

January 24, 2018

Real Estate Investment Trust Securities Issuer

Sekisui House Reit, Inc.

Representative: Junichi Inoue, Executive Director
(Securities Code: 3309)

Asset Management Company

Sekisui House Investment Advisors, Ltd.

Representative: Junichi Inoue,
President & Representative Director

Inquiries: Atsuhiko Kida,
Director & General Manager
Management Division
TEL: +81-3-6447-4870 (main)

Real Estate Investment Trust Securities Issuer

Sekisui House Residential Investment Corporation

Representative: Osamu Minami, Executive Director
(Securities Code: 8973)

Asset Management Company

Sekisui House Asset Management, Ltd.

Representative: Osamu Minami,
President & Representative Director

Inquiries: Yoshiya Sasaki, General Manager
IR & Financial Affairs Department
TEL: +81-3-5770-8973 (main)

Notice Concerning Conclusion of a Merger Agreement between Sekisui House Investment Advisors, Ltd. and Sekisui House Asset Management, Ltd., Which Are the Asset Management Companies

Sekisui House Investment Advisors, Ltd. (“SHIA”), which is the asset management company for Sekisui House Reit, Inc. (“SHR”), and Sekisui House Asset Management, Ltd. (“SHAM,” and, collectively with SHIA, the “Two Asset Management Companies”), which is the asset management company for Sekisui House Residential Investment Corporation (“SHI,” and, collectively with SHR, the “Two Investment Corporations”), today at the respective board of directors meetings of the Two Asset Management Companies resolved to execute an absorption-type merger (the “Asset Management Company Merger”), with May 1, 2018 as the effective date, whereby SHIA will be the surviving company and SHAM will be the dissolving company in the merger, and today executed a merger agreement (the “Asset Management

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It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer is located in a foreign country, and some or all of its officers may be residents of a foreign country. You may not be able to sue a foreign company or its officers in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court’s judgment.

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Company Merger Agreement”) to that effect as set forth below.

1. Purpose of the Asset Management Company Merger

As stated in the “Notice Concerning Conclusion of a Merger Agreement between Sekisui House Reit, Inc. and Sekisui House Residential Investment Corporation,” which the Two Investment Corporations released today, the Two Investment Corporations today concluded a merger agreement, with May 1, 2018 as the effective date, whereby it is planned that SHR will be the surviving corporation and SHI will be the dissolving corporation in an absorption-type merger (the “Investment Corporation Merger”).

In conjunction with this, in order to provide for the effective management of the assets held by the surviving corporation (“New SHR”) subsequent to the Investment Corporation Merger, the Two Asset Management Companies will also, subject to the Investment Corporation Merger becoming effective, merge, effective as of the same date.

2. Thinking in regard to Conflict of Interests

The Two Asset Management Companies are both wholly-owned subsidiaries of Sekisui House, Ltd. (“Sekisui House”) and are sister companies having the same parent company. During the period until the effective date of the Investment Corporation Merger, as in the past, the Two Asset Management Companies will appropriately and stringently continue to observe all applicable laws and regulations and internal company rules concerning conflict of interests and will continue, independently from one another, asset management aimed at maximizing value for the unitholders in each of the Two Investment Corporations.

3. Overview of the Asset Management Company Merger

(1) Schedule of the Asset Management Company Merger

Board of Directors meeting to approve the Asset Management Company Merger Agreement (Two Asset Management Companies)	January 24, 2018
Date of conclusion of Asset Management Company Merger Agreement (Two Asset Management Companies)	
Date of approval of the Asset Management Company Merger Agreement by shareholders (SHAM)	March 27, 2018 (tentative)
Effective date of the Asset Management Company Merger	May 1, 2018 (tentative)
Registration date of the Asset Management Company Merger	Early May 2018 (tentative)
Date of notification to the Prime Minister	Early May 2018 (tentative)

Note: With respect to the Asset Management Company Merger, because SHIA will satisfy the requirements for a simplified merger under the provisions of Article 796, Paragraph 2 of the Companies Act (Act No. 86 of 2005, including subsequent amendments, the “Companies Act”), SHIA does not plan to seek a general meeting of shareholders resolution of approval of the Asset Management Company Merger Agreement. SHAM plans to obtain the agreement of all shareholders for the Asset Management Company Merger without convening a general meeting of shareholders pursuant to the provisions of Article 319, paragraph 1 of the Companies Act.

(2) Form of the Merger

SHIA will be the surviving company under an absorption-type merger and SHAM will be dissolved in the process of the Asset Management Company Merger.

(3) Allotment under the Asset Management Company Merger

Because the Two Asset Management Companies are both wholly-owned subsidiaries of Sekisui House, SHIA will not allot shares or monies, etc. to shareholders of SHAM in the Asset Management Company Merger.

4. Overview of the Parties to the Asset Management Company Merger

	Surviving company in the absorption-type merger	Dissolving company in the absorption-type merger				
(1) Name	Sekisui House Investment Advisors, Ltd.	Sekisui House Asset Management, Ltd.				
(2) Address	1-6-6 Motoakasaka, Minato-ku, Tokyo	3-1-31 Minami-Aoyama, Minato-ku, Tokyo				
(3) Name and title of representative	Junichi Inoue, President & Representative Director	Osamu Minami, President & Representative Director				
(4) Business	Asset management for a real estate investment trust (J-REIT)	Asset management for a real estate investment trust (J-REIT)				
(5) Capital	400 million yen	200 million yen				
(6) Date of incorporation	February 17, 2014	July 28, 2004				
(7) Net assets	668 million yen (as of January 31, 2017)	905 million yen (as of March 31, 2017)				
(8) Total assets	779 million yen (as of January 31, 2017)	976 million yen (as of March 31, 2017)				
(9) Majority shareholder and shareholding ratio	Sekisui House, Ltd. 100%	Sekisui House, Ltd. 100%				
(10) Relationships between the investment corporations and the asset management companies with counterparty companies						
Capital relationships	There are no capital relationships that need to be noted between the parties to the Asset Management Company Merger and the Two Investment Corporations.					
Personnel relationships	There are no personnel relationships that need to be noted between the parties to the Asset Management Company Merger and the Two Investment Corporations.					
Business relationships	There are no business relationships that need to be noted between the parties to the Asset Management Company Merger and the Two Investment Corporations.					
Status as related parties	Because the parties to the Asset Management Company Merger are both wholly-owned subsidiaries of Sekisui House and have the same parent company, they mutually fall under related parties. The Two Investment Corporations do not fall under related parties.					
(11) Business performance and financial condition for the last three years						
	SHIA			SHAM		
Accounting term	January 2015	January 2016	January 2017	March 2015	March 2016	March 2017
Net assets	323	459	668	782	911	905
Total assets	328	535	779	997	1,102	976
Net assets per share (yen)	40,425	57,499	83,593	195,616	227,871	226,405
Amount of sales	81	478	631	1,018	1,132	941
Operating income	(115)	212	308	586	665	475
Ordinary income	(117)	212	308	586	665	475
Net income	(76)	136	208	374	443	328
Net income per share (yen)	(9,574)	17,073	26,093	93,635	110,962	82,026
Distributions per share (yen)	-	-	22,500	78,707	83,493	95,176

(Unit: million yen unless otherwise noted)

5. Status after the Asset Management Company Merger

	Surviving company in the absorption-type merger
(1) Name	Sekisui House Asset Management, Ltd. (tentative) ^(Note 1) (currently Sekisui House Investment Advisors, Ltd.)
(2) Address	4-15-1 Akasaka, Minato-ku, Tokyo (tentative) ^(Note 2)
(3) Name and title of representative	Junichi Inoue, President & Representative Director
(4) Business	Asset management for a real estate investment trust (J-REIT)
(5) Capital	400 million yen (There will be no capital increase as a result of the Asset Management Company Merger.)
(6) Accounting period	January
(7) Net assets	1,574 million yen ^(Note 3)
(8) Total assets	1,755 million yen ^(Note 3)

Note 1: It is planned that, simultaneously with the effectiveness of the Asset Management Company Merger, SHIA will change its corporate name to “Sekisui House Asset Management, Ltd.”

Note 2: It is planned that SHIA will move its head office on May 1, 2018, the effective date of the Asset Management Company Merger. Details will be notified as soon as they are finalized.

Note 3: Net assets were calculated by simple addition of SHIA’s net assets as of January 31, 2017 and SHAM’s net assets as of March 31, 2017, and total assets were similarly calculated by simple addition of SHIA’s total assets as of January 31, 2017 and SHAM’s total assets as of March 31, 2017, and the actual amounts of net assets and total assets of the surviving company after the Asset Management Company Merger will differ from the calculated amounts.

6. Future Outlook
(1) Changes to the Investment Corporations’ Asset Management Entrustment Agreements

Following the Investment Corporation Merger, SHR expects to continue to entrust asset management functions to SHIA as it is currently doing. As far as regards the asset management entrustment agreement between SHR and SHIA, subject to the Investment Corporation Merger and the Amendment of the Articles of Incorporation (See “(5) Changes to Investment Policy” below) becoming effective, SHR and SHIA plan to conclude a revised agreement incorporating changes necessitated by the Amendment of the Articles of Incorporation.

SHI, upon obtaining approval from a general meeting of unitholders, plans to cancel its asset management entrustment agreement with SHAM, subject to the Investment Corporation Merger becoming effective, on the effective date of the Investment Corporation Merger.

(2) Changes to the Structure of the Asset Management Company

Any changes will be notified as soon as they are decided.

(3) Changes to the Investment Management Decision-making Structure

Any changes will be notified as soon as they are decided.

(4) Changes to Rules regarding Compliance and Interested Parties, etc.

Any changes will be notified as soon as they are decided.

(5) Changes to Investment Policy

Based on the Investment Corporation Merger, in order to transform itself, as New SHR, into a “diversified REIT” with a high degree of stability and having as its core assets high-quality residential properties and office buildings, SHR, subject to the Investment Corporation Merger becoming effective, plans to put before its general meeting of unitholders scheduled for March 27, 2018, a resolution for amendment of its articles of incorporation

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(the “Amendment of the Articles of Incorporation”), etc. with a view to establishing new investment policies and investment targets, etc. SHIA also plans to change its investment policies with regard to the management guidelines of New SHR. The specific changes will be notified as soon as they are finalized.

For a summary of the details of the Amendment of the Articles of Incorporation and changes to investment policies, please refer to the “Notice Concerning Conclusion of a Merger Agreement between Sekisui House Reit, Inc. and Sekisui House Residential Investment Corporation” released today by the Two Investment Corporations.

(6) Changes to the Agreement with the Sponsor, etc.

SHIA today concluded, subject to the Investment Corporation Merger becoming effective, a sponsor support agreement among SHR and SHIA with Sekisui House (the “New Sponsor Support Agreement”) by and among New SHR and SHIA and Sekisui House, with the effective date being the effective date of the Investment Corporation Merger. The New Sponsor Support Agreement in substance consolidates the prior Sponsor Support Agreement and Pipeline Support Agreement (collectively the “Prior Sponsor Support Agreements”) concluded by and among the same parties, and the prior agreement of first right of refusal concluded by SHI and SHAM with Sekisui House (the “Prior Agreement of First Right of Refusal”).

In conjunction with this, the Two Investment Corporations and the Two Asset Management Companies have respectively agreed with Sekisui House to cancel the Prior Sponsor Support Agreements and the Prior Agreement of First Right of Refusal, subject to the Investment Corporation Merger becoming effective, on the effective date of the Investment Corporation Merger.

Changes to the agreements of first right of refusal of SHI and SHAM with respectively each of the pipeline support companies other than Sekisui House — Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Kanto, Ltd., Sekiwa Real Estate Kyushu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Chubu, Ltd. and Sekiwa Real Estate Tohoku, Ltd. — have not yet been decided, but discussions are planned to provide for the continuation of those agreements subsequent to the Investment Corporation Merger and notification will be made as soon as the matters are finalized.

(7) Prospects for the Continued Listing of the Investment Corporation

The Investment Corporation Merger is planned as an absorption-type merger with SHR as the surviving corporation and SHI being dissolved in accordance with Article 143, item (iv) of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including subsequent amendments, the same applying hereinafter) and the investment units issued by SHI are expected to be delisted on April 25, 2018, three business days prior to the effective date of the Investment Corporation Merger, in accordance with the delisting criteria stipulated by the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”). As consideration for the Investment Corporation Merger, each of SHI’s unitholders will be allocated New SHR investment units in accordance with the number of SHI investment units they held, thus becoming SHR unitholders, and because the SHR investment units are listed on the Tokyo Stock Exchange, the unitholders will continue to have the opportunity to trade their investment units on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market.

(8) Future Policies

All procedures for required notices and filings concerning this transaction pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, including subsequent amendments), the Building Lots and Buildings Transaction Business Act (Act No. 176 of 1952, including subsequent amendments) and the Act on Investment Trusts and Investment Corporations and other applicable laws, regulations and ordinances will be followed.

*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/>