

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

TRANSLATION

October 3, 2014

Real Estate Investment Trust Securities Issuer
 Sekisui House SI Residential Investment Corporation
 3-1-31 Minami-Aoyama, Minato-ku, Tokyo
 Representative: Osamu Minami, Executive Director
 (Securities Code: 8973)

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Notice Concerning Revisions to Management Status Forecast for the 18th Fiscal Period Ended September 2014
 and Management Status Forecast for the 19th Fiscal Period Ending March 2015

Sekisui House SI Residential Investment Corporation (the “Investment Corporation”) hereby announces that it has decided to make the following revisions to its management status forecast for the fiscal period ended September 2014 (18th fiscal period) (April 1, 2014 to September 30, 2014) announced on May 14, 2014. The Investment Corporation also announces its decision on the management status forecast for the fiscal period ending March 2015 (19th fiscal period) (October 1, 2014 to March 31, 2015), as described below.

1. Revisions to Management Status Forecast for the Fiscal Period Ended September 2014 (18th Fiscal Period) (April 1, 2014 to September 30, 2014)

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Distribution per Unit (excluding distribution in excess of earnings)	Distribution per Unit in Excess of Earnings
Previous Forecast (A)	5,588 million yen	2,466 million yen	1,942 million yen	1,940 million yen	2,120 yen	0 yen
Revised Forecast (B)	5,589 million yen	2,461 million yen	1,950 million yen	1,948 million yen	2,128 yen	0 yen
Variation (B)-(A)	0 million yen	△5 million yen	7 million yen	7 million yen	8 yen	0 yen
Rate of Variation	0.0%	△0.2%	0.4%	0.4%	0.4%	0.0%

(Note 1) The Investment Corporation executed a five-for-one split of investment units on April 1, 2014

(Note 2) Number of investment units outstanding at the end of the fiscal period ended September 2014 (18th fiscal period): 915,240 units

(Note 3) For details of the previous management status forecast for the fiscal period ended September 2014 (18th fiscal period), please refer to the “Financial Report for the Fiscal Period ended March 31, 2014” announced on May 14, 2014.

(Note 4) Figures have been rounded down to the nearest specified unit.

(Note 5) The rate of variation has been rounded to the first decimal place.

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2. Management Status Forecast for the Fiscal Period Ending March 2015 (19th Fiscal Period) (October 1, 2014 to March 31, 2015)

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Distribution per Unit (excluding distribution in excess of earnings)	Distribution per Unit in Excess of Earnings
Fiscal Period Ending March 2015 (19th Fiscal Period)	6,243 million yen	2,771 million yen	2,249 million yen	2,247 million yen	2,130 yen	0 yen

(Note 1) Forecast number of investment units outstanding at the end of the fiscal period ending March 2015 (19th fiscal period): 1,018,110 units

* The figure represents the number of investment units comprising the total number of investment units outstanding as of today (915,240 units) plus 97,970 units to be newly issued through the primary offering and 4,900 units (maximum number) to be issued by way of third-party allotment associated with the secondary offering through over-allotment, as was resolved at the Board of Directors' meeting held today. For details, please refer to the press release titled "Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units" separately announced today.

(Note 2) Figures have been rounded down to the nearest specified unit.

<Reference> Results of the Management Status for the Fiscal Period Ended March 2014 (17th Fiscal Period) (October 1, 2013 to March 31, 2014)

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Distribution per Unit (excluding distribution in excess of earnings)	Distribution per Unit in Excess of Earnings
Fiscal Period Ended March 2014 (17th Fiscal Period)	4,952 million yen	2,242 million yen	1,767 million yen	1,765 million yen	11,062 yen	0 yen

(Note 1) Number of investment units outstanding at the end of the fiscal period ended March 2014 (17th fiscal period): 159,605 units

(Note 2) For details of the results of the management status for the fiscal period ended March 2014 (17th fiscal period), please refer to the "Financial Report for the Fiscal Period ended March 31, 2014" announced on May 14, 2014.

(Note 3) Figures have been rounded down to the nearest specified unit.

3. Reason for Announcement

Concerning the management status forecast for the fiscal period ended September 2014 (18th fiscal period) disclosed in the "Financial Report for the Fiscal Period ended March 31, 2014" that was announced on May 14, 2014, the Investment Corporation examined the operational status of properties it owns currently and other factors. As a result, the Investment Corporation does not anticipate any large difference, such as a disparity by 5% or more, between the forecast distribution per unit and the actual figure. However, due to expected changes in operating revenue and other factors, the Investment Corporation has decided to revise its management status forecast for the fiscal period ended September 2014 (18th fiscal period).

Moreover, to allocate the funds as part of the funds for the acquisition of new specified assets (as defined in Paragraph 1 of Article 2 of the Act on Investment Trusts and Investment Corporations; the same applies for below) (Note 1), based on the Investment Corporation's policy that it will build a portfolio that centers on high-quality rental residential properties planned and developed by the Sekisui House Group (Note 2), which has Sekisui House, Ltd. ("Sekisui House"), the main sponsor, as its core company, the Investment Corporation resolved at the Board of Directors' meeting held today to issue new investment units and conduct a secondary offering (Note 3) (the "Offering"). Due to this, the Investment Corporation anticipates that the number of its investment units outstanding at the end of the fiscal period ending March 2015 (19th fiscal period) will increase.

Furthermore, the Investment Corporation has conducted an assignment of one retail property (Note 4) as of today, and plans to record gain on sale from the assignment (151 million yen) for the fiscal period ending March 2015 (19th fiscal period) and to internally reserve part of the gain (78 million yen) as reserve for reduction entry (Note 5).

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Taking into account these developments, the Investment Corporation revises its management status forecast for the fiscal period ended September 2014 (18th fiscal period) and, at the same time, announces the management status forecast for the fiscal period ending March 2015 (19th fiscal period).

- (Note 1) For details of the acquisition of the new specified assets, please refer to the press release titled “Notice Concerning Acquisition of Trust Beneficiary Interests in Domestic Real Estate and their Leases (Prime Maison MORISHITA and 7 Other Properties)” separately announced today.
- (Note 2) The “Sekisui House Group” represents a group of companies comprising Sekisui House and its 174 subsidiaries and 19 affiliates (as of the end of January 2014). The same shall apply hereinafter.
- (Note 3) For details of the issuance of new investment units and the secondary offering of investment units, please refer to the press release titled “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” separately announced today.
- (Note 4) For details of the assignment of one retail property, please refer to the press release titled “Notice Concerning Assignment of Trust Beneficiary Interest in Domestic Real Estate (b-town JINGUMAE II)” separately announced today.
- (Note 5) An investment corporation is permitted to internally reserve the gain on sale from an asset assignment through the method of reduction entry under certain conditions (Article 66-2 of Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended)).
- (Note 6) The forecasts indicated above are the current figures calculated under the assumptions described in the Attachment “Assumptions for the Revision to Management Status Forecast for the Fiscal Period Ended September 2014 (18th Fiscal Period) and for the Management Status Forecast for the Fiscal Period Ending March 2015 (19th Fiscal Period).” The actual operating revenue, operating income, ordinary income, net income and distribution per unit may be subject to change due to such factors as changes in assets under management, changes in rental income associated with changes in tenants or other causes, unexpected occurrences of repair, changes in the real estate and other markets, fluctuations in interest rates, the number of new investment units and issue amount actually determined, and changes in other conditions surrounding the Investment Corporation. In addition, the Investment Corporation does not guarantee any actual results or distribution amount by announcing the forecast figures.
- (Note 7) The forecasts may be subject to revision when a disparity beyond a certain degree is expected between the above forecasts and actual figures.

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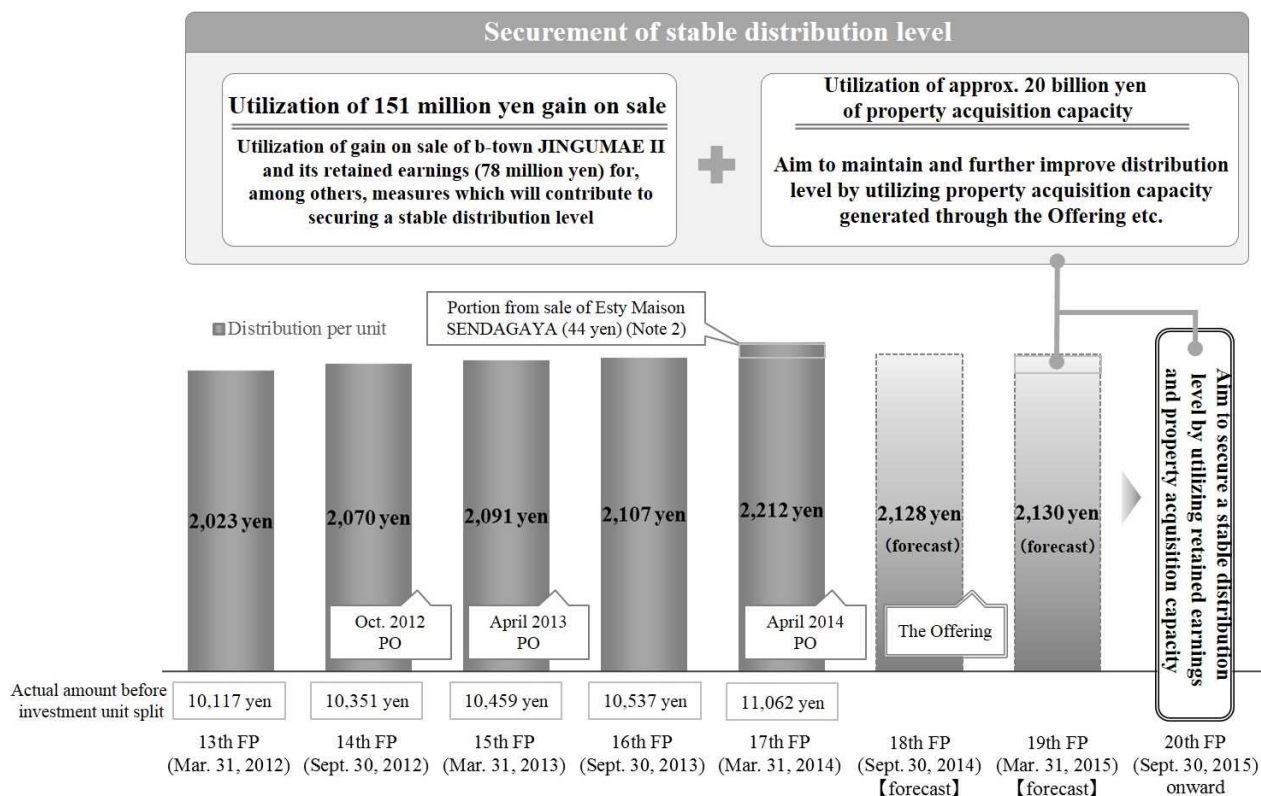
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<Reference> Our Future Policy

The Investment Corporation achieved 10,000 yen level of distribution per unit in the fiscal period ended September 2011 (12th fiscal period). Ever since, the Investment Corporation has promoted increase in profitability through full-fledged expansion of the asset size by conducting three public offerings after the change of sponsors as well as developing basis for future growth, such as the reinforcement of the property pipeline and enhancement of the portfolio quality through new development of property acquisition methods and replacement of assets under management. As a result, distribution per unit has also remained at 10,000 yen level in every fiscal period from the fiscal period ended March 2012 (13th fiscal period).

Furthermore, the Investment Corporation executed a five-for-one split of investment units on April 1, 2014 as the effective date and the actual distribution per unit from the fiscal period ended September 2011 (12th fiscal period) has been at 2,000 yen level after the adjustment of the investment unit split.

Even after the Offering, the Investment Corporation will aim to maintain and further improve the cash distribution level by utilizing approximately 20 billion yen of the property acquisition capacity allowed up to 55% LTV which was generated by the Offering and the overall capabilities of the Sekisui House Group with Sekisui House, the main sponsor of the Investment Corporation, as its core company, while utilizing gain from the assignment of b-town JINGUMAE II and the retained earnings for, among others, measures which will contribute to securing a stable distribution level.



(Note1) The Investment Corporation executed a five-for-one split of investment units on April 1, 2014. Therefore, the figures on the bars in or before the fiscal period ended March 2014 (17th fiscal period) are, taking into account the effect of the investment unit split, figures obtained by dividing the actual distribution per unit for each period by 5 and rounding down to the nearest whole number.

(Note2) The Investment Corporation assigned Esty Maison SENDAGAYA on February 28, 2014 and recorded gain on sale (35 million yen).

* Sekisui House SI Residential Investment Corporation website: <http://www.shsi-reit.co.jp/eng/>

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[Attachment]

Assumptions for the Revision to Management Status Forecast for the Fiscal Period Ended September 2014 (18th Fiscal Period) and for the Management Status Forecast for the Fiscal Period Ending March 2015 (19th Fiscal Period)

Item	Assumptions
Calculation Period	<ul style="list-style-type: none"> Fiscal period ended September 2014 (18th fiscal period): April 1, 2014 – September 30, 2014 (183 days) Fiscal period ending March 2015 (19th fiscal period): October 1, 2014 – March 31, 2015 (182 days)
Assets under Management	<ul style="list-style-type: none"> It is assumed that there will be no change (new property acquisitions, sales of existing properties, etc.) through the end of the fiscal period ending March 2015 (19th fiscal period) to the 106 properties, comprising the 98 properties owned by the Investment Corporation as of today (the “already acquired properties”) plus the 8 properties to be acquired on November 4, 2014 and January 15, 2015 (Prime Maison MORISHITA and 7 other properties) (the “properties to be acquired”). For details of the properties to be acquired, please refer to the press release titled “Notice Concerning Acquisition of Trust Beneficiary Interests in Domestic Real Estate and their Leases (Prime Maison MORISHITA and 7 Other Properties)” separately announced today. Furthermore, as for b-town JINGUMAE II for which assignment was conducted on October 3, 2014, the Investment Corporation anticipates operating revenue and operating expense concerning the period it is owned for the fiscal period ending March 2015 (19th fiscal period). In practice, they may vary due to changes in assets under management.
Operating Revenue	<ul style="list-style-type: none"> The Investment Corporation anticipates an increase in revenue in accordance with the gain on sale (151 million yen) generated by the assignment of b-town JINGUMAE II on October 3, 2014. For details of the assignment of b-town JINGUMAE II, please refer to the press release titled “Notice Concerning Assignment of Trust Beneficiary Interest in Domestic Real Estate (b-town JINGUMAE II)” separately announced today. The Investment Corporation anticipates an increase in revenues in accordance with the acquisition of the properties to be acquired scheduled on November 4, 2014 and January 15, 2015 Rent revenue – real estate has been calculated on the basis of the lease contracts effective as of the end of August 2014 for already acquired properties and of the information (such as leasing status) provided by the present owners for properties to be acquired, taking into account the change in status of tenants anticipated as of today with considerations given to the competitiveness of the properties, among other factors. Rent levels have been estimated with consideration given to the existence of competing properties in neighboring areas and the market trends, etc. For operating revenues, it is assumed that rents will be paid in time and no tenants will fail or decline to pay rents.

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Operating Expenses	<ul style="list-style-type: none"> Among expenses related to rent business, which are the principal operating expenses, expenses excluding depreciation are calculated on the basis of actual historical data, reflecting variable factors of expenses, and based on the information obtained as of the end of August 2014 for the already acquired properties and on the information provided by the present owners for the properties to be acquired. Administrative service fees are assumed to be approximately 496 million yen for the fiscal period ended September 2014 (18th fiscal period) and approximately 579 million yen for the fiscal period ending March 2015 (19th fiscal period). For the fixed property taxes, city planning taxes and other public charges related to the already acquired properties, the Investment Corporation adopts the method to record the portion of the tax amounts decided to be levied which corresponds to the relevant fiscal period as expenses related to rent business. The amount of the fixed property taxes, city planning taxes and other public charges to be recorded as expenses related to rent business are assumed to be approximately 288 million yen for the fiscal period ended September 2014 (18th fiscal period) and approximately 285 million yen for the fiscal period ending March 2015 (19th fiscal period). Furthermore, upon transactions of real estate and other properties, it is a general practice to calculate fixed property taxes, city planning taxes and other public charges based on the holding period with the previous owner and settle them at the time of acquisition. However, the settled amount is capitalized in the acquisition cost and is not recorded as expenses. The fixed property taxes, city planning taxes and other public charges that are expected to be capitalized in the acquisition cost of real estate and other properties are assumed to be approximately 55 million yen for the fiscal period ended September 2014 (18th fiscal period) and approximately 19 million yen for the fiscal period ending March 2015 (19th fiscal period). For the expenditures for repair and maintenance of buildings, the amounts expected to be required in the relevant fiscal periods have been recorded. However, the expenditures for repair and maintenance for the fiscal periods could differ significantly from the estimated amounts, as expenditures may arise due to unexpected factors, and because the variance in amounts generally tends to be large from year to year and repair maintenance expenses do not arise regularly. Depreciation is calculated using the straight line method, including incidental expenses and additional future capital expenditures. Depreciation is assumed to be approximately 1,252 million yen for the fiscal period ended September 2014 (18th fiscal period) and approximately 1,388 million yen for the fiscal period ending March 2015 (19th fiscal period).
Non-operating Expenses	<ul style="list-style-type: none"> Interest expenses, interest expenses on investment corporation bonds and borrowing related expenses are assumed to be approximately 499 million yen for the fiscal period ended September 2014 (18th fiscal period) and approximately 500 million yen for the fiscal period ending March 2015 (19th fiscal period), respectively. It is assumed that approximately 12 million yen for the fiscal period ended September 2014 (18th fiscal period) and 21 million yen for the fiscal period ending March 2015 (19th fiscal period) as amortization for investment unit issuance expenses and investment corporation bond issuance costs.

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Interest-Bearing Debt Ratio	<ul style="list-style-type: none"> As of the end of the fiscal period ended September 2014 (18th fiscal period), the Investment Corporation has a balance of 92,549 million yen in interest-bearing debt comprising 8,700 million yen in short-term loans payable, 69,259 million yen in long-term loans payable (of which, 6,650 million yen in current portion of long-term loans payable) and 14,500 million yen in investment corporation bonds, with LTV (the ratio of interest –bearing debt to total assets; the same applies below) estimated to be at 52.3%. Aside from the issuance of new investment units that was resolved at the Board of Directors’ meeting held today, the Investment Corporation plans to conduct new borrowings in order to procure funds for purchasing properties to be acquired on November 4, 2014 and January 15, 2015. It is assumed that 8,700 million yen in short-term loans payable and 6,650 million yen in long-term loans payable maturing in February 2015 will be refinanced for the same amount in the fiscal period ending March 2015 (19th fiscal period). Other than the above, the Investment Corporation plans to make no new borrowings, etc. as of today. Due to the issuance of new investment units and borrowings mentioned above, the LTV is anticipated to decrease to a certain degree after the acquisition of the properties to be acquired is conducted to as low as around 50-51%. The above LTV may change, however, depending on the number of investment units actually issued and the issue amount. The LTV is calculated by using the following formula, and is rounded to the nearest first decimal place. $\text{LTV} = \text{Balance of interest-bearing debt (estimate)} / \text{Total assets (estimate)} \times 100$
Issuance of New Investment Units	<ul style="list-style-type: none"> It is assumed that, in addition to the total number of investment units outstanding as of today (915,240 units), 102,870 units (the sum of 97,970 units to be newly issued through primary offering and the maximum number of investment units to be issued (up to 4,900 units) by way of third-party allotment associated with the secondary offering through over-allotment) will be fully issued, as was resolved at the Board of Directors’ meeting held today. For details, please refer to the press release titled “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” separately announced today. It is assumed that, other than the above, there will be no issuance of new investment units through the end of the fiscal period ending March 2015 (19th fiscal period).
Distribution per Unit	<ul style="list-style-type: none"> Part of gain on sale (78 million yen) generated by the assignment of b-town JINGUMAE II on October 3, 2014 is planned to be internally retained as reserve for reduction entry. Cash distribution (distribution per unit) is calculated on the assumption that the entire amount of net income is distributed for the fiscal period ended September 2014 (18th fiscal period) and on the assumption that the entire amount of net income after reserving the amount mentioned above will be distributed for the fiscal period ending March 2015 (19th fiscal period) in accordance with the monetary distribution policy stipulated in the Investment Corporation’s Articles of Incorporation. Distribution per unit may be subject to change due to various factors that include changes in assets under management, changes in rental income associated with changes in tenants or other causes, unexpected occurrences of repair, changes in the real estate and other markets, fluctuations in interest rates, the number of new investment units and issue amount actually determined, and changes in any other conditions surrounding the Investment Corporation.

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Distribution per Unit in Excess of Earnings	<ul style="list-style-type: none"> At present, the Investment Corporation does not plan to make cash distribution in excess of earnings (distribution per unit in excess of earnings).
Others	<ul style="list-style-type: none"> The forecasts are based on the assumption that there are no revisions to laws and regulations, the tax system, accounting standards, the listing rules or the rules of the Investment Trusts Association, Japan, etc. which would have an impact on the forecast figures above. It is also assumed that there will be no unexpected material change in general economic trends and the real estate market conditions, etc.

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