

January 24, 2018

Real Estate Investment Trust Securities Issuer
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 (Securities Code: 3309)

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Real Estate Investment Trust Securities Issuer
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Notice Concerning Acquisition of Trust Beneficiary Interests in Domestic Real Estate and Leases
 (Prime Maison Shirokanedai Tower and Five Other Properties) and
 Sale and Cancellation of Leases (Esty Maison Machida and Eleven Other Properties) (After Correction)

Sekisui House Asset Management, Ltd. (“SHAM”), to which Sekisui House Residential Investment Corporation (“SHI”) entrusts management of its assets, hereby announces that it decided at the meeting of its board of directors held today that SHI will acquire and sell the following assets (hereinafter respectively referred to as the “Asset Acquisition” and the “Asset Sale”; the Asset Acquisition and the Asset Sale are hereinafter collectively referred to as the “Asset Replacement”), and will commence and cancel leases in conjunction therewith.

Furthermore, at the time of the decision on the Asset Acquisition, SHAM obtained SHI’s consent through the approval of SHI’s board of directors pursuant to the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; as amended; the “Investment Trust Act”) and SHAM’s rules on transactions with interested parties.

In addition, as announced in the “Notice Concerning Conclusion of a Merger Agreement between Sekisui House Reit, Inc. and Sekisui House Residential Investment Corporation” released today by SHI, Sekisui House Reit, Inc. (“SHR”; hereinafter collectively referred to with SHI as the “Two Investment Corporations”) and SHI have, at the respective meetings of their boards of directors held today, decided to implement an absorption-type merger (the “Investment Corporation Merger”) on the effective date of May 1, 2018, having SHR as the surviving corporation and SHI as the dissolving corporation, and executed a merger agreement (the “Investment Corporation Merger Agreement”) today. Taking advantage of the Investment Corporation Merger, the Asset Replacement will be implemented to bring about

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further external growth and qualitative improvement in the portfolio. The settlement and delivery of the Asset Replacement is scheduled to take place on May 1, 2018, which is the effective date of the Investment Corporation Merger. Due to the Investment Corporation Merger, the surviving corporation after the merger (“New SHR”) is scheduled to succeed to and perform the status of either purchaser or seller, and all rights and duties thereof, under the sale and purchase agreements pertaining to the Asset Replacement.

1. Outline of the Asset Replacement

(1) Outline of the Asset Acquisition

The assets SHI decided to acquire today (the “Assets to be Acquired”) are the real estate trust beneficiary interests for the six residential properties set forth below.

As set forth above, on May 1, 2018, the effective date of the Investment Corporation Merger, New SHR is scheduled to succeed to the status and all rights and duties of the purchaser under the sale and purchase agreements from SHI, and then immediately acquire the Assets to be Acquired.

Furthermore, at the time of the acquisition of the Assets to be Acquired, the sale price for the assets SHI decided to sell today that are set forth in the following section “(2) Outline of the Asset Sale” (the “Assets to be Sold”), funds on hand, and borrowings are scheduled to be appropriated to the funds for the acquisition and expenses appurtenant to the acquisition. The details of the borrowings will be announced when they are decided.

Property name	Planned acquisition price ^(Note 1)	Sale and purchase agreement execution date and scheduled acquisition date	Seller
Prime Maison Shirokanedai Tower	7,950 million yen	Sale and purchase agreement execution date January 24, 2018 Scheduled acquisition date May 1, 2018	Sekisui House, Ltd.
Prime Maison Otsuka	3,700 million yen		
Prime Maison Asakusabashi	1,680 million yen		
Prime Maison Daikanyama	2,520 million yen		
Prime Maison Gotenyama West	3,400 million yen		
Esty Maison Toyosu Residence ^(Note 2)	6,050 million yen		
Total planned acquisition price ^(Note 1)	25,300 million yen		

Note 1: The “planned acquisition price” and “total planned acquisition price” do not include acquisition expenses, fixed asset tax, city planning tax, consumption tax, and local consumption tax; the same hereafter.

Note 2: The property name of the “Esty Maison Toyosu Residence” is “Toyosu Residence” as of today, but after its acquisition by New SHR, its property name is scheduled to be changed with the brand name “Esty Maison” after publicizing the change to the residents for a certain period of time, so its changed property name has been stated; the same hereafter.

Note 3: Among the Assets to be Acquired, trusts have not been created for the five properties other than the Esty Maison Toyosu Residence as of today, so trusts are scheduled to be created on the scheduled acquisition date, upon which New SHR will acquire the trust beneficiary interests.

Note 4: The sale and purchase agreements pertaining to the Assets to be Acquired (the “Asset Acquisition Agreements”) constitute forward commitments by an investment corporation stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” set forth by the Financial Services Agency (a forward commitment, etc. means a postdated sale and purchase agreement under which the settlement and property delivery will be carried out after at least one month has passed from the execution of the agreement, and similar agreements (including manifestations of the intent to purchase and reservation agreements, etc. that have substantial binding force on a transaction); the same hereinafter). Please see the following section “12. Impact on the Finances of SHI and New SHR if Forward Commitments, etc. Cannot be Performed (1) Asset Acquisition Agreements” regarding penalty clauses in the event the Asset Acquisition Agreements are canceled and the impact on the Asset Acquisition if the Investment Corporation Merger is not implemented, and the responses thereto.

(2) Outline of the Asset Sale

The Assets to be Sold are the real estate trust beneficiary interests for the 12 residential properties set forth below.

As set forth above, on May 1, 2018, the effective date of the Investment Corporation Merger, New SHR is scheduled to succeed to the status and all rights and duties of the seller under the sale and purchase agreements from SHI, and then immediately sell the Assets to be Sold. The price to be received by New SHR for the Assets to be Sold is scheduled to be the price obtained by deducting sale expenses from the planned sale price, so in terms of accounting, New SHR is not expected to record a gain or loss on sale of the Assets to be Sold. However, in terms of taxation, because New SHR will take over the book value of the Assets to be Sold as of the last day of SHI’s final fiscal period ^(Note 1) (April 30, 2018), for tax purposes New SHR is expected to recognize gain on sale of the Assets to be Sold in a net total of about

1,756 million yen (projected amount as of today after deducting the cost method value of sale expenses). This gain on sale for tax purposes constitutes an inconsistency between accounting and taxation purposes (meaning a difference between profit for accounting purposes and income for tax purposes; the same hereinafter) and will be a cause of corporation tax and other taxation. However, if taken together with other inconsistencies between accounting and taxation purposes, an inconsistency in excess income between accounting and taxation purposes ultimately occurs (meaning an inconsistency between accounting and taxation purposes in the event income for tax purposes exceeds profit for accounting purposes; the same hereinafter), the policy ^(Note 2) of distributing the amount equal to the inconsistency in excess income between accounting and taxation purposes means it is expected to be possible to avoid the occurrence of such tax burden as a result. For details of the impact of inconsistencies between accounting and taxation purposes on New SHR's results, please see the "Notice Concerning the Forecast of Operating Results and Distributions Subsequent to the Merger of Sekisui House Reit, Inc. and Sekisui House Residential Investment Corporation for the Fiscal Periods Ending October 31, 2018 and April 30, 2019" announced by the Two Investment Corporations today.

Note 1: The final fiscal period means the final fiscal period (the seven-month period from October 1, 2017 until April 30, 2018) in the event the proposal regarding the amendment of SHI's articles of incorporation to change the ends of its fiscal periods from the current last days of March and September to the last days of April and October, which SHI intends to submit to its general meeting of unitholders that is scheduled to be held on March 27, 2018, is approved by the general meeting of unitholders, and the Investment Corporation Merger comes into effect.

Note 2: The policy is, if goodwill occurs, to distribute excess profit as the reserve for temporary difference adjustments, and if negative goodwill occurs, to distribute profit funded by the gain on negative goodwill.

Property name	Planned sale price (Note 1)	Book value as of the scheduled sale date for New SHR (Note 2)	Amount of difference between the planned sale price and the aforementioned book value (Note 2)	Sale and purchase agreement execution date and scheduled sale date	Purchaser (Note 1)
Esty Maison Machida	Undisclosed	Undecided	Undecided	Sale and purchase agreement execution date January 24, 2018	Undisclosed
Esty Maison Shinkawasaki					
Esty Maison Megurohoncho					
Esty Maison Joto					
Esty Maison Tenjinhighashi I					
Esty Maison Tenjinhighashi II					
Esty Maison Shijonishinotoin				Scheduled sale date May 1, 2018	
Esty Maison Hachiojiminamino					
Esty Maison Nishinakajima					
Esty Maison Kawaramachi					
Esty Maison Shibaura					
Esty Maison Tsutsujigaoka					
Total planned sale price ^(Note 1)	16,400 million yen	Undecided	Undecided		

Note 1: The purchasers of the Assets to be Sold are multiple domestic limited liability companies, of which all are special purpose companies established for the acceptance of assets. A single sale and purchase agreement is anticipated to be entered with these limited liability companies to complete the acceptance of assets, since each limited liability company is planned to be financed by the same domestic special purpose company and be managed by the same asset management company. Since the transaction reflects a bulk sale, and since neither the purchasers of the Assets to be Sold nor the investor has given approval for disclosure, the planned sale price and purchaser information for individual properties will remain undisclosed. In addition, the "total planned sale price" does not include sale expenses, fixed asset tax, city planning tax, consumption tax, and local consumption tax; the same hereafter.

Note 2: The price to be received by New SHR for the Assets to be Sold is scheduled to be the price obtained by deducting sale expenses from the planned sale price, and as of today those sale expenses have not been decided, so "book value as of the scheduled sale date for New SHR" and "amount of difference between the planned sale price and the aforementioned book value" in the preceding table are stated as being "undecided." Furthermore, the projected amounts of the book values for the Assets to be Sold as of the last day of SHI's final fiscal period (April 30, 2018) are as set forth below.

Property name	Book value (projected amount)	Property name	Book value (projected amount)
Esty Maison Machida	1,115 million yen	Esty Maison Shijonishinotoin	1,248 million yen
Esty Maison Shinkawasaki	966 million yen	Esty Maison Hachiojiminamino	861 million yen
Esty Maison Megurohoncho	1,137 million yen	Esty Maison Nishinakajima	1,853 million yen
Esty Maison Joto	958 million yen	Esty Maison Kawaramachi	1,526 million yen
Esty Maison Tenjinhighashi I	367 million yen	Esty Maison Shibaura	2,872 million yen
Esty Maison Tenjingigashi II	689 million yen	Esty Maison Tsutsujigaoka	948 million yen

Note 3: The sale and purchase agreements pertaining to the Assets to be Sold (the “Asset Sale Agreements”) constitute forward commitments, etc. by an investment corporation stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” set forth by the Financial Services Agency. Please see “12. Impact on the Finances of SHI and New SHR if Forward Commitments, etc. Cannot be Performed (2) Asset Sale Agreements” below regarding penalty clauses in the event the Asset Sale Agreements are canceled and the impact on the Asset Sale if the Investment Corporation Merger is not implemented, and the responses thereto.

2. Reasons for the Asset Replacement

Sekisui House, Ltd. (“Sekisui House”), which is the sole parent company of Sekisui House Investment Advisors, Ltd. (“SHIA”; hereinafter referred to collectively with SHAM as the “Two Asset Management Companies), the sponsor of the Two Investment Corporations and to which SHAM and SHR entrust management of their assets, engages in the creation of residences and environments with abundant humanity, and it aspires to be a company that creates living environments that can contribute to the construction of a society where all people can live in comfort. To date, the Two Investment Corporations have shared this philosophy with Sekisui House and managed their assets with it in mind.

After the merger of the Two Investment Corporations, based on this philosophy of Sekisui House, New SHR will move forward with a growth strategy that utilizes the real estate development capacity and operational capacity, etc. of the Sekisui House group to the maximum extent, with its primary investment targets being residential properties such as residences, and commercial properties such as office buildings, hotels, etc. that are prime properties^(Note) underpinned by “strategic locations” and “high quality.” Additionally, with the objective of growing together with all of its stakeholders, including unitholders and tenants, New SHR aims to “provide high-quality social infrastructure” and “maximize unitholder value” through management that focuses on ensuring stable income over the medium-to-long-term and steady growth in assets under management.

Based on this basic philosophy and investment policy of New SHR, and because it is also in line with SHI’s current investment policy, at this time SHI has decided on the Asset Acquisition, and it will exercise the preferential negotiating right granted to it by Sekisui House and acquire the aforementioned six properties of the Assets to be Acquired for a total planned acquisition price of 25.3 billion yen. Four of those properties (Prime Maison Shirokanedai Tower, Prime Maison Otsuka, Prime Maison Asakusabashi, and Prime Maison Daikanyama) are rental housing that were overseen by Sekisui House’s Development Department, which is its development division, and were planned and developed through property planning meetings at which employees from SHAM’s investment department (the Real Estate Investment Department) participate as observers.

Note: At New SHR, a “prime property” means residential real estate or commercial real estate, etc. that is in a location suitable for a “sustainable living base” for residents or a “sustainable base for business activities” for tenants (i.e., strategic location), and that has good basic performance as a residence, for example in comfort and safety, and the functionality, etc. demanded by tenants (i.e., high quality). New SHR’s policy will be to make prime properties its high-priority investment targets.

Furthermore, the characteristics of each Asset to be Acquired are as follows.

(1) Prime Maison Shirokanedai Tower

This property is a 23-story high-rise rental condominium, comprising 220 total residential units ranging from 1R to 2LDK, that is located about a five-minute walk from Meguro Station on the JR Yamanote Line, etc. and about an eight-minute walk from Shirokanedai Station on the Tokyo Metro Nanboku Line, etc.

The Shirokanedai area where this property exists spreads over both Minato Ward and Shinagawa Ward, and it has long been widely known as a high-class residential district. There are also stylish retail stores and famous restaurants scattered throughout the area, and it has strong regional brand power that merges residential and commercial elements to a high degree. The property allows the use of multiple train lines and has highly convenient access to public transit. For example, in addition to the JR Yamanote Line, the Tokyu Meguro Line, the Tokyo Metro Nanboku Line, and the Toei subway Mita Line run through Meguro Station, which is the closest station, while the Tokyo Metro Nanboku Line and the Toei subway Mita Line run through Shirokanedai Station. The property also has superior convenience for daily life, in that, for example, there are a supermarket and various specialty stores in the commercial facility that connects directly to Meguro Station, and a supermarket and other retail stores in front of Shirokanedai Station. The verdant Institute for Nature Study of the National Museum of Nature and Science is also located in the surrounding area, which forms a good residential environment.

Due to these factors, in terms of the main consumer demographics, stable rental demand is expected primarily from single-person households seeking convenience, and dual-income households with no children (DINKs) seeking convenience and the living environment.

(2) Prime Maison Otsuka

This property is a rental condominium with attached retail stores, and is primarily made up of single-type residential units. A roughly three-minute walk from Otsuka Station on the JR Yamanote Line, it is located in a region that has a mix of retail store and office buildings and apartment housing with attached retail stores.

The Otsuka area where this property exists is located on the eastern end of Toshima Ward, which is centered around Ikebukuro Station (a terminal station for the JR Yamanote Line and other lines), and it is filled with medium-to-high-rise offices, retail store buildings, and condominiums and the like. The hinterlands of this neighborhood form a comparatively quiet residential area. In addition to Otsuka Station, the closest station to this property, being only one stop away from Ikebukuro Station via the JR Yamanote Line, because it is also possible to access Tokyo Station and other major terminal stations, this property has highly convenient access to public transit and good proximity to the center of Tokyo.

Due to these factors, stable demand is expected primarily from single-person households, etc. who commute into the center of Tokyo for work or school.

(3) Prime Maison Asakusabashi

This property is a rental condominium that is primarily made up of single-type residential units, and it is located about a seven-minute walk from Asakusabashi Station on the JR Chuo-Sobu Line, and about a five-minute walk from Asakusabashi Station on the Toei subway Asakusa Line.

The Asakusabashi area where this property is located possesses the two major downtown areas of Ueno and Asakusa. It is situated at the southern end of Taito Ward, which has the character of an international tourism destination that leverages the historical, traditional, and cultural resources handed down from the Edo Period. Historically, it flourished as a wholesale district handling a variety of products, particularly the area from Asakusabashi and Yanagibashi to Nihonbashi Yokoyamacho and Bakurocho. Even today, the area retains the distinct flavor of a wholesale district in its sprawl of retail stores handling general merchandise and fashions, and it maintains a comparatively high degree of commercial prosperity. Additionally, there are multiple small-scale retail stores, etc. in the surrounding area, which also gives this property superior convenience for daily life.

Besides this convenience for daily life, the property has good proximity to the center of Tokyo by rail, including the JR Line and the Toei Subway Line, so a certain amount of demand is expected from single-person households, etc. seeking convenience for daily life and proximity to the center of Tokyo from a residential area.

(4) Prime Maison Daikanyama

This property is a rental condominium make up of residential units ranging from 1LDK to 3LDK that is located about a nine-minute walk from Daikanyama Station on the Tokyu Toyoko Line.

The Daikanyama area that contains this property is located on the boundary between Shibuya Ward and Meguro Ward. The area has a commercial nature in its procession of beauty and fashion-related stores and restaurants, which are centered around commercial/residential complexes in front of train stations, and the numerous and varied retail stores scattered throughout the back alleys. Meanwhile, the area also has a good living environment from the calm atmosphere of its residential area, due to the high-end residential neighborhoods in Daikanyamacho, Sarugakucho, Hachiyamacho, and Aobadai, and also being home to the embassies of various countries.

Due to these factors, demand is expected primarily from high-income DINKs households and families, underpinned by good transportation and convenience in daily life, and the living environment.

(5) Prime Maison Gotenyama West

This property is a high-end rental condominium that is made up of larger residential unit types and geared toward high earners, located about a ten-minute walk from Kitashinagawa Station on the Keikyu Main Line and about a twelve-minute walk from Shinagawa Station on the JR Yamanote Line and other train lines.

Shinagawa Station, which is in the Shinagawa area that contains this property, is a major terminal station that boasts some of the highest passenger numbers even in Greater Tokyo. Coupled with the good access to Haneda Airport, which operates both domestic and international flights, this area has high appeal for leading Japanese companies as well as global companies.

In addition, the expanse of quiet residential neighborhoods in Kitashinagawa 6-chome district, where this property is located, is known as the Gotenyama district. That name originates in the Edo period, when it was the location of the palace of the Tokugawa shoguns, giving this district an unparalleled pedigree. Additionally, there are multiple retail stores, etc. within walking distance, which gives this property superior convenience for daily life, and the conditions of the living environment are also good.

Meanwhile, this property has high added value in its construction grade and equipment, and is targeted mainly at the wealthy and foreigners. It is considered to be highly competitive among equivalent properties in its sub-market.

(6) Esty Maison Toyosu Residence

This property is a high-rise rental condominium with attached retail stores, and it is primarily made up of compact-type and family-type residential units. It is located about a five-minute walk from Toyosu Station on the Tokyo Metro Yurakucho Line and the Tokyo Waterfront New Transit Waterfront Line (Yurikamome).

With the completion of Toyosu Station on the Tokyo Metro Yurakucho Line in 1988, the Toyosu area where this property is located was supplied with a number of large buildings and became recognized as a major office area in Tokyo due to leading companies moving into those buildings as tenants. Recent years have seen the progressive development of super-high-rise condominiums, large commercial facilities, and government complexes, and the accumulation of functions in the area has increased rapidly.

From these factors, strong residential demand is expected from single-person households and young families, etc. who desire proximity to the center of Tokyo and convenience in daily life.

SHI has determined that each lessee of the Assets to be Acquired is compatible with the selection standards for tenants that are planned to be adopted by New SHR after the Investment Corporation Merger. Please see the following section “3. Details of the Assets to be Acquired and Leases” for details regarding the leases for each Asset to be Acquired.

Meanwhile, a considerable number of years have passed since construction for the aforementioned 12 properties of the Assets to be Sold, and they are residential properties that are expected to have increasing repair costs, etc. in the future, so SHI believes that the Asset Replacement can be expected to have the effects set forth below from a medium-to-long-term perspective.

<Effects of the Asset Replacement>

- Enhancement of the residential portfolio in Greater Tokyo (Tokyo, Kanagawa Prefecture, Chiba Prefecture, and Saitama Prefecture), which is the priority investment area ^(Note) of New SHR
- Qualitative improvement of the portfolio by replacing properties for which a considerable number of years have passed since construction with relatively new properties
- Improvement of portfolio profitability by acquiring assets that exceed NOI yield after depreciation of the Assets to be Sold

Note: New SHR’s policy is to respectively set its priority investment areas as Greater Tokyo for residential properties and as the three major metropolitan areas (Greater Tokyo, the Osaka area (Osaka Prefecture, Kyoto Prefecture, Hyogo Prefecture, and Nara Prefecture), and the Nagoya area (Aichi Prefecture)) for commercial properties, etc.

Based on the foregoing, as a result of consultations with uninterested third-party purchasers and their investor, agreement was reached for a total planned sale price of 16.4 billion yen, which exceeds the total appraised value of the 12 properties of the Assets to be Sold, and the Asset Sale was decided upon.

	Assets to be Acquired (6 properties)	Assets to be Sold (12 properties)
Total planned acquisition (sale) price	25.3 billion yen	16.4 billion yen
Greater Tokyo ratio (Note 1)	100.0%	51.7%
Average building age (Note 2)	4.2 years	13.8 years
(Before depreciation) NOI yield (Note 3)	4.8%	4.4%
(After depreciation) NOI yield (Note 4)	3.7%	2.7%

Note 1: “Greater Tokyo ratio” states 100.0% for the Assets to be Acquired because all six properties of the Assets to be Acquired are located in Greater Tokyo. In addition, for the Assets to be Sold, the ratio of SHI’s total acquisition price for the Assets to be Sold that are located in Greater Tokyo out of SHI’s total acquisition price for the twelve properties of the Assets to be Sold is stated, rounded off after the first decimal place.

Note 2: “Average building age” calculates, with today as the record date, the weighted average of the number of years since construction for each Asset to be Acquired or each Asset to be Sold using, respectively, the total planned acquisition price or SHI’s acquisition price, which is rounded off after the first decimal place.

Note 3: “(Before depreciation) NOI yield” is calculated, for the Assets to be Acquired, by dividing the total appraised NOI in the written real estate appraisals that were acquired at the time of considering acquisition by the total planned acquisition price, and for the Assets to be Sold, by dividing the total annualized amount of actual NOI in the fiscal period ended September 30, 2017 (24th fiscal period) by SHI’s total acquisition price, which are respectively rounded off after the first decimal place.

* “Appraised NOI” means net operating income (the amount obtained by deducting operating expenses from operating income) using the direct capitalization method in the written real estate appraisal, without taking depreciation expenses into account.

** “Actual NOI” means the figure calculated by deducting leasing business expenses from the leasing business income of the Assets to be Sold in the fiscal period ended September 30, 2017 (24th fiscal period), and then adding depreciation expenses.

Note 4: “(After depreciation) NOI yield” is calculated by deducting, from the respective total NOIs set forth in (Note 3) above, anticipated depreciation expenses with regard to the Assets to be Acquired, and with regard to the Assets to be Sold, the annualized amount of actual depreciation expenses in that fiscal period, and then dividing by, respectively, the total planned acquisition price or SHI’s total acquisition price, which are then rounded off after the first decimal place.

* “Anticipated depreciation expenses” is the figure calculated using the straight-line method in proportion to the expected useful life adopted by New SHR in consideration of various information in the engineering reports acquired at the time of the acquisition of the Assets to be Acquired.

3. Details of the Assets to be Acquired and Leases

(1) Prime Maison Shirokanedai Tower

Outline of specified asset (trust beneficiary interest)			
Trustee	Undecided	Trust term expiration date	Undecided
Location	(Address) 1-1-17 Kamiosaki, Shinagawa-ku, Tokyo (Lot number) 1-537-40 Kamiosaki, Shinagawa-ku, Tokyo		
Land	Form of ownership	Ownership	Form of ownership
	Land use district	Commercial district, Category 1 residential district	Use
	Area (m ²)	1,786.53	Total floor area (m ²)
	Floor-area ratio (Land use district designation)	500%/300%	Structure/number of floors
	Building coverage ratio (Land use district designation)	80%/60%	Construction completion date
Planned acquisition price (thousand yen)	7,950,000	Whether security is established	None
Outline of leasing and management			
Total leasable area (m ²)	6,772.89	Total number of tenants	1
Total leased area (m ²)	5,980.33	Number of leasable residential units (units)	220
Occupancy rate (area basis)	88.3%	Number of leased residential units (units)	192
Security deposit (thousand yen)	33,482	Monthly lease revenue (thousand yen)	32,902
Property management company	Sekiwa Real Estate, Ltd.	Lessee	Sekiwa Real Estate, Ltd.
Agreement term expiration date	Undecided	Leasing format	Master lease agreement /pass-through-type
Outline of written appraisal		Outline of building engineering report (building condition appraisal), etc.	
Appraisal method	Appraisal by Tanizawa Sogo Appraisal Co., Ltd.	Investigation report company	Tokyo Bldg-Tech Center Co., Ltd.
Appraised value (thousand yen)	8,340,000	Repair expenses (thousand yen)	Emergency
Time of valuation	December 1, 2017		Within one year
			2 to 12-year period
		Building replacement cost (thousand yen)	2,347,000
		Probable maximum loss rate (PML)	1.61%

Notes
<p>1. The floor-area ratio and the building coverage ratio for the land pertaining to the trust real estate will differ due to differences in the land use district, but when weighted averages are calculated using their subject area, they respectively become 394.46% and 69.44%.</p> <p>2. The foundation (underground installation) of the wall previously installed on the boundary line of the adjoining land on the north west side of this property encroaches on this property's land. SHI has agreed with the seller that a memorandum of understanding on encroachments will be executed, at the seller's responsibility and expense, with the owner of the underground installation that encroachment.</p>

(2) Prime Maison Otsuka

Outline of specified asset (trust beneficiary interest)			
Trustee	Undecided	Trust term expiration date	Undecided
Location	(Address) 1-15-1 Kitaotsuka, Toshima-ku, Tokyo (Lot number) 1-15-4 Kitaotsuka, Toshima-ku, Tokyo		
Land	Form of ownership	Ownership	Ownership
	Land use district	Commercial district	Use
	Area (m ²)	649.05	Total floor area (m ²)
	Floor-area ratio (Land use district designation)	700%/400%	Structure/number of floors
	Building coverage ratio (Land use district designation)	80%	Construction completion date
Planned acquisition price (thousand yen)	3,700,000	Whether security is established	None
Outline of leasing and management			
Total leasable area (m ²)	3,921.35	Total number of tenants	1
Total leased area (m ²)	3,336.23	Number of leasable residential units (units)	144 (excluding one retail store)
Occupancy rate (area basis)	85.1%	Number of leased residential units (units)	127 (excluding one retail store)
Security deposit (thousand yen)	14,401	Monthly lease revenue (thousand yen)	15,693
Property management company	Sekiwa Real Estate, Ltd.	Lessee	Sekiwa Real Estate, Ltd.
Agreement term expiration date	Undecided	Leasing format	Master lease agreement /pass-through-type
Outline of written appraisal		Outline of building engineering report (building condition appraisal), etc.	
Appraisal method	Appraisal by Tanizawa Sogo Appraisal Co., Ltd.	Investigation report company	Tokyo Bldg-Tech Center Co., Ltd.
Appraised value (thousand yen)	3,860,000	Repair expenses (thousand yen)	Emergency
Time of valuation	December 1, 2017		Within one year
		2 to 12-year period	6,540
		Building replacement cost (thousand yen)	1,401,000
		Probable maximum loss rate (PML)	3.34%
Notes			
<p>1. The floor-area ratio of the land pertaining to the trust real estate is 700% in the range up to 20m from the west side and city planning road, and is 400% in the range beyond 20m from the west side and city planning road. When a weighted average is calculated using that subject area, it becomes 638.07%.</p>			

(3) Prime Maison Asakusabashi

Outline of specified asset (trust beneficiary interest)				
Trustee	Undecided	Trust term expiration date	Undecided	
Location	(Address) 2-21-8 Yanagibashi, Taito-ku, Tokyo (Lot number) 2-11-18 Yanagibashi, Taito-ku, Tokyo			
Land	Form of ownership	Ownership	Ownership	
	Land use district	Commercial district	Apartment complex	
	Area (m ²)	422.87	Total floor area (m ²)	2,652.02
	Floor-area ratio (Land use district designation)	500%	Structure/number of floors	RC, 13F
	Building coverage ratio (Land use district designation)	80%	Construction completion date	October 7, 2016
Planned acquisition price (thousand yen)	1,680,000	Whether security is established	None	
Outline of leasing and management				
Total leasable area (m ²)	2,033.06	Total number of tenants	1	
Total leased area (m ²)	1,917.15	Number of leasable residential units (units)	64	
Occupancy rate (area basis)	94.3%	Number of leased residential units (units)	60	
Security deposit (thousand yen)	7,663	Monthly lease revenue (thousand yen)	8,311	
Property management company	Sekiwa Real Estate, Ltd.	Lessee	Sekiwa Real Estate, Ltd.	
Agreement term expiration date	Undecided	Leasing format	Master lease agreement /pass-through-type	
Outline of written appraisal	Outline of building engineering report (building condition appraisal), etc.			
Appraisal method	Appraisal by Tanizawa Sogo Appraisal Co., Ltd.	Investigation report company	Tokyo Bldg-Tech Center Co., Ltd.	
Appraised value (thousand yen)	1,760,000	Repair expenses (thousand yen)	Emergency	0
Time of valuation	December 1, 2017		Within one year	0
		2 to 12-year period	2,050	
		Building replacement cost (thousand yen)	659,000	
		Probable maximum loss rate (PML)	8.04%	
Notes				
1. The building coverage ratio of the land pertaining to the trust real estate should be 80%, but it is 90% because it is relaxed due to being a corner lot.				

(4) Prime Maison Daikanyama

Outline of specified asset (trust beneficiary interest)			
Trustee	Undecided	Trust term expiration date	Undecided
Location	(Address) 1-9-6 Aobadai, Meguro-ku, Tokyo (Lot number) 1-143-6 Aobadai, Meguro-ku, Tokyo		

Land	Form of ownership	Ownership	Building	Form of ownership	Ownership
	Land use district	Category 1 low-rise exclusive residential district		Use	Apartment complex
	Area (m ²)	1,041.02		Total floor area (m ²)	2,522.21
	Floor-area ratio (Land use district designation)	150%		Structure/number of floors	RC, 3F/B2F
	Building coverage ratio (Land use district designation)	60%		Construction completion date	January 12, 2017
Planned acquisition price (thousand yen)		2,520,000	Whether security is established		None
Outline of leasing and management					
Total leasable area (m ²)		1,779.17	Total number of tenants		1
Total leased area (m ²)		1,091.88	Number of leasable residential units (units)		27
Occupancy rate (area basis)		61.4%	Number of leased residential units (units)		17
Security deposit (thousand yen)		19,920	Monthly lease revenue (thousand yen)		7,485
Property management company		Sekiwa Real Estate, Ltd.	Lessee		Sekiwa Real Estate, Ltd.
Agreement term expiration date		Undecided	Leasing format		Master lease agreement/ pass-through-type
Outline of written appraisal			Outline of building engineering report (building condition appraisal), etc.		
Appraisal method		Appraisal by Tanizawa Sogo Appraisal Co., Ltd.	Investigation report company		Tokyo Bldg-Tech Center Co., Ltd.
Appraised value (thousand yen)		2,650,000	Repair expenses (thousand yen)	Emergency	0
Time of valuation		December 1, 2017		Within one year	0
				2 to 12-year period	3,520
				Building replacement cost (thousand yen)	757,000
			Probable maximum loss rate (PML)		9.32%
Notes					
1. No applicable matters.					

(5) Prime Maison Gotenyama West

Outline of specified asset (trust beneficiary interest)					
Trustee		Undecided	Trust term expiration date		Undecided
Location	(Address) 6-5-8 Kitashinagawa, Shinagawa-ku, Tokyo (Lot number) 6-387-2 Kitashinagawa, Shinagawa-ku, Tokyo				
Land	Form of ownership	Ownership	Building	Form of ownership	Ownership
	Land use district	Category 1 low-rise exclusive residential district		Use	Apartment complex
	Area (m ²)	3,167.72		Total floor area (m ²)	5,520.41
	Floor-area ratio (Land use district designation)	150%		Structure/number of floors	RC, 4F/B1F
	Building coverage ratio (Land use district designation)	60%		Construction completion date	January 18, 2011

Planned acquisition price (thousand yen)	3,400,000	Whether security is established	None	
Outline of leasing and management				
Total leasable area (m ²)	3,569.73	Total number of tenants	1	
Total leased area (m ²)	3,039.10	Number of leasable residential units (units)	26	
Occupancy rate (area basis)	85.1%	Number of leased residential units (units)	22	
Security deposit (thousand yen)	47,460	Monthly lease revenue (thousand yen)	16,270	
Property management company	Sekiwa Real Estate, Ltd.	Lessee	Sekiwa Real Estate, Ltd.	
Agreement term expiration date	Undecided	Leasing format	Master lease agreement/ pass-through-type	
Outline of written appraisal		Outline of building engineering report (building condition appraisal), etc.		
Appraisal method	Appraisal by Tanizawa Sogo Appraisal Co., Ltd.	Investigation report company	Tokyo Bldg-Tech Center Co., Ltd.	
Appraised value (thousand yen)	3,560,000	Repair expenses (thousand yen)	Emergency	0
Time of valuation	December 1, 2017		Within one year	0
			2 to 12-year period	74,260
			Building replacement cost (thousand yen)	1,851,000
		Probable maximum loss rate (PML)	6.85%	
Notes				
1 Part of the wall on the land adjoining the north side of this property is being encroached upon this property's land. SHI has agreed with the seller that, at the seller's responsibility and expense, the encroachment will be removed, or a memorandum of understanding on encroachments will be executed with the owner of the wall.				

(6) Esty Maison Toyosu Residence

Outline of specified asset (trust beneficiary interest)					
Trustee	Sumitomo Mitsui Trust Bank, Limited		Trust term expiration date	September 26, 2023	
Location	(Address) 3-5-3 Toyosu, Koto-ku, Tokyo (Lot number) 3-1-43 Toyosu, Koto-ku, Tokyo and one other plot				
Land	Form of ownership	Ordinary fixed-term land lease right	Building	Form of ownership	Ownership
	Land use district	Industrial district		Use	Apartment complex, office, and retail store
	Area (m ²)	8,818.22		Total floor area (m ²)	26,364.53
	Floor-area ratio (Land use district designation)	200%		Structure/number of floors	RC, 14F
	Building coverage ratio (Land use district designation)	60%		Construction completion date	February 28, 2008
Planned acquisition price (thousand yen)	6,050,000	Whether security is established	None		
Outline of leasing and management					
Total leasable area (m ²)	23,538.73	Total number of tenants	1		
Total leased area (m ²)	23,065.61	Number of leasable residential units (units)	384 (excluding six retail stores)		
Occupancy rate (area basis)	98.0%	Number of leased residential units (units)	375 (excluding six retail stores)		

Security deposit (thousand yen)	105,289	Monthly lease revenue (thousand yen)	74,049	
Property management company	Haseko Livenet, Inc.	Lessee	Haseko Livenet, Inc.	
Agreement term expiration date	July 31, 2018	Leasing format	Master lease agreement/ pass-through-type	
Outline of written appraisal		Outline of building engineering report (building condition appraisal), etc.		
Appraisal method	Appraisal by Tanizawa Sogo Appraisal Co., Ltd.	Investigation report company	Tokyo Bldg-Tech Center Co., Ltd.	
Appraised value (thousand yen)	6,440,000	Repair expenses (thousand yen)	Emergency	0
Time of valuation	December 1, 2017		Within one year	0
			2 to 12-year period	452,510
		Building replacement cost (thousand yen)		6,605,000
		Probable maximum loss rate (PML)		4.37%
Notes				
<ol style="list-style-type: none"> The floor-area ratio for the land relating to the trust real estate was to be 200%, but authorization was received for relaxation of the floor-area ratio under the provisions of Article 68-3, Paragraph 1 of the Building Standards Act, and the floor-area ratio is 283.08%. Of the land relating to the trust real estate, Tokyo Gas Co., Ltd. has land surface rights to part of the land aimed at the ownership of a gas governor and its incidental facilities. Of the buildings relating to the trust real estate, because the sign installed in the E building retail store is in a fire prevention district and is more than 3m high, it must be made of nonflammable materials under the Fire Service Act (Act No. 186 of 1948; as amended), but as of today it has not been confirmed whether or not it satisfies this requirement. SHI and Seller agree that Seller shall conduct negotiations with tenants and promptly conduct the appropriate measures regarding the matter set out above at Seller's responsibility and expense. Urban Renaissance Agency is the land owner and the lease is an ordinary fixed-term land lease right with a lease term of 65 years from March 17, 2006. If selling the fixed-term land lease right, it is necessary to notify the land owner in advance of the details of the sale agreement in writing and to receive the written approval of the land owner. Further, the written approval of the land owner is also required if desiring to establish rights for the purpose of sale, pledge, mortgage, or other security with respect to the ownership right of the subject building, and if desiring to reconstruct or make an addition or renovation to the building or to do other work on the buildings, etc. The land leaseholder and the land owner may each apply to the other for the sale of the subject land during the period from the date on which 30 years has passed since the execution of the fixed-term land lease agreement to the date one year before the expiry of the fixed-lease term, and if the other party's application is approved, the land owner shall hand the subject land over to the land leaseholder within one year. The purchase price and the other conditions of sale will be as provided by the land owner. 				

[Explanation of Matters Stated in the Above Tables]

- For "Trustee", as of today, the trustees and the trust term expiration dates for Assets to be Acquired except Esty Maison Toyosu Residence are undecided, but are scheduled to be decided before acquisition of the assets to be acquired is completed. Further, for Esty Maison Toyosu Residence, we plan to continue to use the current trustee as of this day, and therefore the trustee and trust term expiration date as of today are indicated.
- "Location (Address)" indicates the residential address description, and for properties for which the residential address description has not been made yet, the details in the location column for the building indicated in the registry (including the registration record; same below) are indicated (in cases of multiple lot numbers, that of one parcel). "Location (Lot number)" indicates the respective lot numbers indicated in the registration record (in cases of multiple lot numbers, that of one plot).
- "Form of ownership" for land and buildings indicates the type of right planned to be held by the Trustee for the trust real estate.
- "Land use district" of the land indicates the type of land use district listed in Article 8, Paragraph 1, Item 1 of the City Planning Act (Act No. 100 of 1968; as amended) ("City Planning Act").
- "Area" for land indicates the land area indicated in the registration record (in cases of multiple areas, the total thereof).
- "Floor-area ratio" for land indicates the value determined by City Planning in accordance with the land use district, etc. for the ratio of the total area of the building to the site area, as set forth in Article 52 of the Building Standards Act (Act No. 201 of 1950; as amended)(the "Building Standards Act").
- "Building coverage ratio" for land indicates the value determined by City Planning in accordance with the land use district, etc. for the ratio of the construction area of the structure to the site area, as set forth in Article 53 of the Building Standards Act.
- "Use" for buildings indicates the principal usage among those listed in the registry.
- "Total floor area" for buildings indicates the total floor area of the principal buildings indicated in the registry.

- (10) “Structure/Number of floors” for buildings indicates the structure and number of floors listed in the registry. The abbreviations used in “Structure/Number of floors” are set forth below.
RC: Steel-reinforced concrete construction, S: Steel frame construction, F: Number of floors, B: Basement
- (11) “Construction completion date” for buildings indicates the initial time of new construction indicated in the registry.
- (12) “Whether security is established” indicates whether or not there are plans to establish security after acquisition by New SHR.
- (13) The values in “Outline of leasing and management” indicate information as of the last day of December 2017, and are indicated based on values and information provided by the current owner of the assets to be acquired. Furthermore, “Total leased area” is not indicated in the registry but is the total leasing area indicated in lease agreements; provided, however, that if there is an obvious error in the indication in the lease agreements, it is indicated based on the construction drawings, etc. In addition, because the Trustee plans to enter into a new master lease agreement with the master lessee for the Assets to be Acquired except Esty Maison Toyosu Residence, “1” is indicated in “Total number of tenants” on the assumption that the consent of all end tenants has been obtained regarding the master lessee being the lessor. For the definition of Master Lease Agreement, please refer to (17) below.
- (14) “Monthly lease revenue” indicates the total amount of monthly rent under the lease agreements valid as of the end of December 2017 (including administrative expenses, but excluding consumption tax relating to rent for the retail stores and offices), because the master lessee and the Trustee plan to enter into a master lease agreement/pass-through-type of lease agreement for the Assets to be Acquired except Esty Maison Toyosu Residence, and for the Esty Maison Toyosu Residence there already exists a lease agreement between the current Lessee and the Trustee which is planned to be continued, and the rent paid by the master lessee and the rent paid by tenant to the master lessee are anticipated to be the same amount. For the definitions of master lease agreement/pass-through-type, please refer to (17) below.
- (15) “Property management company” indicates the property management company anticipated to be selected as the delegatee of the property management business for the trust real estate relating to the assets to be acquired except Esty Maison Toyosu Residence as of this date,. For the Esty Maison Toyosu Residence, the current property management company is planned to continue its function, and as such the current property management company is listed.
- (16) “Lessee” indicates the lessee anticipated to enter into a master lease agreement with the Trustee for the Assets to be Acquired except Esty Maison Toyosu Residence. For the Esty Maison Toyosu Residence, the current lessee is planned to continue its function as the master lessee, and as such the current lessee is listed.
- (17) “Leasing format” indicates the leasing scheme anticipated to be entered into between the Lessee and the Trustee (direct lease, sublease, etc.) for the Assets to be Acquired except Esty Maison Toyosu Residence. For the Esty Maison Toyosu Residence, the current leasing scheme is planned to be continued, and as such the current leasing scheme is listed. Furthermore, “Master lease agreement” refers to a lease agreement for an entire building to be entered into after acquisition by New SHR with a master lessee for the purpose of subleasing to third parties for the Assets to be Acquired except Esty Maison Toyosu Residence, and refers to a lease agreement for an entire building currently entered into between the lessee and trustee for the purpose of subleasing to third parties for Esty Maison Toyosu Residence. In addition, “Master lease agreement/pass-through-type” means a master lease agreement whereby the master lessee pays the same amount of rent as the rent received from the parties leasing the property from the master lessee, such as the end tenants, etc.
- (18) The value for “Probable maximum loss rate” is based on the earthquake PML evaluation report prepared by SOMPO Risk Management & Health Care, Inc. The contents of the earthquake PML evaluation report indicate the opinions of the parties reporting on the investigation, and SHI and New SHR do not guarantee the accuracy of those contents. “Probable maximum loss rate (PML)” means probable maximum loss rate due to earthquake, and here it means the level of damage that would be incurred due to an earthquake of the largest scale anticipated in a 50-year period (a large-scale earthquake with a recurrence period of 475 years, also equivalent to a 10% probability in 50 years), indicated as a percentage in respect of the replacement cost for anticipated restoration of damage costs.
- (19) The matters indicated in “Notes” are matters considered material in light of their impact on the valuation amount, profitability, and disposability of the property, as well as matters considered material in relation to the right relations and use, etc. of the property, including the following matters.
- (i) The main restrictions and regulations under laws and regulations and various rules;
 - (ii) The main encumbrances and restrictions relating to right relations, etc.;
 - (iii) The main cases if there are any structures, etc. that encroach over the boundaries between the trust real estate and adjacent land or issues regarding boundary confirmations, etc., and agreements relating thereto; and
 - (iv) The main agreed matters and agreements between co-owners or unit owners.

4. Details of the Assets to be Sold and Cancellation of Leases
(1) Esty Maison Machida

Outline of specified asset (trust Beneficiary interest)					
Trustee		Mizuho Trust & Banking Co., Ltd.	Trust term expiration date		July 31, 2025
Location	(Address) 2-1-17 Haramachida, Machida-shi, Tokyo (Lot number) 2-1272-6 Haramachida, Machida-shi, Tokyo and three other plots				
Land	Form of ownership	Ownership	Building	Form of ownership	Ownership
	Land use district	Commercial district		Use	Apartment complex
	Area (m ²)	587.48		Total floor area (m ²)	4,033.59
	Floor-area ratio (Land use district designation)	600%		Structure/number of floors	SRC, 15F
	Building coverage ratio (Land use district designation)	80%		Construction completion date	February 23, 2004
Outline of leasing and management					
Total leasable area (m ²)		3,090.89	Total number of tenants		1
Total leased area (m ²)		2,838.08	Property management company		Sekiwa Real Estate, Ltd.
Occupancy rate (area basis)	Last day of September 2013	94.9%	Leasing format	Master lease agreement/ pass-through-type	
	Last day of September 2014	95.5%			
	Last day of September 2015	95.8%			
	Last day of September 2016	90.8%			
	Last day of September 2017	91.8%			
Security deposit (thousand yen)		8,592	Lease income (thousand yen)		50,436
Outline of written appraisal					
Appraised value (thousand yen)		1,530,000	Appraisal agency		Tanizawa Sogo Appraisal Co., Ltd.
Time of valuation		December 1, 2017			

(2) Esty Maison Shinkawasaki

Outline of specified asset (trust beneficiary interest)					
Trustee		Mizuho Trust & Banking Co., Ltd.	Trust term expiration date		October 31, 2025
Location	(Address) 1-4 Furuichiba, Saiwai-ku, Kawasaki-shi, Kanagawa (Lot number) 1-4-1 Furuichiba, Saiwai-ku, Kawasaki-shi, Kanagawa				
Land	Form of ownership	Ownership	Building	Form of ownership	Ownership
	Land use district	Category 1 medium-to-high-rise exclusive residential district, category 1 residential district		Use	Apartment complex
	Area (m ²)	1,992.09		Total floor area (m ²)	3,737.47
	Floor-area ratio (Land use district designation)	200%		Structure/number of floors	RC, 5F
	Building coverage ratio (Land use district designation)	60%		Construction completion date	March 5, 1999
Outline of leasing and management					
Total leasable area (m ²)		3,737.47	Total number of tenants		1
Total leased area (m ²)		3,737.47	Property management company		-

Occupancy rate (area basis)	Last day of September 2013	100.0%	Leasing format	Direct lease agreement
	Last day of September 2014	100.0%		
	Last day of September 2015	100.0%		
	Last day of September 2016	100.0%		
	Last day of September 2017	100.0%		
Security deposit (thousand yen)		10,666	Lease income (thousand yen) 31,998	
Outline of written appraisal				
Appraised value (thousand yen)		1,230,000	Appraisal agency Mori Appraisal & Investment Consulting, Inc.	
Time of valuation		December 1, 2017		

(3) Esty Maison Megurohoncho

Outline of specified asset (trust beneficiary interest)				
Trustee		Mizuho Trust & Banking Co., Ltd.	Trust term expiration date October 31, 2025	
Location		(Address) 4-8-21 Megurohoncho, Meguro-ku, Tokyo (Lot number) 4-170-22 Megurohoncho, Meguro-ku, Tokyo and one other plot		
Land	Form of ownership	Ownership	Building	Form of ownership Ownership
	Land use district	Category 1 medium-to-high-rise exclusive residential district		Use Apartment complex
	Area (m ²)	865.22		Total floor area (m ²) 1,975.84
	Floor-area ratio (Land use district designation)	200%		Structure/number of floors RC, 3F/B1F
	Building coverage ratio (Land use district designation)	60%		Construction completion date February 22, 2006
Outline of leasing and management				
Total leasable area (m ²)		1,656.02	Total number of tenants 1	
Total leased area (m ²)		1,423.43	Property management company Sekiwa Real Estate, Ltd.	
Occupancy rate (area basis)	Last day of September 2013	96.9%	Leasing format	Master lease agreement/ pass-through-type
	Last day of September 2014	100.0%		
	Last day of September 2015	89.8%		
	Last day of September 2016	93.0%		
	Last day of September 2017	86.0%		
Security deposit (thousand yen)		6,355	Lease income (thousand yen) 29,057	
Outline of written appraisal				
Appraised value (thousand yen)		1,130,000	Appraisal agency Daiwa Real Estate Appraisal Co., Ltd.	
Time of valuation		September 30, 2017		

(4) Esty Maison Joto

Outline of specified asset (trust beneficiary interest)				
Trustee	Mizuho Trust & Banking Co., Ltd.	Trust term expiration date	October 31, 2025	
Location	(Address) 2-11-8 Noe, Joto-ku, Osaka-shi, Osaka (Lot number) 2-59 Noe, Joto-ku, Osaka-shi, Osaka			
Land	Form of ownership	Ownership	Form of ownership	Ownership
	Land use district	Category 1 residential district	Use	Apartment complex
	Area (m ²)	740.49	Total floor area (m ²)	2,232.26
	Floor-area ratio (Land use district designation)	300%	Structure/number of floors	RC, 9F
	Building coverage ratio (Land use district designation)	80%	Construction completion date	August 31, 2006
Outline of leasing and management				
Total leasable area (m ²)	2,065.92	Total number of tenants	1	
Total leased area (m ²)	1,933.44	Property management company	Sekiwa Kanri Kansai Ltd.	
Occupancy rate (area basis)	Last day of September 2013	97.0%	Leasing format	Master lease agreement/ pass-through-type
	Last day of September 2014	90.7%		
	Last day of September 2015	93.6%		
	Last day of September 2016	95.5%		
	Last day of September 2017	93.6%		
Security deposit (thousand yen)	4,232	Lease income (thousand yen)	32,181	
Outline of written appraisal				
Appraised value (thousand yen)	951,000	Appraisal agency	Japan Real Estate Institute	
Time of valuation	December 1, 2017			

(5) Esty Maison Tenjin Higashi I

Outline of specified asset (trust beneficiary interest)				
Trustee	Sumitomo Mitsui Trust Bank, Limited	Trust term expiration date	September 30, 2027	
Location	(Address) 4-3 Susakimachi, Hakata-ku, Fukuoka-shi, Fukuoka (Lot number) 53 Susakimachi, Hakata-ku, Fukuoka-shi, Fukuoka			
Land	Form of ownership	Ownership	Form of ownership	Ownership
	Land use district	Commercial district	Use	Apartment complex
	Area (m ²)	239.18	Total floor area (m ²)	1,158.70
	Floor-area ratio (Land use district designation)	500%	Structure/number of floors	SRC, 15F
	Building coverage ratio (Land use district designation)	80%	Construction completion date	January 31, 2007
Outline of leasing and management				
Total leasable area (m ²)	1,058.82	Total number of tenants	1	
Total leased area (m ²)	1,058.82	Property management company	Miyoshi Real Estate Co., Ltd.	

Occupancy rate (area basis)	Last day of September 2013	95.0%	Leasing format	Master lease agreement/ pass-through-type
	Last day of September 2014	97.8%		
	Last day of September 2015	93.5%		
	Last day of September 2016	97.8%		
	Last day of September 2017	100.0%		
Security deposit (thousand yen)		-	Lease income (thousand yen)	14,842
Outline of written appraisal				
Appraised value (thousand yen)		364,000	Appraisal agency	Daiwa Real Estate Appraisal Co., Ltd.
Time of valuation		September 30, 2017		

(6) Esty Maison Tenjin Higashi II

Outline of specified asset (trust beneficiary interest)				
Trustee		Sumitomo Mitsui Trust Bank, Limited	Trust term expiration date	September 30, 2027
Location	(Address) 6-12 Susakimachi, Hakata-ku, Fukuoka-shi, Fukuoka (Lot number) 109-1 Susakimachi, Hakata-ku, Fukuoka-shi, Fukuoka			
Land	Form of ownership	Ownership	Form of ownership	Ownership
	Land use district	Commercial district	Use	Apartment complex
	Area (m ²)	514.89	Total floor area (m ²)	2,108.69
	Floor-area ratio (Land use district designation)	400%	Structure/number of floors	SRC, 13F
	Building coverage ratio (Land use district designation)	80%	Construction completion date	May 23, 2007
Outline of leasing and management				
Total leasable area (m ²)		1,943.72	Total number of tenants	1
Total leased area (m ²)		1,825.02	Property management company	Miyoshi Real Estate Co., Ltd.
Occupancy rate (area basis)	Last day of September 2013	97.5%	Leasing format	Master lease agreement/ pass-through-type
	Last day of September 2014	96.3%		
	Last day of September 2015	95.1%		
	Last day of September 2016	97.6%		
	Last day of September 2017	93.9%		
Security deposit (thousand yen)		-	Lease income (thousand yen)	27,579
Outline of written appraisal				
Appraised value (thousand yen)		738,000	Appraisal agency	Daiwa Real Estate Appraisal Co., Ltd.
Time of valuation		September 30, 2017		

(7) Esty Maison Shijonishinotoin

Outline of specified asset (trust beneficiary interest)					
Trustee		Sumitomo Mitsui Trust Bank, Limited	Trust term expiration date		April 24, 2018
Location	(Address) 697 Myodenchicho, Nishinotoin-dori Shijosagaru, Shimogyo-ku, Kyoto-shi, Kyoto (Lot number) 697 Myodenchicho, Nishinotoin-dori Shijosagaru, Shimogyo-ku, Kyoto-shi, Kyoto				
Land	Form of ownership	Ownership	Building	Form of ownership	Ownership
	Land use district	Commercial district		Use	Apartment complex
	Area (m ²)	400.59		Total floor area (m ²)	3,374.74
	Floor-area ratio (Land use district designation)	700%		Structure/number of floors	RC, 12F/B1F
	Building coverage ratio (Land use district designation)	80%		Construction completion date	April 8, 2008
Outline of leasing and management					
Total leasable area (m ²)		2,261.28	Total number of tenants		1
Total leased area (m ²)		2,160.19	Property management company		Haseko Livenet, Inc.
Occupancy rate (area basis)	Last day of September 2013	96.7%	Leasing format	Master lease agreement/pass-through-type	
	Last day of September 2014	100.0%			
	Last day of September 2015	95.6%			
	Last day of September 2016	92.9%			
	Last day of September 2017	95.5%			
Security deposit (thousand yen)		4,000	Lease income (thousand yen)		38,825
Outline of written appraisal					
Appraised value (thousand yen)		1,180,000	Appraisal agency		Japan Real Estate Institute
Time of valuation		December 1, 2017			

(8) Esty Maison Hachiojiminamino

Outline of specified asset (trust beneficiary interest)					
Trustee		Mizuho Trust & Banking Co., Ltd.	Trust term expiration date		October 31, 2025
Location	(Address) 3-2-8 Nishikatakura, Hachioji-shi, Tokyo (Lot number) 3-2-6 Nishikatakura, Hachioji-shi, Tokyo and four other plots				
Land	Form of ownership	Ownership	Building	Form of ownership	Ownership
	Land use district	Category 1 residential district		Use	Apartment complex
	Area (m ²)	1,134.50		Total floor area (m ²)	2,243.06
	Floor-area ratio (Land use district designation)	200%		Structure/number of floors	RC, 5F
	Building coverage ratio (Land use district designation)	60%		Construction completion date	March 6, 2007
Outline of leasing and management					
Total leasable area (m ²)		2,155.16	Total number of tenants		1
Total leased area (m ²)		2,105.04	Property management company		Sekiwa Real Estate, Ltd.

Occupancy rate (area basis)	Last day of September 2013	93.0%	Leasing format	Master lease agreement/ pass-through-type
	Last day of September 2014	94.2%		
	Last day of September 2015	95.3%		
	Last day of September 2016	94.2%		
	Last day of September 2017	97.7%		
Security deposit (thousand yen)		5,922	Lease income (thousand yen) 33,249	
Outline of written appraisal				
Appraised value (thousand yen)		875,000	Appraisal agency	Richi Appraisal Institute
Time of valuation		September 30, 2017		

(9) Esty Maison Nishinakajima

Outline of specified asset (trust beneficiary interest)					
Trustee		Mizuho Trust & Banking Co., Ltd.	Trust term expiration date July 31, 2027		
Location	(Address) 2-8-21 Higashi Nakajima, Higashi Yodogawa-ku, Osaka-shi, Osaka (Lot number) 2-8-10 Higashi Nakajima, Higashi Yodogawa-ku, Osaka-shi, Osaka and six other plots				
Land	Form of ownership	Ownership	Building	Form of ownership	Ownership
	Land use district	Commercial district		Use	Apartment complex
	Area (m ²)	969.02		Total floor area (m ²)	3,947.24
	Floor-area ratio (Land use district designation)	400%		Structure/number of floors	RC, 14F
	Building coverage ratio (Land use district designation)	80%		Construction completion date	April 18, 2007
Outline of leasing and management					
Total leasable area (m ²)		3,643.42	Total number of tenants 1		
Total leased area (m ²)		3,353.96	Property management company	Sekiwa Kanri Kansai Co., Ltd.	
Occupancy rate (area basis)	Last day of September 2013	96.2%	Leasing format	Master lease agreement/ pass-through-type	
	Last day of September 2014	92.9%			
	Last day of September 2015	93.0%			
	Last day of September 2016	96.4%			
	Last day of September 2017	92.1%			
Security deposit (thousand yen)		5,876	Lease income (thousand yen) 61,750		
Outline of written appraisal					
Appraised value (thousand yen)		1,900,000	Appraisal agency	Japan Real Estate Institute	
Time of valuation		December 1, 2017			

(10) Esty Maison Kawaramachi

Outline of specified asset (trust beneficiary interest)						
Trustee		Mitsubishi UFJ Trust and Banking Corporation		Trust term expiration date		
				February 28, 2023		
Location		(Address) 3-2-10 Kawaramachi, Chuo-ku, Osaka-shi, Osaka (Lot number) 3-17-2 Kawaramachi, Chuo-ku, Osaka-shi, Osaka				
Land	Form of ownership		Ownership		Form of ownership	
	Land use district		Commercial district		Use	
	Area (m ²)		655.89		Total floor area (m ²)	
	Floor-area ratio (Land use district designation)		600%		Structure/number of floors	
	Building coverage ratio (Land use district designation)		80%		Construction completion date	
				Ownership	Apartment complex and office	
				4,580.48	RC, 14F	
				October 17, 2006		
Outline of leasing and management						
Total leasable area (m ²)		3,486.48		Total number of tenants		
				1		
Total leased area (m ²)		3,311.28		Property management company		
				Sekiwa Kanri Kansai Co., Ltd.		
Occupancy rate (area basis)	Last day of September 2013		94.2%		Leasing format	
	Last day of September 2014		95.1%			Master lease agreement/ pass-through-type
	Last day of September 2015		94.5%			
	Last day of September 2016		96.3%			
	Last day of September 2017		95.0%			
Security deposit (thousand yen)		7,971		Lease income (thousand yen)		
				58,186		
Outline of written appraisal						
Appraised value (thousand yen)		1,930,000		Appraisal agency		
				Tanizawa Sogo Appraisal Co., Ltd.		
Time of valuation		December 1, 2017				

(11) Esty Maison Shibaura

Outline of specified asset (trust beneficiary interest)					
Trustee		Mizuho Trust & Banking Co., Ltd.		Trust term expiration date	
				March 31, 2025	
Location		(Address) 2-8-3 Shibaura, Minato-Ku, Tokyo (Lot number) 2-1-68 Shibaura, Minato-Ku, Tokyo and three other plots			
Land	Form of ownership		Ownership		Form of ownership
	Land use district		Quasi-industrial district		Use
	Area (m ²)		1,217.25		Total floor area (m ²)
	Floor-area ratio (Land use district designation)		400%		Structure/number of floors
	Building coverage ratio (Land use district designation)		60%		Construction completion date
				Ownership	Apartment complex
				4,855.53	SRC, 10F
				August 26, 1996	
Outline of leasing and management					
Total leasable area (m ²)		3,795.82		Total number of tenants	
				1	
Total leased area (m ²)		3,744.32		Property management company	
				Sekiwa Real Estate, Ltd.	

Occupancy rate (area basis)	Last day of September 2013	-	Leasing format	Master lease agreement/ pass-through-type
	Last day of September 2014	-		
	Last day of September 2015	91.6%		
	Last day of September 2016	92.8%		
	Last day of September 2017	98.6%		
Security deposit (thousand yen)		12,615	Lease income (thousand yen) 75,708	
Outline of written appraisal				
Appraised value (thousand yen)		2,910,000	Appraisal agency Chuo Real Estate Appraisal Co., Ltd.	
Time of valuation		December 1, 2017		

(12) Esty Maison Tsutsujigaoka

Outline of specified asset (trust beneficiary interest)					
Trustee		Sumitomo Mitsui Trust Bank, Limited	Trust term expiration date May 31, 2025		
Location (Address) 1-14-19 Nishitsutsujigaoka, Chofu-shi, Tokyo and other (Lot number) 1-14-19 Nishitsutsujigaoka, Chofu-shi, Tokyo and two other plots					
Land	Form of ownership	Ownership	Building	Form of ownership	Ownership
	Land use district	Category 1 medium-to-high-rise exclusive residential district		Use	Apartment complex
	Area (m ²)	1,503.25		Total floor area (m ²)	2,456.48
	Floor-area ratio (Land use district designation)	200%		Structure/number of floors	RC, 5F/B1F
	Building coverage ratio (Land use district designation)	60%		Construction completion date	March 9, 2002
Outline of leasing and management					
Total leasable area (m ²)		1,849.70	Total number of tenants 1		
Total leased area (m ²)		1,658.70	Property management company Sekiwa Real Estate, Ltd.		
Occupancy rate (area basis)	Last day of September 2013	-	Leasing format	Master lease agreement/ pass-through-type	
	Last day of September 2014	-			
	Last day of September 2015	92.3%			
	Last day of September 2016	100.0%			
	Last day of September 2017	89.7%			
Security deposit (thousand yen)		6,127	Lease income (thousand yen) 27,051		
Outline of written appraisal					
Appraised value (thousand yen)		911,000	Appraisal agency Tanizawa Sogo Appraisal Co., Ltd.		
Time of valuation		December 1, 2017			

[Explanation of Matters Stated in the Above Tables]

- (1) “Location (Address)” indicates the residential address description, or for a property for which the residential address is not yet established, the location of the building as described in the registry (including register records; the same hereinafter.) “Location (Lot number)” indicates the lot number indicated in the land registry (in cases of multiple lot numbers, that of one parcel).
- (2) “Form of ownership” for land and buildings indicates the type of right held by the Trustee for the trust real estate.
- (3) “Land use district” for land indicates the type of land use district as set forth in Article 8, Paragraph 1, Item 1 of the City Planning Act.
- (4) “Area” for land indicates the land area indicated in the registration record (in cases of multiple areas, the total thereof).
- (5) “Floor-area ratio” for land indicates the value determined by City Planning in accordance with the land use district, etc. for the ratio of the total area of the building to the site area, as set forth in Article 52 of the Building Standards Act.
- (6) “Building coverage ratio” for land indicates the value determined by City Planning in accordance with the land use district, etc. for the ratio of the construction area of the structure to the site area, as set forth in Article 53 of the Building Standards Act.
- (7) “Use” for buildings indicates the principal usage among those listed in the registry.
- (8) “Total floor area” for buildings indicates the total floor area of the principal buildings indicated in the registry.
- (9) “Structure/Number of floors” for buildings indicates the structure and number of floors listed in the registry. The abbreviations used in “Structure/Number of floors” are set forth below.
RC: Steel-reinforced concrete structure, SRC: Steel frame and reinforced concrete structure, F: Number of floors, B: Basement
- (10) “Construction completion date” for buildings indicates the initial time of new construction indicated in the registry.
- (11) Values indicated within “Lease and management overall condition” are based on information that is current as of September 30, 2017. However, “Lease income” reflects actual values for the fiscal period ended September 30, 2017 (April 1, 2017 to September 30, 2017). Furthermore, “Total lettable area” and “Total leasing area” are not indicated in the registry but are totals of leasing area indicated in lease agreements.
- (12) “Lease format” indicates the leasing scheme entered into between the Lessee and the Trustee (direct lease, sublease, etc.). Furthermore, “Master lease agreement” refers to a lease agreement for an entire building entered into with a master lessee for the purpose of subleasing to third parties. In addition, “Master lease agreement/pass-through-type” means a master lease agreement whereby the master lessee pays the same amount of rent as the rent received from the parties leasing the property from the master lessee, such as the end tenants, etc.

5. Overview of Seller and Purchaser

The Seller of the Assets to be Acquired is the following:

(i)	Name	Sekisui House, Ltd.
(ii)	Location	1-1-88, Oyodonaka, Kita-ku, Osaka-shi, Osaka
(iii)	Title and name of representatives	Chairman, Representative Director & CEO Isami Wada President, Representative Director & COO Toshinori Abe
(iv)	Business description	Industrialized housing design, construction, and contracting along with real estate sales, brokerage, leasing, management, and related business.
(v)	Capital	202,591 million yen (as of October 31, 2017)
(vi)	Date established	August 1960
(vii)	Net assets	1,158,204 million yen (consolidated) (as of October 31, 2017)
(viii)	Total assets	2,405,285 million yen (consolidated) (as of October 31, 2017)
(ix)	Major shareholders (Shareholding ratio)	The Master Trust Bank of Japan, Ltd. (7.41%) Sekisui Chemical Co., Ltd. (6.11%) Japan Trustee Services Bank, Ltd. (5.69%) (as of July 31, 2017 for each)
(x)	Relationship with the Two Investment Corporations and the Two Asset Management Companies	
	Capital ties	As of today, Sekisui House holds 3.52% of the total number of SHI investment units outstanding and 6.72% of the total number of SHR investment units outstanding. In addition, Sekisui House fully owns all of the Two Asset Management Companies' total outstanding shares, and as such falls under an Interested Person, etc. as defined in the Investment Trust Act.
	Personnel ties	Sekisui House has currently dispatched one part-time director and one part-time corporate auditor to SHAM and one-part director and one part-time corporate auditor to SHIA. In addition, two of SHAM's officers and employees and 15 of SHIA's officers and employees are seconded from Sekisui House.
	Business ties	Sekisui House has entered into an agreement with SHI and SHAM concerning right of first refusal, as well as a memorandum of understanding regarding use of trademarks with SHI with the aim of establishing a pipeline for property information (primarily housing properties), etc. and an memorandum with SHI concerning use of trademark. In addition, Sekisui House has also entered with SHR and SHIA into a pipeline support agreement, sponsor support agreement, memorandum of understanding regarding the holding of investment units, and memorandum of understanding regarding use of trademarks. Furthermore, Sekisui House has agreed on the date hereof that of the agreements noted above, the agreement with SHI and SHAM for right of first refusal, etc. and the agreements with SHR and SHIA for pipeline support and sponsor support are subject to the Investment Corporation Merger coming into effect and shall be terminated on the effective date of the Investment Corporation Merger. As a result, on the date hereof Sekisui House entered into a new sponsor support agreement with SHR and SHIA ("New Sponsor Support Agreement") to take effect on the effective date of the Investment Corporation Merger (The New Sponsor Support Agreement effectively integrates the content of Sekisui House's agreement with SHI and SHAM regarding the existing right of first refusal, etc. along with the pipeline support agreement and sponsor support agreement with SHR and SHIA.)
	Concerning Related Parties	As sole parent company of the Two Asset Management Companies, Sekisui House is a related party.

The purchasers of the Assets to be Sold are multiple domestic limited liability companies financed by the same domestic special purpose company and managed by the same asset management company which shall remain undisclosed here as they and their investor have not given approval for such disclosure. Furthermore, those purchasers, their investor, and the asset management company have no capital, personnel, or business ties worthy of mention with the Two Investment Corporations or the Two Asset Management Companies, and do not constitute related parties to the Two Investment Corporations or the Two Asset Management Companies.

6. Information on Property Acquirers, etc.

Prime Maison Shirokanedai Tower, Prime Maison Otsuka, Prime Maison Asakusabashi, Prime Maison Daikanyama, and Prime Maison Gotenyama West

	Current Owner	Previous Owner
Company Name	Sekisui House	None.
Relationship with persons of special interest	Please refer to “5. Overview of Seller and Purchaser” above.	-
Acquisition particulars, reason, etc.	Company development property	-
Acquisition price	-	-
Acquisition timing	-	-

Esty Maison Toyosu Residence

	Current Owner	Previous Owner
Company Name	Sekisui House	Not a person of special interest
Relationship with persons of special interest	Please refer to “5. Overview of Seller and Purchaser” above.	-
Acquisition particulars, reason, etc.	Acquired after entering into a real estate purchase and sale agreement with the previous owner in September 2013 with the goal of investment, etc.	-
Acquisition price	Omitted since the current owner has held the property for more than one year.	-
Acquisition timing	September 27, 2013	-

7. Information Regarding the Design, etc. of the Assets to be Acquired

Property name	Client	Building designer	Structural designer	Builder	Building inspection body
Prime Maison Shirokanedai Tower	Sekisui House	Takenaka Corporation	Takenaka Corporation	Takenaka Corporation	UHEC
Prime Maison Otsuka	Sekisui House	KK Kouken Sekkei	Matsuo Architects Office	Konoike Construction Co., Ltd.	Juutaku Kinyuu Fukyuu Kyoukai
Prime Maison Asakusabashi	Sekisui House	Form Architect Planning Co., Ltd.	Cross Factory Co., Ltd.	Sekisui House	Juutaku Kinyuu Fukyuu Kyoukai
Prime Maison Daikanyama	Sekisui House	Form Architect Planning Co., Ltd.	Cross Factory Co., Ltd.	Mabuchi Construction Co., Ltd.	Juutaku Kinyuu Fukyuu Kyoukai
Prime Maison Gotenyama West	Sekisui House	Nikken Housing System Ltd.	Taisei Corporation	Taisei Corporation	UHEC
Esty Maison Toyosu Residence	Sojitz Corporation	Haseko Corporation	Haseko Corporation	Haseko Corporation	Center for Better Living

Among the Assets to be Acquired, the building method for the Prime Maison Shirokanedai Tower has been approved by the Minister of Land, Infrastructure and Transport under the provisions of Article 68-26 of the Building Standards Act, and the approval letter has been confirmed. The Prime Maison Otsuka and the Prime Maison Asakusabashi have received structural calculation conformity judgments from designated structural calculation conformity judgment bodies pursuant to the revision of the Building Standards Act enforced in June 2007, and it was confirmed that those judgments were received at the time of the acquisition of the Assets to be Acquired. In addition, the Prime Maison Daikanyama, the Prime Maison Gotenyama West, and the Esty Maison Toyosu Residence are not subject to such structural calculation conformity judgments, so SHI delegated a structural calculation confirmation investigation to a third-party body (Tokyo Bldg-Tech Center Co., Ltd.), and it obtained a results report from that third-party body stating that no particular improprieties, such as intentional alterations or falsifications, were found in structural calculations, etc. to the extent of the verification under that investigation.

8. Outline of Intermediation

There is no applicable intermediation pertaining to the acquisition of the Assets to be Acquired.

The intermediary pertaining to the Assets to be Sold is a domestic general business company, which will remain undisclosed here as such intermediary has not given approval for such disclosure. Furthermore, such intermediary has no capital, personnel, or business ties worthy of mention with the Two Investment Corporations or the Two Asset Management Companies, and does not constitute a related party to the Two Investment Corporations or the Two Asset Management Companies.

9. Transactions with Interested Persons, etc.

Sekisui House, the seller of the Assets to be Acquired set forth above, constitutes an interested person, etc. as described above, and it constitutes an interested person stipulated in SHI's independent rules on conflict of interest countermeasures. Consequently, upon the execution of the Asset Acquisition Agreements, in accordance with the Investment Trust Act and the aforementioned independent rules, SHI's consent has been obtained upon approval by SHAM's risk management and compliance office, and deliberation and decision or resolution by SHAM's investment committee, compliance committee and board of directors, and by SHI's board of directors.

In addition, SHI constitutes an interested person, etc. in regard to five properties of the Assets to be Acquired other than the Esty Maison Toyosu Residence, and it plans to entrust property management business and business as the master lease company to Sekiwa Real Estate, Ltd., which also constitutes an interested person. The delegation of such business is also scheduled to undergo procedures equivalent to the foregoing in accordance with the aforementioned independent rules.

10. Settlement Method for the Assets to be Acquired and the Assets to be Sold

New SHR plans to pay the seller the acquisition price, etc. for the Assets to be Acquired in a lump sum on the scheduled acquisition date. New SHR also plans to settle the sale and purchase price for the Assets to be Sold in a lump sum on the scheduled sale date.

11. Schedule of the Asset Acquisition and the Asset Sale

The schedule for the acquisition of the Assets to be Acquired and the sale of the Assets to be Sold is as follows.

Acquisition and sale decision date	January 24, 2018
Sale and purchase agreement execution date	January 24, 2018
Scheduled date of sale and purchase price payment and receipt	May 1, 2018
Scheduled date of trust beneficiary interest sale (scheduled acquisition and sale date)	May 1, 2018

12. Impact on the Finances of SHI and New SHR if Forward Commitments, etc. Cannot be Performed

(1) Asset Acquisition Agreements

The Asset Acquisition Agreements constitute forward commitments, etc. by an investment corporation stipulated in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." set forth by the Financial Services Agency.

Under the Asset Acquisition Agreements, if the Asset Acquisition Agreements have been canceled due to a breach of a material duty by SHI (or New SHR if New SHR has succeeded SHI's rights and obligations) or on other grounds, SHI (or New SHR if New SHR has succeeded SHI's status, rights and duties of SHI under the Asset Acquisition Agreement) must pay the amount equal to 20% of the sale and purchase price as a penalty. However, under the Asset Acquisition Agreements, SHI (or New SHR if New SHR has succeeded to the status, rights and duties of SHI under the Asset Acquisition Agreements) having completed the fundraising required to pay the sale and purchase price, etc. has been made a condition for closing the sale and purchase. Furthermore, the Investment Corporation Merger coming into effect is not a condition precedent under the Asset Acquisition Agreements. Accordingly, the Asset Acquisition is scheduled to take place on the same date even if the Investment Corporation Merger is not implemented due to the failure to obtain an approval of the Investment Corporation Merger Agreement at the general meeting of unitholders of either SHI or SHR or due to other grounds. In that case, SHI will examine and discuss changing, by agreement with Sekisui House, all or part of the assets it will acquire through the Asset Acquisition or the conditions for the sale and purchase under the Asset Acquisition Agreements (including, but not limited to, changing the acquisition price and the timing of the acquisition), or taking other appropriate measures,^(Note) while taking into consideration the impact of the Asset Replacement on the financial condition of SHI. Furthermore, in light of the cash deposits held by SHI and SHI's cash flow, etc. as of today, SHI believes that there is a low possibility that it will be unable to raise the sale and purchase price under the Asset Acquisition Agreements, and it believes that there is a low possibility of a material impact on its finances in relation to the Asset Acquisition Agreements.

Note: The Asset Acquisition Agreements stipulate provisions to the effect that SHI and Sekisui House will consult in good faith if the Investment Corporation Merger is not implemented.

(2) Asset Sale Agreements

The Asset Sale Agreements constitute forward commitments, etc. by an investment corporation stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” set forth by the Financial Services Agency.

Under the Asset Sale Agreements, if the Asset Sale Agreements have been canceled due to a breach of a material duty by SHI (or New SHR if New SHR has succeeded SHI’s status, rights and duties of SHI under the Asset Acquisition Agreement) or on other grounds, SHI (or New SHR if New SHR has succeeded SHI’s status, rights and duties of SHI under the Asset Acquisition Agreement) must pay the amount equal to 20% of the sale and purchase price as a penalty. Furthermore, the Investment Corporation Merger coming into effect is not a condition precedent under the Asset Sale Agreements. Accordingly, the Asset Sale is scheduled to take place on the same date even if the Investment Corporation Merger is not implemented due to the failure to obtain an approval of the Investment Corporation Merger Agreement at the general meeting of unitholders of either SHI or SHR or due to other grounds. Therefore, there is believed to be a low possibility of the Asset Sale Agreements having a material impact on the finances of SHI.

13. Future Outlook

As set forth above, the settlement and delivery for the Asset Replacement is scheduled for May 1, 2018, which is the effective date of the Investment Corporation Merger. For New SHR’s earnings forecasts that use the Asset Replacement as part of their preconditions, please see the “Notice Concerning the Forecast of Operating Results and Distributions Subsequent to the Merger of Sekisui House Reit, Inc. and Sekisui House Residential Investment Corporation for the Fiscal Periods Ending October 31, 2018 and April 30, 2019” announced by the Two Investment Corporations today.

In addition, following the execution of the Investment Corporation Merger Agreement, SHI intends to submit a proposal to its general meeting of unitholders, which is scheduled to be held on March 27, 2018, regarding the amendment of its Articles of Incorporation to change the ends of its fiscal period from the current last days of March and September to the last days of April and October. Provided that such amendment of the Articles of Incorporation is approved by the general meeting of unitholders, SHI’s final fiscal period if the Investment Corporation Merger comes into effect is scheduled to be the seven months from October 1, 2017 to April 30, 2018 (the “fiscal period ending April 30, 2018”). For details regarding earnings forecasts for the fiscal period ending April 30, 2018, which will be SHI’s final fiscal period following the execution of the Investment Corporation Merger Agreement and in the event the proposal to revise the articles of incorporation as described above is adopted and approved by the general meeting of unitholders and the Investment Corporation Merger comes into effect, and forecasted merger consideration in the form of cash distributions to be paid as the proceeds of cash distributions for the final fiscal period, please see the “Notice Concerning Forecast of Operating Results for the Fiscal Period Ending April 30, 2018 (Final Fiscal Period) and Merger Consideration” announced by SHI today.

14. Summary of Appraisal Statements Regarding Assets to be Acquired

Property name	Prime Maison Shirokanedai Tower
Appraisal price	8,340,000,000 yen
Name of appraisal agency	Tanizawa Sogo Appraisal Co., Ltd.
Time of valuation	December 1, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	8,340,000	It was determined that the value based on the income approach calculated using the DCF method, which calculates the value by defining fluctuations on future net operating income, is more persuasive and convincing, so trial calculations were performed using the direct capitalization method, based on the income amount according to the DCF method.
Value based on direct capitalization method	8,470,000	
Operating Revenue	446,516	
Lease revenue (including common area fee income)	441,752	Assessed as standard and stable lease income and parking lot income.
Parking lot revenue	27,240	
Other revenue	14,515	Key money, renewal fee, vending machine income, and bicycle registration fees recorded.
Vacant premises, etc. loss, etc.	-36,991	Assessed using vacancy rates and parking lots vacancy rates equalized over the medium- to long-term.
Operating Expenses	94,794	
Maintenance and management expenses	21,293	Assessed based on service agreements, etc.
Water and utility fees	2,194	Assessed based on expenditure records, etc.
Repair expenses	7,467	Assessed based on engineering reports and similar cases.
Property manager fee	12,960	Assessed based on service agreements (not including CM and LM fees).
Tenant solicitation expenses, etc.	25,796	Assessed based on a turnover rate deemed to be a stable standard, based on the competitiveness of the subject real property and similar properties, etc.
Taxes and other public charges	19,466	Assessed based on FY2017 tax materials.
Non-life insurance premiums	703	Assessed using a standard rate (not enrolled in earthquake insurance).
Other expenses	4,911	Assessed based on expenditure records, etc.
Net Operating Income (NOI)	351,722	
Revenue from investment of lump sum payments	337	Assessed using an investment yield of 1.0%. Investment income recorded.
Capital expenditure	-4,692	Assessed based on engineering reports and similar cases.
Net Income (NCF)	347,367	
Capitalization rate	4.1%	The rate was compared to multiple transactions in neighboring areas and similar areas within the same supply and demand area, etc., we took into account a comprehensive overview of the marketability of the subject real property and trends in the real property market, etc., and took note of the relationship to the discount rate when performing our assessment.
Value based on DCF method	8,290,000	
Discount rate	4.2%	We set a base yield for condominiums using the build up method, etc. based on the yield for financial products, and carried out our assessment by incorporating the specified risks for the subject real property into that base yield.
Final capitalization rate	4.3%	We carried out our assessment by incorporating future unpredictability, based on the capitalization rate.

Cost method value	9,180,000	Calculated by making depreciation corrections to the cost of replacement of the subject real property.
Land ratio	72.0%	
Building ratio	28.0%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	Based on a value forming process and request purpose in which a market participant (purchaser) values profitability in the subject real property, as well as the typology as “a lease property and its site,” we used as our standard an income amount that appropriately reflected future profitability for an investor to examine the cost method value and set the appraised value at the value based on the income approach.
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*Comparison with the current rent unit price

	Prime Maison Shirokanedai Tower
Average rent unit price for the appraisal price	5,435 yen/m ² (17,970 yen/ <i>tsubo</i>)
Average unit rent unit price for lease agreements	5,501 yen/m ² (18,187 yen/ <i>tsubo</i>)

Property name	Prime Maison Otsuka
Appraisal price	3,860,000,000 yen
Name of appraisal agency	Tanizawa Sogo Appraisal Co., Ltd.
Time of valuation	December 1, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	3,860,000	It was determined that the value based on the income approach calculated using the DCF method, which calculates the value by defining fluctuations on future net operating income, is more persuasive and convincing, so trial calculations were performed using the direct capitalization method, based on the income amount according to the DCF method.
Value based on direct capitalization method	3,930,000	
Operating Revenue	224,730	
Lease revenue (including common area fee income)	220,415	Assessed as standard and stable lease income and parking lot income.
Parking lot revenue	13,272	
Other revenue	5,368	Renewal fees, trunk room income, and bicycle parking lot registration fees recorded.
Vacant premises, etc. loss, etc.	-14,325	Assessed using vacancy rates and parking lots vacancy rates equalized over the medium- to long-term.
Operating Expenses	53,054	
Maintenance and management expenses	10,822	Assessed based on service agreements, etc.
Water and utility fees	2,352	Assessed based on expenditure records, etc.
Repair expenses	4,270	Assessed based on engineering reports and similar cases.
Property manager fee	6,609	Assessed based on service agreements (not including CM and LM fees).
Tenant solicitation expenses, etc.	12,370	Assessed based on a turnover rate deemed to be a stable standard, based on the competitiveness of the subject real property and similar properties, etc.
Taxes and other public charges	12,836	Assessed based on FY2017 tax materials, etc.
Non-life insurance premiums	420	Assessed at standard rates.
Other expenses	3,370	Assessed based on expenditure records, etc.

Net Operating Income (NOI)	171,676	
Revenue from investment of lump sum payments	218	Assessed using an investment yield of 1.0%. Investment income recorded.
Capital expenditure	-2,800	Assessed based on engineering reports and similar cases.
Net Income (NCF)	169,095	
Capitalization rate	4.3%	The rate was compared to multiple transactions in neighboring areas and similar areas within the same supply and demand area, etc., we took into account a comprehensive overview of the marketability of the subject real property and trends in the real property market, etc., and took note of the relationship to the discount rate when performing our assessment.
Value based on DCF method	3,830,000	
Discount rate	4.4%	We set a base yield for condominiums using the build up method, etc. based on the yield for financial products, and carried out our assessment by incorporating the specified risks for the subject real property into that base yield.
Final capitalization rate	4.5%	We carried out our assessment by incorporating future unpredictability, based on the capitalization rate.
Cost method value	3,940,000	Calculated by making depreciation corrections to the cost of replacement of the subject real property.
Land ratio	63.2%	
Building ratio	36.8%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	Based on a value forming process and request purpose in which a market participant (purchaser) values profitability in the subject real property, as well as the typology as “a lease property and its site,” we used as our standard an income amount that appropriately reflected future profitability for an investor to examine the cost method value and set the appraised value at the value based on the income approach.
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*Comparison with the current rent unit price

	Prime Maison Otsuka
Average rent unit price for the appraisal price	4,659 yen/m ² (15,400 yen/ <i>tsubo</i>)
Average unit rent unit price for lease agreements	4,703 yen/m ² (15,549 yen/ <i>tsubo</i>)

Property name	Prime Maison Asakusabashi
Appraisal price	1,760,000,000 yen
Name of appraisal agency	Tanizawa Sogo Appraisal Co., Ltd.
Time of valuation	December 1, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	1,760,000	It was determined that income approach value calculated using the DCF method, which calculates the value by defining fluctuations on future net operating income, is more persuasive and convincing, so trial calculations were performed using the direct capitalization method, based on the income amount according to the DCF method.
Value based on direct capitalization method	1,790,000	
Operating Revenue	103,906	
Lease revenue (including common area fee income)	105,540	Assessed as standard and stable lease income and parking lot income.
Parking lot revenue	1,200	

Other revenue	2,503	Key money, renewal fees, etc., and bicycle parking lot initial registration fees recorded.
Vacant premises, etc. loss, etc.	-5,337	Assessed using vacancy rates and parking lots vacancy rates equalized over the medium- to long-term.
Operating Expenses	25,833	
Maintenance and management expenses	6,562	Assessed based on service agreements, etc.
Water and utility fees	1,097	Assessed based on expenditure records, etc.
Repair expenses	2,197	Assessed based on engineering reports and similar cases.
Property manager fee	3,042	Assessed based on service agreements (not including CM and LM fees).
Tenant solicitation expenses, etc.	6,076	Assessed based on a turnover rate deemed to be a stable standard, based on the competitiveness of the subject real property and similar properties, etc.
Taxes and other public charges	5,307	Assessed based on FY2017 tax materials.
Non-life insurance premiums	198	Assessed at standard rates.
Other expenses	1,350	Assessed based on expenditure records, etc.
Net Operating Income (NOI)	78,073	
Revenue from investment of lump sum payments	77	Assessed using an investment yield of 1.0%. Investment income recorded.
Capital expenditure	-1,320	Assessed based on engineering reports and similar cases.
Net Income (NCF)	76,831	
Capitalization rate	4.3%	The rate was compared to multiple transactions in neighboring areas and similar areas within the same supply and demand area, etc., we took into account a comprehensive overview of the marketability of the subject real property and trends in the real property market, etc., and took note of the relationship to the discount rate when performing our assessment.
Value based on DCF method	1,750,000	
Discount rate	4.4%	We set a base yield for condominiums using the build up method, etc. based on the yield for financial products, and carried out our assessment by incorporating the specified risks for the subject real property into that base yield.
Final Capitalization rate	4.5%	We carried out our assessment by incorporating future unpredictability, based on the capitalization rate.
Cost method value	1,920,000	Calculated by making depreciation corrections to the cost of replacement of the subject real property.
Land ratio	68.7%	
Building ratio	31.3%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	Based on a value forming process and request purpose in which a market participant (purchaser) values profitability in the subject real property, as well as the typology as “a lease property and its site,” we used as our standard an income amount that appropriately reflected future profitability for an investor to examine the cost method value and set the appraised value at the value based on the income approach.
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*Comparison with the current rent unit price

	Prime Maison Asakusabashi
Average rent unit price for the appraisal price	4,326 yen/m ² (14,300 yen/ <i>tsubo</i>)
Average unit rent unit price for lease agreements	4,335 yen/m ² (14,330 yen/ <i>tsubo</i>)

Property name	Prime Maison Daikanyama
Appraisal price	2,650,000,000 yen
Name of appraisal agency	Tanizawa Sogo Appraisal Co., Ltd.
Time of valuation	December 1, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	2,650,000	It was determined that the value based on the income approach calculated using the DCF method, which calculates the value by defining fluctuations on future net operating income, is more persuasive and convincing, so trial calculations were performed using the direct capitalization method, based on the income amount according to the DCF method.
Value based on direct capitalization method	2,720,000	
Operating Revenue	145,454	
Lease revenue (including common area fee income)	140,800	Assessed as standard and stable lease income, and parking lot income.
Parking lot revenue	8,640	
Other revenue	6,558	Key money, renewal fees, and bicycle parking lot registration fees recorded.
Vacant premises, etc. loss, etc.	-10,544	Assessed using vacancy rates and parking lots vacancy rates equalized over the medium- to long-term.
Operating Expenses	32,459	
Maintenance and management expenses	5,337	Assessed based on service agreements, etc.
Water and utility fees	1,494	Assessed based on expenditure records, etc.
Repair expenses	1,961	Assessed based on engineering reports and similar cases.
Property manager fee	4,166	Assessed based on service agreements (not including CM and LM fees).
Tenant solicitation expenses, etc.	8,476	Assessed based on a turnover rate deemed to be a stable standard, based on the competitiveness of the subject real property and similar properties, etc.
Taxes and other public charges	8,320	Assessed based on FY2017 tax materials, etc.
Non-life insurance premiums	228	Assessed at standard rates.
Other expenses	2,472	Assessed based on expenditure records, etc.
Net Operating Income (NOI)	112,995	
Revenue from investment of lump sum payments	227	Assessed using an investment yield of 1.0%. Investment income recorded.
Capital expenditure	-1,520	Assessed based on engineering reports and similar cases.
Net Income (NCF)	111,702	
Capitalization rate	4.1%	The rate was compared to multiple transactions in neighboring areas and similar areas within the same supply and demand area, etc., we took into account a comprehensive overview of the marketability of the subject real property and trends in the real property market, etc., and took note of the relationship to the discount rate when performing our assessment.
Value based on DCF method	2,620,000	
Discount rate	4.2%	We set a base yield for condominiums using the build up method, etc. based on the yield for financial products, and carried out our assessment by incorporating the specified risks for the subject real property into that base yield.
Final capitalization rate	4.3%	We carried out our assessment by incorporating future unpredictability, based on the capitalization rate.

Cost method value	2,700,000	Calculated by making depreciation corrections to the cost of replacement of the subject real property.
Land ratio	75.4%	
Building ratio	24.6%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	Based on a value forming process and request purpose in which a market participant (purchaser) values profitability in the subject real property, as well as the typology as “a lease property and its site,” we used as our standard an income amount that appropriately reflected future profitability for an investor to examine the cost method value and set the appraised value at the value based on the income approach.
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*Comparison with the current rent unit price

	Prime Maison Daikanyama
Average rent unit price for the appraisal price	6,595 yen/m ² (21,800 yen/ <i>tsubo</i>)
Average unit rent unit price for lease agreements	6,855 yen/m ² (22,661 yen/ <i>tsubo</i>)

Property name	Prime Maison Gotenyama West
Appraisal price	3,560,000,000 yen
Name of appraisal agency	Tanizawa Sogo Appraisal Co., Ltd.
Time of valuation	December 1, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	3,560,000	It was determined that the value based on the income approach calculated using the DCF method, which calculates the value by defining fluctuations on future net operating income, is more persuasive and convincing, so trial calculations were performed using the direct capitalization method, based on the income amount according to the DCF method.
Value based on direct capitalization method	3,620,000	
Operating Revenue	215,306	
Lease revenue (including common area fee income)	218,981	Assessed as standard and stable lease income and parking lot income.
Parking lot revenue	12,240	
Other revenue	3,649	Renewal fee income recorded.
Vacant premises, etc. loss, etc.	-19,565	Assessed using vacancy rates and parking lots vacancy rates equalized over the medium- to long-term.
Operating Expenses	62,983	
Maintenance and management expenses	17,091	Assessed based on service agreements, etc.
Water and utility fees	3,426	Recorded based on expenditure records, etc.
Repair expenses	5,091	Assessed based on engineering reports and similar cases.
Property manager fee	6,349	Assessed based on service agreements (not including CM and LM fees).
Tenant solicitation expenses, etc.	12,773	Assessed based on a turnover rate deemed to be a stable standard, based on the competitiveness of the subject real property and similar properties, etc.
Taxes and other public charges	16,358	Assessed based on FY2017 tax materials.
Non-life insurance premiums	599	Assessed at standard rates.
Other expenses	1,291	Assessed based on expenditure records, etc.

Net Operating Income (NOI)	152,322	
Revenue from investment of lump sum payments	520	Assessed using an investment yield of 1.0%. Investment income recorded.
Capital expenditure	-4,625	Assessed based on engineering reports and similar cases.
Net Income (NCF)	148,217	
Capitalization rate	4.1%	The rate was compared to multiple transactions in neighboring areas and similar areas within the same supply and demand area, etc., we took into account a comprehensive overview of the marketability of the subject real property and trends in the real property market, etc., and took note of the relationship to the discount rate when performing our assessment.
Value based on DCF method	3,540,000	
Discount rate	4.2%	We set a base yield for condominiums using the build up method, etc. based on the yield for financial products, and carried out our assessment by incorporating the specified risks for the subject real property into that base yield.
Final capitalization rate	4.3%	We carried out our assessment by incorporating future unpredictability, based on the capitalization rate.
Cost method value	3,860,000	Calculated by making depreciation corrections to the cost of replacement of the subject real property.
Land Ratio	74.1%	
Building Ratio	25.9%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	Based on a value forming process and request purpose in which a market participant (purchaser) values profitability in the subject real property, as well as the typology as “a lease property and its site,” we used as our standard an income amount that appropriately reflected future profitability for an investor to examine the cost method value and set the appraised value at the value based on the income approach.
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*Comparison with the current rent unit price

	Prime Maison Gotenyama West
Average rent unit price for the appraisal price	5,112 yen/m ² (16,900 yen/ <i>tsubo</i>)
Average unit rent unit price for lease agreements	5,353 yen/m ² (17,697 yen/ <i>tsubo</i>)

Property name	Esty Maison Toyosu Residence
Appraisal price	6,440,000,000 yen
Name of appraisal agency	Tanizawa Sogo Appraisal Co., Ltd.
Time of valuation	December 1, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	6,440,000	It was determined that the value based on the income approach calculated using the DCF method, which calculates the value by defining fluctuations on future net operating income, is more persuasive and convincing, so trial calculations were performed using the direct capitalization method (revised Inwood method), based on the income amount according to the DCF method.
Price using the direct capitalization method (revised Inwood method)	6,640,000	
Operating Revenue	898,593	
Lease revenue (including common area fee income)	903,095	Assessed as standard and stable lease income.

Water and utility fee revenue	1,633	Assessed based on expenditure records, etc.
Parking lot revenue	47,568	Assessed as standard and stable parking lot income.
Other revenue	12,892	Renewal fees and vending machine income, etc. recorded.
Vacant premises, etc. loss, etc.	-66,595	Assessed using vacancy rates and parking lots vacancy rates equalized over the medium- to long-term.
Operating Expenses	557,469	
Maintenance and management expenses	43,499	Assessed based on service agreements, etc.
Water and utility fees	7,344	Assessed based on expenditure records, etc.
Repair expenses	22,318	Assessed based on engineering reports and similar cases.
Property manager fee	26,524	Assessed based on service agreements (not including CM and LM fees).
Tenant solicitation expenses, etc.	31,956	Assessed based on a turnover rate deemed to be a stable standard, based on the competitiveness of the subject real property and similar properties, etc.
Taxes and other public charges	41,612	Assessed based on FY2017 tax materials.
Non-life insurance premiums	1,980	Assessed based on similar cases.
Other expenses	382,234	Land rent, etc. assessed based on expenditure records, etc.
Net Operating Income (NOI)	341,123	
Revenue from investment of lump sum payments	-4,462	Assessed using an investment yield of 1.0%. Investment income recorded. (Investment loss recorded for deposit guarantee money relating to land lease)
Capital expenditure	-26,400	Assessed based on engineering reports and similar cases.
Net Income (NCF)	310,260	
Discount rate	4.5%	We set a base yield for condominiums using the build up method, etc. based on the yield for financial products, and carried out our assessment by incorporating the specified risks for the subject real property into that base yield and also examining case studies of transactions, etc.
Value based on DCF method	6,360,000	
Discount rate (during the period held)	4.5%	We set a base yield for condominiums using the build up method, etc. based on the yield for financial products, and carried out our assessment by incorporating the specified risks for the subject real property into that base yield and also examining case studies of transactions, etc.
Discount rate (when assessing the sale price)	4.7%	We carried out our assessment by incorporating future unpredictability, based on the discount rate during the period it was held.
Cost method value	6,510,000	Calculated by making depreciation corrections to the cost of replacement of the subject real property.
Land ratio	37.8%	
Building ratio	62.2%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	Based on a value forming process and request purpose in which a market participant (purchaser) values profitability in the subject real property, as well as the typology as “a building with a fixed-term land lease (lease premises),” we used as our standard an income amount that appropriately reflected future profitability for an investor to examine the cost method value and set the appraised value at the value based on the income approach.
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*Comparison with the current rent unit price

	Esty Maison Toyosu Residence
Average rent unit price for the appraisal price	3,206 yen/m ² (10,600 yen/ <i>tsubo</i>)
Average unit rent unit price for lease agreements	3,219 yen/m ² (10,644 yen/ <i>tsubo</i>)

Note 1: With respect to amounts of money, amounts under 1,000 yen were rounded down, so in some cases the total amount may not match the figures for operating income, operating expenses, or other items.

Note 2: “Average rent unit price for the appraisal price” is based on the stated “monthly lease revenue unit price (including common area fee income)

calculated based on the “lease income (including common area fees income)” for the residential areas in the direct capitalization method in the above appraisal.

Note 3: “Average unit rent unit price for lease agreements” was calculated based on the total monthly rent income for effective lease agreements for the residential areas as of December 31, 2017.

15. Summary of Appraisal Statements Regarding Assets to be Sold

Property name	Esty Maison Machida
Appraisal price	1,530,000,000 yen
Name of appraisal agency	Tanizawa Sogo Appraisal Co., Ltd.
Time of valuation	December 1, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	1,530,000	It was determined that the value based on the income approach calculated using the DCF method, which calculates the value by defining fluctuations on future net operating income, is more persuasive and convincing, so trial calculations were performed using the direct capitalization method, based on the income amount according to the DCF method.
Value based on direct capitalization method	1,540,000	
Operating Revenue	105,857	
Lease revenue (including common area fee income)	105,108	Assessed as standard and stable lease income and parking lot income.
Parking lot revenue	3,240	
Other revenue	3,088	Renewal fees, vending machine income, and antenna facility fees, etc. were recorded.
Vacant premises, etc. loss, etc.	-5,579	Assessed using vacancy rates and parking lots vacancy rates equalized over the medium- to long-term.
Operating Expenses	28,108	
Maintenance and management expenses	4,673	Assessed based on service agreements, etc.
Water and utility fees	1,780	Assessed based on expenditure records.
Repair expenses	4,065	Assessed based on engineering reports and similar cases.
Property manager fee	3,108	Assessed based on service agreements (not including CM and LM fees).
Tenant solicitation expenses, etc.	3,066	Assessed based on a turnover rate deemed to be a stable standard, based on the competitiveness of the subject real property and similar properties, etc.
Taxes and other public charges	8,104	Assessed based on FY2017 tax materials.
Non-life insurance premiums	134	Actual amount based on the list of non-life insurance premiums. Not enrolled in earthquake insurance.
Other expenses	3,175	Assessed based on expenditure records.
Net Operating Income (NOI)	77,749	
Revenue from investment of lump sum payments	78	Assessed using an investment yield of 1.0%. Investment income recorded.
Capital expenditure	-3,936	Assessed based on engineering reports and similar cases.
Net Income (NCF)	73,891	
Capitalization rate	4.8%	The rate was compared to multiple transactions in neighboring areas and similar areas within the same supply and demand area, etc., we took into account a comprehensive overview of the marketability of the subject real property and trends in the real property market, etc., and took note of the relationship to the discount rate when performing our assessment.
Value based on DCF method	1,530,000	
Discount rate	4.7%	We set a base yield for condominiums using the build up method, etc. based on the yield for financial products, and carried out our assessment by incorporating the specified risks for the subject real property into that base yield.
Final capitalization rate	5.0%	We carried out our assessment by incorporating future unpredictability, based on the capitalization rate.

Cost method value	1,580,000	Calculated by making depreciation corrections to the cost of replacement of the subject real property.
Land ratio	33.8%	
Building ratio	66.2%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	Based on a value forming process and request purpose in which a market participant (purchaser) values profitability in the subject real property, as well as the typology as “a lease property and its site,” we used as our standard an income amount that appropriately reflected future profitability for an investor to examine the cost method value and set the appraised value at the value based on the income approach.
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Property Name	Esty Maison Shinkawasaki
Appraisal price	1,230,000,000 yen
Name of appraisal agency	Morii Appraisal & Investment Consulting, Inc.
Time of valuation	December 1, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	1,230,000	Calculated in correlation to the value based on the income approach amount using the DCF method and income amount using the direct capitalization method.
Value based on direct capitalization method	1,250,000	
Operating Revenue	94,956	
Lease revenue (including common area fee income)	89,542	Assessed based on rent levels recognized to be stable over the medium- to long-term, while also referring to the current rent and rent levels for similar real property.
Parking lot revenue	9,720	
Other revenue	3,635	Key money, utility pole site use fee, and internet electricity usage fee income, etc. was recorded.
Vacant premises, etc. loss, etc.	-7,941	Assessed taking into account standard vacancy rates and the individual characteristics of the subject real property
Operating Expenses	25,771	
Maintenance and management expenses	8,140	Assessed based on levels, etc. for similar real property.
Water and utility fees	2,713	Assessed based on levels, etc. for similar real property.
Repair expenses	2,442	Estimate in the engineering report recorded as 30% of the standardized amount.
Property manager fee	1,826	Assessed based on levels, etc. for similar real property.
Tenant solicitation expenses, etc.	1,492	Assessed based on levels, etc. for similar real property.
Taxes and other public charges	5,471	Assessed based on the FY2017 results, taking into consideration the variability rate/depreciation with age.
Non-life insurance premiums	129	Recorded based on the past records for the subject real property.
Other expenses	3,558	Costs for restoration to original condition, renewal fees, and CATV equipment usage fees recorded based on records, etc. for the subject real property.
Net Operating Income (NOI)	69,185	
Revenue from investment of lump sum payments	137	Assessed by adding 1.0% interest to the amount calculated by deducting an amount equivalent to the amount for vacant premises from the amount of the deposits, etc. when all premises are occupied.
Capital expenditure	-5,699	Estimate in the engineering report recorded as 70% of the standardized amount.
Net Income (NCF)	63,623	

Capitalization rate	5.1%	Assessed taking into account the unique characteristics of the subject real property such as the location, the building, and rights relationships, while also referring to the investment yield for similar real property transactions, etc.
Value based on DCF method	1,200,000	
Discount rate	3.9%	Assessed taking into account the unique characteristics of the subject real property such as the location, the building, and rights relationships, while also referring to the investment yield for similar real property transactions, etc.
Final capitalization rate	5.3%	Assessed by applying the unpredictability of net income at a given time in the future, future building deterioration, and sale risks to the capitalization rate.
Cost method value	987,000	
Land ratio	72.5%	
Building ratio	27.5%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	We determined that the income amount is the amount that is most convincing and reflects the actual market conditions, so determined the appraisal price using the value based on the income approach.
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Property name	Esty Maison Megurohoncho
Appraisal price	1,130,000,000 yen
Name of appraisal agency	Daiwa Real Estate Appraisal Co., Ltd.
Time of valuation	September 30, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	1,130,000	It was determined that the value based on the income approach calculated using the DCF method, which calculates the value by defining fluctuations on future net operating income, is more persuasive, so we examined the income amount using the direct capitalization method and performed trial calculations of the income amount using the direct capitalization method.
Value based on direct capitalization method	1,150,000	
Operating Revenue	63,489	
Lease revenue (including common area fee income)	65,513	We assessed the expected standardized income recognized to be stable over the medium- to long-term, and recorded it.
Parking lot revenue	-	
Other revenue	1,251	Assessed using historical amounts for past fiscal years, and recorded.
Vacant premises, etc. loss, etc.	-3,275	We assessed the vacancy rate recognized to be stable over the medium- to long-term, and recorded it.
Operating Expenses	14,268	
Maintenance and management expenses	2,940	Assessed using the current agreement amounts and maintenance and management expenses for similar real property, and recorded it.
Water and utility fees	781	Assessed using the historical amounts for past fiscal years and maintenance and management expenses for similar real property, and recorded it.
Repair expenses	1,912	After examining the levels of repair costs for similar real property we determined that the average annual repair cost in the engineering report was appropriate, and recorded it.
Property manager fee	1,867	Based on the current agreement, we examined it using the levels of property manager fees for similar real property, and recorded it.
Tenant solicitation expenses, etc.	2,450	Tenant solicitation expenses, etc. were assessed based on the levels for similar real property, with reference to the turnover is the expected turnover rate were applied and the actual historical amounts for past fiscal year, and it was recorded.

	Taxes and other public charges	3,646	Based on the amount in records provided by the client, we performed our assessment and recorded it after taking into account taxation, etc. levels and land price trends.
	Non-life insurance premiums	72	Assessed using estimated amounts years and non-life insurance premiums for similar real property, and recorded it.
	Other expenses	597	Assessed using historical amounts for past fiscal years, and recorded.
	Net Operating Income (NOI)	49,221	
	Revenue from investment of lump sum payments	73	We assessed the status of investment, etc. of lump sum payments taking into comprehensive account perspectives of investment and procurement, and recorded the amount calculated by multiplying such amount by the expected amount of security deposits, etc., and recorded it.
	Capital expenditure	-1,183	After examining the levels of renewal costs for similar real property we determined that the average annual repair cost in the engineering report was appropriate, and recorded the assessed capital expenditure amount after taking into account the CM fee.
	Net Income (NCF)	48,112	
	Capitalization rate	4.2%	We adjusted the spread using building conditions such as the location, age, and equipment standards of the subject real property and other conditions such as the current rent compared to market standards, rights relationships, and agreement terms, and performed the assessment in reference to the capitalization rate for appraisal prices for other J-REIT properties in the same demand area, etc.
	Value based on DCF method	1,120,000	
	Discount rate	4.0%	We performed the assessment using both comparisons appraisal cases for similar real property and by incorporating the characteristics of the real property into the financial asset yield in combination, and referred to interviews, etc. with investors.
	Final capitalization rate	4.4%	We referred to the transaction yield in similar transaction case studies, and performed out assessment taking into comprehensive account future investment yield trends, the risks of the subject real property as an investment target, general projections for future economic growth rates, and real property price trends, etc. Using the subject real property's capitalization rate as our basis, we performed our assessment taking into comprehensive account of the possibility of escalations in capital expenditure due to deterioration with age, the unpredictability of sales market trends, and unpredictable elements such as the effects of the passage of time on liquidity.
	Cost method value	988,000	
	Land ratio	69.7%	
	Building ratio	30.3%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	We determined that an income amount properly reflecting actual supply and demand trends in the market and the motives of market participants is more persuasive, so we determined the appraisal price in reference to an estimate using the value based on the income approach.
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Property name	Esty Maison Joto
Appraisal price	951,000,000 yen
Name of appraisal agency	Japan Real Estate Institute
Time of valuation	December 1, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	951,000	Both direct capitalization and DCF methodologies used in combination.
Value based on direct capitalization method	962,000	
Operating Revenue	66,195	Vacant premises, etc. loss, etc. deducted from potential gross revenues.
Lease revenue (including common area fee income)	63,372	Recorded based on appropriate rent levels recognized to be stable over the medium- to long-term.
Parking lot revenue	3,922	
Other revenue	3,133	Recorded taking into consideration historical amounts for past fiscal years.
Vacant premises, etc. loss, etc.	-4,232	Recorded on the assumption of occupancy rates stable over the medium- to long-term.
Operating Expenses	15,510	
Maintenance and management expenses	2,477	Recorded taking into consideration current maintenance and management expenses, etc.
Water and utility fees	1,850	Recorded taking into consideration historical amounts for past fiscal years.
Repair expenses	2,246	Recorded taking into consideration costs for restoration to original condition and annual average amounts for repair and renewal expenses, etc. in the engineering report.
Property manager fee	1,894	Recorded taking into consideration current agreement terms, etc.
Tenant solicitation expenses, etc.	3,156	Recorded with reference to agreement terms and lease terms for similar real property.
Taxes and other public charges	3,427	Recorded based on taxes and other public charge related materials.
Non-life insurance premiums	72	Recorded taking into consideration insurance premiums, etc. based on current insurance policies.
Other expenses	388	Recorded taking into consideration historical amounts for past fiscal years.
Net Operating Income (NOI)	50,685	
Revenue from investment of lump sum payments	36	Recorded as investment income using an investment yield of 1.0%.
Capital expenditure	-2,615	Recorded taking into consideration annual average amounts for repair and renewal expenses, etc. in the engineering report.
Net Income (NCF)	48,106	
Capitalization rate	5.0%	Assessed after taking into account against the yield that is the basis for each area the location of the subject real property, the circumstances of the building, and other adjustment of the spread due to other conditions, as well as future unpredictability and the transaction yield for similar real property, etc.
Value based on DCF method	940,000	
Discount rate	4.8%	We referred to the investment yield for similar real property, and performed out assessment taking comprehensive account of matters such as the unique characteristics of the subject real property.
Final capitalization rate	5.2%	We referred to the transaction yield, etc. for similar real property, and performed out assessment taking into comprehensive account future investment yield trends, the risks of the subject real property as an investment target, general projections for future economic growth rates, and real property price and rent trends, etc.

Cost method value	698,000	We performed our assessment by incorporating into the assessed land price based on the actual transaction price the building price revised downwards from the replacement price, taking into account the unique characteristics of the subject building, and took into consideration the marketability of the building and the site in combination (including incidental costs).
Land ratio	36.5%	
Building ratio	63.5%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	No applicable matters.
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Property name	Esty Maison Tenjin Higashi I
Appraisal price	364,000,000 yen
Name of appraisal agency	Daiwa Real Estate Appraisal Co., Ltd.
Time of valuation	September 30, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	364,000	It was determined that the value based on the income approach calculated using the DCF method, which calculates the value by defining fluctuations on future net operating income, is more persuasive, so we examined the income amount using the direct capitalization method and performed trial calculations of the income amount using the direct capitalization method.
Value based on direct capitalization method	365,000	
Operating Revenue	30,057	
Lease revenue (including common area fee income)	29,784	We assessed the expected standardized income recognized to be stable over the medium- to long-term, and recorded it.
Parking lot revenue	900	
Water and utility fee revenue	205	Assessed using historical amounts for past fiscal years, and recorded.
Other revenue	738	Assessed using historical amounts for past fiscal years, and recorded.
Vacant premises, etc. loss, etc.	-1,571	We assessed the vacancy rate recognized to be stable over the medium- to long-term, and recorded it.
Operating Expenses	9,013	
Maintenance and management expenses	1,333	Assessed using the current agreement amounts and maintenance and management expenses for similar real property, and recorded it.
Water and utility fees	960	Assessed using the historical amounts for past fiscal years and maintenance and management expenses for similar real property, and recorded it.
Repair expenses	2,238	After examining the levels of repair costs for similar real property we determined that the average annual repair cost in the engineering report was appropriate, and recorded it.
Property manager fee	883	Based on the current agreement, we examined it using the levels of property manager fees for similar real property, and recorded it.
Tenant solicitation expenses, etc.	1,349	Tenant solicitation expenses, etc. were assessed based on the levels for similar real property, with reference to the turnover is the expected turnover rate were applied and the actual historical amounts for past fiscal year, and it was recorded.
Taxes and other public charges	2,068	Based on the amount in records provided by the client, we performed our assessment and recorded it after taking into account taxation, etc. levels and land price trends.
Non-life insurance premiums	58	Assessed using estimated amounts years and non-life insurance premiums for similar real property, and recorded it.
Other expenses	120	Assessed using historical amounts for past fiscal years, and recorded.

Net Operating Income (NOI)	21,043	
Revenue from investment of lump sum payments	-	
Capital expenditure	-2,433	After examining the levels of renewal costs for similar real property we determined that the average annual repair cost in the engineering report was appropriate, and recorded the assessed capital expenditure amount after taking into account the CM fee.
Net Income (NCF)	18,610	
Capitalization rate	5.1%	We adjusted the spread using building conditions such as the location, age, and equipment standards of the subject real property and other conditions such as the current rent compared to market standards, rights relationships, and agreement terms, and performed the assessment in reference to the capitalization rate for appraisal prices for other J-REIT properties in the same demand area, etc.
Value based on DCF method	364,000	
Discount rate	4.9%	We performed the assessment using both comparisons appraisal cases for similar real property and by incorporating the characteristics of the real property into the financial asset yield in combination, and referred to interviews, etc. with investors.
Final capitalization rate	5.3%	We referred to the transaction yield in similar transaction case studies, and performed out assessment taking into comprehensive account future investment yield trends, the risks of the subject real property as an investment target, general projections for future economic growth rates, and real property price trends, etc. Using the subject real property's capitalization rate as our basis, we performed our assessment taking into comprehensive account of the possibility of escalations in capital expenditure due to deterioration with age, the unpredictability of sales market trends, and unpredictable elements such as the effects of the passage of time on liquidity.
Cost method value	269,000	
Land ratio	29.0%	
Building ratio	71.0%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	We determined that an income amount properly reflecting actual supply and demand trends in the market and the motives of market participants is more persuasive, so we determined the appraisal price in reference to an estimate using the value based on the income approach.
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Property name	Esty Maison Tenjinhigashi II
Appraisal price	738,000,000 yen
Name of appraisal agency	Daiwa Real Estate Appraisal Co., Ltd.
Time of valuation	September 30, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	738,000	
Value based on direct capitalization method	743,000	
Operating Revenue	55,710	
Lease revenue (including common area fee income)	53,636	We assessed the expected standardized income recognized to be stable over the medium- to long-term, and recorded it.
Parking lot revenue	2,400	
Other revenue	2,571	Assessed using historical amounts for past fiscal years, and recorded.
Vacant premises, etc. loss, etc.	-2,897	We assessed the vacancy rate recognized to be stable over the medium- to long-term, and recorded it.

Operating Expenses	15,005	
Maintenance and management expenses	1,620	Assessed using the current agreement amounts and maintenance and management expenses for similar real property, and recorded it.
Water and utility fees	1,058	Assessed using the historical amounts for past fiscal years and maintenance and management expenses for similar real property, and recorded it.
Repair expenses	3,934	After examining the levels of repair costs for similar real property we determined that the average annual repair cost in the engineering report was appropriate, and recorded it.
Property manager fee	1,642	Based on the current agreement, we examined it using the levels of property manager fees for similar real property, and recorded it.
Tenant solicitation expenses, etc.	2,494	Tenant solicitation expenses, etc. were assessed based on the levels for similar real property, with reference to the turnover is the expected turnover rate were applied and the actual historical amounts for past fiscal year, and it was recorded.
Taxes and other public charges	3,770	Based on the amount in records provided by the client, we performed our assessment and recorded it after taking into account taxation, etc. levels and land price trends.
Non-life insurance premiums	92	Assessed using estimated amounts years and non-life insurance premiums for similar real property, and recorded it.
Other expenses	393	Assessed using historical amounts for past fiscal years, and recorded.
Net Operating Income (NOI)	40,704	
Revenue from investment of lump sum payments	-	
Capital expenditure	-2,829	After examining the levels of renewal costs for similar real property we determined that the average annual repair cost in the engineering report was appropriate, and recorded the assessed capital expenditure amount after taking into account the CM fee.
Net Income (NCF)	37,875	
Capitalization rate	5.1%	We adjusted the spread using building conditions such as the location, age, and equipment standards of the subject real property and other conditions such as the current rent compared to market standards, rights relationships, and agreement terms, and performed the assessment in reference to the capitalization rate for appraisal prices for other J-REIT properties in the same demand area, etc.
Value based on DCF method	736,000	
Discount rate	4.9%	We performed the assessment using both comparisons appraisal cases for similar real property and by incorporating the characteristics of the real property into the financial asset yield in combination, and referred to interviews, etc. with investors.
Final Capitalization rate	5.3%	We referred to the transaction yield in similar transaction case studies, and performed out assessment taking into comprehensive account future investment yield trends, the risks of the subject real property as an investment target, general projections for future economic growth rates, and real property price trends, etc. Using the subject real property's capitalization rate as our basis, we performed our assessment taking into comprehensive account of the possibility of escalations in capital expenditure due to deterioration with age, the unpredictability of sales market trends, and unpredictable elements such as the effects of the passage of time on liquidity.
Cost method value	529,000	
Land ratio	28.6%	
Building ratio	71.4%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	We determined that an income amount properly reflecting actual supply and demand trends in the market and the motives of market participants is more persuasive, so we determined the appraisal price in reference to an estimate using the value based on the income approach.
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Property name	Esty Maison Shijonishinotoin
Appraisal price	1,180,000,000 yen
Name of appraisal agency	Japan Real Estate Institute
Time of valuation	December 1, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	1,180,000	Both direct capitalization and DCF methodologies used in combination.
Value based on direct capitalization method	1,190,000	
Operating Revenue	85,258	Vacant premises, etc. loss, etc. deducted from potential gross revenues.
Lease revenue (including common area fee income)	81,012	Recorded based on appropriate rent levels recognized to be stable over the medium- to long-term.
Parking lot revenue	5,147	
Other revenue	5,898	Recorded taking into consideration historical amounts for past fiscal years.
Vacant premises, etc. loss, etc.	-6,799	Recorded on the assumption of occupancy rates stable over the medium- to long-term.
Operating Expenses	22,653	
Maintenance and management expenses	2,808	Recorded taking into consideration current maintenance and management expenses, etc.
Water and utility fees	2,700	Recorded taking into consideration historical amounts for past fiscal years.
Repair expenses	2,947	Recorded taking into consideration costs for restoration to original condition and annual average amounts for repair and renewal expenses, etc. in the engineering report.
Property manager fee	2,387	Recorded taking into consideration current agreement terms, etc.
Tenant solicitation expenses, etc.	3,137	Recorded with reference to agreement terms and lease terms for similar real property.
Taxes and other public charges	5,504	Recorded based on taxes and other public charge related materials.
Non-life insurance premiums	99	Recorded taking into consideration insurance premiums, etc. based on current insurance policies.
Other expenses	3,071	Recorded taking into consideration historical amounts for past fiscal years.
Net Operating Income (NOI)	62,605	
Revenue from investment of lump sum payments	40	Recorded as investment income using an investment yield of 1.0%.
Capital expenditure	-4,483	Recorded taking into consideration annual average amounts for repair and renewal expenses, etc. in the engineering report.
Net Income (NCF)	58,162	
Capitalization rate	4.9%	Assessed after taking into account against the yield that is the basis for each area the location of the subject real property, the circumstances of the building, and other adjustment of the spread due to other conditions, as well as future unpredictability and the transaction yield for similar real property, etc.
Value based on DCF method	1,160,000	
Discount rate	4.7%	We referred to the investment yield for similar real property, and performed out assessment taking comprehensive account of matters such as the unique characteristics of the subject real property.
Final Capitalization rate	5.1%	We referred to the transaction yield, etc. for similar real property, and performed out assessment taking into comprehensive account future investment yield trends, the risks of the subject real property as an investment target, general projections for future economic growth rates, and real property price and rent trends, etc.

Cost method value	1,060,000	We performed our assessment by incorporating into the assessed land price based on the actual transaction price the building price revised downwards from the replacement price, taking into account the unique characteristics of the subject building, and took into consideration the marketability of the building and the site in combination (including incidental costs).
Land ratio	41.5%	
Building ratio	58.5%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	No applicable matters.
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Property name	Esty Maison Hachiojiminamino
Appraisal price	875,000,000 yen
Name of appraisal agency	Richi Appraisal Institute
Time of valuation	September 30, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	875,000	Calculated centered on the value based on the income approach using the DCF method and in correlation to the income amount using the direct capitalization method.
Value based on direct capitalization method	885,000	
Operating Revenue	66,145	
Lease revenue (including common area fee income)	67,560	Assessed based on rent standards recognized to be stable over the medium- to long-term, while also referring to the current rent and rent levels for similar real property.
Parking lot revenue	768	
Other revenue	1,502	Water and utility fee income, renewal fee income, vending machine installation fee income, and motorcycle parking lot income recorded.
Vacant premises, etc. loss, etc.	-3,685	Assessed taking into account standard vacancy rates and the individual characteristics of the subject real property.
Operating Expenses	15,343	
Maintenance and management expenses	2,736	Assessed based on levels and records, etc. for similar real property.
Water and utility fees	626	Assessed based on levels and records, etc. for similar real property.
Repair expenses	3,610	Assessed based on levels, etc. for ER and similar real property.
Property manager fee	2,142	Assessed based on levels and records, etc. for similar real property.
Tenant solicitation expenses, etc.	1,852	A stable turnover rate was assessed using similar real property and records, etc., and recorded.
Taxes and other public charges	3,667	Recorded based on FY2017 records.
Non-life insurance premiums	91	Recorded based on past records, etc.
Other expenses	617	Renewal administration fees recorded.
Net Operating Income (NOI)	50,802	
Revenue from investment of lump sum payments	49	Investment yield assessed as 1.0%, and Investment income recorded.
Capital expenditure	-6,618	Assessed based on levels, etc. for ER and similar real property.
Net Income (NCF)	44,233	
Capitalization rate	5.0%	Assessed taking into comprehensive account the subject real property's location, unique characteristics, and market trends, etc.

Value based on DCF method	871,000	
Discount rate	4.9%	Assessed taking into comprehensive account the subject real property's location, unique characteristics, and market trends, etc.
Final Capitalization rate	5.1%	Assessed taking into comprehensive account the impact of deterioration of the building at the end of the period it is held, market trends, and future unpredictability risks, etc. on the capitalization rate.
Cost method value	711,000	
Land ratio	38.7%	
Building ratio	61.3%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	Recognized the appropriateness of an income amount that reflects the price forming process of the typical purchaser of the subject real property, and determined the appraisal price using the value based on income approach.
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Property Name	Esty Maison Nishinakajima
Appraisal price	1,900,000,000 yen
Name of appraisal agency	Japan Real Estate Institute
Time of valuation	December 1, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	1,900,000	Both direct capitalization and DCF methodologies used in combination.
Value based on direct capitalization method	1,920,000	
Operating Revenue	127,120	Vacant premises, etc. loss, etc. deducted from potential gross revenues.
Lease revenue (including common area fee income)	124,970	Recorded based on appropriate rent levels recognized to be stable over the medium- to long-term.
Parking lot revenue	5,509	
Other revenue	6,086	Recorded taking into consideration historical amounts for past fiscal years.
Vacant premises, etc. loss, etc.	-9,445	Recorded on the assumption of occupancy rates stable over the medium- to long-term.
Operating Expenses	28,807	
Maintenance and management expenses	3,245	Recorded taking into consideration current maintenance and management expenses, etc.
Water and utility fees	2,900	Recorded taking into consideration historical amounts for past fiscal years.
Repair expenses	4,540	Recorded taking into consideration costs for restoration to original condition and annual average amounts for repair and renewal expenses, etc. in the engineering report.
Property manager fee	3,637	Recorded taking into consideration current agreement terms, etc.
Tenant solicitation expenses, etc.	7,513	Recorded with reference to agreement terms and lease terms for similar real property.
Taxes and other public charges	6,366	Recorded based on taxes and other public charge related materials.
Non-life insurance premiums	132	Recorded taking into consideration insurance premiums, etc. based on current insurance policies.
Other expenses	474	Recorded taking into consideration historical amounts for past fiscal years.
Net Operating Income (NOI)	98,313	
Revenue from investment of lump sum payments	60	Recorded as investment income using an investment yield of 1.0%.
Capital expenditure	-4,466	Recorded taking into consideration annual average amounts for repair and renewal expenses, etc. in the engineering report.
Net Income (NCF)	93,907	

Capitalization rate	4.9%	Assessed after taking into account against the yield that is the basis for each area the location of the subject real property, the circumstances of the building, and other adjustment of the spread due to other conditions, as well as future unpredictability and the transaction yield for similar real property, etc.
Value based on DCF method	1,870,000	
Discount rate	4.7%	We referred to the investment yield for similar real property, and performed out assessment taking comprehensive account of matters such as the unique characteristics of the subject real property.
Final capitalization rate	5.1%	We referred to the transaction yield, etc. for similar real property, and performed out assessment taking into comprehensive account future investment yield trends, the risks of the subject real property as an investment target, general projections for future economic growth rates, and real property price and rent trends, etc.
Cost method value	1,380,000	We performed our assessment by incorporating into the assessed land price based on the actual transaction price the building price revised downwards from the replacement price, taking into account the unique characteristics of the subject building, and took into consideration the marketability of the building and the site in combination (including incidental costs).
Land ratio	35.7%	
Building ratio	64.3%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	No applicable matters.
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Property Name	Esty Maison Kawaramachi
Appraisal price	1,930,000,000 yen
Name of appraisal agency	Tanizawa Sogo Appraisal Co., Ltd.
Time of valuation	December 1, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	1,930,000	It was determined that the value based on the income approach calculated using the DCF method, which calculates the value by defining fluctuations on future net operating income, is more persuasive and convincing, so trial calculations were performed using the direct capitalization method, based on the income amount according to the DCF method.
Value based on direct capitalization method	1,960,000	
Operating Revenue	122,121	
Lease revenue (including common area fee income)	112,974	Assessed as standard and stable lease income and parking lot income.
Parking lot revenue	13,440	
Other revenue	4,715	Key money, antenna installation fees, and electricity usage fees recorded.
Vacant premises, etc. loss, etc.	-9,008	Assessed using vacancy rates and parking lots vacancy rates equalized over the medium- to long-term.
Operating Expenses	26,337	
Maintenance and management expenses	6,317	Assessed based on service agreements, etc.
Water and utility fees	1,296	Assessed based on expenditure records.
Repair expenses	2,952	Assessed based on engineering reports and similar cases.
Property manager fee	3,522	Assessed based on service agreements (not including CM and LM fees).
Tenant solicitation expenses, etc.	1,448	Assessed based on a turnover rate deemed to be a stable standard, based on the competitiveness of the subject real property and similar properties, etc.
Taxes and other public	7,568	Assessed based on FY2017 tax materials.

	charges		
	Non-life insurance premiums	178	Assessed based on non-life insurance materials.
	Other expenses	3,053	Assessed based on expenditure records.
	Net Operating Income (NOI)	95,784	
	Revenue from investment of lump sum payments	102	Assessed using an investment yield of 1.0%. Investment income recorded.
	Capital expenditure	-3,538	Assessed based on engineering reports and similar cases.
	Net Income (NCF)	92,349	
	Capitalization rate	4.7%	The rate was compared to multiple transactions in neighboring areas and similar areas within the same supply and demand area, etc., we took into account a comprehensive overview of the marketability of the subject real property and trends in the real property market, etc., and took note of the relationship to the discount rate when performing our assessment.
	Value based on DCF method	1,920,000	
	Discount rate	4.8%	We set a base yield for condominiums using the build up method, etc. based on the yield for financial products, and carried out our assessment by incorporating the specified risks for the subject real property into that base yield.
	Final capitalization rate	4.9%	We carried out our assessment by incorporating future unpredictability, based on the capitalization rate.
	Cost method value	2,110,000	Calculated by making depreciation corrections to the cost of replacement of the subject real property.
	Land ratio	62.5%	
	Building ratio	37.5%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	Based on a value forming process and request purpose in which a market participant (purchaser) values profitability in the subject real property, as well as the typology as “a lease property and its site,” we used as our standard an income amount that appropriately reflected future profitability for an investor to examine the cost method value and set the appraised price at the income amount.
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Property name	Esty Maison Shibaura
Appraisal price	2,910,000,000 yen
Name of appraisal agency	Chuo Real Estate Appraisal Co., Ltd.
Time of valuation	December 1, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	2,910,000	We mutually examined the value based on the income approach using the DCF method and income amount using the direct capitalization method, and adopted the income amount using the DCF method.
Value based on direct capitalization method	3,040,000	Assessed upon capitalization using net income stable over the medium- to long-term.
Operating Revenue	174,082	
Lease revenue (including common area fee income)	154,874	Taking into account the new rent if the subject real property were newly leased and rent levels in the neighborhood, etc., we assessed a net income that is stable over the medium- to long-term.
Parking lot revenue	19,488	
Other revenue	6,619	Key money, renewal fees, motorbike parking lot income, and electricity charge income, etc. recorded.
Vacant premises, etc. loss, etc.	-6,899	Assessment was performed after setting a rate of utilization (occupancy rate) that is stable over the medium- to long-term taking into account the occupancy records of the subject real property and similar real property, and the unique characteristics of the subject real property, etc.

Operating Expenses	34,970	
Maintenance and management expenses	8,654	Assessment was performed taking into account the terms of current agreements as well as cost levels, etc. for similar real property.
Water and utility fees	2,409	Assessed taking into account cost levels of similar real property, based on historical records.
Repair expenses	2,878	Minor repair costs and costs for restoration to original condition expected to be incurred going forward were recorded. The minor repair costs are based on the average annual repair cost estimates provided in the engineering report. Costs for restoration to original condition were assessed based on the records, etc. for similar properties.
Property manager fee	5,202	Assessment was performed taking into account the terms of current agreements as well as cost levels, etc. for similar real property.
Tenant solicitation expenses, etc.	5,807	Assessed based on projected renewal rates and average tenant turnover period, etc.
Taxes and other public charges	9,601	We used the latest actual amounts.
Non-life insurance premiums	167	We used the latest actual amounts.
Other expenses	252	Security camera installation fees recorded.
Net Operating Income (NOI)	139,112	
Revenue from investment of lump sum payments	122	Investment yield assessed as 1.0%.
Capital expenditure	-8,651	Expenses expected to be incurred in future were equalized and recorded per annum. The annual average amount of the renewal cost estimate in the engineering report was used.
Net Income (NCF)	130,583	
Capitalization rate	4.3%	Assessed taking into account the unique characteristics of the subject real property such as the location, the building, and rights relationships, while also referring to the investment yield for similar real property transactions, etc.
Value based on DCF method	2,910,000	
Discount rate	4.1%	Assessed taking into account the unique characteristics of the subject real property such as the location, the building, and rights relationships, while also referring to the investment yield for similar real property transactions, etc.
Final capitalization rate	4.5%	Assessed taking into account the unique characteristics of the subject real property such as the location, the building, and rights relationships, while also referring to the investment yield for similar real property transactions, etc.
Cost method value	2,110,000	
Land ratio	78.7%	
Building ratio	21.3%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	As potential purchasers of the subject real property are mainly investors who favor profitability, we only used the cost method value as a reference, and adopted the value based on the income approach.
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Property name	Esty Maison Tsutsujigaoka
Appraisal price	911,000,000 yen
Name of appraisal agency	Tanizawa Sogo Appraisal Co., Ltd.
Time of valuation	December 1, 2017

(Unit: thousand yen)

Items	Details	Summary, etc.
Value based on income approach	911,000	It was determined that income approach amount calculated using the DCF method, which calculates the value by defining fluctuations on future net operating income, is more persuasive and convincing, so trial calculations were performed using the direct capitalization method, based on the income amount according to the DCF method.
Value based on direct capitalization method	929,000	
Operating Revenue	61,955	
Lease revenue (including common area fee income)	57,755	Assessed as standard and stable lease income and parking lot income.
Parking lot revenue	5,832	
Other revenue	3,005	Key money, renewal fees, overhead power transmission line compensation, FLETS Hikari electricity usage charges, etc. recorded.
Vacant premises, etc. loss, etc.	-4,637	Assessed using vacancy rates and parking lot vacancy rates equalized over the medium- to long-term.
Operating Expenses	16,968	
Maintenance and management expenses	4,039	Assessed based on service agreements, etc.
Water and utility fees	932	Assessed based on expenditure records.
Repair expenses	2,629	Assessed based on engineering reports and similar cases.
Property manager fee	1,768	Assessed based on service agreements (not including CM and LM fees).
Tenant solicitation expenses, etc.	2,317	Assessed based on a turnover rate deemed to be a stable standard, based on the competitiveness of the subject real property and similar properties, etc.
Taxes and other public charges	4,198	Assessed based on FY2017 tax materials.
Non-life insurance premiums	91	Assessed based on non-life insurance materials.
Other expenses	991	Assessed based on expenditure records.
Net Operating Income (NOI)	44,986	
Revenue from investment of lump sum payments	88	Assessed using an investment yield of 1.0%. Investment income recorded.
Capital expenditure	-3,261	Assessed based on engineering reports and similar cases.
Net Income (NCF)	41,813	
Capitalization rate	4.5%	The rate was compared to multiple transactions in neighboring areas and similar areas within the same supply and demand area, etc., we took into account a comprehensive overview of the marketability of the subject real property and trends in the real property market, etc., and took note of the relationship to the discount rate when performing our assessment.
Value based on DCF method	903,000	
Discount rate	4.6%	We set a base yield for condominiums using the build up method, etc. based on the yield for financial products, and carried out our assessment by incorporating the specified risks for the subject real property into that base yield.
Final capitalization rate	4.7%	We carried out our assessment by incorporating future unpredictability, based on the capitalization rate.
Cost method value	850,000	Calculated by making depreciation corrections to the cost of replacement of the subject real property.
Land ratio	57.4%	
Building ratio	42.6%	

Other Matters Taken Into Consideration by the Appraisal Agency When Performing the Appraisal	Based on a value forming process and request purpose in which a market participant (purchaser) values profitability in the subject real property, as well as the typology as “a lease property and its site,” we used as our standard an income amount that appropriately reflected future profitability for an investor to examine the cost method value and set the appraised price at the income amount.
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Note: With respect to amounts of money, amounts under 1,000 yen were rounded down, so in some cases the total amount may not match the figures for operating income, operating expenses, or other items.

*Addresses of the websites of the Two Investment Corporations

Sekisui House Reit, Inc.:

<http://sekisuihouse-reit.co.jp/en/>

Sekisui House Residential Investment Corporation:

<http://www.shi-reit.co.jp/eng/>

Attached Materials

Reference Materials 1

Photos of the Appearance, and Maps, of the Assets to be Acquired

Reference Materials 2

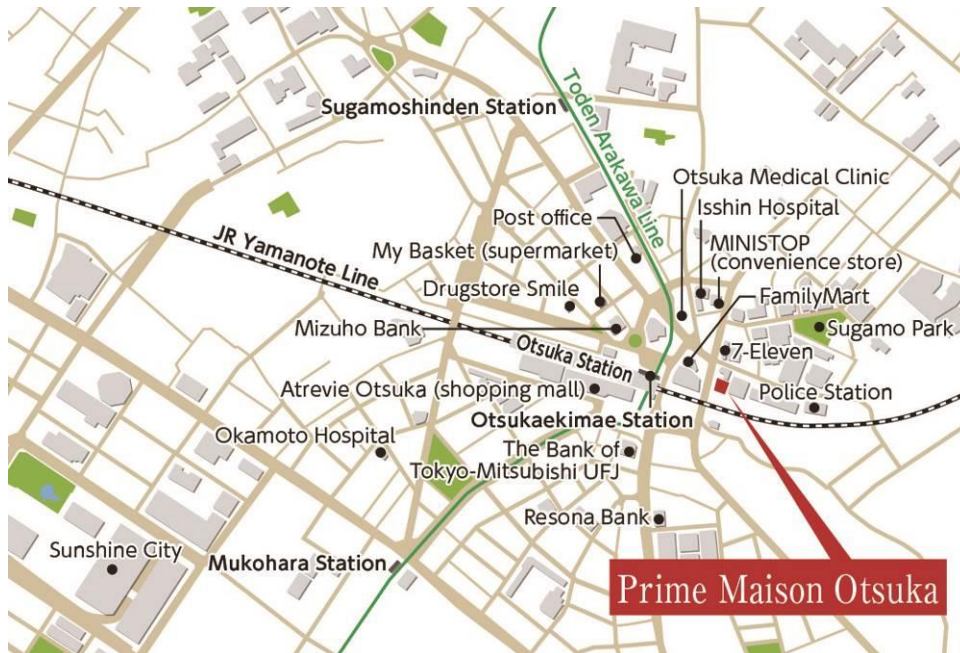
Summary of Portfolio After Asset Replacement

Reference Materials 1 Photos of the Appearance, and Maps, of the Assets to be Acquired

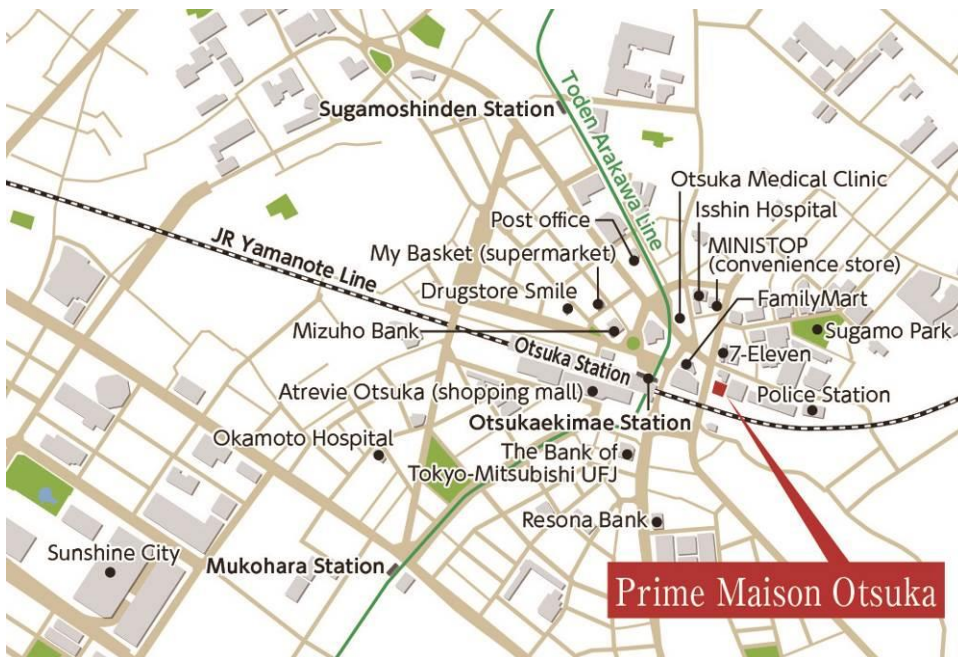
(1) Prime Maison Shirokanedai Tower



(2) Prime Maison Otsuka



(3) Prime Maison Asakusabashi



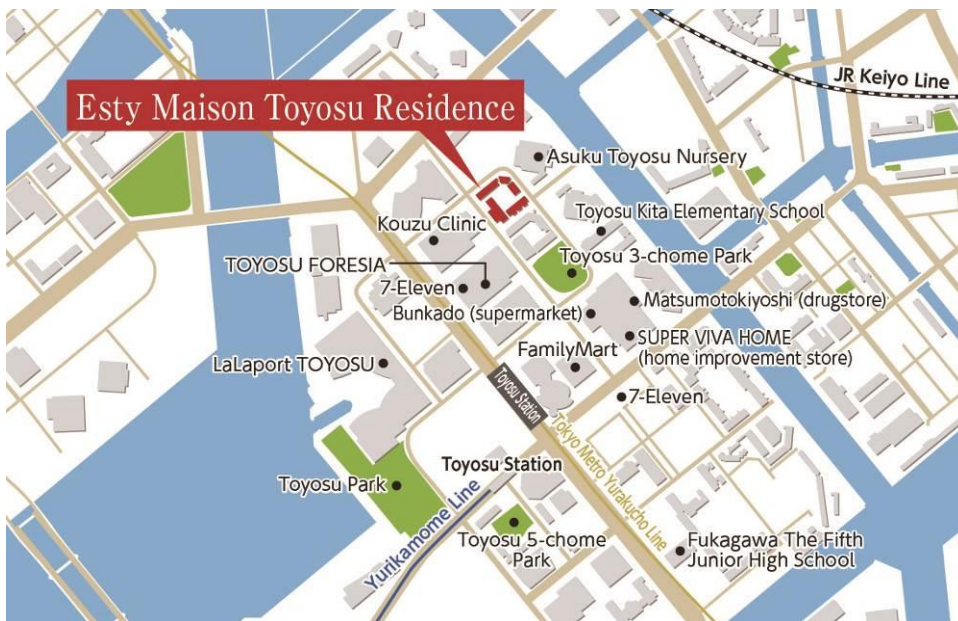
(4) Prime Maison Daikanyama



(5) Prime Maison Gotenyama West



(6) Esty Maison Toyosu Residence



Reference Materials 2: Summary of Portfolio After Asset Replacement
■ List of SHI's Current Portfolio (excluding the Assets to be Sold)

Use	Property name	Location	Date of acquisition	(Expected) purchase price (million yen) ^(Note 1)	(Expected) investment ratio (%) ^(Note 2)
Residence	Esty Maison Ginza	Chuo-ku, Tokyo	August 2, 2005	6,390	1.5
	Esty Maison Azabunagasaka	Minato-ku, Tokyo	August 2, 2005	1,760	0.4
	Esty Maison Ebisu II	Shibuya-ku, Tokyo	August 2, 2005	2,000	0.5
	Esty Maison Ebisu	Shibuya-ku, Tokyo	August 2, 2005	855	0.2
	Esty Maison Kanda	Chiyoda-ku, Tokyo	August 2, 2005	1,570	0.4
	Esty Maison Kitashinjuku	Shinjuku-ku, Tokyo	August 2, 2005	1,550	0.4
	Esty Maison Asakusakomagata	Taito-ku, Tokyo	August 2, 2005	2,140	0.5
	Esty Maison Kawasaki	Kawasaki-shi, Kanagawa	August 2, 2005	2,360	0.5
	Esty Maison Yokohama	Yokohama-shi, Kanagawa	February 28, 2007	2,130	0.5
	Esty Maison Kameido	Koto-ku, Tokyo	January 31, 2006	1,580	0.4
	Esty Maison Meguro	Meguro-ku, Tokyo	February 1, 2006	1,060	0.2
	Esty Maison Sugamo	Toshima-ku, Tokyo	March 9, 2007	1,590	0.4
	Esty Maison Kyobashi	Osaka-shi, Osaka	April 3, 2006	2,970	0.7
	Esty Maison Hakuraku	Yokohama-shi, Kanagawa	April 3, 2006	932	0.2
	Esty Maison Minamihorie	Osaka-shi, Osaka	March 9, 2007	1,040	0.2
	Esty Maison Gotanda	Shinagawa-ku, Tokyo	September 14, 2006	3,090	0.7
	Esty Maison Oisendaizaka	Shinagawa-ku, Tokyo	September 14, 2006	2,730	0.6
	Esty Maison Shinagawa Seaside	Shinagawa-ku, Tokyo	September 14, 2006	2,010	0.5
	Esty Maison Minamiazabu	Minato-ku, Tokyo	October 23, 2006	1,220	0.3
	Esty Maison Tsukamoto	Osaka-shi, Osaka	December 1, 2006	1,080	0.2
	Esty Maison Kawasaki II	Kawasaki-shi, Kanagawa	March 28, 2007	1,860	0.4
	Esty Maison Azabujuban	Minato-ku, Tokyo	May 11, 2007	2,620	0.6
	Esty Maison Itabashihoncho	Itabashi-ku, Tokyo	August 21, 2007	927	0.2
	Esty Maison Oizumigakuen	Nerima-ku, Tokyo	August 21, 2007	773	0.2
	Esty Maison Higashishinagawa	Shinagawa-ku, Tokyo	July 1, 2008	2,400	0.5
	Esty Maison Itabashikuyakushomae	Itabashi-ku, Tokyo	November 1, 2007	2,480	0.6
	Esty Maison Musashikoyama	Shinagawa-ku, Tokyo	November 30, 2007	1,040	0.2
	Esty Maison Sendagi	Bunkyo-ku, Tokyo	February 6, 2008	697	0.2
	Esty Maison Yotsuyasakamachi	Shinjuku-ku, Tokyo	April 25, 2008	2,090	0.5
	Esty Maison Hakatahigashi	Fukuoka-shi, Fukuoka	March 26, 2008	2,400	0.5

Use	Property name	Location	Date of acquisition	(Expected) purchase price (million yen) ^(Note 1)	(Expected) investment ratio (%) ^(Note 2)
Residence	Esty Maison Kamigofuku	Fukuoka-shi, Fukuoka	April 25, 2008	821	0.2
	Esty Maison Sangenjaya	Setagaya-ku, Tokyo	December 15, 2008	824	0.2
	Prime Maison Musashinonomori	Kodaira-shi, Tokyo	October 1, 2010	1,860	0.4
	Prime Maison Higashisakura	Nagoya-shi, Aichi	October 1, 2010	1,490	0.3
	Prime Maison Kayabakoen	Nagoya-shi, Aichi	October 1, 2010	787	0.2
	Esty Maison Sangenjaya II	Setagaya-ku, Tokyo	March 25, 2011	786	0.2
	Esty Maison Itabashi C6	Itabashi-ku, Tokyo	June 10, 2011	2,640	0.6
	MAST Hakata	Fukuoka-shi, Fukuoka	February 1, 2012	2,360	0.5
	Esty Maison Kinshicho	Sumida-ku, Tokyo	February 1, 2012	1,220	0.3
	Esty Maison Musashikoganei	Koganei-shi, Tokyo	March 2, 2012	1,740	0.4
	Prime Maison Gokiso	Nagoya-shi, Aichi	April 2, 2012	1,890	0.4
	Prime Maison Yuhigaoka	Osaka-shi, Osaka	April 2, 2012	909	0.2
	Prime Maison Kitatanabe	Osaka-shi, Osaka	April 2, 2012	601	0.1
	Prime Maison Momochihama	Fukuoka-shi, Fukuoka	April 2, 2012	1,900	0.4
	Esty Maison Akihabara	Taito-ku, Tokyo	June 29, 2012	1,980	0.5
	Esty Maison Sasazuka	Shibuya-ku, Tokyo	September 5, 2012	3,350	0.8
	Prime Maison Ginza East	Chuo-ku, Tokyo	October 1, 2012	6,160	1.4
	Prime Maison Takami	Nagoya-shi, Aichi	October 1, 2012	1,050	0.2
	Prime Maison Yadaminami	Nagoya-shi, Aichi	October 1, 2012	821	0.2
	Prime Maison Teriha	Fukuoka-shi, Fukuoka	October 1, 2012	1,360	0.3
	Esty Maison Higashishirakabe	Nagoya-shi, Aichi	October 1, 2012	1,580	0.4
	Esty Maison Sengoku	Bunkyo-ku, Tokyo	February 8, 2013	1,360	0.3
	Esty Maison Daizawa	Setagaya-ku, Tokyo	February 8, 2013	2,280	0.5
	Esty Maison Togoshi	Shinagawa-ku, Tokyo	February 8, 2013	1,730	0.4
	Esty Maison Nishitenma	Osaka-shi, Osaka	March 1, 2013	1,680	0.4
	Esty Maison Shirokanedai	Shinagawa-ku, Tokyo	March 1, 2013	2,390	0.5
	Esty Maison Higashishinjuku	Shinjuku-ku, Tokyo	May 1, 2013	1,640	0.4
	Esty Maison Motoazabu	Minato-ku, Tokyo	May 1, 2013	1,510	0.3
	Esty Maison Toritsudaigaku	Meguro-ku, Tokyo	May 1, 2013	842	0.2
	Esty Maison Musashikoyama II	Shinagawa-ku, Tokyo	May 1, 2013	1,040	0.2
Esty Maison Nakano	Nakano-ku, Tokyo	May 1, 2013	1,870	0.4	
Esty Maison Shinnakano	Nakano-ku, Tokyo	May 1, 2013	1,020	0.2	
Esty Maison Nakanofujimicho	Nakano-ku, Tokyo	May 1, 2013	967	0.2	

Use	Property name	Location	Date of acquisition	(Expected) purchase price (million yen) ^(Note 1)	(Expected) investment ratio (%) ^(Note 2)
Residence	Esty Maison Tetsugakudo	Nakano-ku, Tokyo	May 1, 2013	1,170	0.3
	Esty Maison Koenji	Suginami-ku, Tokyo	May 1, 2013	1,140	0.3
	Esty Maison Oshiage	Sumida-ku, Tokyo	May 1, 2013	2,440	0.6
	Esty Maison Akabane	Kita-ku, Tokyo	May 1, 2013	3,300	0.8
	Esty Maison Oji	Kita-ku, Tokyo	May 1, 2013	1,660	0.4
	Prime Maison Waseda	Shinjuku-ku, Tokyo	October 1, 2013	1,580	0.4
	Prime Maison Hatchobori	Chuo-ku, Tokyo	October 1, 2013	1,460	0.3
	Prime Maison Jinbocho	Chiyoda-ku, Tokyo	October 1, 2013	1,920	0.4
	Prime Maison Gotenyama East	Shinagawa-ku, Tokyo	October 1, 2013	2,820	0.6
	MAST LIFE Akihabara	Chiyoda-ku, Tokyo	January 21, 2014	555	0.1
	Esty Maison Aoi	Nagoya-shi, Aichi	January 31, 2014	2,490	0.6
	Esty Maison Yakuin	Fukuoka-shi, Fukuoka	March 28, 2014	2,370	0.5
	Esty Maison Kinshicho II	Sumida-ku, Tokyo	May 1, 2014	8,340	1.9
	Esty Maison Ojima	Koto-ku, Tokyo	May 1, 2014	8,730	2.0
	Prime Maison Fujimidai	Nagoya-shi, Aichi	May 1, 2014	2,080	0.5
	Esty Maison Tsurumai	Nagoya-shi, Aichi	May 1, 2014	4,500	1.0
	Prime Maison Morishita	Koto-ku, Tokyo	November 4, 2014	1,920	0.4
	Prime Maison Shinagawa	Shinagawa-ku, Tokyo	November 4, 2014	1,980	0.5
	Prime Maison Odorikoen	Sapporo-shi, Hokkaido	November 4, 2014	3,160	0.7
	Prime Maison Minami 2-jo	Sapporo-shi, Hokkaido	November 4, 2014	1,940	0.4
	Prime Maison Kamokamogawa	Sapporo-shi, Hokkaido	November 4, 2014	1,250	0.3
	Prime Maison Central Park	Fukuoka-shi, Fukuoka	November 4, 2014	2,309	0.5
	MAST LIFE Yahiro	Sumida-ku, Tokyo	November 4, 2014	1,910	0.4
	Prime Maison Ebisu	Shibuya-ku, Tokyo	January 15, 2015	4,360	1.0
	Granmast Kanazawa Nishiizumi	Kanazawa-shi, Ishikawa	April 2, 2015	1,090	0.2
	Granmast Unomori	Yokkaichi-shi, Mie	April 2, 2015	830	0.2
	Esty Maison Kohokutsunashima	Yokohama-shi, Kanagawa	July 10, 2015	2,751	0.6
	MAST LIFE Hino	Hino-shi, Tokyo	October 1, 2015	1,390	0.3
	Prime Maison Yokohama Nihon-Odori	Yokohama-shi, Kanagawa	January 29, 2016	4,790	1.1
	Kobe Women's Student Housing	Kobe-shi, Hyogo	March 1, 2016	5,880	1.3
Prime Maison Shibuya	Shibuya-ku, Tokyo	April 1, 2016	2,360	0.5	

Use	Property name	Location	Date of acquisition	(Expected) purchase price (million yen) ^(Note 1)	(Expected) investment ratio (%) ^(Note 2)
Residence	Prime Maison Hatsudai	Shibuya-ku, Tokyo	April 1, 2016	2,940	0.7
	Esty Maison Uemachidai	Osaka-shi, Osaka	April 1, 2016	1,020	0.2
	Esty Maison Kobe-Sannomiya	Kobe-shi, Hyogo	April 1, 2016	976	0.2
	Prime Maison Shirokane-Takanawa	Minato-ku, Tokyo	November 1, 2016	4,800	1.1
	Prime Maison Ichigayayamabushicho	Shinjuku-ku, Tokyo	November 1, 2016	4,220	1.0
	Esty Maison Morishita	Sumida-ku, Tokyo	March 17, 2017	643	0.1
Residence – subtotal				210,876	47.9
Commercial facility	Hamamatsu Plaza	Hamamatsu-shi, Shizuoka	July 28, 2005	2,891	0.7
Commercial facility – subtotal				2,891	0.7
SHI's current portfolio (excluding the Assets to be Sold) total				213,767	48.6

■ List of SHR's current portfolio

Use	Property name	Location	Date of acquisition	(Expected) purchase price (million yen) ^(Note 1)	(Expected) investment ratio (%) ^(Note 2)
Office building	Garden City Shinagawa Gotenyama	Shinagawa-ku, Tokyo	December 3, 2014 May 24, 2016 May 24, 2017	59,600	13.6
	Gotenyama SH Building	Shinagawa-ku, Tokyo	December 3, 2014	51,500	11.7
	Hommachi Minami Garden City	Osaka-shi, Osaka	December 3, 2014	23,100	5.3
	Hommachi Garden City (Office building portion)	Osaka-shi, Osaka	May 19, 2015	38,600	8.8
	HK Yodoyabashi Garden Avenue	Osaka-shi, Osaka	May 24, 2016	4,400	1.0
	Hirokoji Garden Avenue	Nagoya-shi, Aichi	May 24, 2016	6,350	1.4
Office building – subtotal				183,550	41.7
Hotel	Hommachi Garden City (Hotel portion)	Osaka-shi, Osaka	May 24, 2017	17,200	3.9
Hotel – subtotal				17,200	3.9
SHR's current portfolio total				200,750	45.6

■ Assets to be Acquired

Use	Property name	Location	Scheduled acquisition date	(Expected) purchase price (million yen) ^(Note 1)	(Expected) investment ratio (%) ^(Note 2)
Residence	Prime Maison Shirokanedai Tower	Shinagawa-ku, Tokyo	May 1, 2018	7,950	1.8
	Prime Maison Otsuka	Toshima-ku, Tokyo		3,700	0.8
	Prime Maison Asakusabashi	Taito-ku, Tokyo		1,680	0.4
	Prime Maison Daikanyama	Meguro-ku, Tokyo		2,520	0.6
	Prime Maison Gotenyama West	Shinagawa-ku, Tokyo		3,400	0.8
	Esty Maison Toyosu Residence	Koto-ku, Tokyo		6,050	1.4
Assets to be Acquired – total				25,300	5.8

■ Assets to be Sold

Use	Property name	Location	Scheduled sale date	Planned sale price (million yen) ^(Note 3)
Residence	Esty Maison Machida	Machida-shi, Tokyo	May 1, 2018	Undisclosed
	Esty Maison Shinkawasaki	Kawasaki-shi, Kanagawa		
	Esty Maison Megurohoncho	Meguro-ku, Tokyo		
	Esty Maison Joto	Osaka-shi, Osaka		
	Esty Maison Tenjinhighashi I	Fukuoka-shi, Fukuoka		
	Esty Maison Tenjinhighashi II	Fukuoka-shi, Fukuoka		
	Esty Maison Shijonishinotoin	Kyoto-shi, Kyoto		
	Esty Maison Hachiojiminamino	Hachioji-shi, Tokyo		
	Esty Maison Nishinakajima	Osaka-shi, Osaka		
	Esty Maison Kawaramachi	Osaka-shi, Osaka		
	Esty Maison Shibaura	Minato-ku, Tokyo		
	Esty Maison Tsutsujigaoka	Chofu-shi, Tokyo		
Assets to be Sold – total				16,400

■ New SHR's portfolio after Asset Replacement (as of May 1, 2018)

Use	Number of properties ^(Note 4)	(Expected) purchase price (million yen) ^(Note 1)	(Expected) investment ratio (%) ^(Note 2)
Residence	106 properties	236,176	53.7
Office buildings	6 properties	183,550	41.7
Hotel	1 property	17,200	3.9
Commercial facility, etc.	1 property	2,891	0.7
Total	113 properties	439,817	100.0

Note 1: “(Expected) purchase price” uses the price calculated at the end of the most recent fiscal year (the fiscal year ended September 30, 2017 (24th business year)) for assets held by SHI (excluding Assets to be Sold), and for assets held by SHR the planned acquisition price is used, and the assets to be acquired use planned acquisition price, which are all provided, and differ from the actual amounts received by New SHR. Please note that amounts of less than one million yen are rounded down.

Note 2: “(Expected) investment Ratio” sets forth the percentage that the respective asset’s (expected) acquisition price or the planned acquisition price of assets to be acquired make up of the total (expected) acquisition price (rounded off to two decimal places) of assets held by New SHR after the Asset Replacement.

Note 3: The planned sale price for the Assets to be Sold has not been disclosed since the purchasers have not given approval for such disclosure.

Note 4: Hommachi Garden City is listed separately as unit ownership of an office building and unit ownership of a hotel for the office and hotel sections respectively, and listed as one whole building when calculating the total number of properties. Therefore, the figure given in the total section differs from the total of all items.