

Presentation Material on Merger

January 24, 2018



SEKISUI HOUSE REIT, INC.



SEKISUI HOUSE RESIDENTIAL INVESTMENT CORPORATION

Disclaimers

This document is intended to provide information relating to the absorption-type merger with Sekisui House REIT, Inc. (“SHR”) as the surviving corporation and Sekisui House Residential Investment Corporation (“SHI”; SHI and SHR are referred to collectively as the “Two Investment Corporations”) as the dissolving corporation (the “Investment Corporation Merger”) and is not intended to solicit or recommend investment in or encourage the purchase of any particular product.

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This document contains statements regarding SHR, SHI, and SHR after the Investment Corporation Merger (“New SHR”) and figures, data, and the like prepared by Sekisui House Investment Advisors, Ltd. (“SHIA”) and Sekisui House Asset Management, Ltd. (“SHAM”; SHIA and SHAM are referred to collectively as the “Two Asset Management Companies”) based on data and indicators disclosed by third parties. This document also includes analysis, assessments, and other opinions of such data and the like from the Two Investment Corporations and the Two Asset Management Companies as of the date of this document. Unless otherwise specified, this document was prepared in accordance with accounting principles in Japan.

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Therefore, in the case where approval for a merger agreement of the Investment Corporation Merger is not obtained at the general meeting of unitholders of the Two Investment Corporations or in the case where the Investment Corporation Merger does not take effect for other reasons, results may differ substantially from the content of this document.

The statements regarding future results, plans, management targets, strategy policies, and the like do not guarantee the amount of cash distributions from New SHR.

The dates indicated in graphs may not be business days for purposes of convenience when preparing those graphs.

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The material containing the information required under Article 23 (1) and (2) of the AIFMD is available at <http://sekisuihouse-reit.co.jp/en/ir/library.html> and <http://www.shi-reit.co.jp/en/cms/ir/library.html>.

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1. Overview of the Merger

Highlights of the Merger

1 Creation of a highly stable diversified REIT having high quality residential properties and office buildings as its core assets

- Sekisui House Residential Investment Corporation, which specializes in residential properties, and Sekisui House Reit, Inc., which focuses on fixed-rent type master lease agreements, will merge to create an extremely stable portfolio.
- Residence and office building will be positioned as the core assets of the portfolio and invested continuously while also investing in hotel that are expected to achieve growth.
- Prime Properties¹ with “strategic location” and “high quality” as their pillars will be priority investment targets to develop a high quality portfolio.

2 Increase of varied growth opportunities by utilizing the integrated corporate strength of the Sekisui House Group²

- External growth potential will be enhanced by increasing scale of assets and expanding the usage types of target investments.
- Solid sponsor support will be utilized to maximum effects from the perspectives of both growth and stability.
- At the same time as the Merger, 6 residential properties assets will be acquired from Sekisui House at JPY25.3 billion and 12 residential properties will be sold to third party for JPY16.4 billion to qualitatively enhance the portfolio.

3 Greater market presence due to an increase in the scale of assets

- After the Merger, the scale of assets will be JPY439.8 billion³, increasing its presence in the J-REIT market.
- Increasing in valuation and acquiring a higher credit rating are expected.

By operating in assets with the objectives of securing stable profits over the medium to long term and achieving steady growth in investment assets, New SHR will aim to provide high quality social capital and maximize unitholder value.

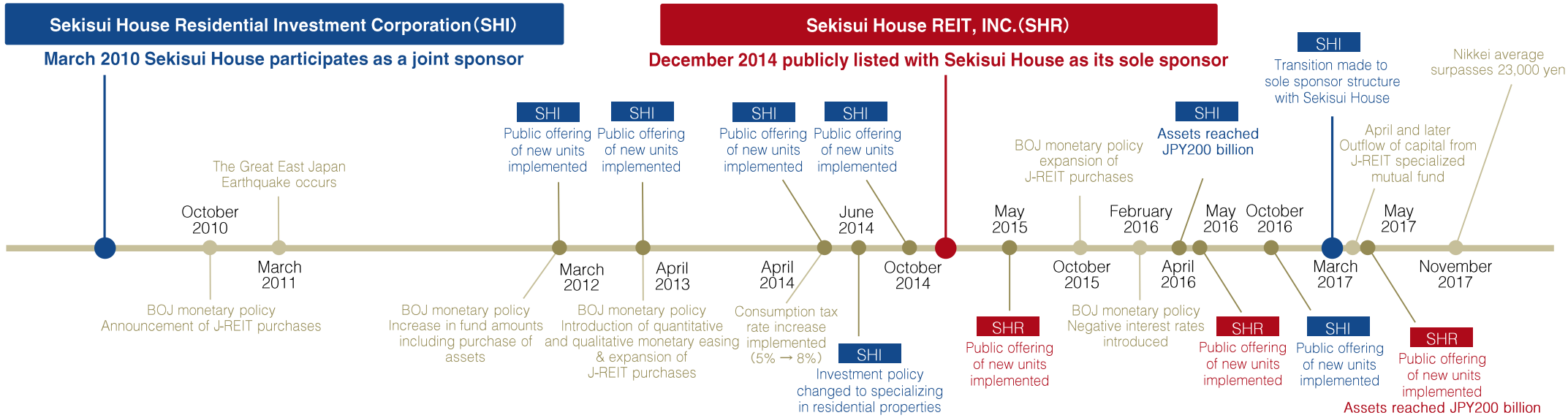
1. Here and hereinafter, refer to slide 22 regarding the details of “strategic location”, “high quality”, and “Prime Properties.”

2. Here and hereinafter, the Sekisui House Group refers to the corporate group comprising Sekisui House, Ltd. (“Sekisui House”), its 269 consolidated subsidiaries, and its 26 affiliates accounted for by the equity method (as of the end of July 2017).

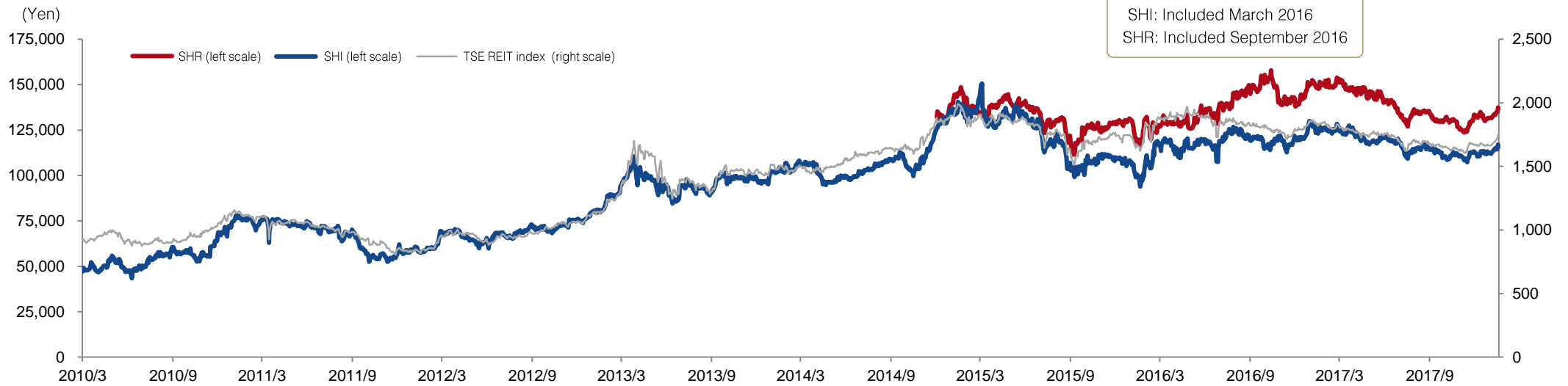
3. The Merger will use the purchase method, and SHR, as the acquiring corporation, is expected to assume the market value of the assets of SHI, and therefore, here and hereinafter, the scale of assets of the post-Investment Corporation Merger stated here is the total acquisition prices of assets held by SHR as of October 31, 2017, plus the total appraised value etc., of assets (excluding the 12 properties that are to be sold (see slide 42)) held by SHI as of September 30, 2017 plus the total planned acquisition prices of the 6 properties to be acquired (see slide 15).

Histories of the SHR and SHI

The two REITs with Sekisui House as their sponsor have each grown and reached JPY200 billion in assets



Investment Unit Prices



Background and Objectives of the Merger

Objectives of the merger based on market changes and current issues faced by the two REITs

Market Changes

- The investment style of institutional investors is becoming more passive on a global basis
- In real estate markets, the fall in cap rates and rapid increase in property prices are ongoing



SEKISUI HOUSE REIT, INC.

- Building a high quality portfolio of relatively new properties² in the Three Major Metropolitan Areas¹
- Invests with an emphasis on profit stability by focusing on fixed-rent type master lease agreements



SEKISUI HOUSE RESIDENTIAL INVESTMENT CORPORATION

- Investment targets are residential properties with highly stable profitability
- A highly competitive portfolio centered on relatively new properties², near train stations in the Greater Tokyo

Current Issues

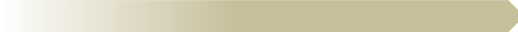








- Ranked 7th in asset size³ among 11 office REITs⁴
- Small number of properties; portfolio is not adequately diversified
- Limited opportunities for internal growth

- Ranked 4th in asset size³ among 8 residential REITs⁴
- Property scale per property is small, and the rate of increase in asset size is low
- FFO payout ratio⁵ is low (60.9%)

Greater market presence due to an increase in the scale of assets and increase of varied growth opportunities by utilizing the integrated corporate strength of the Sekisui House Group

1. The "Three Major Metropolitan Areas" are Greater Tokyo, Osaka Area, and Nagoya Area (here and hereinafter). The "Greater Tokyo" includes Tokyo, Kanagawa Prefecture, Chiba Prefecture, and Saitama Prefecture; the "Osaka Area" includes Osaka Prefecture, Kyoto Prefecture, Hyogo Prefecture, and Nara Prefecture; and the "Nagoya Area" includes Aichi Prefecture (here and hereinafter).
 2. The average age of properties owned by SHR and SHI at the end of the most recent fiscal period put SHR in 3rd place and SHI in 9th place among 59 J-REIT companies; accordingly, here and hereinafter, they are referred to as "relatively new properties."
 3. The rank in the asset size of Two Investment Corporations is based on the total acquisition amount of each J-REIT including the Two Investment Corporations stated in the financial reports (as of the end of the most recent fiscal period) released as of January 19, 2018 (here and hereinafter).
 4. Here and hereinafter, "office REIT" refers to a Tokyo Stock Exchange REIT Market-listed J-REIT where 90% or more of its portfolios consists of office buildings on an asset size basis, and "residential REIT" refers to a Tokyo Stock Exchange REIT Market-listed J-REIT where 90% or more of its portfolios consists of residential properties on an asset size basis.
 5. The "FFO payout ratio" is the total distribution amount for the fiscal period ended September 30, 2017, SHI's most recent fiscal period, divided by FFO (Net income – Gain on real property sales + Loss on real property sales + Depreciation expenses) for the same period.

Overview of New SHR

		SHR ¹	SHI ¹	Assets to be Acquired	Assets to be Sold	New SHR ² (Post-Investment Corporation Merger)	
Portfolio	Asset size	200.7 billion yen	206.9 billion yen	25.3 billion yen	16.4 billion yen	439.8 billion yen	
	Number of properties	6 properties	113 properties	6 properties	12 properties	113 properties	
	NOI yield (Acquisition (planned) price basis)	Before depreciation	4.2%	5.0%	4.8% ³	4.4% ^{4,5}	4.4% ⁶
		After depreciation	3.4%	3.5%	3.7% ³	2.7% ^{4,5}	3.3% ⁶
	Average building age ⁷	7.1 years	10.5 years	4.2 years	13.8 years ⁵	8.4 years	
Occupancy rate ⁸	100.0%	97.0%	92.3%	96.0%	97.4%		
Finances	LTV	40.7%	50.3%			43.1% ⁹	
	Amount of interest-bearing liabilities	84.4 billion yen	105.5 billion yen			197.9 billion yen ¹⁰	
	Credit Rating (JCR)	AA- (Stable)	AA- (Stable)			Will seek to improve	
Unit/holder Value	Number of investment units issued	969,000 units	1,105,510 units			3,762,091 units	
	NAV per unit ¹¹	149,859 yen	117,077 yen			73,748 yen (after Investment Units Split at a ratio of 1:2)	
	Net assets per unit	116,424 yen	91,669 yen			64,762 yen (after Investment Units Split at a ratio of 1:2)	
	Forecast distribution per unit	Forecast for FP ending Oct. 2018 ¹²		Forecast for FP ending Sept. 2018 ¹³			Forecast for FP ending Oct. 2018 ¹⁴
			2,680 yen	2,200 yen			Forecast for FP ending Apr. 2019 ¹⁴
	Adjusted forecast distribution per unit	1,340 yen	1,333 yen				

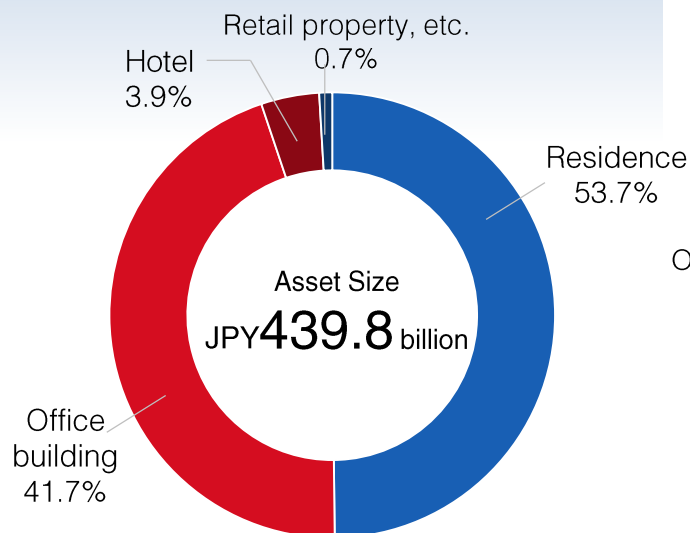
Forecast for FP ending Oct. 2018 ¹⁴		Forecast for FP ending Apr. 2019 ¹⁴	
1,323 yen		1,495 yen	
SHR	SHI	SHR	SHI
-1.3%	-0.8%	+11.6%	+12.2%

Percentage of Increase/Decrease¹⁴

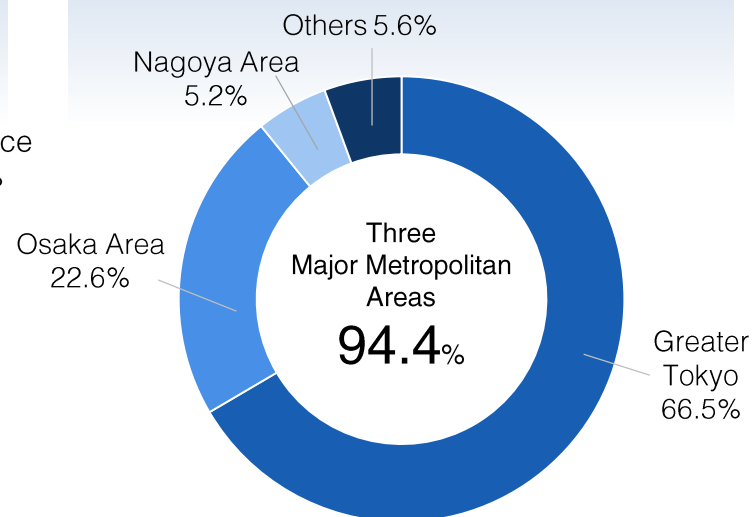
Note: Footnotes regarding this page can be found on the following page.

New SHR Portfolio Features

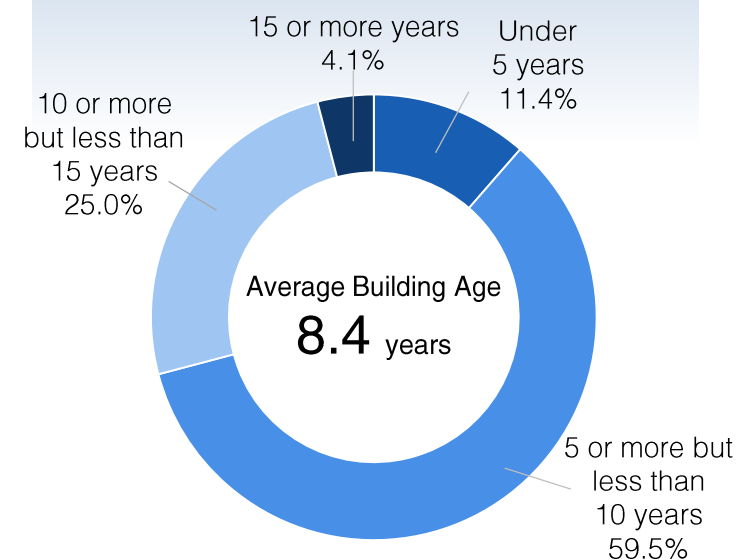
Type Ratio



Area Ratio



Building Age Ratio

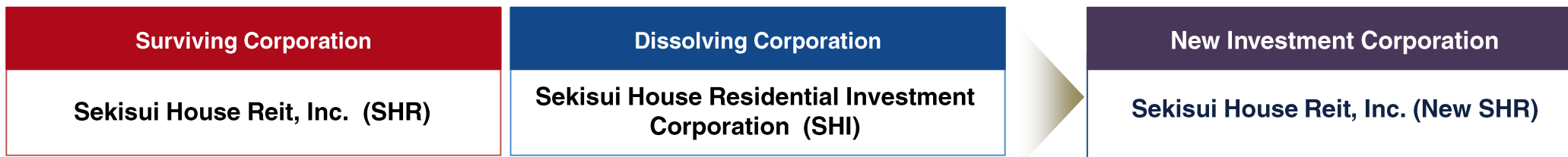


* Notes from Previous Page

- For SHR, data is based on SHR's settlement figures for the fiscal period ended October 2017 and other information as of the end of that fiscal period; for SHI, data is based on SHI's settlement figures for the fiscal period ended September 2017 and other information as of the end of that fiscal period, unless otherwise indicated.
- Planned values based on asset size after the Merger calculated on the basis of the 6 properties to be acquired and 12 properties to be sold announced separately on January 24, 2018 and the JPY8.0 billion to be borrowed in conjunction with the Merger are indicated (here and hereinafter).
- Yield based on appraised NOI stated in appraisal reports for the properties to be acquired is stated (here and hereinafter). Projected depreciation for the properties to be acquired is used for the calculation of NOI yield after depreciation (here and hereinafter).
- Yield calculated on the basis of annualized actual NOI amounts for the fiscal period ended September 30, 2017 is used (here and hereinafter). Actual depreciation for the same period is used for calculating NOI yield after depreciation (here and hereinafter).
- Calculated on the basis of the SHI acquisition prices.
- Actual NOI and actual depreciation, for the fiscal period ended October 31, 2017, are used for SHR assets and, for the fiscal period ended September 30, 2017, for assets acquired from SHI, and here and hereinafter, stated values are calculated taking into consideration changes in assets to be acquired and assets to be sold.
- Weighted average of building age based on acquisition (planned) price calculated with January 24, 2018 as the reference date (here and hereinafter).
- Occupancy rates based on leasable areas as of the end of December 2017 are stated.
- Stated planned interest-bearing liabilities of New SHR, as of the day that the Merger takes effect (scheduled for May 1, 2018), and which are specified in Note 10 below, are divided by projected total assets as of the same time (here and hereinafter).
- Interest-bearing liabilities of New SHR, as of the day that the Merger takes effect (scheduled for May 1, 2018), are the planned value based on total SHR and SHI interest-bearing liabilities, plus JPY8.0 billion in new loans to be obtained in conjunction with the Merger.
- Calculated based on market value basis (projected) net assets based on appraised values and the like, with (projected) total distribution amounts deducted.
- Forecast results for SHR announced on December 13, 2017 are stated. Further, with regard to adjusted forecast distribution per unit, the forecast distribution per unit divided by the split ratio (JPY2,680/2) is stated.
- Forecast results for SHI announced on November 15, 2017 are stated. Further, with regard to adjusted forecast distribution per unit, the forecast distribution per unit divided by the merger ratio and the split ratio (JPY2,200/0.825/2) is stated.
- The value for distribution per unit (including distributions in excess of earning) after the Merger in the forecast results announced separately on January 24, 2018 is stated. The percentage of increase/decrease is calculated by dividing the forecast distribution amount per unit of New SHR for the fiscal periods ending October 2018 and April 2019 by the adjusted forecast distribution per unit of SHR and SHI respectively.

Merger Scheme and Schedule

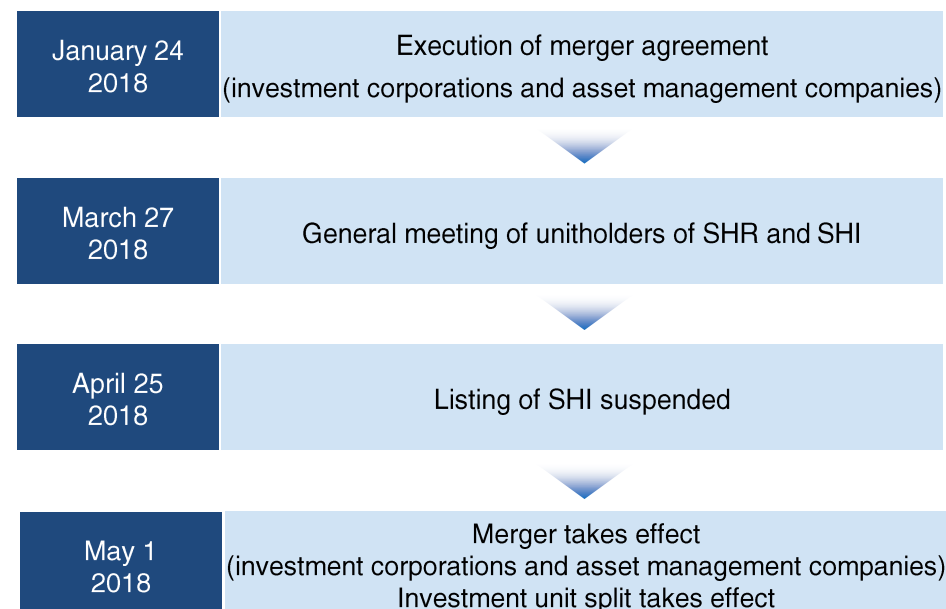
■ Merger Scheme of the Merger



■ Overview of the Merger

Merger Format	Absorption Type Merger Surviving Corporation: SHR Dissolving Corporation: SHI
Merger Ratio	SHR : SHI = 1 : 1.65 For each SHI investment unit, 1.65 SHR post-split investment units will be allocated (for reference purposes, the number of allocated investment units prior to split is 0.825 units)
Investment Unit Split	In order to ensure allocation of at least 1 SHR investment unit to SHI unitholders, SHR investment units will be split at a ratio of 1:2
General Meeting of Unitholders Resolutions	Premised on approval of a proposed resolution for approval of the merger agreement by the general meeting of unitholders of each Investment Corporation (special resolution ¹)

■ Schedule²



■ Merger of Asset Management Companies



1. Conditioned on attendance by unitholders holding a majority of issued investment units and approval of the resolution by at least two-thirds of the unitholders in attendance. In the case where an opposing resolution is not proposed, a deemed approval system shall be applied.

2. With regard to the schedule from January 25, 2018, planned dates are stated.

New SHR Financial Forecast

Factors Affecting Changes in Distributions					
	Goodwill	P.25/P.31	Forecast of 8th FP (Ending October 2018)	Forecast of 9th FP (Ending April 2019)	Comparison
	Deferred Hedge Losses	P.31			
	Inconsistency between accounting and taxation	P.31/P.32			
Operating revenues			12,077 million yen	12,135 million yen	+58 million yen
Operating income			5,683 million yen	6,366 million yen	+682 million yen
Ordinary income			4,980 million yen	5,626 million yen	+646 million yen
Net income			4,977 million yen	5,624 million yen	+646 million yen
Total amount of distributions			4,977 million yen	5,624 million yen	+647 million yen
Distributions of earnings (total)			4,431 million yen	5,624 million yen	+1,192 million yen
Distributions in excess of earnings (total)			545 million yen	0 million yen	-545 million yen
Distributions of amount equal to inconsistency between accounting and taxation			0 million yen	0 million yen	0 million yen
Distributions per unit (including distributions in excess of earnings)			1,323 yen	1,495 yen	+172 yen
Distributions per unit (excluding distributions in excess of earnings)			1,178 yen	1,495 yen	+317 yen
Distributions in excess of earnings per unit			145 yen	0 yen	-145 yen

- In conjunction with the Merger, it is expected that positive or negative goodwill will arise, but as of January 24, 2018, the amount is uncertain, and therefore the occurrence of positive or negative goodwill is not included in the projections of results.
- It is expected that SHI's interest rate swap deferred hedge loss for the Merger will be recorded for the 8th fiscal period, and the distributions per unit (excluding distributions in excess of earnings) will be calculated based on the amount from which this loss amount is deducted from unappropriated retained earnings. As of January 24, 2018, it is expected that New SHR will record 547 million yen as deferred hedge losses for the 8th fiscal period (accordingly, the distributions per unit (excluding distributions in excess of earnings) for the 8th fiscal period will be reduced by the recorded amount), and it is assumed the amount of such reduction will be distributed as temporary different adjustment. The final recorded amount will be the book value as of the 8th fiscal period, so it may be significantly different from the above anticipated amount.
- As of January 24, 2018, an inconsistency between accounting and taxation purposes of approximately 1,838 million yen (approximately 488 yen per unit) including taxable gain on sale is expected for the 8th fiscal period. However, if an inconsistency in excess income between accounting and taxation purposes ultimately occurs, New SHR intends to distribute the amount equal to the inconsistency in excess income between accounting and taxation purposes, by which it is expected to be able to avoid the occurrence of such tax burden. This distributions of the amount equivalent to this inconsistency between accounting and taxation purposes in the event income for tax purposes exceeds income for accounting purposes has not been factored into the figures in the Forecasts as the amount of the inconsistency between accounting and taxation may significantly change according to investments during this period. This means that the final distributions amount for the 8th fiscal period will change according to the amount that income for tax purposes actually exceeds profit for accounting purposes. Moreover, if goodwill is generated, amortization expenses appropriated will be an inconsistency between accounting and taxation purposes categories.
- Only deferred hedge losses mentioned in note 2 above has been factored into the figures in the Forecast, however, if the goodwill is generated, New SHR currently intends to make distributions in excess of earning as ATA for the amount equivalent to inconsistency between accounting and taxation purposes categories as stated in note 3 above.

2. Significance of the Merger

2. Significance of the Merger (1)

Creation of a highly stable diversified REIT having high quality residential properties and office buildings as its core assets

A stable and high quality portfolio centered on Prime Properties developed by the Sekisui House Group

SHR

- Portfolio composed entirely of high quality properties developed by Sekisui House
- Portfolio centered on relatively new office buildings and hotels
- Mainly highly stable, fixed-rent type master lease agreements



Garden City Shinagawa Gotenyama



Gotenyama SH Building



Homomachi Minami Garden City



Homomachi Garden City



HK Yodoyabashi Garden Avenue

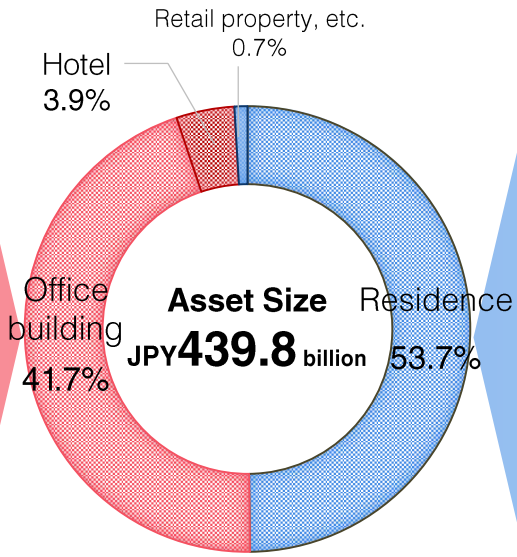


Hirokoji Garden Avenue

Average age as of end of period ²	6.8 years
Occupancy rate as of end of period ²	100.0%
Percentage of leases with fixed rent ²	92.0%

New SHR

Diversified REIT centered on Prime Properties



Percentage of Properties Acquired from Sekisui House Group ¹	82.0%
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SHI

- High quality properties developed by the Sekisui House Group are the core of the portfolio
- Portfolio of relatively new residences, mainly near stations
- Maintenance of a high and stable occupancy rate



Prime Maison Shirokanedai Tower



Prime Maison Otsuka



Prime Maison Asakusabashi



Prime Maison Hatsudai



Prime Maison Shirokanetakanawa



Prime Maison Ichigaya Yamabushicho

Average age as of end of period ²	10.2 years
Occupancy rate as of end of period ²	97.1%
Average occupancy rate over past 10 years ³	96.8%

1. The percentage the total acquisition (planned) value of assets acquired (planned) from the Sekisui House Group accounted for by the value of all assets acquired (planned) by SHR, SHI, and New SHR (with regard to SHI, 71 properties acquired (planned) in or after March 2010 with Sekisui House as the sponsor) is stated. When calculating the percentage, the acquisition prices of assets of New SHR was not used with regard to the acquisition prices of assets acquired by SHI, and the calculation was performed on the basis of SHI's acquisition prices.

2. Here and hereafter, the average age of SHR properties, occupancy rate, and percentage of leases with fixed rent as of the end of the period is as of the end of October 2017, the average age of SHI properties and occupancy rate as of the end of the period is as of the end of September 2017.

3. Averaged figures for SHI's average occupancy rates during each period (the ratio of the total leased area accounted for by the total leasable area of SHI's entire portfolio at the end of each month during the period) from the period ended March 2013 to the period ended September 2017 are stated.

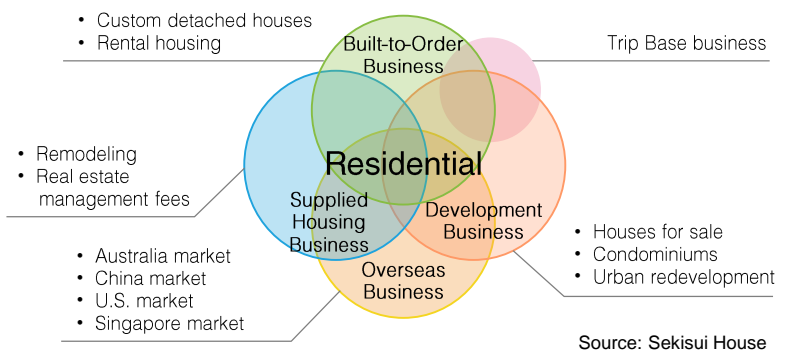
2. Significance of the Merger (2)

Increase of varied growth opportunities by utilizing the integrated corporate strength of the Sekisui House Group

Support from Sekisui House Group for External Growth Enhancing Growth Potential

■ Sekisui House Group Business Strategies

The development business of the Sekisui House Group promote the creation of quality communities through environment creation-oriented development and promote stable growth by increasing the asset turnover ratio.



■ Office Buildings Developed by Sekisui House for which SHR has Preferential Negotiating Rights

Property Name	Location	Unacquired Floor Area Ratio ¹
Garden City Shinagawa Gotenyama	Shinagawa-ku, Tokyo	19.0%
Hommachi Minami Garden City	Osaka-shi, Osaka	43.6%

■ Main Projects in Sekisui House's Urban Redevelopment Business^{2, 5}

1993: Umeda Sky Building (Shinumeda City)

2006: Akasaka Garden City

2010: Hommachi Garden City (Acquired property)

2011: Garden City Shinagawa Gotenyama (Acquired Property)⁶

2011: Gotenyama SH Building (Acquired Property)

2011: Hommachi Minami Garden City (Acquired Property)⁶

2011: Hirokoji Garden Avenue (Acquired Property)

2013: Grand Front Osaka

2015: The Ritz-Carlton, Kyoto

2015: HK Yodoyabashi Garden Avenue (Acquired Property)

2015: Otomon Tower JX Building

Main Future Projects (starting 2015): Akasaka 5-chome PJ (Provisional name)⁴, MM21-44 PJ (Provisional name)⁴

■ Sekisui House Group's Property Trading with SHR and SHI

Acquisitions (including planned acquisitions)		Sales	
Use	Number of Properties/Acquisition value	Use	Number of Properties/Assignment (planned) value
Office Buildings, Hotels	6 prop./JPY200.7billion	Retail Properties	1prop./JPY10.8 billion
Residences	44 prop./JPY95.4 billion	Residences	1prop./JPY0.7 billion
Total	50 prop./JPY296.1billion	Total	2prop./JPY11.6 billion

■ Prime Maison Planned and Developed by Sekisui House²

Completed Properties	Properties Under Construction ³	Planned Properties ⁴
1 prop./18 units Prime Maison Mita Tsunamachi (Minato-ku, Tokyo)	7 prop./1,063 units (Provisional name) Prime Maison Egotanomori (Nakano-ku, Tokyo)	5 properties (23 Wards of Tokyo)

1. The "unacquired floor area ratio" is the ratio of the unacquired floor area for which SHR had preferential negotiating rights to the total exclusive-use floor area of the building.
 2. As of the date of this document, there are no specific acquisition plans for the properties indicated as Prime Maison Planned and Developed by Sekisui House or Main Projects in Sekisui House's Urban Redevelopment Business.
 3. The images presented for properties under construction are images of the planned completed structures based on design drawings and the actual buildings may differ.
 4. Projects currently under consideration by Sekisui House; subject to change or cancellation without notice.
 5. The indicated properties include joint ventures with other companies and properties that have been sold.
 6. SHR has acquired a portion and has preferential negotiating rights for the remain.

Increase of varied growth opportunities by utilizing the integrated corporate strength of the Sekisui House Group

Support from Sekisui House Group for Internal Growth Emphasizing on Stability

- Provision of property management services related to owned assets
- Provision of Sekisui House Group’s high added value know-how and services relating to operation and management of real estate
- Collaboration on renovation and value-enhancing strategies and so on when acquiring properties over a certain age
- Investigation and collaboration for execution of master lease agreements tailored to property characteristics

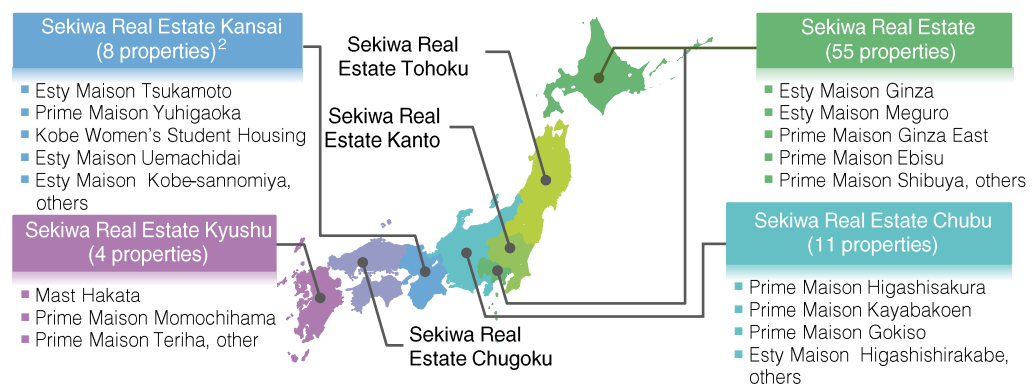
Residence

Outsourcing of PM Services to Sekiwa Real Estate Group¹ **78** properties/106 properties

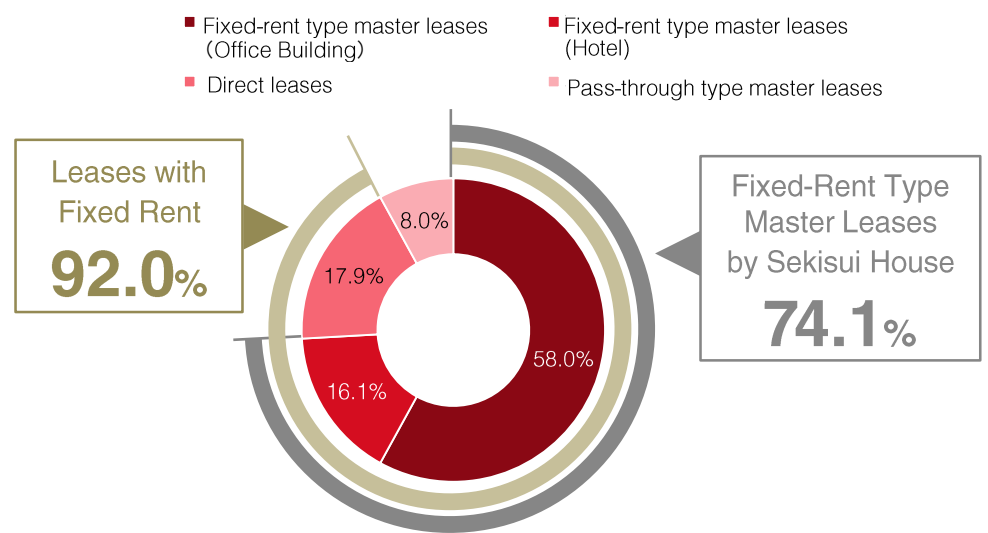
Office Building & Hotel

Outsourcing of PM Services to Sekisui House¹ **6** properties/6 properties

Utilize the Sekiwa Real Estate Group’s Leasing Network



Utilize Fixed-Rent type Master Lease Agreements









Performance of Sekiwa Real Estate Group, a Part of the Sekisui House Group
 (as of end of July 2017)
 Number of rental units under management nationwide: **595,000** Occupancy rate: **96.8%**

1. Of the properties planned to be owned by New SHR as of May 1, 2018, data for residences, office buildings and hotels are stated.
 2. Including properties entrusted to Sekiwa Kanri Kansai Co.,Ltd. a wholly-owned subsidiary of Sekiwa Real Estate Kansai.

Increase of varied growth opportunities by utilizing the integrated corporate strength of the Sekisui House Group

Utilize sponsor support to acquire 6 properties at a cost of JPY25.3 billion simultaneously with the Merger

■ Assets to be Acquired

Property Name	Prime Maison Shirokanedai Tower	Prime Maison Otsuka	Prime Maison Asakusabashi	Prime Maison Daikanyama	Prime Maison Gotenyama West	Esty Maison Toyosu Residence ²
Photo of Property						
Seller	Sponsor (Sekisui House)					
Location	Shinagawa-ku, Tokyo	Toshima-ku, Tokyo	Taito-ku, Tokyo	Meguro-ku, Tokyo	Shinagawa-ku, Tokyo	Koto-ku, Tokyo
Planned Acquisition Price	7,950 million yen	3,700 million yen	1,680 million yen	2,520 million yen	3,400 million yen	6,050 million yen
Appraisal Price ¹	8,340 million yen	3,860 million yen	1,760 million yen	2,650 million yen	3,560 million yen	6,440 million yen
NOI Yield	Before Dep.	4.4%	4.6%	4.6%	4.5%	4.5%
	After Dep.	3.8%	3.8%	3.9%	3.9%	3.8%
Occupancy Rate ¹	88.3%	85.1%	94.3%	61.4%	85.1%	98.0%
Planned Acquisition Date	May 1, 2018					
Completion Date (Age) ¹	May 20, 2016 (1.7 years)	January 11, 2017 (1.0 years)	October 7, 2016 (1.3 years)	January 12, 2017 (1.0 years)	January 18, 2011 (7.0 years)	February 28, 2008 (9.9 years)

1. Real property appraisal values are as of December 1, 2017, occupancy rates are as of the end of December 2017, and property ages are as of January 24, 2018.

2. The property name of the Esty Maison Toyosu Residence is "Toyosu Residence" as of January 24, 2018, but there is a plan to change the property brand name to Esty Maison, and therefore, after the change, the name will be as stated (here and hereafter).

■ Enhancement of Portfolio Quality by Replacing Properties

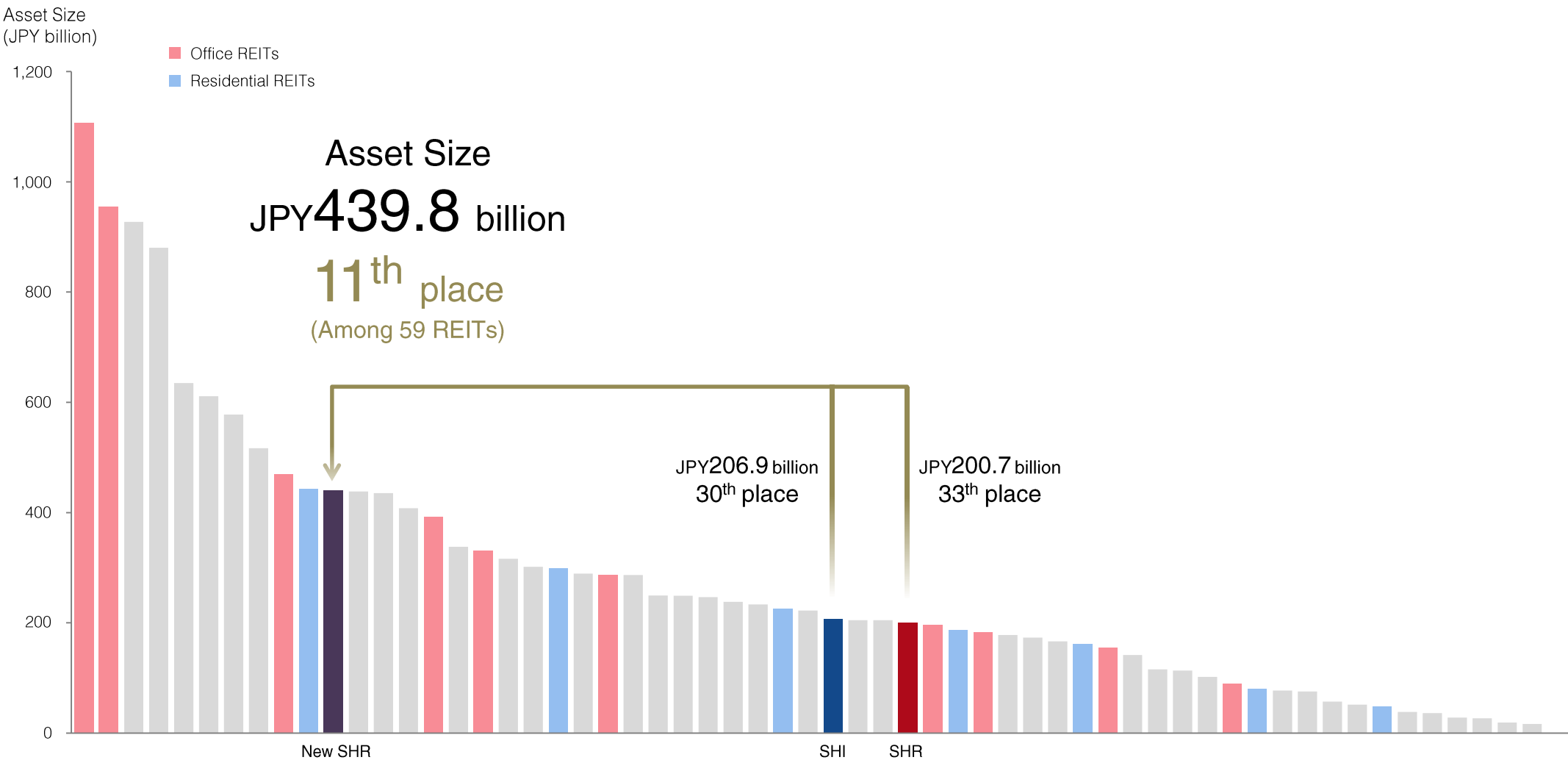
Properties to be Acquired (6 properties)		New SHR		Properties to be Sold (12 properties) ¹	
Total acquisition price	JPY25.3 billion	Acquisition	Sale	Total sale price	JPY16.4 billion
NOI Yield	Bef. Dep. 4.8%			NOI Yield	Bef. Dep. 4.4%
	Aft. Dep. 3.7%			Aft. Dep. 2.7%	
Percentage located in Greater Tokyo	100.0%	Sekisui House	Third Party	Percentage located in Greater Tokyo ²	51.7%
Average age	4.2 years			Average age	13.8 years

1. The planned sale date is May 1, 2018.

2. Calculated on the basis of SHI acquisition prices.

Greater Market Presence due to an Increase in the Scale of Assets

As a result of the Merger, the total asset size will reach JPY439.8 billion and New SHR's presence in the J-REIT market will be enhanced

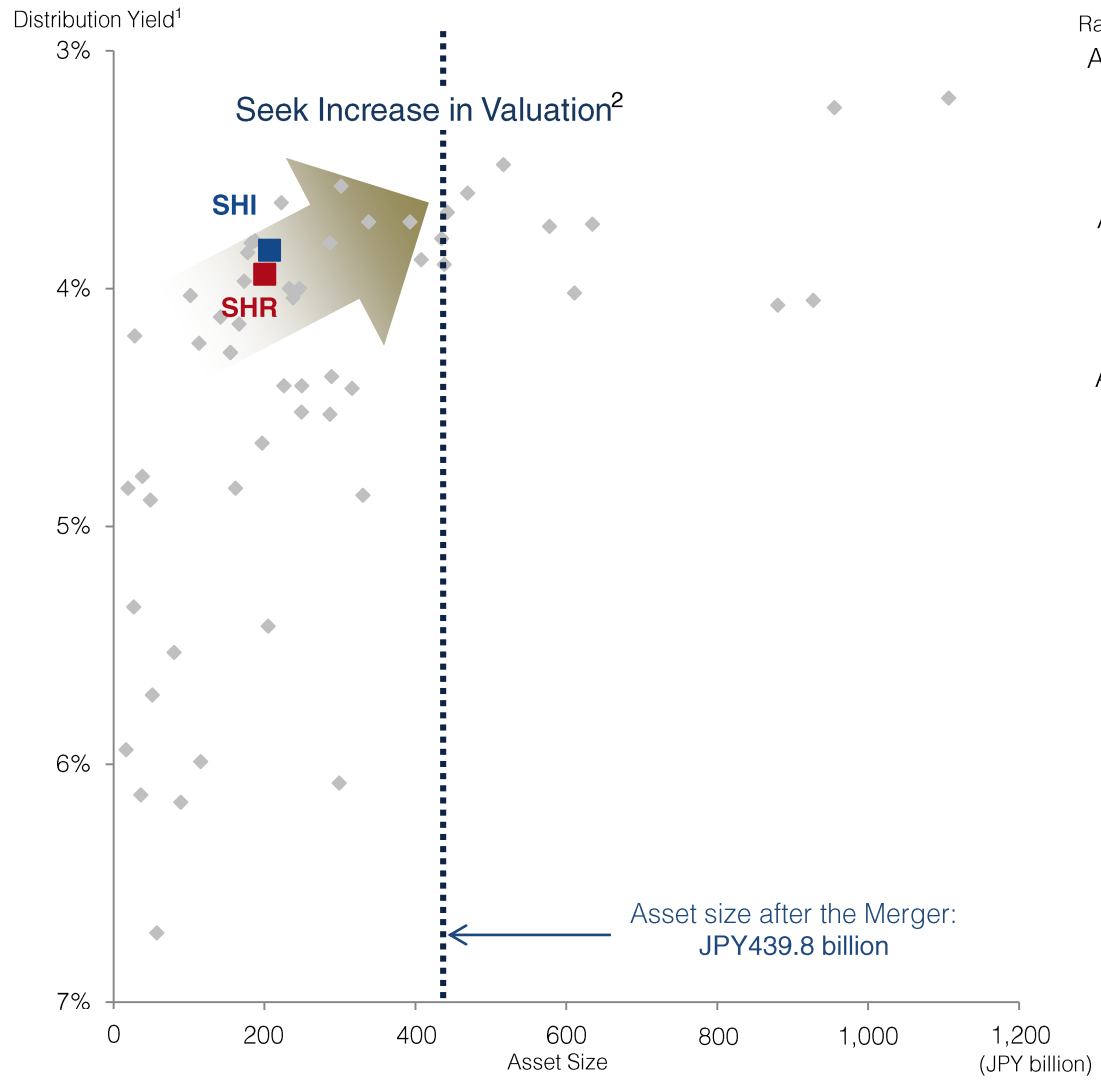


Note: The asset size of each J-REIT is based on total acquisition prices (as of the end of the most recent fiscal period) stated in each J-REIT's financial information disclosed as of January 19, 2018 (here and hereinafter).

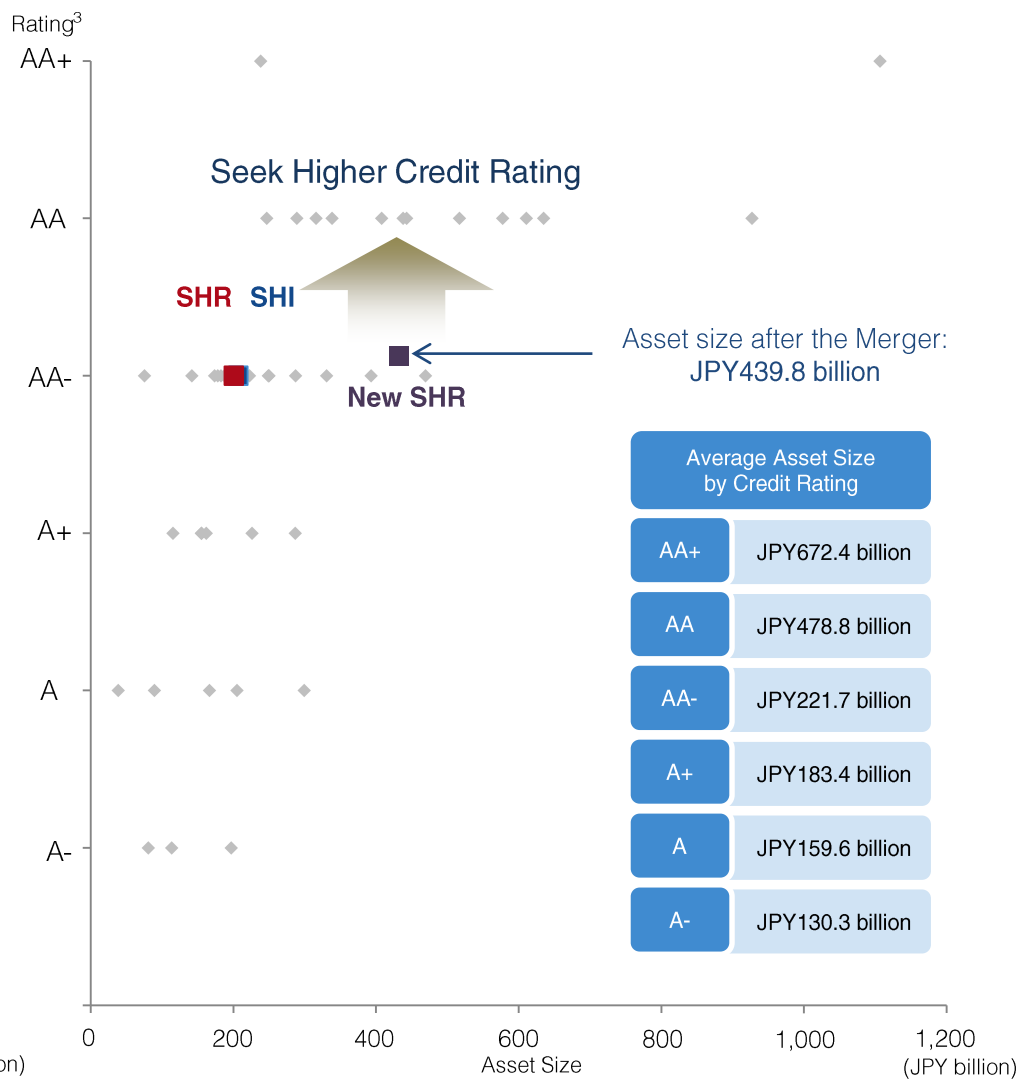
Benefit Expected by Greater Market Presence

After the Merger, increased valuation and a higher credit rating will be expected

Asset Size and Distribution Yield¹



Asset Size and Credit Rating³



1. For distributions yields, annualized projected distributions amounts for the following year announced by each REIT as of January 19, 2018, are divided by the prices of investment units for each REIT as of January 19, 2018.
 2. For the "increase in valuation," a decrease in the distribution yield will be sought by increasing the investment unit price.
 3. Prepared using data released by the Japan Credit Rating Agency, Ltd. (JCR) as of January 19, 2018.

3. Strategies of New SHR

Philosophy of New SHR: Philosophy Shared with Sekisui House

Investment Strategy

Priority investment in residential and commercial properties (Prime Properties) with “strategic location” and “high quality” as pillars

Growth Strategy

Maximize use of Sekisui House Group’s real estate development and management capabilities, and the like to implement growth strategies

Philosophy

“Provision of High Quality Social Capital” and “Maximization of Unitholder Value”

Initiatives to be undertaken in common with Sekisui House

- Comfortable housing and ecologically sound communities
- Provision of high quality social capital based on the concept of “communities that grow increasingly attractive over time”
- Realization of a sustainable society based on residences

New SHR Growth Strategy (1): Portfolio Development Policies and Medium-to Long-Term Investment Targets

■ Asset Categories

Build a portfolio with residential properties as base and center of human life and office buildings as business activity base, as its core asset
 Invest in hotels that are expected to continue growing

Asset Category	Type	Examples of Specific Asset Types	Portfolio Development Policy	New SHR (Portfolio Post-Merger)	Medium- to Long-Term target Investment ratio ^{note}
Residential Properties	Core Assets				
	Residence	Residences Student dormitories, Company housing	30~55%	53.7%	Approx. 45%
Commercial Properties	Office building	Office buildings Data centers	30~55%	41.7%	Approx. 45%
	Hotel	Hotels Service apartments	0~30%	3.9%	Approx. 10%
	Retail property, etc.	Retail properties, Senior properties (Housing for the elderly with services, Fee-based homes for the aged, Daycare centers)	0~10%	0.7%	Approx. 0~10%

Note: Target investment ratios for the New SHR portfolio are stated as medium-to long-term target investment ratio. New SHR does not make any guarantees or promises that those targets will be achieved, and the actual investment ratios may differ substantially from the targets.

■ Investment Areas

Priority investment areas will be set in light of the characteristics of each asset category.
 Regarding overseas real estate investments: investments in residences and commercial properties will be allowed, but will maintain a cautious stance for now.

Asset Category	Priority Investment Area	Portfolio Development Policy	New SHR (Portfolio Post-Merger)
Residential Properties	Greater Tokyo	At least 70%	74.1%
Commercial Properties	Three Major Metropolitan Areas (Greater Tokyo, Osaka Area, Nagoya Area)	At least 80%	98.6%

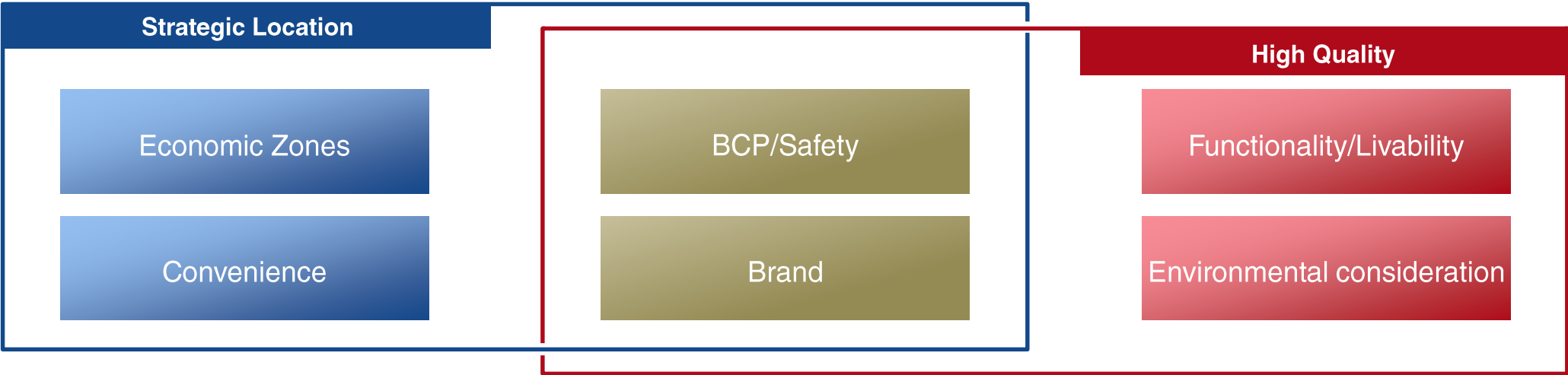
New SHR Growth Strategy (2): Continue Investing in Prime Properties

Priority investment in Prime Properties will be continued with the aim of enhancing the quality of the portfolio

- Prime Properties centered on “Strategic Location” and “High Quality”

	Strategic Location	High Quality
Residential Properties	Sites suited for “bases for sustainable living” for residents	As residences, provide high basic functionality, such as comfort and safety, and give due consideration to the environment as a societal request to make comprehensive determinations regarding buildings suited to the neighborhoods and the like
Commercial Properties	Sites suited for “sustainable bases of operation” of tenant companies	In addition to the functionality wanted by tenant companies, give consideration to the environment as a societal request establish specifications suitable for BCP sites to make comprehensive determinations regarding buildings suited to the neighborhoods and the like

- Elements of Strategic Locations and High Quality



New SHR Growth Strategy (3): Set an Asset Size Target of JPY600 billion and Pursue Further Growth

Seek to increase the asset size while maintaining a stable and high quality portfolio

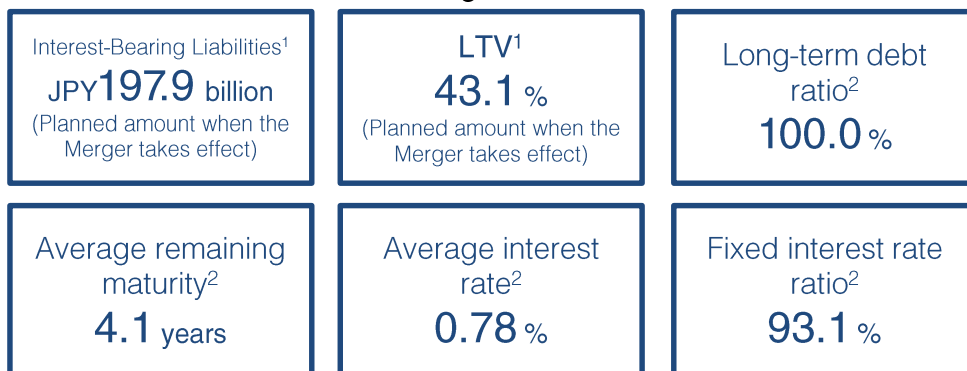


Financial Strategies of New SHR

Financial Policies Emphasizing Stability

Policy of controlling LTV up to approximately 45% of total assets excluding goodwill
 Diversify repayment deadlines, extend repayment deadlines, and obtain fixed interest rates

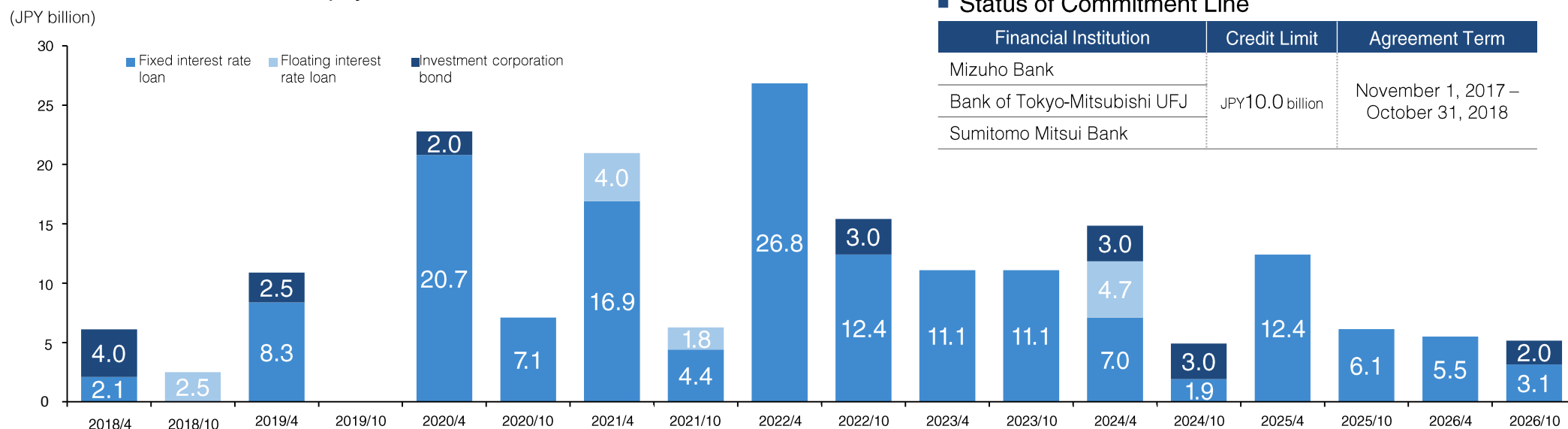
Financial Indicators After the Merger



Status of Interest-Bearing Liabilities²

Financial Institution	Balance (JPY bil)	Ratio	Financial Institution	Balance (JPY bil)	Ratio
Sumitomo Mitsui Banking Corporation	32.5	19.1%	The Bank of Fukuoka, Ltd.	2.4	1.4%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	28.8	16.9%	Aozora Bank, Ltd.	2.2	1.3%
Mizuho Bank, Ltd.	26.1	15.3%	Shinkin Central Bank	1.6	0.9%
Sumitomo Mitsui Trust Bank, Limited	16.3	9.6%	The Senshu Ikeda Bank, Ltd.	1.3	0.8%
Mizuho Trust & Banking Co., Ltd.	12.2	7.2%	The 77 Bank, Ltd.	1.3	0.8%
Mitsubishi UFJ Trust and Banking Corporation	11.5	6.8%	The Shizuoka Bank, Ltd.	1.3	0.8%
Resona Bank, Limited	10.5	6.2%	The Hiroshima Bank, Ltd.	1.3	0.8%
Development Bank of Japan, Inc.	10.4	6.1%	The Yamaguchi Bank, Ltd.	1.3	0.8%
The Norinchukin Bank	8.9	5.3%	Loan Total	170.4	100.0%
Investment Corporation Bonds Total	19.5	—	Total Interest-Bearing Liabilities	189.9	—

Status of Diversification of Repayment Deadlines²



Status of Commitment Line

Financial Institution	Credit Limit	Agreement Term
Mizuho Bank	JPY10.0 billion	November 1, 2017 – October 31, 2018
Bank of Tokyo-Mitsubishi UFJ		
Sumitomo Mitsui Bank		

1. Calculated on the basis of the planned total amount of New SHR interest-bearing liabilities when the Merger takes effect (scheduled for May 1, 2018) including JPY8.0 billion in new planned loans.

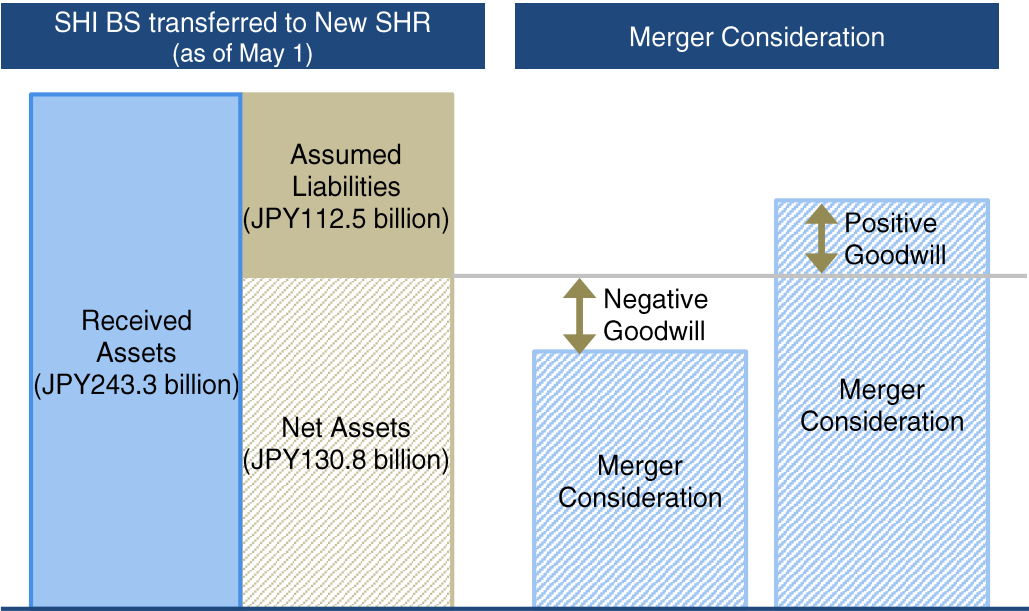
2. Calculated as the sum of SHR and SHI interest-bearing liabilities as of January 24, 2018.

Goodwill

Goodwill is calculated on differences between “SHI net assets” and “merger consideration”

However, the final amount will be determined on the basis of the SHR’s investment unit price when the Merger takes effect, and therefore is uncertain at this time.

■ Conceptual Diagram



※ Merger consideration = SHR’s investment unit price (as of time when the Merger takes effect) × 1,824,091 units (=no. of new units issued)

- In the case where the SHR’s investment unit price increases after public announcement, the merger consideration will increase
 - Decrease in negative goodwill or increase in positive goodwill
- In the case where the SHR’s investment unit price decreases after public announcement, the merger consideration will decrease
 - Increase in negative goodwill or decrease in positive goodwill

■ Accounting and Financial Effects under Different Patterns (Positive and Negative Goodwill)

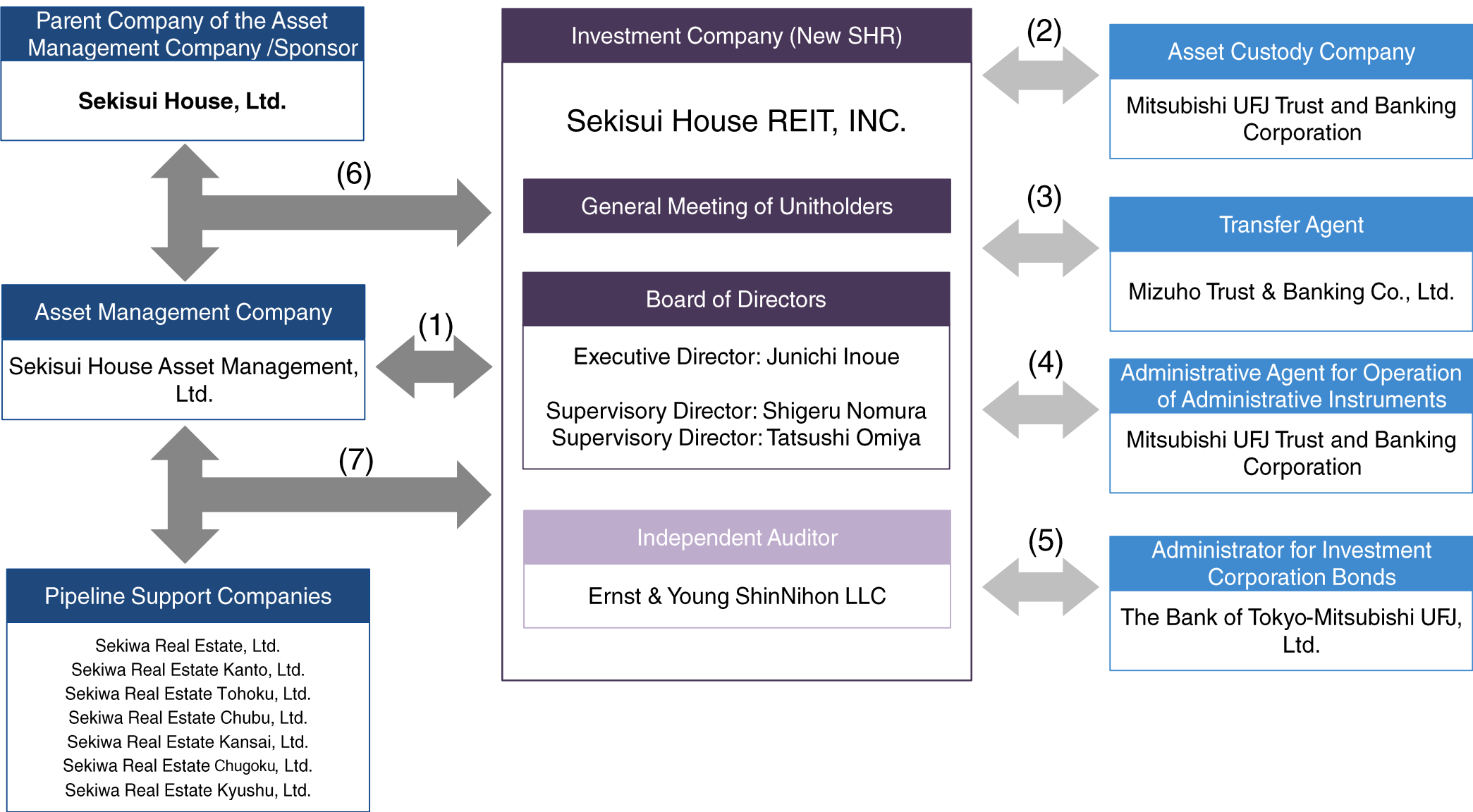
	Positive Goodwill	Negative Goodwill
Handling on BS	<ul style="list-style-type: none"> Recorded as an intangible asset 	<ul style="list-style-type: none"> The portion not applied to distributions in the first FP of New SHR is recorded in net assets as “reserve for temporary difference adjustment (RTA)”
Handling on PL	<ul style="list-style-type: none"> Straight-line amortization within 20 years as an operating expenses 	<ul style="list-style-type: none"> Recorded as extraordinary income in the first FP of New SHR
Impact on distributions	<ul style="list-style-type: none"> Amount equal to goodwill amortization expenses distributed as “allowance for temporary difference adjustment (ATA)” 	<ul style="list-style-type: none"> At least 1% of the initial RTA reserve amount is drawn down continuously and applied to distributions Can be used flexibly as source of distribution added to net income

■ Accounting and Tax Handling for Unitholders who Receive Distributions

	Accounting Handling	Tax Handling
Distribution of earnings / drawdown of RTA	<ul style="list-style-type: none"> Distribution of profit 	<ul style="list-style-type: none"> Treated as dividend income
ATA	<ul style="list-style-type: none"> “Distribution of profit” or “Refund of capital” depending on the accounting policies of each unitholders 	<ul style="list-style-type: none"> Treated as dividend income
(reference) Distribution of excess profit (OPD)	<ul style="list-style-type: none"> Refund of capital (reduction of book value) 	<ul style="list-style-type: none"> Is a “reduction in capital for tax purposes” and is treated as “deemed dividends” and “deemed gain on sale”

4. Structure of New SHR

Operating Structures of New SHR (Planned)



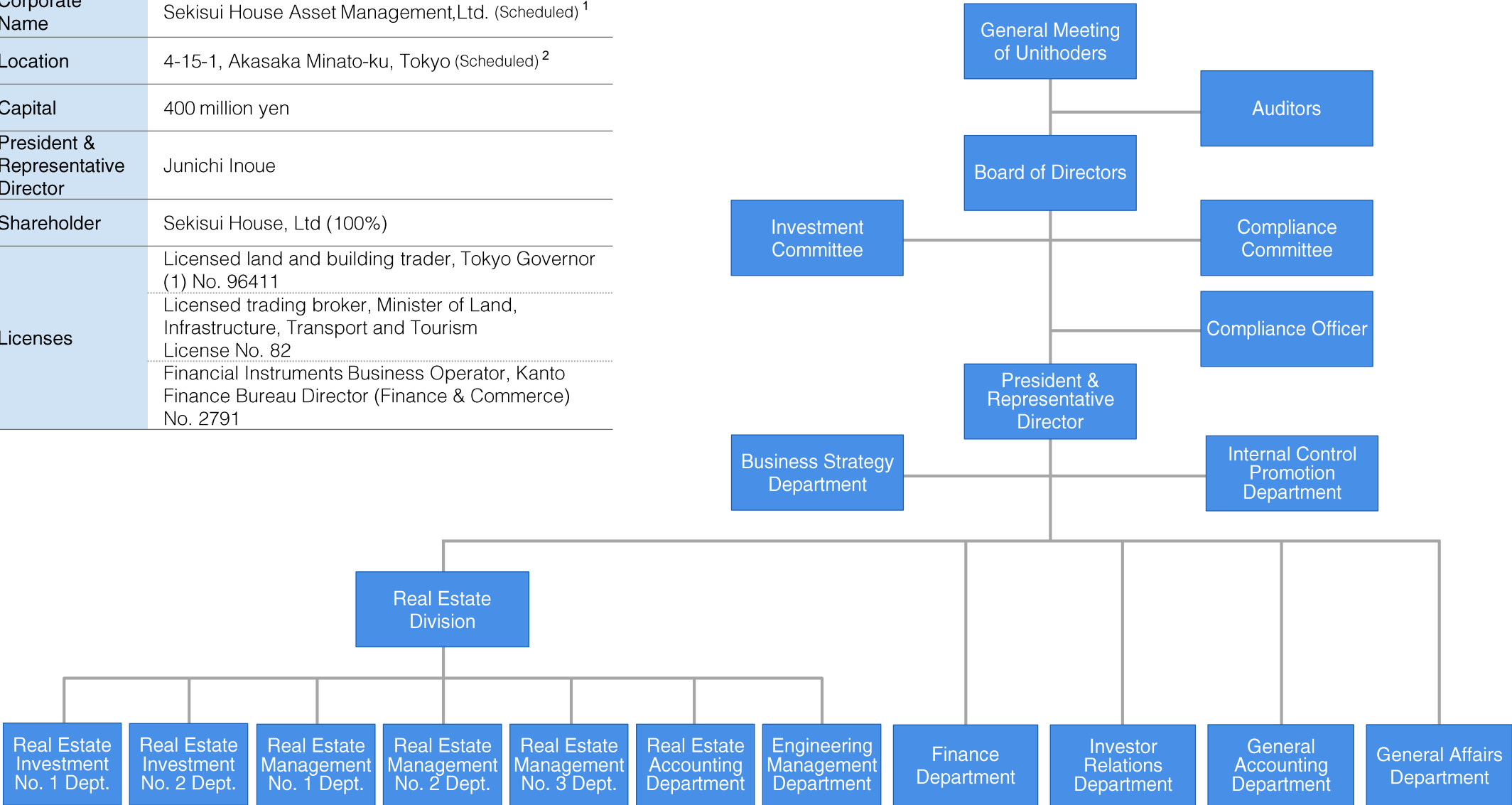
(1) Asset Management Agreement (2) Asset Custody Agreement (3) Administrative Agreement (Administration of Investment Units)
 (4) General Administrative Agreement (5) Financial Agent Agreement (6) Sponsor Support Agreement, etc. (7) Agreement on Preferential Negotiating Rights, etc.

Overview and Organizational Structure of New Asset Management Company

■ Overview of New Asset Management Company

Corporate Name	Sekisui House Asset Management, Ltd. (Scheduled) ¹
Location	4-15-1, Akasaka Minato-ku, Tokyo (Scheduled) ²
Capital	400 million yen
President & Representative Director	Junichi Inoue
Shareholder	Sekisui House, Ltd (100%)
Licenses	Licensed land and building trader, Tokyo Governor (1) No. 96411 Licensed trading broker, Minister of Land, Infrastructure, Transport and Tourism License No. 82 Financial Instruments Business Operator, Kanto Finance Bureau Director (Finance & Commerce) No. 2791

■ Operational Organizational Structure (Scheduled)



1. It is planned that, simultaneously with the absorption type merger with May 1, 2018 as the effective date subject to the effectiveness of the Merger, whereby SHIA will be the surviving company and SHAM will be the dissolving company in the merger, SHIA will change its corporate name to "Sekisui House Asset Management, Ltd."
 2. It is planned that SHIA will move its head office on May 1, 2018.

Asset Management Fee Structure of New SHR

■ Asset Management Fee Structures (Before the Merger)

SHR		SHI		
Management Fee I (linked to total assets) Total assets × 0.15%	Management Fee II (linked to performance) DPU ² × Operating income ³ × 0.0023%	Management Fee I (linked to total assets) Total assets × 0.15% (If more than JPY200 billion, then 0.10%)	Management Fee II (linked to performance) NOI ⁵ × 4.0%	
Management Fee III (acquisition fees) Acquisition purchase price × 0.3% (Transactions with related parties: 0.15%)	Management Fee IV (disposition fees) Sale price × 0.5% ⁴ (Transactions with related parties: None)	Management Fee III (acquisition fees) Acquisition Price × 0.8% (Transactions with related parties: 0.4%)	Management Fee IV (disposition fees) Sale price × 0.8% (Transactions with related parties: 0.4%)	Management Fee V (merger fee) Value of Real Estate-Related Assets held by investment corporation × 0.8% ⁴

■ Asset Management Fee Structures (When the Merger takes effect)⁶

New SHR				
	Management Fee I (linked to total assets) Total assets × 0.15%	Management Fee II (linked to performance) DPU ² × Operating income ³ × 0.0020%		
Management Fee III (acquisition fees) Acquisition purchase price × 0.3% (Transactions with related parties: None)	Management Fee IV (disposition fees) Sale price × 0.3% (Transactions with related parties: None)		Management Fee V (merger fee) Value of Real Estate-Related Assets held by investment corporation × 0.4%	

1. With regard to rates, unless otherwise specified, applicable rates or expected rates are stated instead of maximum rates.
 2. Calculated as the distributable amount of pre-deduction Management Fee II divided by the total number of issued investment units.
 3. Operating Income of pre-deduction Management Fee II
 4. There are no indications regarding the applicable rates; accordingly, the maximum rates are indicated.
 5. The total amount of real estate leasing business income calculated in each business period minus the total amount of real estate leasing business expenses (excluding depreciation and losses on retirement of fixed assets).
 6. Approval of general meeting of unitholders of SHR which will be held on March 27, 2018 is required.

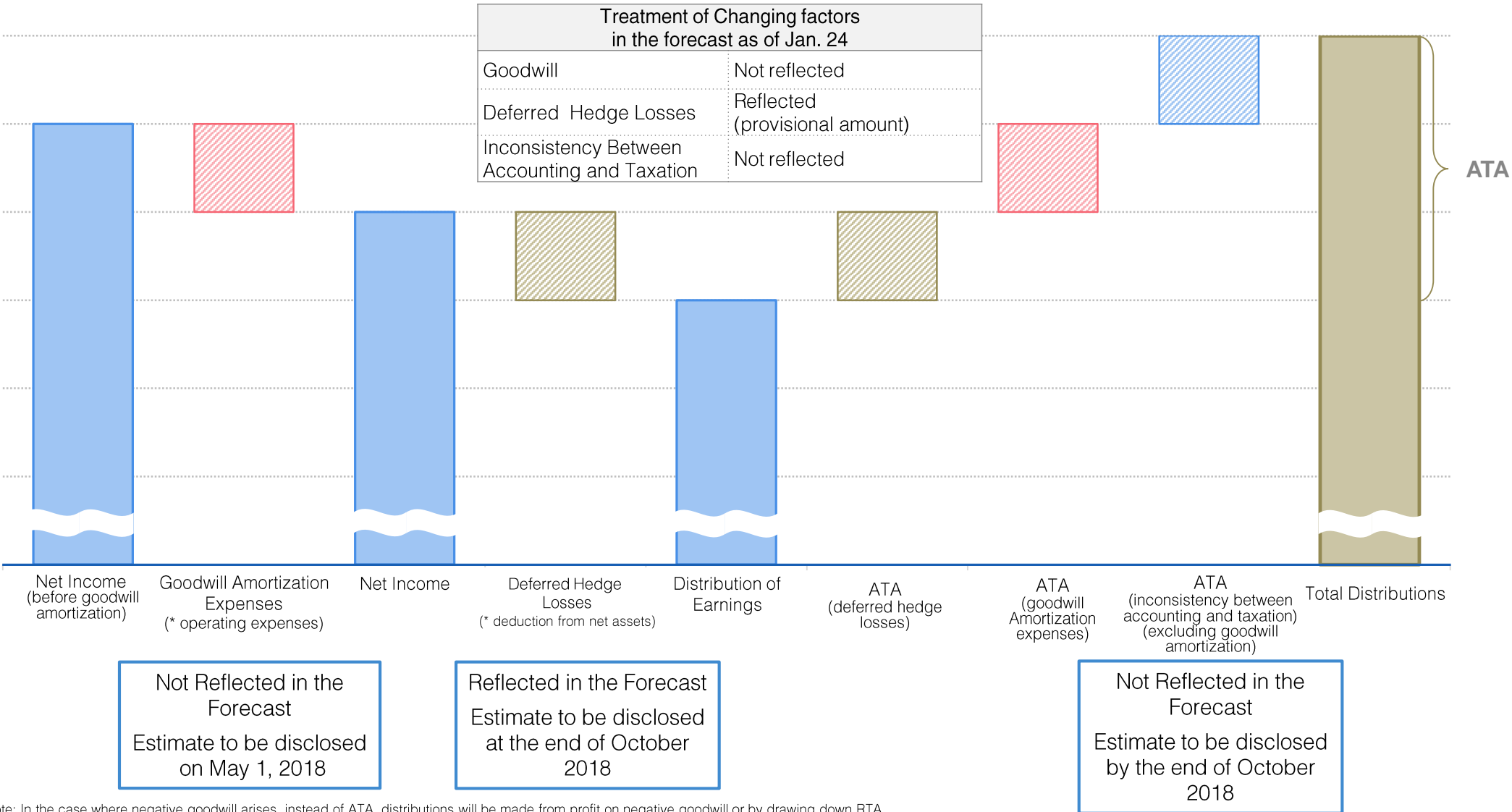
5. Financial Forecast (supplementary information)

Changing Factors of New SHR Distributions (in the case of Positive Goodwill)

“Goodwill amortization”, “SHI’s interest rate swap deferred hedge losses”, and “inconsistency between accounting and taxation” are changing factors of New SHR distributions.

- The forecast announced on January 24, 2018 reflect only provisional amount for deferred hedge losses, and definitive distribution amounts may differ.
- Total distributions equal [Distribution of Profit + ATA (deferred hedge losses + Goodwill amortization expenses + inconsistency between accounting and taxation)] or [Net income (before goodwill amortization) + inconsistency between accounting and taxation].

Treatment of Changing factors in the forecast as of Jan. 24	
Goodwill	Not reflected
Deferred Hedge Losses	Reflected (provisional amount)
Inconsistency Between Accounting and Taxation	Not reflected

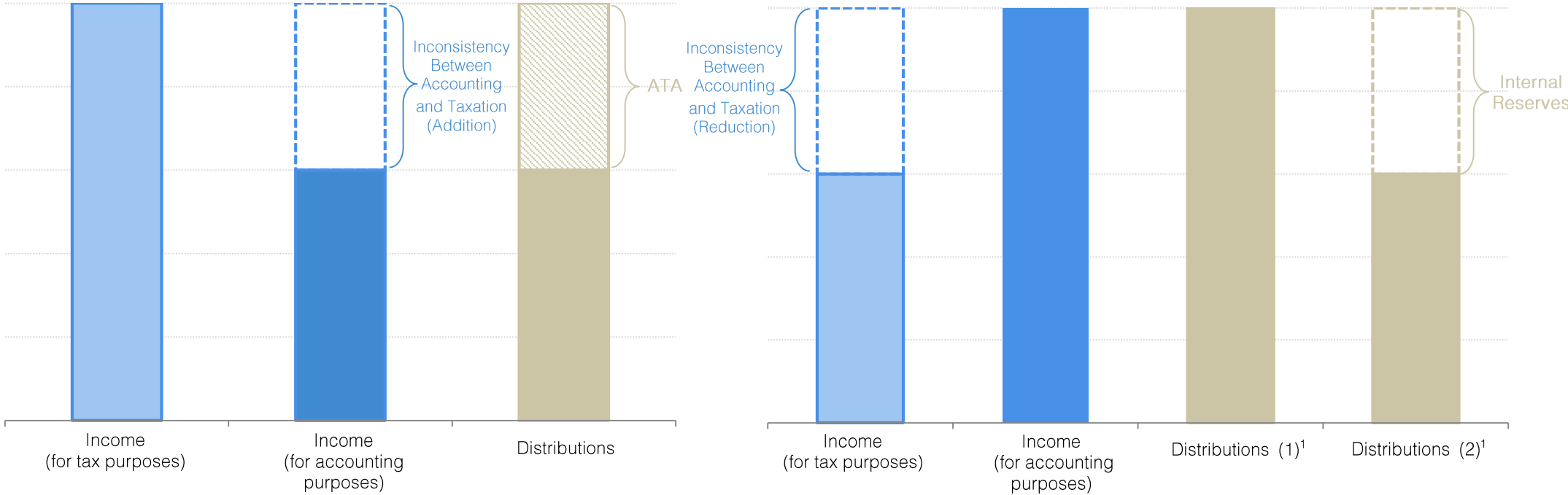


Note: In the case where negative goodwill arises, instead of ATA, distributions will be made from profit on negative goodwill or by drawing down RTA.

Inconsistency between Accounting and Taxation

New SHR is expected to have various inconsistencies between accounting and taxation, and they are expected to be changing factors of New SHR distributions. (for the moment after the Merger, factors that will increase distributions, inconsistency in excess income between accounting and taxation purposes, are expected to occur.)

- Additions (Income for tax purposes > Income for accounting purposes)
- Reductions (Income for tax purposes < Income for accounting purposes)



■ Main Inconsistencies Between Accounting and Taxation Purposes Categories

Additions (Income for tax purposes > Income for accounting purposes)	Expenses for accounting purposes but not tax purposes	✓ Goodwill amortization ✓ Depreciation ² ✓ Leasehold amortization
	Revenues for tax purposes but not for accounting purposes	✓ Gain on the sale of property ³
Reductions (Income for tax purposes < Income for accounting purposes)	Revenues for accounting purposes but not for tax purposes	-
	Expenses for tax purposes but not for accounting purposes	✓ Financing expenses ⁴ ✓ Loss on the sale of property ³

1. Income for tax purposes is less than income for accounting purposes, and therefore internal reserves can be retained to the extent that income taxes do not arise without distributing profit, but no specific policy has been established at this time.
 2. In conjunction with the merger, the book values of SHI properties will be adjusted, and depreciation expenses for tax purposes will be less than for accounting purposes; accordingly, an inconsistency between accounting and taxation purposes is expected to occur.
 3. In conjunction with the merger, the book values of SHI properties will be adjusted, and gain/loss on the sale of properties will be different for tax and accounting purposes; accordingly, an inconsistency between accounting and taxation purposes is expected to occur.
 4. SHI's prepaid expenses that are reported as financing expenses will not be transferred to SHR; accordingly, an inconsistency between accounting and taxation purposes is expected to occur.

Appendix

Overview of SHR and SHI

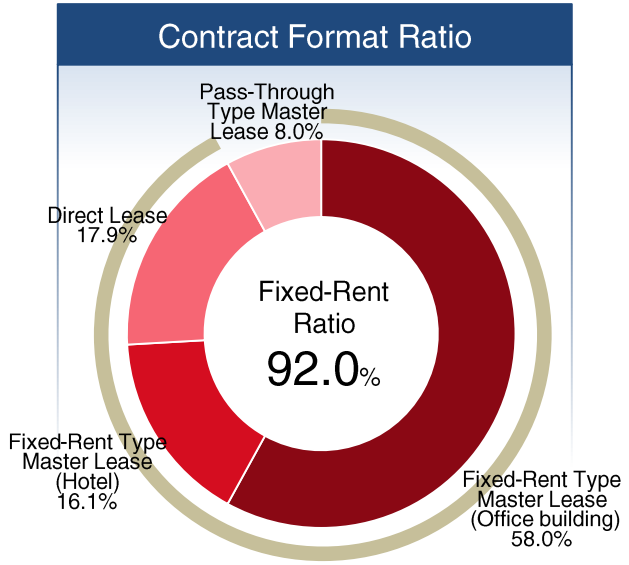
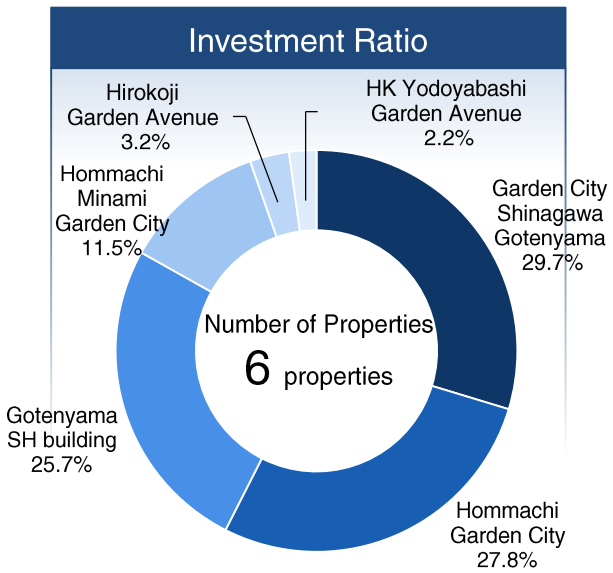
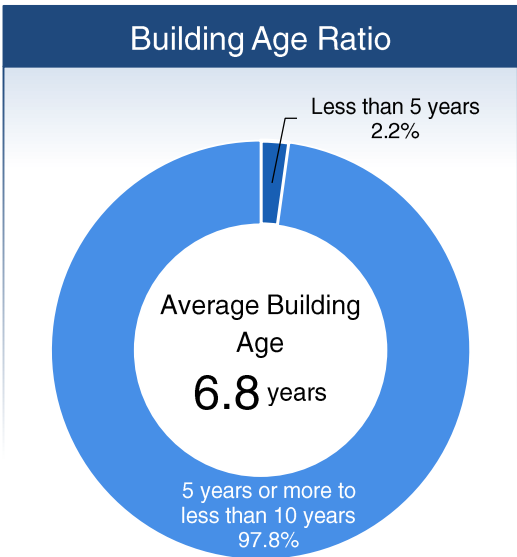
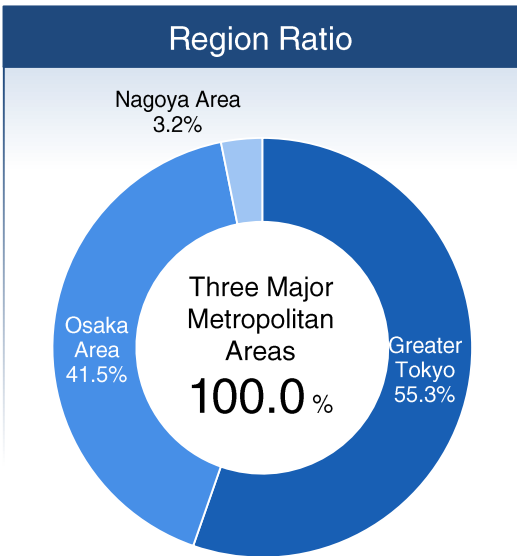
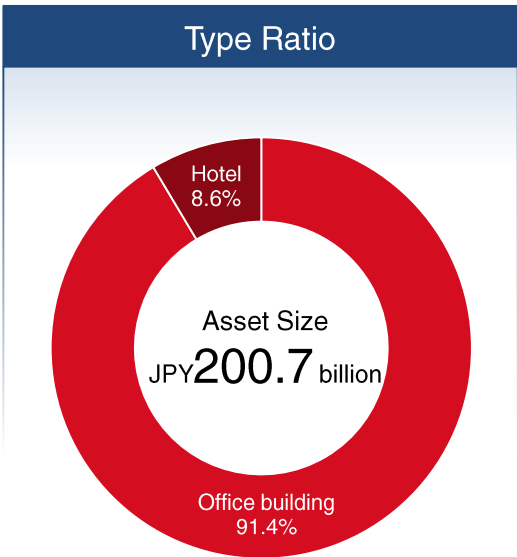
Investment Corporation Name	Sekisui House Reit, Inc. (SHR)	Sekisui House Residential Investment Corporation (SHI)
Representative (executive director)	Junichi Inoue	Osamu Minami
Auditors	Shigeru Nomura Tatsushi Omiya	Kaoru Takamatsu Mikio Koyano
Stock code	3309	8973
Listing date	December 3, 2014	July 28, 2005
Fiscal periods	April and October	March and September
Number of issued investment units ^{Note}	969,000 units	1,105,510 units
Total capitalization ^{Note}	110,189 million yen	98,633 million yen
Asset Management Company	Sekisui House Investment Advisors, Ltd.	Sekisui House Asset Management, Ltd.
Asset Custody Company	Mitsubishi UFJ Trust and Banking Corporation	Mizuho Trust & Banking Co., Ltd.
Register of Unitholders Administrator	Mizuho Trust & Banking Co., Ltd.	Mizuho Trust & Banking Co., Ltd.
General Administrative Agent (administration relating to accounting, etc.)	Mitsubishi UFJ Trust and Banking Corporation	Mizuho Trust & Banking Co., Ltd.
General Administrative Agent (administration relating to institutional operation)	Mitsubishi UFJ Trust and Banking Corporation	Sekisui House Asset Management, Ltd.
General Administrative Agent relating to Investment Corporation Bonds (fiscal agent, etc.)	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Note: Figures as of January 24, 2018 are stated, and total capitalization is rounded down to the nearest million yen.

Features of SHR and SHI

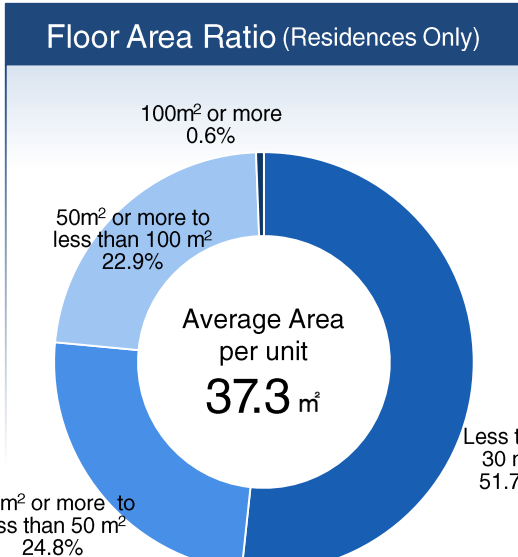
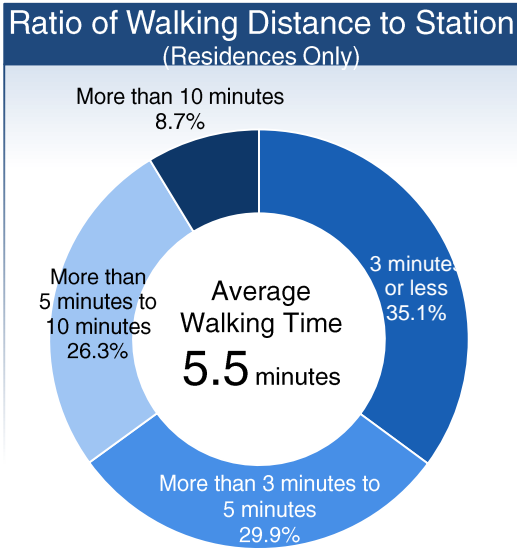
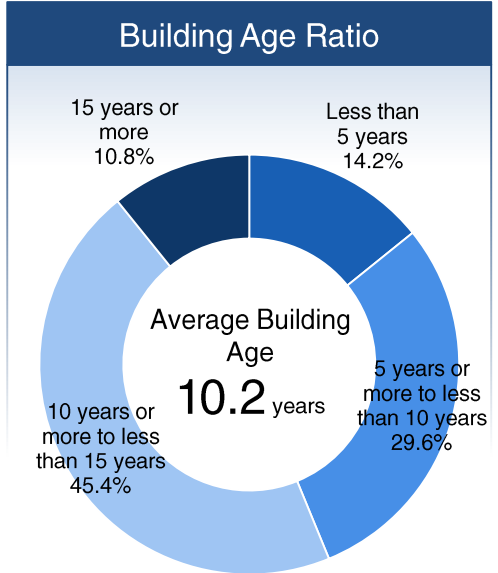
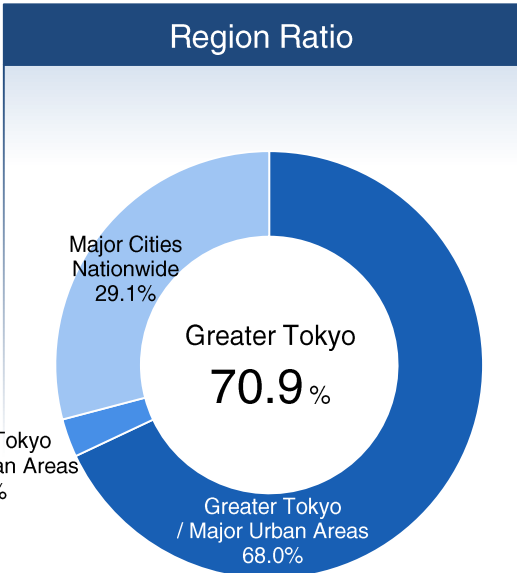
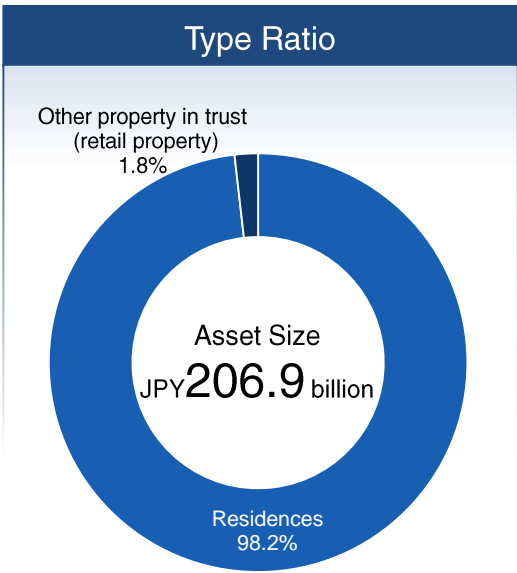
Investment Corporation Name	Sekisui House Reit, Inc. (SHR)	Sekisui House Residential Investment Corporation (SHI)
Investment Targets	<ul style="list-style-type: none"> ■ Comprehensive investment with office building, retail property, hotel, and other commercial properties as investment targets ■ Priority investment in office buildings in the Three Major Metropolitan Areas in Japan (Greater Tokyo, Osaka Area and Nagoya Area) 	<ul style="list-style-type: none"> ■ Residential-oriented fund with real property, whose main purpose is residential, as investment targets *Residences include student dormitories, company housing, and housing for the elderly with services ■ Greater Tokyo / Major urban Areas are the priority investment areas with diversified investment in Greater Tokyo / other urban Areas and Major Cities nationwide
Portfolio <small>Note</small>	<ul style="list-style-type: none"> ■ 6 properties, JPY200.7 billion (ranked 7th among 11 office REITs) ■ Office building: 91.4%, Hotel: 8.6% ■ Greater Tokyo: 55.3%, Osaka Area: 41.5%, Nagoya Area: 3.2% ■ Average building age: 6.8 years ■ Occupancy rate: 100.0% 	<ul style="list-style-type: none"> ■ 113 properties, JPY206.9 billion (ranked 4th among 8 residential REITs) ■ Greater Tokyo / Major urban Areas: 68.0%, Greater Tokyo / other urban Areas: 2.9%, Major Cities nationwide: 29.1% ■ Average building age: 10.2 years ■ Occupancy rate: 97.1%
Investment Performance	<ul style="list-style-type: none"> ■ Reached an asset size of JPY200 billion in two years and six months after public listing as a result of capital increases through public offerings over three consecutive years ■ Achieves growth through the acquisition of stable and high-quality properties from Sekisui House, the company's sponsor 	<ul style="list-style-type: none"> ■ After participating in management of the former Joint REIT Investment Corporation in 2010, implemented five capital increases through public offerings and doubled its asset size. ■ Since 2010, continuously acquired 38 of 71 properties from Sekisui House and has achieved steady growth.
Growth Strategy	<ul style="list-style-type: none"> ■ Uses its sponsor pipeline while taking into consideration distribution levels with the aim of achieving an asset size of JPY300 billion 	<ul style="list-style-type: none"> ■ Seeks to achieve an asset size of JPY300 billion while maintaining and improving distribution levels
Portfolio Features and Strengths	<ul style="list-style-type: none"> ■ Development of a high-quality portfolio of relatively new properties located in Three Major Metropolitan Areas ■ Operations emphasize stability of income with a focus on fixed-rent type master leases 	<ul style="list-style-type: none"> ■ Investment targets are residences with highly stable income ■ Highly competitive portfolio with a focus on relatively new properties near stations in the Greater Tokyo.

SHR's Portfolio (Before the Merger)



Note: Figures are based on data as of the term ended October 2017 and other information as of the end of that term.

SHI's Portfolio (Before the Merger)



Note: Figures are based on data as of the term ended September 2017 and other information as of the end of that term.

List of New SHR's Portfolio

Type	Property name	Location	(Projected) Acquisition Price (million yen)	(Projected) Investment Ratio	Rentable Area (m ²)	Occupancy Rate	Completion Date
Residence	Esty Maison Ginza	Chuo-ku, Tokyo	6,390	1.5%	5,515.43	97.5%	Feb. 2005
Residence	Esty Maison Azabunagasaka	Minato-ku, Tokyo	1,760	0.4%	2,019.10	91.2%	Jan. 2004
Residence	Esty Maison Ebisu II	Shibuya-ku, Tokyo	2,000	0.5%	2,062.10	97.9%	Jun. 2003
Residence	Esty Maison Ebisu	Shibuya-ku, Tokyo	855	0.2%	781.02	92.1%	Oct. 2004
Residence	Esty Maison Kanda	Chiyoda-ku, Tokyo	1,570	0.4%	1,706.54	100.0%	Feb. 2004
Residence	Esty Maison Kitashinjuku	Shinjuku-ku, Tokyo	1,550	0.4%	1,881.19	95.3%	Aug. 2004
Residence	Esty Maison Asakusakomagata	Taito-ku, Tokyo	2,140	0.5%	2,978.28	94.9%	Jul. 2004
Residence	Esty Maison Kawasaki	Kawasaki-shi, Kanagawa	2,360	0.5%	3,741.01	92.7%	Jul. 2004
Residence	Esty Maison Yokohama	Yokohama-shi, Kanagawa	2,130	0.5%	2,823.73	100.0%	Jan. 2007
Residence	Esty Maison Kameido	Koto-ku, Tokyo	1,580	0.4%	2,279.21	93.8%	Nov. 2005
Residence	Esty Maison Meguro	Meguro-ku, Tokyo	1,060	0.2%	1,070.13	92.4%	Nov. 2005
Residence	Esty Maison Sugamo	Toshima-ku, Tokyo	1,590	0.4%	2,619.17	97.3%	Feb. 2007
Residence	Esty Maison Kyobashi	Osaka-shi, Osaka	2,970	0.7%	4,613.04	91.3%	Mar. 2006
Residence	Esty Maison Hakuraku	Yokohama-shi, Kanagawa	932	0.2%	1,285.83	98.2%	Feb. 2006
Residence	Esty Maison Minamihorie	Osaka-shi, Osaka	1,040	0.2%	1,804.48	93.7%	Feb. 2007
Residence	Esty Maison Gotanda	Shinagawa-ku, Tokyo	3,090	0.7%	3,871.15	96.5%	Mar. 2006
Residence	Esty Maison Oisendaizaka	Shinagawa-ku, Tokyo	2,730	0.6%	2,979.85	99.2%	Aug. 2006
Residence	Esty Maison Shinagawa Seaside	Shinagawa-ku, Tokyo	2,010	0.5%	2,602.30	93.7%	Jun. 2006
Residence	Esty Maison Minamiazabu	Minato-ku, Tokyo	1,220	0.3%	1,082.12	98.1%	Aug. 2006
Residence	Esty Maison Tsukamoto	Osaka-shi, Osaka	1,080	0.2%	2,321.04	96.9%	Aug. 2006
Residence	Esty Maison Kawasaki II	Kawasaki-shi, Kanagawa	1,860	0.4%	2,824.86	96.1%	Feb. 2007
Residence	Esty Maison Azabujuban	Minato-ku, Tokyo	2,620	0.6%	1,755.31	92.9%	Feb. 2007
Residence	Esty Maison Itabashihoncho	Itabashi-ku, Tokyo	927	0.2%	1,274.49	93.8%	Feb. 2007
Residence	Esty Maison Oizumigakuen	Nerima-ku, Tokyo	773	0.2%	1,362.36	89.5%	Feb. 2007
Residence	Esty Maison Higashishinagawa	Shinagawa-ku, Tokyo	2,400	0.5%	2,936.72	92.0%	May 2008
Residence	Esty Maison Itabashikyakushomae	Itabashi-ku, Tokyo	2,480	0.6%	3,915.81	99.2%	Apr. 2007
Residence	Esty Maison Musashikoyama	Shinagawa-ku, Tokyo	1,040	0.2%	1,176.78	100.0%	Nov. 2007
Residence	Esty Maison Sendagi	Bunkyo-ku, Tokyo	697	0.2%	897.30	100.0%	Jan. 2008
Residence	Esty Maison Yotsuyasakamachi	Shinjuku-ku, Tokyo	2,090	0.5%	2,453.17	95.6%	Mar. 2008
Residence	Esty Maison Hakatahigashi	Fukuoka-shi, Fukuoka	2,400	0.5%	9,106.08	96.4%	Nov. 2007
Residence	Esty Maison Kamigofuku	Fukuoka-shi, Fukuoka	821	0.2%	2,261.91	95.5%	Mar. 2008
Residence	Esty Maison Sangenjaya	Setagaya-ku, Tokyo	824	0.2%	856.08	100.0%	Jan. 2008
Residence	Prime Maison Musashinonomori	Kodaira-shi, Tokyo	1,860	0.4%	3,924.58	96.4%	Dec. 2007
Residence	Prime Maison Higashisakura	Nagoya-shi, Aichi	1,490	0.3%	3,118.11	91.2%	Feb. 2008
Residence	Prime Maison Kayabakoen	Nagoya-shi, Aichi	787	0.2%	2,163.98	93.0%	Nov. 2006
Residence	Esty Maison Sangenjaya II	Setagaya-ku, Tokyo	786	0.2%	894.64	88.8%	Jan. 2008
Residence	Esty Maison Itabashi C6	Itabashi-ku, Tokyo	2,640	0.6%	4,036.66	91.3%	Mar. 2008
Residence	MAST Hakata	Fukuoka-shi, Fukuoka	2,360	0.5%	9,614.80	100.0%	Jan. 2005
Residence	Esty Maison Kinshicho	Sumida-ku, Tokyo	1,220	0.3%	1,611.54	91.6%	Sep. 2006
Residence	Esty Maison Musashikoganei	Koganei-shi, Tokyo	1,740	0.4%	2,275.24	98.0%	Feb. 2005

Type	Property name	Location	(Projected) Acquisition Price (million yen)	(Projected) Investment Ratio	Rentable Area (m ²)	Occupancy Rate	Completion Date
Residence	Prime Maison Gokiso	Nagoya-shi, Aichi	1,890	0.4%	4,427.65	89.1%	Oct. 2008
Residence	Prime Maison Yuhigaoka	Osaka-shi, Osaka	909	0.2%	2,040.35	100.0%	Feb. 2007
Residence	Prime Maison Kitatanabe	Osaka-shi, Osaka	601	0.1%	1,798.97	100.0%	Jun. 2006
Residence	Prime Maison Momochihama	Fukuoka-shi, Fukuoka	1,900	0.4%	7,514.76	100.0%	Feb. 1996
Residence	Esty Maison Akihabara	Taito-ku, Tokyo	1,980	0.5%	2,324.65	96.2%	Feb. 2006
Residence	Esty Maison Sasazuka	Shibuya-ku, Tokyo	3,350	0.8%	3,701.70	93.1%	Sep. 2004
Residence	Prime Maison Ginza East	Chuo-ku, Tokyo	6,160	1.4%	6,177.20	96.0%	Feb. 2006
Residence	Prime Maison Takami	Nagoya-shi, Aichi	1,050	0.2%	2,016.79	92.6%	Aug. 2008
Residence	Prime Maison Yadaminami	Nagoya-shi, Aichi	821	0.2%	2,168.59	96.2%	Jul. 2007
Residence	Prime Maison Teriha	Fukuoka-shi, Fukuoka	1,360	0.3%	6,728.20	100.0%	Aug. 2005
Residence	Esty Maison Higashishirakabe	Nagoya-shi, Aichi	1,580	0.4%	4,014.07	100.0%	Feb. 2006
Residence	Esty Maison Sengoku	Bunkyo-ku, Tokyo	1,360	0.3%	1,498.13	100.0%	Aug. 2009
Residence	Esty Maison Daizawa	Setagaya-ku, Tokyo	2,280	0.5%	2,352.90	98.8%	Feb. 2010
Residence	Esty Maison Togoshi	Shinagawa-ku, Tokyo	1,730	0.4%	1,943.17	98.9%	Jun. 2009
Residence	Esty Maison Nishitenma	Osaka-shi, Osaka	1,680	0.4%	2,877.90	95.7%	Nov. 2007
Residence	Esty Maison Shirokanedai	Shinagawa-ku, Tokyo	2,390	0.5%	2,675.11	96.1%	Sep. 2003
Residence	Esty Maison Higashishinjuku	Shinjuku-ku, Tokyo	1,640	0.4%	1,889.50	95.8%	Apr. 2009
Residence	Esty Maison Motoazabu	Minato-ku, Tokyo	1,510	0.3%	1,199.86	100.0%	Nov. 2009
Residence	Esty Maison Toritsudaigaku	Meguro-ku, Tokyo	842	0.2%	1,035.78	100.0%	Feb. 2009
Residence	Esty Maison Musashikoyama II	Shinagawa-ku, Tokyo	1,040	0.2%	1,073.59	97.4%	May 2009
Residence	Esty Maison Nakano	Nakano-ku, Tokyo	1,870	0.4%	2,023.72	95.8%	Jun. 2009
Residence	Esty Maison Shinnakano	Nakano-ku, Tokyo	1,020	0.2%	1,107.57	98.0%	Oct. 2009
Residence	Esty Maison Nakanofujimicho	Nakano-ku, Tokyo	967	0.2%	1,299.60	97.8%	Feb. 2009
Residence	Esty Maison Tetsugakudo	Nakano-ku, Tokyo	1,170	0.3%	1,531.89	93.2%	Oct. 2009
Residence	Esty Maison Koenji	Suginami-ku, Tokyo	1,140	0.3%	1,527.52	100.0%	Mar. 2009
Residence	Esty Maison Oshiage	Sumida-ku, Tokyo	2,440	0.6%	3,180.90	100.0%	Apr. 2010
Residence	Esty Maison Akabane	Kita-ku, Tokyo	3,300	0.8%	4,302.84	98.8%	Nov. 2009
Residence	Esty Maison Oji	Kita-ku, Tokyo	1,660	0.4%	2,289.44	98.9%	Jul. 2010
Residence	Prime Maison Waseda	Shinjuku-ku, Tokyo	1,580	0.4%	1,650.66	98.5%	Nov. 2012
Residence	Prime Maison Hatchobori	Chuo-ku, Tokyo	1,460	0.3%	1,382.32	100.0%	Nov. 2012
Residence	Prime Maison Jinbocho	Chiyoda-ku, Tokyo	1,920	0.4%	1,819.90	97.8%	Mar. 2013
Residence	Prime Maison Gotenyama East	Shinagawa-ku, Tokyo	2,820	0.6%	2,512.91	96.5%	Jan. 2011
Residence	MAST LIFE Akihabara	Chiyoda-ku, Tokyo	555	0.1%	803.36	100.0%	Oct. 2006
Residence	Esty Maison Aoi	Nagoya-shi, Aichi	2,490	0.6%	4,809.68	85.0%	Oct. 2007
Residence	Esty Maison Yakuin	Fukuoka-shi, Fukuoka	2,370	0.5%	5,213.51	98.6%	Feb. 2006
Residence	Esty Maison Kinshicho II	Sumida-ku, Tokyo	8,340	1.9%	9,469.65	97.7%	Jan. 2008
Residence	Esty Maison Ojima	Koto-ku, Tokyo	8,730	2.0%	9,905.97	97.9%	Sep. 2007
Residence	Prime Maison Fujimidai	Nagoya-shi, Aichi	2,080	0.5%	5,704.63	92.7%	Apr. 2007
Residence	Esty Maison Tsurumai	Nagoya-shi, Aichi	4,500	1.0%	13,812.40	100.0%	Nov. 1999
Residence	Prime Maison Morishita	Koto-ku, Tokyo	1,920	0.4%	2,180.78	94.3%	May 2013

Note: Notes regarding this page can be found on the following page.

List of New SHR's Portfolio

Type	Property name	Location	(Projected) Acquisition Price (million yen)	(Projected) Investment Ratio	Rentable Area (m)	Occupancy Rate	Completion Date
Residence	Prime Maison Shinagawa	Shinagawa-ku, Tokyo	1,980	0.5%	2,107.88	98.9%	Feb. 2014
Residence	Prime Maison Odorikoen	Sapporo-shi, Hokkaido	3,160	0.7%	7,360.37	96.1%	Dec. 2008
Residence	Prime Maison Minami 2-jo	Sapporo-shi, Hokkaido	1,940	0.4%	6,019.09	99.3%	Nov. 2009
Residence	Prime Maison Kamokamogawa	Sapporo-shi, Hokkaido	1,250	0.3%	4,102.08	95.1%	Oct. 2009
Residence	Prime Maison Central Park	Fukuoka-shi, Fukuoka	2,309	0.5%	10,268.74	99.3%	Feb. 2011
Residence	MAST LIFE Yahiro	Sumida-ku, Tokyo	1,910	0.4%	3,409.16	100.0%	Jan. 2011
Residence	Prime Maison Ebisu	Shibuya-ku, Tokyo	4,360	1.0%	3,010.66	96.9%	Jun. 2014
Residence	Granmast Kanazawa Nishiizumi	Kanazawa-shi, Ishikawa	1,090	0.2%	4,634.50	100.0%	Sep. 2007
Residence	Granmast Unomori	Yokkaichi-shi, Mie	830	0.2%	2,280.00	100.0%	Apr. 2009
Residence	Esty Maison Kohoku Tsunashima	Yokohama-shi, Kanagawa	2,751	0.6%	6,867.48	100.0%	Note 4
Residence	MAST LIFE Hino	Hino-shi, Tokyo	1,390	0.3%	2,827.55	96.7%	Jan. 2010
Residence	Prime Maison Yokohama Nihon-odori	Yokohama-shi, Kanagawa	4,790	1.1%	5,461.13	95.5%	Jun. 2014
Residence	Kobe Women's Student Housing	Kobe-shi, Hyogo	5,880	1.3%	15,341.68	100.0%	Feb. 2002
Residence	Prime Maison Shibuya	Shibuya-ku, Tokyo	2,360	0.5%	1,972.59	98.6%	Jul. 2014
Residence	Prime Maison Hatsudai	Shibuya-ku, Tokyo	2,940	0.7%	2,879.20	94.8%	Dec. 2014
Residence	Esty Maison Uemachidai	Osaka-shi, Osaka	1,020	0.2%	2,225.52	100.0%	Aug. 2005
Residence	Esty Maison Kobe-sannomiya	Kobe-shi, Hyogo	976	0.2%	2,007.00	98.2%	Mar. 2007
Residence	Prime Maison Shirokane-takanawa	Minato-ku, Tokyo	4,800	1.1%	3,923.76	94.6%	Jun. 2015
Residence	Prime Maison Ichigayayamabushicho	Shinjuku-ku, Tokyo	4,220	1.0%	4,099.04	97.5%	Oct. 2015
Residence	Esty Maison Morishita	Sumida-ku, Tokyo	643	0.1%	748.92	100.0%	Feb. 2017
Residence Subtotal			210,876	47.9%	336,031.61	97.0%	

Type	Property name	Location	(Projected) Acquisition Price (million yen)	(Projected) Investment Ratio	Rentable Area (m)	Occupancy Rate	Completion Date
Office Building	Garden City Shinagawa Gotenyama	Shinagawa-ku, Tokyo	59,600	13.6%	31,236.34	100.0%	Feb. 2011
Office Building	Gotenyama SH Building	Shinagawa-ku, Tokyo	51,500	11.7%	19,999.97	100.0%	Feb. 2011
Office Building	Hommachi Minami Garden City	Osaka-shi, Osaka	23,100	5.3%	16,699.46	100.0%	Feb. 2011
Office Building	Hommachi Garden City (Office building portion)	Osaka-shi, Osaka	38,600	8.8%	17,006.94	100.0%	May 2010
Office Building	HK Yodoyabashi Garden Avenue	Osaka-shi, Osaka	4,400	1.0%	4,554.52	100.0%	Jul. 2015
Office Building	Hirokoji Garden Avenue	Nagoya-shi, Aichi	6,350	1.4%	4,442.75	100.0%	Mar. 2011
Office Building Subtotal			183,550	41.7%	93,939.98	100.0%	

Type	Property name	Location	(Projected) Acquisition Price (million yen)	(Projected) Investment Ratio	Rentable Area (m)	Occupancy Rate	Completion Date
Hotel	Hommachi Garden City (Hotel portion)	Osaka-shi, Osaka	17,200	3.9%	18,092.98	100.0%	May 2010
Hotel Subtotal			17,200	3.9%	18,092.98	100.0%	

Type	Property name	Location	(Projected) Acquisition Price (million yen)	(Projected) Investment Ratio	Rentable Area (m)	Occupancy Rate	Completion Date
Retail Property	Hamamatsu Plaza	Hamamatsu-shi, Shizuoka	2,891	0.7%	15,958.49	100.0%	Nov. 2000
Retail Property Subtotal			2,891	0.7%	15,958.49	100.0%	

■ Assets to be Acquired

Type	Property name	Location	(Projected) Acquisition Price (million yen)	(Projected) Investment Ratio	Rentable Area (m)	Occupancy Rate	Completion Date
Residence	Prime Maison Shirokanedai Tower	Shinagawa-ku, Tokyo	7,950	1.8%	6,772.89	88.3%	May 2016
Residence	Prime Maison Otsuka	Toshima-ku, Tokyo	3,700	0.8%	3,921.35	85.1%	Jan. 2017
Residence	Prime Maison Asakusabashi	Taito-ku, Tokyo	1,680	0.4%	2,033.06	94.3%	Oct. 2016
Residence	Prime Maison Daikanyama	Meguro-ku, Tokyo	2,520	0.6%	1,779.17	61.4%	Jan. 2017
Residence	Prime Maison Gotenyama West	Shinagawa-ku, Tokyo	3,400	0.8%	3,569.73	85.1%	Jan. 2011
Residence	Esty Maison Toyosu Residence	Koto-ku, Tokyo	6,050	1.4%	23,538.73	98.0%	Feb. 2008
Assets to be Acquired Subtotal			25,300	5.8%	41,614.93	92.3%	

■ Status of New SHR Portfolio After Asset Replacement

Type	Number of properties ⁵	(Projected) Acquisition Price (million yen)	(Projected) Investment Ratio	Rentable Area (m)	Occupancy Rate	Average Building Age ⁶
Residence	106 properties	236,176	53.7%	377,646.54	96.5%	9.4 years
Office Building	6 properties	183,550	41.7%	93,939.98	100.0%	7.0 years
Hotel	1 property	17,200	3.9%	18,092.98	100.0%	7.7 years
Retail Property, etc.	1 property	2,891	0.7%	15,958.49	100.0%	17.2 years
Total	113 properties	439,817	100.0%	505,637.99	97.4%	8.4 years

- The (projected) acquisition prices are the calculated values as of the end of the most recent fiscal period (fiscal period ended September 2017 (24th fiscal period)) for assets held by SHI (excluding assets to be sold), and acquisition prices for assets held by SHR and planned acquisition prices for assets to be acquired by New SHR, and actual acquisition prices may differ. Amounts are rounded down to the nearest million yen.
- For (projected) investment ratios, the percentage of New SHR's total (projected) acquisition prices for assets held after asset replacement accounted for by (projected) asset prices or planned acquisition prices for assets to be acquired for each asset.
- Occupancy rates are stated as of the end of December 2017.
- Esty Maison Kohoku Tsunashima comprises three buildings (East, West, and Annex), and the construction completion dates are March 2002, October 2002, and September 2002, respectively.
- Data on Hommachi Garden City is stated as if the office building portion and hotel portion were separate buildings according to the uses of each portion, and when calculating the total number of properties, the property is treated as one property. Items in each total column do not agree with total for each item.
- Average building ages are stated as weighted averages calculated on the basis of the building age with January 24, 2018 as the reference date and the (projected) acquisition prices.

New SHR NOI and NOI Yield Result and Forecast by Type

Type	Residence	Office Building	Hotel	Retail Property, etc.	Total
Performance in the most recent fiscal period					
Operating revenues	6,824 million yen	4,227 million yen	352 million yen	91 million yen	11,496 million yen
NOI	5,155 million yen	3,787 million yen	344 million yen	65 million yen	9,352 million yen
NOI yield	5.1 %	4.1 %	4.6 %	3.4 %	4.6 %
NOI after depreciation	3,562 million yen	3,126 million yen	275 million yen	55 million yen	7,020 million yen
NOI yield after depreciation	3.5 %	3.4 %	3.7 %	2.9 %	3.5 %
Forecast results for fiscal period ending October 2018					
Operating revenues	7,319 million yen	4,253 million yen	402 million yen	101 million yen	12,077 million yen
NOI	5,432 million yen	3,796 million yen	338 million yen	71 million yen	9,637 million yen
NOI yield	4.6 %	4.1 %	3.9 %	4.9 %	4.4 %
NOI after depreciation	4,016 million yen	3,132 million yen	268 million yen	67 million yen	7,485 million yen
NOI yield after depreciation	3.4 %	3.4 %	3.1 %	4.7 %	3.4 %
Forecast results for fiscal period ending April 2019					
Operating revenues	7,382 million yen	4,248 million yen	402 million yen	101 million yen	12,135 million yen
NOI	5,429 million yen	3,784 million yen	336 million yen	71 million yen	9,621 million yen
NOI yield	4.6 %	4.1 %	3.9 %	4.9 %	4.4 %
NOI after depreciation	4,005 million yen	3,119 million yen	266 million yen	67 million yen	7,460 million yen
NOI yield after depreciation	3.4 %	3.4 %	3.1 %	4.7 %	3.4 %

Note: With regard to performance in the most recent term, SHI's settlement figures for the fiscal period ended September 2017 and other information as of the end of that fiscal period are stated for residential properties and retail property, etc., and SHR's settlement figures for the fiscal period ended October 2017 and other information as of the end of that fiscal period are posted for office building and hotel, and simple aggregation figures of SHI's settlement figures for the fiscal period ended September 2017 and SHR's settlement figures for the fiscal period ended October 2017 are posted for total. With regard to the forecast results for the fiscal period ending October 2018 and April 2019, data based on forecast results for New SHR announced separately on January 24, 2018 are stated.

Overview of Assets Planned for Sale (12 Properties)

Property name	Esty Maison Machida	Esty Maison Shinkawasaki	Esty Maison Megurohoncho	Esty Maison Joto	Esty Maison Tenjinhighashi I	Esty Maison Tenjinhighashi II
Buyer	Undisclosed					
Location	Machida-shi, Tokyo	Kawasaki-shi, Kanagawa	Meguro-ku, Tokyo	Osaka-shi, Osaka	Fukuoka-shi, Fukuoka	Fukuoka-shi, Fukuoka
Planned sale price	Undisclosed					
Real property appraised value ^{Note}	1,530 million yen	1,230 million yen	1,130 million yen	951 million yen	364 million yen	738 million yen
NOI yield (before depreciation)	5.0%	5.5%	3.2%	4.8%	4.1%	4.8%
Planned sale date	May 1, 2018					
Construction completion date (Building age)	February 23, 2004 (13.9 years)	March 5, 1999 (18.9 years)	February 22, 2006 (11.9 years)	August 31, 2006 (11.4 years)	January 31, 2007 (11.0 years)	May 23, 2007 (10.7 years)

Property name	Esty Maison Shijonishinotoin	Esty Maison Hachiojiminamino	Esty Maison Nishinakajima	Esty Maison Kawaramachi	Esty Maison Shibaura	Esty Maison Tsutsujigaoka
Buyer	Undisclosed					
Location	Kyoto-shi, Kyoto	Hachioji-shi, Tokyo	Osaka-shi, Osaka	Osaka-shi, Osaka	Minato-ku, Tokyo	Chofu-shi, Tokyo
Planned sale price	Undisclosed					
Real property appraised value ^{Note}	1,180 million yen	875 million yen	1,900 million yen	1,930 million yen	2,910 million yen	911 million yen
NOI yield (before depreciation)	3.9%	5.0%	4.2%	5.2%	4.0%	4.1%
Planned sale date	May 1, 2018					
Construction completion date (Building age)	April 8, 2008 (9.8 years)	March 6, 2007 (10.9 years)	April 18, 2007 (10.8 years)	October 17, 2006 (11.3 years)	August 26, 1996 (21.4 years)	March 9, 2002 (15.9 years)

Note: Real property appraisal values are as of September 30, 2017 or December 1, 2017, and building ages are as of January 24, 2018.



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