

January 26, 2017

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Supplement to the Series of Press Releases and Efforts

“Notice concerning Partial Amendment to Asset Management Fee System” announced on October 14, 2016

“Notice concerning Obtainment of Preferential Negotiation Rights for Acquisition of a Property (Tokyo Parkside Building)” announced on November 15, 2016

“Notice concerning Obtainment of Preferential Negotiation Rights for Acquisition of a Property (Higobashi Center Building)” announced on December 22, 2016

“Notice concerning Obtainment of New Credit Rating” announced on January 12, 2017

“Notice concerning Investment Unit Split, Partial Amendment to the Articles of Incorporation and Revisions to Forecast of Cash Distribution per Unit for the Fiscal Period Ending August 2017 (8th Fiscal Period)” announced on January 26, 2017

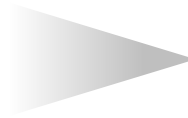
 **SIA REIT, Inc.** (TSE Code: 3290)

Mizuho Financial Group

Simplex REIT Partners Inc. (Asset Management Company)

Efforts in the Approximate Year since Change in Sponsor and the Results

- About a year has passed since the change in sponsor to Mizuho Trust & Banking Co., Ltd. (December 2015.) Effects from the change in sponsor appeared in both portfolio and financial aspects, and the policy of SIA REIT is to continuously aim for growth under cooperation with the sponsor.

		Before Change in Sponsor	After Change in Sponsor	Actual Performance and Effects	
Property Management and Acquisition Aspect	Portfolio diversification and stabilization of revenue and expenditure	Sponsor	Simplex Investment Advisors	Mizuho Trust & Banking	➤ Sponsor changed on December 29, 2015
		Asset size ^(Note 1) Ratio of J Tower	¥74.3 billion (32.8%)	¥89.3 billion (27.3%)	➤ Implemented public offering for the first time since being listed and additionally acquired 3 properties of approx. ¥15 billion
		Ratio of top 10 tenants ^(Note 2)	28.6%	25.6%	➤ <u>Ratio of J Tower and ratio of top tenants improved</u> from the concerned additional acquisitions
		Status of preferential negotiation rights held ^(Note 1)	1 property/¥7.5 billion	5 properties/¥35.2 billion	➤ <u>Capability to secure properties greatly increased</u> due to support from Mizuho Trust & Banking
		Occupancy rate forecast of J Tower ^(Note 1)	Forecasted to decrease to 83%-83.9% in April 2016 and thereafter	Recovered to 99%-99.9% in January 2017 and thereafter	➤ Change in tenants at J Tower settled and the portfolio occupancy rate is expected to be stable hereafter
Financial Aspect	Strengthening of financial base	Status of security interest ^(Note 1)	Secured	Unsecured	➤ Brought loans to unsecured status backed by the <u>improved credibility</u> through changing sponsor
		External credit rating ^(Note 1)	— (not obtained)	JCR/Single A (outlook: stable)	➤ Furthermore, newly <u>obtained external credit rating</u> partly due to progress in portfolio diversification and improved management status
		Average borrowing rate ^(Note 3)	1.115%	0.853%	➤ <u>Bank formation expanded</u> as Mizuho Financial Group (Mizuho Trust & Banking and Mizuho Bank) joined lenders through new borrowings for property acquisitions and refinancing of some borrowings
		Fixed-interest rate borrowings ratio ^(Note 3)	68.4%	79.5%	➤ Made progress in strengthening the financial base as well, such as <u>reducing average borrowing rate</u> while increasing debts procured with fixed interest rates
		Number of lenders ^(Note 3)	9 institutions	10 institutions	
Others	Establish various environments that contribute to increasing unitholder value	Liquidity improvement efforts		Investment unit split (2-for-1 split)	➤ Decided to conduct investment unit split with the end of February 2017 as the record date
		DPU growth-conscious efforts		Cessation of Management Fee 3	➤ Establish environment in which investors can enjoy the benefit of growth in cash distribution more (please refer to page 7)

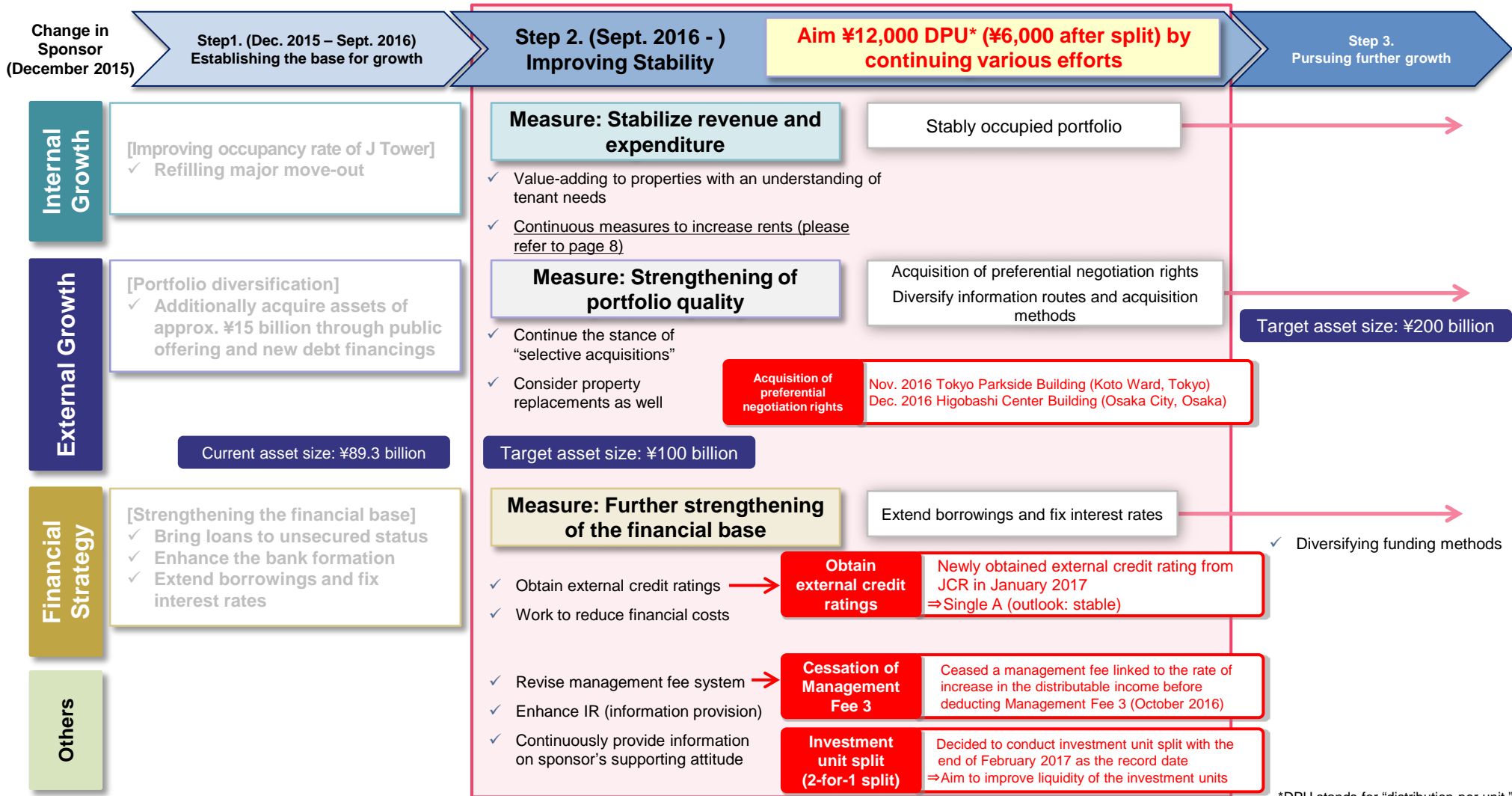
(Note 1) "Before Change in Sponsor" shows the status as of December 28, 2015 and "After Change in Sponsor" shows the stats as of the day of this document (January 26, 2017), respectively.

(Note 2) "Before Change in Sponsor" shows the status as of the end of Fourth Fiscal Period (Ended August 2015) and "After Change in Sponsor" shows the assumption after the property acquisitions in September 2016 and commencements of the lease terms of tenants who will be in top, respectively, and are calculated by the ratio of leased floor area to the total leasable floor area.

(Note 3) "Before Change in Sponsor" shows the status as of the end of Fourth Fiscal Period (Ended August 2015) and "After Change in Sponsor" shows the contents indicated in the Presentation Material for the Sixth Fiscal Period (Ended August 2016) (as of October 17, 2016), respectively.

Efforts in the Approximate Year since Change in Sponsor and the Results (Time-Series)

- Realized improvement of J Tower's occupancy rate, progress in portfolio diversification (public offering and additional acquisitions of properties), unsecured status of loans, expansion of bank formation, etc. in initial 9 months after the change in sponsor.
- After the first public offering and acquisition of properties (September 2016) since being listed, SIA REIT shifted to "Step. 2 Improving Stability" stage and continued efforts that contribute to increasing unitholder value such as further increasing pipelines, obtainment of external credit rating and establishment of environment for DPU growth.



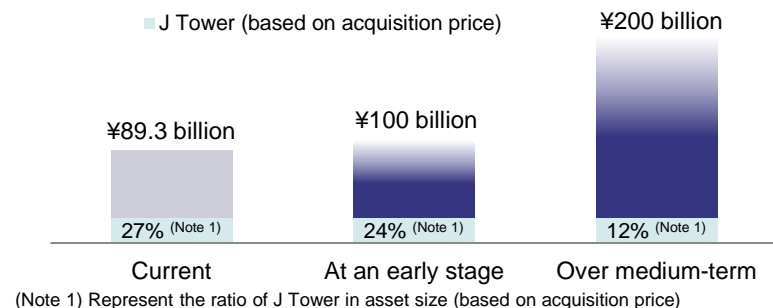
*DPU stands for "distribution per unit."

External Growth: Preferential Negotiation Rights-Held Property

- Creation of pipeline accelerated backed by support from Mizuho Trust & Banking Co., Ltd. Hold pipeline of over ¥35 billion (based on minimum acquisition price) in 5 properties as of January 26, 2017.

■ Target of External Growth

Aim to achieve the asset size of ¥100 billion at an early stage and of ¥200 billion over medium-term (target: by 2020)



■ Detail information of Properties for whom Preferential Negotiation Rights are Acquired

■ Properties for whom Preferential Negotiation Rights are Acquired

(Millions of yen)

Property name	Minimum acquisition price (Note 2)	Period allowed for acquisition
Daihakata Building	10,650	From September 1, 2016 to March 30, 2018
Daido Life Omiya Building	3,000	From March 1, 2017 to May 20, 2018
Yamagami Building	2,200	From March 1, 2017 to May 20, 2018
Tokyo Parkside Building	10,450	From March 1, 2018 to March 31, 2019
Higobashi Center Building	8,930	From March 1, 2018 to March 31, 2019
5 properties in total	35,230	
Total acquisition price of existing 22 properties		89,359
27 properties in total	124,589	

(Note 2) Represent the lowest price of the acquisition price range of each property.

(Note 3) SIA REIT has not decided to acquire the properties for which preferential negotiation rights have been acquired there is no guarantee that SIA REIT can acquire these properties.

Property Name	Daihakata Building	Daido Life Omiya Building	Yamagami Building	Tokyo Parkside Building	Higobashi Center Building
Photo					
Asset type	Office	Office	Office	Office	Office
Support status (Note 4)	Mizuho Trust & Banking, SRM (Note 5)	SRM (Note 5)	Mizuho Trust & Banking, SRM (Note 5)	SRM (Note 5)	SRM (Note 5)
Location	Hakata Ward, Fukuoka City, Fukuoka	Omiya Ward, Saitama City, Saitama	Toshima Ward, Tokyo	Koto Ward, Tokyo	Nishi Ward, Osaka City, Osaka
Completed	August 1975	October 1991	September 1991	September 1991	September 1977
Number of Floors	B3/14F	8F	B2/8F	B1/14F	B2/18F

(Note 4) For "Support status", in the case of providing property sale information or bridge fund composition know-how, etc. based on sponsor support agreement, sponsor or supporting companies providing them are listed.

(Note 5) SRM refers to Simplex Real Estate Management Inc., the supporting company.

- Preferential negotiation right for “Tokyo Parkside Building,” having good access to central Tokyo such as Otemachi, was acquired (on November 15, 2016).
- Utilized the sponsor support: Simplex Real Estate Management was the source and established the scheme.

Outline of Tokyo Parkside Building

Location	Kiba, Koto Ward, Tokyo
Nearest Station	Two-minute walk from Kiba station of Tokyo Metro Tozai Line
Completed	September 1991
Total leasable area (Note)	12,912.12m ²
Leased area (Note)	11,941.63m ²
Occupancy rate (Note)	92.5%
Total number of tenants (Note)	14

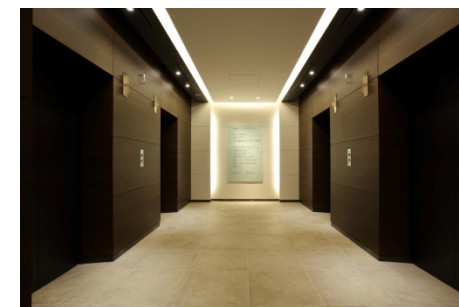
(Note) Indicates status as of December 31, 2016 and based on information acquired from entity from which SIA REIT obtained the preferential negotiation rights.

Property Features

- Two-minute walk from the nearest station (seven-minute direct ride to Otemachi by subway) and very near to a ramp of Metropolitan Expressway. Provides high convenience in both accessing central Tokyo and use of cars.
- Comparatively cheap rent range for accessibility to central Tokyo.
- Having a standard floor area of around 300 tsubos, individual air-conditioning system and ceiling height of 2,600mm, it is equipped with specifications which can exert competitiveness in the area.
- Impression of the building has changed completely with renewed common areas.
- Although occupancy rate struggled in the past due to departures of large tenants, it realized tenant diversification when refilling.

Overview of the Preferential Negotiation Rights

Exercise period	From November 15, 2016 to March 31, 2019
Period allowed for acquisition	From March 1, 2018 to March 31, 2019
Minimum acquisition price	¥10,450 million (excluding tax)



- Preferential negotiation right for “Higobashi Center Building,” a symbolic property on Yotsubashisuji with superior access to central area of Osaka City, was acquired (on December 22, 2016).
- Utilized the sponsor support: Simplex Real Estate Management was the source and established the scheme.

Outline of Higobashi Center Building

Location	Edobori, Nishi Ward, Osaka City, Osaka
Nearest Station	One-minute walk from Higobashi Station on the Osaka Municipal Subway Yotsubashi Line
Completed	September 1977
Total leasable area (Note)	15,940.39m ²
Leased area (Note)	14,979.39m ²
Occupancy rate (Note)	94.0%
Total number of tenants (Note)	61

(Note) Indicates status as of December 31, 2016 and based on information acquired from entity from which SIA REIT obtained the preferential negotiation rights.

Property Features

- One-minute walk from Higobashi Station and a five-minute walk from Yodoyabashi Station on the Osaka municipal subway lines. It has superior access to central area of Osaka City and main transport hubs. It is a symbolic property on Yotsubashisuji.
- Comparatively cheap rent range for the vicinity to Umeda and along Midousuji.
- Having a floor plate that enables flexible space separation from 20 tubos in minimum to 260 tsubos at maximum, individual air-conditioning system (central type system used in combination), common areas that went through large-scale renewal, etc., it is equipped with competitiveness in the area.
- Although occupancy rate struggled in the past due to departures of large tenants, it realized tenant diversification when refilling(current number of tenants is 61.)

Overview of the Preferential Negotiation Rights

Exercise period	From December 22, 2016 to March 31, 2019
Period allowed for acquisition	From March 1, 2018 to March 31, 2019
Minimum acquisition price	¥8,930 million (excluding tax)



- Decided today to conduct investment unit split with February 28, 2017 as the record date. Aim to further improve liquidity of the investment units.
- Ceased Management Fee 3 linked to the rate of increase in the cash distribution per unit in order to establish environment in which investors can enjoy the benefit of growth in cash distribution more

Obtainment of New Credit Rating (announced on January 12, 2017)

Major points evaluated in the rating are as follows (Note):

- Reduction in property concentration ratio** of the “J Tower” through acquisition of new properties
- Average rent has been stable and **revised rents upwards**
- Strengthened lender formation** by inviting Mizuho Trust & Banking Co., Ltd. and Mizuho Bank, Ltd. to its lenders and **shifted all borrowings into unsecured debts**

Rating Agency	Long-Term Issuer Rating	Outlook
JCR Japan Credit Rating Agency, Ltd.	Single A	Stable

(Note) Excerpted from “News Release” announced by Japan Credit Rating Agency, Ltd. on January 12, 2017

Investment Unit Split (announced on January 26, 2017)

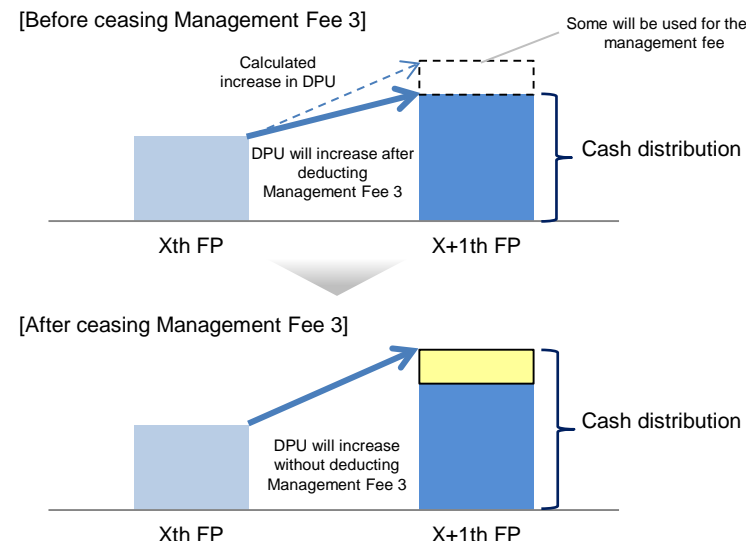
- Decided to conduct investment unit split to establish an environment where investors can invest with ease as well as to **further expand the basis of investors and increase the liquidity of the investment units** by reducing the per unit price of investment units
- February 28, 2017 as the record date and ratio of split is 2-for-1
- As for the forecast of cash distribution per unit for the fiscal period ending August 2017, the revision is made to adjust to the ratio of split and there is no change to the actual forecast

Ratio of Split	1:2
Record Date	February 28, 2017
Effective date	March 1, 2017
Total number of investment units issued and outstanding (after the split)	189,298 units
Forecast of cash distribution per unit (after the split)	¥5,490 (fiscal period ending August 2017)

Cessation of Management Fee 3 (a management fee linked to the rate of increase in the distributable income per unit) (announced on October 14, 2016)

Initial assumption	SIA REIT set the Management Fee 3 in order to achieve stable growth of its distribution per unit (the “DPU”), assuming that the fee would serve as incentive compensation for the Asset Management Company to increase the DPU by constantly expanding NOI of SIA REIT and other measures.
Incurring of the fee in cases that weren’t intended	However, Management Fee 3 may incur in cases that are different from what was initially intended, such as Management Fee 3 incurring when there was an increase in profits not attributable to constant growth of NOI, for example accrual of profits due to temporary non-incurrence of expenses in a fiscal period in which properties are acquired.
Cessation of Management Fee 3	Decided cessation of Management Fee 3 on October 14, 2016. <ul style="list-style-type: none"> With the concerned decision, establish environment in which investors can enjoy the benefit of growth in cash distribution (please refer to the figures on the right) Have policy to abolish Management Fee 3 by amending the Articles of Incorporation at the next general meeting of unitholders

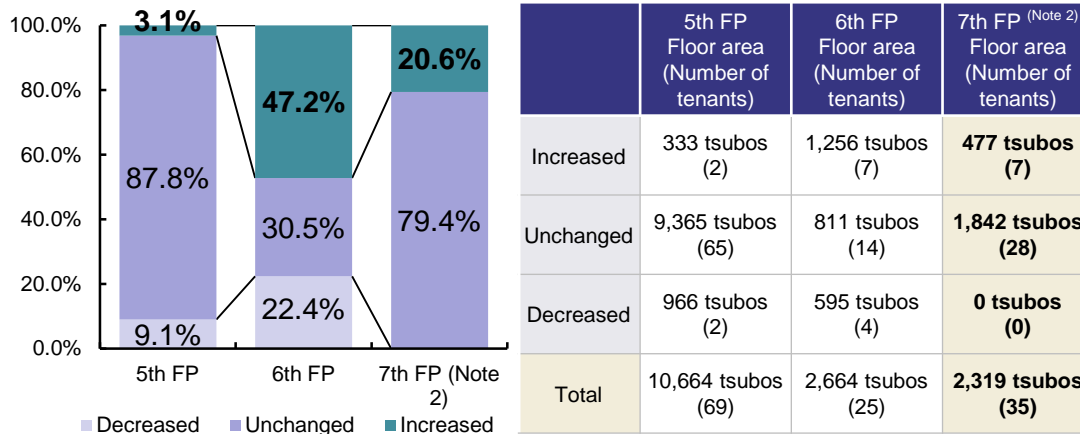
<Image of increase in DPU through cessation of Management Fee 3>



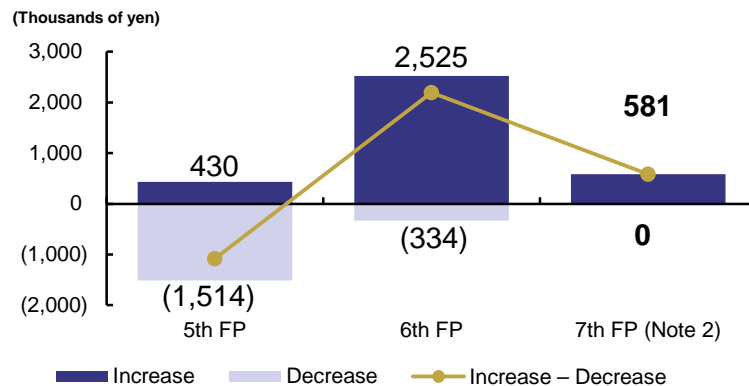
(Reference) Internal Growth: Management Status of Existing Portfolio

- Upward revision of rents continued in the fiscal period ending February 2017 (7th fiscal period) following the previous fiscal period (actual results until the end of December 2016.) Aim to further increase the profitability.

Rent Renewal (Note 1) Trends



Amount of Change in Revised Rents (based on monthly rent)

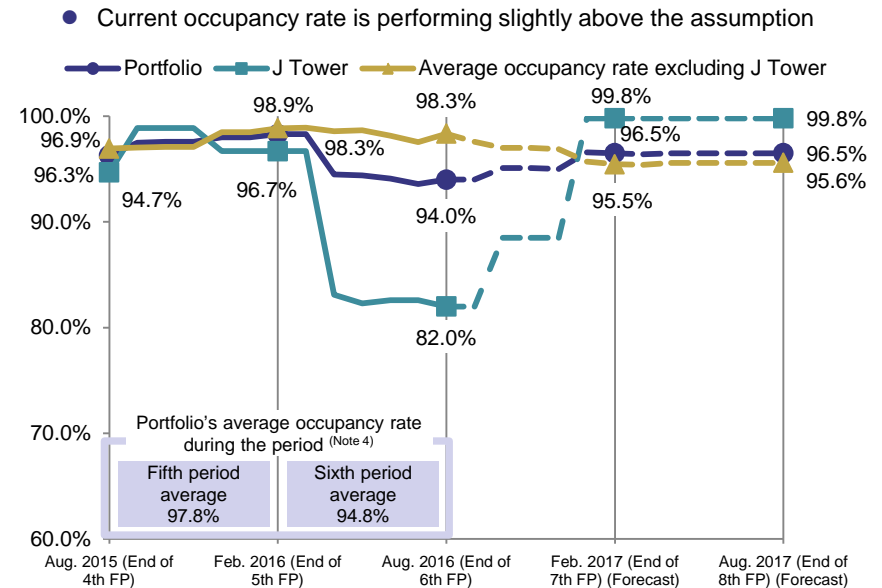


(Note 1) With regard to lease agreements that were updated or whose rent revisions had become effective during each period, the increase and decrease of rents before and after the update, floor area (tsubos) of the measures and number of tenants were tallied.

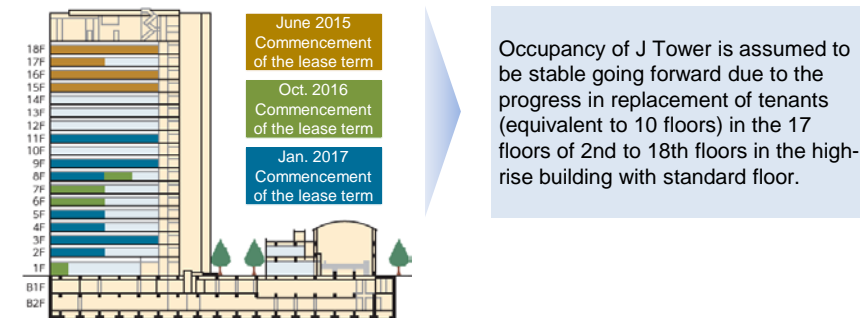
(Note 2) Represent the actual results from September 2016 to December 2016 for the fiscal period ending February 2017.

(Note 3) The ratios in the "Rent Renewal Trends" graph are calculated based on floor area.

Occupancy Rate



J Tower: Assumed to perform stably hereafter



(Note 4) The average occupancy rate during the period (%) is calculated with the formula [Sum of total leased floor area as of the end of each month ÷ Sum of total leasable floor area as of the end of each month] and is rounded to the first decimal place.

(Note 5) The forecast figures are calculated based on the assumptions of the earnings forecasts and may vary due to the progress in leasing, new move-out of tenants and other factors.

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