the calculation period and divided by 365 (plus national and local consumption tax), and rounded down to the nearest yen.

If unitholders' capital first surpasses 500,000,000 yen during a calculation period, the general administration fee is determined based on an agreement between SHR and the General Administrator, with the maximum amount being capped at the sum of (a) and (b) below (plus national and local consumption tax), and rounded to the nearest yen.

(a): 11,000,000 yen multiplied by the number of days from the first day of the calculation period up until, but not including, the date on which SHR's unitholders' capital first exceeded 500,000,000 yen and divided by 365, and rounded down to the nearest yen.

(b): the amount calculated according to the payment schedule above based on the amount of unitholders' capital as of the date on which unitholders' capital first exceeded 500,000,000 yen multiplied by the number of days up until, and including, the last day of the calculation period and divided by 365 (where, for purposes of this section (b), "total assets" in the schedule shall be deemed to be replaced with "unitholders' capital".)

Auditor:

- Auditor Fee:

	<p>The compensation amount to the Independent Auditor for each fiscal period subject to audit shall be determined by the Board of Directors, capped at a maximum amount of 20,000,000 yen per fiscal period, and such auditor fees shall be paid by the end of each February and August covering the respective six months periods preceding such month-ends.</p> <ul style="list-style-type: none"> • The AIF may also incur other miscellaneous fees in connection with property management and investment corporation bonds and the operation, acquisition or disposition of properties.
Article 23(1) (j)	
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 Act on Investment Trusts and Investment Corporations of Japan, 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.
Article 23(1) (k)	
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 4-15-1 Akasaka, Minato-ku, Tokyo.
Article 23(1) (l)	
The procedure and conditions for the issue and sale of the units	SHR is authorized under the Articles of Incorporation to issue up to 20,000,000 units. Its units have been listed on the Tokyo Stock Exchange since December 3, 2014. 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.
Article 23(1) (m)	
Latest net asset value of the AIF or latest market price of the unit or share of the AIF	SHR'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 http://www.reuters.com/finance/stocks/overview?symbol=3309.T).

Article 23(1) (n)																												
<p>Details of the historical performance of the AIF, where available</p>	<p>The units of SHR were listed on the Tokyo Stock Exchange on December 3, 2014. The performance of the units for the most recent five fiscal periods is as follows.</p> <table border="1" data-bbox="408 409 1493 1133"> <thead> <tr> <th data-bbox="408 409 743 510">Fiscal period</th> <th data-bbox="743 409 986 510">Total Assets (millions of yen)</th> <th data-bbox="986 409 1230 510">Net Assets (millions of yen)</th> <th data-bbox="1230 409 1493 510">Net Assets per unit (base value) (yen)</th> </tr> </thead> <tbody> <tr> <td data-bbox="408 510 743 636">9th fiscal period (from November 1, 2018 to April 30, 2019)</td> <td data-bbox="743 510 986 636">474,985</td> <td data-bbox="986 510 1230 636">245,695</td> <td data-bbox="1230 510 1493 636">65,308</td> </tr> <tr> <td data-bbox="408 636 743 761">10th fiscal period (from May 1, 2019 to October 31, 2019)</td> <td data-bbox="743 636 986 761">547,989</td> <td data-bbox="986 636 1230 761">286,192</td> <td data-bbox="1230 636 1493 761">66,732</td> </tr> <tr> <td data-bbox="408 761 743 887">11th fiscal period (from November 1, 2019 to April 30, 2020)</td> <td data-bbox="743 761 986 887">553,988</td> <td data-bbox="986 761 1230 887">286,323</td> <td data-bbox="1230 761 1493 887">66,762</td> </tr> <tr> <td data-bbox="408 887 743 1012">12th fiscal period (from May 1, 2020 to October 31, 2020)</td> <td data-bbox="743 887 986 1012">554,067</td> <td data-bbox="986 887 1230 1012">286,259</td> <td data-bbox="1230 887 1493 1012">66,747</td> </tr> <tr> <td data-bbox="408 1012 743 1133">13th fiscal period (from November 1, 2020 to April 30, 2021)</td> <td data-bbox="743 1012 986 1133">556,569</td> <td data-bbox="986 1012 1230 1133">286,220</td> <td data-bbox="1230 1012 1493 1133">66,738</td> </tr> </tbody> </table> <p>(Note) SHR implemented a 2-for-1 split of the investment units on May 1, 2018 as the effective date. Net Assets per unit are calculated under the assumption that the split went into effect as of the first day of the 6th period.</p> <p>Please also see SHR’s “Financial Report for the Fiscal Period Ended April 30, 2021”.</p>				Fiscal period	Total Assets (millions of yen)	Net Assets (millions of yen)	Net Assets per unit (base value) (yen)	9th fiscal period (from November 1, 2018 to April 30, 2019)	474,985	245,695	65,308	10th fiscal period (from May 1, 2019 to October 31, 2019)	547,989	286,192	66,732	11th fiscal period (from November 1, 2019 to April 30, 2020)	553,988	286,323	66,762	12th fiscal period (from May 1, 2020 to October 31, 2020)	554,067	286,259	66,747	13th fiscal period (from November 1, 2020 to April 30, 2021)	556,569	286,220	66,738
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Article 23(1) (o)																												
<p>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 possibility of transfer and reuse of AIF assets, and information about any transfer of liability to</p>	<p>Not applicable.</p>																											

the prime broker that may exist	
Article 23(1) (p)	
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.
Article 23(2)	
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.

Article 23(4)(a)	
Percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature. The percentage shall be calculated as the net value of those assets subject to special arrangements divided by the net asset value of the AIF concerned	There are no assets that are subject to special arrangements arising from their illiquid nature.
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.
Article 23(4)(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 Article 106(1) of the 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).	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.

Immediately notify investors where they activate gates, side pockets or similar special arrangements or where they decide to suspend redemptions	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
Overview of changes to liquidity arrangements, even if not special arrangements	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
Terms of redemption and circumstances where management discretion applies, where relevant	As SHR is a closed-end investment corporation, unitholders are not entitled to request the redemption of their investment.
Also any voting or other restrictions exercisable, the length of any lock-up or any provision concerning 'first in line' or 'pro-rating' on gates and suspensions shall be included	There are no voting or other restrictions on the rights attaching to units.
Article 23(4)(c)	
The current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks	<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 or other work, paying cash distributions, repaying obligations and other activities. These borrowings and investment bonds are exposed to liquidity risks. SHR strives to reduce the liquidity risks by diversifying financing methods and lenders, dispersing repayment dates and establishing commitment lines.</p> <p>Borrowings and investment corporation bonds are also exposed to a risk of rising interest rates. SHR manages interest rate risks by diversifying debt to include more long-term borrowings and investment corporation bonds with varying maturity dates.</p> <p>Derivative transactions are also utilized to hedge the interest rate risks arising from any borrowing or other debts. Further, in the course of an investment in overseas real estate, derivative transactions may be utilized for the purpose of hedging foreign-currency risks if, among other things, any rent or other income gain is required to be received or paid in local currency.</p> <p>Tenant leasehold and security deposits are deposits from tenants and are exposed to liquidity risks arising from tenants moving out of properties. SHR manages the risk by retaining cash and deposits sufficient to return necessary amounts to tenants.</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	No such measures have been implemented.
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	No such situation has occurred.
Article 23(5)(a)	
Any changes to the maximum amount of leverage which the AIFM may employ on behalf of the AIF, 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 the Level 2 implementing EU Legislation, whereby the level of leverage shall be calculated as the relevant exposure divided by the net asset value of the AIF	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
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	To be disclosed in the semi-annual report or on AIF's homepage, if any such right or guarantee exists.
Details of any change in service providers relating to the above.	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
Article 23(5)(b)	
Information on the total amount of leverage employed by the AIF calculated in accordance with the gross and commitment methods	The aggregate amount of interest-bearing debt is 252,942,000,000 yen as of June 15, 2021. Please also see SHR's " Status of Interest-Bearing Liabilities ".