

To Our Unitholders

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Executive Director
Sekisui House Reit, Inc.
1-6-6 Motoakasaka, Minato-ku, Tokyo

Notice Concerning the Third General Meeting of Unitholders

You are cordially invited to attend the Third General Meeting of Unitholders of Sekisui House Reit, Inc. (“SHR”). The Meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing. Please review the “Reference Material for the General Meeting of Unitholders” mentioned below, vote on the proposals in the enclosed Voting Rights Exercise Form, and return it by no later than Monday, March 26, 2018, 6:00 pm.

In addition, SHR established the provision of “deemed approval” in Article 17 of the current Articles of Incorporation pursuant to Article 93 Paragraph1 of the Act on Investment Trusts and Investment Corporations.

Accordingly, if you are unable to attend the Meeting and are unable to vote using the Voting Rights Exercise Form, please be aware that you will be deemed as having attended and approved each proposal.

Respectfully yours.

(Excerpt from SHR’s Current Articles of Incorporation)

Article 17 (Deemed Approval)

1. Unitholders who do not attend a general meeting of unitholders and do not exercise voting rights shall be deemed approve the proposals for resolution submitted to the general meeting of unitholders (excluding any proposals with purposes conflict with each other in cases where multiple proposals are submitted).
2. The number of voting rights of unitholders deemed to have voted in favor of the proposals for resolution pursuant to the preceding paragraph will be included in the number of voting rights of unitholders present.

1. Date and Time

Tuesday, March 27, 2018, 2:00 p.m.

2. Place

6-1 Otemachi 2-chome, Chiyoda-ku, Tokyo
Asahi Seimei Otemachi building 27F
Otemachi Sunsky Room, Conference Room A

3. Proposal of the Meeting

Resolution Agenda:

Proposal No. 1: Approval of Merger Agreement with Sekisui House Residential Investment Corporation P.3

Proposal No. 2: Partial amendment of the Articles of Incorporation..... P.10

Proposal No. 3: Appointment of one executive director..... P.22

Proposal No. 4: Appointment of two substitute executive directors..... P.23

Proposal No. 5: Appointment of two supervisory directors..... P.25

4. Voting Rights Exercise

(1) Voting Rights Exercise through Attendance

Please present the enclosed Voting Rights Exercise Form at the reception desk.

(2) Voting Rights Exercise through Writing

For those voting in writing, please return the enclosed Voting Rights Exercise Form by no later than Monday, March 26, 2018, 6:00 pm.

(3) Voting Rights Exercise through Proxy

For those voting by proxy, a unitholder can vote by having another individual unitholder who holds voting rights attend the General Meeting of Unitholders and act as proxy. In that case, please submit a Power of Representation Form and a Voting Rights Exercise Form at the reception desk.

(4) Method of Revising the Reference Materials of the General Meeting of Unitholders

When it is necessary to revise proposals contained in the Reference Materials of the General Meeting of Unitholders by the day prior to the meeting, we will post the revisions on SHR’s website (<http://www.sekisuihouse-reit.co.jp/en/>).

End

Following the General Meeting of Unitholders, Sekisui House Investment Advisors, Ltd., SHR’s asset management company, will hold an “Asset Management Briefing” at the same venue. Those attending the meeting are cordially invited to the briefing as well.

Reference Material for the General Meeting of Unitholders

Proposal and Reference Items

Proposal No. 1: Approval of Merger Agreement with Sekisui House Residential Investment Corporation

1. Reason for absorption-type merger

SHR agreed to implement an absorption-type merger (the “Investment Corporation Merger”), with May 1, 2018 as the effective date, whereby SHR will be the surviving corporation and Sekisui House Residential Investment Corporation (“SHI”, and collectively with SHR, the “Two Investment Corporations”) will be the dissolving corporation, and executed a merger agreement (the “Investment Corporation Merger Agreement”) dated January 24, 2018.

The asset management companies of the Two Investment Corporations (the asset management company of SHR is Sekisui House Investment Advisors, Ltd. (“SHIA”), and the asset management company of SHI is Sekisui House Asset Management, Ltd. (“SHAM”), and collectively with SHIA, the “Two Asset Management Companies”) are each wholly-owned subsidiaries of Sekisui House, Ltd. (“Sekisui House”), and receiving support from the Sekisui House Group (comprised of Sekisui House and its consolidated subsidiaries and its affiliates accounted for by the equity method) have each built track records in asset management.

The Two Investment Corporations have worked to expand their assets and secure stable returns by utilizing their respective strengths with the aim of long-term enhancement of unitholder value. However, they reached the conclusion that expanding the scale of their assets and increasing their market presence through a merger of the Two Investment Corporations, and improving the opportunity for growth by utilizing the integrated corporate strength of the Sekisui House Group, thereby securing strong returns and stability and growth of distributions through the steady increase of assets under management, would be their best strategy for maximizing unitholder value.

The Two Investment Corporations believe that their merger will have the following significance: (1) Creation of a highly stable diversified REIT having high quality residential properties and office buildings as its core assets, (2) Increase of varied growth opportunities by utilizing the integrated corporate strength of the Sekisui House Group, and (3) Greater market presence due to an increase in the scale of assets.

We believe that following the Investment Corporation Merger, the benefits from the merger will become apparent in the greater stability of the investment unit price owing to an increase in distributions made possible through internal and external growth and improved liquidity.

SHR will be the surviving corporation under an absorption-type merger and SHI will be dissolved in the Investment Corporation Merger.

All unitholders are requested to agree to the reasons to the Investment Corporation Merger Agreement and grant their approval.

2. Overview of the Investment Corporation Merger Agreement

As set forth in Attachment 1.

3. Summary of matters set forth in Article 194, Paragraph 1, Item (1) through Item (3) of the Regulation for the Enforcement of the Act on Investment Trusts and Investment Corporations.

(1) Matters relating to the appropriateness of provisions relating to matters regarding the number of investment units of the surviving corporation, or the method of calculation of the number of investment units of the surviving corporation, to be allocated by the surviving corporation in the Investment Corporation Merger to unitholders of the dissolving corporation in exchange for investment units of the dissolving corporation upon the absorption-type merger, the total capital of the surviving corporation, and allocation of investment units of the surviving corporation to unitholders of the dissolving corporation

(i) Matters regarding the appropriateness of the provisions relating to matters regarding the number of investment units of the surviving corporation that the surviving corporation is to deliver to unitholders of the dissolving corporation at the time of the absorption-type merger to replace their investment units in the dissolving corporation or the method of calculating such number of investment units, and allocation of investment units of the surviving corporation to unitholders of the dissolving corporation.

I. Number of SHR investment units or amount of money to be allocated per SHI investment unit.

	SHR (Surviving corporation in the absorption-type merger)	SHI (Dissolving corporation in the absorption-type merger)
Allocation of Investment units under the Investment Corporation Merger	1	1.65
		(Reference) Prior to taking into consideration the Investment Unit Split 0.825

Note 1: SHR plans to split one investment unit into two investment units with April 30, 2018 as the record date for splitting the investment units and May 1, 2018 as the effective date (the “Investment Unit Split”). The number of SHR investment units to be issued as a result of the Investment Corporation Merger (the number of units after taking into account the Investment Unit Split of SHR): 1,824,091 investment units

Note 2: The allocation ratio shown above and the number of new investment units SHR will allocate and deliver are subject to the Investment Unit Split taking effect. The merger ratio prior to taking into consideration the Investment Unit Split is SHI 0.825 to SHR 1; however, on the basis of that ratio, against 1 SHI investment unit, 0.825 SHR investment units would be allocated and delivered, and this would result in many SHI unitholders being allocated a fraction of less than one SHR investment unit. Accordingly, in order to deliver to all SHI unitholders at least one SHR investment unit and make it possible for them to continue holding SHR investment units after the Investment Corporation Merger, a split of the investment units will be carried out in the ratio of 2 investment units to 1 SHR investment unit, and for every 1 SHI investment unit, 1.65 post-Investment Unit Split SHR investment units will be allocated and delivered.

Note 3: As a result of allocating 1.65 SHR investment units to SHI unitholders for each SHI investment unit held, fractions of less than one investment unit will occur in the number of investment units that must be delivered. Those fractional units of less than one share will be sold through market transactions, and the proceeds from the sales will be delivered to the unitholders allocated fractional shares in accordance with the fraction pursuant to the provisions of Article 88 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including subsequent amendments, the “Investment Trusts Act”).

Note 4: In addition to the abovementioned investment units, SHR intends to pay SHI unitholders (the unitholders stated or recorded in the final unitholders register on the day prior to the effective date of the Investment Corporation Merger (excluding the SHI unitholders who demanded the purchase of their investment units pursuant to the provisions of Article 149-3 of the Investment Trusts Act (excluding those unitholders who retracted such purchase demand) hereinafter referred to as the “Unitholders Subject to Allocation”), or the registered pledgees of investment units held in lieu of the cash distributions for the business period of SHI’s final term, a merger consideration in the form of cash distribution (based on SHI’s distributable income for that same period in an amount (dropping any fractions of a yen) which is the quotient resulting from dividing the amount of SHI’s distributable income on the date prior to the effective date of the merger by the number of issued SHI investment units on that date reduced by the number of investment units held by unitholders other than the Unitholders Subject to Allocation) within a reasonable period from the effective date of the Investment Corporation Merger.

II. Basis for the Calculation

SHR has appointed Nomura Securities Co., Ltd. (“Nomura Securities”), and SHI has appointed Mizuho Securities Co., Ltd. (“Mizuho Securities”), respectively, as their financial advisors for the Investment Corporation Merger and requested them to calculate the merger ratio.

The summaries of the calculations made by Nomura Securities and Mizuho Securities each indicate figures prior to taking into account the Investment Unit Split by SHR under the Investment Corporation Merger above.

Because the investment units of the Two Investment Corporations are both listed on the Tokyo Stock Exchange and there is a market price for the units, Nomura Securities used average market investment unit price analysis, and because there are multiple companies comparable to each of the Two Investment Corporations and an analogical estimate based on comparable investment corporations is possible, it also used a comparable investment corporation analysis; in order to reflect the state of future business operations in the calculations, Nomura Securities made a discounted cash flow analysis (“DCF Analysis”), and in order to also reflect in its estimations the amount of the impact of fair value and realizable value on net assets, it also used the adjusted net asset method in its calculations. A summary of Nomura Securities’ calculations is shown below. The range of values for the merger ratio shown indicates the range of estimates for SHI when the value for one SHR investment unit is considered to be 1.

In its average market investment unit price analysis, Nomura Securities used the simple arithmetic average of the closing prices on the calculation base date, which was set as January 23, 2018, the five business days preceding the calculation base date, the one-month period preceding the calculation base date, the three-month period preceding the calculation base date, and the six-month period preceding the calculation base date. For details in the supplemental explanation regarding the assumptions and disclaimers of Nomura Securities' analysis, please refer to Note 1 at the end of this section.

In the future profit plans of the Two Investment Corporations, which formed the bases for Nomura Securities' DCF analysis, there were no fiscal periods in which major changes in profits were projected.

Valuation Method	Range of Merger Ratio
Average Market Investment Unit Price Analysis	0.850 ~ 0.859
Comparable Investment Corporation Analysis	0.801 ~ 1.006
DCF Analysis	0.785 ~ 0.846
Adjusted Net Asset Method	0.780

In performing its analysis, Mizuho Securities reviewed the financial information of the Two Investment Corporations, in addition to reviewing the terms and conditions of the Investment Corporation Merger. Because the investment units of the Two Investment Corporations are listed on the Tokyo Stock Exchange and market investment unit prices are publicly available, Mizuho Securities used a market investment unit price analysis, and because there are multiple listed investment corporations that are comparable to each of the Two Investment Corporations and an analysis based on comparable investment corporations is possible, it also conducted a comparable investment corporation analysis; in addition Mizuho Securities conducted the dividend discount model as a method of analysis ("DDM Analysis") of the investment unit value based on dividends that unitholders of the Two Investment Corporations could be expected to receive in the future, and for the purpose of reflecting the market value of assets held by each corporation, also used the adjusted net asset value approach.

The calculated ranges of the merger ratio shown below are the range of the number of SHR investment units to be allocated for each investment unit of SHI. In performing the investment unit price analysis, Mizuho Securities adopted January 23, 2018 as the reference date and reviewed the closing investment unit price on the reference date and the average of the closing investment unit prices during most recent week, the most recent month, the most recent three months and the most recent six months, each ending on the reference date

For details in the supplemental explanation regarding the assumptions and disclaimers of Mizuho Securities' analysis, please refer to Note 2 at the end of this section.

In the future profit plans of the Two Investment Corporations which formed the bases for Mizuho Securities' DDM Analysis, there were no fiscal periods in which significant changes in profits were projected.

Valuation Method	Range of Merger Ratio
Investment Unit Price Analysis	0.850 ~ 0.859
Comparable Investment Corporation Analysis	0.804 ~ 0.968
Dividend Discount Model	0.539 ~ 0.988
Adjusted Net Asset Value Approach	0.781

Note 1: Nomura Securities, in calculating the merger ratio, in general used information received from the Two Investment Corporations and publicly disclosed information and, assuming those materials and information, etc. all to be accurate and complete, did not independently verify their accuracy and completeness. Nomura Securities also did not independently assess, appraise or inspect the assets and liabilities (including assets and liabilities off the book and other contingent liabilities) of the Two Investment Corporations, nor did it request a third party to do so. In addition, Nomura Securities assumed that the financial forecasts (including profit plans and other information) provided by the Two Investment

Corporations were reasonably prepared by their respective managements on the basis of the best estimates and judgments available at the time such forecasts were provided.

Note 2: In analyzing merger ratio, Mizuho Securities relied upon and assumed the accuracy and completeness of financial condition or other information relating to the Two Investment Corporations that was publicly available or was furnished to or discussed with Mizuho Securities by the Two Investment Corporations and upon which the analysis of Mizuho Securities is based. Mizuho Securities did not independently verify (nor assume responsibility or liability for independently verifying) any such information or its accuracy or completeness. The contents expressed in Mizuho Securities' written merger ratio calculation report could potentially differ if there are matters that would make the information provided to Mizuho Securities or discussed between Mizuho Securities and the corporations materially incorrect, or if there is a fact or circumstance not disclosed at the time of delivery of a written merger ratio calculation report, or which occurs subsequent to delivery of a written merger ratio calculation report (including facts which potentially existed at the time a written merger ratio calculation report was delivered but became apparent subsequently). Mizuho Securities assumed that the executive directors of each corporation are unaware of any fact that would make the information provided to or discussed with Mizuho Securities incomplete or misleading. In addition, Mizuho Securities did not conduct an independent valuation or appraisal of any assets or liabilities (including derivatives, off-balance sheet assets and liabilities and other contingent liabilities), or the reserves of either corporation, and Mizuho Securities was not independently provided with, nor did Mizuho Securities make any request to a third party for, any such valuation or appraisal. Mizuho Securities did not assume any obligation to conduct any inspection of the properties or facilities of either corporation, nor did Mizuho Securities evaluate the capitalization, solvency or fair value of either corporation under any law relating to bankruptcy, insolvency or similar matters. With respect to any information Mizuho Securities requested in connection with analysis of merger ratio that was not provided or disclosed to Mizuho Securities by the corporations, or could not otherwise be used by Mizuho Securities as a basis of Mizuho Securities' evaluation, Mizuho Securities used assumptions it believed to be reasonable and appropriate, and Mizuho Securities did not verify the effect on either corporation's future financial condition in the event that such assumptions prove to be materially inaccurate. With respect to the financial forecasts and other forward-looking information provided to Mizuho Securities, Mizuho Securities assumed that such information was reasonably prepared by the executive directors of each corporation on a basis reflecting the best currently available estimates and judgments of executive directors as to the expected future results of operations and financial conditions of the corporations. Mizuho Securities relied on the assumptions and financial projections and the business forecast without independent verification of the feasibility of such assumptions and forecasts, and Mizuho Securities expressed no view as to any analyses or forecasts referred to in its analysis or the assumptions on which they are based. Mizuho Securities is not a legal, regulatory, or tax expert and therefore relied on the assessments made by advisors to the corporations with respect to such issues. Mizuho Securities further assumed that the Merger will qualify as a tax-free reorganization for Japanese corporate tax purposes. The financial analysis results Mizuho Securities have provided to SHI in response to the request of SHI are for the sole purpose of assisting the board of directors of SHI to determine the merger ratio, and such financial analysis results are not for the purpose of expressing Mizuho Securities' opinion as to fairness on the merger ratio.

III. Background to the Calculations

As a result of discussions and negotiations over an extended period comprehensively taking into consideration such factors as the financial performance and state of the assets and liabilities of each of the Two Investment Corporations, their future business prospects, the merits of the Investment Corporation Merger and the results of the analyses performed by their respective financial advisors, the Two Investment Corporations, having determined that the above merger ratios are appropriate, concluded the Investment Corporation Merger Agreement.

IV. Relationships with the Institutions Which Performed the Calculations

Neither Nomura Securities nor Mizuho Securities fall under a related party of the Two Investment Corporations as defined in Article 67, paragraph 4 of the Ordinance on Accounting at Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, as amended) and neither has any material interests that must be indicated with respect to the Investment Corporation Merger.

V. Measures to Ensure Fairness

- i. The propriety of the Investment Corporation Merger and measures to ensure fairness in the process of consideration of the merger ratio

In the course of their consideration of the Investment Corporation Merger, the Two Investment Corporations reported on a timely basis the status of their considerations to the board of directors of each of the investment corporations, with each board being composed of the investment corporation's executive director and two supervisory directors, whose independence from the asset management companies is ensured in terms of the Investment Trusts Act, and all material matters of their considerations were deliberated and approved by their respective board of directors.

In addition, SHR appointed Anderson Mori & Tomotsune, and SHI appointed Ito and Mitomi Law Office as their respective legal advisors for the Investment Corporation

Merger, and they each received advice concerning the methodology and process relating to the procedures and decision-making process for the Investment Corporation Merger.

ii. Measures to ensure fairness in the calculation of the merger ratio

As discussed in I through III above, each of the Two Investment Corporations requested its respective financial advisor to perform a financial analysis in regard to the merger ratio and the merger ratio was determined by comprehensively taking into account the results of such analyses together with other factors.

SHR, in order to ensure the fairness of the Investment Corporation Merger and for the benefit of its shareholders, obtained from Nomura Securities, an independent third-party financial advisor, a written merger ratio calculation report providing an analysis from a financial perspective based on certain assumptions in regard to the allocation under the Investment Corporation Merger.

On the basis of the foregoing, SHR's board of directors concluded that sufficient steps had been taken to ensure the fairness of the Investment Corporation Merger.

SHI, for its part, in order to ensure the fairness of the Investment Corporation Merger and for the benefit of its shareholders, obtained from Mizuho Securities, an independent third-party financial advisor, a written merger ratio calculation report providing an analysis from a financial perspective based on certain assumptions in regard to the allocation under the Investment Corporation Merger.

On the basis of the foregoing, SHI's board of directors concluded that sufficient steps had been taken to ensure the fairness of the Investment Corporation Merger.

The Two Investment Corporations did not, however, obtain written opinions (so-called "fairness opinions") from their respective financial advisors to the effect that the merger ratio is reasonable from a financial perspective for their respective unitholders.

iii. Engagement of an independent advisor

SHI, in order to receive advice when considering the Investment Corporation Merger, as well as other support for the implementation of the Investment Corporation Merger, in addition to the independent third-party financial advisor mentioned in ii. above, from which it requested the calculation of the merger ratio, also engaged SMBC Nikko Securities Inc. ("SMBC Nikko Securities") as an independent advisor. SHI did not, however, obtain a written merger ratio calculation report or a fairness opinion from SMBC Nikko Securities.

(ii) Matters Relating to Total Unitholders' Capital of Surviving Corporation

SHR's total unitholders' capital and capital surplus to be added upon the Investment Corporation Merger will be as follows; provided, however, that SHR and SHI can consult and reach an agreement, taking into account SHR's and SHI's asset condition on the day preceding the Effective Date, and change such amounts:

I. Total unitholders' capital: 0 yen

II. Capital surplus: The amount of change in unitholders' equity, etc. specified in Article 22, Paragraph 1 of the Regulations on Accounting of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, as amended), less the amount specified in the preceding item.

(2) Matters regarding the dissolving corporation

(i) Financial Statements, Management Discussion and Analysis, and Statement of Cash Distributions for SHI's latest Fiscal Period

As set forth in Attachment 2.

(ii) Material impact of the disposal of material assets, assumption of material obligations, and other events on SHI's financial condition, if occurred, after the last day of the latest Fiscal Period.

I. In order to provide for the effective management of the assets held by the surviving corporation, as of January 24, 2018 the Two Asset Management Companies have executed an absorption-type merger (the "Asset Management Company Merger") with May 1, 2018 as the

effective date, subject to the Investment Corporation Merger taking effect, whereby SHIA will be the surviving company and SHAM will be the dissolving company in the merger.

- II. In addition, SHI will put before a general meeting of its unitholders, which is scheduled to be held on March 27, 2018, a proposal for an amendment of its articles of incorporation with a view to changing its accounting periods from the current March 31 and September 30 to April 30 and October 31. If the aforementioned amendment is approved in the general meeting of the unitholders, the last period before the effective date of the Investment Corporation Merger is expected to be a seven-month business period from October 1, 2017 to April 30, 2018.
- III. On January 24, 2018, SHI executed a sale and purchase agreement with Sekisui House regarding acquisition of trust beneficiary interests relating to six residential properties (Prime Maison Shirokanedai Tower, Prime Maison Otsuka, Prime Maison Asakusabashi, Prime Maison Daikanyama, Prime Maison Gotenyama West, and Esty Maison Toyosu Residence^(Note)) from Sekisui House with May 1, 2018, the day that the Investment Corporation Merger will take effect, as the acquisition date. It is planned that after the Investment Corporation Merger takes effect, SHR will assume from SHI its status as purchaser and all its rights and duties under the sale and purchase agreement, and execute the acquisition immediately thereafter. The sale and purchase agreement does not make the Investment Corporation Merger taking effect a suspensive condition for acquisition of the assets by SHI, but the agreement does provide that in the case where the Investment Corporation Merger does not take place, SHI and Sekisui House will consult in good faith regarding how to proceed.

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

- IV. On January 24, 2018, SHI executed with the respective transferees sale and purchase agreements regarding the transfer of trust beneficiary interests relating to twelve residential properties (Esty Maison Machida, Esty Maison Shinkawasaki, Esty Maison Megurohoncho, Esty Maison Joto, Esty Maison Tenjinhigashi I, Esty Maison Tenjinhigashi II, Esty Maison Shijonishinotoin, Esty Maison Hachiojiminamino, Esty Maison Nishinakajima, Esty Maison Kawaramachi, Esty Maison Shibaura, Esty Maison Tsutsujigaoka) to multiple domestic limited liability companies with May 1, 2018 as the planned transfer date. It is planned that after the Investment Corporation Merger takes effect, SHR will assume from SHI its status as seller and all rights and duties under the sale and purchase agreement, and execute the acquisition immediately thereafter. The sale and purchase agreement does not make the Investment Corporation Merger taking effect a suspensive condition for transfer of the assets by SHI.

(3) Matters regarding the surviving corporation

- (i) Material impact of the disposal of material assets, assumption of material obligations, and other events on SHR’s financial condition, if occurred, after the last day of the latest Fiscal Period.
 - I. In order to provide for the effective management of the assets held by the surviving corporation, as of January 24, 2018 the Two Asset Management Companies have executed the Asset Management Company Merger with May 1, 2018 as the effective date, subject to the Investment Corporation Merger taking effect, whereby SHIA will be the surviving company and SHAM will be the dissolving company in the merger.
 - II. SHR hereby announces that it resolved to split its investment units as follows (the “Investment Unit Split”)
 - i Purpose of the Investment Unit Split

The Investment Corporation Merger will be carried out through an absorption-type merger having SHR as the surviving corporation, and the merger ratio, before considering the Investment Unit Split, would be SHR 1: SHI 0.825. However, based on this merger ratio, 0.825 units of SHR would be allotted to every unit of SHI, which would mean that a number of SHI unitholders would receive less than one SHR unit. For this reason, in order to enable SHI unitholders to continue holding SHR units even after the Investment Corporation Merger, for the purpose of issuing 1 SHR unit or more to all SHI unitholders, it was decided that the SHR units will be split 2-for-1. As a result of the Investment Unit

Split, SHI unitholders will receive 1.65 units of SHR following the Investment Unit Split for every SHI unit they own.

ii Details of the Investment Unit Split

SHR units owned by the SHR unitholders set forth or recorded in the final unitholder roster on April 30, 2018 (the day before the effective date of the Investment Corporation Merger) will be split 2-for-1. The Investment Unit Split shall come into effect on May 1, 2018 (the effective date of the Investment Corporation Merger), provided that it is on the condition that the Investment Corporation Merger Agreement is not terminated.

4. This Proposal is subject to approval of Proposal No. 2 “Partial amendment of the Articles of Incorporation” as set forth in the original draft.

Proposal No. 2: Partial amendments of the Articles of Incorporation

1. Reasons for the amendments and overview of the proposals

- (1) In conjunction with the Investment Corporation Merger, SHR plans to split its Investment Units at a ratio of 2-for-1 for the purpose of allocating one or more Investment Units to all SHI unitholders (“Investment Unit Split”). The total number of issued investment units will increase in conjunction with the Investment Unit Split, and accordingly, the total number of issuable investment units will be increased in advance (relating to Article 5, Paragraph 1 of the current Articles of Incorporation).
- (2) With regard to the provision that a general meeting of unitholders shall be convened on a certain day and without delay thereafter, the terms of office of directors will change, and in order to adjust to the change in the terms of office, the Articles of Incorporation shall be amended such that the provision to the effect that a general meeting of unitholders of SHR shall be convened on July 1, 2018 and without delay thereafter, and subsequently shall be convened on July 1 and without delay thereafter every two years shall be amended to the effect that a general meeting of unitholders of SHR shall be convened on January 1, 2020 and without delay thereafter, and subsequently shall be convened on January 1 and without delay thereafter every two years, and the necessary provisions relating to the record date for general meetings of unitholders shall be changed (relating to Article 9, Paragraph 1 and Article 12, Paragraph 1 of the current Articles of Incorporation).
- (3) In conjunction with implementation of the Investment Corporation Merger, real estate used primarily as residences (“Residential Properties”) shall be added to SHR’s core investment targets along with its conventional targets of office buildings, retail properties, and hotels, and necessary provisions regarding new geographical areas for investment in Residential Properties shall be added (relating to Article 31 and Article 33, Paragraphs 1 to 3 of the current Articles of Incorporation and to Article 33, Paragraphs 3 and 5 of the Proposed Amendments to the Articles of Incorporation).
- (4) Some investments by SHI, which is the counterparty to the Investment Corporation Merger, include assets that are not investment targets of SHR; accordingly, in conjunction with the Investment Corporation Merger, additions will be made to SHR’s target assets for investment (relating to Article 32, Paragraph 2 of the current Articles of Incorporation).
- (5) The roles and responsibilities of the accounting auditor will increase, and considering that in conjunction with the expanded scope of investment assets resulting from the Investment Corporation Merger, audit work will also increase, the maximum accounting auditor remuneration amount will be adjusted from 20 million yen to 25 million yen to reflect an appropriate level (relating to Article 52 of the current Articles of Incorporation).
- (6) In conjunction with the Investment Corporation Merger, and for the purpose of implementation of the Investment Corporation Merger, SHIA conducted investigation and valuation of SHI’s assets, negotiated with related persons, and performed other services; accordingly, provisions relating to the Management Fee V (Merger Fee) shall be added to enable payment of appropriate consideration for SHIA’s services.

Further, it is expected that goodwill will arise in conjunction with the Investment Corporation Merger, and therefore, necessary provisions will be added to clarify the handling of goodwill amortization and the like when calculating Management Fee I (Ongoing Operational and Management Fee I) and Management Fee II (Ongoing Operational and Management Fee II).

Moreover, with regard to Management Fee II (Ongoing Operational and Management Fee II), in the case where SHR splits its investment units or implements a rights offering (gratis allocation of new investment units to current unitholders through the exercise of investment unit acquisition rights), necessary provisions will be added regarding calculation of Management Fee II (Ongoing Operational and Management Fee II) to ensure that the impact on Management Fee II (Ongoing Operational and Management Fee II) is neutral. It is expected that the planned Investment Unit Split will not have any substantive effect in the calculation of Management Fee II (Ongoing Operational and Management Fee II) (relating to appendix to the current Articles of Incorporation).
- (7) The amendments described in (1), (3), and (5) above will come into effect subject to the Investment Corporation Merger coming into effect, and accordingly, a provision to that effect will be added as an appendix to the Articles of Incorporation (relating to Article 55 of the Proposed Amendments to the Articles of Incorporation).

- (8) In addition to the above, language shall be revised and wording shall be corrected to clarify the particulars of the provisions and article numbers shall be modified and other adjustments to the text shall be made.
- (9) This Proposal is subject to approval of Proposal No. 1 “Approval of Merger Agreement with Sekisui House Residential Investment Corporation” as set forth in the original draft.

2. Overview of Amendments

The Amendments are as follows:

Proposed Amendments to the Articles of Incorporation

(Proposed amendments are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>Article 5 Total Number of Issuable Investment Units, Etc.</p> <p>1. The total number of issuable investment units for the Investment Corporation is <u>ten million (10,000,000)</u> units.</p> <p>2. - 3. (omitted)</p>	<p>Article 5 Total Number of Issuable Investment Units, Etc.</p> <p>1. The total number of issuable investment units for the Investment Corporation is <u>twenty million (20,000,000)</u> units.</p> <p>2. - 3. (unchanged)</p>
<p>Article 9 General Meeting of Unitholders</p> <p>1. A general meeting of unitholders of the Investment Corporation shall be held within the 23 wards of Tokyo, and shall be convened on <u>July 1, 2018</u> and onwards without delay, and subsequently be convened on <u>July 1</u> and onwards every two years without delay. In addition, the general meetings of unitholders may be held from time to time when it is necessary.</p> <p>2. (omitted)</p>	<p>Article 9 General Meeting of Unitholders</p> <p>1. A general meeting of unitholders of the Investment Corporation shall be held within the 23 wards of Tokyo, and shall be convened on <u>January 1, 2020</u> and onwards without delay, and subsequently be convened on <u>January 1</u> every two years and onwards without delay. In addition, the general meetings of unitholders may be held from time to time when it is necessary.</p> <p>2. (unchanged)</p>
<p>Article 12 Record Date</p> <p>1. If the Investment Corporation convenes a general meeting of unitholders pursuant to the first sentence of Paragraph 1 of Article 9, the Investment Corporation shall deem the unitholders recorded or registered in the final register of unitholders as of the end of <u>April</u> in <u>2018</u> and subsequently as of the end of <u>April</u> in every two years to be the unitholders who are entitled to exercise their rights at such general meeting of unitholders. In addition to such case, if a general meeting of unitholders is to be held on a day within three months after the immediately preceding Accounting Settlement Day (as defined in Article 45; the same shall apply hereinafter), the Investment Corporation shall deem the unitholders recorded or registered in the final register of unitholders for such Accounting Settlement Day to be the unitholders who are entitled to exercise their rights at such general meeting of unitholders.</p> <p>2. (omitted)</p>	<p>Article 12 Record Date</p> <p>1. If the Investment Corporation convenes a general meeting of unitholders pursuant to the first sentence of Paragraph 1 of Article 9, the Investment Corporation shall deem the unitholders recorded or registered in the final register of unitholders as of the end of <u>October</u> in <u>2019</u> and subsequently as of the end of <u>October</u> in every two years to be the unitholders who are entitled to exercise their rights at such general meeting of unitholders. In addition to such case, if a general meeting of unitholders is to be held on a day within three months after the immediately preceding Accounting Settlement Day (as defined in Article 45; the same shall apply hereinafter), the Investment Corporation shall deem the unitholders recorded or registered in the final register of unitholders for such Accounting Settlement Day to be the unitholders who are entitled to exercise their rights at such general meeting of unitholders.</p> <p>2. (unchanged)</p>
<p>Article 31 Basic Policy of Asset Management</p>	<p>Article 31 Basic Policy of Asset Management</p>

Current Articles of Incorporation	Proposed Amendments
<p>The Investment Corporation shall manage its assets by investing continuously and principally in Real Estates and Other Assets (as defined in Paragraph 1 of Article 32). The purpose of the Investment Corporation is to achieve mutual growth and prosperity together with all stakeholders such as unitholders and tenant <u>companies</u>, aiming at providing high-quality social capital and maximizing unitholder value through asset management that pursues stable earnings over the medium to long term and steady growth in the Managed Assets.</p>	<p>The Investment Corporation shall manage its assets by investing continuously and principally in Real Estates and Other Assets (as defined in Paragraph 1 of Article 32). The purpose of the Investment Corporation is to achieve mutual growth and prosperity together with all stakeholders such as unitholders and tenants, aiming at providing high-quality social capital and maximizing unitholder value through asset management that pursues stable earnings over the medium to long term and steady growth in the Managed Assets.</p>
<p>Article 32 Categories, Purpose and Scope of Target Assets of Asset Management</p>	<p>Article 32 Categories, Purpose and Scope of Target Assets of Asset Management</p>
<p>1. (omitted)</p> <p>2. Besides the Real Estates and Other Assets, the Investment Corporation may invest in the following Specified Assets: (Add)</p> <p>(a) (omitted)</p> <p>(b) Equity interests in an agreement where one party makes a financial contribution to another party to manage the Real Estates and Other Assets or the assets listed in the <u>preceding item</u>, and the other party manages that contribution principally as an investment in those assets and distributes profits from such management (“Equity Interests in Silent Partnership on Real Estate”)</p> <p>(c) (omitted)</p> <p>(d) Real estate, real estate lease rights or surface rights under the laws and regulations of a foreign county, or trust beneficiary rights in trust of real estate, real estate lease rights or surface rights or the assets listed in Items (a) to (c) established under the laws and regulations of a foreign country</p> <p>(e) Preferred equity securities (as set forth in the Act on Securitization of Assets (Law No. 105 of 1998, as amended) (the “Asset Securitization Act”)) (limited to those the purpose of which is to invest the amount exceeding the half of the assets in the Real Estates and Other Assets or the assets listed in Items (a) to (d) (the “Real Estate-Related Assets”))</p> <p>(f) (omitted)</p> <p>(g) (omitted)</p>	<p>1. (unchanged)</p> <p>2. Besides the Real Estates and Other Assets, the Investment Corporation may invest in the following Specified Assets:</p> <p>(a) <u>Trust beneficiary rights in trust of real estate, real estate lease rights or surface rights (including comprehensive trust beneficiary rights in trust of the same together with money associated with the real estates, and also including trust beneficiary rights in trust of such trust beneficiary rights, but excluding those falling under the Real Estates and Other Assets);</u></p> <p>(b) (unchanged)</p> <p>(c) Equity interests in an agreement where one party makes a financial contribution to another party to manage the Real Estates and Other Assets or the assets listed in the <u>Items (a) and (b)</u>, and the other party manages that contribution principally as an investment in those assets and distributes profits from such management (“Equity Interests in Silent Partnership on Real Estate”)</p> <p>(d) (unchanged)</p> <p>(e) Real estate, real estate lease rights or surface rights under the laws and regulations of a foreign county, or trust beneficiary rights in trust of only real estate, real estate lease rights or surface rights or the assets listed in Items (a) to (d) established under the laws and regulations of a foreign country</p> <p>(f) Preferred equity securities (as set forth in the Act on Securitization of Assets (Law No. 105 of 1998, as amended) (the “Asset Securitization Act”)) (limited to those the purpose of which is to invest the amount exceeding the half of the assets in the Real Estates and Other Assets or the assets listed in Items (a) to (e) (the “Real Estate-Related Assets”))</p> <p>(g) (unchanged)</p> <p>(h) (unchanged)</p>

Current Articles of Incorporation	Proposed Amendments
<p><u>(h)</u> Beneficiary certificates of a specified purpose trust (as set forth in the Asset Securitization Act) (excluding the Real Estates and Other Assets, the assets falling under Item (a) or <u>(c)</u> and the assets listed in Item <u>(d)</u> which are to be invested in the Real Estates and Other Assets or the assets listed in Item (a) or <u>(b)</u>) (limited to those the purpose of which is to invest the amount exceeding the half of the assets in the Real Estate-Related Assets);</p> <p><u>(i)</u> Assets of the same nature as those listed in Item <u>(e)</u> or <u>(h)</u> established under the laws and regulations of a foreign country (limited to those the purpose of which is to invest the amount exceeding the half of the assets in the Real Estate-Related Assets)</p> <p><u>(j)</u> (omitted)</p> <p><u>(k)</u> (omitted)</p> <p><u>(l)</u> Monetary claims (excluding the assets listed in Item <u>(j)</u> or <u>(k)</u>)</p> <p><u>(m)</u> (omitted)</p> <p><u>(n)</u> (omitted)</p> <p><u>(o)</u> (omitted)</p> <p><u>(p)</u> (omitted)</p> <p><u>(q)</u> (omitted)</p> <p><u>(r)</u> (omitted)</p> <p><u>(s)</u> Beneficiary certificates of a bond investment trust (which are beneficiary certificates of a securities investment trust as set forth in the Investment Trusts Act which are intended to be managed as an investment in the assets, etc. listed in Item <u>(m)</u>, <u>(n)</u>, <u>(q)</u>, <u>(u)</u> or <u>(v)</u>)</p> <p><u>(t)</u> (omitted)</p> <p><u>(u)</u> (omitted)</p> <p><u>(v)</u> (omitted)</p> <p><u>(w)</u> Trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as investment in the assets as set forth in Items <u>(j)</u> to <u>(v)</u></p> <p><u>(x)</u> (omitted)</p> <p><u>(y)</u> (omitted)</p> <p><u>(z)</u> (omitted)</p> <p>3. In addition to the Specified Assets as set forth in Paragraphs 1 and 2 above, the Investment Corporation may invest in the following assets:</p> <p>(a) - (c) (omitted)</p> <p>(d) Movables as set forth in the Civil Code (Act No. 89 of 1896, as amended) (the “Civil Code”), such as facilities, equipment, and other items attached to the Real Estate-Related Assets (excluding those set forth in Item <u>(z)</u> of Paragraph 2 of Article 32)</p> <p>(e) - (n) (omitted)</p> <p>4. (omitted)</p>	<p><u>(i)</u> Beneficiary certificates of a specified purpose trust (as set forth in the Asset Securitization Act) (excluding the Real Estates and Other Assets, the assets falling under Item (a), <u>(b)</u> or <u>(d)</u> and the assets listed in Item <u>(e)</u> which are to be invested in the Real Estates and Other Assets or the assets listed in Item (a), <u>(b)</u> or <u>(c)</u>) (limited to those the purpose of which is to invest the amount exceeding the half of the assets in the Real Estate-Related Assets)</p> <p><u>(j)</u> Assets of the same nature as those listed in Item <u>(f)</u> or <u>(i)</u> established under the laws and regulations of a foreign country (limited to those the purpose of which is to invest the amount exceeding the half of the assets in the Real Estate-Related Assets)</p> <p><u>(k)</u> (unchanged)</p> <p><u>(l)</u> (unchanged)</p> <p><u>(m)</u> Monetary claims (excluding the assets listed in Item <u>(k)</u> or <u>(l)</u>)</p> <p><u>(n)</u> (unchanged)</p> <p><u>(o)</u> (unchanged)</p> <p><u>(p)</u> (unchanged)</p> <p><u>(q)</u> (unchanged)</p> <p><u>(r)</u> (unchanged)</p> <p><u>(s)</u> (unchanged)</p> <p><u>(t)</u> Beneficiary certificates of a bond investment trust (which are beneficiary certificates of a securities investment trust as set forth in the Investment Trusts Act which are intended to be managed as an investment in the assets, etc. listed in Item <u>(n)</u>, <u>(o)</u>, <u>(r)</u>, <u>(v)</u> or <u>(w)</u>)</p> <p><u>(u)</u> (unchanged)</p> <p><u>(v)</u> (unchanged)</p> <p><u>(w)</u> (unchanged)</p> <p><u>(x)</u> Trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as investment in the assets as set forth in Items <u>(k)</u> to <u>(w)</u></p> <p><u>(y)</u> (unchanged)</p> <p><u>(z)</u> (unchanged)</p> <p><u>(aa)</u> (unchanged)</p> <p>3. In addition to the Specified Assets as set forth in Paragraphs 1 and 2 above, the Investment Corporation may invest in the following assets:</p> <p>(a) - (c) (unchanged)</p> <p>(d) Movables as set forth in the Civil Code (Act No. 89 of 1896, as amended) (the “Civil Code”), such as facilities, equipment, and other items attached to the Real Estate-Related Assets (excluding those set forth in Item <u>(aa)</u> of Paragraph 2 of Article 32)</p> <p>(e) - (n) (unchanged)</p> <p>4. (unchanged)</p>

Current Articles of Incorporation	Proposed Amendments
<p>Article 33 Investment Policy</p> <p>1. The Investment Corporation shall position non-residential, business purpose real estates that are used mainly as office buildings, retail properties <u>or hotels</u>, etc. (the “Commercial Properties”) as its <u>central</u> investment target.</p> <p>2. The investment area of the Commercial Properties shall be mainly in Japan but the Investment Corporation may invest overseas.</p> <p>(Add)</p> <p>3. The main geographical areas for investment of the Commercial Properties in Japan shall be the Three Major Metropolitan Areas (which collectively refers to Greater Tokyo, Osaka Area and Nagoya Area) centering on the 23 wards of Tokyo, Osaka City and Nagoya City. <u>The main geographical areas for investment of the overseas Commercial Properties are Singapore, Australia and the U.S., as well as other countries and regions where the population and economy are expected to grow.</u></p> <p>(Add)</p>	<p>Article 33 Investment Policy</p> <p>1. The Investment Corporation shall position <u>real estates mainly for residential use (the “Residential Properties”)</u> and non-residential, business purpose real estates that are used mainly as office buildings, <u>hotels and retail properties</u>, etc. (the “Commercial Properties”) as its <u>primary</u> investment target.</p> <p>2. The investment area of the <u>Residential Properties and the Commercial Properties</u> shall be mainly in Japan but the Investment Corporation may invest overseas.</p> <p>3. <u>The main geographical areas for investment of the Residential Properties in Japan shall be Greater Tokyo and major cities in Japan other than Greater Tokyo such as the ordinance-designated cities, and commuting areas around them.</u></p> <p>4. The main geographical areas for investment of the Commercial Properties in Japan shall be the Three Major Metropolitan Areas (which collectively refers to Greater Tokyo, Osaka Area and Nagoya Area) centering on the 23 wards of Tokyo, Osaka City and Nagoya City <u>and major cities in Japan other than the Three Major Metropolitan Areas.</u></p> <p>5. <u>The main geographical areas for investment of the overseas Residential Properties and Commercial Properties are Singapore, Australia and the U.S., as well as other countries and regions where the population and economy are expected to grow.</u></p>
<p>Article 34 Investment Restrictions</p> <p>1. (omitted)</p> <p>2. The Investment Corporation shall make investments in the rights related to derivatives transactions as set forth in Item (y) of Paragraph 2 of Article 32 only for the purpose of hedging exchange risk, price fluctuation risk, interest rate risk and other risk factors arising from the Managed Assets or liabilities of the Investment Corporation.</p> <p>3. (omitted)</p>	<p>Article 34 Investment Restrictions</p> <p>1. (unchanged)</p> <p>2. The Investment Corporation shall make investments in the rights related to derivatives transactions as set forth in Item (z) of Paragraph 2 of Article 32 only for the purpose of hedging exchange risk, price fluctuation risk, interest rate risk and other risk factors arising from the Managed Assets or liabilities of the Investment Corporation.</p> <p>3. (unchanged)</p>
<p>Article 39 Method of and Standards for Asset Evaluation</p> <p>The method of and standards for asset evaluation of the Investment Corporation shall be determined by the type of the Managed Asset, and shall be as follows as a general rule.</p> <p>(a) Real estate, real estate lease rights and surface rights of the Real Estates and Other Assets as set forth in Paragraph 1 of Article 32; and those under the laws and</p>	<p>Article 39 Method of and Standards for Asset Evaluation</p> <p>The method of and standards for asset evaluation of the Investment Corporation shall be determined by the type of the Managed Asset, and shall be as follows as a general rule.</p> <p>(a) Real estate, real estate lease rights and surface rights of the Real Estates and Other Assets as set forth in Paragraph 1 of Article 32; and those under the laws and</p>

Current Articles of Incorporation	Proposed Amendments
<p>regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32: (omitted)</p> <p>(b) Trust beneficiary rights in trust of real estate, real estate lease rights and surface rights <u>of the Real Estates and Other Assets</u> as set forth in Paragraph 1 of Article 32; <u>and those only in</u> trust of real estate, real estate lease rights and surface rights established under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32: (omitted)</p> <p>(c) Trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as an investment in real estate, real estate lease rights or surface rights as set forth in Paragraph 2 of Article 32, Item (a); and those established under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32: (omitted)</p> <p>(d) Equity Interests in Silent Partnership on Real Estate as set forth in Item (b) of Paragraph 2 of Article 32; and those established under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32: (omitted)</p> <p>(e) Trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets principally as an investment in Equity Interests in Silent Partnership on Real Estate; and those established under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32: (omitted)</p> <p>(f) (omitted)</p> <p>(g) Monetary claims as set forth in Item (l) of Paragraph 2 of Article 32: (omitted)</p> <p>(h) Rights related to derivatives transactions as set forth in Item (y) of Paragraph 2 of Article 32: (omitted)</p> <p>(i) (omitted)</p>	<p>regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32: (unchanged)</p> <p>(b) Trust beneficiary rights in trust of real estate, real estate lease rights and surface rights as set forth in Paragraph 1 and <u>Item (a) of Paragraph 2 of Article 32; and trust beneficiary rights in</u> trust of real estate, real estate lease rights and surface rights established under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32: (unchanged)</p> <p>(c) Trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as an investment in real estate, real estate lease rights or surface rights as set forth in Item (b) of Paragraph 2 of Article 32; <u>and trust beneficiary rights in monetary trusts</u> established under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32, <u>the purpose of which is to manage the trust assets as an investment in real estate, real estate lease rights or surface rights as set forth in Item (b) of Paragraph 2 of Article 32:</u> (unchanged)</p> <p>(d) Equity Interests in Silent Partnership on Real Estate as set forth in Item (c) of Paragraph 2 of Article 32; and those established under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32: (unchanged)</p> <p>(e) Trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets principally as an investment in Equity Interests in Silent Partnership on Real Estate <u>as set forth in Item (d) of Paragraph 2 of Article 32; and trust beneficiary rights in monetary trusts</u> established under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32, <u>the purpose of which is to manage the trust assets as an investment in Equity Interests in Silent Partnership on Real Estate as set forth in Item (d) of Paragraph 2 of Article 32:</u> (unchanged)</p> <p>(f) (unchanged)</p> <p>(g) Monetary claims as set forth in Item (m) of Paragraph 2 of Article 32: (unchanged)</p> <p>(h) Rights related to derivatives transactions as set forth in Item (z) of Paragraph 2 of Article 32: (unchanged)</p> <p>(i) (unchanged)</p>

Current Articles of Incorporation	Proposed Amendments
<p data-bbox="212 233 781 321">Article 40 Value in Securities Registration Statements, Securities Reports and Asset Management Reports</p> <p data-bbox="212 352 805 506">If making evaluations in a way that differs from the methods set forth in Article 39 for the purposes of recording a value in a securities registration statement, securities report and asset management report, etc., evaluations shall be made in the following way.</p> <p data-bbox="245 506 805 747">(a) Real estate, real estate lease rights and surface rights of the Real Estates and Other Assets as set forth in Paragraph 1 of Article 32; those under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32; and those held by the Corporation Holding Overseas Real Estate as set forth in Paragraph 1 of Article 32:</p> <p data-bbox="245 747 370 779">(omitted)</p> <p data-bbox="245 779 805 1329">(b) Trust beneficiary rights in trust of real estate, real estate lease rights and surface rights <u>of the Real Estates and Other Assets</u> as set forth in Paragraph 1 of Article 32; and trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets <u>principally</u> as an investment in real estate, real estate lease rights or surface rights as set forth in Item (a) of Paragraph 2 of Article 32; and trust beneficiary rights <u>only</u> in trust of real estate, real estate lease rights or surface rights established under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32; and trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets <u>principally</u> as an investment in real estate, real estate lease rights or surface rights as set forth in Item (a) of Paragraph 2 of Article 32:</p> <p data-bbox="245 1329 370 1360">(omitted)</p> <p data-bbox="245 1360 805 1875">(c) <u>Equity Interests in Silent Partnership on Real Estate as set forth in Item (b) of Paragraph 2 of Article 32; and trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets principally as an investment in Equity Interests in Silent Partnership on Real Estate as set forth in Item (c) of Paragraph 2 of Article 32; and Equity Interests in Silent Partnership on Real Estate established under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32; and trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as an investment in the Equity Interest in Silent Partnership on Real Estate as set forth in Item (c) of Paragraph 2 of Article 32:</u></p> <p data-bbox="245 1875 370 1906">(omitted)</p>	<p data-bbox="818 233 1386 321">Article 40 Value in Securities Registration Statements, Securities Reports and Asset Management Reports</p> <p data-bbox="818 352 1414 506">If making evaluations in a way that differs from the methods set forth in Article 39 for the purposes of recording a value in a securities registration statement, securities report and asset management report, etc., evaluations shall be made in the following way.</p> <p data-bbox="850 506 1414 747">(a) Real estate, real estate lease rights and surface rights of the Real Estates and Other Assets as set forth in Paragraph 1 of Article 32; those under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32; and those held by the Corporation Holding Overseas Real Estate as set forth in Paragraph 1 of Article 32:</p> <p data-bbox="850 747 1008 779">(unchanged)</p> <p data-bbox="850 779 1414 1329">(b) Trust beneficiary rights in trust of real estate, real estate lease rights and surface rights as set forth in Paragraph 1 <u>and Item (a) of Paragraph 2</u> of Article 32; and trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as an investment in real estate, real estate lease rights or surface rights as set forth in Item (b) of Paragraph 2 of Article 32; and trust beneficiary rights in trust of real estate, real estate lease rights or surface rights established under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32; and trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as an investment in real estate, real estate lease rights or surface rights as set forth in Item (b) of Paragraph 2 of Article 32:</p> <p data-bbox="850 1329 992 1360">(unchanged)</p> <p data-bbox="850 1360 1414 1728">(c) Trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as an investment in Equity Interests in Silent Partnership on Real Estate as set forth in Items (c) and (d) of Paragraph 2 of Article 32; <u>and trust beneficiary rights in monetary trusts</u> established under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32, the purpose of which is to manage the trust assets as an investment in Equity Interests in Silent Partnership on Real Estate as set forth in Items (c) <u>and (d)</u> of Paragraph 2 of Article 32:</p> <p data-bbox="850 1875 992 1906">(unchanged)</p>

Current Articles of Incorporation	Proposed Amendments
<p data-bbox="250 233 695 289">Article 52 Standards for Fee Payment to Accounting Auditor</p> <p data-bbox="250 323 797 562">The Investment Corporation shall pay fees to the accounting auditor in an amount determined by the board of directors that is no more than <u>20 million yen</u> for each Accounting Settlement Day subject to audit, by the last day of February and August each year for the period of six months up to such day, through bank transfer to an account designated by the accounting auditor.</p> <p data-bbox="277 596 342 625">(Add)</p>	<p data-bbox="857 233 1302 289">Article 52 Standards for Fee Payment to Accounting Auditor</p> <p data-bbox="857 323 1404 562">The Investment Corporation shall pay fees to the accounting auditor in an amount determined by the board of directors that is no more than <u>25 million yen</u> for each Accounting Settlement Day subject to audit, by the last day of February and August each year for the period of six months up to such day, through bank transfer to an account designated by the accounting auditor.</p> <p data-bbox="857 596 1284 625"><u>Article 55 Effectuation of Amendment</u></p> <p data-bbox="857 659 1409 1079"><u>The amendments in Paragraph 1 of Article 5 and Articles 31, 33 and 52 in these Articles of Incorporation shall take effect on the effective date of the absorption-type merger between the Investment Corporation as the surviving corporation and Sekisui House Residential Investment Corporation as the absorbed corporation under the merger agreement dated January 24, 2018 between the Investment Corporation and Sekisui House Residential Investment Corporation (the “Merger”), subject to effectuation of the Merger. This Article shall be deleted after the amendments in these Articles of Incorporation takes effect pursuant to this Article.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>Attachment Management Fee to Asset Management Company</p> <p>1. Management Fee I (Ongoing Operational and Management Fee I) Management Fee I shall be calculated by multiplying (i) the total net assets of the Investment Corporation on the balance sheet (limited to those approved by the board of directors pursuant to Article 131, Paragraph 2 of the Investment Trusts Act) for the latest Accounting Settlement Day by (ii) a rate separately agreed by the Investment Corporation and the Asset Management Company (up to 0.5% per annum), on a per diem basis. In this calculation method, the actual number of days in the relevant business term shall be assumed to be 365 days in a year and any fraction less than one yen shall be rounded down.</p> <p>2. Management Fee II (Ongoing Operational and Management Fee II) Management Fee II for each business term shall be (i) the distributable amount before deduction of Management Fee II for the relevant business term of the Investment Corporation (i.e., the amount of the net profit for the period before tax on the profit and loss statement (limited to those approved by the board of directors pursuant to Article 131, Paragraph 2 of the Investment Trusts Act; the same shall apply hereinafter) plus the amount of Management Fee II for the business term, after a loss carried forward is compensated, if any) divided by (ii) the total number of outstanding units as of the Accounting Settlement Day of the relevant business term, and multiplied by (iii) (a) the operating profits before deduction of Management Fee II (i.e., the amount of the operating profits on the profit and loss statement plus the amount of Management Fee II for the business term) and (b) a rate separately agreed by the Investment Corporation and the Asset Management Company (up to 0.004%). In this calculation method, any fraction less than one yen shall be rounded down, and divisions shall be done at the end of the calculation, and the lower limit shall be zero yen.</p>	<p><u>Attachment</u> <u>Management Fee to Asset Management Company</u></p> <p><u>1. Management Fee I (Ongoing Operational and Management Fee I)</u> <u>Management Fee I shall be calculated by multiplying (i) the total net assets (less the amount equivalent to unamortized positive goodwill) of the Investment Corporation on the balance sheet (limited to those approved by the board of directors pursuant to Article 131, Paragraph 2 of the Investment Trusts Act) for the latest Accounting Settlement Day by (ii) a rate separately agreed by the Investment Corporation and the Asset Management Company (up to 0.5% per annum), on a per diem basis. In this calculation method, the actual number of days in the relevant business term shall be assumed to be 365 days in a year and any fraction less than one yen shall be rounded down.</u></p> <p><u>2. Management Fee II (Ongoing Operational and Management Fee II)</u> <u>Management Fee II for each business term shall be (i) the distributable amount before deduction of Management Fee II for the relevant business term of the Investment Corporation (i.e., the amount of the net profit for the period before tax (after adding the amount of amortization of goodwill and deducting the gains on negative goodwill incurred) on the profit and loss statement (limited to those approved by the board of directors pursuant to Article 131, Paragraph 2 of the Investment Trusts Act; the same shall apply hereinafter) plus the amount of Management Fee II for the business term (including the amount of the non-deductible consumption tax on Management Fee II), after a loss carried forward is compensated, if any) divided by (ii) the total number of issued and outstanding units as of the Accounting Settlement Day of the relevant business term (the “Distributable Amount per Unit”), and multiplied by (iii) (a) the operating profits before deduction of Management Fee II (i.e., the amount of the operating profits on the profit and loss statement plus the amount of amortization of goodwill and Management Fee II for the business term (including the amount of the non-deductible consumption tax on Management Fee II)) and (b) a rate separately agreed by the Investment Corporation and the Asset Management Company (up to 0.004%). In this calculation method, any fraction less than one yen shall be rounded down, and divisions shall be done at the end of the calculation, and the lower limit shall be zero yen.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>3. Management Fee III (Acquisition Fee) Management Fee III shall be calculated by multiplying (i) the trading value for the acquisition of the Real Estate-Related Assets (excluding the consumption tax, other similar taxes and expenses and the like) by (ii) a rate separately agreed between the Investment Corporation and the Asset Management Company (up to 0.5%) (in the case of acquisition from any interested party as set forth in the “Rules for Transactions with Interested Parties” of the Asset Management Company, such rate shall be up to 0.25%), any fraction less than one yen being rounded down.</p>	<p>3. Management Fee III (Acquisition Fee) <u>Management Fee III shall be calculated by multiplying (i) the trading value for the acquisition of the Real Estate-Related Assets (excluding the consumption tax, other similar taxes and expenses and the like) by (ii) a rate separately agreed between the Investment Corporation and the Asset Management Company (up to 0.5%) (in the case of acquisition from any interested party as set forth in the “Rules for Transactions with Interested Parties” of the Asset Management Company, there shall be no Acquisition Fee), any fraction less than one yen being rounded down.</u></p>
<p>4. Management Fee IV (Disposition Fee) Management Fee IV shall be calculated by multiplying (a) the trading value for the sale of the Real Estate-Related Assets (excluding the consumption tax, other similar taxes and expenses and the like) by (b) a rate separately agreed between the Investment Corporation and the Asset Management Company (up to 0.5%) (in the case of sale to any interested party as set forth in “Rules for Transactions with Interested Parties” of the Asset Management Company, there shall be no disposition fee), any fraction less than one yen being rounded down.</p>	<p>4. Management Fee IV (Disposition Fee) <u>Management Fee IV shall be calculated by multiplying (i) the trading value for the disposition of the Real Estate-Related Assets (excluding the consumption tax, other similar taxes and expenses and the like) by (ii) a rate separately agreed between the Investment Corporation and the Asset Management Company (up to 0.5%) (in the case of disposition to any interested party as set forth in “Rules for Transactions with Interested Parties” of the Asset Management Company, there shall be no disposition fee), any fraction less than one yen being rounded down.</u></p>
<p>(Add)</p>	<p>5. Management Fee V (Merger Fee) <u>In a consolidation-type merger or absorption-type merger (collectively, a “merger”) between the Investment Corporation and another investment corporation, if such merger takes effect after the Asset Management Company investigates and assesses the assets and other properties held by such investment corporation and conducts any other business associated with the merger, Management Fee V shall be calculated by multiplying (i) the then assessed value of the Real Estate-Related Assets held by such investment corporation when such merger takes effect by (ii) a rate separately agreed between the Investment Corporation and the Asset Management Company (up to 0.8%).</u></p>
<p>5. Timing of Payment of Management Fee Management Fee I and Management Fee II shall be paid within three months from the Accounting Settlement Day of the relevant business term of the Investment Corporation. Management Fee III shall be paid on or before the last day of the following month of the month in which the Investment Corporation has acquired the relevant asset. Management Fee IV shall be paid on or before the last day of the following month of the month in which the Investment Corporation has sold the relevant asset.</p>	<p>6. Timing of Payment of Management Fee <u>Management Fee I and Management Fee II shall be paid within three months from the Accounting Settlement Day of the relevant business term of the Investment Corporation.</u> <u>Management Fee III shall be paid on or before the last day of the following month of the month in which the Investment Corporation has acquired the relevant asset.</u> <u>Management Fee IV shall be paid on or before the last day of the following month of the month in which the Investment Corporation has dispositioned the relevant asset.</u> <u>Management Fee V shall be paid within two months after the merger takes effect.</u></p>

Current Articles of Incorporation	Proposed Amendments
(Add) (Add)	<p><u>7. Adjustment Provision</u></p> <p><u>(1) If the Investment Corporation acquires its own investment units and holds any undisposed or unretired treasury investment units as of the Accounting Settlement Day for the business term in which the Investment Corporation acquired such investment units, the number of the treasury investment units of the Investment Corporation shall be excluded from the total number of issued and outstanding investment units as of such Accounting Settlement Day for the purpose of calculation of the Distributable Amount per Unit for the Management Fee II.</u></p>
(Add)	<p><u>(2) In the case of a split of the investment units of the Investment Corporation that increases the total number of issued and outstanding investment units, Management Fee II for a business term ending on or after the day on which such split of the investment units takes effect shall be calculated by making an adjustment in which the Distributable Amount per Unit is multiplied by the Split Ratio (as defined below) related to the total number of issued and outstanding investment units.</u></p> <p><u>In this paragraph (2),</u></p> <p><u>“Split Ratio” shall be calculated, in the case of any split of the investment units of the Investment Corporation that increases the total number of issued and outstanding investment units, by dividing (i) the total number of issued and outstanding investment units immediately after such split of the investment units takes effect by (ii) the total number of issued and outstanding investment units immediately before such split of the investment units takes effect.</u></p>
(Add)	<p><u>(3) In the case of a Rights Offering (as defined below) that increases the total number of issued and outstanding investment units, Management Fee II for a business term ending on or after the issue date of such Rights Offering shall be calculated by making an adjustment in which the Distributable Amount per Unit is multiplied by the Ratio of Allotment without Contribution (as defined below).</u></p> <p><u>In this paragraph (3),</u></p> <p><u>“Rights Offering” means issuance of new investment units as a result of the exercise of investment unit acquisition rights related to an allotment without contribution to unitholders.</u></p> <p><u>“Ratio of Allotment without Contribution” means a ratio to be calculated in the following formula in the case of a Rights Offering.</u></p> <p><u>< Calculation Formula ></u></p> <p><u>Ratio of Allotment without Contribution = A/B</u></p> <p><u>A: Number of the total number of issued and outstanding investment units immediately after</u></p>

Current Articles of Incorporation	Proposed Amendments
	<p>such Rights Offering less the Number of Units Deemed to Be Issued at Market Price (as defined below)</p> <p><u>B: Total number of issued and outstanding investment units immediately before such Rights Offering</u></p> <p><u>“Number of Units Deemed to Be Issued at Market Price” shall be the Number of Incremental Units (as defined below) (any fraction less than one (1) unit shall be rounded down) multiplied by the ratio obtained by dividing (i) the amount to be paid per unit at the time of exercising investment unit acquisition rights allotted without contribution in such Rights Offering by (ii) a Market Price per Unit (as defined below), or by another ratio determined by the board of directors, in the case of Rights Offering.</u></p> <p><u>“Market Price per Unit” means the closing price of an ordinary market transaction of the investment units of the Investment Corporation on the Tokyo Stock Exchange, Inc. on the last day of the exercise period of the investment unit acquisition rights allotted without contribution in such Rights Offering (or, if there is no closing price on that day, the closing price of the immediately preceding day), in the case of Rights Offering.</u></p> <p><u>“Number of Incremental Units” means the number of units increased as a result of such Rights Offering in the case of Rights Offering.</u></p>

Proposal No. 3: Appointment of one executive director

Because Executive Director Junichi Inoue requested to be allowed to temporarily resign as of April 30, 2018 for the purpose of adjustment of term of office, we request that he again be appointed as executive director as of May 1, 2018.

Under this proposal, in accordance with Article 22, Paragraph 1 of SHR's current Articles of Incorporation, the term of the office of executive director is the two-year period starting from May 1, 2018.

This proposal was submitted at the board of directors meeting held on February 23, 2018 with the unanimous agreement of all supervisory directors of SHR.

The candidate for executive director is as follows.

Name (date of birth)	Personal History	
Junichi Inoue (September 28, 1966)	April 1989	Joined Sekisui House, Ltd., Tokyo-Tokken Building Projects Department
	August 1999	Sekisui House, Ltd., Tokyo-Tokken Sales Office
	February 2002	Sekisui House, Ltd., Tokyo West Sha Maison Sales Office
	August 2002	Seconded to Sekiwa Real Estate, Ltd., Corporate Management and Planning Office, Corporate Management Department
	February 2003	Transferred to Sekiwa Real Estate, Ltd., Corporate Management and Planning Office, Corporate Management Department
	June 2005	Seconded to Sekisui House, Ltd., Development Department
	April 2006	Seconded to Sekisui House, Ltd., Real Estate Asset Management Department
	August 2007	Transferred to Sekisui House, Ltd., Real Estate Asset Management Department
	February 2010	Sekisui House, Ltd., East Japan Development Planning Department
	March 2010	Seconded to Sekisui House SI Asset Management Ltd. (currently Sekisui House Asset Management, Ltd.), Director
	May 2012	Transferred to Sekisui House SI Asset Management Ltd., Representative Director and President
	June 2012	Sekisui House SI Investment Corporation (currently Sekisui House Residential Investment Corporation), Executive Director
	March 2014	Sekisui House Realty Co., Ltd. (currently Sekisui House Investment Advisors, Ltd.), Advisor
	April 2014	Sekisui House Investment Advisors, Ltd., Representative Director and President (current position)
	September 2014	Sekisui House Reit, Inc., Executive Director (current position)

- The above candidate for executive director possesses no Investment Units.
- The above candidate for executive director is President and Representative Director of SHIA, which is the asset management company of SHR.
- Excluding the abovementioned matters, there are no special interests between the above candidate for executive director and SHR.
- The above candidate for executive director is currently executing the overall business of SHR as its executive director.

Proposal No. 4: Appointment of two substitute executive directors

To be prepared for the case where the position of executive director is vacant or the case where there is an insufficient number of executive directors as specified under laws and regulations, we request that two substitute executive directors be appointed as of May 1, 2018.

The order of assumption to the office as executive director will be, if this proposal is approved, Osamu Minami first and Nobuyoshi Sato second.

Further, under this proposal, this resolution for the appointment of substitute executive directors will be valid until the term of the office of executive director under Proposal No. 3 expires in accordance with Article 22, Paragraph 2 of the current Articles of Incorporation.

Further, only prior to assumption of office, the appointment of substitute executive directors can be revoked with a resolution of the board of directors meeting.

This proposal was submitted at the board of directors meeting held on February 23, 2018 with the unanimous agreement of all supervisory directors of SHR.

The candidates for substitute executive directors are as follows:

Candidate No.	Name (date of birth)	Personal History	
1	Osamu Minami (December 13, 1960)	April 1983	Joined Sekisui House, Ltd., Urban Development Department
		August 1991	Sekisui House, Ltd., Tokyo City Development Department
		April 1999	Sekisui House, Ltd., Development Department
		April 2006	Sekisui House, Ltd., Development Planning Department, Chief Manager
		February 2010	Sekisui House, Ltd., East Japan Development Planning Department, Chief Manager
		May 2010	Sekisui House, Ltd., East Japan Development Department, Chief Manager
		May 2012	Sekisui House, Ltd., Development Department, Senior Manager
		June 2012	Seconded to Japan Post Holdings, Co., Ltd., Real Estate Planning Department, General Manager
		March 2014	Seconded to Sekisui House SI Asset Management, Ltd. (currently Sekisui House Asset Management, Ltd.), Advisor
		March 2014	Sekisui House SI Asset Management, Ltd., Representative Director and President (current position)
		April 2014	Transferred to Sekisui House SI Asset Management, Ltd.
June 2014	Sekisui House SI Residential Investment Corporation (currently Sekisui House Residential Investment Corporation), Executive Director (current position)		

Candidate No.	Name (date of birth)	Personal History	
2	Nobuyoshi Sato (February 29, 1972)	April 1994	Joined ORIX Corporation, Real Property Appraisal Department
		March 1998	ORIX Corporation, Osaka Sales Department II
		March 2002	ORIX Corporation, Project Finance Department
		March 2005	ORIX Corporation, Structured Finance Department
		April 2007	Joined LaSalle Investment Management KK (currently LaSalle Investment Management), Investment Sales Department, Associate Director
		April 2009	Joined Joint Corporation Seconded to Joint Capital Partners Co., Ltd. (currently Sekisui House Asset Management, Ltd.), IR and Finance Department, Senior Manager
		April 2009	Joint Capital Partners Co., Ltd., IR and Finance Department, General Manager
		March 2010	Transferred to Sekisui House SI Asset Management Ltd., IR and Finance Department, General Manager
		March 2014	Sekisui House SI Asset Management Ltd., Director and Vice President (current position)

- The above candidates for substitute executive director possess no Investment Units.
- There are no special interests between the above candidates for substitute executive director and SHR. Osamu Minami, one of the above candidates for substitute executive director, is executive director of SHI, the counterparty in the Investment Corporation Merger, and is Representative Director and President of SHAM, the counterparty to the Merger Agreement under which the Asset Management Companies carry out the Asset Management Company Merger. Further, Nobuyoshi Sato, the other above candidate for substitute executive director, is Director and Vice President of SHAM, the counterparty to the Merger Agreement under which the Asset Management Companies carry out the Asset Management Company Merger.

Proposal No. 5: Appointment of two supervisory directors

Because Supervisory Directors Shigeru Nomura and Tatsushi Omiya requested to be allowed to resign temporarily as of April 30, 2018 for the purpose of adjustment of their terms of office, we request that they again be appointed as supervisory directors as of May 1, 2018.

Under this proposal, in accordance with Article 22, Paragraph 1 of SHR's current Articles of Incorporation, the term of the office of supervisory director will be the two-year period from May 1, 2018

The candidates for supervisory director are as follows:

Candidate No.	Name (date of birth)	Personal History	
1	Shigeru Nomura (September 11, 1952)	November 1975	Ernst & Whinney (currently Ernst & Young LLP), Tokyo Office, New York Office, and Dusseldorf Office
		February 1979	Registered as certified public accountant
		December 1987	Ota and Showa Audit Corporation (currently Ernst & Young ShinNihon LLC), International Division
		April 1988	Ernst & Young Tax Consultants CV (currently Ernst & Young Tax Co.), Partner
		December 1999	Ernst & Young Tax Consultants CV, Representative Partner
		July 2002	Ernst & Young Shinnihon Tax (currently Ernst & Young Tax Co.), Representative Staff
		January 2003	EY Transaction Advisory Services Co., Ltd. (currently Ernst & Young Transaction Advisory Services Co., Ltd.), Co-CEO
		July 2007	Ernst & Young Shinnihon Tax (currently Ernst & Young Tax Co.), Representative Staff
		July 2011	Established Shigeru Nomura Certified Public Accountant Office (current position)
		July 2011	EOS Inc. (currently EP Consulting Services Corporation), Director
		December 2011	EOS Inc., Chairman
		April 2012	Kawashima Gold Corporation (currently K-Gold International Corporation), Auditor
		July 2012	View Communications, Inspector
		September 2014	Sekisui House Reit, Inc., Supervisory Director (current position)
		June 2015	Eiken Chemical Co., Ltd., Outside Director (current position)
July 2017	The Resolution and Collection Corporation, Corporate Rehabilitation Committee, Committee Member (current position)		

Candidate No.	Name (date of birth)	Personal History	
2	Tatsushi Omiya (September 14, 1973)	April 1998	The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
		April 2002	Legal Training and Research Institute, Supreme Court of Japan
		October 2003	Mori Hamada & Matsumoto
		July 2012	City Law Offices, Partner (current position)
		December 2013	QB Net Co., Ltd. (currently QB Net Holdings Co., Ltd.), Auditor
		September 2014	Sekisui House Reit, Inc., Supervisory Director (current position)
		September 2017	QB Net Holdings Co., Ltd., Outside Director (current position)

- The above candidates for supervisory director possess no Investment Units.
- There are no special interests between the above candidates for supervisory directors and SHR.
- The above candidates for supervisory director are currently supervisory directors of SHR who are supervising the general performance of duties by the executive director of SHR.

Reference Matters

Among the proposals submitted to the general meeting of unitholders, if there is any oppositional proposal, with respect to any such proposal, the provisions of Article 93, Paragraph 1 of the Investment Trusts Act and the “deemed approval” provisions specified in Article 17 of SHR’s current articles of incorporation will not apply. Neither Proposal No. 1 through Proposal No. 5 set forth above falls under an oppositional proposal.

End

Merger Agreement

January 24, 2018

Merger Agreement

Sekisui House Reit, Inc. (“SHR”) and Sekisui House Residential Investment Corporation (“SHI”), in regard to the merger of SHR and SHI (“Merger”), have entered into this Merger Agreement (“Agreement”) as set out below as of January 24, 2018 (“Execution Date”).

Article 1: Method of Merger

In accordance with the provisions of this Agreement, SHR and SHI shall carry out an absorption-type merger with SHR as the surviving corporation and SHI as the dissolving corporation pursuant to the provisions of Article 147 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; “Investment Trusts Act”).

Article 2: Corporate Names and Addresses of Merger Parties

The corporate names and addresses of the surviving corporation and dissolving corporation are as follows:

- (1) Corporate name and address of surviving corporation
Corporate name: Sekisui House Reit, Inc.
Address: 1-6-6 Motoakasaka, Minato-ku, Tokyo
- (2) Corporate name and address of dissolving corporation
Corporate name: Sekisui House Residential Investment Corporation
Address: 3-1-31 Minami-Aoyama, Minato-ku, Tokyo

Article 3: Split of SHR’s Investment Units

Provided that this Agreement has not been cancelled in accordance with Article 13 or other provisions of this Agreement, the investment units of unitholders set forth or recorded in SHR’s latest unitholder registry on the day preceding the day on which the Merger comes into force (“Effective Date”) will be split into two investment units for every one investment unit on the Effective Date (“Investment Unit Split”).

Article 4: Method of Calculation of Number of Investment Units to be Delivered Upon Merger and Matters Relating to Allotment Thereof

1. Upon the Merger, SHR shall issue new investment units after the split in accordance with Article 3 in the number obtained by multiplying the total number of investment units in SHI held by the unitholders set forth or recorded in SHI’s latest unitholder registry on the day preceding the Effective Date (excluding SHR, SHI, and unitholders of SHI that have demanded purchase of their investment units pursuant to Article 149-3, of the Investment Trusts Act (excluding unitholders that have withdrawn such demand for purchase); “Unitholders Subject to Allocation”) by 1.65 (rounded down to the nearest whole number) and shall deliver to Unitholders Subject to Allocation 1.65 SHR investment units after the split in accordance with Article 3 per each of their investment units; provided, however, that such delivery’s and the Merger coming into force will be subject to the condition precedent that the Investment Unit

Split comes into force on the Effective Date, and if the Investment Unit Split does not come into force on the Effective Date, SHR and SHI shall consult in good faith and reach an agreement before changing the Effective Date specified in Article 6 or taking other measures towards the Merger coming into force.

2. In a case under the preceding paragraph, if there are any fractions of less than one SHR investment unit in the investment units that must be delivered to Unitholders Subject to Allocation, SHR shall process such fractions pursuant to Article 149-17 of the Investment Trusts Act.

Article 5: Matters Relating to Total Unitholders' Capital of Surviving Corporation

SHR's total unitholders' capital and capital surplus to be added upon the Merger will be as follows; provided, however, that SHR and SHI can consult and reach an agreement, taking into account SHR's and SHI's asset condition on the day preceding the Effective Date, to change such amounts:

- (1) Total unitholders' capital: 0 yen
- (2) Capital surplus: The amount of change in unitholders' equity, etc. as specified in Article 22, Paragraph 1 of the Regulations on Accounting of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, as amended), less the amount specified in the preceding item.

Article 6: Effective Date

The Effective Date of the Merger will be May 1, 2018; provided, however, that depending on the necessity of carrying out the procedures for the Merger and other factors, SHR and SHI can separately consult and change the Effective Date after reaching agreement.

Article 7: General Meeting of Unitholders

1. On March 27, 2018 or such other day SHR and SHI separately agree, SHR will convene a general meeting of unitholders to request approval of (i) a proposal to approve this Agreement pursuant to Article 149-7, Paragraph 1 of the Investment Trusts Act; (ii) a proposal to amend SHR's articles of incorporation as set forth in Attachment 7.1; and (iii) such other proposals as SHR and SHI separately agree.
2. On March 27, 2018 or such other day SHR and SHI separately agree, SHI will convene a general meeting of unitholders to request approval of (i) a proposal to approve this Agreement pursuant to Article 149-2, Paragraph 1 of the Investment Trusts Act (subject to approval of the proposal to amend the articles of incorporation as set forth in (iii) below); (ii) a proposal to terminate the asset management service agreement with Sekisui House Asset Management, Ltd. ("SHAM") on the Effective Date on the condition precedent that the Merger comes into force; (iii) a proposal to amend SHI's articles of incorporation as set forth in Attachment 7.2 (subject to approval of the proposal to approve this Agreement as set forth in (i) above); and (iv) such other proposals as SHR and SHI separately agree.

Article 8: Corporate Name and Affiliates, etc. of SHR After Merger

1. After the Merger, SHR's corporate name will be Sekisui House Reit, Inc.
2. SHR's post-Merger Asset Management Company (meaning an asset management company specified in Article 2, Paragraph 21 of the Investment Trusts Act; hereinafter the same), Asset Custody Company (meaning an asset custody company specified in Article 2, Paragraph 22 of the Investment Trusts Act; hereinafter the same) and General Administrative Services Providers (meaning general administrative services providers specified in Article 2, Paragraph 23 of the Investment Trusts Act, which accepts entrustment of the administrative services specified in the items of Article 117 of the Investment Trusts Act; hereinafter the same), and accounting auditor will not change upon the Merger. Further, with respect to the agreement with one of SHI's General Administrative Services Providers, The Bank of Tokyo-Mitsubishi UFJ, Ltd., which is the General Administrative Services Provider for investment corporation bonds, SHR shall succeed to such agreement through the Merger, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. will become a General Administrative Services Provider of SHR.
3. Provided that the Merger comes into force, on the Effective Date, SHI will terminate any asset management service agreement or institutional management administrative service agreement with SHAM, asset custody agreement with Asset Custody Company, general administrative services agreement (excluding the agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd., which is the General Administrative Services Provider for investment corporation bonds) with its General Administrative Services Providers, the exclusive right to negotiate agreement between SHAM and Sekisui House, Ltd., the audit agreement with its accounting auditor (excluding the portion for auditing of SHI's financial statements for the Fiscal Period having its Settlement Date on the last day of April 2018 as amended by the resolution of Paragraph 2, Item (iii) of the preceding article as required pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948; as amended)), and assorted agreements, etc. ancillary to the foregoing agreements, as well as such other agreements as SHR and SHI separately agree.
4. Notwithstanding the preceding three paragraphs, SHR and SHI can separately consult and agree to amend the foregoing provisions.

Article 9: Merger Consideration

Instead of cash distribution proceeds to SHI's unitholders for SHI's Fiscal Period ending on the day preceding the Effective Date as amended by the resolution offset forth in Article 7, Paragraph 2, Item (iii), SHR shall pay to Unitholders Subject to Allocation or the registered pledgees of their units merger consideration of an amount calculated in accordance with the following formula per SHI investment unit they hold (fractions of less than one yen will be discarded) within a reasonable time after the Effective Date, taking into account SHI's income calculations for the relevant Fiscal Period and administrative work for payment of merger consideration, etc.:

$$\begin{array}{l} \text{Amount of} \\ \text{merger} \\ \text{consideration per} \\ \text{unit} \end{array} = \frac{\text{Amount of SHI's Distributable Income as of the day} \\ \text{preceding the Effective Date}}{\text{The total number of SHI's investment units issued as of} \\ \text{the day preceding the Effective Date}}$$

In the above formula, “Amount of SHI’s Distributable Income as of the day preceding the Effective Date” means the amount of profit set forth in Article 136, Paragraph 1 of the Investment Trusts Act, and “The total number of SHI’s investment units issued as of the day preceding the Effective Date” means the total number of SHI’s investment units issued as of the day preceding the Effective Date less the number of investment units held by SHI’s unitholders other than Unitholders Subject to Allocation.

Article 10: Distribution of Cash

1. During the period from (and including) the Execution Date until (but excluding) the Effective Date, as cash distributions for the Fiscal Period ended on the last day of October 2017, SHR shall distribute a total amount of 2,625 million yen (2,710 yen per investment unit) to the unitholders or investment unit pledge holders set forth or recorded in SHR’s final unitholder registry on the last day of October 2017, and except for such cash distributions, shall not pay any cash distributions to any unitholder or purchase investment units for consideration by agreement with any unitholder.
2. During the period from (and including) the Execution Date until (but excluding) the Effective Date, as cash distributions for the Fiscal Period ended on the last day of September 2017, SHI shall distribute a total amount of 2,492 million yen (2,255 yen per investment unit) to the unitholders or investment unit pledge holders set forth or recorded in SHI’s final unitholder registry on the last day of September 2017, and except for such cash distributions, shall not pay any cash distributions to any unitholder or purchase investment units for consideration by agreement with any unitholder.
3. Notwithstanding the preceding two paragraphs, if the Effective Date is changed to a day later than May 1, 2018, SHR and SHI shall consult and come to an agreement regarding the handling of cash distributions.

Article 11: Succession to Corporate Assets, etc.

On the Effective Date, SHR shall succeed to all of SHI’s assets, liabilities, and rights and duties as of the Effective Date.

Article 12: Covenants

1. During the period from (and including) the Execution Date until (but excluding) the Effective Date, SHR and SHI shall each, using usual methods that are substantially identical to the methods used prior to the execution of this Agreement, execute their operations and manage and invest their assets with the due care of a competent manager and cause their Asset Management Companies, Asset Custody Companies, General Administrative Services Providers and other third parties to do the same, and shall not engage in conduct having a material impact on their assets or rights and duties (including without limitation issuance of investment units, issuance of investment corporation bonds, new loans (excluding loans for repayment of existing loans), and execution or performance of agreements for sale or acquisition of property) only after obtaining the other party’s consent in advance (such consent shall not be unreasonably refused or withheld); provided, however, that the foregoing shall not apply to conduct clearly specified in this Agreement.
2. During the period from (and including) the Execution Date until (but excluding) the Effective Date, SHR and SHI shall take practical measures necessary for the Merger, including SHR’s succession to

SHI's assets, liabilities and obligations in conjunction with the Merger, adjustment of the investment corporation systems that will survive the Merger and etc., and shall exchange information and otherwise provide necessary cooperation in order to take such measures.

3. During the period from (and including) the Execution Date until (but excluding) the Effective Date, if SHR or SHI learns of an event with respect to itself that is reasonably likely to have a material impact on its business or financial condition or on the Merger (including without limitation breach of loan agreements, violation of laws or regulations by SHR or SHI, or findings etc. by the authorities), it shall immediately notify the other party. In such case, SHR and SHI shall consult in good faith and consider countermeasures, and make utmost efforts to resolve the event.
4. By (and including) the day preceding the Effective Date, SHI shall, with respect to the agreements ("Pipeline Support Agreements") set forth in Attachment 12.4(2) among SHI, SHAM, and the companies ("Pipeline Support Companies") set forth in Attachment 12.4(1), execute agreements ("Pipeline Support Agreement Amendments") in substance reasonably satisfactory to SHR so that, even if the asset management agreement between SHI and SHAM terminates, from the Effective Date onward, the Pipeline Support Agreements between SHR and SHR's Asset Management Company Sekisui House Investment Advisors, Ltd. (corporate name will be changed to Sekisui House Asset Management, Ltd. after the Merger comes into force; "SHIA"), and the respective Pipeline Support Companies can continue.
5. By (and including) the day preceding the Effective Date, SHR and SHI shall, each under its own responsibility, lawfully and validly obtain from the counterparties to any agreements that contain provisions under which a right of cancellation will arise, or is likely to arise, to the counterparty because of the execution of the Merger or because of assorted changes ancillary thereto (excluding agreements that the relevant counterparty party to this Agreement agrees) written consent to the effect that they consent without objection to the execution of the Merger and assorted changes ancillary thereto.
6. By (and including) the day preceding the Effective Date, SHI shall execute sale and purchase agreements under which, on the Effective Date (provided, however, that if SHR and SHI have agreed otherwise, then the date so agreed; in such case, when agreeing upon a different date, neither SHR nor SHI shall unreasonably refuse its consent), SHI will acquire the property set forth in Attachment 12.6(1) and sell the property set forth in Attachment 12.6(2), and shall perform its duties under each sale and purchase agreement as required for performance thereunder (limited to duties that can be performed by (and including) the day preceding the Effective Date).

Article 13: Conditions for Merger

If on (and including) the day preceding the Effective Date, any of the following conditions precedent to the Merger's coming into force has not been satisfied or if it has become clear that any of the following conditions precedent to the Merger's coming into force will not be satisfied by the day preceding the Effective Date (inclusive)(provided, however, that in all cases, the foregoing shall not apply if the relevant condition precedent is not satisfied for a reason attributable to a party, its persons concerned or its Asset Management Company), a party hereto will be entitled to notify the other party in writing prior to the Effective Date, and cancel this Agreement without incurring any liability or payment duties to the other party (provided, however, that the foregoing shall not apply to liability or payment duties in a case where the party that gave such notice is in breach of other provisions of this Agreement). If SHR or SHI fails to

exercise its right of cancellation by the day preceding (and including) the Effective Date, the Merger shall come into force as of the Effective Date.

- (1) That, as required in relation to the Merger and/or for carrying out the matters contemplated in relation to the Merger, approval has been obtained from general meetings of unitholders of SHR and SHI (including without limitation approval of the proposals specified in Article 7, Paragraph 1 and Paragraph 2), and other procedures have been completed and permits and approvals have been obtained, in accordance with applicable laws and regulations;
- (2) That neither SHR nor SHI is in breach of any duties under agreements (including this Agreement) or breach of financial covenants provisions, and is not late in payment of any monetary obligations (including taxes and public charges) (in each case, excluding *de minimis* matters);
- (3) That no event of acceleration (including any event that would constitute an event of acceleration upon the passage of time and/or notice), suspension of payment, or inability to pay has occurred with respect to SHR or SHI;
- (4) That advance consent has been obtained from all financial institutions providing loans to SHR or SHI regarding the execution of the Merger and the basic conditions of loans from the Effective Date onwards (with respect to agreements for loans, including necessary allowances to avoid the occurrence of any breach of financial covenants provisions, breach of covenants, or occurrence of event of acceleration with respect to SHR after the Merger), and such consent has not been withdrawn;
- (5) That SHR and SHI have reasonably confirmed that U.S. securities law does not require filing procedures of Form F-4 for the Merger;
- (6) That no petition has been filed against SHR or SHI for commencement of bankruptcy proceedings, commencement of civil rehabilitation proceedings, or commencement of comparable legal insolvency proceedings;
- (7) That neither SHR nor SHIA, and neither SHI nor SHAM, has been subject to revocation of registration by supervisory authorities, suspension of operations in whole or in part, or other administrative disposition having a material impediment or material impact on the implementation of the Merger;
- (8) That the Pipeline Support Agreement Amendments have all been lawfully and validly executed, and since (and including) the Effective Date, the Pipeline Support Agreements continue to be lawful and valid between SHR and SHIA, and the respective Pipeline Support Companies;
- (9) That it has been agreed among the parties to the agreements specified in Article 8, Paragraph 3 that such agreements will be terminated as of the Effective Date under conditions reasonably satisfactory to SHR subject to the coming into force of the Merger (even if this item is not satisfied, SHI may not cancel this Agreement); and
- (10) In addition to the foregoing, that no event has occurred that is reasonably determined to markedly impede or make markedly difficult the realization of the Merger.

Article 14: Change of Merger Conditions and Cancellation of Agreement

1. During the period from (and including) the Execution Date until the day preceding the Effective Date (inclusive) (i) if any important change occurs with respect to the assets or business condition of SHR or SHI; (ii) if it is reasonably determined that the implementation of the Merger has become impossible or markedly difficult; (iii) if it becomes difficult to attain the purposes of the Merger because of other reasons; or (iv) if it comes to light that any such event may occur, SHR and SHI can consult in good faith and reach an agreement upon changing conditions for the Merger or otherwise amending this Agreement, or they can cancel this Agreement.
2. Even in a case where this Agreement has been cancelled in accordance with the preceding article or the preceding paragraph, the provisions of this paragraph and Article 16 through Article 18 shall continue to have effective force.

Article 15: Public Announcement

If SHR or SHI will make a public announcement regarding the execution or content of this Agreement or otherwise regarding the Merger, it shall first agree with the other party regarding the content, timing, and method, etc. thereof before making such announcement.

Article 16: Allocation of Expenses

Except as otherwise agreed between SHR and SHI, with respect to the allocation of expenses incurred by SHR and SHI by the Effective Date in connection with the execution and performance of this Agreement (including without limitation fees to attorneys, certified public accountants, tax attorneys, research companies, advisors, and other professionals appointed respectively by SHR and SHI and other expenses; expenses arising subject to the Merger coming into force are not included), SHR and SHI shall each be responsible for payment of expenses it incurs; SHI shall record expenses it is responsible for as expenses for the Fiscal Period ending by the day preceding the Effective Date (inclusive).

Article 17: Governing Law

This Agreement shall be governed by and construed in accordance with the laws of Japan.

Article 18: Jurisdiction

SHR and SHI agree that the Tokyo District Court will be the exclusive court of first instance with respect to any dispute relating to this Agreement.

Article 19: Good-Faith Consultation

With respect to any matters necessary for the Merger other than what is specified in this Agreement, SHR and SHI shall separately consult in accordance with the purpose of this Agreement and settle the matter.

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IN WITNESS WHEREOF, this Agreement has been prepared in duplicate, upon affixing the names and seals of each of SHR and SHI, each shall retain one original.

January 24, 2018

SHR:

Junichi Inoue

Executive Director

Sekisui House Reit, Inc.

1-6-6 Motoakasaka, Minato-ku, Tokyo

SHI:

Osamu Minami

Executive Director

Sekisui House Residential Investment Corporation

3-1-31 Minami-Aoyama, Minato-ku, Tokyo

Attachment 7.1 (Proposed Amendments to SHR's Articles of Incorporation)
Proposed Amendments to the Articles of Incorporation
 (Proposed amendments are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>Article 5 Total Number of Issuable Investment Units, Etc.</p> <p>1. The total number of issuable investment units for the Investment Corporation is <u>ten million (10,000,000)</u> units.</p> <p>2. - 3. (omitted)</p> <p>Article 9 General Meeting of Unitholders</p> <p>1. A general meeting of unitholders of the Investment Corporation shall be held within the 23 wards of Tokyo, and shall be convened on <u>July 1, 2018</u> and onwards without delay, and subsequently be convened on <u>July 1</u> and onwards every two years without delay. In addition, the general meetings of unitholders may be held from time to time when it is necessary.</p> <p>2. (omitted)</p> <p>Article 12 Record Date</p> <p>1. If the Investment Corporation convenes a general meeting of unitholders pursuant to the first sentence of Paragraph 1 of Article 9, the Investment Corporation shall deem the unitholders recorded or registered in the final register of unitholders as of the end of <u>April</u> in <u>2018</u> and subsequently as of the end of <u>April</u> in every two years to be the unitholders who are entitled to exercise their rights at such general meeting of unitholders. In addition to such case, if a general meeting of unitholders is to be held on a day within three months after the immediately preceding Accounting Settlement Day (as defined in Article 45; the same shall apply hereinafter), the Investment Corporation shall deem the unitholders recorded or registered in the final register of unitholders for such Accounting Settlement Day to be the unitholders who are entitled to exercise their rights at such general meeting of unitholders.</p> <p>2. (omitted)</p> <p>Article 31 Basic Policy of Asset Management</p> <p>The Investment Corporation shall manage its assets by investing continuously and principally in Real Estates and Other Assets (as defined in Paragraph 1 of Article 32). The purpose of the Investment Corporation is to achieve mutual growth and prosperity together with all stakeholders such as unitholders and tenant <u>companies</u>, aiming at providing high-quality social capital and maximizing unitholder value through asset management that pursues stable earnings over the</p>	<p>Article 5 Total Number of Issuable Investment Units, Etc.</p> <p>1. The total number of issuable investment units for the Investment Corporation is <u>twenty million (20,000,000)</u> units.</p> <p>2. - 3. (unchanged)</p> <p>Article 9 General Meeting of Unitholders</p> <p>1. A general meeting of unitholders of the Investment Corporation shall be held within the 23 wards of Tokyo, and shall be convened on <u>January 1, 2020</u> and onwards without delay, and subsequently be convened on <u>January 1</u> every two years and onwards without delay. In addition, the general meetings of unitholders may be held from time to time when it is necessary.</p> <p>2. (unchanged)</p> <p>Article 12 Record Date</p> <p>1. If the Investment Corporation convenes a general meeting of unitholders pursuant to the first sentence of Paragraph 1 of Article 9, the Investment Corporation shall deem the unitholders recorded or registered in the final register of unitholders as of the end of <u>October</u> in <u>2019</u> and subsequently as of the end of <u>October</u> in every two years to be the unitholders who are entitled to exercise their rights at such general meeting of unitholders. In addition to such case, if a general meeting of unitholders is to be held on a day within three months after the immediately preceding Accounting Settlement Day (as defined in Article 45; the same shall apply hereinafter), the Investment Corporation shall deem the unitholders recorded or registered in the final register of unitholders for such Accounting Settlement Day to be the unitholders who are entitled to exercise their rights at such general meeting of unitholders.</p> <p>2. (unchanged)</p> <p>Article 31 Basic Policy of Asset Management</p> <p>The Investment Corporation shall manage its assets by investing continuously and principally in Real Estates and Other Assets (as defined in Paragraph 1 of Article 32). The purpose of the Investment Corporation is to achieve mutual growth and prosperity together with all stakeholders such as unitholders and tenants, aiming at providing high-quality social capital and maximizing unitholder value through asset management that pursues stable earnings over the medium to long term and steady growth in the Managed Assets.</p>

Current Articles of Incorporation	Proposed Amendments
<p>medium to long term and steady growth in the Managed Assets.</p> <p>Article 32 Categories, Purpose and Scope of Target Assets of Asset Management</p> <p>1. (omitted)</p> <p>2. Besides the Real Estates and Other Assets, the Investment Corporation may invest in the following Specified Assets: (Add)</p> <p>(a) (omitted)</p> <p>(b) Equity interests in an agreement where one party makes a financial contribution to another party to manage the Real Estates and Other Assets or the assets listed in the <u>preceding item</u>, and the other party manages that contribution principally as an investment in those assets and distributes profits from such management (“Equity Interests in Silent Partnership on Real Estate”)</p> <p>(c) (omitted)</p> <p>(d) Real estate, real estate lease rights or surface rights under the laws and regulations of a foreign county, or trust beneficiary rights in trust of real estate, real estate lease rights or surface rights or the assets listed in Items (a) to (c) established under the laws and regulations of a foreign country</p> <p>(e) Preferred equity securities (as set forth in the Act on Securitization of Assets (Law No. 105 of 1998, as amended) (the “Asset Securitization Act”) (limited to those the purpose of which is to invest the amount exceeding the half of the assets in the Real Estates and Other Assets or the assets listed in Items (a) to (d) (the “Real Estate-Related Assets”))</p> <p>(f) (omitted)</p> <p>(g) (omitted)</p> <p>(h) Beneficiary certificates of a specified purpose trust (as set forth in the Asset Securitization Act) (excluding the Real Estates and Other Assets, the assets falling under Item (a) or (c) and the assets listed in Item (d) which are to be invested in the Real Estates and Other Assets or the assets listed in Item (a) or (b)) (limited to those the purpose of which is to invest the amount exceeding the half of the assets in the Real Estate-Related Assets);</p> <p>(i) Assets of the same nature as those listed in Item (e) or (h) established under the laws and</p>	<p>Article 32 Categories, Purpose and Scope of Target Assets of Asset Management</p> <p>1. (unchanged)</p> <p>2. Besides the Real Estates and Other Assets, the Investment Corporation may invest in the following Specified Assets:</p> <p>(a) <u>Trust beneficiary rights in trust of real estate, real estate lease rights or surface rights (including comprehensive trust beneficiary rights in trust of the same together with money associated with the real estates, and also including trust beneficiary rights in trust of such trust beneficiary rights, but excluding those falling under the Real Estates and Other Assets);</u></p> <p>(b) (unchanged)</p> <p>(c) Equity interests in an agreement where one party makes a financial contribution to another party to manage the Real Estates and Other Assets or the assets listed in the <u>Items (a) and (b)</u>, and the other party manages that contribution principally as an investment in those assets and distributes profits from such management (“Equity Interests in Silent Partnership on Real Estate”)</p> <p>(d) (unchanged)</p> <p>(e) Real estate, real estate lease rights or surface rights under the laws and regulations of a foreign county, or trust beneficiary rights in trust of only real estate, real estate lease rights or surface rights or the assets listed in Items (a) to (d) established under the laws and regulations of a foreign country</p> <p>(f) Preferred equity securities (as set forth in the Act on Securitization of Assets (Law No. 105 of 1998, as amended) (the “Asset Securitization Act”) (limited to those the purpose of which is to invest the amount exceeding the half of the assets in the Real Estates and Other Assets or the assets listed in Items (a) to (e) (the “Real Estate-Related Assets”))</p> <p>(g) (unchanged)</p> <p>(h) (unchanged)</p> <p>(i) Beneficiary certificates of a specified purpose trust (as set forth in the Asset Securitization Act) (excluding the Real Estates and Other Assets, the assets falling under Item (a), (b) or (d) and the assets listed in Item (e) which are to be invested in the Real Estates and Other Assets or the assets listed in Item (a), (b) or (c)) (limited to those the purpose of which is to invest the amount exceeding the half of the assets in the Real Estate-Related Assets)</p> <p>(j) Assets of the same nature as those listed in Item (f) or (i) established under the laws and</p>

Current Articles of Incorporation	Proposed Amendments
<p>regulations of a foreign country (limited to those the purpose of which is to invest the amount exceeding the half of the assets in the Real Estate-Related Assets)</p> <p>(j) (omitted) (k) (omitted) (l) Monetary claims (excluding the assets listed in Item (j) or (k)) (m) (omitted) (n) (omitted) (o) (omitted) (p) (omitted) (q) (omitted) (r) (omitted) (s) Beneficiary certificates of a bond investment trust (which are beneficiary certificates of a securities investment trust as set forth in the Investment Trusts Act which are intended to be managed as an investment in the assets, etc. listed in Item (m), (n), (q), (u) or (v)) (t) (omitted) (u) (omitted) (v) (omitted) (w) Trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as investment in the assets as set forth in Items (j) to (v) (x) (omitted) (y) (omitted) (z) (omitted)</p> <p>3. In addition to the Specified Assets as set forth in Paragraphs 1 and 2 above, the Investment Corporation may invest in the following assets: (a) - (c) (omitted) (d) Movable as set forth in the Civil Code (Act No. 89 of 1896, as amended) (the “Civil Code”), such as facilities, equipment, and other items attached to the Real Estate-Related Assets (excluding those set forth in Item (z) of Paragraph 2 of Article 32) (e) - (n) (omitted)</p> <p>4. (omitted)</p>	<p>regulations of a foreign country (limited to those the purpose of which is to invest the amount exceeding the half of the assets in the Real Estate-Related Assets)</p> <p>(k) (unchanged) (l) (unchanged) (m) Monetary claims (excluding the assets listed in Item (k) or (l)) (n) (unchanged) (o) (unchanged) (p) (unchanged) (q) (unchanged) (r) (unchanged) (s) (unchanged) (t) Beneficiary certificates of a bond investment trust (which are beneficiary certificates of a securities investment trust as set forth in the Investment Trusts Act which are intended to be managed as an investment in the assets, etc. listed in Item (n), (o), (r), (v) or (w)) (u) (unchanged) (v) (unchanged) (w) (unchanged) (x) Trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as investment in the assets as set forth in Items (k) to (w) (y) (unchanged) (z) (unchanged) (aa) (unchanged)</p> <p>3. In addition to the Specified Assets as set forth in Paragraphs 1 and 2 above, the Investment Corporation may invest in the following assets: (a)- (c) (unchanged) (d) Movable as set forth in the Civil Code (Act No. 89 of 1896, as amended) (the “Civil Code”), such as facilities, equipment, and other items attached to the Real Estate-Related Assets (excluding those set forth in Item (aa) of Paragraph 2 of Article 32) (e) - (n) (unchanged)</p> <p>4. (unchanged)</p>
<p>Article 33 Investment Policy</p> <p>1. The Investment Corporation shall position non-residential, business purpose real estates that are used mainly as office buildings, retail properties <u>or hotels</u>, etc. (the “Commercial Properties”) as its <u>central</u> investment target.</p> <p>2. The investment area of the Commercial Properties shall be mainly in Japan but the Investment Corporation may invest overseas.</p> <p>(Add)</p>	<p>Article 33 Investment Policy</p> <p>1. The Investment Corporation shall position <u>real estates mainly for residential use (the “Residential Properties”)</u> and non-residential, business purpose real estates that are used mainly as office buildings, <u>hotels and retail properties</u>, etc. (the “Commercial Properties”) as its <u>primary</u> investment target.</p> <p>2. The investment area of the <u>Residential Properties</u> and the Commercial Properties shall be mainly in Japan but the Investment Corporation may invest overseas.</p>

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<p>3. The main geographical areas for investment of the Commercial Properties in Japan shall be the Three Major Metropolitan Areas (which collectively refers to Greater Tokyo, Osaka Area and Nagoya Area) centering on the 23 wards of Tokyo, Osaka City and Nagoya City. <u>The main geographical areas for investment of the overseas Commercial Properties are Singapore, Australia and the U.S., as well as other countries and regions where the population and economy are expected to grow.</u> (Add)</p>	<p>3. <u>The main geographical areas for investment of the Residential Properties in Japan shall be Greater Tokyo and major cities in Japan other than Greater Tokyo such as the ordinance-designated cities, and commuting areas around them.</u></p> <p>4. The main geographical areas for investment of the Commercial Properties in Japan shall be the Three Major Metropolitan Areas (which collectively refers to Greater Tokyo, Osaka Area and Nagoya Area) centering on the 23 wards of Tokyo, Osaka City and Nagoya City <u>and major cities in Japan other than the Three Major Metropolitan Areas.</u></p> <p>5. <u>The main geographical areas for investment of the overseas Residential Properties and Commercial Properties are Singapore, Australia and the U.S., as well as other countries and regions where the population and economy are expected to grow.</u></p>
<p>Article 34 Investment Restrictions</p> <p>1. (omitted)</p> <p>2. The Investment Corporation shall make investments in the rights related to derivatives transactions as set forth in Item (y) of Paragraph 2 of Article 32 only for the purpose of hedging exchange risk, price fluctuation risk, interest rate risk and other risk factors arising from the Managed Assets or liabilities of the Investment Corporation.</p> <p>3. (omitted)</p>	<p>Article 34 Investment Restrictions</p> <p>1. (unchanged)</p> <p>2. The Investment Corporation shall make investments in the rights related to derivatives transactions as set forth in Item (z) of Paragraph 2 of Article 32 only for the purpose of hedging exchange risk, price fluctuation risk, interest rate risk and other risk factors arising from the Managed Assets or liabilities of the Investment Corporation.</p> <p>3. (unchanged)</p>
<p>Article 39 Method of and Standards for Asset Evaluation</p> <p>The method of and standards for asset evaluation of the Investment Corporation shall be determined by the type of the Managed Asset, and shall be as follows as a general rule.</p> <p>(a) Real estate, real estate lease rights and surface rights of the Real Estates and Other Assets as set forth in Paragraph 1 of Article 32; and those under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32: (omitted)</p> <p>(b) Trust beneficiary rights in trust of real estate, real estate lease rights and surface rights <u>of the Real Estates and Other Assets as set forth in Paragraph 1 of Article 32; and those only in</u> trust of real estate, real estate lease rights and surface rights established under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32:</p>	<p>Article 39 Method of and Standards for Asset Evaluation</p> <p>The method of and standards for asset evaluation of the Investment Corporation shall be determined by the type of the Managed Asset, and shall be as follows as a general rule.</p> <p>(a) Real estate, real estate lease rights and surface rights of the Real Estates and Other Assets as set forth in Paragraph 1 of Article 32; and those under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32: (unchanged)</p> <p>(b) Trust beneficiary rights in trust of real estate, real estate lease rights and surface rights as set forth in Paragraph 1 and <u>Item (a) of Paragraph 2 of Article 32; and trust beneficiary rights in</u> trust of real estate, real estate lease rights and surface rights established under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32:</p>

Current Articles of Incorporation	Proposed Amendments
<p>(omitted)</p> <p>(c) Trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as an investment in real estate, real estate lease rights or surface rights as set forth in Paragraph 2 of Article 32, Item (a); and those established under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32:</p> <p>(omitted)</p> <p>(d) Equity Interests in Silent Partnership on Real Estate as set forth in Item (b) of Paragraph 2 of Article 32; and those established under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32:</p> <p>(omitted)</p> <p>(e) Trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets principally as an investment in Equity Interests in Silent Partnership on Real Estate; and those established under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32:</p> <p>(omitted)</p> <p>(f) (omitted)</p> <p>(g) Monetary claims as set forth in Item (l) of Paragraph 2 of Article 32:</p> <p>(omitted)</p> <p>(h) Rights related to derivatives transactions as set forth in Item (y) of Paragraph 2 of Article 32:</p> <p>(omitted)</p> <p>(i) (omitted)</p>	<p>(unchanged)</p> <p>(c) Trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as an investment in real estate, real estate lease rights or surface rights as set forth in Item (b) of Paragraph 2 of Article 32; <u>and trust beneficiary rights in monetary trusts</u> established under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32, <u>the purpose of which is to manage the trust assets as an investment in real estate, real estate lease rights or surface rights as set forth in Item (b) of Paragraph 2 of Article 32:</u></p> <p>(unchanged)</p> <p>(d) Equity Interests in Silent Partnership on Real Estate as set forth in Item (c) of Paragraph 2 of Article 32; and those established under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32:</p> <p>(unchanged)</p> <p>(e) Trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets principally as an investment in Equity Interests in Silent Partnership on Real Estate <u>as set forth in Item (d) of Paragraph 2 of Article 32; and trust beneficiary rights in monetary trusts</u> established under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32, <u>the purpose of which is to manage the trust assets as an investment in Equity Interests in Silent Partnership on Real Estate as set forth in Item (d) of Paragraph 2 of Article 32:</u></p> <p>(unchanged)</p> <p>(f) (unchanged)</p> <p>(g) Monetary claims as set forth in Item (m) of Paragraph 2 of Article 32:</p> <p>(unchanged)</p> <p>(h) Rights related to derivatives transactions as set forth in Item (z) of Paragraph 2 of Article 32:</p> <p>(unchanged)</p> <p>(i) (unchanged)</p>
<p>Article 40 Value in Securities Registration Statements, Securities Reports and Asset Management Reports</p> <p>If making evaluations in a way that differs from the methods set forth in Article 39 for the purposes of recording a value in a securities registration statement, securities report and asset management report, etc., evaluations shall be made in the following way.</p> <p>(a) Real estate, real estate lease rights and surface rights of the Real Estates and Other Assets as set forth in Paragraph 1 of Article 32; those under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32; and those held by the Corporation Holding</p>	<p>Article 40 Value in Securities Registration Statements, Securities Reports and Asset Management Reports</p> <p>If making evaluations in a way that differs from the methods set forth in Article 39 for the purposes of recording a value in a securities registration statement, securities report and asset management report, etc., evaluations shall be made in the following way.</p> <p>(a) Real estate, real estate lease rights and surface rights of the Real Estates and Other Assets as set forth in Paragraph 1 of Article 32; those under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32; and those held by the Corporation Holding Overseas</p>

Current Articles of Incorporation	Proposed Amendments
<p>Overseas Real Estate as set forth in Paragraph 1 of Article 32: (omitted)</p> <p>(b) Trust beneficiary rights in trust of real estate, real estate lease rights and surface rights <u>of the Real Estates and Other Assets</u> as set forth in Paragraph 1 of Article 32; and trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets <u>principally</u> as an investment in real estate, real estate lease rights or surface rights as set forth in Item (a) of Paragraph 2 of Article 32; and trust beneficiary rights <u>only</u> in trust of real estate, real estate lease rights or surface rights established under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32; and trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets <u>principally</u> as an investment in real estate, real estate lease rights or surface rights as set forth in Item (a) of Paragraph 2 of Article 32: (omitted)</p> <p>(c) <u>Equity Interests in Silent Partnership on Real Estate as set forth in Item (b) of Paragraph 2 of Article 32; and</u> trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets <u>principally</u> as an investment in Equity Interests in Silent Partnership on Real Estate as set forth in Item (c) of Paragraph 2 of Article 32; <u>and Equity Interests in Silent Partnership on Real Estate</u> established under the laws and regulations of a foreign country as set forth in Item (d) of Paragraph 2 of Article 32; <u>and trust beneficiary rights in monetary trusts,</u> the purpose of which is to manage the trust assets as an investment in the Equity Interest in Silent Partnership on Real Estate as set forth in Item (c) of Paragraph 2 of Article 32: (omitted)</p> <p>Article 52 Standards for Fee Payment to Accounting Auditor</p> <p>The Investment Corporation shall pay fees to the accounting auditor in an amount determined by the board of directors that is no more than <u>20 million yen</u> for each Accounting Settlement Day subject to audit, by the last day of February and August each year for the period of six months up to such day, through bank transfer to an account designated by the accounting auditor.</p> <p>(Add)</p>	<p>Real Estate as set forth in Paragraph 1 of Article 32: (unchanged)</p> <p>(b) Trust beneficiary rights in trust of real estate, real estate lease rights and surface rights as set forth in Paragraph 1 <u>and Item (a) of Paragraph 2</u> of Article 32; and trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as an investment in real estate, real estate lease rights or surface rights as set forth in Item (b) of Paragraph 2 of Article 32; and trust beneficiary rights in trust of real estate, real estate lease rights or surface rights established under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32; and trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as an investment in real estate, real estate lease rights or surface rights as set forth in Item (b) of Paragraph 2 of Article 32: (unchanged)</p> <p>(c) Trust beneficiary rights in monetary trusts, the purpose of which is to manage the trust assets as an investment in Equity Interests in Silent Partnership on Real Estate as set forth in Items (c) and (d) of Paragraph 2 of Article 32; <u>and trust beneficiary rights in monetary trusts</u> established under the laws and regulations of a foreign country as set forth in Item (e) of Paragraph 2 of Article 32, the purpose of which is to manage the trust assets as an investment in Equity Interests in Silent Partnership on Real Estate as set forth in Items (c) <u>and (d)</u> of Paragraph 2 of Article 32: (unchanged)</p> <p>Article 52 Standards for Fee Payment to Accounting Auditor</p> <p>The Investment Corporation shall pay fees to the accounting auditor in an amount determined by the board of directors that is no more than <u>25 million yen</u> for each Accounting Settlement Day subject to audit, by the last day of February and August each year for the period of six months up to such day, through bank transfer to an account designated by the accounting auditor.</p> <p><u>Article 55 Effectuation of Amendment</u></p> <p><u>The amendments in Paragraph 1 of Article 5 and Articles 31, 33 and 52 in these Articles of Incorporation shall take effect on the effective date</u></p>

Current Articles of Incorporation	Proposed Amendments
	<p><u>of the absorption-type merger between the Investment Corporation as the surviving corporation and Sekisui House Residential Investment Corporation as the absorbed corporation under the merger agreement dated January 24, 2018 between the Investment Corporation and Sekisui House Residential Investment Corporation (the “Merger”), subject to effectuation of the Merger. This Article shall be deleted after the amendments in these Articles of Incorporation takes effect pursuant to this Article.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>Attachment Management Fee to Asset Management Company</p> <p>1. Management Fee I (Ongoing Operational and Management Fee I) Management Fee I shall be calculated by multiplying (i) the total net assets of the Investment Corporation on the balance sheet (limited to those approved by the board of directors pursuant to Article 131, Paragraph 2 of the Investment Trusts Act) for the latest Accounting Settlement Day by (ii) a rate separately agreed by the Investment Corporation and the Asset Management Company (up to 0.5% per annum), on a per diem basis. In this calculation method, the actual number of days in the relevant business term shall be assumed to be 365 days in a year and any fraction less than one yen shall be rounded down.</p> <p>2. Management Fee II (Ongoing Operational and Management Fee II) Management Fee II for each business term shall be (i) the distributable amount before deduction of Management Fee II for the relevant business term of the Investment Corporation (i.e., the amount of the net profit for the period before tax on the profit and loss statement (limited to those approved by the board of directors pursuant to Article 131, Paragraph 2 of the Investment Trusts Act; the same shall apply hereinafter) plus the amount of Management Fee II for the business term, after a loss carried forward is compensated, if any) divided by (ii) the total number of outstanding units as of the Accounting Settlement Day of the relevant business term, and multiplied by (iii) (a) the operating profits before deduction of Management Fee II (i.e., the amount of the operating profits on the profit and loss statement plus the amount of Management Fee II for the business term) and (b) a rate separately agreed by the Investment Corporation and the Asset Management Company (up to 0.004%). In this calculation method, any fraction less than one yen shall be rounded down, and divisions shall be done at the end of the calculation, and the lower limit shall be zero yen.</p> <p>3. Management Fee III (Acquisition Fee) Management Fee III shall be calculated by multiplying (i) the trading value for the acquisition of the Real Estate-Related Assets (excluding the consumption tax,</p>	<p><u>Attachment</u> <u>Management Fee to Asset Management Company</u></p> <p><u>1. Management Fee I (Ongoing Operational and Management Fee I)</u> <u>Management Fee I shall be calculated by multiplying (i) the total net assets (less the amount equivalent to unamortized positive goodwill) of the Investment Corporation on the balance sheet (limited to those approved by the board of directors pursuant to Article 131, Paragraph 2 of the Investment Trusts Act) for the latest Accounting Settlement Day by (ii) a rate separately agreed by the Investment Corporation and the Asset Management Company (up to 0.5% per annum), on a per diem basis. In this calculation method, the actual number of days in the relevant business term shall be assumed to be 365 days in a year and any fraction less than one yen shall be rounded down.</u></p> <p><u>2. Management Fee II (Ongoing Operational and Management Fee II)</u> <u>Management Fee II for each business term shall be (i) the distributable amount before deduction of Management Fee II for the relevant business term of the Investment Corporation (i.e., the amount of the net profit for the period before tax (after adding the amount of amortization of goodwill and deducting the gains on negative goodwill incurred) on the profit and loss statement (limited to those approved by the board of directors pursuant to Article 131, Paragraph 2 of the Investment Trusts Act; the same shall apply hereinafter) plus the amount of Management Fee II for the business term (including the amount of the non-deductible consumption tax on Management Fee II), after a loss carried forward is compensated, if any) divided by (ii) the total number of issued and outstanding units as of the Accounting Settlement Day of the relevant business term (the “Distributable Amount per Unit”), and multiplied by (iii) (a) the operating profits before deduction of Management Fee II (i.e., the amount of the operating profits on the profit and loss statement plus the amount of amortization of goodwill and Management Fee II for the business term (including the amount of the non-deductible consumption tax on Management Fee II)) and (b) a rate separately agreed by the Investment Corporation and the Asset Management Company (up to 0.004%). In this calculation method, any fraction less than one yen shall be rounded down, and divisions shall be done at the end of the calculation, and the lower limit shall be zero yen.</u></p> <p><u>3. Management Fee III (Acquisition Fee)</u> <u>Management Fee III shall be calculated by multiplying (i) the trading value for the acquisition of the Real Estate-Related Assets (excluding the consumption tax,</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>other similar taxes and expenses and the like) by (ii) a rate separately agreed between the Investment Corporation and the Asset Management Company (up to 0.5%) (in the case of acquisition from any interested party as set forth in the “Rules for Transactions with Interested Parties” of the Asset Management Company, such rate shall be up to 0.25%), any fraction less than one yen being rounded down.</p>	<p><u>other similar taxes and expenses and the like) by (ii) a rate separately agreed between the Investment Corporation and the Asset Management Company (up to 0.5%) (in the case of acquisition from any interested party as set forth in the “Rules for Transactions with Interested Parties” of the Asset Management Company, there shall be no Acquisition Fee), any fraction less than one yen being rounded down.</u></p>
<p>4. Management Fee IV (Disposition Fee) Management Fee IV shall be calculated by multiplying (a) the trading value for the sale of the Real Estate-Related Assets (excluding the consumption tax, other similar taxes and expenses and the like) by (b) a rate separately agreed between the Investment Corporation and the Asset Management Company (up to 0.5%) (in the case of sale to any interested party as set forth in “Rules for Transactions with Interested Parties” of the Asset Management Company, there shall be no disposition fee), any fraction less than one yen being rounded down.</p>	<p><u>4. Management Fee IV (Disposition Fee) Management Fee IV shall be calculated by multiplying (i) the trading value for the disposition of the Real Estate-Related Assets (excluding the consumption tax, other similar taxes and expenses and the like) by (ii) a rate separately agreed between the Investment Corporation and the Asset Management Company (up to 0.5%) (in the case of disposition to any interested party as set forth in “Rules for Transactions with Interested Parties” of the Asset Management Company, there shall be no disposition fee), any fraction less than one yen being rounded down.</u></p>
<p>(Add)</p>	<p><u>5. Management Fee V (Merger Fee) In a consolidation-type merger or absorption-type merger (collectively, a “merger”) between the Investment Corporation and another investment corporation, if such merger takes effect after the Asset Management Company investigates and assesses the assets and other properties held by such investment corporation and conducts any other business associated with the merger, Management Fee V shall be calculated by multiplying (i) the then assessed value of the Real Estate-Related Assets held by such investment corporation when such merger takes effect by (ii) a rate separately agreed between the Investment Corporation and the Asset Management Company (up to 0.8%).</u></p>
<p>5. Timing of Payment of Management Fee Management Fee I and Management Fee II shall be paid within three months from the Accounting Settlement Day of the relevant business term of the Investment Corporation. Management Fee III shall be paid on or before the last day of the following month of the month in which the Investment Corporation has acquired the relevant asset. Management Fee IV shall be paid on or before the last day of the following month of the month in which the Investment Corporation has sold the relevant asset.</p>	<p><u>6. Timing of Payment of Management Fee Management Fee I and Management Fee II shall be paid within three months from the Accounting Settlement Day of the relevant business term of the Investment Corporation. Management Fee III shall be paid on or before the last day of the following month of the month in which the Investment Corporation has acquired the relevant asset. Management Fee IV shall be paid on or before the last day of the following month of the month in which the Investment Corporation has dispositioned the relevant asset. Management Fee V shall be paid within two months after the merger takes effect.</u></p>
<p>(Add) (Add)</p>	<p><u>7. Adjustment Provision (1) If the Investment Corporation acquires its own investment units and holds any undisposed or unretired treasury investment units as of the Accounting Settlement Day for the business term in which the Investment Corporation acquired such investment</u></p>

Current Articles of Incorporation	Proposed Amendments
(Add)	<p>units, the number of the treasury investment units of the Investment Corporation shall be excluded from the total number of issued and outstanding investment units as of such Accounting Settlement Day for the purpose of calculation of the Distributable Amount per Unit for the Management Fee II.</p> <p><u>(2) In the case of a split of the investment units of the Investment Corporation that increases the total number of issued and outstanding investment units, Management Fee II for a business term ending on or after the day on which such split of the investment units takes effect shall be calculated by making an adjustment in which the Distributable Amount per Unit is multiplied by the Split Ratio (as defined below) related to the total number of issued and outstanding investment units.</u></p> <p><u>In this paragraph (2),</u> <u>“Split Ratio” shall be calculated, in the case of any split of the investment units of the Investment Corporation that increases the total number of issued and outstanding investment units, by dividing (i) the total number of issued and outstanding investment units immediately after such split of the investment units takes effect by (ii) the total number of issued and outstanding investment units immediately before such split of the investment units takes effect.</u></p>
(Add)	<p><u>(3) In the case of a Rights Offering (as defined below) that increases the total number of issued and outstanding investment units, Management Fee II for a business term ending on or after the issue date of such Rights Offering shall be calculated by making an adjustment in which the Distributable Amount per Unit is multiplied by the Ratio of Allotment without Contribution (as defined below).</u></p> <p><u>In this paragraph (3),</u> <u>“Rights Offering” means issuance of new investment units as a result of the exercise of investment unit acquisition rights related to an allotment without contribution to unitholders.</u> <u>“Ratio of Allotment without Contribution” means a ratio to be calculated in the following formula in the case of a Rights Offering.</u> <u>< Calculation Formula ></u> <u>Ratio of Allotment without Contribution = A/B</u> <u>A: Number of the total number of issued and outstanding investment units immediately after such Rights Offering less the Number of Units Deemed to Be Issued at Market Price (as defined below)</u> <u>B: Total number of issued and outstanding investment units immediately before such Rights Offering</u> <u>“Number of Units Deemed to Be Issued at Market Price” shall be the Number of Incremental Units (as defined below) (any fraction less than one (1) unit shall be rounded down) multiplied by the ratio obtained by dividing (i) the amount to be paid per unit at the time of exercising investment unit</u></p>

Current Articles of Incorporation	Proposed Amendments
	<p><u>acquisition rights allotted without contribution in such Rights Offering by (ii) a Market Price per Unit (as defined below), or by another ratio determined by the board of directors, in the case of Rights Offering.</u></p> <p><u>“Market Price per Unit” means the closing price of an ordinary market transaction of the investment units of the Investment Corporation on the Tokyo Stock Exchange, Inc. on the last day of the exercise period of the investment unit acquisition rights allotted without contribution in such Rights Offering (or, if there is no closing price on that day, the closing price of the immediately preceding day), in the case of Rights Offering.</u></p> <p><u>“Number of Incremental Units” means the number of units increased as a result of such Rights Offering in the case of Rights Offering.</u></p>

Attachment 7.2 (Proposed Amendments to SHI’s Articles of Incorporation)
Proposed Amendments to the Articles of Incorporation
 (Proposed amendments are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>Article 9 General Meeting of Unitholders</p> <p>1-2. (omitted)</p> <p>3. A general meeting of unitholders shall be convened on June 10, 2016, or without delay thereafter, and subsequently be convened on <u>June</u> 10 or without delay thereafter every two years. In addition, a general meeting of unitholders may be held from time to time when it is necessary.</p> <p>4. (omitted)</p> <p>Article 15 Record Date</p> <p>1. If the Investment Corporation convenes a general meeting of unitholders pursuant to the first sentence of Paragraph 3 of Article 9, the Investment Corporation shall deem the unitholders recorded or registered in the final register of unitholders as of the end of <u>March 2016</u> and subsequently as of the end of <u>March</u> every two years to be the unitholders who are entitled to exercise their rights at such general meeting of unitholders.</p> <p>2-4. (omitted)</p> <p>Article 33 Accounting Settlement Day</p> <p>The business term of the Investment Corporation shall be from <u>April</u> 1 to the last day of <u>September</u>, and from <u>October</u> 1 to the last day of <u>March</u> in the following year, each year (the last day of each business term is hereinafter referred to as the “Accounting Settlement Day”).</p> <p>(Add)</p> <p>(Add)</p>	<p>Article 9 General Meeting of Unitholders</p> <p>1-2. (unchanged)</p> <p>3. A general meeting of unitholders shall be convened on June 10, 2016, or without delay thereafter, and subsequently be convened on <u>July</u> 10 or without delay thereafter every two years. In addition, a general meeting of unitholders may be held from time to time when it is necessary.</p> <p>4. (unchanged)</p> <p>Article 15 Record Date</p> <p>1. If the Investment Corporation convenes a general meeting of unitholders pursuant to the first sentence of Paragraph 3 of Article 9, the Investment Corporation shall deem the unitholders recorded or registered in the final register of unitholders as of the end of <u>April 2018</u> and subsequently as of the end of <u>April</u> every two years to be the unitholders who are entitled to exercise their rights at such general meeting of unitholders.</p> <p>2-4. (unchanged)</p> <p>Article 33 Accounting Settlement Day</p> <p>The business term of the Investment Corporation shall be from <u>May</u> 1 to the last day of <u>October</u>, and from <u>November</u> 1 to the last day of <u>April</u> in the following year, each year (the last day of each business term is hereinafter referred to as the “Accounting Settlement Day”).</p> <p><u>Chapter 9 Supplementary Provisions</u></p> <p><u>Article 41 Changes to Business Term and Accounting Settlement Day</u></p> <p><u>Regardless of the provisions of Article 33, the business term of the Investment Corporation for the 25th fiscal period shall be from October 1, 2017 to the last day of April 2018.</u></p>

Attachment 12.4(1) (Pipeline Support Companies)

1. Sekiwa Real Estate, Ltd.
2. Sekiwa Real Estate Kansai, Ltd.
3. Sekiwa Real Estate Kanto, Ltd.
4. Sekiwa Real Estate Kyushu, Ltd.
5. Sekiwa Real Estate Chugoku, Ltd.
6. Sekiwa Real Estate Chubu, Ltd.
7. Sekiwa Real Estate Tohoku, Ltd.

Attachment 12.4(2) (Pipeline Support Agreements)

1. The Exclusive Right to Negotiate Agreement among SHI, SHAM and Sekiwa Real Estate, Ltd. dated January 11, 2012
2. The Exclusive Right to Negotiate Agreement among SHI, SHAM and Sekiwa Real Estate Kansai, Ltd. dated January 11, 2012
3. The Exclusive Right to Negotiate Agreement among SHI, SHAM and Sekiwa Real Estate Kanto, Ltd. dated August 1, 2013
4. The Exclusive Right to Negotiate Agreement among SHI, SHAM and Sekiwa Real Estate Kyushu, Ltd. dated January 11, 2012
5. The Exclusive Right to Negotiate Agreement among SHI, SHAM and Sekiwa Real Estate Chugoku, Ltd. dated July 31, 2014
6. The Exclusive Right to Negotiate Agreement among SHI, SHAM and Sekiwa Real Estate Chubu, Ltd. dated January 11, 2012
7. The Exclusive Right to Negotiate Agreement among SHI, SHAM and Sekiwa Real Estate Tohoku, Ltd. dated July 31, 2014

Attachment 12.6(1) (Properties to be Acquired)

(1) Prime Maison Shirokanedai Tower

Property name	Prime Maison Shirokanedai Tower		Planned acquisition price (million yen)	7,950		
Form of right	Trust beneficiary interest		Trustee	Undecided		
Location	(Address) 1-1-17 Kamiosaki, Shinagawa-ku, Tokyo (Lot number) 1-537-40 Kamiosaki, Shinagawa-ku, Tokyo					
Land	Form of ownership	Ownership		Form of ownership	Ownership	
	Land use district	Commercial district, Category 1 residential district		Use	Apartment complex	
	Area (m ²)	1,786.53		Building	Total floor area (m ²)	8,896.22
					Structure/number of floors	RC, 23F
					Construction completion date	May 20, 2016

(2) Prime Maison Otsuka

Property name	Prime Maison Otsuka		Planned acquisition price (million yen)	3,700		
Form of right	Trust beneficiary interest		Trustee	Undecided		
Location	(Address) 1-15-1 Kitaotsuka, Toshima-ku, Tokyo (Lot number) 1-15-4 Kitaotsuka, Toshima-ku, Tokyo					
Land	Form of ownership	Ownership		Form of ownership	Ownership	
	Land use district	Commercial district		Use	Apartment complex and retail store	
	Area (m ²)	649.05		Building	Total floor area (m ²)	5,949.18
					Structure/number of floors	RC/S, 19F
					Construction completion date	January 11, 2017

(3) Prime Maison Asakusabashi

Property name	Prime Maison Asakusabashi		Planned acquisition price (million yen)	1,680	
Form of right	Trust beneficiary interest		Trustee	Undecided	
Location	(Address) 2-21-8 Yanagibashi, Taito-ku, Tokyo (Lot number) 2-11-18 Yanagibashi, Taito-ku, Tokyo				
Land	Form of ownership	Ownership	Building	Form of ownership	Ownership

	Land use district	Commercial district		Use	Apartment complex
	Area (m ²)	422.87		Total floor area (m ²)	2,652.02
				Structure/ number of floors	RC, 13F
				Construction completion date	October 7, 2016

(4) Prime Maison Daikanyama

Property name	Prime Maison Daikanyama	Planned acquisition price (million yen)	2,520		
Form of right	Trust beneficiary interest	Trustee	Undecided		
Location	(Address) 1-9-6 Aobadai, Meguro-ku, Tokyo (Lot number) 1-143-6 Aobadai, Meguro-ku, Tokyo				
Land	Form of ownership	Ownership	Form of ownership	Ownership	
	Land use district	Category 1 low-rise exclusive residential district	Use	Apartment complex	
	Area (m ²)	1,041.02	Building	Total floor area (m ²)	2,522.21
				Structure/ number of floors	RC, 3F/B2F
			Construction completion date	January 12, 2017	

(5) Prime Maison Gotenyama West

Property name	Prime Maison Gotenyama West	Planned acquisition price (million yen)	3,400		
Form of right	Trust beneficiary interest	Trustee	Undecided		
Location	(Address) 6-5-8 Kitashinagawa, Shinagawa-ku, Tokyo (Lot number) 6-387-2 Kitashinagawa, Shinagawa-ku, Tokyo				
Land	Form of ownership	Ownership	Form of ownership	Ownership	
	Land use district	Category 1 low-rise exclusive residential district	Use	Apartment complex	
	Area (m ²)	3,167.72	Building	Total floor area (m ²)	5,520.41
				Structure/ number of floors	RC, 4F/B1F
			Construction completion date	January 18, 2011	

(6) Toyosu Residence

Property name	Toyosu Residence	Planned acquisition price (million yen)	6,050		
Form of right	Trust beneficiary interest	Trustee	Sumitomo Mitsui Trust Bank, Limited		
Location	(Address) 3-5-3 Toyosu, Koto-ku, Tokyo (Lot number) 3-1-43 Toyosu, Koto-ku, Tokyo and one other plot				
Land	Form of ownership	Ordinary fixed-term land lease right	Form of ownership	Ownership	
	Land use district	Industrial district	Use	Apartment complex, office, and retail store	
	Area (m ²)	8,818.22	Building	Total floor area (m ²)	26,364.53
				Structure/ number of floors	RC, 14F
				Construction completion date	February 28, 2008

Attachment 12.6(2) (Properties to be Sold)

Usage	Property name
Residence-11	Esty Maison Machida
Residence-14	Esty Maison Shinkawasaki
Residence-21	Esty Maison Megurohoncho
Residence-28	Esty Maison Joto
Residence-35	Esty Maison Tenjinhigashi I
Residence-36	Esty Maison Tenjinhigashi II
Residence-37	Esty Maison Shijonishinotoin
Residence-40	Esty Maison Hachiojiminamino
Residence-41	Esty Maison Nishinakajima
Residence-72	Esty Maison Kawaramachi
Residence-106	Esty Maison Shibaura
Residence-109	Esty Maison Tsutsujigaoka

Sekisui House Residential Investment Corporation

24th Fiscal Period (From April 1, 2017 to September 30, 2017)

Management Discussion and Analysis

Financial Statements

Balance Sheet

Statement of Income and Retained Earnings

Statement of Changes in Net Assets

Statement of Cash Distributions

Statement of Cash Flows

Notes to Financial Statements

Management Discussion and Analysis

1. Changes in Operating Results and Other Management Data

Fiscal Period	Unit	20th Fiscal Period	21st Fiscal Period	22nd Fiscal Period	23rd Fiscal Period	24th Fiscal Period
Accounting Period		(April 1, 2015 - September 30, 2015)	(October 1, 2015 - March 31, 2016)	(April 1, 2016 - September 30, 2016)	(October 1, 2016 - March 31, 2017)	(April 1, 2017 - September 30, 2017)
Operating revenue	mm yen	6,411	6,543	6,693	6,919	6,916
[Rent revenue - real estate]	mm yen	[6,330]	[6,332]	[6,674]	[6,886]	[6,916]
Operating expenses	mm yen	3,667	3,801	3,953	3,858	3,914
[Expenses related to rent business]	mm yen	[2,975]	[3,065]	[3,218]	[3,259]	[3,298]
Operating income	mm yen	2,743	2,741	2,739	3,060	3,001
Ordinary income	mm yen	2,211	2,214	2,193	2,502	2,494
Net income	(a) mm yen	2,209	2,210	2,192	2,501	2,493
Total assets	(b) mm yen	195,280	198,290	203,257	210,166	210,009
[Period-on-period variation]	%	[+0.6]	[+1.5]	[+2.5]	[+3.4]	[-0.1]
Net assets	(c) mm yen	91,213	91,263	91,292	101,318	101,341
[Period-on-period variation]	%	[-0.0]	[+0.1]	[+0.0]	[+11.0]	[-0.0]
Unitholders' capital	mm yen	88,925	88,925	88,925	98,633	98,633
Investment units issued	(d) units	1,018,110	1,018,110	1,018,110	1,105,510	1,105,510
Net assets per unit	(c)/(d) yen	89,590	89,639	89,668	91,648	91,669
Total cash distributions	(e) mm yen	2,160	2,163	2,183	2,469	2,492
Cash distribution per unit	(e)/(d) yen	2,122	2,125	2,145	2,234	2,255
[Earnings distribution per unit]	yen	[2,122]	[2,125]	[2,145]	[2,234]	[2,255]
[Distribution in excess of earnings per unit]	yen	[-]	[-]	[-]	[-]	[-]
Ordinary income to total assets	(Note 2) %	1.1 [2.3]	1.1 [2.2]	1.1 [2.2]	1.2 [2.4]	1.2 [2.4]
Return on unitholders' equity	(Note 2) %	2.4 [4.8]	2.4 [4.8]	2.4 [4.8]	2.6 [5.2]	2.5 [4.9]
Unitholders' equity ratio	(c)/(b) %	46.7	46.0	44.9	48.2	48.3
[Period-on-period variation]		[-0.3]	[-0.7]	[-1.1]	[+3.3]	[+0.1]
Distribution payout ratio	(Note 3) %	97.7	97.8	99.6	98.7	100.0
[Other reference information]						
Number of investment properties	(Note 4) properties	110	108	111	113	113
Total leasable area	m ²	400,210.45	368,622.60	376,936.98	380,893.44	382,734.80
Period-end occupancy ratio	(Note 4) %	96.7	97.2	96.8	97.8	97.1
Depreciation	mm yen	1,431	1,468	1,582	1,606	1,602
Capital expenditures	mm yen	97	293	302	397	446
Leasing NOI (net operating income)	(Note 2) mm yen	4,786	4,735	5,038	5,234	5,220

(Note 1) Consumption tax is not included in operating revenue, etc.

(Note 2) The indicators are calculated by using the following methods. In addition, annualized figures in accordance with the number of management days are provided in the parenthesis in parallel.

Ordinary income to total assets	Ordinary income / Average total assets Average total assets = (Period-beginning total assets + Period-end total assets) / 2
Return on unitholders' equity	Net income / Average net assets Average net assets = (Period-beginning net assets + Period-end net assets) / 2
Leasing NOI	Leasing income for the fiscal period (Rent revenue-real estate - Expenses related to rent business) + Depreciation

(Note 3) Distribution payout ratio is calculated by using the following method, and is rounded down to the nearest specified unit.

Cash distribution per unit (excluding distribution in excess of earnings per unit) / Net income per unit

For the 23rd fiscal period, however, the following method is employed as the Investment Corporation issued new investment units in the periods.

Total cash distributions / Net income

(Note 4) Number of investment properties indicates the number of properties that are considered to be single units respectively in light of common sense. In addition, the period-end occupancy ratio indicates the ratio of the total leased area to the total leasable area as of the account closing date.

2. Asset Management Status for the 24th Fiscal Period

(1) Brief History of the Investment Corporation

The Investment Corporation listed on the Real Estate Investment Trust Securities Market (the J-REIT market) of Tokyo Stock Exchange, Inc. on July 28, 2005. Subsequently, since 2010, it has worked to establish a stable portfolio primarily comprising residential properties as an investment corporation sponsored by Sekisui House, Ltd. (“Sekisui House”), a leading company in the housing industry.

At the 6th General Meeting of Unitholders held on June 11, 2014, the Investment Corporation’s Articles of Incorporation was partially revised to remove retail properties, which had previously been identified as a supplementary investment target, from its investment horizons and to solely invest in real estate related assets that are mainly used (Note 1) as residences. With the revision, which was aimed at shifting the Investment Corporation into a REIT specialized in residential properties, its investment targets were limited to residential properties.

The Investment Corporation’s basic strategy is to build a portfolio that is centered on the high-quality rental residential properties planned and developed by the Sekisui House Group (Note 2) with Sekisui House as the core company. Under this strategy, it works to expand the asset size with a focus on maximizing the interests of its investors as well as to reinforce its financial base. By doing so, the Investment Corporation aims to become a leading company among REITs investing in residential properties.

(Note 1) “Mainly used” means that a majority of the total exclusive area of the relevant real estate-related asset is allocated for a specific use.

(Note 2) The Sekisui House Group refers to the group encompassing Sekisui House and its 225 subsidiaries and 26 affiliated companies (as of the end of January 2017). The same follows hereafter.

(2) Operating Environment and Asset Management Results

During the 24th fiscal period, the Japanese economy remained on course for a modest recovery, with capital investment showing a mild upward trend amid improvements in corporate earnings and consumer spending further strengthening backed by steady improvements in the employment and income environment, among other factors.

As for the land price trend, in terms of the national average, the range of drop continued to shrink for residential land while turning upward from being leveled-off last year for commercial land, according to the Prefectural Land Price Survey as of July 1, 2017. Presumably, this is a result of housing demand being bolstered by policies to support housing acquisition and such amid improving employment situation, and also reflects such factors as growing demand for stores and hotels due to an increase in the number of foreign tourists and other causes. By area, the commercial land price has shown a generally stronger upward trend in the three major metropolitan areas (the Greater Tokyo, Osaka Area and Nagoya Area). As for residential land price, it continued to rise at almost the same pace as the previous year, though rather slight, in the Greater Tokyo and Nagoya Area while remaining flat in Osaka Area. In regional areas, both the residential land and commercial land prices in the four regional cities (Sapporo-shi, Sendai-shi, Hiroshima-shi and Fukuoka-shi) showed an increase at a higher pace than in the three major metropolitan areas, and areas other than these cities also continued to demonstrate a lower rate of price decrease.

As for the rental housing market, particularly in the Greater Tokyo / Major Urban Areas, which is the Investment Corporation’s focused investment area, the supply and demand environment has continued to remain favorable in the face of population inflow from other areas continuing and supply of rental condominiums remaining low.

As for the real estate transaction market, active transactions continued as overseas investors boosted transaction volume. On the other hand, J-REIT market saw a decrease in funds raised through public offering against the backdrop of the transaction price level remaining high for all real estate.

Under such circumstances, the Investment Corporation did not make any new acquisitions during the 24th fiscal period. However, it strived to collect information on properties that could be subject for acquisition and to strengthen financial base (improvement in profitability) of properties it owned. As a result, the occupancy ratio of its residential portfolio marked the highest level (period average occupancy ratio: 96.8%, period-end occupancy ratio: 97.0%) since its listing for a fiscal period ending September, which is a low season; and the figures for the entire portfolio also stood at a high level (period average occupancy ratio: 96.9%, period-end occupancy ratio: 97.1%). In addition, rents also showed a trend of increase as in the previous fiscal period.

(3) Changes in the Asset Size

Since no acquisition or disposition was made in the 24th fiscal period, the assets owned by the Investment Corporation remain unchanged since the beginning of the fiscal period. Therefore, the Investment Corporation owned 113 properties (112 residential properties and 1 retail property) with a total acquisition price of 206,943 million yen (203,122 million yen for residential properties and 3,820 million yen for the retail property) as of the end of the 24th fiscal period.

(4) Initiatives on CSR and Realizing a Sustainable Society

The Investment Corporation established its environmental basic policy, sustainability policy and objectives in the 19th fiscal period ended March 2015, based on the Sustainability Vision upheld by Sekisui House, which was the first in the housing industry to be recognized as an Eco-First Company by the Minister of the Environment. Based on these policies, etc., the Investment Corporation has cooperated with Sekisui House to promote its initiatives for CSR and environmental activities that meet the needs of the times, through such measures as enhancing energy conservation of its owned properties and acquiring environmentally friendly properties. Furthermore, Sekisui House Asset Management, Ltd. (the "Asset Management Company") has set up a Sustainability Committee to see how the policies are followed and assess the effectiveness of implemented measures on a regular basis. In addition, in order to understand where our environmental awareness initiatives are positioned, endeavors were made to obtain environmental recognition and certifications by external assessment organizations, and a system has been established to enable the Investment Corporation to continuously take initiatives on CSR and for realizing a sustainable society.

In the 24th fiscal period, the Investment Corporation promoted such measures as introduction of LED lighting to its properties, which it had conducted from time to time, adoption of energy-efficient air-conditioning units and installation of water-saving equipment, as its initiatives on CSR and environmental activities. As for obtainment of environmental recognition and certifications by external agencies, the Investment Corporation achieved "Green Star" in the 2017 GRESB Assessment of real estate companies, REITs and funds conducted by Global Real Estate Sustainability Benchmark ("GRESB") (Note) following the previous year, and also acquired "4 Stars" (five-level rating with the highest being "5 Stars") in the GRESB Rating which shows a participant's relative status of overall GRESB score. Furthermore, GRESB awards the title of "Sector Leader" to real estate companies, REITs and funds with outstanding efforts on sustainability that have received the highest ranking in each sector in each region. The Investment Corporation was selected as "Sector Leader" in the Asia residential sector (ranked first) for the third consecutive year. In addition, the "GRESB Public Disclosure (five-level rating from "A" to "E")" was launched this year to measure environment, society and governance (ESG) disclosures for more than 450 listed real estate vehicles with coverage of the entire FTSE EPRA/NAREIT Developed Index components. The Investment Corporation has achieved "C," which is the global average level.

The Investment Corporation is resolved to promote its basic principle of "providing high-quality residences through the J-REIT scheme" and "creating affluent and fulfilling lifestyles" by continuously implementing its initiatives based on the above-mentioned policies.

(Note) The "GRESB" is a benchmark system for evaluating sustainability performance in the real estate sector, established in 2009 primarily by major European pension funds, which played a major role in establishing the Principles for Responsible Investment (PRI), for the purpose of enhancing shareholder value by applying environment, society and governance (ESG) considerations to real estate investments.

(5) Summary of Fund Procurement

During the 24th fiscal period, the Investment Corporation borrowed 2,528 million yen (loan period: 8 years) to repay part of a loan totaling 2,705 million yen (loan period: 5 years and 1 month) that matured in August 2017 and extended borrowing periods. The difference between the repaid amount and the loan amount (177 million yen) was repaid using cash on hand.

As a result of the above, as of the end of the 24th fiscal period, the Investment Corporation's balance of interest-bearing debt was 105,532 million yen (91,032 million yen in long-term loans payable (including 4,600 million yen in current portion of long-term loans payable) and 14,500 million yen in investment corporation bonds (including 4,000 million yen in current portion of investment corporation bonds); and the ratio of the balance of borrowings, investment corporation bonds and interest-bearing lease and guarantee deposits to total assets owned by the Investment Corporation (the "Loan-to-Value Ratio (LTV)") was 50.3%.

In addition, the Investment Corporation concluded a commitment line agreement with Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Sumitomo Mitsui Banking Corporation (maximum commitment line amount: 10,000 million yen) in order to secure flexible and stable means for procuring funds.

In addition, the Investment Corporation has been granted the following credit ratings as of December 26, 2017 (the announcement date of this document).

Credit Rating Agency	Issuer Rating
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating AA- (Stable)
Rating and Investment Information, Inc. (R&I)	Issuer rating A+ (Stable)

(6) Summary of Business Results and Distributions

As a result of these management efforts, the Investment Corporation posted operating revenue of 6,916 million yen, operating income of 3,001 million yen after deducting such operating expenses as outsourcing expenses, utilities expenses and asset management fees, ordinary income of 2,494 million yen and net income of 2,493 million yen in the 24th fiscal period. The Investment Corporation decided to distribute the entire amount of the unappropriated retained earnings, excluding the fractional amount where distribution per unit would be less than 1 yen, with the aim of having the maximum amount of earning distributions deducted as expenses based on application of the special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation). As a result, the cash distribution per unit came to 2,255 yen for the 24th fiscal period.

3. Future Management Policies and Vital Issues

(1) Investment Environment

Looking ahead, the Japanese economy is expected to continue to moderately expand as a positive circulation of income and expenditure continues in both corporate and household economies and domestic demand takes an upward trend against the backdrop of a financial environment under monetary easing policy so extreme as well as of government spending under the large-scale economic policy.

However, attention must continue to be paid to the risk of the Japanese economy being pushed downward by such factors as the impact of the U.S. economic policy operations on the international financial market, the development and impact of the Brexit negotiations and geopolitical risks.

In the domestic real estate transaction market, investment demand for real estate which is likely to bring stable rental income is expected to remain strong backed by the favorable fund procurement environment thanks to the monetary easing policy, resulting in continuation of the harsh acquisition environment. As for the rental housing market, a favorable environment is expected to continue as seen in the previous fiscal period.

Under such circumstances, the Investment Corporation will conduct acquisitions and management of assets by carefully discerning the economic and interest rate trends, the supply and demand balance trends and the orientations of domestic and foreign investors.

(2) Management Policy and Vital Issues

1) External Growth Strategy

With an aim to realize maximum value for its unitholders, the Investment Corporation endeavors to build a portfolio with a focus on acquiring investment properties from the Sekisui House Group, for which Sekisui House, the sponsor, serves as the core company. The Investment Corporation will also endeavor to acquire properties from outside sources by continuously collecting property information in a proprietary manner. In selecting the real estate-related assets it invests in, the Investment Corporation will make comprehensive considerations of such macroeconomic factors as economic conditions and the real estate market trends, such geographical factors as the environment surrounding the areas where the real estate properties are located, urban planning status and its future outlook, and such individual factors as the size and shape of the land and buildings of the real estate properties and their conditions of connections to roads. For the real estate-related assets that are believed to have superiority over a long term as a result of these considerations, the Investment Corporation will forecast cash flows they will generate and, based on the forecast, will investigate and make judgments as to their values using the income approach.

As for HAMAMATSU Plaza, the sole existing retail property (Note) it owns as of December 26, 2017 (the announcement date of this document), the Investment Corporation will make efforts to achieve its stable management and, in cooperation with Sekisui House, work to enhance the appeal and asset value of the entire facilities while investigating selling the property at an appropriate time.

(Note) "Existing retail property" refers to a real estate-related asset that the Investment Corporation owns continuously and that is mainly for use as a retail facility.

2) Internal Growth Strategy

The Investment Corporation will continuously implement various measures to enhance the profitability and asset value of its investment properties from a medium to long-term perspective.




For the properties owned by the Investment Corporation, it will implement refurbishments and renovations at appropriate times to prevent aging and obsolescence of their exclusive and common areas, which hamper leasing. It will also promote a variety of repair works that are intended to maximize cost performance, including thoroughly conducting quality control of the investment properties. The Investment Corporation aims to maintain and enhance asset value through these measures.

For properties it acquires from the Sekisui House Group, the Investment Corporation will, in principle, consign property management services to the Sekiwa Real Estate Group (Note) in charge of the relevant areas in which the said properties are located, in order to improve the occupancy ratio and enhance the operational and administrative efficiency through the synergy effect with the Sekisui House Group. Moreover, the Investment Corporation has gradually unified the property management companies involved in the existing residential properties to the Sekiwa Real Estate group. This is understood to have enabled the Investment Corporation to realize tenant attraction and efficient administration by taking advantage of the Sekiwa Real Estate Group's know-how on property management services, backed by the track record of lease management for approximately 595 thousand units throughout Japan (as of July 31, 2017), and its nationwide networks. Going forward, the Investment Corporation will keep this policy with an aim to enhance the profitability of its investment properties. Furthermore, in an effort to establish the brand, the Investment Corporation is unifying the property name brands to "Esty Maison," as a rule, for residential properties it acquired from other than the Sekisui House Group. By doing so, and in combination with the "Prime Maison" brand for Sekisui House's rental residential properties and the "MAST" series brand for the Sekiwa Real Estate Group's rental residential properties, the Investment Corporation will implement its comprehensive brand strategy to demonstrate the superior quality of its properties. As for the retail property HAMAMATSU Plaza, Costco

Hamamatsu Warehouse opened on September 1, 2017 on the site owned by Sekisui House. In line with this, the Investment Corporation is determined to continue working on stable operation through improvements of the facility, etc. to generate a synergy effect for existing tenants.

(Note) "Sekiwa Real Estate Group" represents a group of companies comprising, as the core, the Sekiwa Real Estate companies (7 companies) and their subsidiaries and affiliates. Furthermore, the "Sekiwa Real Estate companies (7 companies)" refers to the seven companies of Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kanto, Ltd., Sekiwa Real Estate Tohoku, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chugoku, Ltd. and Sekiwa Real Estate Kyushu, Ltd., which are wholly-owned subsidiaries of Sekisui House, and the core companies of the real estate division of the Sekisui House Group that are expanding nationwide presence in Japan. The same follows hereafter.

<Summary of the Investment Corporation's Major Brands>

Brand Name	Prime Maison	Esty Maison	MAST Series
Logo type			
Explanation on brand	<div style="border: 1px solid black; padding: 5px; text-align: center;">Brand of Sekisui House</div> <p>High-quality urban rental condominiums planned and developed by Sekisui House by utilizing its know-how or in which it invests in recognition of the value</p>	<div style="border: 1px solid black; padding: 5px; text-align: center;">Proprietary Brand of the Investment Corporation</div> <p>As a rule, high-quality urban rental condominiums the Investment Corporation acquired from outside the Sekisui House Group</p>	<div style="border: 1px solid black; padding: 5px; text-align: center;">Brand of the Sekiwa Real Estate Group</div> <p>As a rule, high-quality rental residential properties planned and developed by the Sekiwa Real Estate companies (7 companies), which belong to the Sekisui House Group, or those in which they own in recognition of the value</p>

(3) Financial Strategy, Etc.

For Loan-to-Value Ratio (LTV), the Asset Management Guidelines of the Asset Management Company sets the ceiling at 60%. However, as the policy it has followed to date, the Investment Corporation makes it a basic rule to maintain LTV at a conservative level, with the lower half of the 50% level as the target ceiling for the time being. For future borrowings, the Investment Corporation will make it a basic policy to procure funds focused on long-term, fixed interest rate debts with diversified repayment dates, while continuing its endeavors to reduce fund procurement costs by fully considering the optimum balance of fixed and floating interest rate loans.

4. Significant Events Occurring after Settling the 24th Fiscal Period

Not applicable

(Reference Information)

Establishment of commitment line

A commitment line agreement was concluded on October 6, 2017 as follows. This agreement establishes a new commitment line upon the ending of the commitment term on October 31, 2017 under the commitment line agreement concluded on October 7, 2016.

Maximum commitment line amount	10,000 million yen
Start date of commitment line	November 1, 2017
Ending date of commitment line	October 31, 2018
Collateral	Unsecured and unguaranteed
Lenders	Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Sumitomo Mitsui Banking Corporation
Use of funds	Funds for property acquisitions, refinancing (including redemption of investment corporation bonds) and renovation / repair work of real estate owned by the Investment Corporation

5. Itemized Portfolio Assets

The following table provides details of the assets (real estate and trust beneficiary interests in real estate as major entrusted property, etc.) owned by the Investment Corporation as of September 30, 2017.

	Property Name	Location (residence indication)	Form of Ownership	Total Leasable Floor Area (m ²)	Estimated Value at End of Period (Note 1) (million yen)	Book Value (million yen)
Residence-1	Esty Maison GINZA	3-11-19 Ginza, Chuo-ku, Tokyo	Trust beneficiary interests	5,515.43	6,390	4,687
Residence-3	Esty Maison AZABUNAGASAKA	5-13-12 Roppongi, Minato-ku, Tokyo	Trust beneficiary interests	2,019.10	1,760	1,605
Residence-4	Esty Maison EBISU II	4-13-1 Higashi, Shibuya-ku, Tokyo	Trust beneficiary interests	2,062.10	2,000	1,885
Residence-5	Esty Maison EBISU	1-13-4 Hiroo, Shibuya-ku, Tokyo	Trust beneficiary interests	781.02	855	634
Residence-6	Esty Maison KANDA	2-3-4 Kandata-cho, Chiyoda-ku, Tokyo	Trust beneficiary interests	1,706.54	1,570	1,260
Residence-8	Esty Maison KITASHINJUKU	1-28-17 Kita-Shinjuku, Shinjuku-ku, Tokyo	Trust beneficiary interests	1,881.19	1,550	1,206
Residence-10	Esty Maison ASAKUSA KOMAGATA	1-10-9 Komagata, Taito-ku, Tokyo	Trust beneficiary interests	2,978.28	2,140	1,686
Residence-11	Esty Maison MACHIDA	2-1-17 Hara-machida, Machida-shi, Tokyo	Trust beneficiary interests	3,090.89	1,550	1,133
Residence-12	Esty Maison KAWASAKI	14-24 Ogawa-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interests	3,741.01	2,360	1,800
Residence-14	Esty Maison SHINKAWASAKI	1-4 Furuichiba, Saiwai-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interests	3,737.47	1,230	919
Residence-15	Esty Maison YOKOHAMA	3-33-1 Tsuruya-cho, Kanagawa-ku, Yokohama-shi, Kanagawa	Trust beneficiary interests	2,823.73	2,130	1,866
Residence-16	Esty Maison KAMEIDO	6-57-11 Karneido, Koto-ku, Tokyo	Trust beneficiary interests	2,279.21	1,580	1,393
Residence-17	Esty Maison MEGURO	2-10-12 Mita, Meguro-ku, Tokyo	Trust beneficiary interests	1,070.13	1,060	783
Residence-19	Esty Maison SUGAMO	4-14-15 Sugamo, Toshima-ku, Tokyo	Trust beneficiary interests	2,619.17	1,590	1,498
Residence-20	Esty Maison KYOBASHI	2-7-10 Higashinoda-cho, Miyakojima-ku, Osaka-shi, Osaka	Trust beneficiary interests	4,613.04	2,970	2,246
Residence-21	Esty Maison MEGUROHONCHO	4-8-21 Megurohoncho, Meguro-ku, Tokyo	Trust beneficiary interests	1,656.02	1,130	1,106
Residence-22	Esty Maison HAKURAKU	1-18-19 Rokkakubashi, Kanagawa-ku, Yokohama-shi, Kanagawa	Trust beneficiary interests	1,285.83	932	701
Residence-23	Esty Maison MINAMIHORIE	2-12-10 Minamihorie, Nishi-ku, Osaka-shi, Osaka	Trust beneficiary interests	1,804.48	1,040	934
Residence-24	Esty Maison GOTANDA	7-7-2 Nishi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficiary interests	3,871.15	3,090	2,719
Residence-25	Esty Maison OISENDAIZAKA	5-9-10 Higashi-Oi, Shinagawa-ku, Tokyo	Trust beneficiary interests	2,979.85	2,730	2,204
Residence-26	Esty Maison SHINAGAWA SEASIDE	3-25-20 Higashi-Shinagawa, Shinagawa-ku, Tokyo, etc.	Trust beneficiary interests	2,602.30	2,010	1,953
Residence-27	Esty Maison MINAMIAZABU	1-10-8 Minamiazabu, Minato-ku, Tokyo	Trust beneficiary interests	1,082.12	1,220	1,184
Residence-28	Esty Maison JOTO	2-11-8 Noe, Joto-ku, Osaka-shi, Osaka	Trust beneficiary interests	2,065.92	951	966
Residence-29	Esty Maison TSUKAMOTO	2-13-5 Tsukamoto, Yodogawa-ku, Osaka-shi, Osaka	Trust beneficiary interests	2,321.04	1,080	1,103
Residence-30	Esty Maison KAWASAKI II	12-4 Ogawa-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interests	2,824.86	1,860	1,705
Residence-31	Esty Maison AZABUJUBAN	1-11-1 Azabujuban, Minato-ku, Tokyo	Trust beneficiary interests	1,755.31	2,620	2,589
Residence-33	Esty Maison ITABASHIHONCHO	14-14 Yamato-cho, Itabashi-ku, Tokyo	Trust beneficiary interests	1,274.49	927	903
Residence-34	Esty Maison OIZUMIGAKUEN	2-12-15 Higashi-Oizumi, Nerima-ku, Tokyo	Trust beneficiary interests	1,362.36	773	783
Residence-35	Esty Maison TENJINHIGASHI I	4-3 Susaki-machi, Hakata-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interests	1,058.82	364	373
Residence-36	Esty Maison TENJINHIGASHI II	6-12 Susaki-machi, Hakata-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interests	1,943.72	738	700
Residence-37	Esty Maison SHIJONISHINOTOIN	697 Myodenji-cho, Shijo-sagaru, Nishinotoin-dori, Shimogyo-ku, Kyoto-shi, Kyoto	Trust beneficiary interests	2,261.28	1,170	1,263
Residence-39	Esty Maison HIGASHISHINAGAWA	1-10-1 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Trust beneficiary interests	2,936.72	2,400	2,413
Residence-40	Esty Maison HACHIOJIMINAMINO	3-2-8 Nishikatakura, Hachioji-shi, Tokyo	Trust beneficiary interests	2,155.16	875	871
Residence-41	Esty Maison NISHINAKAJIMA	2-8-21 Higashinakajima, Higashiyodogawa-ku, Osaka-shi, Osaka	Trust beneficiary interests	3,643.42	1,900	1,880
Residence-42	Esty Maison ITABASHIKUYAKUSHOMAE	2-46-11 Itabashi, Itabashi-ku, Tokyo	Trust beneficiary interests	3,915.81	2,480	2,453
Residence-43	Esty Maison MUSASHIKOYAMA	3-1-7 Ebara, Shinagawa-ku, Tokyo	Trust beneficiary interests	1,176.78	1,040	932
Residence-44	Esty Maison SENDAGI	3-49-1 Sendagi, Bunkyo-ku, Tokyo	Trust beneficiary interests	897.30	697	701
Residence-45	Esty Maison YOTSUYASAKAMACHI	6-20 Yotsuyasakamachi, Shinjuku-ku, Tokyo	Trust beneficiary interests	2,453.17	2,090	2,161
Residence-46	Esty Maison HAKATAHIGASHI	7-2-80 Yoshizuka, Hakata-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interests	9,106.08	2,400	2,154
Residence-47	Esty Maison KAMIGOFUKU	13-3 Kamigofukumachi, Hakata-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interests	2,261.91	821	793
Residence-48	Esty Maison SANGENJAYA	2-16-9 Sangenjaya, Setagaya-ku, Tokyo	Trust beneficiary interests	856.08	824	826
Residence-50	Prime Maison MUSASHINONOMORI	5-15-3 Josuihoncho, Kodaira-shi, Tokyo	Trust beneficiary interests	3,924.58	1,860	1,472
Residence-51	Prime Maison HIGASHISAKURA	2-10-14 Higashisakura, Higashi-ku, Nagoya-shi, Aichi	Trust beneficiary interests	3,118.11	1,490	1,021
Residence-52	Prime Maison KAYABAKOEN	2-7-13 Kayaba, Chikusa-ku, Nagoya-shi, Aichi	Trust beneficiary interests	2,163.98	787	590
Residence-53	Esty Maison SANGENJAYA II	3-11-6 Shimouma, Setagaya-ku, Tokyo	Trust beneficiary interests	894.64	786	659
Residence-54	Esty Maison ITABASHI C6	32-16 Oyama-higashi-cho, Itabashi-ku, Tokyo	Trust beneficiary interests	4,036.66	2,640	2,076
Residence-55	MAST HAKATA	4-22-25 Hakata Ekimae, Hakata-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interests	9,614.80	2,360	1,749
Residence-56	Esty Maison KINSHICHO	1-1-8 Kinshi, Sumida-ku, Tokyo	Trust beneficiary interests	1,611.54	1,220	1,013
Residence-57	Esty Maison MUSASHIKOGANEI	2-6-5 Honcho, Koganei-shi, Tokyo	Trust beneficiary interests	2,275.24	1,740	1,512
Residence-58	Prime Maison GOKISO	2-17-2 Ayuchitori, Showa-ku, Nagoya-shi, Aichi	Trust beneficiary interests	4,427.65	1,890	1,507
Residence-59	Prime Maison YUHIGAOKA	5-4-13 Ueshio, Tennoji-ku, Osaka-shi, Osaka	Trust beneficiary interests	2,040.35	909	744
Residence-60	Prime Maison KITATANABE	4-9-17 Kitatanabe, Higashiumiyoshi-ku, Osaka-shi, Osaka	Trust beneficiary interests	1,798.97	601	495
Residence-61	Prime Maison MOMOCHIHAMA	3-9-1 Momochihama, Sawara-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interests	7,514.76	1,900	1,891
Residence-62	Esty Maison AKIHABARA	3-4-2 Ueno, Taito-ku, Tokyo	Trust beneficiary interests	2,324.65	1,980	1,473
Residence-63	Esty Maison SASAZUKA	1-61-17 Sasazuka, Shibuya-ku, Tokyo	Trust beneficiary interests	3,701.70	3,350	2,756
Residence-64	Prime Maison GINZA EAST	1-2-1 Tsukiji, Chuo-ku, Tokyo	Trust beneficiary interests	6,177.20	6,160	4,924
Residence-65	Prime Maison TAKAMI	2-6-7 Takami, Chikusa-ku, Nagoya-shi, Aichi	Trust beneficiary interests	2,016.79	1,050	849

	Property Name	Location (residence indication)	Form of Ownership	Total Leasable Floor Area (m ²)	Estimated Value at End of Period (Note 1) (million yen)	Book Value (million yen)
Residence-66	Prime Maison YADAMINAMI	3-11-7 Yadamiami, Higashi-ku, Nagoya-shi, Aichi	Trust beneficiary interests	2,168.59	821	666
Residence-67	Prime Maison TERIHA	1-3-7 Kashiiteriha, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interests	6,728.20	1,360	1,027
Residence-68	Esty Maison HIGASHISHIRAKABE	3-9-36 Yoshino, Higashi-ku, Nagoya-shi, Aichi	Trust beneficiary interests	4,014.07	1,580	1,246
Residence-69	Esty Maison SENGOKU	4-6-17 Sengoku, Bunkyo-ku, Tokyo	Trust beneficiary interests	1,498.13	1,360	1,072
Residence-70	Esty Maison DAIZAWA	2-39-13 Daizawa, Setagaya-ku, Tokyo	Trust beneficiary interests	2,352.90	2,280	1,869
Residence-71	Esty Maison TOGOSHI	1-25-5 Togoshi, Shinagawa-ku, Tokyo	Trust beneficiary interests	1,943.17	1,730	1,351
Residence-72	Esty Maison KAWARAMACHI	3-2-10 Kawaramachi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interests	3,486.48	1,940	1,546
Residence-73	Esty Maison NISHITENMA	5-15-3 Nishitenma, Kita-ku, Osaka-shi, Osaka	Trust beneficiary interests	2,877.90	1,680	1,359
Residence-74	Esty Maison SHIROKANEDAI	1-1-4 Kamiosaki, Shinagawa-ku, Tokyo	Trust beneficiary interests	2,675.11	2,390	1,942
Residence-75	Esty Maison HIGASHISHINJUKU	6-22-5 Shinjuku, Shinjuku-ku, Tokyo	Trust beneficiary interests	1,889.50	1,640	1,325
Residence-76	Esty Maison MOTOAZABU	3-6-6 Motoazabu, Minato-ku, Tokyo	Trust beneficiary interests	1,199.86	1,510	1,162
Residence-77	Esty Maison TORITSUDAIGAKU	2-7-17 Tairamachi, Meguro-ku, Tokyo	Trust beneficiary interests	1,035.78	842	726
Residence-78	Esty Maison MUSASHIKOYAMA II	3-11-4 Koyama, Shinagawa-ku, Tokyo	Trust beneficiary interests	1,073.59	1,040	829
Residence-79	Esty Maison NAKANO	5-48-2 Chuo, Nakano-ku, Tokyo	Trust beneficiary interests	2,023.72	1,870	1,512
Residence-80	Esty Maison SHINNAKANO	6-10-7 Honcho, Nakano-ku, Tokyo	Trust beneficiary interests	1,107.57	1,020	832
Residence-81	Esty Maison NAKANOFUJIMICHO	5-13-1 Yayoicho, Nakano-ku, Tokyo	Trust beneficiary interests	1,299.60	967	852
Residence-82	Esty Maison TETSUGAKUDO	2-12-15 Matsugaoka, Nakano-ku, Tokyo	Trust beneficiary interests	1,531.89	1,170	930
Residence-83	Esty Maison KOENJI	5-25-26 Koenjiminami, Sugiyama-ku, Tokyo	Trust beneficiary interests	1,527.52	1,140	949
Residence-84	Esty Maison OSHIAGE	5-11-5 Narihira, Sumida-ku, Tokyo	Trust beneficiary interests	3,180.90	2,440	1,904
Residence-85	Esty Maison AKABANE	2-39-5 Akabane, Kita-ku, Tokyo	Trust beneficiary interests	4,302.84	3,300	2,637
Residence-86	Esty Maison OJI	2-25-8 Oji, Kita-ku, Tokyo	Trust beneficiary interests	2,289.44	1,660	1,335
Residence-87	Prime Maison WASEDA	544-11 Waseda Tsurumaki-cho, Shinjuku-ku, Tokyo	Trust beneficiary interests	1,650.66	1,580	1,232
Residence-88	Prime Maison HATCHOBORI	4-11-9 Hatchobori, Chuo-ku, Tokyo	Trust beneficiary interests	1,382.32	1,460	1,112
Residence-89	Prime Maison JINBOCHO	1-50-9 Kandajinbo-cho, Chiyoda-ku, Tokyo	Trust beneficiary interests	1,819.90	1,920	1,584
Residence-90	Prime Maison GOTENYAMA EAST	6-6-33 Kitashinagawa, Shinagawa-ku, Tokyo	Trust beneficiary interests	2,512.91	2,820	2,087
Residence-91	MAST LIFE AKIHABARA	50-6 Kanda Sakumagashi, Chiyoda-ku, Tokyo	Trust beneficiary interests	803.36	555	471
Residence-92	Esty Maison AOI	1-14-20 Aoi, Higashi-ku, Nagoya-shi, Aichi	Trust beneficiary interests	4,809.68	2,490	2,066
Residence-93	Esty Maison YAKUIN	1-13-8 Hirao, Chuo-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interests	5,213.51	2,370	2,016
Residence-94	Esty Maison KINSHICHO II	3-5-19 Kotobashi, Sumida-ku, Tokyo	Trust beneficiary interests	9,469.65	8,340	6,602
Residence-95	Esty Maison OJIMA	5-32-5 Ojima, Koto-ku, Tokyo	Trust beneficiary interests	9,905.97	8,730	7,005
Residence-96	Prime Maison FUJIMIDAI	1-25 Fujimidai, Chikusa-ku, Nagoya-shi, Aichi	Trust beneficiary interests	5,704.63	2,080	1,756
Residence-97	Esty Maison TSURUMAI	2-20-1 Chiyoda, Naka-ku, Nagoya-shi, Aichi	Trust beneficiary interests	13,812.40	4,500	3,781
Residence-98	Prime Maison MORISHITA	3-6-4 Morishita, Koto-ku, Tokyo	Trust beneficiary interests	2,180.78	1,920	1,727
Residence-99	Prime Maison SHINAGAWA	1-3-16 Kita-Shinagawa, Shinagawa-ku, Tokyo	Trust beneficiary interests	2,107.88	1,980	1,691
Residence-100	Prime Maison ODORI KOEN	6-5-2 Odori-Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interests	7,360.37	3,160	2,675
Residence-101	Prime Maison MINAMI 2-JO	9-1-1 Minami 2jo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interests	6,019.09	1,940	1,479
Residence-102	Prime Maison KAMOKAMOGAWA	1-6-1 Minami 7jo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interests	4,102.08	1,250	979
Residence-103	Prime Maison CENTRAL PARK	4-2-5 Kashii Teriha, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interests	10,268.74	2,309	2,266
Residence-104	MAST LIFE YAHIRO	5-30-10 Yahiro, Sumida-ku, Tokyo	Trust beneficiary interests	3,409.16	1,910	1,686
Residence-105	Prime Maison EBISU	1-22-19 Ebisu, Shibuya-ku, Tokyo	Trust beneficiary interests	3,010.66	4,360	3,622
Residence-106	Esty Maison SHIBAURA	2-8-3 Shibaura, Minato-ku, Tokyo	Trust beneficiary interests	3,795.82	2,910	2,870
Residence-107	Granmast KANAZAWA NISHIIZUMI	2-155-1 Nishiizumi, Kanazawa-shi, Ishikawa	Trust beneficiary interests	4,634.50	1,090	1,031
Residence-108	Granmast UNOMORI	1-6-7 Unomori, Yokkaichi-shi, Mie	Trust beneficiary interests	2,280.00	830	757
Residence-109	Esty Maison TSUTSUJIGAOKA	1-14-19 Nishitsutsujigaoka, Chofu-shi, Tokyo, etc.	Trust beneficiary interests	1,849.70	913	955
Residence-110	Esty Maison KOHOKU TSUNASHIMA	8-45-25 Shin-yoshida Higashi, Kohoku-ku, Yokohama-shi, Kanagawa, etc.	Trust beneficiary interests	6,867.48	2,751	2,833
Residence-111	MAST LIFE HINO	1-19-3 Shinmachi, Hino-shi, Tokyo	Trust beneficiary interests	2,827.55	1,390	1,323
Residence-112	Prime Maison YOKOHAMA NIHON-ODORI	1-4 Honcho, Naka-ku, Yokohama-shi, Kanagawa, etc.	Trust beneficiary interests	5,461.13	4,790	4,391
Residence-113	KOBE Women's Student Housing	7-1-6 Koyochi Naka, Higashinada-ku, Kobe-shi, Hyogo	Trust beneficiary interests	15,341.68	5,880	6,006
Residence-114	Prime Maison SHIBUYA	3-10-4 Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interests	1,972.59	2,360	2,232
Residence-115	Prime Maison HATSUDAI	1-45-2 Hatsudai, Shibuya-ku, Tokyo	Trust beneficiary interests	2,879.20	2,940	2,764
Residence-116	Esty Maison UEMACHIDAI	1-1-16 Uehonmachi-nishi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interests	2,225.52	1,020	977
Residence-117	Esty Maison KOBE-SANNOMIYA	3-2-27 Onoe-dori, Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interests	2,007.00	976	998
Residence-118	Prime Maison SHIROKANE-TAKANAWA	4-7-26 Mita, Minato-ku, Tokyo	Trust beneficiary interests	3,923.76	4,800	4,596
Residence-119	Prime Maison ICHIGAYAYAMABUSHICHO	2-5 Ichigaya Yamabushicho, Shinjuku-ku, Tokyo	Trust beneficiary interests	4,099.04	4,220	4,089
Residence-120	Esty Maison MORISHITA	1-13-11 Kikukawa, Sumida-ku, Tokyo	Trust beneficiary interests	748.92	643	656
		Residence subtotal		366,776.31	226,547	195,150
Retail-1	HAMAMATSU Plaza (Note 2)	1020-1 Kaminishi-cho, Higashi-ku, Hamamatsu-shi, Shizuoka, etc.	Trust beneficiary interests	15,958.49	2,891	3,705
		Other real estate in trust (Retail property) subtotal		15,958.49	2,891	3,705
		Total		382,734.80	229,438	198,856

(Note 1) The "Estimated Value at End of Period" indicates either the appraisal value or survey value by real estate appraisers with September 30, 2017 as the date of appraisal.

(Note 2) The real estate in trust is quasi-co-owned, and the figure represents the value obtained by multiplying the "leasable floor area" of the facility by 49%, which is the quasi-co-ownership interest of the Investment Corporation.

6. Changes in Rental Business Results

The following table provides changes in rental business results for each property in which the Investment Corporation has invested.

Use	Property No.	Property Name	23rd Fiscal Period (Oct. 1, 2016 – Mar. 31, 2017)				24th Fiscal Period (Apr. 1, 2017 – Sept. 30, 2017)			
			Number of Tenants at End of Period (Note 1)	Occupancy Ratio at End of Period (Note 2) (%)	Rent Revenue throughout Period (million yen)	Ratio to Total Rent Revenues (%)	Number of Tenants at End of Period (Note 1)	Occupancy Ratio at End of Period (Note 2) (%)	Rent Revenue throughout Period (million yen)	Ratio to Total Rent Revenues (%)
Residence	Residence-1	Esty Maison GINZA	1	98.0	176	2.6	1	97.4	173	2.5
	Residence-3	Esty Maison AZABUNAGASAKA	1	91.5	47	0.7	1	91.5	48	0.7
	Residence-4	Esty Maison EBISU II	1	97.5	55	0.8	1	97.9	56	0.8
	Residence-5	Esty Maison EBISU	1	85.0	21	0.3	1	100.0	22	0.3
	Residence-6	Esty Maison KANDA	1	95.6	44	0.6	1	96.3	45	0.7
	Residence-8	Esty Maison KITASHINJUKU	1	92.9	47	0.7	1	100.0	48	0.7
	Residence-10	Esty Maison ASAKUSA KOMAGATA	1	100.0	66	1.0	1	94.5	64	0.9
	Residence-11	Esty Maison MACHIDA	1	98.4	51	0.7	1	91.8	51	0.7
	Residence-12	Esty Maison KAWASAKI	1	96.6	74	1.1	1	95.3	74	1.1
	Residence-14	Esty Maison SHINKAWASAKI	1	100.0	32	0.5	1	100.0	32	0.5
	Residence-15	Esty Maison YOKOHAMA	1	100.0	65	1.0	1	100.0	65	1.0
	Residence-16	Esty Maison KAMEIDO	1	98.9	54	0.8	1	97.0	54	0.8
	Residence-17	Esty Maison MEGURO	1	100.0	31	0.5	1	95.0	31	0.5
	Residence-18	Esty Maison YACHIYOMIDORIGAOKA	-	-	29	0.4	-	-	-	-
	Residence-19	Esty Maison SUGAMO	1	97.3	49	0.7	1	100.0	50	0.7
	Residence-20	Esty Maison KYOBASHI	1	99.4	91	1.3	1	96.9	89	1.3
	Residence-21	Esty Maison MEGUROHONCHO	1	93.4	32	0.5	1	86.0	29	0.4
	Residence-22	Esty Maison HAKURAKU	1	92.7	30	0.4	1	96.5	30	0.4
	Residence-23	Esty Maison MINAMIHORIE	1	97.0	33	0.5	1	96.8	34	0.5
	Residence-24	Esty Maison GOTANDA	1	96.6	95	1.4	1	94.3	92	1.3
	Residence-25	Esty Maison OISENDAIZAKA	1	97.9	78	1.1	1	98.7	77	1.1
	Residence-26	Esty Maison SHINAGAWA SEASIDE	1	98.3	65	0.9	1	93.4	63	0.9
	Residence-27	Esty Maison MINAMIAZABU	1	100.0	36	0.5	1	98.1	35	0.5
	Residence-28	Esty Maison JOTO	1	100.0	32	0.5	1	93.6	33	0.5
	Residence-29	Esty Maison TSUKAMOTO	1	100.0	38	0.6	1	97.9	40	0.6
	Residence-30	Esty Maison KAWASAKI II	1	100.0	61	0.9	1	96.9	61	0.9
	Residence-31	Esty Maison AZABUJUBAN	1	98.8	68	1.0	1	91.8	66	1.0
	Residence-33	Esty Maison ITABASHIHONCHO	1	98.4	29	0.4	1	95.4	28	0.4
	Residence-34	Esty Maison OIZUMIGAKUEN	1	96.2	25	0.4	1	89.8	26	0.4
	Residence-35	Esty Maison TENJINHIGASHI I	1	94.4	15	0.2	1	100.0	15	0.2
	Residence-36	Esty Maison TENJINHIGASHI II	1	98.8	27	0.4	1	93.9	28	0.4
	Residence-37	Esty Maison SHIJONISHINOTOIN	1	100.0	41	0.6	1	95.5	41	0.6
	Residence-39	Esty Maison HIGASHISHINAGAWA	1	93.6	71	1.0	1	94.4	71	1.0
	Residence-40	Esty Maison HACHIOJIMINAMINO	1	96.5	32	0.5	1	97.7	34	0.5
	Residence-41	Esty Maison NISHINAKAJIMA	1	96.9	64	0.9	1	92.1	64	0.9
	Residence-42	Esty Maison ITABASHIKUYAKUSHOMAE	1	99.2	77	1.1	1	96.0	76	1.1
	Residence-43	Esty Maison MUSASHIKOYAMA	1	98.2	30	0.4	1	100.0	31	0.5
	Residence-44	Esty Maison SENDAGI	1	93.1	22	0.3	1	100.0	22	0.3
	Residence-45	Esty Maison YOTSUYASAKAMACHI	1	100.0	61	0.9	1	96.7	60	0.9
	Residence-46	Esty Maison HAKATAHIGASHI	1	97.6	85	1.2	1	97.5	91	1.3
	Residence-47	Esty Maison KAMIGOFUKU	1	98.5	29	0.4	1	98.5	28	0.4
	Residence-48	Esty Maison SANGENJAYA	1	94.4	24	0.4	1	88.8	24	0.4
	Residence-50	Prime Maison MUSASHINONOMORI	1	97.9	60	0.9	1	96.4	63	0.9
	Residence-51	Prime Maison HIGASHISAKURA	1	98.6	51	0.8	1	88.9	50	0.7
	Residence-52	Prime Maison KAYABAKOEN	1	100.0	30	0.4	1	93.0	27	0.4
	Residence-53	Esty Maison SANGENJAYA II	1	100.0	24	0.4	1	88.8	23	0.3
	Residence-54	Esty Maison ITABASHI C6	1	97.9	79	1.2	1	97.0	78	1.1
	Residence-55	MAST HAKATA	1	100.0	92	1.3	1	100.0	93	1.3
	Residence-56	Esty Maison KINSHICHO	1	100.0	35	0.5	1	91.6	35	0.5
	Residence-57	Esty Maison MUSASHIKOGANEI	1	95.1	53	0.8	1	98.0	52	0.8
	Residence-58	Prime Maison GOKISO	1	98.4	64	0.9	1	92.7	59	0.9
	Residence-59	Prime Maison YUHIGAOKA	1	100.0	30	0.4	1	100.0	30	0.4
	Residence-60	Prime Maison KITATANABE	1	100.0	21	0.3	1	96.6	23	0.3
	Residence-61	Prime Maison MOMOCHIHAMA	1	100.0	69	1.0	1	100.0	68	1.0
	Residence-62	Esty Maison AKIHABARA	1	96.2	56	0.8	1	97.5	56	0.8
	Residence-63	Esty Maison SASAZUKA	1	96.6	92	1.3	1	97.5	88	1.3
	Residence-64	Prime Maison GINZA EAST	1	97.2	167	2.4	1	95.9	165	2.4

Use	Property No.	Property Name	23rd Fiscal Period (Oct. 1, 2016 – Mar. 31, 2017)				24th Fiscal Period (Apr. 1, 2017 – Sept. 30, 2017)				
			Number of Tenants at End of Period (Note 1)	Occupancy Ratio at End of Period (Note 2) (%)	Rent Revenue throughout Period (million yen)	Ratio to Total Rent Revenues (%)	Number of Tenants at End of Period (Note 1)	Occupancy Ratio at End of Period (Note 2) (%)	Rent Revenue throughout Period (million yen)	Ratio to Total Rent Revenues (%)	
Residence	Residence-65	Prime Maison TAKAMI	1	89.9	33	0.5	1	92.9	33	0.5	
	Residence-66	Prime Maison YADAMINAMI	1	96.6	28	0.4	1	96.1	28	0.4	
	Residence-67	Prime Maison TERIHA	1	100.0	51	0.8	1	100.0	53	0.8	
	Residence-68	Esty Maison HIGASHISHIRAKABE	1	100.0	48	0.7	1	100.0	47	0.7	
	Residence-69	Esty Maison SENGOKU	1	91.7	37	0.6	1	98.4	37	0.5	
	Residence-70	Esty Maison DAIZAWA	1	97.6	59	0.9	1	98.9	59	0.9	
	Residence-71	Esty Maison TOGOSHI	1	99.0	48	0.7	1	97.8	49	0.7	
	Residence-72	Esty Maison KAWARAMACHI	1	94.7	59	0.9	1	95.0	59	0.9	
	Residence-73	Esty Maison NISHITENMA	1	94.8	51	0.7	1	97.1	51	0.7	
	Residence-74	Esty Maison SHIROKANEDAI	1	94.1	62	0.9	1	97.8	66	1.0	
	Residence-75	Esty Maison HIGASHISHINJUKU	1	98.2	47	0.7	1	97.8	47	0.7	
	Residence-76	Esty Maison MOTOAZABU	1	100.0	32	0.5	1	100.0	39	0.6	
	Residence-77	Esty Maison TORITSUDAIGAKU	1	95.3	24	0.4	1	100.0	21	0.3	
	Residence-78	Esty Maison MUSASHIKOYAMA II	1	100.0	28	0.4	1	97.8	30	0.4	
	Residence-79	Esty Maison NAKANO	1	97.9	50	0.7	1	100.0	51	0.7	
	Residence-80	Esty Maison SHINNAKANO	1	95.9	27	0.4	1	98.0	28	0.4	
	Residence-81	Esty Maison NAKANOFUJIMICHO	1	93.4	28	0.4	1	100.0	29	0.4	
	Residence-82	Esty Maison TETSUGAKUDO	1	97.6	33	0.5	1	96.9	33	0.5	
	Residence-83	Esty Maison KOENJI	1	95.1	32	0.5	1	100.0	32	0.5	
	Residence-84	Esty Maison OSHIAGE	1	98.8	70	1.0	1	100.0	71	1.0	
	Residence-85	Esty Maison AKABANE	1	97.0	85	1.2	1	98.2	93	1.4	
	Residence-86	Esty Maison OJI	1	98.9	48	0.7	1	100.0	47	0.7	
	Residence-87	Prime Maison WASEDA	1	93.0	43	0.6	1	96.1	43	0.6	
	Residence-88	Prime Maison HATCHOBORI	1	90.0	37	0.5	1	96.9	37	0.5	
	Residence-89	Prime Maison JINBOCHO	1	93.6	54	0.8	1	93.6	52	0.8	
	Residence-90	Prime Maison GOTENYAMA EAST	1	95.7	79	1.2	1	89.0	78	1.1	
	Residence-91	MAST LIFE AKIHABARA	1	100.0	15	0.2	1	100.0	15	0.2	
	Residence-92	Esty Maison AOI	1	96.3	75	1.1	1	88.7	75	1.1	
	Residence-93	Esty Maison YAKUIN	1	96.4	74	1.1	1	97.1	74	1.1	
	Residence-94	Esty Maison KINSHICHO II	1	95.8	219	3.2	1	97.6	215	3.1	
	Residence-95	Esty Maison OJIMA	1	98.9	235	3.4	1	98.0	239	3.5	
	Residence-96	Prime Maison FUJIMIDAI	1	91.0	70	1.0	1	91.2	69	1.0	
	Residence-97	Esty Maison TSURUMAI	1	100.0	155	2.3	1	100.0	155	2.2	
	Residence-98	Prime Maison MORISHITA	1	100.0	55	0.8	1	94.3	56	0.8	
	Residence-99	Prime Maison SHINAGAWA	1	100.0	55	0.8	1	98.3	56	0.8	
	Residence-100	Prime Maison ODORI KOEN	1	92.3	116	1.7	1	96.0	116	1.7	
	Residence-101	Prime Maison MINAMI 2-JO	1	99.1	68	1.0	1	96.5	69	1.0	
	Residence-102	Prime Maison KAMOKAMOGAWA	1	98.0	47	0.7	1	92.5	45	0.7	
	Residence-103	Prime Maison CENTRAL PARK	1	100.0	87	1.3	1	98.6	87	1.3	
	Residence-104	MAST LIFE YAHIRO	1	100.0	56	0.8	1	100.0	56	0.8	
	Residence-105	Prime Maison EBISU	1	100.0	112	1.6	1	94.8	108	1.6	
	Residence-106	Esty Maison SHIBAURA	1	95.8	79	1.2	1	98.6	78	1.1	
	Residence-107	Granmast KANAZAWA NISHIIZUMI	1	100.0	41	0.6	1	100.0	41	0.6	
	Residence-108	Granmast UNOMORI	1	100.0	26	0.4	1	100.0	26	0.4	
	Residence-109	Esty Maison TSUTSUJIGAOKA	1	92.2	29	0.4	1	89.7	27	0.4	
	Residence-110	Esty Maison KOHOKU TSUNASHIMA	1	100.0	80	1.2	1	100.0	78	1.1	
	Residence-111	MAST LIFE HINO	1	98.1	47	0.7	1	100.0	48	0.7	
	Residence-112	Prime Maison YOKOHAMA NIHON-ODORI	1	98.1	143	2.1	1	92.8	135	2.0	
	Residence-113	KOBE Women's Student Housing	1	100.0	222	3.2	1	100.0	222	3.2	
	Residence-114	Prime Maison SHIBUYA	1	96.6	63	0.9	1	100.0	62	0.9	
	Residence-115	Prime Maison HATSUDAI	1	94.7	80	1.2	1	96.6	80	1.2	
	Residence-116	Esty Maison UEMACHIDAI	1	97.5	31	0.5	1	100.0	32	0.5	
	Residence-117	Esty Maison KOBE-SANNOMIYA	1	98.3	29	0.4	1	94.8	29	0.4	
	Residence-118	Prime Maison SHIROKANE-TAKANAWA	1	98.1	103	1.5	1	96.9	126	1.8	
	Residence-119	Prime Maison ICHIGAYAYAMABUSHICHO	1	93.9	85	1.2	1	99.4	106	1.5	
	Residence-120	Esty Maison MORISHITA	1	95.1	3	0.1	1	100.0	18	0.3	
		Residence subtotal		112	97.7	6,799	98.7	112	97.0	6,824	98.7

Use	Property No.	Property Name	23rd Fiscal Period (Oct. 1, 2016 – Mar. 31, 2017)				24th Fiscal Period (Apr. 1, 2017 – Sept. 30, 2017)			
			Number of Tenants at End of Period (Note 1)	Occupancy Ratio at End of Period (Note 2) (%)	Rent Revenue throughout Period (million yen)	Ratio to Total Rent Revenues (%)	Number of Tenants at End of Period (Note 1)	Occupancy Ratio at End of Period (Note 2) (%)	Rent Revenue throughout Period (million yen)	Ratio to Total Rent Revenues (%)
Other Real Estate in Trust (Retail property)	Retail-1	HAMAMATSU Plaza	4	100.0	87	1.3	5	100.0	91	1.3
	Other real estate in trust (Retail property) subtotal		4	100.0	87	1.3	5	100.0	91	1.3
	Total		116	97.8	6,886	100.0	117	97.1	6,916	100.0

(Note 1) The "Number of Tenants" indicates the number of lessees (including master-lease companies) that are in direct lease agreement with the trustees for each asset already acquired as of the end of fiscal period. Furthermore, the "Master-lease Company" represents the lessee that has concluded a lease agreement for the entire building with the Investment Corporation or the trustee for the purpose of subleasing the property to third parties.

(Note 2) Of the properties that are subleased by the lessees to sublessees, for those from which the Investment Corporation receives rents that may vary depending on the leasing status to the sublessees, the indicated occupancy ratio is based on the occupancy status of the sublessees (the ratio of the leased floor area to the leasable floor area at the end of the relevant calculation period).

7. Capital Expenditures in the 24th Fiscal Period

The following are the overview of works that fall under the category of the capital expenditures that the Investment Corporation conducted in real estate in trust in the 24th fiscal period. In addition, the capital expenditure for the fiscal period under review totaled 446 million yen. Combining this with the 211 million yen in repair expenses, which were classified as expenses for the fiscal period, the Investment Corporation conducted construction of 657 million yen.

Property Name (Location)	Purpose	Period	Expenditures (million yen)
Esty Maison HAKATAHIGASHI (Fukuoka-shi, Fukuoka)	Large-scale renovation	From: December 2016 To: September 2017	167
Esty Maison SUGAMO (Toshima-ku, Tokyo)	Large-scale renovation	From: June 2017 To: September 2017	59
Esty Maison TSUTSUJIGAOKA (Chofu-shi, Tokyo)	Large-scale renovation	From: May 2017 To: September 2017	51
Prime Maison MOMOCHIHAMA and other 11 properties (Fukuoka-shi, Fukuoka and other)	LED light fixture replacement work in common areas	From: April 2017 To: September 2017	22
Prime Maison FUJIMIDAI (Nagoya-shi, Aichi)	Large-scale renovation	From: June 2017 To: August 2017	19
Others			124
Total			446

8. Transactions with Interested Parties, Etc.

(1) Transaction Status

Not applicable.

(2) Amount of Fees, Etc.

Category	Total Fees, Etc. (A) (thousand yen)	Breakdown of Transactions with Interested Parties, Etc.		Ratio to Total Amount (B/A) (%)
		Paid Party	Paid Amount (B) (thousand yen)	
Property Management Fees	494,658	Sekiwa Real Estate Ltd.	257,505	52.1
		Sekiwa Real Estate Chubu, Ltd.	52,751	10.7
		Sekiwa Real Estate Kansai, Ltd.	5,251	1.1
		Sekiwa Real Estate Kyushu, Ltd.	16,863	3.4
		Sekiwa Kanri Kansai Co., Ltd.	49,039	9.9
Brokerage Fees	143,812	Sekiwa Real Estate Ltd.	87,453	60.8
		Sekiwa Real Estate Chubu, Ltd.	6,577	4.6
		Sekiwa Real Estate Kansai, Ltd.	1,281	0.9
		Sekiwa Real Estate Kyushu, Ltd.	931	0.6
		Sekiwa Kanri Kansai Co., Ltd.	4,225	2.9

(Note) "Interested Parties, Etc." refers to the interested parties of the Asset Management Company and is designated in Article 123 of the Enforcement Order of the Act on Investment Trusts and Investment Corporations and Article 26-1-27 of the regulation on management reports in investment trusts and investment corporations of the Investment Trusts Association, Japan.

Financial Statements

(1) Balance Sheet

(Thousand yen)

	23rd Fiscal Period (As of March 31, 2017)	24th Fiscal Period (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	3,793,152	5,259,432
Cash and deposits in trust	5,096,818	4,658,956
Operating accounts receivable	146,649	115,509
Prepaid expenses	150,392	167,210
Deferred tax assets	32	76
Other	87	623
Allowance for doubtful accounts	(2,628)	(2,499)
Total current assets	9,184,504	10,199,308
Non-current assets		
Property, plant and equipment		
Buildings in trust	106,007,452	106,390,873
Accumulated depreciation	(16,309,706)	(17,796,436)
Buildings in trust, net	89,697,745	88,594,437
Structures in trust	983,036	987,265
Accumulated depreciation	(243,251)	(269,583)
Structures in trust, net	739,785	717,682
Machinery and equipment in trust	2,022,031	2,029,841
Accumulated depreciation	(618,529)	(685,360)
Machinery and equipment in trust, net	1,403,501	1,344,481
Tools, furniture and fixtures in trust	298,133	349,478
Accumulated depreciation	(100,337)	(120,455)
Tools, furniture and fixtures in trust, net	197,795	229,023
Land in trust	107,827,854	107,828,487
Construction in progress in trust	-	35,856
Total property, plant and equipment	199,866,683	198,749,967
Intangible assets		
Leasehold rights in trust	143,964	141,946
Other	110	98
Total intangible assets	144,075	142,044
Investments and other assets		
Lease and guarantee deposits	242,672	242,662
Long-term prepaid expenses	473,891	438,169
Other	152,239	158,778
Total investments and other assets	868,802	839,609
Total non-current assets	200,879,561	199,731,621
Deferred assets		
Investment corporation bond issuance costs	52,234	44,688
Investment unit issuance costs	49,813	33,512
Total deferred assets	102,048	78,201
Total assets	210,166,114	210,009,131

(Thousand yen)

	23rd Fiscal Period (As of March 31, 2017)	24th Fiscal Period (As of September 30, 2017)
Liabilities		
Current liabilities		
Operating accounts payable	314,916	249,227
Current portion of investment corporation bonds	4,000,000	4,000,000
Current portion of long-term loans payable	4,805,000	4,600,000
Accounts payable – other	569,457	657,587
Accrued expenses	54,222	52,886
Income taxes payable	1,261	1,917
Accrued consumption taxes	11,147	19,927
Advances received	230,640	245,694
Other	10,332	4,423
Total current liabilities	9,996,979	9,831,663
Non-current liabilities		
Investment corporation bonds	10,500,000	10,500,000
Long-term loans payable	86,404,500	86,432,500
Tenant leasehold and security deposits in trust	1,946,227	1,903,196
Total non-current liabilities	98,850,727	98,835,696
Total liabilities	108,847,707	108,667,360
Net assets		
Unitholders' equity		
Unitholders' capital	98,633,978	98,633,978
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	183,091	214,718
Total voluntary retained earnings	183,091	214,718
Unappropriated retained earnings	2,501,336	2,493,073
Total surplus	2,684,427	2,707,792
Total unitholders' equity	101,318,406	101,341,771
Total net assets	101,318,406	101,341,771
Total liabilities and net assets	210,166,114	210,009,131

See accompanying "Notes to Financial Statements."

(2) Statement of Income and Retained Earnings

(Thousand yen)

	23rd Fiscal Period (October 1, 2016 – March 31, 2017)	24th Fiscal Period (April 1, 2017 – September 30, 2017)
Operating revenue		
Rent revenue - real estate	6,886,897	6,916,462
Gain on sales of real estate properties	32,176	-
Total operating revenue	6,919,074	6,916,462
Operating expenses		
Expenses related to rent business	3,259,096	3,298,248
Asset management fee	360,581	364,317
Asset custody fee	16,135	16,529
Administrative service fees	36,151	37,232
Directors' compensations	3,600	3,600
Provision of allowance for doubtful accounts	1,583	1,672
Other operating expenses	181,193	193,109
Total operating expenses	3,858,342	3,914,711
Operating income	3,060,731	3,001,751
Non-operating income		
Interest income	46	44
Reversal of distributions payable	616	255
Settlement received	-	30,000
Other	18	215
Total non-operating income	680	30,515
Non-operating expenses		
Interest expenses	394,811	379,879
Interest expenses on investment corporation bonds	56,060	56,689
Amortization of investment corporation bond issuance costs	7,505	7,546
Borrowing related expenses	79,099	76,787
Amortization of investment unit issuance costs	21,211	16,301
Other	117	108
Total non-operating expenses	558,806	537,313
Ordinary income	2,502,606	2,494,953
Income before income taxes	2,502,606	2,494,953
Income taxes - current	1,268	1,923
Income taxes - deferred	2	(44)
Total income taxes	1,270	1,879
Net income	2,501,336	2,493,073
Retained earnings brought forward	-	-
Unappropriated retained earnings	2,501,336	2,493,073

See accompanying "Notes to Financial Statements."

(3) Statement of Changes in Net Assets

23rd fiscal period (from October 1, 2016 to March 31, 2017)

(Thousand yen)

	Unitholders' equity						Total Net Assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Voluntary retained earnings		Unappropriated retained earnings	Total surplus		
		Reserve for reduction entry	Total voluntary retained earnings				
Balance as of October 1, 2016	88,925,149	174,521	174,521	2,192,416	2,366,937	91,292,087	91,292,087
Changes of items during the fiscal period							
Issuance of new investment units	9,708,829					9,708,829	9,708,829
Provision for reserve for reduction entry		8,570	8,570	(8,570)	-	-	-
Distribution from surplus				(2,183,845)	(2,183,845)	(2,183,845)	(2,183,845)
Net Income				2,501,336	2,501,336	2,501,336	2,501,336
Total changes of items during the fiscal period	9,708,829	8,570	8,570	308,919	317,490	10,026,319	10,026,319
Balance as of March 31, 2017	98,633,978	183,091	183,091	2,501,336	2,684,427	101,318,406	101,318,406

24th fiscal period (from April 1, 2017 to September 30, 2017)

(Thousand yen)

	Unitholders' equity						Total Net Assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Voluntary retained earnings		Unappropriated retained earnings	Total surplus		
		Reserve for reduction entry	Total voluntary retained earnings				
Balance as of April 1, 2017	98,633,978	183,091	183,091	2,501,336	2,684,427	101,318,406	101,318,406
Changes of items during the fiscal period							
Provision for reserve for reduction entry		31,626	31,626	(31,626)	-	-	-
Distribution from surplus				(2,469,709)	(2,469,709)	(2,469,709)	(2,469,709)
Net Income				2,493,073	2,493,073	2,493,073	2,493,073
Total changes of items during the fiscal period	-	31,626	31,626	(8,262)	23,364	23,364	23,364
Balance as of September 30, 2017	98,633,978	214,718	214,718	2,493,073	2,707,792	101,341,771	101,341,771

See accompanying "Notes to Financial Statements."

(4) Statement of Cash Distributions

Item	23rd Fiscal Period (October 1, 2016 – March 31, 2017)	24th Fiscal Period (April 1, 2017 – September 30, 2017)
I. Unappropriated retained earnings	2,501,336,041 yen	2,493,073,959 yen
II. Cash distributions (Cash distributions per unit)	2,469,709,340 yen (2,234 yen)	2,492,925,050 yen (2,255 yen)
III. Voluntary retained earnings Provision for reserve for reduction entry	31,626,701 yen	0 yen
IV. Retained earnings carried forward	0 yen	148,909 yen
Method for calculating cash distributions	<p>As provided in Article 34-1-2 of its Articles of Incorporation, the Investment Corporation makes it a basic policy to make cash distributions in excess of the amount equivalent to 90% of the distributable income amount as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. Following this policy, and in consideration of the fact that individual unitholders must calculate the capital gains or losses for cash distributions in excess of earnings when the Investment Corporation distributes cash in excess of earnings as stipulated in Article 34-1-4 of its Articles of Incorporation, the Investment Corporation distributed 2,469,709,340 yen, as distribution of earnings, which is the entire amount of the unappropriated retained earnings after deducting the provision for reserve for reduction entry, as stipulated in Article 66-2 of the Act on Special Measures Concerning Taxation.</p>	<p>As provided in Article 34-1-2 of its Articles of Incorporation, the Investment Corporation makes it a basic policy to make cash distributions in excess of the amount equivalent to 90% of the distributable income amount as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. Following this policy, and in consideration of the fact that individual unitholders must calculate the capital gains or losses for cash distributions in excess of earnings when the Investment Corporation distributes cash in excess of earnings as stipulated in Article 34-1-4 of its Articles of Incorporation, the Investment Corporation distributed 2,492,925,050 yen, which is the entire amount of the unappropriated retained earnings excluding the fractional amount where distribution per unit would be less than 1 yen, as distribution of earnings.</p>

(5) Statement of Cash Flows

(Thousand yen)

	23rd Fiscal Period (October 1, 2016 – March 31, 2017)	24th Fiscal Period (April 1, 2017 – September 30, 2017)
Cash flows from operating activities		
Income before income taxes	2,502,606	2,494,953
Depreciation	1,606,450	1,602,040
Amortization of investment corporation bond issuance costs	7,505	7,546
Amortization of investment unit issuance costs	21,211	16,301
Increase (decrease) in allowance for doubtful accounts	(1,190)	(128)
Interest income	(46)	(44)
Interest expenses	450,872	436,568
Decrease (increase) in operating accounts receivable	(33,687)	31,140
Decrease (increase) in prepaid expenses	23,708	(16,368)
Decrease (increase) in consumption taxes receivable	1,264	-
Increase (decrease) in operating accounts payable	24,544	(62,881)
Increase (decrease) in accounts payable - other	(141,153)	4,769
Increase (decrease) in accrued consumption taxes	11,147	8,779
Increase (decrease) in advances received	(6,156)	15,053
Decrease due to sale of property, plant and equipment in trust	1,168,045	-
Decrease (increase) in long-term prepaid expenses	(28,452)	35,271
Other, net	(2,799)	(6,701)
Subtotal	5,603,871	4,566,300
Interest income received	46	44
Interest expenses paid	(452,590)	(437,904)
Income taxes paid	(1,302)	(1,268)
Net cash used in operating activities	5,150,025	4,127,172
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(9,751,609)	(402,755)
Purchase of intangible assets	(125)	-
Proceeds from tenant leasehold and security deposits in trust	155,193	119,201
Repayments of tenant leasehold and security deposits in trust	(143,522)	(162,232)
Decrease (increase) in investments and other assets, net	(7,412)	(6,528)
Net cash used in investing activities	(9,747,475)	(452,315)
Cash flows from financing activities		
Repayments of short-term loans payable	(3,000,000)	-
Proceeds from long-term loans payable	9,500,000	2,528,000
Repayments of long-term loans payable	(9,500,000)	(2,705,000)
Proceeds from issuance of new investment units	9,661,495	-
Dividends paid	(2,183,802)	(2,469,439)
Net cash used in financing activities	4,477,693	(2,646,439)
Net increase (decrease) in cash and cash equivalents	(119,757)	1,028,417
Cash and cash equivalents at the beginning of period	9,009,728	8,889,971
Cash and cash equivalents at the end of period	8,889,971	9,918,388

See accompanying "Notes to Financial Statements."

Notes to Financial Statements

1. Organization

Sekisui House Residential Investment Corporation (the “Investment Corporation”) is a real estate investment trust (REIT) specialized in residential properties, established in April 2005 under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; as amended) (the “Investment Trusts Act”) and listed on the Real Estate Investment Trust Section (J-REIT market) of the Tokyo Stock Exchange in July 2005 (security code: 8973).

Since listing, the Investment Corporation has made it a basic policy to conduct management with the aim of securing stable earnings and steady growth of investment properties from a medium- to long-term perspective, and worked to build a portfolio that is centered on the high-quality rental residential properties planned and developed by the Sekisui House Group (Note) with Sekisui House, Ltd., the sponsor, as the core company. As a result of these endeavors, its asset size has grown to 206.9 billion yen (based on the acquisition price) with 113 properties at the end of the 24th fiscal period (September 30, 2017).

The Investment Corporation will utilize the comprehensive strengths of the Sekisui House Group on housing, backed by the ample track records and know-how accumulated by the Group through widely implementing housing-related businesses, to the utmost for its external growth and internal growth. By doing so, the Investment Corporation will aim to maximize its business value as well as the interests of its unitholders.

The Investment Corporation has executed an asset management agreement with Sekisui House Asset Management, Ltd., a 100%-owned subsidiary of Sekisui House, Ltd., to consign operations related to management of its assets.

(Note) The Sekisui House Group refers to the corporate group encompassing Sekisui House and its 225 subsidiaries and 26 affiliated companies (at the end of January 2017). The same follows hereafter.

2. Basis of Presentation

The Investment Corporation maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Financial Instruments and Exchange Act, the Investment Trusts Act, the Companies Act and the related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are a translation of the financial statements of the Investment Corporation, which were prepared in accordance with Japanese GAAP and were presented in its Securities Report filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format more familiar to readers outside Japan. In addition, the notes to financial statements include certain information which might not be required under Japanese GAAP but is presented herein as additional information.

The Investment Corporation’s fiscal period is a six-month period, which ends at the end of March and September of each year. The Investment Corporation does not prepare consolidated financial statements as it has no subsidiaries.

Unless otherwise specified, amounts have been rounded down to the nearest thousand yen in the accompanying financial statements and the notes thereto. As a result, the total shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

3. Summary of Significant Accounting Policies

<p>1. Depreciation method for non-current assets</p>	<p>(1) Property, plant and equipment Depreciation is calculated using the straight-line method. The estimated useful lives of major property, plant and equipment are as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Buildings in trust</td> <td style="text-align: right;">3 – 66 years</td> </tr> <tr> <td>Structures in trust</td> <td style="text-align: right;">3 – 50 years</td> </tr> <tr> <td>Machinery and equipment in trust</td> <td style="text-align: right;">7 – 48 years</td> </tr> <tr> <td>Tools, furniture and fixtures in trust</td> <td style="text-align: right;">2 – 15 years</td> </tr> </table> <p>(2) Intangible assets Intangible assets are amortized utilizing the straight-line method. Leasehold rights in trust are amortized on a straight-line basis over the remaining life of each contract.</p>	Buildings in trust	3 – 66 years	Structures in trust	3 – 50 years	Machinery and equipment in trust	7 – 48 years	Tools, furniture and fixtures in trust	2 – 15 years
Buildings in trust	3 – 66 years								
Structures in trust	3 – 50 years								
Machinery and equipment in trust	7 – 48 years								
Tools, furniture and fixtures in trust	2 – 15 years								
<p>2. Accounting for deferred assets</p>	<p>(1) Investment corporation bond issuance costs Investment corporation bond issuance costs are amortized utilizing the straight-line method over the redemption periods.</p> <p>(2) Investment unit issuance costs Investment unit issuance costs are amortized utilizing the straight-line method (over 3 years).</p>								
<p>3. Standards for recording allowance</p>	<p>Allowance for doubtful accounts For allowance for doubtful accounts against possible losses arising from default on receivables, uncollectable amount is estimated and recorded by investigating collectability on a case-by-case examination for doubtful and other specific receivables.</p>								
<p>4. Standards for recording revenues and expenses</p>	<p>Accounting treatment of property taxes, etc. Property taxes, city planning taxes and depreciable asset taxes (“property taxes, etc.”) assessed for the real estate owned by the Investment Corporation are charged as expenses at an amount attributable to each fiscal period as expenses related to rent business. Property taxes etc. that the Investment Corporation pays to the seller in connection with acquisition of real estate (including trust beneficiary interests in real estate as entrusted property) as they are deemed to be attributable to the Investment Corporation are included in the acquisition cost of the acquired real estate, instead of expenses. Property taxes, etc. capitalized as a part of the acquisition cost amounted to 3,952 thousand yen for the 23rd fiscal period and 632 thousand yen for the 24th fiscal period, respectively.</p>								
<p>5. Method of hedge accounting</p>	<p>(1) Method of hedge accounting Special accounting is applied for interest rate swap transactions.</p> <p>(2) Hedging instruments and hedged items Hedging instrument: interest rate swap transactions Hedged items: interest expenses on loans payable</p> <p>(3) Hedging policy Based on its basic policy for risk management, the Investment Corporation utilizes derivative transactions in order to hedge risks designated in its Articles of Incorporation.</p> <p>(4) Method for assessing the effectiveness of hedging Assessment of the effectiveness of hedging is omitted as requirements are satisfied for special accounting for interest rate swap transactions.</p>								
<p>6. Scope of funds (cash and cash equivalents) in the statement of cash flows</p>	<p>The funds (cash and cash equivalents) in the statement of cash flows consist of cash on hand and cash in trust; deposits that can be withdrawn at any time and deposits in trust; and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of value fluctuation.</p>								

<p>7. Other significant items fundamental to preparing the financial statements</p>	<p>(1) Accounting methods for trust beneficiary interests in real estate, etc. as entrusted property Regarding trust beneficiary interests in real estate, etc. as entrusted property, all asset and liability accounts of the entrusted properties as well as all revenue and expense accounts generated by the entrusted properties are recorded in relevant accounts on the balance sheet and statement of income and retained earnings.</p> <p>Furthermore, the following accounts are considered material and thus stated separately in the balance sheet related to entrusted properties from the relevant accounts.</p> <ol style="list-style-type: none"> 1) Cash and deposits in trust 2) Buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, land in trust and construction in progress in trust 3) Leasehold rights in trust 4) Tenant leasehold and security deposits in trust <p>(2) Accounting for consumption taxes National and local consumption taxes are excluded from the transaction amounts. Non-deductible consumption taxes for acquisition of assets are included in the acquisition cost of each asset.</p>
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4. Notes to Balance Sheet

Minimum total net assets designated in Article 67-4 of the Investment Trusts Act

(Thousand yen)

	23rd Fiscal Period (As of March 31, 2017)	24th Fiscal Period (As of September 30, 2017)
	50,000	50,000

Commitment line contract

The Investment Corporation concluded a commitment line contract with three banks for borrowings.

(Thousand yen)

	23rd Fiscal Period (As of March 31, 2017)	24th Fiscal Period (As of September 30, 2017)
Maximum commitment line amount	10,000,000	10,000,000
Used commitment line balance	-	-
Difference	10,000,000	10,000,000

5. Notes to Statement of Income and Retained Earnings

Breakdown of real estate rental revenues and expenses

(Thousand yen)

	23rd Fiscal Period (October 1, 2016 – March 31, 2017)	24th Fiscal Period (April 1, 2017 – September 30, 2017)
A. Real estate rental revenues		
Rent revenue - real estate		
Rents	6,668,229	6,710,863
Other revenue	218,667	205,599
Total real estate rental revenue	6,886,897	6,916,462
B. Real estate rental expenses		
Expenses related to rent business		
Outsourcing expenses	656,606	641,120
Utilities expenses	84,388	88,192
Insurance expenses	8,013	7,988
Repair expenses	201,751	211,070
Property and other taxes	377,346	427,505
Trust fees	43,196	42,881
Other	281,374	277,462
Depreciation	1,606,420	1,602,027
Total real estate rental expenses	3,259,096	3,298,248
C. Real estate rental revenues and expenses (A – B)	3,627,800	3,618,213

Breakdown of gain on sales of real estate properties

23rd Fiscal Period (from October 1, 2016 to March 31, 2017)

(Thousand yen)

Esty Maison YACHIYOMIDORIGAOKA		
Revenue from sales of real estate		1,250,000
Cost of real estate sold	1,168,146	
Other sales expenses	49,676	1,217,823
Gain on sales of real estate properties		32,176

24th Fiscal Period (from April 1, 2017 to September 30, 2017)

Not applicable.

6. Notes to Statement of Changes in Net Assets

	23rd Fiscal Period (October 1, 2016 – March 31, 2017)	24th Fiscal Period (April 1, 2017 – September 30, 2017)
Total number of authorized investment units and total number of investment units issued		
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued	1,105,510 units	1,105,510 units

7. Notes to Statement of Cash Flows

Reconciliation of the Cash and cash equivalents at the end of period in the statement of cash flows with the corresponding accounts on the balance sheet

(Thousand yen)

	23rd Fiscal Period (October 1, 2016 – March 31, 2017)	24th Fiscal Period (April 1, 2017 – September 30, 2017)
Cash and deposits	3,793,152	5,259,432
Cash and deposits in trust	5,096,818	4,658,956
Cash and cash equivalents	8,889,971	9,918,388

8. Lease Transactions

Operating lease transactions as lessee

Future lease payable equivalents (Thousand yen)

	23rd Fiscal Period (As of March 31, 2017)	24th Fiscal Period (As of September 30, 2017)
Due within one year	24,648	24,648
Due after one year	854,464	842,140
Total	879,112	866,788

Operating lease transactions as lessor

Future lease receivable equivalents (Thousand yen)

	23rd Fiscal Period (As of March 31, 2017)	24th Fiscal Period (As of September 30, 2017)
Due within one year	1,600,910	1,668,267
Due after one year	5,422,695	5,141,374
Total	7,023,605	6,809,641

9. Financial Instruments

1. Matters Concerning Status of Financial Instruments

(1) Policy on Handling Financial Instruments

The Investment Corporation raises necessary funds (through additional issuance of investment units, borrowings and issuance of investment corporation bonds) in light of its financial plans and surplus fund management plans. With regard to surplus fund management, the Investment Corporation focuses on safety and liquidity, and manages them as interest-bearing ordinary bank deposits or short-term time deposits in order to avoid market risks as much as possible. As for derivative transactions, the Investment Corporation may use them to hedge against interest rate fluctuation risks, and will not conduct any speculative transactions.

(2) Description of Financial Instruments and Associated Risks, and Risk Management Structure

Operating accounts receivable are exposed to credit risks of customers. In order to mitigate such risks, the Investment Corporation works to select tenants by taking into account the tenants' credibility and has established a management system for controlling the status of rent payment.

Lease and guarantee deposits from rental properties are exposed to credit risks of the companies to do business with. In order to mitigate such risks, the Investment Corporation works to periodically grasp the financial conditions, etc. of such companies.

The possibility, conditions and subsequent burden of interest payments for borrowings and issuance of investment corporation bonds are impacted by the interest rate situations and other factors. Thus, there is no guarantee that the Investment Corporation can successfully make borrowings or issue investment corporation bonds at a time when and under the conditions that it prefers. In addition, if borrowings are made at floating interest rates, interest payments may increase due to later fluctuations in the interest rates. Depending on the lending attitude of financial institutions, new borrowings may not be possible or the Investment Corporation may have to borrow funds under disadvantageous conditions in terms of interest rates, collateral provision and financial covenants, etc.

Concerning the market risks (interest rate fluctuation risk, etc.) related to the above-mentioned borrowings and investment corporation bonds, the Investment Corporation works to mitigate them in accordance with the Derivative Transactions Handling and Risk Management Regulations, an internal rule designated by the Asset Management Company.

Moreover, for the management of liquidity risk related to fund raising (risk of failing to execute repayment on the repayment dates), the department in charge at the Asset Management Company prepares and updates cash flow plans in a timely manner based on reports from its respective departments. The liquidity risk is also managed by such measures as maintaining liquidity on hand at a certain level.

(3) Supplementary Explanation on Matters Concerning Fair Value, etc. of Financial Instruments

The fair value of financial instruments, aside from values based on market price, include values based on reasonable calculations when there is no market price. Certain variable factors are adopted in calculating those values, and there may be cases where the values will vary when different assumptions are adopted. As for the contract value and other conditions of derivative transactions indicated in "2. Matters Concerning Fair Value, etc. of Financial Instruments," the value itself is not an indicator showing the market risks related to such transactions.

2. Matters Concerning Fair Value, etc. of Financial Instruments

The following are the book values recorded on the balance sheet, fair values and the difference between these amounts. The following tables do not include those for which determining the fair value is recognized to be extremely difficult.

23rd Fiscal Period (As of March 31, 2017)

(Thousand yen)

	Book Value Recorded on the Balance Sheet	Fair Value	Difference
(1) Cash and deposits	3,793,152	3,793,152	-
(2) Cash and deposits in trust	5,096,818	5,096,818	-
(3) Operating accounts receivable	146,649	146,649	-
Allowance for doubtful accounts	(2,628)	(2,628)	-
	144,020	144,020	-
Total of assets	9,033,991	9,033,991	-
(4) Operating accounts payable	314,916	314,916	-
(5) Current portion of investment corporation bonds	4,000,000	4,013,033	13,033
(6) Current portion of long-term loans payable	4,805,000	4,819,804	14,804
(7) Investment corporation bonds	10,500,000	10,611,537	111,537
(8) Long-term loans payable	86,404,500	87,034,282	629,782
Total of liabilities	106,024,416	106,793,575	769,158
(9) Derivative transactions	-	-	-

24th Fiscal Period (As of September 30, 2017)

(Thousand yen)

	Book Value Recorded on the Balance Sheet	Fair Value	Difference
(1) Cash and deposits	5,259,432	5,259,432	-
(2) Cash and deposits in trust	4,658,956	4,658,956	-
(3) Operating accounts receivable	115,509	115,509	-
Allowance for doubtful accounts	(2,499)	(2,499)	-
	113,009	113,009	-
Total of assets	10,031,398	10,031,398	-
(4) Operating accounts payable	249,227	249,227	-
(5) Current portion of investment corporation bonds	4,000,000	4,001,341	1,341
(6) Current portion of long-term loans payable	4,600,000	4,602,023	2,023
(7) Investment corporation bonds	10,500,000	10,605,967	105,967
(8) Long-term loans payable	86,432,500	86,936,457	503,957
Total of liabilities	105,781,727	106,395,018	613,291
(9) Derivative transactions	-	-	-

(Note 1) Calculation method for fair value of financial instruments and matters concerning derivative transactions

(1) Cash and deposits, (2) Cash and deposits in trust and (3) Operating accounts receivable

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

In calculating the fair value of operating accounts receivable, it is difficult to determine the credit risk individually. Accordingly, allowance for doubtful accounts is deemed as credit risk.

(4) Operating accounts payable

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

(5) Current portion of investment corporation bonds and (7) Investment corporation bonds

As the investment corporation bonds of the Investment Corporation are traded over the counter through negotiations, it is difficult to indicate the fair value as the market price. The present value is based on the method of calculating by discounting the combined total of principal and interest by a reasonably estimated rate assumed as being applicable to a similar bond issuance.

(6) Current portion of long-term loans payable and (8) Long-term loans payable

The fair value of those with floating interest rates is based on the book value, as it reflects the market interest rate within a short period of time and thus is considered to be nearly equal to the book value. (However, the fair value of certain long-term loans payable with floating interest rates that qualifies for the special accounting of interest rate swaps [see Note "11. Derivative Transactions "] is based on the method of calculating by discounting the sum of its principal and interest payments net of any cash flows from the interest-rate swap by a reasonably estimated rate assumed as being applicable to a new similar borrowing to be made by the Investment Corporation.) The present value of those with fixed interest rates is based on the method of discounting the combined total of principal and interest by a reasonably estimated rate assumed as being applicable to a new similar borrowing to be made by the Investment Corporation.

(9) Derivative transactions

See Note "11. Derivative Transactions."

(Note 2) Scheduled redemption amount of monetary claims

23rd Fiscal Period (As of March 31, 2017)

(Thousand yen)

	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
(1) Cash and deposits	3,793,152	-	-	-	-	-
(2) Cash and deposits in trust	5,096,818	-	-	-	-	-
(3) Operating accounts receivable	146,649	-	-	-	-	-
Total of assets	9,036,620	-	-	-	-	-

24th Fiscal Period (As of September 30, 2017)

(Thousand yen)

	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
(1) Cash and deposits	5,259,432	-	-	-	-	-
(2) Cash and deposits in trust	4,658,956	-	-	-	-	-
(3) Operating accounts receivable	115,509	-	-	-	-	-
Total of assets	10,033,898	-	-	-	-	-

(Note 3) Scheduled redemption and repayment amount of investment corporation bonds and borrowings
23rd Fiscal Period (As of March 31, 2017)

(Thousand yen)

	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
(1) Investment corporation bonds	4,000,000	2,500,000	2,000,000	-	-	6,000,000
(2) Long-term loans payable	4,805,000	10,882,000	6,792,500	17,000,000	14,230,000	37,500,000
Total of liabilities	8,805,000	13,382,000	8,792,500	17,000,000	14,230,000	43,500,000

24th Fiscal Period (As of September 30, 2017)

(Thousand yen)

	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
(1) Investment corporation bonds	4,000,000	2,500,000	2,000,000	-	-	6,000,000
(2) Long-term loans payable	4,600,000	8,382,000	13,892,500	14,300,000	15,230,000	34,628,000
Total of liabilities	8,600,000	10,882,000	15,892,500	14,300,000	15,230,000	40,628,000

(Note 4) Financial instruments for which discerning of fair value is recognized to be extremely difficult

(Thousand yen)

Category	23rd Fiscal Period (As of March 31, 2017)	24th Fiscal Period (As of September 30, 2017)
(1) Lease and guarantee deposits	242,672	242,662
(2) Tenant leasehold and security deposits in trust	1,946,227	1,903,196

(1) Lease and guarantee deposits

Lease and guarantee deposits are not subject to disclosure of fair value because discerning of fair value is recognized to be extremely difficult as reasonable estimation of cash flows is impossible since there is no market price and also since it is difficult to calculate the deposit period in effect.

(2) Tenant leasehold and security deposits in trust

Tenant leasehold and security deposits in trust, which are deposited by the tenants of rental properties, are not subject to disclosure of fair value because reasonable estimation of cash flows is recognized to be extremely difficult since there is no market price and also since it is difficult to calculate the deposit period in effect.

10. Securities

23rd Fiscal Period (As of March 31, 2017)

Not applicable

24th Fiscal Period (As of September 30, 2017)

Not applicable

11. Derivative Transactions

1. Derivatives to which hedge accounting is not applied

23rd Fiscal Period (As of March 31, 2017)

Not applicable

24th Fiscal Period (As of September 30, 2017)

Not applicable

2. Derivatives to which hedge accounting is applied

23rd Fiscal Period (As of March 31, 2017)

The following is the contract amount or amount equivalent to the principal provided in the contract, etc. as of balance sheet date for each method of hedge accounting.

(Thousand yen)

Method of Hedge Accounting	Type of Derivative Transactions	Main Hedged Item	Contract Amount (Note 1)		Fair Value	Calculation Method for the Fair Value
				Of Which, over 1 Year		
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; Payable fixed	Long-term loans payable	64,009,500	59,204,500	(Note 2)	-

(Note 1) The contract amount of interest rate swaps is indicated based on the notional principal amount.

(Note 2) Transactions for which special accounting for interest rate swaps is applied are combined with long-term loans payable, the hedged item. Accordingly, their fair value is included in the fair value of the relevant long-term loans payable (See Note "9. Financial Instruments" 2. Matters Concerning Fair Value, etc. of Financial Instruments (Note 1) (8) Long-term loans payable).

24th Fiscal Period (As of September 30, 2017)

The following is the contract amount or amount equivalent to the principal provided in the contract, etc. as of balance sheet date for each method of hedge accounting.

(Thousand yen)

Method of Hedge Accounting	Type of Derivative Transactions	Main Hedged Item	Contract Amount (Note 1)		Fair Value	Calculation Method for the Fair Value
				Of Which, over 1 Year		
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; Payable fixed	Long-term loans payable	61,304,500	59,204,500	(Note 2)	-

(Note 1) The contract amount of interest rate swaps is indicated based on the notional principal amount.

(Note 2) Transactions for which special accounting for interest rate swaps is applied are combined with long-term loans payable, the hedged item. Accordingly, their fair value is included in the fair value of the relevant long-term loans payable (See Note "9. Financial Instruments" 2. Matters Concerning Fair Value, etc. of Financial Instruments (Note 1) (8) Long-term loans payable).

12. Retirement Benefits

23rd Fiscal Period (As of March 31, 2017)

Not applicable as the Investment Corporation does not have any retirement benefit plan.

24th Fiscal Period (As of September 30, 2017)

Not applicable as the Investment Corporation does not have any retirement benefit plan.

13. Income Taxes

1. Deferred tax assets and deferred tax liabilities consisted of the following:

(Thousand yen)

	23rd Fiscal Period (As of March 31, 2017)	24th Fiscal Period (As of September 30, 2017)
Deferred tax assets:		
Amortization of leasehold rights in trust	6,619	7,259
Amount of allowance for doubtful accounts not deductible from taxable income	834	793
Amount of accrued business taxes not deductible from taxable income	32	76
Subtotal deferred tax assets	7,485	8,129
Valuation allowance	(7,453)	(8,053)
Total deferred tax assets	32	76
Deferred tax assets, net	32	76

2. Reconciliation of the statutory tax rate to the Effective Income Tax Rate

	23rd Fiscal Period (As of March 31, 2017)	24th Fiscal Period (As of September 30, 2017)
Statutory tax rate	31.74%	31.74%
(Adjustment)		
Deductible cash distributions	(31.32%)	(31.71%)
Provision for reserve for reduction entry	(0.40%)	-%
Other	0.03%	0.05%
Effective income tax rate	0.05%	0.08%

14. Equity Method Income and Retained Earnings

23rd Fiscal Period (from October 1, 2016 to March 31, 2017)

Not applicable as the Investment Corporation does not have any affiliated companies.

24th Fiscal Period (from April 1, 2017 to September 30, 2017)

Not applicable as the Investment Corporation does not have any affiliated companies.

15. Assets Retirement Obligations

23rd Fiscal Period (from October 1, 2016 to March 31, 2017)

Not applicable

24th Fiscal Period (from April 1, 2017 to September 30, 2017)

Not applicable

16. Transactions with Related Parties

1. Parent Company and Major Corporation Unitholders

23rd Fiscal Period (from October 1, 2016 to March 31, 2017)

Not applicable

24th Fiscal Period (from April 1, 2017 to September 30, 2017)

Not applicable

2. Subsidiaries and Affiliates

23rd Fiscal Period (from October 1, 2016 to March 31, 2017)

Not applicable

24th Fiscal Period (from April 1, 2017 to September 30, 2017)

Not applicable

3. Sister Companies

23rd Fiscal Period (from October 1, 2016 to March 31, 2017)

Not applicable

24th Fiscal Period (from April 1, 2017 to September 30, 2017)

Not applicable

4. Directors and Major Individual Unitholders

23rd Fiscal Period (from October 1, 2016 to March 31, 2017)

Classification	Name	Business Description or Occupation	Share of Voting Rights [or Ownership of Such in the Investment Corporation]	Description of Transaction	Transaction Amount (thousand yen)	Category	Balance at the End of Period (thousand yen)
Director and its close relatives	Osamu Minami	Executive Director of the Investment Corporation and President of Sekisui House Asset Management, Ltd.	-	Payment of asset management fees to Sekisui House Asset Management, Ltd. (Note 1)	409,597 (Note 2)	Accounts payable - other	394,845
				Payment of institution operation and administration fees to Sekisui House Asset Management, Ltd. (Note 3)	1,400	Accounts payable - other	1,512

(Note 1) The transaction was conducted by Osamu Minami as representative of a third party (Sekisui House Asset Management, Ltd.), and the fees are based on the terms and conditions designated in the Articles of Incorporation of the Investment Corporation.

(Note 2) The figure includes 39,016 thousand yen as asset management fees related to property acquisitions, which have been capitalized in the book value of individual real properties, and 10,000 thousand yen of asset management fees related to property disposition, which have been recorded in other sales expenses.

(Note 3) The transaction was conducted by Osamu Minami as representative of a third party (Sekisui House Asset Management, Ltd.), and the fees are based on the institution operation and administration agreement.

(Note 4) Of the amounts in the above table, consumption taxes are not included in the transaction amount but are included in the balance at the end of period.

24th Fiscal Period (from April 1, 2017 to September 30, 2017)

Classification	Name	Business Description or Occupation	Share of Voting Rights [or Ownership of Such in the Investment Corporation]	Description of Transaction	Transaction Amount (thousand yen)	Category	Balance at the End of Period (thousand yen)
Director and its close relatives	Osamu Minami	Executive Director of the Investment Corporation and President of Sekisui House Asset Management, Ltd.	-	Payment of asset management fees to Sekisui House Asset Management, Ltd. (Note 1)	364,317 (Note 2)	Accounts payable - other	393,463
				Payment of institution operation and administration fees to Sekisui House Asset Management, Ltd. (Note 3)	6,100	Accounts payable - other	1,512

(Note 1) The transaction was conducted by Osamu Minami as representative of a third party (Sekisui House Asset Management, Ltd.), and the fees are based on the terms and conditions designated in the Articles of Incorporation of the Investment Corporation.

(Note 2) Since no property acquisition or disposition was made during the 24th fiscal period, there is no asset management fees related to property acquisitions, which have been capitalized in the book value of individual real properties; or asset management fees related to property disposition, which have been recorded in other sales expenses.

(Note 3) The transaction was conducted by Osamu Minami as representative of a third party (Sekisui House Asset Management, Ltd.), and the fees are based on the institution operation and administration agreement.

(Note 4) Of the amounts in the above table, consumption taxes are not included in the transaction amount but are included in the balance at the end of period.

17. Segment Information

[Segment Information]

Descriptions are omitted as the Investment Corporation has a single business segment of real estate leasing business.

[Related Information]

23rd Fiscal Period (from October 1, 2016 to March 31, 2017)

(1) Information by product and service

Descriptions are omitted as the Investment Corporation's operating revenue under single product/service classification for outside customers exceeds 90% of operating revenue recorded in the statement of income and retained earnings.

(2) Information by region

(a) Operating revenue

Descriptions are omitted as the Investment Corporation's operating revenue for outside customers in Japan exceeds 90% of operating revenue recorded in the statement of income and retained earnings.

(b) Property, plant and equipment

Descriptions are omitted as the amount of the Investment Corporation's property, plant and equipment located in Japan exceeds 90% of property, plant and equipment recorded in the balance sheet.

(3) Information by major customer

Descriptions are omitted as the Investment Corporation's operating revenue for any individual outside customer is less than 10% of operating revenue recorded in the statement of income and retained earnings.

24th Fiscal Period (from April 1, 2017 to September 30, 2017)

(1) Information by product and service

Descriptions are omitted as the Investment Corporation's operating revenue under single product/service classification for outside customers exceeds 90% of operating revenue recorded in the statement of income and retained earnings.

(2) Information by region

(a) Operating revenue

Descriptions are omitted as the Investment Corporation's operating revenue for outside customers in Japan exceeds 90% of operating revenue recorded in the statement of income and retained earnings.

(b) Property, plant and equipment

Descriptions are omitted as the amount of the Investment Corporation's property, plant and equipment located in Japan exceeds 90% of property, plant and equipment recorded in the balance sheet.

(3) Information by major customer

Descriptions are omitted as the Investment Corporation's operating revenue for any individual outside customer is less than 10% of operating revenue recorded in the statement of income and retained earnings.

18. Per Unit Information

Item	Period	23rd Fiscal Period (October 1, 2016 – March 31, 2017)	24th Fiscal Period (April 1, 2017 – September 30, 2017)
Net assets per unit		91,648 yen	91,669 yen
Net income per unit		2,288 yen	2,255 yen

(Note 1) Diluted net income per unit has not been presented since no warrants or convertible bonds are outstanding.

(Note 2) Net income per unit has been calculated based on the following data:

Item	Period	23rd Fiscal Period (October 1, 2016 – March 31, 2017)	24th Fiscal Period (April 1, 2017 – September 30, 2017)
Net Income (thousand yen)		2,501,336	2,493,073
Amount not attributable to ordinary unitholders (thousand yen)		-	-
Net income attributable to ordinary investment units (thousand yen)		2,501,336	2,493,073
Average number of units during the fiscal period (units)		1,093,070	1,105,510

19. Rental Properties

The Investment Corporation owns assets as trust beneficiary interests in real estate as entrusted property, which comprises rental residential properties and rental retail properties. Real estate rental revenues and expenses for the relevant rental properties amounted to 3,627,800 thousand yen for the 23rd fiscal period and 3,618,213 thousand yen for the 24th fiscal period, respectively. The following table provides the book value recorded on the balance sheet, amount of change during the period and fair value of these rental properties.

(Thousand yen)

	23rd Fiscal Period (October 1, 2016 – March 31, 2017)	24th Fiscal Period (April 1, 2017 – September 30, 2017)
Book value recorded on the balance sheet		
Balance at the beginning of period	192,994,081	200,010,647
Amount of net change during period	7,016,565	(1,154,590)
Balance at the end of period	200,010,647	198,856,057
Fair value at the end of period	226,015,800	229,438,000

(Note 1) Book value recorded on the balance sheet indicates the book value less accumulated depreciation.

(Note 2) Net change during the 23rd fiscal period is comprised of increases primarily attributable to new acquisitions of 3 properties (9,393,337 thousand yen) and decrease primarily attributable to disposition of Esty Maison YACHIYOMIDORIGAOKA (1,168,146 thousand yen) and depreciation (1,606,420 thousand yen). Net change during the 24th fiscal period is primarily comprised of decrease attributable to depreciation (1,602,027 thousand yen).

(Note 3) Pursuant to the Articles of Incorporation, the fair value at the end of period indicates the appraisal value or surveyed value provided by outside real estate appraisers with the respective appraisal dates of March 31, 2017 and September 30, 2017.

20. Significant Subsequent Events

Not applicable

21. Detailed Schedules

1. Schedule of Securities

Not applicable

Real estate trust beneficiary interests are included in the Summary of Detailed Schedule of Real Properties.

2. Schedule of Contract Amount, Etc. and Fair Value of Derivative Transactions and Forward Exchange Transactions

(Thousand yen)

Category	Type	Contract Amount (Note 1)		Fair Value (Note 2)
			Of Which, over 1 Year	
Transaction other than market transaction	Interest rate swap transaction Receivable floating; payable fixed	61,304,500	59,204,500	-
Total		61,304,500	59,204,500	

(Note 1) The contract amount of interest rate swaps is indicated based on the notional principal amount.

(Note 2) Description of fair value is omitted as the transactions satisfy the requirements for special accounting under the accounting standards for financial instruments.

3. Summary of Detailed Schedule of Real Properties

(Million yen)

Type of Assets	Balance as of April 1, 2017	Increase during the Period	Decrease during the Period	Balance as of September 30, 2017	Accumulated or Amortization	Depreciation	Net Balance as of September 30, 2017	Remarks	
						Depreciation during the Period			
Property, plant and equipment	Buildings in trust	106,007	383	-	106,390	17,796	1,486	88,594	
	Structures in trust	983	4	-	987	269	26	717	
	Machinery and equipment in trust	2,022	7	-	2,029	685	66	1,344	
	Tools, furniture and fixtures in trust	298	51	-	349	120	20	229	
	Land in trust	107,827	0	-	107,828	-	-	107,828	
	Construction in progress in trust	-	35	-	35	-	-	35	
	Total	217,138	483	-	217,621	18,871	1,600	198,749	
Intangible assets	Leasehold rights in trust	164	-	-	164	22	2	141	
	Other	6	-	-	6	6	0	0	
	Total	171	-	-	171	29	2	142	

4. Schedule of Other Specified Assets

Not applicable

Real estate trust beneficiary interests are included in the Summary of Detailed Schedule of Real Properties.

5. Schedule of Investment Corporation Bonds

Name	Issue Date	Balance as of April 1, 2017 (million yen)	Decrease during the Period (million yen)	Balance as of September 30, 2017 (million yen)	Coupon Rate (%)	Redemption Date	Purpose	Collateral
First Series Unsecured Investment Corporation Bonds	February 28, 2013	4,000	-	4,000	0.630	February 28, 2018 (Note 1)	(Note 2)	Unsecured
Second Series Unsecured Investment Corporation Bonds	February 28, 2013	2,000	-	2,000	1.000	February 28, 2020		
Third Series Unsecured Investment Corporation Bonds	February 28, 2014	2,500	-	2,500	0.374	February 28, 2019	(Note 3)	
Fourth Series Unsecured Investment Corporation Bonds	February 28, 2014	3,000	-	3,000	1.069	February 28, 2024		
Fifth Series Unsecured Investment Corporation Bonds	August 29, 2014	3,000	-	3,000	0.871	August 30, 2024		
Total		14,500	-	14,500				

(Note 1) These investment corporation bonds are recorded in the current liabilities on the balance sheet as current portion of investment corporation bonds at the end of the 24th fiscal period.

(Note 2) The proceeds are used as funds for repayment of existing borrowings and acquisition of real estate trust beneficiary interests, etc.

(Note 3) The proceeds are used as funds for repayment of existing borrowings, etc.

(Note 4) These investment corporation bonds are equipped with pari passu clause among specified investment corporation bonds.

(Note 5) Amounts of investment corporation bonds to be redeemed annually within five years after the date of the balance sheet are as follows.

(Million yen)

Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years
4,000	2,500	2,000	-	-

6. Schedule of Loans Payable

	Category	Balance as of April 1, 2017 (million yen)	Increase during the Period (million yen)	Decrease during the Period (million yen)	Balance as of September 30, 2017 (million yen)	Average Interest Rate (Note 1)	Repayment Date	Repayment Method	Purpose	Remarks
	Lender									
Long-term loans payable	Development Bank of Japan Inc.	941	-	-	941	1.15475%	February 28, 2019	Lump-sum upon maturity	(Note 3)	Unsecured/ Unguaranteed
	Mizuho Bank, Ltd.	1,470	-	-	1,470					
	Sumitomo Mitsui Banking Corporation	1,470	-	-	1,470					
	The Norinchukin Bank	2,352	-	2,352	-	0.95750%	August 31, 2017			
	Mizuho Bank, Ltd.	176	-	176	-					
	Sumitomo Mitsui Banking Corporation	176	-	176	-					
	Mizuho Bank, Ltd.	750	-	-	750	0.89900%	February 28, 2019		(Note 4)	
	Mizuho Trust & Banking Co., Ltd.	2,250	-	-	2,250					
	Sumitomo Mitsui Banking Corporation	750	-	-	750					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	750	-	-	750					
	Mizuho Bank, Ltd.	400	-	-	400	1.02225%	February 28, 2020			
	Mizuho Trust & Banking Co., Ltd.	500	-	-	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,700	-	-	1,700					
	Mitsubishi UFJ Trust and Banking Corporation	2,142	-	-	2,142					
	Resona Bank, Limited	500	-	-	500					
	The 77 Bank, Ltd.	500	-	-	500	0.75600%	February 28, 2018 (Note 2)			
	The Hiroshima Bank, Ltd.	500	-	-	500					
	Mizuho Bank, Ltd.	100	-	-	100					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	500	-	-	500					
	Mitsubishi UFJ Trust and Banking Corporation	500	-	-	500					
	Aozora Bank, Ltd.	1,000	-	-	1,000	1.17200%	August 31, 2020		(Note 3)	
	Mizuho Bank, Ltd.	500	-	-	500					
	Mizuho Trust & Banking Co., Ltd.	200	-	-	200					
	Sumitomo Mitsui Trust Bank, Limited	2,500	-	-	2,500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	600	-	-	600					
	Mitsubishi UFJ Trust and Banking Corporation	200	-	-	200					
	Resona Bank, Limited	500	-	-	500					
	Aozora Bank, Ltd.	500	-	-	500					
	Mizuho Bank, Ltd.	200	-	-	200	0.45727%	August 31, 2018 (Note 2)			
	Mizuho Trust & Banking Co., Ltd.	200	-	-	200					
	Sumitomo Mitsui Banking Corporation	1,100	-	-	1,100					
	Sumitomo Mitsui Trust Bank, Limited	500	-	-	500					
	Mizuho Bank, Ltd.	300	-	-	300					
Sumitomo Mitsui Banking Corporation	300	-	-	300	1.17350%	February 28, 2022	(Note 4)			
Sumitomo Mitsui Trust Bank, Limited	400	-	-	400						
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800	-	-	800						
Mizuho Bank, Ltd.	400	-	-	400	1.11000%	February 28, 2022	(Note 3)			
Mizuho Trust & Banking Co., Ltd.	980	-	-	980						
Sumitomo Mitsui Banking Corporation	500	-	-	500						
Sumitomo Mitsui Trust Bank, Limited	1,500	-	-	1,500						
Mitsubishi UFJ Trust and Banking Corporation	500	-	-	500						
Resona Bank, Limited	800	-	-	800						

	Category	Balance as of April 1, 2017 (million yen)	Increase during the Period (million yen)	Decrease during the Period (million yen)	Balance as of September 30, 2017 (million yen)	Average Interest Rate (Note 1)	Repayment Date	Repayment Method	Purpose	Remarks
	Lender									
Long-term loans payable	The Senshu Ikeda Bank, Ltd.	500	-	-	500	0.95225%	February 26, 2021	Lump-sum upon maturity	(Note 3)	Unsecured/ Unguaranteed
	Mizuho Bank, Ltd.	400	-	-	400					
	Mizuho Trust & Banking Co., Ltd.	500	-	-	500					
	Sumitomo Mitsui Banking Corporation	500	-	-	500					
	Sumitomo Mitsui Trust Bank, Limited	500	-	-	500					
	Mitsubishi UFJ Trust and Banking Corporation	500	-	-	500					
	The Yamaguchi Bank, Ltd.	500	-	-	500					
	Resona Bank, Limited	500	-	-	500					
	Mizuho Bank, Ltd.	405	-	-	405	0.79614%	February 28, 2020			
	Sumitomo Mitsui Banking Corporation	1,145	-	-	1,145					
	The Shizuoka Bank, Ltd.	500	-	-	500	0.97300%	February 26, 2021			
	Shinkin Central Bank	500	-	-	500					
	The Bank of Fukuoka, Ltd.	500	-	-	500					
	Mizuho Bank, Ltd.	300	-	-	300					
	Sumitomo Mitsui Banking Corporation	300	-	-	300					
	Mizuho Bank, Ltd.	2,500	-	-	2,500					
	Sumitomo Mitsui Banking Corporation	2,000	-	-	2,000	0.96475%	August 31, 2022			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	900	-	-	900					
	Mizuho Bank, Ltd.	2,450	-	-	2,450	0.83600%	August 31, 2021			
	Sumitomo Mitsui Banking Corporation	1,950	-	-	1,950					
	Aozora Bank, Ltd.	200	-	-	200	0.86650%	February 28, 2023			
	The Senshu Ikeda Bank, Ltd.	200	-	-	200					
	The Shizuoka Bank, Ltd.	200	-	-	200					
	The 77 Bank, Ltd.	200	-	-	200					
	Shinkin Central Bank	200	-	-	200					
	The Norinchukin Bank	500	-	-	500					
	The Hiroshima Bank, Ltd.	200	-	-	200					
	The Bank of Fukuoka, Ltd.	700	-	-	700					
	Mizuho Bank, Ltd.	1,000	-	-	1,000					
	Mizuho Trust & Banking Co., Ltd.	800	-	-	800					
	Sumitomo Mitsui Banking Corporation	600	-	-	600					
	Sumitomo Mitsui Trust Bank, Limited	300	-	-	300					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800	-	-	800					
	Mitsubishi UFJ Trust and Banking Corporation	500	-	-	500					
	The Yamaguchi Bank, Ltd.	200	-	-	200					
	Resona Bank, Limited	500	-	-	500					
	Development Bank of Japan Inc.	1,000	-	-	1,000	0.85250%	February 28, 2023			
	The Norinchukin Bank	800	-	-	800					
	The Bank of Fukuoka, Ltd.	500	-	-	500	0.73975%	February 28, 2022			
	Mizuho Bank, Ltd.	500	-	-	500					
Sumitomo Mitsui Banking Corporation	500	-	-	500						
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	300	-	-	300						
Resona Bank, Limited	750	-	-	750						
The Senshu Ikeda Bank, Ltd.	500	-	-	500						
The Shizuoka Bank, Ltd.	500	-	-	500	0.62800%	February 26, 2021				
The 77 Bank, Ltd.	500	-	-	500						
Shinkin Central Bank	500	-	-	500						
The Norinchukin Bank	500	-	-	500						
The Hiroshima Bank, Ltd.	500	-	-	500						
Mizuho Bank, Ltd.	600	-	-	600						
Sumitomo Mitsui Banking Corporation	300	-	-	300						

	Category	Balance as of April 1, 2017 (million yen)	Increase during the Period (million yen)	Decrease during the Period (million yen)	Balance as of September 30, 2017 (million yen)	Average Interest Rate (Note 1)	Repayment Date	Repayment Method	Purpose	Remarks	
	Lender										
Long-term loans payable	Mizuho Bank, Ltd.	450	-	-	450	0.68030%	August 31, 2023	Lump-sum upon maturity	(Note 4)	Unsecured/ Unguaranteed	
	Mizuho Trust & Banking Co., Ltd.	1,000	-	-	1,000						
	Sumitomo Mitsui Banking Corporation	450	-	-	450						
	Development Bank of Japan Inc.	2,100	-	-	2,100	0.67400%	August 31, 2023				
	Mizuho Bank, Ltd.	100	-	-	100						
	Aozora Bank, Ltd.	200	-	-	200	0.45503%	February 29, 2024				
	The Norinchukin Bank	300	-	-	300						
	Mizuho Bank, Ltd.	1,100	-	-	1,100						
	Mizuho Trust & Banking Co., Ltd.	500	-	-	500						
	Sumitomo Mitsui Banking Corporation	1,100	-	-	1,100						
	Sumitomo Mitsui Trust Bank, Limited	450	-	-	450						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	700	-	-	700						
	The Yamaguchi Bank, Ltd.	100	-	-	100						
	Resona Bank, Limited	300	-	-	300						
	The Senshu Ikeda Bank, Ltd.	100	-	-	100						
	The Shizuoka Bank, Ltd.	100	-	-	100						
	The 77 Bank, Ltd.	100	-	-	100						
	Shinkin Central Bank	100	-	-	100	0.50500%	February 29, 2024				
	Development Bank of Japan Inc.	600	-	-	600						
	The Hiroshima Bank, Ltd.	100	-	-	100						
	The Bank of Fukuoka, Ltd.	200	-	-	200						
	Mitsubishi UFJ Trust and Banking Corporation	450	-	-	450						
	Development Bank of Japan Inc.	400	-	-	400						
	Mizuho Bank, Ltd.	800	-	-	800				0.59750%		August 29, 2025
	Sumitomo Mitsui Banking Corporation	800	-	-	800						
	Mitsubishi UFJ Trust and Banking Corporation	1,000	-	-	1,000						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	600	-	-	600				0.57000%		August 29, 2025
	The Norinchukin Bank	300	-	-	300						
	Mizuho Bank, Ltd.	200	-	-	200	0.49500%	August 30, 2024				
	Mizuho Trust & Banking Co., Ltd.	500	-	-	500						
	Sumitomo Mitsui Banking Corporation	200	-	-	200						
	Sumitomo Mitsui Trust Bank, Limited	400	-	-	400						
	Resona Bank, Limited	300	-	-	300						
Aozora Bank, Ltd.	300	-	-	300							
Development Bank of Japan Inc.	1,200	-	-	1,200	0.77880%			February 27, 2026			
The Bank of Fukuoka, Ltd.	500	-	-	500							
Mizuho Bank, Ltd.	700	-	-	700							
Mitsubishi UFJ Trust and Banking Corporation	800	-	-	800							
The Yamaguchi Bank, Ltd.	500	-	-	500							
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500	-	-	1,500							
Shinkin Central Bank	300	-	-	300	0.67000%	February 28, 2025					
Mizuho Bank, Ltd.	200	-	-	200							
Mizuho Trust & Banking Co., Ltd.	600	-	-	600							
Sumitomo Mitsui Trust Bank, Limited	300	-	-	300							
Resona Bank, Limited	400	-	-	400							
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	600	-	-	600	0.61000%	February 28, 2025					
Sumitomo Mitsui Banking Corporation	1,600	-	-	1,600							
						0.31000%	August 31, 2020		(Note 3)		

Category	Lender	Balance as of April 1, 2017 (million yen)	Increase during the Period (million yen)	Decrease during the Period (million yen)	Balance as of September 30, 2017 (million yen)	Average Interest Rate (Note 1)	Repayment Date	Repayment Method	Purpose	Remarks
Long-term loans payable	The Norinchukin Bank	—	2,352	—	2,352	0.61380%	August 29, 2025	Lump-sum upon maturity	(Note 3)	Unsecured/Unguaranteed
	Mizuho Bank, Ltd.	—	176	—	176					
Total		91,209	2,528	2,705	91,032					

(Note 1) The “average interest rate” is a weighted-average figure during the fiscal period and is rounded to the fifth decimal place. Furthermore, the average interest rate of borrowings for which the Investment Corporation conducted interest rate swap transactions for the purpose of hedging the interest rate fluctuation risk is the rate obtained by taking into account the effect of interest rate swaps.

(Note 2) These loans are recorded in the current liabilities on the balance sheet as current portion of long-term loans payable at the end of the 24th fiscal period.

(Note 3) These loans are used as funds for repayment of existing borrowings.

(Note 4) These loans are used as funds for the acquisition of real estate trust beneficiary interests, etc.

(Note 5) Amounts of long-term loans payable to be repaid annually within five years after the date of the balance sheet are as follows.

(Million yen)				
Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years
4,600	8,382	13,892	14,300	15,230