



December 3, 2014

Real Estate Investment Trust Securities Issuer
 Sekisui House Reit, Inc.
 Representative: Junichi Inoue, Executive Director
 (Securities Code: 3309)

Asset Management Company
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Notice Concerning Completion of Acquisition of Assets

Sekisui House Reit, Inc. (“SHR”) announces the completion today of acquisition of the following three properties as stated in SHR’s prospectus (October 2014).

1. Summary of Acquisition

Property no.	Property name	Location	Acquisition price (million yen)	Seller
J-1	Garden City Shinagawa Gotenyama	Shinagawa-ku, Tokyo	39,700	Sekisui House, Ltd.
J-2	Gotenyama SH Building	Shinagawa-ku, Tokyo	51,500	
J-3	Honmachi Minami Garden City	Chuo-ku, Osaka-shi, Osaka	23,100	
Total		—	114,300	—

- (1) Contract date: October 16, 2014
 - (2) Acquisition date: December 3, 2014
 - (3) Seller: Please refer to “3. Seller Profile” later in this document.
 - (4) Acquisition financing: Proceeds from the issuance of new investment units for which resolution was passed at meetings of the board of directors of SHR held on October 31, 2014, November 14, 2014 and November 21, 2014, and loans (Note)
 - (5) Settlement method: Payment of entire amount at time of delivery
- (Note) Please refer to the “Notice Concerning Borrowing of Funds and Establishment of Interest Rate Swaps” dated today for details of the concerned loans.

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2. Description of Acquired Assets

The following tables present an overview per acquired asset. Please refer below for a glossary of the terms used in the tables. Furthermore, unless otherwise noted, etc., the entries in the tables are each those based on information as of September 30, 2014.

- “Type of specified asset” is the type of right acquired by SHR.
- “Trustee” is the trustee of the acquired asset.
- “Trust expiration date” is the date of expiration of the trust period prescribed in the trust agreement.
- “Acquisition price” is the sale and purchase price stated in the sale and purchase agreement for the acquired asset (excluding consumption tax and local consumption tax, as well as commission and other various expenses; rounded down to the nearest million yen).
- “Appraisal value (Date of value)” is the appraisal value and date of value stated in the real estate appraisal report prepared by the real estate appraisal firm that SHR and the Asset Management Company has entrusted with appraisal of investment real estate, where the appraisal value is rounded down to the nearest million yen.
- “Location (indication of residential address)” is the indication of residential address based on that stated in the written property outline or written explanation of important matters. Furthermore, if there is no implementation of indication of residential address or otherwise no indication of residential address in the written property outline and written explanation of important matters, “Location (indication of residential address)” is the parcel number based on that stated in the registry or the indication method used in practice as the location.
- For “Land,” “Site area” is the sum total of parcel area based on that stated in the registry. Furthermore, even if the acquired asset is part of the site of a building under sectional ownership or co-ownership interest in land, “Site area” is the parcel area for the entire site or land.
- For “Land,” “Use district” is the type of use district listed in Article 8, Paragraph 1, Item 1 of the City Planning Act.
- For “Land,” “Building coverage ratio,” which is the ratio of the building area of the building to the site area as provided in Article 53 of the Building Standards Act, is the percentage figure provided in accordance with the Building Standards Act, the City Planning Act and other related laws and regulations.
- For “Land,” “Floor area ratio,” which is the ratio of the total floor area of the building to the site area as provided in Article 52 of the Building Standards Act, is the percentage figure provided in accordance with the Building Standards Act, the City Planning Act and other related laws and regulations.
- For “Land,” “Type of ownership” is the type of right held by SHR for real estate in the case of real estate directly held by SHR, and is the type of right held by the trustee of the real estate trust for real estate in trust in the case of a trust beneficiary right held by SHR.
- For “Building,” “Use” is the major type indicated in the registry. Furthermore, in the case of a building under sectional ownership, “Use” is the use of the concerned exclusively-owned portions.
- For “Building,” “Construction completion” is the date of new construction in the registry. In cases where there are several principal buildings, “Construction completion” is the earliest date of new construction in the registry.
- For “Building,” “Structure / Floors” is based on that stated in the registry. Furthermore, in cases where the building or building in trust is exclusively-owned portions of a building under sectional ownership, “Structure / Floors” is the structure and number of floors for the entire building and not the acquired exclusively-owned portions.

Furthermore, the following abbreviations are used in “Structure / Floors.”

RC: Reinforced concrete structure; SRC: Steel reinforced concrete structure; S: Steel-framed structure

- For “Building,” “Total floor area” is the sum total of floor area of the building or building in trust (excluding annex buildings, etc.) indicated in the registry. In addition, in cases where the building or building in trust is exclusively-owned portions of a building under sectional ownership, “Total floor area” is the floor area for the entire building.
- For “Building,” “Type of ownership” is the classification of the type of ownership, such as ownership right and sectional ownership right. Sectional ownership right refers to the ownership right to the exclusively-owned portions of a building under sectional ownership.
- “Collateral” outlines the collateral borne by SHR, if any.
- “Property management company” is the company entrusted with property management services for the acquired asset.
- “Master lease company” is the master lease company for the acquired asset.
- “Master lease type” is the type of master lease for the acquired asset, where it is “Fixed-rent type” in cases where the master lease company is to pay a fixed amount of rent.
- For “Status of leasing,” “Total leasable area” refers to the floor area available for leasing at the building of the acquired asset, rounded to two decimal places. In cases where the property is co-ownership interest in ownership right, “Total leasable area” is the figure arrived at when the leasable area for the co-owned real estate is multiplied by the ratio of interest acquired by SHR or the trustee.
- For “Status of leasing,” “Total leased area” is the sum total of the leased area indicated in the lease agreement for the acquired asset that is valid at the time of acquisition by SHR.
- For “Status of leasing,” “Number of tenants” is the sum total of the number of tenants under the lease agreement for each property indicated in the lease agreement for the acquired asset that is valid at the time of acquisition by SHR. Furthermore, in cases where a fixed-rent-type master lease agreement, based on which a fixed amount of rent is received regardless of fluctuations in rent from end-tenants, has been executed for the concerned acquired asset, the number of lessees under the master lease agreement is stated as the number of tenants.
- For “Status of leasing,” “Annual (fixed) rent” is the monthly rent (including common area maintenance charges) for the building indicated in the lease agreement for the acquired asset that is valid at the time of acquisition by SHR, multiplied by 12 to calculate the annualized amount (in cases where several lease agreements have been executed, the sum total amount thereof), rounded down to the nearest million yen.
- For “Status of leasing,” “Leasehold and security deposits” is the sum total amount of the balance of leasehold and security deposits provided in the lease agreement for the acquired asset that is valid at the time of acquisition by SHR, rounded down to the nearest million yen.
- “Matters of special note” is the matters considered important in relation to the acquired asset’s rights, use, etc. and the matters considered important in consideration of the degree of impact on the acquired asset’s valuation, profitability and appropriation, including the following matters.

Furthermore, the matters of special note are prepared by conducting an investigation with May 9, 2014 (in the case of Gotenyama SH Building), May 13, 2014 (in the case of Honmachi Minami Garden City) or May 21, 2014 (in the case of Garden City Shinagawa Gotenyama) as the date of investigation and, in principle, presented to the extent that could be investigated by that date.

 - a. Key limitations or restrictions by laws and regulations
 - b. Key burdens or limitations pertaining to rights, etc. (including establishment of security interest)
 - c. Key structures, etc. crossing the boundary between the real estate or real estate in trust and the adjacent land or issues with boundary confirmation, etc., as well as agreements, etc. thereof, if any
 - d. Key matters agreed upon or agreements, etc. with co-owners or sectional owners

(1) Garden City Shinagawa Gotenyama

Property name		Garden City Shinagawa Gotenyama
Acquisition date		December 3, 2014
Type of specified asset		Trust beneficiary right
Trustee		Mizuho Trust & Banking Co., Ltd.
Trust expiration date		December 2, 2024
Acquisition price		39,700 million yen
Appraisal value (Date of value)		39,900 million yen (August 1, 2014)
Location (indication of residential address)		6-7-29 Kitashinagawa, Shinagawa-ku, Tokyo
Land	Site area	15,942.78m ²
	Use district	Commercial district, quasi-industrial district, and category 1 medium- to high-rise exclusive residential district
	Building coverage ratio	80/60/60%
	Floor area ratio	500/300/200%
	Type of ownership	Right of site (co-ownership interest)
Building	Use	Office (Note 1)
	Construction completion	February 2011
	Structure / Floors	RC / B1F/9F (Note 2)
	Total floor area	62,975.42m ² (Note 2)
	Type of ownership	Sectional ownership right (Note 2)
Collateral		None
Property management company		Sekisui House, Ltd.
Master lease company (Master lease type)		Sekisui House, Ltd. (Fixed-rent type)
Status of leasing	Total leasable area	21,033.47m ²
	Total leased area	21,033.47m ²
	Number of tenants	1
	Annual fixed rent	1,775 million yen
	Leasehold and security deposits	1,632 million yen (amount equivalent to leasehold and security deposits and other deposits received from end-tenants by the lessee)
	Other	A fixed-rent-type master lease agreement that has acquisition by SHR as a condition precedent has been executed, but contains provisions that, if revenue earned by the master lessee (the lessee) exceeds a certain amount, rent based on a percentage of the master lessee's revenue (overage rent) shall be paid. Furthermore, rent may possibly be revised upon renewal of the Agreement.
	Matters of special note	The Property used to be independently owned by Sekisui House, Ltd. ("Sekisui House"). Based on the sale and purchase agreement with SHR, part of the exclusively-owned portions of the Property, as well as the accompanying right of site, has been placed in the trust of and transferred to the trustee by Sekisui House today, followed by acquisition of the trust beneficiary right by SHR today. Sekisui House, the trustee and SHR have executed a written sectional owners agreement, agreeing to mutual right of first negotiation, etc.

	<p>The following outlines the Agreement.</p> <p>(a) In the event that Sekisui House or the trustee seeks to transfer the sectional ownership right in whole or in part (hereinafter referred to as the “subject sectional ownership right” in this section) to a third party or in the event that SHR seeks to transfer the trust beneficiary right (the concerned trust beneficiary right and the subject sectional ownership right hereinafter individually or collectively referred to as the “transfer property” in this section) to a third party, the party seeking to transfer (hereinafter referred to as the “offeror” in this section) must notify any other party to the Agreement (hereinafter referred to as the “counterparty” in this section) of the transfer terms and conditions and other information related to the concerned transfer before any transfer negotiations take place with a third party and, if any counterparty requests consultations concerning purchase of the transfer property, the offeror shall hold consultations on the transfer terms and conditions in good faith with the counterparty and no negotiations concerning transfer of the transfer property shall take place with a third party during the prescribed consultation period. Furthermore, only if an acceptance of the offer to purchase is not received by the offeror from the counterparty within the prescribed consultation period or if consultations fail to reach an agreement may the offeror be entitled to transfer the transfer property to a third party; provided, however, that the terms and conditions of the concerned transfer shall not be of more advantageous content to the transferee than the transfer terms and conditions notified to the counterparty above.</p> <p>(b) In the event of failure to perform the obligations provided in the Agreement, Sekisui House or SHR shall be entitled to notify the other party that the obligations be performed and, if the concerned obligations are not performed within the prescribed period, to request that the sectional ownership right held by the other party be transferred with compensation.</p> <p>(c) In the event that Sekisui House or the trustee is to transfer part of the sectional ownership right in the subject property not to other parties to the Agreement but to a third party, the third party shall succeed the status under the Agreement to the extent of the concerned transfer. In this case, the parties to the Agreement shall cooperate in making necessary amendments to the Agreement upon the succession by the concerned third party.</p>
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(Note 1) Use for the entire building is office, parking and store.

(Note 2) The sections acquired by SHR are the sectional ownership right to all of the exclusively-owned portions of the 4th, 7th and 8th floors and part of the exclusively-owned portions of the 2nd, 3rd and 6th floors of the building, as well as the accompanying right of site (ratio of right of site: 2,103,349/3,857,806 (approximately 54.5%)).

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(2) Gotenyama SH Building

Property name		Gotenyama SH Building
Acquisition date		December 3, 2014
Type of specified asset		Trust beneficiary right
Trustee		Mizuho Trust & Banking Co., Ltd.
Trust expiration date		December 2, 2024
Acquisition price		51,500 million yen
Appraisal value (Date of value)		52,100 million yen (August 1, 2014)
Location (indication of residential address)		6-5-17 Kitashinagawa, Shinagawa-ku, Tokyo
Land	Site area	6,858.68m ²
	Use district	Commercial district, quasi-industrial district, and category 1 low-rise exclusive residential district
	Building coverage ratio	80/60/60%
	Floor area ratio	500/300/150%
	Type of ownership	Ownership right
Building	Use	Office
	Construction completion	February 2011
	Structure / Floors	S/SRC / B1F/7F
	Total floor area	19,812.85m ²
	Type of ownership	Ownership right
Collateral		None
Property management company		Sekisui House, Ltd.
Master lease company (Master lease type)		—
Status of leasing	Total leasable area	19,999.97m ²
	Total leased area	19,999.97m ²
	Number of tenants	1
	Annual rent	2,177 million yen
	Leasehold and security deposits	3,266 million yen
	Other	Not applicable.
Matters of special note		The Property's lease agreement provides that, in the event that the lessor is to transfer the status of lessor, the lessor shall grant the right of first negotiation to the lessee, having notified the lessee of the transfer terms and conditions and the response deadline that has been set for a period of one month or more from the date on which the lessee is notified. If transfer terms and conditions fail to be finalized by the response deadline or if there is no response from the lessee by the response deadline, the lessor shall be entitled to transfer the status of lessor by notifying the lessee.

(3) Honmachi Minami Garden City

Property name		Honmachi Minami Garden City
Acquisition date		December 3, 2014
Type of specified asset		Trust beneficiary right
Trustee		Sumitomo Mitsui Trust Bank, Limited
Trust expiration date		December 2, 2024
Acquisition price		23,100 million yen
Appraisal value (Date of value)		24,400 million yen (August 1, 2014)
Location (indication of residential address)		3-6-1 Kitakyuhojimachi, Chuo-ku, Osaka-shi, Osaka
Land	Site area	3,737.11m ²
	Use district	Commercial district
	Building coverage ratio	80%
	Floor area ratio	1,000%
	Type of ownership	Right of site (co-ownership interest)
Building	Use	Office (Note 1)
	Construction completion	February 2011
	Structure / Floors	S/SRC / B2F/25F (Note 2)
	Total floor area	46,010.88m ² (Note 2)
	Type of ownership	Sectional ownership right (Note 2)
Collateral		None
Property management company		Sekisui House, Ltd.
Master lease company (Master lease type)		Sekisui House, Ltd. (Fixed-rent type)
Status of leasing	Total leasable area	16,699.46m ²
	Total leased area	16,699.46m ²
	Number of tenants	1
	Annual fixed rent	1,173 million yen
	Leasehold and security deposits	1,214 million yen (amount equivalent to leasehold and security deposits and other deposits received from end-tenants by the lessee)
	Other	A fixed-rent-type master lease agreement that has acquisition by SHR as a condition precedent has been executed, but contains provisions that, if revenue earned by the master lessee (the lessee) exceeds a certain amount, rent based on a percentage of the master lessee's revenue (overage rent) shall be paid. Furthermore, rent may possibly be revised upon renewal of the Agreement.
Matters of special note		Sekisui House used to hold one trust beneficiary right that has the entire building of the Property as the trust property. Based on the sale and purchase agreement with SHR, on the date of acquisition by SHR, Sekisui House divided the Property into two beneficiary rights, which are trust beneficiary right (B) that has as the trust property the sectional ownership right to the exclusively-owned portions that Sekisui House will continue to hold and trust beneficiary right (A) that has as the trust property the sectional ownership right to the exclusively-owned portions to be transferred to SHR, after which SHR acquired the concerned

trust beneficiary right (A). Sekisui House and SHR have executed a written beneficiaries agreement, agreeing to mutual right of first negotiation, etc.

The following outlines the Agreement.

(a) In the event that one of the beneficiaries (hereinafter referred to as the “offeror” in this section) seeks to transfer its beneficiary right (hereinafter referred to as the “transfer beneficiary right” in this section) to a third party, the offeror must notify the other beneficiary (hereinafter referred to as the “counterparty” in this section) of the transfer terms and conditions and other information related to the concerned transfer before any transfer negotiations take place with a third party and, if any counterparty requests consultations concerning purchase of the transfer beneficiary right, the offeror shall hold consultations on the transfer terms and conditions in good faith with the counterparty and no negotiations concerning transfer of the transfer beneficiary right shall take place with a third party during the prescribed consultation period. Furthermore, only if an acceptance of the offer to purchase is not received by the offeror from the counterparty within the prescribed consultation period or if consultations fail to reach an agreement may the offeror be entitled to transfer the transfer beneficiary right to a third party upon obtaining the consent of the trustee; provided, however, that the terms and conditions of the concerned transfer shall not be of more advantageous content to the transferee than the transfer terms and conditions notified to the counterparty above. The same shall apply in the event that Sekisui House or SHR seeks for the trustee to transfer the sectional ownership right to the real estate in trust to a third party.

(b) In the event that Sekisui House or SHR fails to perform the obligations provided in the Agreement (the concerned beneficiary failing to perform the obligations hereinafter referred to as the “defaulting beneficiary”), the counterparty shall be entitled to notify the defaulting beneficiary in writing that the obligations be performed and, if the defaulting beneficiary fails to perform the concerned obligations within the prescribed period, to request the defaulting beneficiary to transfer with compensation the transfer beneficiary right held by the defaulting beneficiary or the sectional ownership right held through the trustee.

(c) Sekisui House and SHR must obtain the consent of the counterparty to conduct any assignment, transfer, pledge as collateral or other disposition of its beneficiary right without going through the procedures of (a) above.

(Note 1) Use for the entire building is office, parking and store.

(Note 2) The exclusively-owned portions to be transferred to SHR are the sectional ownership right to all of the exclusively-owned portions of the 13th through 24th floors of the building, as well as the accompanying right of site (ratio of right of site: 1,669,946/2,965,753 (approximately 56.3%)).

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3. Seller Profile

① Name	Sekisui House, Ltd.
② Location	1-1-88 Oyodonaka, Kita-ku, Osaka-shi, Osaka
③ Name and title of representative	Isami Wada, Chairman, Representative Director & CEO Toshinori Abe, President, Representative Director & COO
④ Business description	Design, construction and contracting of industrialized housing, and sale, purchase, brokerage, leasing and management of real estate; and businesses related to the foregoing
⑤ Capital	195,009 million yen (as of last day of July 2014)
⑥ Date of establishment	August 1960
⑦ Net assets	962,566 million yen (consolidated) (as of last day of July 2014)
⑧ Total assets	1,854,610 million yen (consolidated) (as of last day of July 2014)
⑨ Large shareholder (Shareholding ratio)	Sekisui Chemical Co., Ltd. (10.40%) The Master Trust Bank of Japan, Ltd. (trust account) (5.54%) Japan Trustee Services Bank, Ltd. (trust account) (4.45%) (each as of last day of July 2014)
⑩ Relationship between SHR or the Asset Management Company and the concerned company	
Capital relationship	As of today, the concerned company holds 10.00% of the total number of investment units issued and outstanding of SHR. In addition, the concerned company holds 100% of the total number of shares issued and outstanding of the Asset Management Company and thus falls under the category of interested persons, etc. as provided in the Act on Investment Trusts and Investment Corporations (the "Investment Trusts Act").
Personnel relationship	As of today, the concerned company dispatches one part-time director and one part-time corporate auditor to the Asset Management Company. In addition, 13 of the officers and employees of the Asset Management Company are seconded from the concerned company.
Business relationship	The concerned company has executed a pipeline support agreement, sponsor support agreement, letter of intent on sale of overseas properties and memorandum regarding ownership of investment units, as well as a memorandum regarding use of trademarks, with SHR and the Asset Management Company. In addition, a master lease and property management agreement or a property management agreement has been executed for the acquired assets.
Related-party status	The concerned company is the parent company of the Asset Management Company and thus falls under the category of related parties. In addition, as stated above, the concerned company falls under the category of interested persons, etc. of the asset management company as provided in the Investment Trusts Act.

4. Status of Property Buyers, Etc.
(1) Garden City Shinagawa Gotenyama

	Previous owner / trust beneficiary	Previous, previous owner / trust beneficiary
Company name	Sekisui House, Ltd.	Party other than a party having special vested interest
Relationship with party having special vested interest	Please refer to “3. Seller Profile; ⑩ Relationship between SHR or the Asset Management Company and the concerned company” above.	—
Acquisition background/reason, etc.	Acquired for development purposes	—
Acquisition price	Omitted because ownership exceeds one year	—
Acquisition timing	March 18, 2011: Registration of preservation of ownership	—

(2) Gotenyama SH Building

	Previous owner / trust beneficiary	Previous, previous owner / trust beneficiary
Company name	Sekisui House, Ltd.	Party other than a party having special vested interest
Relationship with party having special vested interest	Please refer to “3. Seller Profile; ⑩ Relationship between SHR or the Asset Management Company and the concerned company” above.	—
Acquisition background/reason, etc.	Acquired for development purposes	—
Acquisition price	Omitted because ownership exceeds one year	—
Acquisition timing	March 18, 2011: Registration of preservation of ownership	—

(3) Honmachi Minami Garden City

	Previous owner / trust beneficiary	Previous, previous owner / trust beneficiary
Company name	Sekisui House, Ltd.	Party other than a party having special vested interest
Relationship with party having special vested interest	Please refer to “3. Seller Profile; ⑩ Relationship between SHR or the Asset Management Company and the concerned company” above.	—
Acquisition background/reason, etc.	Acquired for development purposes	—
Acquisition price	Omitted because ownership exceeds one year	—
Acquisition timing	(Land) October 13, 2006 (Building) March 31, 2011: Additional trust	—

5. Overview of Brokerage

Not applicable.

6. Transaction with Interested Persons, Etc.

The seller of the acquired assets Sekisui House, Ltd. is the parent company of the asset management company, and thus falls under the category of interested persons, etc. as provided in the Investment Trusts Act and also falls under the category of interested parties under the rules on transactions with interested parties that are internal rules of the asset management company. Accordingly, the asset management company has performed the decision-making procedures set forth in the concerned rules on transactions with interested parties upon conducting the asset acquisition transaction with Sekisui House, Ltd.

In addition, the asset management company has performed the decision-making procedures set forth in the abovementioned rules on transactions with interested parties for the acquired assets upon the trustee of the respective acquired asset executing the master lease and property management agreement (Garden City Shinagawa Gotenyama and Honmachi Minami Garden City) and property management agreement (Gotenyama SH Building) with Sekisui House, Ltd.

7. Future Outlook

For the outlook of the management status of SHR for the fiscal period ending April 2015 (from September 8, 2014 to April 30, 2015) and fiscal period ending October 2015 (from May 1, 2015 to October 31, 2015), please refer to the "Forecast of Management Status for Fiscal Period Ending April 2015 and Fiscal Period Ending October 2015" dated today.

8. Summary of Appraisal Report
(1) Garden City Shinagawa Gotenyama

Appraisal value	39,900 million yen
Name of appraisal firm	Daiwa Real Estate Appraisal Co., Ltd.
Date of value	August 1, 2014

(million yen) (Note)

Item	Details	Description, etc.
Indicated value by income approach	39,900	Appraised based on the indicated value by DCF method, and by verification using the indicated value by direct capitalization method.
Indicated value by direct capitalization method	40,600	Appraised as the net cash flow regarded as being stable in the medium to long term, discounted by the capitalization rate.
Operating revenue	2,143	
Gross potential income	2,209	Recorded the rental income, utilities income, parking income, etc. regarded as being stable in the medium to long term.
Vacancy loss, etc.	65	Recorded based on the vacancy rate regarded as being stable in the medium to long term.
Operating expenses	500	
Maintenance and management fee	118	Recorded based on historical data, etc., and by verification using the level of maintenance and management fee for similar property.
Utilities expenses	83	Recorded based on historical data, etc.
Repair expenses	27	Appraised based on the level for similar property and the average repair expenses in the engineering report.
Property management fee	46	Appraised by taking into consideration the level for similar property and the factors specific to the subject property.
Tenant leasing cost, etc.	17	Recorded based on tenant leasing cost, etc. appraised based on the assumed turnover rate and similar property.
Property taxes	156	Recorded based on the fiscal 2014 actual amount.
Insurance premium	6	Recorded based on the most recent actual amount.
Other expenses	44	Recorded shuttle bus operation expenses, supplies expenses, neighborhood association fee, etc. based on historical data, etc.
Net operating income (NOI)	1,642	
Financial interests on refundable deposits	41	Recorded based on the investment return appraised from fund management aspects and fund procurement aspects.
Capital expenditures	19	Recorded based on the average renewal expenses in the engineering report and the level for similar property.
Net cash flow (NCF)	1,664	
Capitalization rate	4.1%	Appraised based on cases of transaction of similar property, interviews with investors, etc., and taking into consideration the factors specific to the subject property.
Indicated value by DCF method	39,600	Appraised by adding up the cash flows of each year of the analysis period and the present value of the reversionary price.
Discount rate	3.7%	Appraised by comparison with cases of transaction of similar property, adjusting the return on financial assets to reflect property-specific factors, and reference to also interviews with investors, etc.
Terminal capitalization rate	4.3%	Appraised by taking into account such factors as similar transaction cases, future trends in the investment capitalization rate, risks of the subject property, projection of the future economic growth rate and trends in property prices.
Indicated value by cost approach	40,800	
Ratio of land	75.0%	
Ratio of building	25.0%	

(Note) Amounts are rounded down to the nearest million yen. Accordingly, the amounts may not add up to the figures for operating revenue, operating expenses and other items.

(2) Gotenyama SH Building

Appraisal value	52,100 million yen
Name of appraisal firm	The Tanizawa Sōgō Appraisal Co., Ltd.
Date of value	August 1, 2014

(million yen) (Note)

Indicated value by income approach	52,100	Appraised by using the indicated value by DCF method as a standard, and by verification using the indicated value by direct capitalization method.
Indicated value by direct capitalization method	52,900	Appraised as the standardized and stable net cash flow, discounted by the capitalization rate.
Operating revenue	2,177	
Gross potential income	2,177	Recorded based on market rent appraised from present rent and the factors specific to the subject property.
Vacancy loss, etc.	0	Not recorded because based on the assumption that the property is leased in its entirety.
Operating expenses	120	
Maintenance and management fee	4	Appraised based on historical data, etc.
Utilities expenses	0	Not recorded because borne by tenants.
Repair expenses	3	Appraised based on the engineering report and similar cases.
Property management fee	2	Recorded based on similar cases, etc.
Tenant leasing cost, etc.	0	Appraised as there being no tenants moving out of the property based on the assumption that the property is leased in its entirety.
Property taxes	104	Recorded based on the fiscal 2014 actual amount.
Insurance premium	4	Recorded based on historical data.
Other expenses	0	Recorded neighborhood association fee based on historical data.
Net operating income (NOI)	2,057	
Financial interests on refundable deposits	65	Appraised the investment return using the recent earning rate of financial assets, future economic projection, etc.
Capital expenditures	9	Appraised based on the engineering report and similar cases.
Net cash flow (NCF)	2,114	
Capitalization rate	4.0%	Appraised by taking into account the regional factors of and factors specific to the subject property, centering on the market capitalization rate for office buildings in the area, etc., and considering also the correlation with the discount rate.
Indicated value by DCF method	51,700	
Discount rate	4.0%	Appraised by taking the base rate for office buildings into account, and adjusting for risk factors specific to the subject property.
Terminal capitalization rate	4.2%	Appraised by taking the capitalization rate level as of the date of value, and adjusting for net cash flow fluctuations from the next year after the end of the holding period, future uncertainties, etc.
Indicated value by cost approach	29,300	
Ratio of land	75.1%	
Ratio of building	24.9%	

(Note) Amounts are rounded down to the nearest million yen. Accordingly, the amounts may not add up to the figures for operating revenue, operating expenses and other items.

(3) Honmachi Minami Garden City

Appraisal value	24,400 million yen
Name of appraisal firm	Rich Appraisal Institute Co., Ltd.
Date of value	August 1, 2014

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(million yen) (Note)

Indicated value by income approach	24,400	Appraised with focus on the indicated value by DCF method.
Indicated value by direct capitalization method	25,200	Appraised as the net cash flow regarded as being stable in the medium to long term, discounted by the capitalization rate.
Operating revenue	1,461	
Gross potential income	1,544	Appraised the standard rent as of the date of value by taking into consideration historical data and the area's leasing market.
Vacancy loss, etc.	83	Appraised based on the region's standard vacancy rate, and by taking into account such factors as the subject building's size, location conditions, etc.
Operating expenses	325	
Maintenance and management fee	68	Recorded based on the subject property's and similar property's historical data, etc., and by taking into consideration the appraised amount of variable management fee.
Utilities expenses	84	Recorded based on the subject property's and similar property's historical data, etc.
Repair expenses	3	Appraised based on the average repair expenses in the engineering report.
Property management fee	28	Appraised based on the level for similar property.
Tenant leasing cost, etc.	11	Recorded the corresponding 1 month's rent when the turnover rate is assumed to be 10%.
Property taxes	126	Recorded based on the fiscal 2014 actual amount.
Insurance premium	2	Recorded based on historical data.
Other expenses	0	Recorded neighborhood association fee, etc.
Net operating income (NOI)	1,135	
Financial interests on refundable deposits	23	Recorded based on the investment return appraised by taking into consideration such factors as the level of interest rate and return on financial assets.
Capital expenditures	24	Appraised by taking into account such factors as the average renewal expenses in the engineering report and building use, age and size.
Net cash flow (NCF)	1,134	
Capitalization rate	4.5%	Appraised by taking into consideration the capitalization rate based on The Japanese Real Estate Investor Survey, capitalization rate based on transaction cases and discount rate.
Indicated value by DCF method	24,100	
Discount rate	4.2%	Appraised by taking into consideration the method based on summation, method based on transaction rates and factors specific to the subject property.
Terminal capitalization rate	4.7%	Appraised by taking the capitalization rate, and adjusting for risks, etc. based on future building deterioration, economic trends after the end of the holding period, net rent fluctuation projection and net cash flow uncertainties.
Indicated value by cost approach	19,200	
Ratio of land	62.1%	
Ratio of building	37.9%	

(Note) Amounts are rounded down to the nearest million yen. Accordingly, the amounts may not add up to the figures for operating revenue, operating expenses and other items.

*This material is distributed to the press club of the Tokyo Stock Exchange (Kabuto Club), the press club of the Ministry of Land, Infrastructure, Transport and Tourism, and the press club for construction trade publications of the Ministry of Land, Infrastructure, Transport and Tourism.

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

<Attachments>

Reference Material 1: Summary of Engineering Report
 Reference Material 2: Summary of Seismic Risk Analysis
 Reference Material 3: Photograph of Exterior
 Reference Material 4: Portfolio List

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Reference Material 1: Summary of Engineering Report

Property no.	Property name	Replacement cost (million yen) (Note 1)	Repair expenses at time of investigation (thousand yen) (Note 2)			Investigator	Date of report (Note 3)
			Emergency	Short-term	Long-term		
J-1	Garden City Shinagawa Gotenyama	10,969	0	0	41,231 (Note 4)	Sompo Japan Nipponkoa Risk Management Inc.	September 2014
J-2	Gotenyama SH Building	6,800	0	0	5,588	ERI Solution Co., Ltd.	September 2014
J-3	Honmachi Minami Garden City	7,840	0	0	10,454 (Note 4)	Tokio Marine & Nichido Risk Consulting Co., Ltd.	September 2014
Total		25,609	0	0	57,273	—	—

(Note 1) "Replacement cost" is the replacement cost stated in the engineering report.

(Note 2) "Repair expenses" is rounded down to the nearest thousand yen. "Short-term" is the investigator's estimate of the repair and renewal expenses required within one year at the time of investigation. "Long-term" is the investigator's estimate of the repair and renewal expenses for 12 years (varies depending on the investigator) at the time of investigation, converted into an annual average amount by the Asset Management Company.

(Note 3) "Date of report" is the date of preparation stated in the engineering report.

(Note 4) The replacement cost and repair expenses at the time of investigation for "Garden City Shinagawa Gotenyama" and "Honmachi Minami Garden City" are the respective figures for the entire property, multiplied by the ratio of interest acquired by SHR (Garden City Shinagawa Gotenyama: 2,103,349/3,857,806 (approximately 54.5%) of the entire property; Honmachi Minami Garden City: 1,669,946/2,965,753 (approximately 56.3%) of the entire property).

Reference Material 2: Summary of Seismic Risk Analysis

Property no.	Property name	PML value (Probable Maximum Loss) (%) (Note 1)
J-1	Garden City Shinagawa Gotenyama	0.5
J-2	Gotenyama SH Building	1.9
J-3	Honmachi Minami Garden City	4.5
Entire portfolio (Note 2)		1.6

(Note 1) “PML value” is based on the statement in the seismic risk evaluation report prepared for the acquired asset by Tokio Marine & Nichido Risk Consulting Co., Ltd. The concerned statement is no more than an indication of the opinion of the reporting party, and SHR does not guarantee the accuracy of the content thereof.

Furthermore, PML refers to the extent of damage that may be suffered due to an earthquake causing loss that has a 10% exceedance probability in the assumed scheduled use period (50 years = useful life of a general building), expressed as a percentage (%) of the replacement cost for the amount of probable loss corresponding to a 90% non-exceedance probability. However, the amount of probable loss is limited to that for direct loss on the building (structure, finishing and building equipment) only that are caused by earthquake ground motion, and does not include damage to tools, furniture, fixtures, etc., loss caused by post-earthquake water or fire disasters, compensation for disaster victims, operating loss due to interruption of business operations and other secondary damages.

(Note 2) “Entire portfolio” PML value is the portfolio PML value based on the “3 Properties’ Building Seismic Risk Evaluation Portfolio Analysis Report” dated September 2014.

Reference Material 3: Photograph of Exterior
(1) Garden City Shinagawa Gotenyama



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(2) Gotenyama SH Building



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(3) Honmachi Minami Garden City



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Reference Material 4: Portfolio List

Property no.	Property name	Location	Acquisition date	Acquisition price (million yen) (Note 1)	Share of portfolio (%) (Note 2)
J-1	Garden City Shinagawa Gotenyama	Shinagawa-ku, Tokyo	December 3, 2014	39,700	34.7
J-2	Gotenyama SH Building	Shinagawa-ku, Tokyo	December 3, 2014	51,500	45.1
J-3	Honmachi Minami Garden City	Chuo-ku, Osaka-shi, Osaka	December 3, 2014	23,100	20.2
Total		—	—	114,300	100.0

(Note 1) "Acquisition price" is the sale and purchase price stated in the sale and purchase agreement for the acquired asset (excluding consumption tax and local consumption tax, as well as commission and other various expenses; rounded down to the nearest million yen).

(Note 2) "Share of portfolio" is the property's acquisition price expressed as a percentage of the sum total of the acquisition prices, rounded to one decimal place. Accordingly, the sum total of each property's share of the portfolio may differ from the figure stated in the total column.