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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 October 31, 2018 and April 30, 2019**

Sekisui House Reit, Inc. (“SHR”) announces that it has decided to make following revisions to its forecast of operating results and distributions for the fiscal periods ending October 31, 2018 (from May 1, 2018 to October 31, 2018) and April 30, 2019 (from November 1, 2018 to April 30, 2019) of SHR that has been announced in the “Notice Concerning Revisions to the Forecast of Operating Results and Distributions for the Fiscal Periods Ending October 31, 2018 and April 30, 2019” dated May 1, 2018.

I. Forecast Revisions
(1) Revisions to the forecast of operating results and distributions for the fiscal period ending October 31, 2018

	Operating Revenue (Million yen)	Operating Income (Million yen)	Ordinary Income (Million yen)	Net income (Million yen)	Distributions per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)	Distributions per unit (including distributions in excess of earnings) (yen)
Previous forecast (A)	12,077	5,688	4,984	7,243	1,179	145	1,324
Revised forecast (B)	12,136	5,570	4,878	7,178	1,531	-	1,531
Difference (B-A)	59	(117)	(105)	(65)	352	(145)	207
Change ratio	0.5%	(2.1)%	(2.1)%	(0.9)%	29.9%	(100.0)%	15.6%

(2) 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)	Distributions per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)	Distributions per unit (including distributions in excess of earnings) (yen)
Previous forecast (A)	12,135	6,370	5,630	5,629	1,496	-	1,496
Revised forecast (B)	12,078	6,346	5,604	5,603	1,526	-	1,526
Difference (B-A)	(57)	(23)	(26)	(25)	30	-	30
Change ratio	(0.5)%	(0.4)%	(0.5)%	(0.4)%	2.0%	-%	2.0%

(For reference)

The forecast total number of outstanding investment units at the end of the fiscal period ending October 31, 2018:

3,762,091 units

The forecast total number of outstanding investment units at the end of the fiscal period ending April 30, 2019:

3,762,091 units

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 October 31, 2018 and April 30, 2019. The actual operating revenues, operating income, ordinary income, net income, distributions per unit (excluding distributions in excess of earnings), distributions in excess of earnings per unit and distributions per unit (including distributions in excess of earnings) may differ due to future acquisition or sale of properties, changes in the real estate market, and other factors affecting SHR. The forecasts do not guarantee the amount of distributions stated above.

Note 2: SHR estimates the amount of negative goodwill to be recorded due to an absorption-type merger whereby SHR is the surviving corporation and Sekisui House Residential Investment Corporation ("SHI") is the dissolved corporation (the "Investment Corporation Merger") as 2,300 million yen, and premised on application of the Accounting Standards for Business Combinations (Accounting Standards Board of Japan Statement No. 21, as amended September 13, 2013; "Business Combinations Accounting Standards"), the amount of negative goodwill will be recorded as extraordinary income for the fiscal period ending October 31, 2018 (the 8th fiscal period). The amount of negative goodwill may differ from above figure. For details, please refer to the "Gains on negative goodwill" section of the exhibit, Assumptions for the Forecast of Operating Results and Distributions for the Fiscal Periods Ending October 31, 2018 and April 30, 2019.

Note 3: The forecast may be revised when a certain level of divergence from the above forecast is expected.

Note 4: Amounts less than one unit have been rounded down; the same hereafter.

Note 5: Change ratio has been rounded to the nearest first decimal place.

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

As premises for assumptions for forecast of operating results and distributions for the fiscal period ending October 31, 2018 announced on May 1, 2018, it was expected that there may arise an inconsistency between accounting and taxation purposes (meaning an inconsistency between income for accounting and that for taxation purposes; the same hereinafter) of approximately 1,833 million yen (approximately 487 yen per unit) including taxable gain on sale (approximately 1,756 million yen) besides gains on negative goodwill in fiscal period ending October 31, 2018 (the 8th fiscal period). However, because the final amount of inconsistency between accounting and taxation purposes, combined with other inconsistency between accounting and taxation purposes, may significantly differ depending on operations during the fiscal period ending October 31, 2018, the distribution of the amount equivalent to such amount of inconsistency between accounting and taxation purposes for the purposes of avoiding tax burden such as corporate income tax has not been factored into the distributions per unit forecasted for the fiscal period ending October 31, 2018 (the 8th fiscal period).

Currently, by taking into account the occupancy rate of assets under management, and by also taking into account the assumption that Hamamatsu Plaza which is among the trust beneficiary interests in real estate that was succeeded effective May 1, 2018 from SHI through merger with SHR to be sold at the end of the fiscal period ending October 31, 2018 (the 8th fiscal period), it is forecasted that there will arise a divergence of 5% or more from increase in the forecasted distribution. In addition, it is forecasted that deferred losses on hedge for SHI's interest rate swap will be accounted at the end of the fiscal period ending October 31, 2018 (the 8th fiscal period) accompanying the Investment Corporation Merger, where SHR intended to make distributions in excess of earnings as Allowance for Temporary difference Adjustment ("ATA") if the amount of inconsistency between accounting and taxation purposes other than gains on negative goodwill and the amount equivalent to deferred losses on hedge for SHI's interest rate swap accompanying the Investment Corporation Merger exceed the gains on negative goodwill as at the end of that fiscal period. However, when factoring the assumed sale of Hamamatsu Plaza at the end of the fiscal period ending October 31, 2018 (the 8th fiscal period) as indicated above and the final projected amount of inconsistency between accounting and taxation purposes for the fiscal period ending October 31, 2018 (the 8th

fiscal period) for forecasting the distributions per unit for the fiscal period ending October 31, 2018 (the 8th fiscal period), it is now projected that the amount of inconsistency between accounting and taxation purposes other than gains on negative goodwill and the amount equivalent to deferred losses on hedge for SHI's interest rate swap accompanying the Investment Corporation Merger will be less than gains on negative goodwill, and it is projected that there will not arise tax burden such as corporate income tax even if distributions in excess of earnings are not made for the amount equivalent to the relevant deferred losses on hedge as ATA. For this reason, the forecast on operating results and distribution for fiscal periods ending October 31, 2018 and April 30, 2019 was revised together by giving notice on the forecast on operating results and distribution for fiscal periods ending October 31, 2018 and April 30, 2019 in the "Financial Report for the Fiscal Period Ended April 30, 2018 (REIT)" which was separately released today.

*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 October 31, 2018 and April 30, 2019

Items	Preconditions
Calculation period	<ul style="list-style-type: none"> - Fiscal period ending October 31, 2018 (the 8th fiscal period): May 1, 2018 - October 31, 2018 (184 days) - Fiscal period ending April 30, 2019 (the 9th fiscal period): November 1, 2018 - April 30, 2019 (181 days)
Assets under Management	<ul style="list-style-type: none"> - Assumption is made based on the assets under management with respect to the trust beneficiary interests in real estates (for a total of 113 properties) which consist of (i) the real estate trust beneficiary interests held by SHR as of the end of the fiscal period ended April 30, 2018 (the 7th fiscal period) (for a total of 6 properties); (ii) the real estate trust beneficiary interests succeeded by SHR from SHI effective May 1, 2018 as a result of the Investment Corporation Merger (for a total of 101 properties excluding the real estate trust beneficiary interests (for a total of 12 properties) sold on the same day (the "Sale Completion Assets"); and (iii) the real estate trust beneficiary interests (for a total of 6 properties) acquired on the same day (the "Acquired Completion Assets"). - With respect to the Sale Completion Assets among the real estate trust beneficiary interests succeeded by SHR from SHI effective May 1, 2018 through the Investment Corporation Merger, SHR succeeded to all of the status and rights and obligations of SHI as the seller under the sale and purchase agreement and executed sales on the same day. Because the book value recognized by SHR for the Sale Completion Assets was a price after deducting the expenses for sale from the sale price, it is not expected for any gain (loss) to be accounted by SHR but it is expected for there to arise a gain for taxation purposes as indicated in below "Inconsistency between accounting and taxation purposes categories." - Although it has not been officially decided as of today, Hamamatsu Plaza which is among the real estate trust beneficiary interests succeeded by SHR from SHI effective May 1, 2018 as a result of the Investment Corporation Merger is expected to be sold at the end of the fiscal period ending October 31, 2018 (the 8th fiscal period) and it is therefore expected for a loss to arise in accounting and taxation purposes as indicated in below "Operating Expenses" and "Inconsistency between accounting and taxation purposes categories." - Other than the above, it is assumed that there are no changes to the assets under management (such as new acquisitions of properties or the sale of existing properties and the like until the end of the fiscal period ending April 30, 2019 (the 9th fiscal period). - In reality, there may be changes due to changes in the assets under management.
Operating Revenue	<ul style="list-style-type: none"> - For the leasing business revenue, the asset which SHR possesses as of today (excluding the Acquired Completion Assets, the "Possessing Assets") is calculated based on lease agreements in effect as of today taking into consideration, among other matters, market trends and individual tenant trends, the Acquired Completion Assets is calculated based on information received from the sellers, etc. of properties, and lease agreements in effect as of today taking into consideration, among other matters, market trends and individual tenant trends. - Operating revenue assumes that tenants will fully pay their rents without delay or default.
Operating Expenses	<ul style="list-style-type: none"> - It is forecasted that there will arise a loss of 100 million yen from scheduled sale of Hamamatsu Plaza at the end of the fiscal period ending October 31, 2018 (the 8th fiscal period) as indicated in above "Assets under management." However, this amount may differ depending on whether the transaction for Hamamatsu Plaza will materialize, the sale price, and other terms. - Among leasing business expenses, which are the primary operating expenses, expenses other than depreciation have been calculated for the Possessing Assets by reflecting the factors behind the fluctuation in expenses based on past results, and for the Acquired Completion Asset, 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 lease agreements which are in effect as of today. - Although generally fixed asset tax, city planning tax and depreciable asset tax for the acquired assets in the acquisition year are calculated proportionally by period with the

	<p>seller and settled at the time of acquisition, since the amount equal to such settlement amount is included in the acquisition cost, it is not recorded as an expense in the acquisition period.</p> <p>Furthermore, the expected total of fixed asset tax, city planning tax and depreciable asset tax factored into the acquisition cost of the Acquired Completion Asset is 56 million yen (equivalent to 245 days). It is expected that the FY2019 fixed asset tax, city planning tax and depreciable asset tax for the Acquired Completion Asset will be recorded as expenses from the fiscal period ending October 31, 2019 (the 10th fiscal period).</p> <p>Taxes and other public charges are expected to be 810 million yen in the fiscal period ending October 31, 2018 (the 8th fiscal period) and 802 million yen in the fiscal period ending April 30, 2019 (the 9th fiscal period).</p> <p>The expected building repair expenses required for each operating period are recorded as expenses based on the amounts planned by Sekisui House Asset Management Company, Ltd. upon taking into consideration the amounts set forth in building condition inspection reports and the appraisal reports. However, actual repair expenses for the relevant operating period may be significantly different from the forecast amount due to, for example, the possibility of sudden repair expenses for repairs caused by damage, etc. to buildings based on factors that are difficult to foresee, the amount generally tending to vary significantly from year to year, and not being regularly recurring expenses.</p> <p>Depreciation are calculated using the straight-line method including incidental expenses, etc., and are anticipated to be 2,149 million yen in the fiscal period ending October 31, 2018 (the 8th fiscal period) and 2,156 million yen in the fiscal period ending April 30, 2019 (the 9th fiscal period). The book value of the real estate, etc. that SHR has succeeded from SHI in accordance with the Investment Corporation Merger has not yet been fixed as of today, so this amount may change.</p> <p>Asset management fees (excluding merger fees) are expected to be 485 million yen in the fiscal period ending October 31, 2018 (the 8th fiscal period) and 779 million yen in the fiscal period ending April 30, 2019 (the 9th fiscal period).</p> <p>One-off expenses related to the Investment Corporation Merger in the fiscal period ending October 31, 2018 (the 8th fiscal period) are expected to be asset management fees in the form of merger fees of 925 million yen and merger-related fees of 17 million yen.</p>
<p>Non-operating expenses</p>	<p>For investment unit delivery expenses, amortization of investment unit delivery expenses is expected to be 14 million yen in both the fiscal period ending October 31, 2018 (the 8th fiscal period) and the fiscal period ending April 30, 2019 (the 9th fiscal period), premised on amortization over three years using the straight-line method.</p> <p>Interest expenses, interest on investment corporation bonds, and financing-related expenses are anticipated to be 719 million yen in the fiscal period ending October 31, 2018 (the 8th fiscal period) and 749 million yen in the fiscal period ending April 30, 2019 (the 9th fiscal period), but are premised on 110 million yen in the fiscal period ending October 31, 2018 (the 8th fiscal period) and 103 million yen in the fiscal period ending April 30, 2019 (the 9th fiscal period) being deducted from interest expenses as the drawdown amount for deferred income.</p>
<p>Gains on negative goodwill</p>	<p>The Investment Corporation Merger is expected to generate negative goodwill, and gains on such negative goodwill will be recorded as a lump sum as extraordinary income for the fiscal period ending October 31, 2018 (the 8th fiscal period) in accordance with the Accounting Standard for Business Combinations. The amount to be recorded as gains on negative goodwill is estimated to be 2,300 million yen as of today, but such amount is uncertain and may fluctuate from the said amount.</p> <p>The amount of gains of negative goodwill is calculated on the assumption of the total assets of SHI as the acquired corporation under the Accounting Standard for Business Combinations are 243,277 million yen, the total assumed liabilities are 112,379 million yen, and the acquisition cost for the Investment Corporation Merger is 128,598 million yen (the aggregate value of the investment units of SHR to be allotted to the unitholders of SHI as consideration of the Investment Corporation Merger is calculated based on the investment unit price 70,500 yen as of April 27, 2018 (closing price)).</p>
<p>Interest-bearing liabilities</p>	<p>SHR has borrowed 8,000 million yen as a new borrowing effective May 1, 2018, has obtained rollover financing in the same amount effective May 31, 2018, and it 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 today.</p> <p>It is assumed that the repayment for the amount of the 2,500 million yen of borrowings with repayment deadlines in the fiscal period ending October 31, 2018 (the 8th fiscal</p>

	<p>period) and the amount of 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.</p> <ul style="list-style-type: none"> - The total asset LTV as of May 1, 2018 is expected to be approximately 43.1%, and the total asset LTV as of the end of the fiscal periods ending October 31, 2018 (the 8th fiscal period) and April 30, 2019 (the 9th fiscal period) are expected to be around the same level. - The following calculation is used to calculate the total asset LTV. $\text{Total asset LTV} = \frac{\text{expected total amount of interest-bearing liabilities}}{\text{expected total amount of assets}} \times 100$
<p>Total number of investment units issued and outstanding</p>	<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 issuance of new investment units until the end of the fiscal period ending April 30, 2019 (the 9th fiscal period).
<p>Inconsistency between accounting and taxation purposes categories</p>	<ul style="list-style-type: none"> - With respect to the Sale Completion Assets sold effective May 1, 2018, it is expected that no gain will be accounted for accounting purposes as indicated in above "Assets under management." However, because SHR will succeed to the book value as of the last day of SHI's final operating period for taxation purposes, a gain of 1,769 million yen (after deducting expenses for sale) will arise. - With respect to Hamamatsu Plaza scheduled for sale at the end of the fiscal period ending October 31, 2018 (the 8th fiscal period), it is expected that a loss of 100 million yen will arise for accounting purposes as indicated in above "Operating Expenses" but because the book value as of the last day of SHI's final operating period (April 30, 2018) will be succeeded to SHR for taxation purposes, it is expected that there will arise a loss of 1,057 million yen (after deducting estimated expenses for sale) for taxation purposes. - As of today, besides the gains on negative goodwill, an inconsistency between accounting and taxation purposes of approximately 788 million yen (approximately 209 yen per unit) reflecting the above gain (loss) is expected for the fiscal period ending October 31, 2018 (the 8th fiscal period) and an inconsistency between accounting and taxation purposes of approximately 79 million yen (approximately 21 yen per unit) is expected for the fiscal period ending April 30, 2019 (the 9th fiscal period). To avoid the occurrence of a tax burden, SHR intends to make distributions for the amount equivalent to the inconsistency between accounting and taxation purposes (see note). (Note) For such required distributions, SHR currently intends to make distributions from gains on negative goodwill.
<p>Distributions per unit (excluding distributions in excess of earnings)</p>	<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. - As to SHR's premises for making distributions from gains on negative goodwill to be made for the fiscal period ending October 31, 2018 (the 8th fiscal period), the gains on negative goodwill are to be appropriated to the amount equivalent to the inconsistency between accounting and taxation purposes (other than gains on negative goodwill) of 788 million yen, and the amount equivalent to earnings of 97 million yen which is expected to decrease from accounting loss relating to Hamamatsu Plaza. Any amounts remaining in gains on negative goodwill after appropriation to distribution shall be reserved as reserve for temporary difference adjustment (the "RTA") in accordance with the Calculation Rules for Investment corporation (Cabinet Office Ordinance No. 47 of 2006, as amended) to the extent the conduit requirements are satisfied. - With respect to the RTA reserved, as long as there are amounts remaining in the RTA after the fiscal period ending April 30, 2019 (the 9th fiscal period), 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 fiscal period ending April 30, 2019 (the 9th fiscal period), distribution is premised on reversing the amount equivalent to the inconsistency between accounting and taxation purposes of 79 million yen expected to arise for the fiscal period ending April 30, 2019 (the 9th fiscal period) and amount equivalent to earnings of 60 million yen which is expected to decrease from exfoliation of the leasing business profit for Hamamatsu Plaza. - The distributions per unit (excluding distributions in excess of earnings) may change 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, the fixing of the gain on negative goodwill, and the like.
Distributions in excess of earnings per unit	- SHR does not currently anticipate distributions in excess of earnings per unit (distributions in excess of net income per unit).
Other	- 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.