

January 24, 2018

## Real Estate Investment Trust Securities Issuer

Sekisui House Reit, Inc.

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

## Asset Management Company

Sekisui House Investment Advisors, Ltd.

Representative: Junichi Inoue,  
President & Representative DirectorInquiries: Atsuhiko Kida,  
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Management Division  
TEL: +81-3-6447-4870 (main)

## Real Estate Investment Trust Securities Issuer

Sekisui House Residential Investment Corporation

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

## Asset Management Company

Sekisui House Asset Management, Ltd.

Representative: Osamu Minami,  
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Notice Concerning Conclusion of a Merger Agreement between Sekisui House Reit, Inc. and  
Sekisui House Residential Investment Corporation

Sekisui House Reit, Inc. (“SHR”) and Sekisui House Residential Investment Corporation (“SHI,” and collectively with SHR, the “Two Investment Corporations”), today at their respective board of directors meetings, resolved to execute an absorption-type merger, with May 1, 2018 as the effective date, whereby SHR will be the surviving corporation and SHI will be the dissolving corporation in the merger (the “Investment Corporation Merger”), and today executed a merger agreement (the “Investment Corporation Merger Agreement”) to that effect as set forth below.

**To unitholders in the United States:**

**This exchange offer or business combination is made for the securities of a foreign company. The offer is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.**

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

**You should be aware that the issuer may purchase securities otherwise than under the exchange offer, such as in open market or privately negotiated purchases.**

## 1. Purpose of the Investment Corporation Merger

The Japanese economy, due to improvements in the employment and income environment resulting from the government's economic policies and the Bank of Japan's monetary policies, continues on a path of gradual recovery, but many uncertainties regarding the global economy, including monetary policy in the U.S., political trends in the countries of Europe and the U.S., and geopolitical risks throughout the world, together with questions about the future direction of the Bank of Japan's policy of quantitative and qualitative monetary easing, accompanied by negative interest rates and other factors affecting Japanese and overseas financial and capital markets, continue to require close scrutiny.

Against the backdrop of a favorable financing environment resulting from the monetary easing, investment activity in Japanese real estate continues at a brisk pace, but at the same time, in the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") Real Estate Investment Trust Securities Market (the "Tokyo Stock Exchange REIT Market"), against the backdrop of an outflow of funds from J-REIT specialized investment trusts, since around March 2017, the Tokyo Stock Exchange REIT Index and the Tokyo Stock Exchange REIT Market overall has been weak. Furthermore, with the Nikkei Stock Average hitting its highest level since the collapse of the economic bubble and the stock market exhibiting a bullish tone, it may be that, in reaction to this, the flow of money back into the Tokyo Stock Exchange REIT Market is showing some weakness.

In addition to these economic trends, in the current environment of decreasing investment returns resulting from the rise in real estate prices, it is essential to ensure stability and growth for the long-term enhancement of unitholder value, and in the Tokyo Stock Exchange REIT Market, we believe that this means achieving an asset scale of a certain size and ensuring flexible asset management.

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 269 consolidated subsidiaries and its 26 affiliates accounted for by the equity method (as of July 31, 2017)), have each built track records in asset management.

SHR was listed on the Tokyo Stock Exchange REIT Market in December 2014 as an investment corporation focused on investment in commercial properties including office buildings, hotels and retail properties. etc., and since beginning investment activities with a portfolio of 3 properties having an acquisition price totaling 114.3 billion yen, now has an investment record spanning 6 fiscal periods. In Japan, where earthquakes, typhoons and other natural disasters have been frequent, SHR, understanding that the demand of tenants for sustainable bases of operation for their businesses is increasing, has designated commercial properties in locations fulfilling those needs ("Strategic Locations") or having high functionality ("High Quality") as "Prime Properties" and made them its core investment targets. Utilizing pipeline support from Sekisui House, SHR has grown its portfolio to 6 properties with a total acquisition price of 200.7 billion yen, which it has financed through 3 capital increases by means of public offerings.

SHI was listed on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market in July 2005 as Joint REIT Investment Corporation, focused on investment in residential properties and commercial facilities, and since beginning investment activities with a portfolio of 16 properties having a total acquisition price of 41.3 billion yen, now has an investment record spanning 24 fiscal periods. In March 2010, a joint structure was established with Sekisui House becoming a sponsor and Spring Investment Co., Ltd. ("Spring Investment") as a joint sponsor, and in June 2010, the corporation's corporate name was changed to "Sekisui House SI Investment Corporation". Thereafter, the corporation's articles of incorporation were changed to make residential properties the sole target of investment, and in June 2014, in order to give a strong appeal to the change in investment target, the corporate name was changed to "Sekisui House SI Residential Investment Corporation". In March 2017, Sekisui House acquired the shares in SHAM held by Spring Investment, with Sekisui House thus becoming the wholly-owning parent company of SHAM. In conjunction with this

transition to a single sponsor structure with Sekisui House becoming the sole sponsor, in June 2017, SHI made a partial amendment to its articles of incorporation and changed its corporate name to “Sekisui House Residential Investment Corporation”. SHI has made building a portfolio that centers on high quality rental residential properties planned and developed by Sekisui House Group its basic strategy, and has registered steady growth based primarily on the acquisition of properties through the ongoing support of the Sekisui House Group; in the approximately 12 years since it was listed, it has grown its portfolio to 113 properties with a total acquisition price of 206.9 billion yen, which it has financed through 7 capital increases by means of public offerings.

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, of the 11 REITs in the office REIT <sup>(Note)</sup> sector, SHR ranks 7<sup>th</sup>, and having small asset size and a small number of properties, diversification has been insufficient. Of the 8 REITs in the residential REIT <sup>(Note)</sup> sector, SHI ranks 4<sup>th</sup>, but its overall asset scale and the size of each individual property is small, and the speed of its asset growth has been gradual. The Two Investment Corporations see these factors, respectively, as the current challenges confronting them. In these circumstances, as one approach in order to meet the challenges facing them, and to build portfolios with stability of returns and growth potential and to conduct their operations with the flexibility needed to contribute to the long-term enhancement of unitholder value, the Two Investment Corporations agreed to initiate discussions about a possible merger of the two corporations and together exhaustively examined that possibility. As a result, 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; accordingly, today the Two Investment Corporations concluded the Investment Corporation Merger Agreement.

Note: An “office REIT” refers to a Tokyo Stock Exchange REIT Market-listed J-REIT where 90% or more of its Portfolio consists of office buildings on an asset scale basis, and a “residential REIT” refers to a Tokyo Stock Exchange REIT Market-listed J-REIT where 90% or more of its portfolio consists of residential buildings on an asset scale basis. The rankings of the Two Investment Corporations were based on total acquisition price indicated on the latest announced financial information for all REITs, including the Two Investment Corporations, as of January 19, 2018.

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

The surviving corporation in the Investment Corporation Merger (“New SHR”) will have residential properties and commercial properties including office buildings and hotels as its main investment targets, placing priority on Prime Properties, which it defines as high quality residential properties and commercial properties in strategic locations. <sup>(Note)</sup> New SHR will continue to position and invest in residential buildings, which form people’s bases of living, and office buildings, which form the bases of operation for businesses, as the core assets of the portfolio, and will engage in investment in hotels with growth prospects; by doing so the company will aim to build a portfolio characterized by both high stability and high quality.

Note: SHR calls commercial properties that either are in locations that meet the needs of tenants for “sustainable bases of operation” for their businesses (strategic locations) or have high functionality (high quality) such as convenience, “Prime Properties,” but New SHR designates a residential property or commercial property, which is situated in a location suitable for tenants’ “bases for sustainable living” or for tenants’ “sustainable bases of operation” (strategic locations), with these locations further having high basic efficiency as residences in terms of comfort and safety or the functionality which tenants seek, (high quality) “Prime Properties,” and in conjunction with the Investment Corporation Merger, thus expands the applicability of “Prime Properties” to also include residential properties while at the same time repositioning it as a concept comprising both strategic location and high quality.

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

It can be expected that the Investment Corporation Merger will enhance external growth potential from an increase in investment opportunities due to increased asset size and an expansion of the usage types of target investments. In addition, by continuing to utilize to the fullest extent the solid support of the Sekisui House Group in terms of both growth and stability, which has always been the strength of the Two Investment Corporations, New SHR will aim for stable income and asset growth. Also, as outlined below, while on the one hand acquiring assets from Sekisui House in conjunction with the Investment Corporation Merger (the “Asset Acquisition”), New SHR intends also to sell such assets to third parties in the case where maintenance and repair costs are expected to increase (collectively with the Asset Acquisition, the “Asset Replacement”) so as to raise the overall quality of its portfolio.

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

The asset scale subsequent to the Investment Corporation Merger and the Asset Replacement is projected to be 113 properties having a total acquisition price of 439.8 billion yen (tentative), which we believe will be sufficient to increase New SHR’s presence in the REIT market. We also believe the increase in asset scale will improve the valuation and credit ratings of the New SHR.

Sekisui House, the sponsor of the Two Investment Corporations, strives for the creation of residences and environments rich in humanity, aiming to be a “company which is a living environment creator” contributing to building a society where everyone can live comfortably, and the Two Investment Corporations have always shared this corporate philosophy in carrying out their operations.

Subsequent to the merger of the Two Investment Corporations, New SHR, keeping in mind the philosophy of Sekisui House, will primarily target “residential properties” including residential buildings and other assets, and “commercial properties”, including office buildings and hotels which fall under “High Quality” Prime Properties situated in “Strategic Locations” and will pursue a growth strategy leveraging to the fullest the real estate development and management capabilities of the Sekisui House Group. In addition, it will strive to make it possible for its unitholders, tenants and all other stakeholders to move forward together while aiming to “provide high quality social capital” and “maximization of unitholders value” through asset management seeking medium and long-term income stability and a steady increase of managed 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.

In regard to the Asset Replacement mentioned above, as stated in the “Notice Concerning Acquisition of Trust Beneficiary Interests in Domestic Real Estate and Leases (Prime Maison Shirokanedai Tower and Five Other Properties) and Sale and Cancellation of Leases (Esty Maison Machida and Eleven Other Properties)” released today by the Two Investment Corporations, New SHR expects to sell to third parties, from among the assets held by SHI, 12 residential properties which are old, and for which the cost of future repair and maintenance is expected to increase, for an anticipated sale price totaling 16.4 billion yen and also acquire from Sekisui House 6 residential properties at an expected acquisition price of 25.3 billion yen, thereby improving the overall quality of its portfolio.

As stated in the “Notice Concerning Conclusion of a Merger Agreement between Sekisui House Investment Advisors, Ltd. and Sekisui House Asset Management, Ltd., Which Are the Asset Management Companies” released today by the Two Investment Corporations, in order to provide for the effective management of the assets held by New SHR, the Two Asset Management Companies have agreed to execute 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, and today executed a merger agreement to that effect.

2. Overview of the Investment Corporation Merger  
 (1) Schedule of the Investment Corporation Merger

SHR

Board of Directors meeting to approve the Investment Corporation Merger Agreement	January 24, 2018
Date of conclusion of the Investment Corporation Merger Agreement	
Date for announcing the record date for the general meeting of unitholders	January 25, 2018 (tentative)
Record date for the general meeting of unitholders	February 9, 2018 (tentative)
Date of general meeting of unitholders	March 27, 2018 (tentative)
Record date for splitting the investment units	April 30, 2018 (tentative)
Effective date for splitting the investment units	May 1, 2018 (tentative)
Effective date of the Investment Corporation Merger	
Registration date of the Investment Corporation Merger	Early May 2018 (tentative)

Note: 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"). Please refer to (3) Note 2 below for more detail.

SHI

Board of Directors meeting to approve the Investment Corporation Merger Agreement	January 24, 2018
Date of conclusion of the Investment Corporation Merger Agreement	
Date for announcing the record date for the general meeting of unitholders	January 25, 2018 (tentative)
Record date for the general meeting of unitholders	February 9, 2018 (tentative)
Date of general meeting of unitholders	March 27, 2018 (tentative)
Date of delisting	April 25, 2018 (tentative)
Effective date of the Investment Corporation Merger	May 1, 2018 (tentative)
Registration date of Investment Corporation Merger	Early May 2018 (tentative)

(2) Form of the Merger

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

(3) Allocation of Investment Units under the Investment Corporation Merger

	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: The number of New 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: 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 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. For more details on the Investment Unit Split, please refer to the “Notice Concerning a Split of Investment Units,” which SHR released today.

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 Trust 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 Trust 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. Details will be notified as soon as they are finalized. 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, and cash distributions with March 31, 2018 as the record date will not be distributed (as mentioned above, a merger consideration in the form of cash distributions based on SHI’s distributable income for that same period will be paid).

#### (4) Changes to the Articles of Incorporation of the Surviving Corporation

Based on the Investment Corporation Merger, in order to transform itself, as New SHR, into a “diversified REIT” with a high degree of stability having as its core assets high-quality “residential and office buildings,” SHR plans to put before a general meeting of its unitholders, which is scheduled for March 27, 2018, a resolution, subject to the Investment Corporation Merger becoming effective, for an amendment of its articles of incorporation (the “Amendment of the Articles of Incorporation”) with a view to establishing new investment policies and investment targets. Further, regardless of whether the Investment Corporation Merger will become effective, a Merger Fee will be stipulated in the Amendment of the Articles of Incorporation as a new management fee to the asset management company. Please refer to Attachment 1 for details of the Amendment of the Articles of Incorporation.

New SHR will, promptly upon the Amendment of the Articles of Incorporation taking effect, file a notification pursuant to Article 191 of the Investment Trust Act.

#### (5) Principal Conditions of the Investment Corporation Merger

The Investment Corporation Merger is subject to the following conditions precedent being satisfied as of the date prior to its effective date: (i) that approvals by the general unitholders’ meetings of the Two Investment Corporations, the procedures in accordance with other relevant laws and regulations, and the receipt of approvals and authorizations considered necessary for the implementation of the matters planned in regard to or related to the Investment Corporation Merger have been obtained and/or completed; (ii) that there have been no breaches of agreements, violations of financial covenants or overdue payments of monetary liabilities (including taxes and public charges) by either of the Two Investment Corporations (excluding, however, any minor items); (iii) that there has been no occurrence of an event of acceleration, suspension of payment or inability to pay debts by either of the Two Investment Corporations; (iv) that subsequent to the implementation and effectiveness of the Investment Corporation Merger, consents covering the basic terms and conditions of loans have been received in

advance from all financial institutions lending to either SHR or SHI, and those consents have not been rescinded; (v) that each of the Two Investment Corporations has reasonably confirmed that it is not required to file a registration statement on Form F-4 in regard to the Investment Corporation Merger under the Securities Act of the United States; (vi) that no petition for commencement of bankruptcy proceedings, commencement of civil rehabilitation proceedings or commencement of other similar legal insolvency proceedings has been filed against either SHR or SHI; (vii) that no revocation of registrations, suspension of all or part of operations or other administrative disposition which could cause serious impediment to or have a serious adverse impact on the execution of the Investment Corporation Merger has been taken by a supervisory government agency against either of the Two Investment Corporations or either of the Two Asset Management Companies; (viii) that each of the amendment agreements for the pipeline support agreement (meaning the amendment agreements concluded by SHI by the effective date to the effect that, even with the termination of the asset management agreement between SHI and SHAM, subsequent to the effective date, each Pipeline Support Agreement (as defined below) between SHR and SHIA and, respectively, each of the Pipeline Support Companies (as defined below) can continue) has been lawfully and validly executed, and that, subsequent to the effective date, each of the exclusive right to negotiate agreements (the “Pipeline Support Agreements”) between SHI and SHAM with each of the Pipeline Support Companies (as defined below) will remain legally in force between SHR and SHIA with, respectively, each of Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Kanto, Ltd., Sekiwa Real Estate Kyushu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Chubu, Ltd. and Sekiwa Real Estate Tohoku, Ltd. (the “Pipeline Support Companies”); and (ix) that the cancellations, subject to the Investment Corporation Merger becoming effective, on its effective date of the asset management agreement and the institutional operations administration agreement between SHI and SHAM, the asset custody agreement with the asset custody company, the general administrative services agreement with the general administrative services provider (excluding, however, the agreement with the general administrative services provider, The Bank of Tokyo-Mitsubishi UFJ, Ltd., in regard to the investment corporation bonds), the exclusive right to negotiate agreement among SHI, SHAM and Sekisui House and the auditing agreement with the financial auditor (excluding the part of the audit pertaining to the audit of SHI’s financial statements required pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, including subsequent amendments) in regard to the business term, making April 30, 2018 the changed accounting term of SHI on the basis of the proposal to change SHI’s articles of incorporation), the agreements ancillary to the foregoing agreements and other agreements as separately stipulated by agreement of the Two Investment Corporations have been agreed to by the parties to the agreements on terms reasonably judged satisfactory by SHI.

On the date prior to the effective date of the Investment Corporation Merger, if any of the above conditions precedent to the Investment Corporation Merger has not been satisfied, or if it becomes clear that any of the above conditions precedent to the Investment Corporation Merger will not be fulfilled by the date prior to the effective date of the Investment Corporation Merger, SHR or SHI, in advance of the effective date, may cancel the Investment Corporation Merger Agreement by giving notice in writing to the other party without incurring any liability or payment obligation against the other party (this does not include, however, liabilities or payment obligations arising from a breach of any of the other provisions of the Investment Corporation Merger Agreement), except in the case where the conditions precedent cannot be satisfied due to a cause attributable to the cancelling party itself, a related party or its asset management company; provided, however, that even if (ix) above is not satisfied, SHI may not cancel the Investment Corporation Merger Agreement.

### 3. Basis for Calculation of the Allocation of Investment Units under the Investment Corporation Merger

#### (1) Basis for 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, of one investment unit into two investment units as mentioned in “2. Overview of the Investment Corporation Merger (3) Allocation of Investment Units 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 press release.

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 press release.

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

## (2) 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.

## (3) Relationships with the Institutions Which Performed the Calculations

Neither Nomura Securities nor Mizuho Securities falls 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, including subsequent amendments) and neither has any material interests that must be indicated with respect to the Investment Corporation Merger.

## (4) Prospects and Reasons for Delisting

The Investment Corporation Merger is planned to be executed in the form of an absorption-type merger whereby SHR will be the surviving corporation and SHI will be dissolved in accordance with Article 143(iv) of the Investment Trust Act. The investment units issued by SHI are expected to be delisted on April 25, 2018, three business days prior to the effective date of the Investment Corporation Merger, in accordance with the delisting criteria stipulated by the Tokyo Stock Exchange. As consideration for the Investment Corporation Merger, each of SHI's unitholders will be allocated new SHR investment units according to the number of SHI investment units they hold, thus becoming SHR unitholders, and because SHR investment units are listed on the Tokyo Stock Exchange, those unitholders will continue to have the opportunity to trade their investment units on the Tokyo Stock Exchange.

## (5) 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 Trust 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

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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 (1) through (3) 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.

**4. Outline of the Parties to the Investment Corporation Merger**

	Surviving corporation in the absorption-type merger		Dissolving corporation in the absorption-type merger			
(1) Name	Sekisui House Reit, Inc.		Sekisui House Residential Investment Corporation			
(2) Address of headquarters	1-6-6 Motoakasaka, Minato-ku, Tokyo		3-1-31 Minami-Aoyama, Minato-ku, Tokyo			
(3) Executive director	Junichi Inoue		Osamu Minami			
(4) Total capital	110,189 million yen		98,633 million yen			
(5) Date of incorporation	September 8, 2014		April 20, 2005			
(6) Total number of investment units issued	969,000 units		1,105,510 units			
(7) Accounting terms	April, October		March, September <sup>(Note 1)</sup>			
(8) Principal assets under management	Real estate trust beneficiary interests		Real estate trust beneficiary interests			
(9) Main banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Ltd.		Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Trust & Banking Co., Ltd.			
(10) Major unitholders and ratio of investment units held <sup>(Note 2)</sup>	Japan Trustee Services Bank, Ltd. (trust account)	25.31%	Japan Trustee Services Bank, Ltd. (trust account)	26.17%		
	The Master Trust Bank of Japan, Ltd. (trust account)	13.24%	The Master Trust Bank of Japan, Ltd. (trust account)	11.17%		
	Sekisui House, Ltd.	6.72%	The Nomura Trust and Banking Co., Ltd. (investment account)	3.80%		
	Trust & Custody Services Bank, Ltd. (securities investment trust account)	5.20%	Sekisui House, Ltd.	3.52%		
	The Nomura Trust and Banking Co., Ltd. (investment account)	3.68%	Trust & Custody Services Bank, Ltd. (securities investment trust account)	2.49%		
(11) Operating results for the last three business terms						
Accounting term	SHR			SHI		
	Oct. 2016	Apr. 2017	Oct. 2017	Sept. 2016	Mar. 2017	Sept. 2017
Operating revenue	4,059	4,144	4,580	6,693	6,919	6,916
Operating income	2,664	2,704	2,987	2,739	3,060	3,001
Ordinary income	2,321	2,381	2,626	2,193	2,502	2,494
Net income	2,320	2,380	2,625	2,192	2,501	2,493
Net income per unit (yen)	2,634	2,663	2,737	2,153	2,288	2,255
Distribution per unit (yen)	2,596	2,663	2,710	2,145	2,234	2,255
Net assets per unit (yen)	114,498	114,565	116,424	89,668	91,648	91,669
Net assets	102,361	102,421	112,815	91,292	101,318	101,341
Total assets	189,257	189,627	207,142	203,257	210,166	210,009
(Unit: millions of yen unless otherwise noted)						
(12) Asset management company	Sekisui House Investment Advisors, Ltd.		Sekisui House Asset Management, Ltd.			
(13) Address of asset management company	1-6-6 Motoakasaka, Minato-ku, Tokyo		3-1-31 Minami-Aoyama, Minato-ku, Tokyo			
(14) Name and title of representative of asset management company	Junichi Inoue, President & Representative Director		Osamu Minami, President & Representative Director			

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	Surviving corporation in the absorption-type merger	Dissolving corporation in the absorption-type merger
(15) Relationship between the parties		
Capital relationship	Between the parties to the Investment Corporation Merger and the Two Asset Management Companies, there are no capital relationships that need to be noted.	
Personal relationship	Between the parties to the Investment Corporation Merger and the Two Asset Management Companies, there are no personal relationships that need to be noted.	
Business relationship	Between the parties to the Investment Corporation Merger and the Two Asset Management Companies, there are no business relationships that need to be noted.	
Status as a related party	The parties to the Investment Corporation Merger do not fall under related parties. The Two Asset Management Companies are both wholly-owned subsidiaries of Sekisui House and have the same parent company; accordingly, they mutually fall under related parties.	

Note 1: SHI plans to 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 to April 30 and October 31.

Note 2: The “ratio of investment units held” is shown to the second decimal place, and the same applies hereinafter.

## 5. Status after the Investment Corporation Merger

### (1) Status of the Surviving Corporation

	Surviving Corporation in the Absorption-Type Merger
(1) Name	Sekisui House Reit, Inc.
(2) Address of headquarters	4-15-1 Akasaka, Minato-ku, Tokyo (tentative) <sup>(Note 1)</sup>
(3) Executive director	Junichi Inoue
(4) Total capital	Undetermined (Currently not yet finalized)
(5) Accounting terms	April, October
(6) Net assets	Undetermined (Currently not yet finalized)
(7) Total assets	Undetermined (Currently not yet finalized)
(8) Asset management company	Sekisui House Asset Management, Ltd. (tentative) <sup>(Note 2)</sup> (currently Sekisui House Investment Advisors, Ltd.)
(9) Address of asset management company	4-15-1 Akasaka, Minato-ku, Tokyo (tentative) <sup>(Note 1)</sup>
(10) Name and title of representative of asset management company	Junichi Inoue, President & Representative Director

Note 1: It is planned that New SHR and SHIA will move their head offices on May 1, 2018, the effective date of the Investment Corporation Merger. Details will be notified as soon as they are finalized.

Note 2: Simultaneously with the effectiveness of the Asset Management Company Merger, SHIA plans to change its corporate name to “Sekisui House Asset Management, Ltd.” For more detail, please refer to the “Notice Concerning Conclusion of a Merger Agreement between Sekisui House Investment Advisors Ltd. and Sekisui House Asset Management, Ltd., Which Are the Asset Management Companies” which the Two Asset Management Companies released today.

### (2) Major Unitholders and Ratio of Investment Units Held Before and After the Investment Corporation Merger

Before the Investment Corporation Merger			
	SHR <sup>(Note 1)</sup>		SHI <sup>(Note 1)</sup>
Japan Trustee Services Bank, Ltd. (trust account)	25.31%	Japan Trustee Services Bank, Ltd. (trust account)	26.17%
The Master Trust Bank of Japan, Ltd. (trust account)	13.24%	The Master Trust Bank of Japan, Ltd. (trust account)	11.17%
Sekisui House, Ltd.	6.72%	The Nomura Trust and Banking Co., Ltd. (investment account)	3.80%
Trust & Custody Services Bank, Ltd. (securities investment trust account)	5.20%	Sekisui House, Ltd.	3.52%

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The Nomura Trust and Banking Co., Ltd. (investment account)	3.68%	Trust & Custody Services Bank, Ltd. (securities investment trust account)	2.49%
STATE STREET BANK - WEST PENSION FUND CLIENTS – EXEMPT 505233	1.66%	Mitsubishi UFJ Trust and Banking Corporation	1.81%
STATE STREET BANK AND TRUST COMPANY 505012	1.41%	The Hachijuni Bank, Ltd.	1.80%
The Hachijuni Bank, Ltd.	1.32%	DEUTSCHE BANK AG LONDON GPF CLIENT OMNI - FULL TAX 613	1.78%
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1.06%	STATE STREET BANK - WEST PENSION FUND CLIENTS – EXEMPT 505233	1.72%
STICHTING PENSIOENFONDS METAAL EN TECHNIEK	1.05%	The Fuji Fire and Marine Insurance Co., Ltd.	1.54%

After the Investment Corporation Merger (simple total after taking into account the merger ratio) <sup>(Note 2)</sup>	
Japan Trustee Services Bank, Ltd. (trust account)	25.72%
The Master Trust Bank of Japan, Ltd. (trust account)	12.24%
Sekisui House, Ltd.	5.17%
Trust & Custody Services Bank, Ltd. (securities investment trust account)	3.89%
The Nomura Trust and Banking Co., Ltd. (investment account)	3.74%
STATE STREET BANK - WEST PENSION FUND CLIENTS – EXEMPT 505233	1.69%
The Hachijuni Bank, Ltd.	1.55%
Mitsubishi UFJ Trust and Banking Corporation	0.88%
DEUTSCHE BANK AG LONDON GPF CLIENT OMNI - FULL TAX 613	0.86%
The Fuji Fire and Marine Insurance Co., Ltd.	0.75%

Note 1: Figures shown are respectively based on SHR's unitholders register as of October 31, 2017 and SHI's unitholders register as of September 30, 2017. Accordingly, the figures may not reflect the actual holdings of the unitholders.

Note 2: For the post-merger major unitholders and ratios of investment the number units held, the number of investment units is calculated on the basis of the ratio of investment units held by the major unitholders prior to the abovementioned merger and on the assumption of SHR investment units being allocated in accordance with the content of "2. Overview of the Merger (3) Allocation of Units Under the Investment Corporation Merger" above.

### (3) Changes to the Asset Management Agreements

After the Investment Corporation Merger becomes effective, New SHR intends to continue entrusting functions relating to the management of assets to SHIA, to which it currently entrusts asset management. To this end, SHR and SHIA plan to conclude an amendment agreement regarding their asset management agreement, subject to the Investment Corporation Merger and the Amendment of the Articles of Incorporation becoming effective, making the changes needed in conjunction with the Amendment of the Articles of Incorporation.

In addition, SHI, upon obtaining the approval of a general meeting of its unitholders, plans to cancel its asset management agreement with SHAM, subject to the Investment Corporation Merger taking effect.

### (4) Changes to Investment Guidelines

SHIA plans to revise its investment policy in regard to the guidelines for SHR asset management. Please refer to Attachment 2 for a summary of the currently planned changes to investment policy. The specific content of the changes to the asset management guidelines will be advised as soon as they are finalized.

### (5) Changes to Agreements with Sponsors

SHR today concluded, subject to the Investment Corporation Merger taking effect, a support agreement among New SHR and SHIA with Sekisui House (the "New Sponsor Support Agreement") by and among SHR and SHIA and Sekisui House to take effect on the effective date of the Investment Corporation Merger. The New Sponsor

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Support Agreement in substance consolidates the prior Sponsor Support Agreement and Pipeline Support Agreement (collectively the “Prior Sponsor Support Agreements”) concluded by and among the same parties and the prior Exclusive Right to Negotiate Agreement concluded by SHI and SHAM with Sekisui House (the “Prior Exclusive Right to Negotiate Agreement”).

In conjunction therewith, the Two Investment Corporations and the Two Asset Management Companies have respectively agreed with Sekisui House, subject to the Investment Corporation Merger taking effect, to cancel the Prior Sponsor Support Agreements and Prior Exclusive Right to Negotiate Agreement on the effective date of the Investment Corporation Merger.

Changes to the Pipeline Support Agreements of SHI and SHAM with each of the Pipeline Support Companies currently have not yet been decided, but discussions are planned to provide for the continuation of those agreements subsequent to the Investment Corporation Merger, and notification will be made as soon as the matters are finalized.

#### 6. Outline of Accounting Treatment

It is expected that the purchase method will be used in the accounting treatment of the Investment Corporation Merger with SHR as the acquiring corporation and SHI as the acquired corporation, applying the Accounting Standards for Business Combinations (ASBJ Statement No. 21, revision dated September 13, 2013).

Goodwill or negative goodwill is expected to arise as a result of the Investment Corporation Merger, but the amount is currently uncertain. It will be advised as soon as determined.

#### 7. Future Outlook

SHI plans to put before the 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. For information about operating results for its term ending April 30, 2018 (October 1, 2017 to April 30, 2018), its final business period prior to the effective date of the Investment Corporation Merger, please refer to the “Notice Concerning Forecast of Operating Results for the Fiscal Period Ending April 30, 2018 (Final Fiscal Period) and Merger Consideration,” which SHI released today.

In regard to the forecast of operating results subsequent to the Investment Corporation Merger, please refer to the “Notice Concerning the Forecast of Operating Results and Distributions Subsequent to the Merger of Sekisui House Reit, Inc. and Sekisui House Residential Investment Corporation for the Fiscal Periods Ending October 31, 2018 and April 30, 2019,” which the Two Investment Corporations released today.

\*Addresses of the websites of the Two Investment Corporations

Sekisui House Reit, Inc.:

<http://sekisuihouse-reit.co.jp/en/>

Sekisui House Residential Investment Corporation:

<http://www.shi-reit.co.jp/eng/>

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' a 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.

## Attachment 1: 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 medium to long term</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</p>

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Current Articles of Incorporation	Proposed Amendments
<p>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:</p> <p>(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 regulations of a foreign country (limited to those the purpose of</p>	<p>growth in the Managed Assets.</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 regulations of a foreign country (limited to those the purpose of</p>

Current Articles of Incorporation	Proposed Amendments
<p>which is to invest the amount exceeding the half of the assets in the Real Estate-Related Assets)</p> <p>(j) (omitted)</p> <p>(k) (omitted)</p> <p>(l) Monetary claims (excluding the assets listed in Item (j) or (k))</p> <p>(m) (omitted)</p> <p>(n) (omitted)</p> <p>(o) (omitted)</p> <p>(p) (omitted)</p> <p>(q) (omitted)</p> <p>(r) (omitted)</p> <p>(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))</p> <p>(t) (omitted)</p> <p>(u) (omitted)</p> <p>(v) (omitted)</p> <p>(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)</p> <p>(x) (omitted)</p> <p>(y) (omitted)</p> <p>(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:</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 (z) of Paragraph 2 of Article 32)</p> <p>(e) - (n) (omitted)</p> <p>4. (omitted)</p>	<p>which is to invest the amount exceeding the half of the assets in the Real Estate-Related Assets)</p> <p>(k) (unchanged)</p> <p>(l) (unchanged)</p> <p>(m) Monetary claims (excluding the assets listed in Item (k) or (l))</p> <p>(n) (unchanged)</p> <p>(o) (unchanged)</p> <p>(p) (unchanged)</p> <p>(q) (unchanged)</p> <p>(r) (unchanged)</p> <p>(s) (unchanged)</p> <p>(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))</p> <p>(u) (unchanged)</p> <p>(v) (unchanged)</p> <p>(w) (unchanged)</p> <p>(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)</p> <p>(y) (unchanged)</p> <p>(z) (unchanged)</p> <p>(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:</p> <p>(a)- (b) (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 (aa) of Paragraph 2 of Article 32)</p> <p>(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 or hotels, 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</u> (the “Residential Properties”) 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</u></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></p> <p>(Add)</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 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:</p> <p>(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:</p> <p>(omitted)</p>	<p><u>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. The main geographical areas for investment of the <u>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. (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 (e) of Paragraph 2 of Article 32:</p> <p>(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> <p>(unchanged)</p>

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<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 style="text-align: center;">(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 style="text-align: center;">(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 style="text-align: center;">(omitted)</p> <p>(f) (omitted)</p> <p>(g) Monetary claims as set forth in Item (l) of Paragraph 2 of Article 32:</p> <p style="text-align: center;">(omitted)</p> <p>(h) Rights related to derivatives transactions as set forth in Item (y) of Paragraph 2 of Article 32:</p> <p style="text-align: center;">(omitted)</p> <p>(i) (omitted)</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</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 style="text-align: center;">(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 style="text-align: center;">(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 style="text-align: center;">(unchanged)</p> <p>(f) (unchanged)</p> <p>(g) Monetary claims as set forth in Item (m) of Paragraph 2 of Article 32:</p> <p style="text-align: center;">(unchanged)</p> <p>(h) Rights related to derivatives transactions as set forth in Item (z) of Paragraph 2 of Article 32:</p> <p style="text-align: center;">(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 (e) of Paragraph 2 of Article 32; and those held by the</p>

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<p>the Corporation Holding 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>Corporation Holding Overseas 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:</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 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>(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>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>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</u></p>

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<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>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> <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</u></p>

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<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>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>(Add)</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</p>	<p>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.</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) <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>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>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</u></p>

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<p>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>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</u> <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>
<p>(Add)</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> <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>
<p>(Add)</p>	<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> <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></p>



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	<p style="text-align: center;"><u>&lt; Calculation Formula &gt;</u></p> <p style="text-align: center;">Ratio of Allotment without Contribution = <math>\frac{A}{B}</math></p> <p style="text-align: center;">A: <u>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></p> <p style="text-align: center;">B: <u>Total number of issued and outstanding investment units immediately before such Rights Offering</u></p> <p style="text-align: center;"><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 style="text-align: center;"><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 style="text-align: center;"><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 2: Summary of the Changes to Investment Policy

## Summary of the Changes to Investment Policy

Based on the Investment Corporation Merger, in order to transform itself as New SHR into a “diversified REIT” with a high degree of stability having as its core assets high-quality residential and office buildings, SHR plans to make partial changes to its investment policy and investment targets. A summary of the specific changes to investment policy and investment targets is given below.

## Priority Investment in Prime Properties with “Strategic Location” and “High Quality” as Pillars

New SHR will set, as primary investment targets, residential properties (meaning real estate whose principal use is residential (including furnished residences with appliances, which do not fall under school dormitories, company housing, and service apartments); the same shall apply hereinafter) and commercial properties (meaning real estate whose principal use is for office buildings, hotels (including service apartments) and retail properties, etc. (including serviced housing for the elderly, fee-based homes for the aged, and daycare centers) and other non-residential business purposes; the same shall apply hereinafter), and within these categories, it particularly believes that residential properties and commercial properties located in “strategic locations” (meaning locations suited as “bases for sustainable living” for residents or as “sustainable bases of business operations” for tenants; the same shall apply hereinafter) of high quality (meaning having high basic efficiency as residences in terms of comfort and safety, etc. and having the functionality, etc. sought by tenants; the same shall apply hereinafter) are the investment targets promising medium- and long-term stable income and designates those locations as Prime Properties intended to be its priority investment targets.

When selecting Prime Properties for investment, as the criteria for determining whether the property is situated in a strategic location and is moreover of high quality as both a residential property and commercial property, New SHR will place emphasis on those qualities of real estate sought by residents as “bases for sustainable living” and by companies as “sustainable bases of business operations,” which are the sources of cash flow. New SHR considers that the six elements which constitute those “qualities of real estate sought by residents as ‘bases for sustainable living’ and by companies as ‘sustainable bases of business operations’” are (a) economic zones, (b) convenience, (c) functionality/livability, (d) environmental consideration, (e) Business Continuity Planning (BCP)/safety, and (f) brand. Accordingly, New SHR’s policy will be to make its investment decisions through a comprehensive assessment of whether a particular property has the attributes of strategic location and high quality, that is to say, qualifies as a Prime Property, by focusing on an analysis of these six factors as the key points in an investment decision. New SHR will seek to secure stable income by prioritizing investment in residential properties and commercial properties that qualify as Prime Properties.

The primary target investment regions in Japan for residential properties will be Greater Tokyo (meaning Tokyo, Kanagawa Prefecture, Chiba Prefecture, and Saitama Prefecture; the same shall apply hereinafter), government designated cities, and other major cities throughout Japan outside of Greater Tokyo as well as their surrounding commutable areas. The primary target investment regions in Japan for commercial properties will be the Three Major Metropolitan Areas, centered on the three largest cities, and other major cities throughout Japan outside of the Three Major Metropolitan Areas. The three largest cities refers to the 23 wards of Tokyo, Osaka City, and Nagoya City; the Three Major Metropolitan Areas refers to Greater Tokyo, the Osaka Area (meaning Osaka Prefecture, Kyoto Prefecture, Hyogo Prefecture, and Nara Prefecture; the same shall apply hereinafter), and the Nagoya Area (meaning Aichi Prefecture; the same shall apply hereinafter).

## Portfolio Development Policy

### 1. Investment Ratio by Asset Category

New SHR will build a portfolio positioning real estate whose primary uses are as residences and office buildings as its core assets. Investment ratios by asset category and medium- to long-term investment ratio targets are shown in the table below.

#### Investment Ratio by Asset Category

Primary Target Asset	Type	Investment Ratio (acquisition price basis)	Medium- to Long-Term Target Investment Ratio (Note)
Residential properties	Residence	30 – 55%	approximately 45%
Commercial properties	Office building	30 – 55%	approximately 45%
	Hotel	0 – 30%	approximately 10%
	Retail property, etc.	0 – 10%	approximately 0 - 10%

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

### 2. Ratio by Geographical Area

New SHR will aim to invest primarily in Japan, maintaining a ratio (on an acquisition price basis) of 80% or more of its assets in Japan (and an overseas investment ratio of up to 20%). In its domestic investing, New SHR considers Greater Tokyo its priority investment area for residential properties and the Three Major Metropolitan Areas its priority investment areas for commercial properties, etc.. In regard to residential properties within Greater Tokyo, its policy will be to particularly focus investment on the 23 wards of Tokyo, where it foresees ample demand and a supply of superior properties. For commercial properties in the Three Major Metropolitan Areas, which are the priority investment areas, New SHR's policy will be to especially focus investment on the three largest cities, where it believes it can achieve stable investment results against a backdrop of robust demand by tenants for bases of business operations. A detailed breakdown of investment ratios by geographical area is shown in the table below.

#### Investment Ratio for Residential Properties by Geographical Area

Asset Category	Area	Investment Ratio (acquisition price basis)
Greater Tokyo «priority investment area»	(1) Tokyo (2) Kanagawa Prefecture (3) Chiba Prefecture (4) Saitama Prefecture	At least 70%
Major cities throughout Japan	(1) Designated cities, etc. (Note 1) (2) Commutable areas of (1) above (Note 2)	Less than 30%

Note 1: “Designated cities” means cities outside of Greater Tokyo which fall under government designated cities, heartland cities, cities which were specially designated cities at the time of the abolishment of the former Specially Designated Cities System or seats of prefectural governments.

Note 2: “Commutable area” means the region within 30 minutes’ commuting distance from a particular city.

## Investment Ratio for Commercial Properties by Geographical Area

Asset Category	Area	Investment Ratio (acquisition price basis)
Three Major Metropolitan Areas «priority investment area»	(1) Greater Tokyo (2) Osaka Area (3) Nagoya Area	At least 80%
Other	All of Japan outside of the Three Major Metropolitan Areas	Less than 20%