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Real Estate Investment Trust Securities Issuer

Sekisui House Reit, Inc.

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(Securities Code: 3309)

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**Notice Concerning Revisions to the Forecast of Operating Results and Distributions
for the Fiscal Periods Ending April 30, 2019 and October 31, 2019**

Sekisui House Reit, Inc. (“SHR”) announces that it has decided to make the following revisions to its forecast of operating results and distributions for the fiscal periods ending April 30, 2019 (from November 1, 2018 to April 30, 2019) and October 31, 2019 (from May 1, 2019 to October 31, 2019) of SHR announced in the “Financial Report for the Fiscal Period Ended October 31, 2018” dated December 14, 2018.

1. Forecast Revisions
(1) Revisions to the forecast of operating results and distributions for the fiscal period ending April 30, 2019

	Operating Revenue (Million yen)	Operating Income (Million yen)	Ordinary Income (Million yen)	Net income (Million yen)	Net income per unit (yen)	Distributions per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)
Previous forecast (A)	12,120	6,353	5,624	5,624	1,494	1,537	0
Revised forecast (B)	12,311	6,485	5,719	5,719	1,520	1,547	0
Difference (B-A)	191	131	95	95	26	10	0
Change ratio	1.6%	2.1%	1.7%	1.7%	1.7%	0.7%	-

(For reference)

Forecast total number of investment units issued and outstanding at the end of the fiscal period ending April 30, 2019: 3,762,091 units

(2) Revisions to the forecast of operating results and distributions for the fiscal period ending October 31, 2019

	Operating Revenue (Million yen)	Operating Income (Million yen)	Ordinary Income (Million yen)	Net income (Million yen)	Net income per unit (yen)	Distributions per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)
Previous forecast (A)	12,050	6,267	5,538	5,537	1,471	1,532	0
Revised forecast (B)	12,416	6,533	5,725	5,724	1,521	1,567	0
Difference (B-A)	365	266	187	187	50	35	0
Change ratio	3.0%	4.3%	3.4%	3.4%	3.4%	2.3%	-

(For reference)

Forecast total number of investment units issued and outstanding at the end of the fiscal period ending October 31, 2019: 3,762,091 units

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- Note 1: The above forecasts are calculated as of today, based on the assumptions set forth in the attached exhibit, "Assumptions for Forecast of Operating Results and Distributions for the Fiscal Periods Ending April 30, 2019 and October 31, 2019." The actual operating revenues, operating income, ordinary income, net income, distributions per unit (excluding distributions of excess earnings) and distributions in excess of earnings per unit may vary due to future acquisition or sale of properties, changes in the real estate market, and other factors surrounding SHR. The forecasts do not guarantee the amount of distributions stated above.
- Note 2: The payment of distributions for the fiscal periods ending April 30, 2019 and October 31, 2019 is assumed to be made using the amount including the amount of reversal from the reserve for temporary difference adjustment (the "RTA"), and the distribution per unit differs from net income per unit. For details of the reversal from RTA, please refer to the exhibit "Distributions per unit (excluding distributions in excess of earnings)" in "Assumptions for Forecast of Operating Results and Distributions for the Fiscal Periods Ending April 30, 2019 and October 31, 2019".
- Note 3: The forecast may be revised when a certain level of discrepancy from the above forecast is expected.
- Note 4: Amounts are rounded down to the nearest specified unit; the same hereafter.
- Note 5: Change ratios have been rounded to the nearest first decimal place.

2. Reason for revisions to the forecast of operating results and distributions

SHR decided to acquire two new properties for the scheduled acquisition price of 18.1 billion yen in total on January 31, 2019 and commence operation of the properties as described in the press release "Notice Concerning Acquisition of Trust Beneficiary Interest in Domestic Real Estate (The Ritz-Carlton Kyoto and MAST Ijiri)" released today.

Concerning the forecast announced in the "Financial Report for the Fiscal Period Ended October 31, 2018" dated December 14, 2018, SHR examined the operating results at this point in time of properties it currently owns and other factors. As a result, SHR does not anticipate any large difference, such as a difference of 5% or more between the forecast distribution per unit and the actual figure. However, due to material changes occurring in assumptions for the forecast of operating results caused mainly by the acquisition of the said new properties, SHR decided to revise its forecast of operating results and distributions for the fiscal periods ending April 30, 2019 (the 9th fiscal period) and October 31, 2019 (the 10th fiscal period).

The assumption that, the amount sought by deducting the amount equivalent to the increase of earnings by the commencement of operation of Esty Maison Kokura, which was acquired as an alternative asset of Hamamatsu Plaza, from the amount equivalent to the decrease of earnings from the absence of the rent business income for the fiscal periods ending April 30, 2019 (the 9th fiscal period) and October 31, 2019 (the 10th fiscal period) as a result of the transfer of Hamamatsu Plaza in the fiscal period ended October 31, 2018 (the 8th fiscal period) (the "amount of compensation for profits of Hamamatsu Plaza") will be reversed and 16 yen per unit will be allocated to distributions for the fiscal periods ending April 30, 2019 (the 9th fiscal period) and 15 yen per unit for the fiscal periods ending October 31, 2019 (the 10th fiscal period), was included in the assumptions of the forecast announced in the "Financial Report for the Fiscal Period Ended October 31, 2018" dated December 14, 2018. However, SHR assumes that the RTA for the amount of compensation for profits of Hamamatsu Plaza will not be reversed as an increase in profits exceeding the amount of compensation for profits of Hamamatsu Plaza, resulting in increase of 26 yen per unit in net income for the fiscal periods ending April 30, 2019 (the 9th fiscal period) and 50 yen per unit in net income for the fiscal periods ending October 31, 2019 (the 10th fiscal period), are expected with the acquisition of the above new properties decided this time.

*Sekisui House Reit, Inc. website: <http://sekisuihouse-reit.co.jp/en/>

[Exhibit]

Assumptions for Forecast of Operating Results and Distributions
for the Fiscal Periods Ending April 30, 2019 and October 31, 2019

Items	Preconditions
Calculation period	<ul style="list-style-type: none"> - Fiscal period ending April 30, 2019 (the 9th fiscal period): November 1, 2018 - April 30, 2019 (181 days) - Fiscal period ending October 31, 2019 (the 10th fiscal period): May 1, 2019 - October 31, 2019 (184 days)
Assets under Management	<ul style="list-style-type: none"> - It is assumed that there are no changes in the assets under management (such as new acquisitions of properties or the sale of existing properties and the like) through the end of the fiscal period ending October 31, 2019 (the 10th fiscal period) with respect to the real estate trust beneficiary interests (for a total of 115 properties) which consist of the real estate trust beneficiary interests which SHR possesses as of today (for a total of 113 properties) (the “Existing Assets”) and the real estate trust beneficiary interests scheduled to be acquired on January 31, 2019 (for a total of 2 properties) (the “Assets to be Acquired”). For details of the Assets to be Acquired, please refer to the press release “Notice Concerning Acquisition of Trust Beneficiary Interest in Domestic Real Estate (The Ritz-Carlton Kyoto and MAST Ijiri)” released today. - In reality, there may be changes due to changes in the assets under management.
Operating Revenue	<ul style="list-style-type: none"> - SHR anticipates an increase in revenue with the acquisition of the Asset to be Acquired scheduled for January 31, 2019. - For the leasing business revenue, revenue of the Existing Assets are calculated based on current lease agreements taking into consideration, among other matters, market trends and individual tenant trends and revenue of the Assets to be Acquired are calculated based on information received from the sellers, etc. of properties, and each lease agreement scheduled to be newly concluded with tenants upon the acquisition of the Assets to be Acquired taking into consideration, among other matters, market trends and individual tenant trends. - It is assumed that there will be no delinquent or unpaid rent by tenants.
Operating Expenses	<ul style="list-style-type: none"> - Of operating expenses from leasing, which are the main operating expenses, expenses other than depreciation and amortization have been calculated for the Existing Assets by reflecting the factors behind the fluctuation in expenses based on past results, and for the Assets to be Acquired, by reflecting the factors behind the fluctuation in expenses based on past results after taking into consideration information received from the sellers, etc. of properties and each lease agreement scheduled to be newly concluded with tenants upon the acquisition of the respective Assets to be Acquired. - Although fixed asset tax, city planning tax and depreciable asset tax for the acquired assets in the acquisition year are generally calculated proportionally by period with the seller and settled at the time of acquisition, they are not recorded as an expense in the acquisition period since the amount equivalent to such settlement amount is included in the acquisition cost. Furthermore, the expected total of fixed asset tax, city planning tax and depreciable asset tax included in the acquisition cost of the Assets to be Acquired is 43 million yen (equivalent to 335 days). It is expected that the FY2020 fixed asset tax, city planning tax and depreciable asset tax for the Assets to be Acquired will be recorded as expenses from the fiscal period ending April 30, 2020 (the 11th fiscal period). - Taxes and other public charges of 805 million yen are expected in the fiscal period ending April 30, 2019 (the 9th fiscal period) and 865 million yen in the fiscal period ending October 31, 2019 (the 10th fiscal period). - The building repair expenses expected to be required for each operating period are recorded as expenses based on the amounts planned by Sekisui House Asset Management, Ltd. (Asset Management Company), to which SHR entrusts asset management, upon taking into consideration the amounts set forth in building condition inspection reports and the appraisal reports. However, the actual repair expenses for the relevant operating period may materially differ from the forecast amount due to emergency repair possibly arising from building damage from unforeseeable factors, the amount generally varying materially from year to year, and not being periodically arising expenses. - Depreciation and amortization are calculated using the straight-line method including incidental expenses, etc., and are expected to be 2,188 million yen in the fiscal period

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	<p>ending April 30, 2019 (the 9th fiscal period) and 2,227 million yen in the fiscal period ending October 31, 2019 (the 10th fiscal period).</p> <ul style="list-style-type: none"> - Asset management fees are expected to be 799 million yen in the fiscal period ending April 30, 2019 (the 9th fiscal period) and 821 million yen in the fiscal period ending October 31, 2019 (the 10th fiscal period).
Non-operating expenses	<ul style="list-style-type: none"> - For investment unit delivery expenses, amortization of investment unit delivery expenses is expected to be 14 million yen in the fiscal period ending April 30, 2019 (the 9th fiscal period) and 7 million yen in the fiscal period ending October 31, 2019 (the 10th fiscal period), premised on amortization over three years using the straight-line method. - Interest expenses, interest on investment corporation bonds, and financing-related expenses are expected to be 772 million yen in the fiscal period ending April 30, 2019 (the 9th fiscal period) and 838 million yen in the fiscal period ending October 31, 2019 (the 10th fiscal period), but are premised on 103 million yen in the fiscal period ending April 30, 2019 (the 9th fiscal period) and 93 million yen in the fiscal period ending October 31, 2019 (the 10th fiscal period) being deducted from interest expenses as the drawdown amount for deferred income.
Interest-bearing liabilities	<ul style="list-style-type: none"> - SHR has an outstanding debt of 182,432 million yen, investment corporation bonds of 15,500 million yen and a total interest-bearing liability balance of 197,932 million yen as of the end of the fiscal period ended October 31, 2018 (the 8th fiscal period). - SHR is scheduled to procure 17,000 million yen through a new borrowing as funds for purchase of the Assets to be Acquired with the acquisition date scheduled for January 31, 2019. For details of the said new borrowing, please refer to the press release "Notice Concerning Borrowing of Funds" released as of today. - It is assumed that the repayment for the amount of the 12,382 million yen of borrowings with repayment deadlines in the fiscal period ending April 30, 2019 (the 9th fiscal period) as well as the amount of the 2,500 million yen of investment corporation bonds with redemption deadlines in the fiscal period ending April 30, 2019 (the 9th fiscal period) will be fully financed by borrowings or investment corporation bonds. - The total asset LTV as of the fiscal period ended October 31, 2018 (the 8th fiscal period) is 43.1%, and the total asset LTV after the acquisition of the Assets to be Acquired is estimated to be around 45.3%. - The following calculation is used to calculate the total asset LTV. $\text{Total asset LTV} = \text{expected total amount of interest-bearing liabilities} / \text{expected total amount of assets} \times 100$
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> - It is assumed that the total number of investment units issued and outstanding as of today is 3,762,091 units, and there will be no other change to the number of investment units such as the additional issuance of new investment units and acquisition and retirement of own investment units through to the end of the fiscal period ending October 31, 2019 (the 10th fiscal period).
Inconsistency between accounting and taxation purposes categories	<ul style="list-style-type: none"> - Depreciation and amortization as well as other inconsistencies between accounting and taxation purposes (meaning an inconsistency between income for accounting and taxation purposes; the same hereinafter) are expected to be 100 million yen in the fiscal period ending April 30, 2019 (the 9th fiscal period) and 113 million yen in the fiscal period ending October 31, 2019 (the 10th fiscal period). SHR intends to distribute the amount equivalent to the inconsistency between accounting and taxation purposes as described in "Distributions per unit (excluding distributions in excess of earnings)" below for the purpose of avoiding the occurrence of tax burden including corporation tax.
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> - Distributions per unit (excluding distributions in excess of earnings) will be calculated on the assumption of the cash distributions policy stipulated in SHR's Articles of Incorporation. - Any amounts remaining in gains on negative goodwill after appropriation to distribution within the amount recorded as special profits in the fiscal period ended October 31, 2018 (the 8th fiscal period) shall be reserved as RTA in the amount of 1,556 million yen in accordance with the Calculation Rules for Investment corporation (Cabinet Office Ordinance No. 47 of 2006, as amended thereafter). After the fiscal period ending April 30, 2019 (the 9th fiscal period), as long as there are amounts remaining in the RTA the reserved RTA shall be utilized flexibly to deal with inconsistencies between accounting and taxation purpose and to stabilize distribution level, and the amount equivalent to 1% or more of the initially reserved amount equalized over 50 years (100 fiscal periods) shall be reversed each period to be appropriated to distribution. - For the fiscal period ending April 30, 2019 (the 9th fiscal period), distribution is premised on reversing 100 million yen from the RTA to use the amount equivalent to the

	<p>inconsistency between accounting and taxation purposes expected to arise for the relevant fiscal period described in “Inconsistency between accounting and taxation purposes categories” above.</p> <ul style="list-style-type: none"> - For the fiscal period ending October 31, 2019 (the 10th fiscal period), distribution is premised on reversing 172 million yen from the RTA to use the amount equivalent to the inconsistency between accounting and taxation purposes expected to arise for the relevant fiscal period in “Inconsistency between accounting and taxation purposes categories” above and the amount equivalent to earnings which is expected to decrease due to the acceptance of advance cancellation notice from large tenants at Esty Maison Yokohama. - Distributions per unit (excluding distributions in excess of earnings) may vary due to various factors including changes in assets under management, changes in rent income following changes in tenants, the occurrence of unexpected repairs, interest rate changes and the like.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> - SHR does not plan distributions in excess of earnings (distributions in excess of net income per unit) at this point in time.
Other	<ul style="list-style-type: none"> - It is assumed that there will be no changes in legislation, taxation, accounting standards, listing regulations, and rules and requirements imposed by The Investment Trusts Association, Japan that would impact the figures in the forecasts. - It is assumed that there will be no unforeseen material changes in general economic trends and real estate market conditions and the like.