

TRANSLATION

March 29, 2013

Real Estate Investment Trust Securities Issuer
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2-12 Kojimachi, Chiyoda-ku, Tokyo
Representative: Junichi Inoue, Executive Director
(Securities Code: 8973)

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Notice Concerning Obtainment of Preferential Negotiation Right for
Acquisition of Residential Properties

Sekisui House SI Investment Corporation (the “Investment Corporation”) and Sekisui House SI Asset Management, Ltd. (the “Asset Management Company”), to which the management of the Investment Corporation’s assets is entrusted, hereby announce as described below that they have decided today to enter into a “Sale Preferential Negotiation Right Agreement” with GK AQUA 2 for the purpose of obtaining preferential negotiation right for the acquisition of two residential properties located in Greater Tokyo Major Urban Areas which are identified as key investment areas.

1. Overview of Sale Preferential Negotiation Right Agreement

- (1) Counterparty: GK AQUA 2
- (2) Main details of right: The right to be able to preferentially negotiate on the acquisition of the assets subject to the preferential negotiation right (the “target assets”) by giving notice of an offer to purchase within the period until April 9, 2016, and, by meeting certain conditions including that the purchase offer price is equal to or more than the minimum purchase price stated below, to request GK AQUA 2 to agree to the sale thereof unless there are any prevailing reasonable grounds (provided, however, that GK AQUA 2 is not restricted from selling the properties to a third party after April 9, 2015 has passed and in accordance with prescribed procedure).
- (3) Target assets and minimum purchase price:
A trust beneficiary interest, the trust assets of which are two residential properties located in Greater Tokyo Major Urban Areas.

Property name	Minimum purchase price
LIETOCOURT OJIMA	7,120 million yen
LIETOCOURT KINSHICHO	6,720 million yen

- (4) Agreement execution date: March 29, 2013
- (5) Preferential negotiation right validity expiration date: April 9, 2016

2. Background

The above two residential properties that are the target assets are each highly rare large-scale properties with stable occupancy records, and GK AQUA 2 has executed a sale and purchase agreement dated today with the current owner, and it is scheduled to acquire them on April 9, 2013 as managed assets of a silent partnership an operator of which will be GK AQUA 2. Along with this, the Investment Corporation and the Asset Management Company have agreed with GK AQUA 2 to obtain the above preferential negotiation right without compensation and without obtaining equity interest in the silent partnership, so as to achieve further diversification of property acquisition methods.

The Investment Corporation believes that because, by obtaining a preferential negotiation right that is able to be exercised at a future date, it will become possible to adjust the timing of the acquisition as well as to select the optimum fundraising method, leading to the securing of quality residential properties and flexible property acquisition, it will be able to contribute to expansion of the asset scale of the Investment Corporation and improvement of the quality of its portfolio from medium- to long-term perspective.

The following points about the target assets have been evaluated in obtaining the above preferential negotiation right, but the preferential negotiation right is held by the Investment Corporation as a right, and the Investment Corporation does not bear an obligation to acquire the target assets.

(1) LIETOCOURT OJIMA

This property is a large scale rental apartment complex with retail store attached, consisting of a total of 313 residential and other rooms featuring relatively small units with a focus on units for single persons. This property is recognized as offering a superior lifestyle environment, being located an approx. 2-minute walk from Ojima Station on the Toei Subway Shinjuku Line, and being surrounded by lifestyle convenience amenities such as various educational, healthcare, and government facilities as well as a large number of commercial facilities necessary to daily life in active operation, while also having good access to the Otemachi area of inner Tokyo from the nearest train station, Ojima.

(2) LIETOCOURT KINSHICHO

This property is a rental apartment complex with retail store attached, featuring a total of 294 apartment rooms in a wide variety of types consisting of units for single persons or small households and for family households. Located an approx. 5-minute walk from Kinshicho Station on the JR Sobu Line and Tokyo Metro Hanzomon Line, this property is a very convenient place to live, with good access to inner Tokyo taking only around 8 minutes from Tokyo Station when using the JR Sobu Rapid Line, and abundant lifestyle convenience amenities within walking vicinity. The property has a low building age and a comparatively high standard of facilities and specifications.

3. Overview of Target Properties

(1) LIETOCOURT OJIMA

Type of specified asset		Trust beneficiary interest		
Trustee (planned)		Mizuho Trust & Banking Co., Ltd.	Trust expiration date (planned)	Last day of April 2023
Location	(Address) 5-32-5 Ojima, Koto-ku, Tokyo (Lot) 5-446-1 Ojima, Koto-ku, Tokyo			
Land	Ownership form	Proprietorship	Floor-area ratio (zoning designation)	400%/300%
	Zoning	Quasi-industrial district	Building-to-land ratio (zoning designation)	60%
	Site area (m ²)	3,003.87		
Building	Ownership form	Proprietorship	Building designer	HASEKO Corporation
	Use	Apartment complex, shop	Structural designer	HASEKO Corporation
	Total floor area (m ²)	11,940.22	Constructor	HASEKO Corporation
	Structure and number of floors	RC, 15F	Building inspector	Urban Housing Evaluation Center
	Construction completion date	September 13, 2007	Earthquake resistance	Probable maximum loss (PML) 5.0%
Collateral	None			
Overview of leasing and management				
Total leasable floor area (m ²)	9,905.97	Total number of tenants	1	
Total leased floor area (m ²)	9,501.18	Number of leasable units	313 (excluding 3 units for shops)	
Occupancy rate (based on floor area)	95.9%	Number of leased units	299 (excluding 3 units for shops)	
Total rent revenue	See Attachment 1 "Overview of Appraisal Report of Target Assets"			
Overview of appraisal report				
Appraisal method	Appraisal by Japan Real Estate Institute	Date of appraisal	March 1, 2013	
Appraisal value (thousand yen)	7,540,000			
Special Notations				
1. The floor-area ratio of the land of the property in trust is 400% for the area up to 30 meters from the road boundary to the east, and 300% for the area beyond 30 meters. The average floor-area ratio is 350.78% when weighted by the respective area.				

(2) LIETOCOURT KINSHICHO

Type of specified asset		Trust beneficiary interest		
Trustee (planned)		Mizuho Trust & Banking Co., Ltd.	Trust expiration date (planned)	Last day of April 2023
Location	(Address) 3-5-19 Kotobashi, Sumida-ku, Tokyo (Lot) 3-10-1 Kotobashi, Sumida-ku, Tokyo (and 1 other lot)			
Land	Ownership form	Proprietorship	Floor-area ratio (zoning designation)	600%
	Zoning	Commercial district	Building-to-land ratio (zoning designation)	80%
	Site area (m ²)	1,679.75		
Building	Ownership form	Proprietorship	Building designer	Totsuka Sekkei Co., Ltd.
	Use	Apartment complex, shop	Structural designer	Fujione Techno Solutions Co., Ltd.
	Total floor area (m ²)	11,160.19	Constructor	HASEKO Corporation
	Structure and number of floors	RC、15F	Building inspector	Urban Housing Evaluation Center
	Construction completion date	January 17, 2008	Earthquake resistance	Probable maximum loss (PML) 5.1%
Collateral	None			
Overview of leasing and management				
Total leasable floor area (m ²)	9,469.65	Total number of tenants	1	
Total leased floor area (m ²)	8,698.17	Number of leasable units	294 (excluding 1 unit for shop)	
Occupancy rate (based on floor area)	91.9%	Number of leased units	272 (excluding 1 unit for shop)	
Total rent revenue	See Attachment 1 “Overview of Appraisal Report of Target Assets”			
Overview of appraisal report				
Appraisal method	Appraisal by Japan Real Estate Institute	Date of appraisal	March 1, 2013	
Appraisal value (thousand yen)	6,920,000			
Special Notations				
1. The building-to-land ratio of the land of the property in trust is essentially 80%, but due to the mitigation of fireproof building in fire-protection districts, it is set at 100%.				

[Explanation]

- In the “Location” column, the “Address” is the residence indication and the “Lot” (if there are multiple lots, then one of these lots) is what is indicated in the registry (including registration record; the same applies hereafter).
- The “Ownership form” columns of land and building indicate the type of right that the real estate trustee holds on the trust real estate.
- The “Zoning” column of land indicates the type of zoning district classified in accordance with Article 8, Paragraph 1, Item 1 of the City Planning Act (Law no. 100, 1968, as amended; hereafter the “City Planning Act”).
- The “Site area” column of land indicates the acreage stated in the registry (if there are multiple acreages, then the total is indicated).
- The “Floor-area ratio” column of land is the ratio of the total floor area of the building to the site area as stipulated in Article 52 of the Building Standards Act and indicates the figures stipulated by the City Planning Act according to zoning, etc.
- The “Building-to-land ratio” column of land is the ratio of the building area of the building to the site area as stipulated in Article 53 of the Building Standards Act and indicates the figures stipulated by the City Planning Act according to zoning, etc.
- The “Use” column of building indicates the primary type of use stated in the registry.
- The “Total floor area” column of building indicates the sum total of the floor areas of the main building stated in the registry.

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9. The “Structure and number of floors” column of building indicates the structure as stated in the registry. The abbreviations in the “structure and number of floors” column is as shown below:

RC: Reinforced concrete; F: Floors

10. The “Construction completion date” column of building is the initial completion date as stated in the registry.

11. The “Overview of leasing and management” column indicates information as of the end of January 2013 and is based on numbers and information provided by the present owners of the target assets. “Total leasable floor area” and “Total leased floor area” are not the figures stated in the registry but rather indicate the total of leased floor areas as stated in the lease agreements. However, in cases where there are obvious errors in the lease agreements, the figures are based on the building’s completion plan. Since the trustee (planned) plans to enter into a new master lease agreement with the master lease company on April 9, 2013 and assuming that the master lease company has acquired consent from all end tenants to become the lessor, the “Total number of tenants” column states “1”.

12. The “probable maximum loss (PML)” column is based on earthquake risk reports created by Tokyo Bldg-Tech Center Co., Ltd. Earthquake risk reports comprise only of the views of the investigating company and the Investment Corporation does not guarantee the accuracy of its contents. PML represents the rate of probable maximum loss to be caused by earthquakes. In this press release, it means the extent of damage to be caused by one of the biggest earthquakes anticipated to happen within the expected duration of service (the biggest earthquake which happens once every 475 years, with a 10% chance of happening once every 50 years; expected duration of service of a general building is 50 years) represented by the ratio (%) of the estimated cost of restoration from the damage to the replacement cost. The numbers are rounded to the nearest first decimal place.

4. Overview of Counterparty of the Agreement

(1) Name	GK AQUA 2
(2) Address	c/o Tokyo Kyodo Accounting Office 3-1-1 Marunouchi, Chiyoda-ku, Tokyo
(3) Representative	Managing partner: Ippanshadanhojin AQUA 1 Operational executor: Hisayoshi Kitagawa
(4) Business activities	1. Acquisition, ownership, disposition, lease and management of real estate 2. Acquisition, ownership and disposition of trust beneficiary interest in real estate 3. All business incidental to the above
(5) Capital	100,000 yen
(6) Established	March 12, 2013
(7) Investor	Ippanshadanhojin AQUA 1
(8) Relationship with the Investment Corporation and the Asset Management Company	
Capital relationship Personal relationship Business relationship	There are no capital, personal or business relationships to report of the Investment Corporation and the Asset Management Company with the concerned company.
Related party or not	The concerned company does not fall within the definition of a related party of the Investment Corporation and the Asset Management Company. Persons involved in the concerned company and affiliates of the concerned company do not fall within the definition of a related party of the Investment Corporation and the Asset Management Company, either.

<Overview of Silent Partnership with Counterparty of the Agreement as Operator>

Valid period of silent partnership agreement	Until April 9, 2017
Overview of silent partnership agreement	<ul style="list-style-type: none"> The total amount of funds to be procured upon the formation of silent partnership with GK AQUA 2 as operator is 14,400 million yen, inclusive of borrowings. The funds are planned to be used for acquiring properties as assets under management of the silent partnership, various expenses related to the acquisition, expenses for forming the silent partnership and other purposes. Furthermore, the total amount of the appraisal values of the target properties is 14,460 million yen. Sekisui House, Ltd. and Spring Investment Co., Ltd., both of which are shareholders of the Asset Management Company, plan to make a partial silent partnership investment in GK AQUA 2. Mizuho Trust & Banking Co., Ltd. is scheduled to serve as the asset manager of GK AQUA 2.

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5. Future Outlook

The acquisition of the preferential negotiation right will have no impact on the Investment Corporation's management status forecast for the fiscal period ending March 2013 (October 1, 2012 to March 31, 2013) announced on November 15, 2012, and no change is made to the management status forecast.

* Sekisui House SI Investment Corporation website: <http://www.shsi-reit.co.jp/eng/>

<Attachments>

- [Attachment 1] Overview of Appraisal Report of Target Assets
- [Attachment 2] Photos of Exterior of Target Assets

[Attachment 1] Overview of Appraisal Report of Target Assets

(unit: thousands of yen)

	LIETOCOURT OJIMA	LIETOCOURT KINSHICHO
Appraisal value (specified value)	7,540,000	6,920,000
Appraisal date	March 1, 2013	March 1, 2013
Operating revenues	483,392	432,113
Unit rental revenues, etc. (including common area fees)	460,849	415,657
Other revenues, etc.	22,543	16,456
Operating expenses	90,771	71,736
Maintenance expenses, etc.	41,241	25,131
Taxes and public dues	22,124	20,066
Other expenses	27,406	26,539
Net operating income (NOI)	392,621	360,377
Capital expenditure, etc.	(3,661)	(4,029)
Net income (NCF)	388,960	356,348
Capitalization rate	5.1%	5.1%
Value of earnings calculated by the direct capitalization method	7,630,000	6,990,000
Value of earnings calculated by discounted cash flow (DCF) method	7,450,000	6,840,000
Discount rate	4.9%	4.9%
Terminal capitalization rate	5.3%	5.3%
Cost method value	5,250,000	4,550,000
Land ratio	50.0%	45.7%
Building ratio	50.0%	54.3%

(Note) Amounts are rounded down to the nearest thousand yen and therefore the total amount may differ from the figures for operating revenues, operating expenses and other items.

[Attachment 2] Photos of Exterior of Target Assets

(1) LIETOCOURT OJIMA



(2) LIETOCOURT KINSHICHO

