
Sekisui House SI Residential Investment Corporation

Supplementary Materials to the Press Release Dated November 30, 2015

Notice Concerning Assignment of Trust Beneficiary Interests in Domestic Real Estate and Termination of Leases
(RINKU HAGURAZAKI Plaza ・ KOJIMA × BIC CAMERA Kamifukuoka store ・ Joy Square YUGAWARA ・ Bell Plaza Shopping Center)



November 30, 2015



積水ハウス・SI レジデンシャル投資法人
Sekisui House SI Residential Investment Corporation

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Overview of the Assignment of the 4 Retail Properties

With partial amendment to the Articles of Incorporation at the general meeting of unitholders in June 2014, it was announced that investment targets will be changed to be only residences and sale of existing retail properties will be considered with timing ➡ **The residence ratio increased 4.1% to 97.1%** with the assignment of 4 retail properties

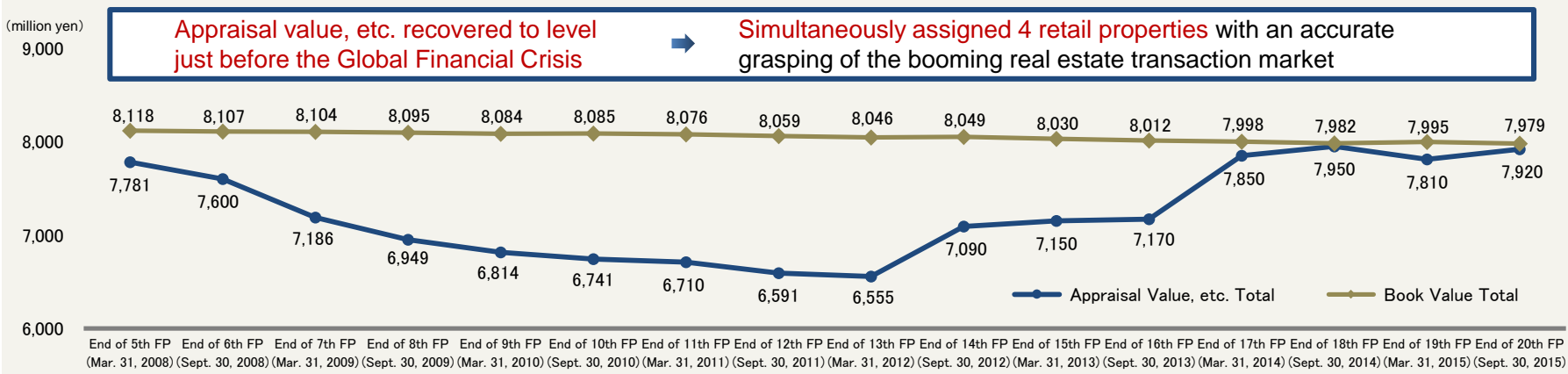
Overview of assigned assets (4 retail properties)

(The following 4 retail properties were **assigned at a total of ¥8,500 million** and **gain on sale of ¥187 million** is expected to be obtained)

Property Name	RINKU HAGURAZAKI Plaza	KOJIMA × BIC CAMERA Kamifukuoka store	Joy Square YUGAWARA	Bell Plaza Shopping Center
Exterior Photo				
Location	Sennan-gun, Osaka	Fujimino-shi, Saitama	Ashigarashimo-gun, Kanagawa	Ueda-shi, Nagano
Acquisition Price	¥3,624 million	¥1,300 million	¥1,810 million	¥1,355 million
Book Value	¥3,653 million	¥1,247 million	¥1,699 million	¥1,374 million
Appraisal Value	¥4,010 million	¥1,140 million	¥1,580 million	¥1,190 million
Property Age	- (Sokochi)	19.1years	9.1years	22.5years (Average for 4 buildings)
No. of Tenants	2 (Core tenant: Kohnan Shoji co.,Ltd.)	1 (Tenant: Kojima Co., Ltd.)	7 (Core tenant: Nojima corporation)	5 (Core tenant: Tsuruya co.,Ltd.)

(Note) Regarding the above assigned assets, the book value is the estimated value as of the date of assignment, appraisal value is the amount appraised based on an appraisal by a real estate appraiser as of the end of the 20th fiscal period ended September 2015 and average property age is the building age as of the date of this document rounded down to the nearest million yen and first decimal place. The same follows hereafter.

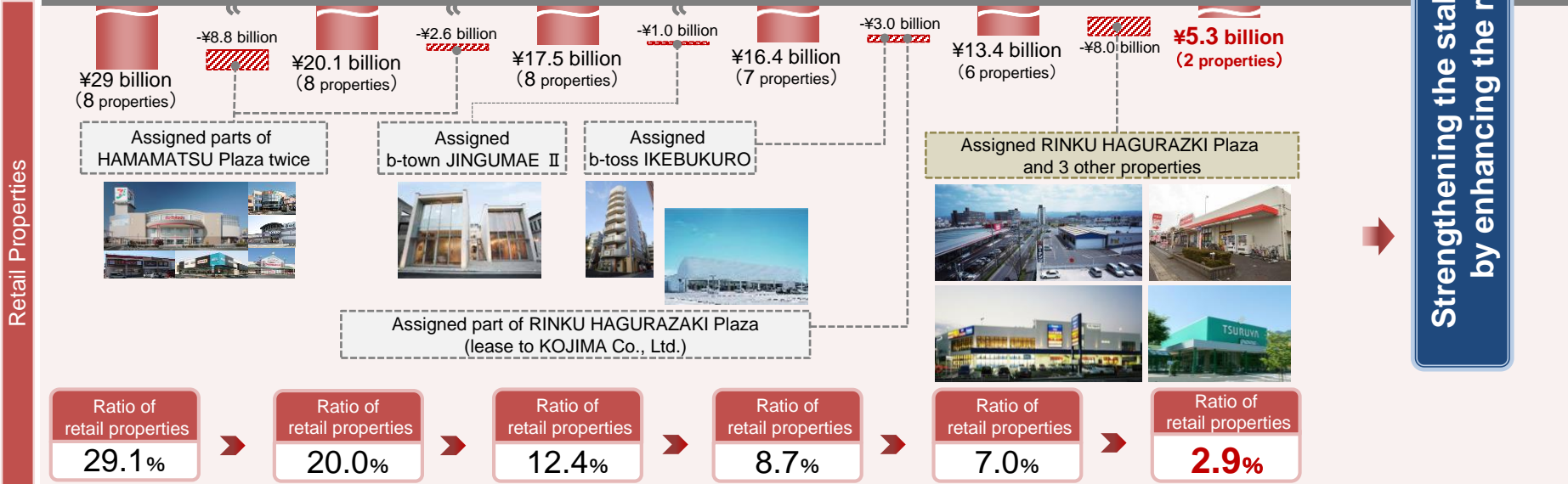
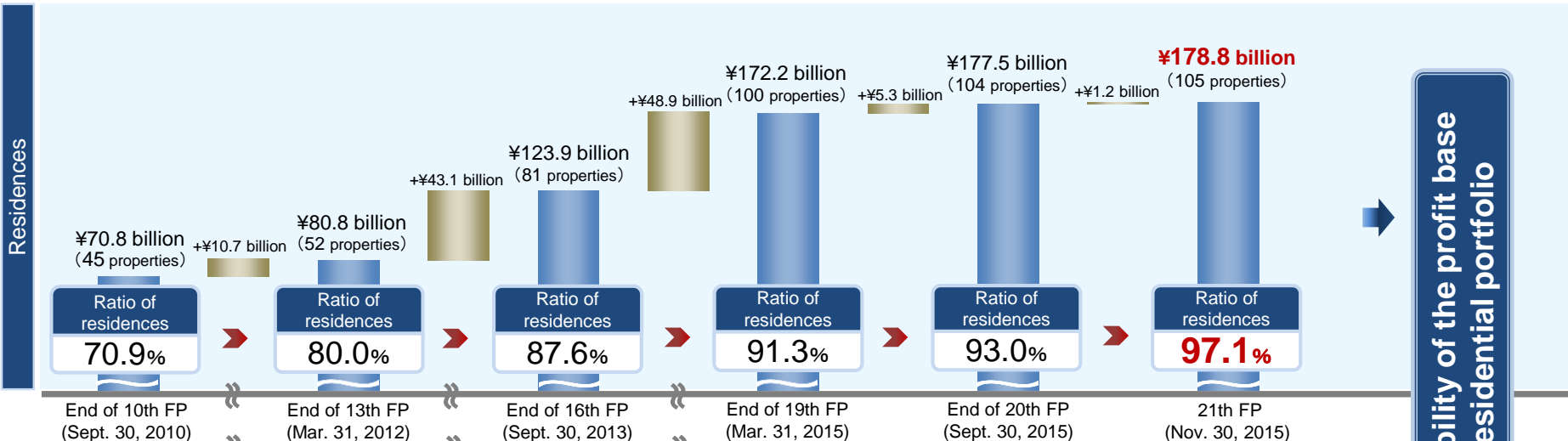
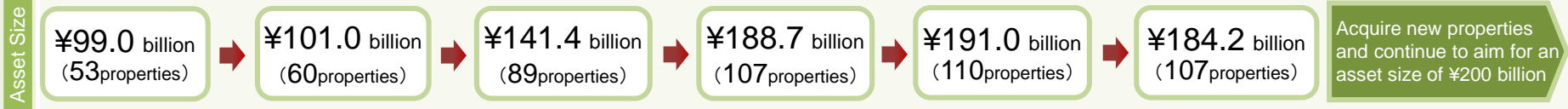
Changes in appraisal value, etc. and book value of the assigned assets (total of 4 retail properties)



(Note) Regarding the above assigned assets, appraisal value, etc. is the total as of each period of the appraised value based on appraisal or of the survey prices based on real estate price surveys by real estate appraisers, and book value is the total as of each period based on the amounts recorded in the balance sheet.

Changes in Asset Size, Etc. Relating to Residential and Retail Properties

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Strengthening the stability of the profit base by enhancing the residential portfolio

(Note) The asset size, ratio of residential properties and ratio of retail properties above are calculated based on the acquisition price of each asset class and are rounded to the nearest first decimal place. In addition, one residential property was assigned on March 30, 2012 and another on February 28, 2014.

Effect and Significance of the Assignment of the 4 Retail Properties

Impact on the existing retail property portfolio (asset side)

	Before Assignment	Effect	After assignment
Number of existing retail properties	6 properties	-4 properties	2 properties
No. of properties owned in Greater Tokyo / Major Urban Areas	1 property	—	1 property
No. of properties owned in other areas	5 properties	-4 properties	1 property
Of above, properties with core tenant accounting for more than 50%	3 properties	-3 properties	-
Average property age of existing retail properties	14.7 years	-1.2 years	13.5 years
Unrealized gain / loss of existing retail properties	-¥1.6 billion	-¥59 million	-¥1.5 billion

Strengthening the stability of the profit base through the reduction of risks unique to existing retail properties which the Investment Corporation owns.

- **Future management risks were reduced** through the assignment of 4 regional/suburban-type retail properties that are susceptible to economic trend and demographic movement, etc. (at 3 of these properties the core tenant accounts for more than 50%)
- **Reducing the risks of increasing repair costs and impairment** through the decrease of average property age and the assignment of properties with unrealized loss.

(Note) Properties whose "core tenant accounts for more than 50%" means properties whose ratio of monthly room rent or land rent of an end tenant accounts for more than 50% of the total of monthly room rent or land rent of the property. Also, unrealized gain / loss of existing retail properties are based on the figures as of the end of the 20th fiscal period ended September 2015.

Effect on the financial base (debt side)

	Before Assignment	Effect	After assignment
Interest-bearing debt	¥101.8 billion	-¥8.2 billion	¥93.6 billion
LTV based on total assets	51.8%	-2.1%	49.7%
Borrowing capacity (estimate)	¥13.9 billion	+¥8 billion	¥21.9 billion

Early repayment of total of ¥8.2 billion of existing borrowings is expected to be made on December 7, 2015 using proceeds from the assignment.

- **The financial base is strengthened** through reduced LTV and **the capacity for borrowings for future acquisitions of new properties is expanded.**

(Note) LTV based on total assets after assignment is calculated by dividing the total amount of interest-bearing debt as of December 7, 2015, the scheduled date of the early repayment, by the estimated amount of total assets. Refer to page 7 for the assumptions of borrowing capacity.

Effect on NAV per unit, etc. (equity side)

	Before Assignment	Effect	After assignment
NAV per unit	¥101,898	+¥54	¥101,952
Total accumulated internal reserves	¥127 million	No change	¥127 million

NAV per unit is expected to increase as unrealized loss of a total of ¥59 million from the assignment of the 4 properties did not realize with the assignment

- Effect of **completing the assignment with a price exceeding the appraisal value** as of the end of the 20th fiscal period ended September 2015 for a total of the 4 properties.

(Note) NAV per unit is calculated based on the NAV as of the end of the 20th fiscal period ended September 2015 and the unrealized gain loss (estimate) of the 4 assigned properties as of the date of assignment.

Effect on Forecast Cash Distributions for the 21st Fiscal Period

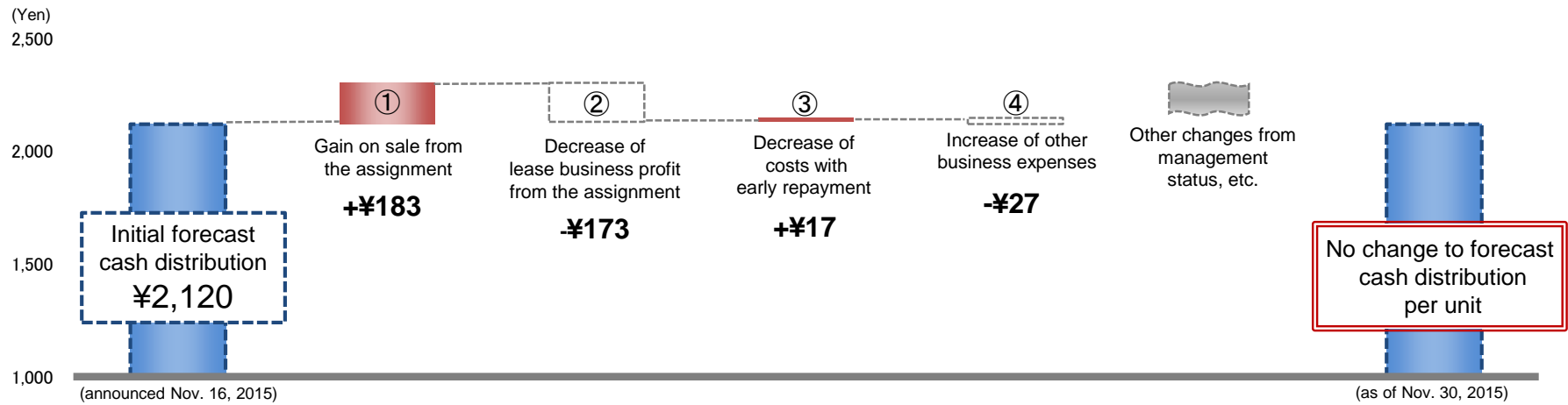
Gain on sale through the simultaneous assignment of 4 retail properties expected to be obtained (suppressing the downward effect on cash distributions of the realization of unrealized loss of some of the properties)

$$\begin{array}{r}
 \text{Total unrealized gain/loss} \\
 \mathbf{+\yen187 \text{ million}}
 \end{array}
 =
 \begin{array}{r}
 \text{Total assignment price} \\
 \mathbf{\yen8,500 \text{ million}}
 \end{array}
 -
 \begin{array}{r}
 \text{Total book value (estimate)} \\
 \mathbf{\yen7,974 \text{ million}}
 \end{array}
 -
 \begin{array}{r}
 \text{Total assignment expenses (estimate)} \\
 \mathbf{338 \text{ million}}
 \end{array}$$

By obtaining gain on sale, the decrease of lease business profit from the assignment in the 21st fiscal period ending March 2016 is expected to be covered. As of now, no change to forecast of cash distribution per unit of 2,120 yen for the 21st fiscal period ending March 2016 dated November 16, 2015

Factors of change from initial forecast announced on November 16, 2015

Factors of change (compared to initial forecast)		Impact on cash distribution per unit
Assignment of 4 retail properties	① Gain on sale of approx. ¥187 million (estimate after consideration of assignment expenses)	+¥183
	② Decrease of lease business profit of approx. ¥176 million (date of assignment to Mar. 31, 2016 (approx. 4 months' worth))	-¥173
Early repayment with proceeds from the assignment	③ Decrease of borrowing costs for the 21st fiscal period of approx. ¥17 million	+¥17
Other	④ Increase in other business expenses of approx. ¥28 million	-¥27



Future Policy

Respond to downward factors on cash distributions expected in the 22nd fiscal period ending September 2016, promote the strengthening of the stability of the portfolio as well as the profit base



Secure a stable cash distribution level from a mid- to long-term perspective and aim for further increase

Specific Measures for Management of Cash Distributions

Borrowing Capacity

In case the Investment Corporation made borrowings up to LTV of 55%, the ceiling target

¥21.9billion
(estimate)

Promote external growth through agile fund procurement

- Core is the property pipeline with the Sekisui House Group shown on the next page
- Consider as well optimal funding methods for conservative LTV control

Free Cash Flow

Internal reserves of cash flow through depreciation of properties owned

¥2.8billion
per annum
(estimate)

Prioritize utilization for capital expenditure for maintaining and increasing the competitiveness of properties

- Consider as well utilization for funds to acquire properties according to the status of cash on hand
- Consider utilization as distributions in excess of earnings if cash distributions temporarily decrease significantly

Reserves for Reduction Entry

Internal reserves of gain on sale of properties which utilized special measures concerning taxation for advance acquisition of land and such

¥127million
in total

Utilize for measures that contribute to securing stable cash distributions in the future

- Regarding gain on sale of future assignments as well, consider internally reserving taking distribution level into account according to the situation such as the acquisition of new properties during the 21st fiscal period

Note : "Free Cash Flow" is calculated based on estimated annual depreciation of 107 properties scheduled to be under management in the 21st fiscal period ending March 31, 2016.

Major factors for change in cash distributions expected for the 22nd fiscal period ending September 2016

Factors of Change (compared to provision forecast for the 21st FP)		Impact to Cash Distribution per Unit
Factor of increase	<ul style="list-style-type: none"> Decrease of borrowing costs recorded for the 21st fiscal period regarding the borrowings subject to the early repayment scheduled to be implemented approx. ¥21 million 	+¥21
	<ul style="list-style-type: none"> Decrease of general management cost regarding 4 assigned retail properties approx. ¥50 million 	+¥49
Factor of decrease	<ul style="list-style-type: none"> Absence of gain on sale from assignment of 4 retail properties and decrease of lease business profit approx. ¥213 million 	-¥209
	<ul style="list-style-type: none"> Increase of fixed property tax and city planning tax of residential properties acquired in January 2015 and after as expenses approx. ¥28 million 	-¥27

Residential Properties Planned, Developed or Owned by Sekisui House Group

Sekisui House holds property planning meetings periodically

Asset Management Company participates as an observer

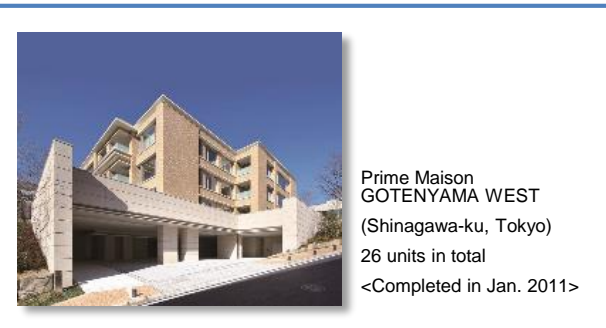
Sekisui House plans and developments “Prime Maison” based on the property planning meetings

Prime Maison



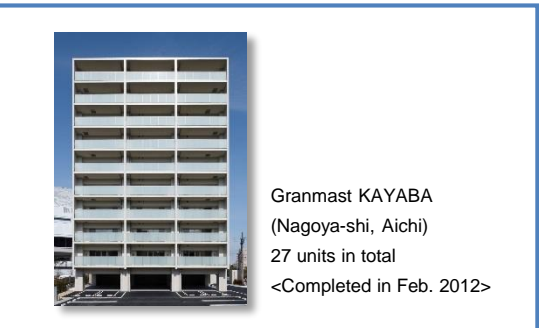
An example of “Prime Maison” properties owned by Sekisui House other than the above

Prime Maison



An example of MAST properties planned, developed or owned by Sekiwa Real Estate companies in recognition of their value

MAST



Note: With regard to properties on this page, the Investment Corporation has no specific plans to acquire any of the properties above as of the date of this document. Also, images of properties that are “under construction” are renderings based on the design documents and may differ from the actual buildings. Furthermore, “total units” includes units that are not for residential purpose.

(Reference) Overview of Retail Properties Owned as of the Date of Document, etc. 積水ハウス・SI レジデンシャル投資法人

	HAMAMATSU Plaza	b-town MINAMIAOYAMA
Property Name		
Location	Hamamatsu-shi, Shizuoka	Minato-ku, Tokyo
Number of tenants (business type)	4 (retail, services)	7 (retail, services, etc.; residences (3 units))
Acquisition Price	¥3,820 million	¥1,530 million
Book Value	¥3,631 million (As of Sept. 30, 2015)	¥1,501 million (As of Sept. 30, 2015)
Appraisal Value	¥2,440 million (As of Sept. 30, 2015)	¥1,140 million (As of Sept. 30, 2015)
NOI Yields	3.8% (20th FP (actual) / based on acquisition price)	3.4% (20th FP (actual) / based on acquisition price)
History since Acquisition	<p>July 2005: Acquired from company related to the former sponsor at the time of the Investment Corporation's listing as a flagship property</p> <p>March 2012: Assigned 51% quasi-co-ownership interests in the East area and all interests in the West area</p> <p>September 2013: Assigned all interests in East area's Ito-Yokado building (the shop operated by Ito-Yokado Co., Ltd. at the Ito-Yokado building closed as of January 18, 2015)</p> <p>As of the date of this document, only 49% of quasi-co-ownership interests of the East area's Hamapura&Frespo Building (<i>sokochi</i>), Akachan Honpo Building, XEBIO Building and the Administrative Building are owned</p>	<p>May 2006: Acquired from group company of the former sponsor</p> <p>Continues to be owned as of the date of this document</p>

Current Policy

The succeeding tenant to the Ito-Yokado building has been determined and the plans for store opening are being negotiated by Sekisui House, the quasi-co-owner and the successor tenant. **Aiming to add value to the entire facility**

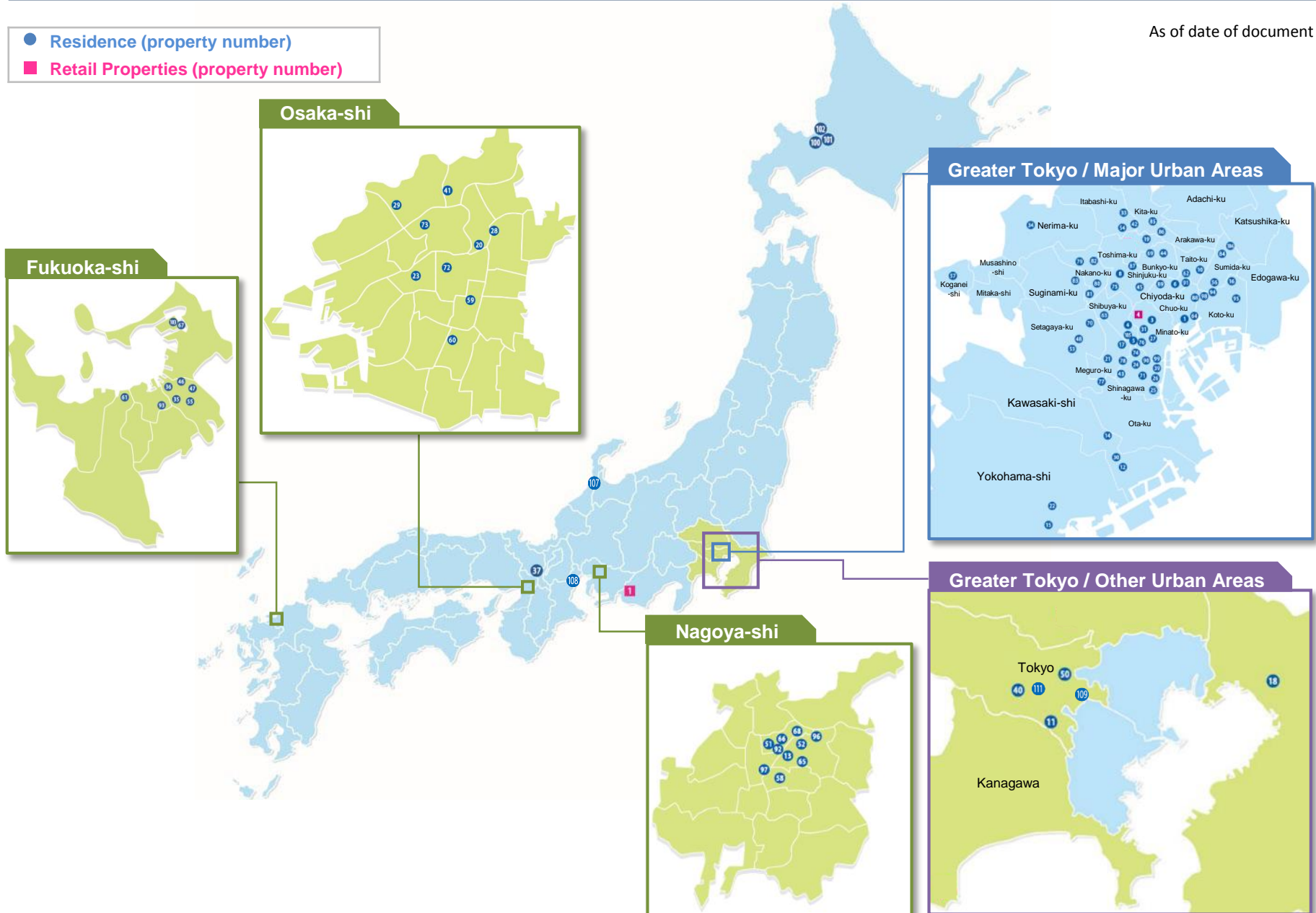
Continue to work for stable management while **considering the decision to assign with timing**

(Note) The number of tenants and the tenants' business types are as of the date of this document.

Portfolio Map (1)

As of date of document

- Residence (property number)
- Retail Properties (property number)



Portfolio Map (2)

Greater Tokyo / Major Urban Areas				Greater Tokyo / Other Urban Areas		Major Cities Nationwide	
Residence		Residence		Residence		Residence	
Residence-1	Esty Maison GINZA	Residence-69	Esty Maison SENGOKU	Residence-11	Esty Maison MACHIDA	Residence-93	Esty Maison YAKUIN
Residence-3	Esty Maison AZABUNAGASAKA	Residence-70	Esty Maison DAIZAWA	Residence-18	Esty Maison YACHIYOMIDORIGAOKA	Residence-96	Prime Maison FUJIMIDAI
Residence-4	Esty Maison EBISU II	Residence-71	Esty Maison TOGOSHI	Residence-40	Esty Maison HACHIOJIMINAMINO	Residence-97	Esty Maison TSURUMAI
Residence-5	Esty Maison EBISU	Residence-74	Esty Maison SHIROKANEDAI	Residence-50	Prime Maison MUSASHINONOMORI	Residence-100	Prime Maison ODORI KOEN
Residence-6	Esty Maison KANDA	Residence-75	Esty Maison HIGASHISHINJUKU	Residence-109	Esty Maison TSUTSUGAOKA	Residence-101	Prime Maison MINAMI 2-JO
Residence-8	Esty Maison KITASHINJUKU	Residence-76	Esty Maison MOTOAZABU	Residence-111	MAST LIFE HINO	Residence-102	Prime Maison KAMOKAMOGAWA
Residence-10	Esty Maison ASAKUSAKOMAGATA	Residence-77	Esty Maison TORITSUDAIGAKU	Major Cities Nationwide		Residence-103	Prime Maison CENTRAL PARK
Residence-12	Esty Maison KAWASAKI	Residence-78	Esty Maison MUSASHIKOYAMA II			Residence	
Residence-14	Esty Maison SHINKAWASAKI	Residence-79	Esty Maison NAKANO	Residence-13	Esty Maison IMAIKE	Residence-108	Granmast UNOMORI
Residence-15	Esty Maison YOKOHAMA	Residence-80	Esty Maison SHINNAKANO	Residence-20	Esty Maison KYOBASHI	Other Real Estate in Trust (Retail Properties)	
Residence-16	Esty Maison KAMEIDO	Residence-81	Esty Maison NAKANOFUJIMICHO	Residence-23	Esty Maison MINAMIHORIE		
Residence-17	Esty Maison MEGURO	Residence-82	Esty Maison TETSUGAKUDO	Residence-28	Esty Maison JOTO		
Residence-19	Esty Maison SUGAMO	Residence-83	Esty Maison KOENJI	Residence-29	Esty Maison TSUKAMOTO		
Residence-21	Esty Maison MEGUROHONCHO	Residence-84	Esty Maison OSHIAGE	Residence-35	Esty Maison TENJINHIGASHI I		
Residence-22	Esty Maison HAKURAKU	Residence-85	Esty Maison AKABANE	Residence-36	Esty Maison TENJINHIGASHI II		
Residence-24	Esty Maison GOTANDA	Residence-86	Esty Maison OJI	Residence-37	Esty Maison SHIJONISHINOTOIN		
Residence-25	Esty Maison OISENDAIZAKA	Residence-87	Prime Maison WASEDA	Residence-41	Esty Maison NISHINAKAJIMA		
Residence-26	Esty Maison SHINAGAWA SEASIDE	Residence-88	Prime Maison HATCHOBORI	Residence-46	Esty Maison HAKATAHIGASHI		
Residence-27	Esty Maison MINAMIAZABU	Residence-89	Prime Maison JINBOCHO	Residence-47	Esty Maison KAMIGOFUKU		
Residence-30	Esty Maison KAWASAKI II	Residence-90	Prime Maison GOTENYAMA EAST	Residence-51	Prime Maison HIGASHISAKURA		
Residence-31	Esty Maison AZABUJUBAN	Residence-91	MAST LIFE AKIHABARA	Residence-52	Prime Maison KAYABAKOEN		
Residence-33	Esty Maison ITABASHIHONCHO	Residence-94	Esty Maison KINSHICHO II	Residence-55	MAST HAKATA		
Residence-34	Esty Maison OIZUMIGAKUEN	Residence-95	Esty Maison OJIMA	Residence-58	Prime Maison GOKISO		
Residence-39	Esty Maison HIGASHISHINAGAWA	Residence-98	Prime Maison MORISHITA	Residence-59	Prime Maison YUHIGAOKA		
Residence-42	Esty Maison ITABASHIKUYAKUSHOMAE	Residence-99	Prime Maison SHINAGAWA	Residence-60	Prime Maison KITATANABE		
Residence-43	Esty Maison MUSASHIKOYAMA	Residence-104	MAST LIFE YAHIRO	Residence-61	Prime Maison MOMOCHIHAMA		
Residence-44	Esty Maison SENDAGI	Residence-105	Prime Maison EBISU	Residence-65	Prime Maison TAKAMI		
Residence-45	Esty Maison YOTSUYASAKAMACHI	Residence-106	Esty Maison SHIBAURA	Residence-66	Prime Maison YADAMINAMI		
Residence-48	Esty Maison SANGENJAYA	Residence-110	Esty Maison KOHOKU TSUNASHIMA	Residence-67	Prime Maison TERIHA		
Residence-53	Esty Maison SANGENJAYA II	Other Real Estate in Trust (Retail Properties)		Residence-68	Esty Maison HIGASHISHIRAKABE		
Residence-54	Esty Maison ITABASHI C6	Retail-4	b-town MINAMIAOYAMA	Residence-72	Esty Maison KAWARAMACHI		
Residence-56	Esty Maison KINSHICHO			Residence-73	Esty Maison NISHITENMA		
Residence-57	Esty Maison MUSASHIKOGANEI			Residence-92	Esty Maison AOI		
Residence-62	Esty Maison AKIHABARA						
Residence-63	Esty Maison SASAZUKA						
Residence-64	Prime Maison GINZA EAST						



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