

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 7, 2016

Real Estate Investment Trust Securities Issuer
 Sekisui House SI Residential Investment Corporation
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 Representative: Osamu Minami, Executive Director
 (Securities Code: 8973)

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Notice Concerning Revisions to Management Status Forecast and Distribution Forecast for the 22nd Fiscal Period Ended September 2016 and Management Status Forecast and Distribution Forecast for the 23rd Fiscal Period Ending March 2017 and for the 24th Fiscal Period Ending September 2017

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 and distribution forecast for the fiscal period ended September 2016 (22nd fiscal period) (April 1, 2016 to September 30, 2016) in "Financial Report for the Fiscal Period ended March 31, 2016" announced on May 16, 2016 (corrected on June 8, 2016).

The Investment Corporation also announces that it has newly decided the management status forecast and distribution forecast for the fiscal period ending March 2017 (23rd fiscal period) (October 1, 2016 to March 31, 2017) and the fiscal period ending September 2017 (24th fiscal period) (April 1, 2017 to September 30, 2017), as described below.

1. Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ended September 2016 (22nd Fiscal Period) (April 1, 2016 to September 30, 2016)

	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)	6,682 million yen	2,720 million yen	2,172 million yen	2,169 million yen	2,130 yen	0 yen
Revised Forecast (B)	6,694 million yen	2,746 million yen	2,200 million yen	2,197 million yen	2,145 yen	0 yen
Variation (B)-(A)	11 million yen	26 million yen	28 million yen	28 million yen	15 yen	0 yen
Rate of Variation	0.2%	1.0%	1.3%	1.3%	0.7%	- %

(Note 1) Number of investment units outstanding at the end of the fiscal period ended September 2016 (22nd fiscal period): 1,018,110 units

(Note 2) For details of the previous management status forecast for the fiscal period ended September 2016 (22nd fiscal period), please refer to the "Financial Report for the Fiscal Period ended March 31, 2016" (corrected on June 8, 2016) announced on May 16, 2016.

(Note 3) The Investment Corporation plans to record gain on sale (a total of 17 million yen (expected)) from the disposition of part of the land of Esty Maison HIGASHISHINJUKU on July 29, 2016 and the disposition of b-town MINAMIAOYAMA on September 16, 2016 in the fiscal period ended September 2016 (22nd fiscal period), and to internally reserve part of the gain (a total of 12 million yen (expected)) as reserve for reduction entry. For details of the dispositions, please refer to press releases titled "Notice Concerning Disposition of Domestic Real Estate (Part of the Land with Respect to Esty Maison HIGASHISHINJUKU)" and "Notice Concerning Disposition of Trust Beneficiary Interest in Domestic Real Estate (b-town MINAMIAOYAMA)" announced on June 30, 2016 and August 31, 2016, respectively. The same applies for below.

(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 and Distribution Forecast for the Fiscal Period Ending March 2017 (23rd Fiscal Period) (October 1, 2016 to March 31, 2017)

	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 2017 (23rd FP)	6,857 million yen	2,975 million yen	2,412 million yen	2,410 million yen	2,180 yen	0 yen

(Note 1) Forecast number of investment units outstanding at the end of the fiscal period ending March 2017 (23rd fiscal period): 1,105,510 units

* The figure represents the number of investment units comprising the total number of investment units outstanding as of today (1,018,110 units) plus the 83,240 units to be newly issued through public offering and the 4,160 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 of the Investment Corporation 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.

3. Management Status Forecast and Distribution Forecast for the Fiscal Period Ending September 2017 (24th Fiscal Period) (April 1, 2017 to September 30, 2017)

	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 September 2017 (24th FP)	6,845 million yen	2,948 million yen	2,401 million yen	2,399 million yen	2,170 yen	0 yen

(Note 1) Forecast number of investment units outstanding at the end of the fiscal period ending September 2017 (24th fiscal period): 1,105,510 units

* The figure represents the number of investment units comprising the total number of investment units outstanding as of today (1,018,110 units) plus the 83,240 units to be newly issued through public offering and the 4,160 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 of the Investment Corporation 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 2016 (21st Fiscal Period) (October 1, 2015 to March 31, 2016)

	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 2016 (21st FP)	6,543 million yen	2,741 million yen	2,214 million yen	2,210 million yen	2,125 yen	0 yen

(Note 1) Number of investment units outstanding at the end of the fiscal period ended March 2016 (21st fiscal period): 1,018,110 units

(Note 2) For details of the results of the management status for the fiscal period ended March 2016 (21st fiscal period), please refer to the "Financial Report for the Fiscal Period ended March 31, 2016" (corrected on June 8, 2016) announced on May 16, 2016.

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

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4. Reason for Announcement

Concerning the management status forecast for the fiscal period ended September 2016 (22nd fiscal period) disclosed in the “Financial Report for the Fiscal Period ended March 31, 2016” (corrected on June 8, 2016) that was announced on May 16, 2016, the Investment Corporation strictly 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 or a disparity by 10% or more between forecast operating revenue and the actual figure. However, as changes in operating revenue, etc. are expected due mainly to the expected gain on sale from the disposition of part of the land of a residential property Esty Maison HIGASHISHINJUKU and from the disposition of a retail facility b-town MINAMIAOYAMA, the Investment Corporation has decided to revise its management status forecast for the fiscal period ended September 2016 (22nd fiscal period).

Moreover, to allocate funds for the Investment Corporation’s scheduled acquisition of specified assets (as defined in Paragraph 1 of Article 2 of the Act on Investment Trusts and Investment Corporations) (the “properties to be acquired” (Note 1),” the Investment Corporation resolved at its Board of Directors’ meeting held today to issue new investment units and conduct a secondary offering (Note 2) (the “Offering”). Due to this, the Investment Corporation anticipates that the number of its investment units outstanding and assets under management in and after the fiscal period ending March 2017 (23rd fiscal period) will increase.

Taking into consideration these developments, the Investment Corporation newly announces the management status forecast and distribution forecast for the fiscal period ending March 2017 (23rd fiscal period) and for the fiscal period ending September 2017 (24th fiscal period).

(Note 1) For details of acquisition of the properties to be acquired, please refer to the press release titled “Notice Concerning Acquisition of Trust Beneficiary Interests in Domestic Real Estate (Prime Maison SHIROKANE-TAKANAWA and Prime Maison ICHIGAYAYAMABUSHICHO)” separately announced today. The same applies for below.

(Note 2) For details of the Offering, please refer to the press release titled “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” separately announced today. The same applies for below.

(Note 3) The forecasts indicated above are the current figures calculated under the assumptions described in the Attachment “Assumptions for the Management Status Forecast and Distribution Forecast for the Fiscal Period Ending March 2017 (23rd Fiscal Period) and for the Fiscal Period Ending September 2017 (24th Fiscal Period).” The actual operating revenue, operating income, ordinary income, net income and distribution per unit may vary due to such factors as changes in assets under management, changes in rental revenue 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 price 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. Furthermore, the forecasts are subject to revision when a disparity beyond a certain degree is expected between the above forecasts and actual figures.

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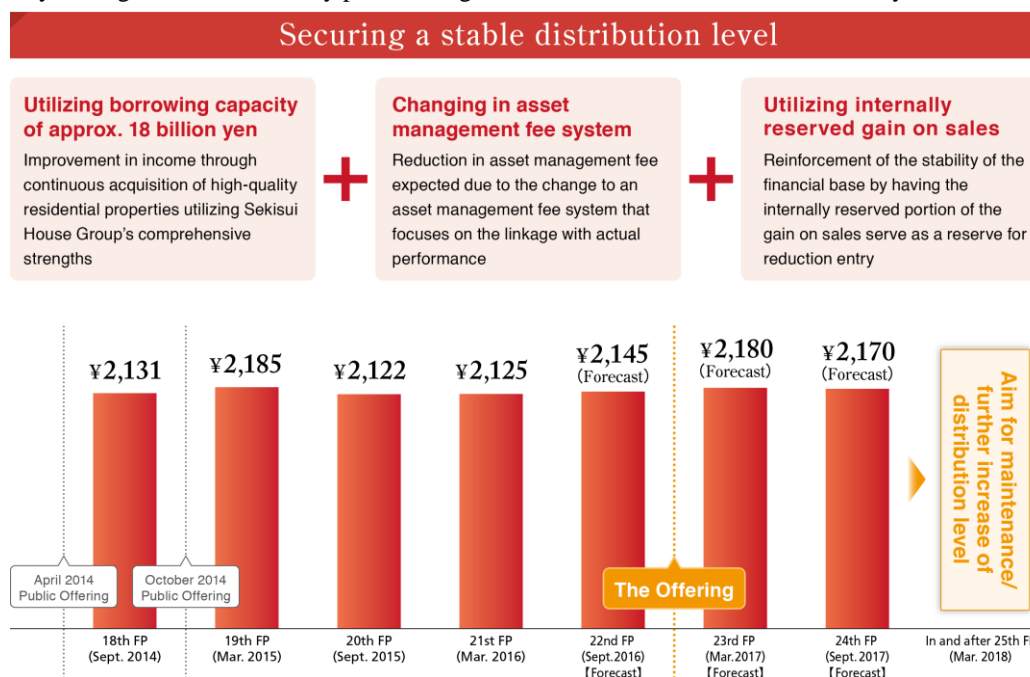
<Reference> Future Policy

The Investment Corporation upholds a basic strategy of building a portfolio centering on high quality rental residential properties planned and developed by the Sekisui House Group, which has Sekisui House, Ltd. as its core company. In order to develop the basic strategy more solidly, the Investment Corporation limited its investment target to real estate-related assets that are mainly used as “residence” (Note 1) by partially amending the Articles of Incorporation at its Sixth General Meeting of Unitholders in June 2014. At the same time, the Investment Corporation set a policy to consider dispositions of retail properties which were held by the Investment Corporation at the time of the amendment (the “Existing Retail Properties”) at an appropriate timing, while working to operate them stably for the time being.

Up to this day since, the Investment Corporation has promoted development of basis for future growth by reinforcing stability of the portfolio through new acquisitions of residential properties and disposition of the Existing Retail Properties, etc.

As a result, distributions per unit since the fiscal period ended September 2014 (18th fiscal period) have remained at a stable level as shown below.

Going forward, the Investment Corporation will aim to maintain and further improve the cash distribution level with approximately 18 billion yen (estimate) of financing capacity (property acquisition capacity) allowed up to 55% LTV after the Offering (Note 2), reduction of asset management fees (Note 3) expected as a result of a change in the system of the asset management fees which the Investment Corporation pays to the asset management company, which was approved and passed at its Seventh General Meeting of Unitholders in June 2016, and its financial base further stabilized by having reserved internally part of the gain on sale as reserve for reduction entry.



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

(Note 2) “Financing capacity (property acquisition capacity) allowed up to 55% LTV after the Offering” refers to the amount available for acquisition of new properties assuming LTV to be 55%, which is the upper limit set by the Investment Corporation for the time being, and assuming acquisition of new properties with only financing through interest-bearing debt under the said assumption. It is an estimate calculated by the Investment Corporation under certain assumptions using the expected total interest-bearing debt and expected total assets after the Offering.

(Note 3) For details of reduction of asset management fees expected as a result of a change in the system of the asset management fees, please refer to the press release titled “Notice Concerning Fee Rates to Be Applicable in the New Asset Management Fee System” separately announced today.

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

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[Attachment]

Assumptions for the Management Status Forecast and Distribution Forecast for the Fiscal Period Ending March 2017 (23rd Fiscal Period) and for the Fiscal Period Ending September 2017 (24th Fiscal Period)

Item	Assumptions
Calculation Period	<ul style="list-style-type: none"> Fiscal period ending March 2017 (23rd fiscal period): October 1, 2016 – March 31, 2017 (182 days) Fiscal period ending September 2017 (24th fiscal period): April 1, 2017 – September 30, 2017 (183 days)
Assets under Management	<ul style="list-style-type: none"> It is assumed that there will be no change (acquisitions of new properties, dispositions of the already acquired properties, etc.) through the end of the fiscal period ending September 2017 (24th fiscal period) to the 113 properties, comprising the 111 properties owned by the Investment Corporation as of today (the “already acquired properties”) plus the 2 properties to be acquired on November 1, 2016 (Prime Maison SHIROKANE-TAKANAWA and Prime Maison ICHIGAYAYAMABUSHICHO). 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 revenues in accordance with the acquisition of the properties to be acquired scheduled on November 1, 2016. Rent revenue – real estate has been calculated on the basis of the lease contracts effective as of the end of August 2016 for already acquired properties and of the information (such as leasing status) provided by the current owner for properties to be acquired, with considerations given to the competitiveness of the properties and taking into account the change in status of tenants anticipated as of today, 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.
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 2016 for the already acquired properties and on the information provided by the current owner for the properties to be acquired. Administrative service fees are assumed to be approximately 651 million yen for the fiscal period ending March 2017 (23rd fiscal period) and approximately 649 million yen for the fiscal period ending September 2017 (24th fiscal period). For the fixed property taxes and city planning taxes related to assets under management, 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 and city planning taxes to be recorded as expenses related to rent business are assumed to be approximately 376 million yen for the fiscal period ending March 2017 (23rd fiscal period) and approximately 421 million yen for the fiscal period ending September 2017 (24th fiscal period). Upon transactions of real estate and other properties, it is a general practice to calculate fixed property taxes and city planning taxes 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 and city planning taxes that are expected to be capitalized in the acquisition cost of real estate and other properties are assumed to be approximately 3 million yen. Furthermore, the fixed property taxes and city planning taxes for the fiscal 2017 related to assets under management acquired on January 1, 2016 and after, including the properties to be acquired, will not be recorded as expenses related to rent business for the fiscal period ending March 2017 (23rd fiscal period), but will be recorded as expenses related to rent business starting from the fiscal period ending September 2017 (24th fiscal period). Therefore, the above fixed property taxes and city planning taxes assumed as expenses related to rent business for the fiscal period ending September 2017 (24th fiscal period) includes the amount related to assets under management acquired on January 1, 2016 and after, including the properties to be acquired. For the expenditures for repair and maintenance of buildings, the amounts expected to be required in the relevant fiscal periods has 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 is generally 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 1,605 million yen for the fiscal period ending March 2017 (23rd fiscal period) and approximately 1,605 million yen for the fiscal period ending September 2017 (24th fiscal period).

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Item	Assumptions
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 533 million yen for the fiscal period ending March 2017 (23rd fiscal period) and approximately 522 million yen for the fiscal period ending September 2017 (24th fiscal period), respectively. It is assumed that approximately 7 million yen for the fiscal period ending March 2017 (23rd fiscal period) and 7 million yen for the fiscal period ending September 2017 (24th fiscal period) as amortization for investment corporation bond issuance costs. The expenses related to the Offering is planned to be amortized by the straight-line method over 3 years. Combined with amortization expense for expenses accompanying the issuance of new investment units and secondary offering of investment units conducted so far, approximately 21 million yen and approximately 16 million yen are assumed for the fiscal period ending March 2017 (23rd fiscal period) and for the fiscal period ending September 2017 (24th fiscal period), respectively.
Interest-Bearing Debt Ratio	<ul style="list-style-type: none"> As of the end of the fiscal period ended September 2016 (22nd fiscal period), the Investment Corporation has a balance of 108,709 million yen in interest-bearing debt comprising 3,000 million yen in short-term loans payable, 91,209 million yen in long-term loans payable (of which, 12,205 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 53.5%. It is assumed that 9,500 million yen in long-term loans payable maturing in February 2017 will be refinanced for the same amount in the fiscal period ending March 2017 (23rd fiscal period); and 3,000 million yen in short-term loans payable and 2,705 million yen in long-term loans payable maturing August 2017 will be refinanced for the same amount in the fiscal period ending September 2017 (24th fiscal period). Other than the above, the Investment Corporation plans to make no new borrowings, etc. as of today. Due to the Offering, the LTV is anticipated to decrease to a certain degree after the acquisition of the properties to be acquired, to as low as 51.1%. The above LTV may change, however, depending on the number of investment units actually issued and the issue price. The LTV is calculated by using the following formula, and is rounded to the nearest first decimal place. $LTV = \text{Total of interest-bearing debt (estimate)} / \text{Total assets (estimate)} \times 100$
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 (1,018,110 units), the entire 87,400 units (the sum of the 83,240 units to be newly issued through public offering and the maximum number of investment units to be issued (up to 4,160 units) by way of third-party allotment associated with the secondary offering through over-allotment) will be issued, as was resolved at the Board of Directors' meeting of the Investment Corporation held today, making the total number of investment units outstanding 1,105,510 units. 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 September 2017 (24th fiscal period.)
Distribution per Unit	<ul style="list-style-type: none"> Distribution (distribution per unit) is calculated on the assumption that the entire amount of net income is distributed in accordance with the monetary distribution policy stipulated in the Investment Corporation's Articles of Incorporation. Reversal of internal reserve from gain on sale, a total of 174 million yen as of today recorded up to the end of the fiscal period ended March 2016 (21st fiscal period) and a total of 12 million yen (expected) from the disposition of part of the land of Esty Maison HIGASHISHINJUKU and b-town MINAMIAOYAMA in the fiscal period ended September 2016 (22nd fiscal period), is not planned. Distribution per unit is subject to change due to various factors that include changes in assets under management, changes in rental revenue 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 price actually determined, and changes in any other conditions surrounding the Investment Corporation.
Distribution per Unit in Excess of Earnings	<ul style="list-style-type: none"> At present, the Investment Corporation does not plan to make 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, the real estate market conditions, etc.

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