

May 1, 2018

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 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 the Forecast of Operating Results and Distributions Subsequent to the Merger of Sekisui House Reit, Inc. and Sekisui House Residential Investment Corporation for the Fiscal Periods Ending October 31, 2018 and April 30, 2019” dated January 24, 2018.

1. 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	5,683	4,980	4,977	1,178	145	1,323
Revised forecast (B)	12,077	5,688	4,984	7,243	1,179	145	1,324
Difference (B-A)	-	4	4	2,266	1	-	1
Change ratio	-%	0.1%	0.1%	45.5%	0.1%	-%	0.1%

(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	6,366	5,626	5,624	1,495	-	1,495
Revised forecast (B)	12,135	6,370	5,630	5,629	1,496	-	1,496
Difference (B-A)	-	4	4	4	1	-	1
Change ratio	-%	0.1%	0.1%	0.1%	0.1%	-%	0.1%

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(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 of excess earnings), distributions in excess of earnings per unit and distributions per unit (including distributions of excess 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 2,261 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: An inconsistency between accounting and taxation purposes (meaning an inconsistency between income for accounting and 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 is expected for the fiscal period ending October 31, 2018 and an inconsistency between accounting and taxation purposes of approximately 94 million yen (approximately 25 yen per unit) is expected for the fiscal period ending April 30, 2019 (the 9th fiscal period). These inconsistencies between accounting and taxation purposes could cause corporate income tax etc., however, SHR currently intends to make distributions for the amount equivalent to the inconsistency between accounting and taxation purposes, which in turn, may be possible to avoid the occurrence of a tax burden as a result. For such required distributions, SHR intends to make distributions from gains on negative goodwill and distribution in excess of earnings as an allowance for temporary difference adjustment (the “ATA”). However, the distribution of the amount equivalent to this inconsistency between accounting and taxation purposes has not been factored into the distributions per unit (excluding distributions in excess of earnings), the distributions in excess of earnings per unit and distributions per unit (including distributions in excess of earnings) as the amount of the inconsistency between accounting and taxation purposes may significantly change according to operations during these fiscal periods. This means that the final distributions amount for fiscal period ending October 31, 2018 and April 30, 2019 will change according to the actual amount of inconsistency between accounting and taxation purposes. For details, please refer to the “Gains on negative goodwill,” the “Inconsistency between accounting and taxation purposes categories,” the “Distributions per unit (excluding distributions in excess of earnings)” and the “Distributions in excess of earnings per unit” sections of the exhibit, Assumptions for Forecast of Operating Results and Distributions for the Fiscal Periods Ending October 31, 2018 and April 30, 2019.

Note 4: For details regarding the taxable gain on sale mentioned in Note 3, please refer to “1. Outline of the Asset Replacement (2) Outline of the Asset Sale” of the “Notice Concerning Acquisition of Trust Beneficiary Interests in Domestic Real Estate and Leases (Prime Maison Shirokanedai Tower and Five Other Properties) and Sale and Cancellation of Leases (Esty Maison Machida and Eleven Other Properties)” announced as of January 24, 2018 by SHR and SHI.

Note 5: The forecast may be revised when a certain level of divergence from the above forecast is expected.

Note 6: Amounts less than one unit have been rounded down; the same hereafter.

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

In accordance with the Investment Corporation Merger with SHI which became effective as of today, as to the appraisal value of the real estate trust beneficiary interests succeed from SHI (“Succeeded Assets”), the basis for the valuation of the Succeeded Assets has largely been determined. Subject to the Accounting Standard for Business Combinations, SHR estimates that roughly amount of negative goodwill expected to be generated from the Investment Corporation Merger by calculating the aggregate value of the investment units of SHR to be allotted to the unitholders of SHI (merger consideration) based on the investment unit price of SHR as of the effective date of the Investment Corporation Merger (the investment unit price as of April 27, 2018 (closing price)). Consequently, we hereby announce the revisions to the forecast of operating results and distributions for the fiscal periods ending October 31, 2018 and April 30, 2019.

For details of estimated amount of valuation of Succeeded Assets and negative goodwill, please refer to the “Notice Concerning Valuation of Succeeded Assets and Amount of Negative Goodwill From Merger with Sekisui House Residential Investment Corporation” released by SHR as of 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"> - 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) until the end of the fiscal period ending on April 30, 2019 (the 9th fiscal period) with respect to the real estate trust beneficiary interests (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 (for the total of 6 properties); (ii) the real estate trust beneficiary interests succeeded to as of today by SHR from SHI as a result of the Investment Corporation Merger (for a total of 101 properties excluding 12 properties sold as of today); and (iii) the real estate trust beneficiary interests (for the total of 6 properties) acquired as of today, as announced today in the "Notice Concerning Completion of Acquisition (Prime Maison Shirokanedai Tower and Five Other Properties) and Completion of Sale (Esty Maison Machida and Eleven Other Properties of Trust Beneficiary Interests in Domestic Real Estate)" (the "Acquired Completion Assets"). - 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 current lease agreements 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 current lease agreements 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"> - Among leasing business expenses, which are the primary operating expenses, expenses other than depreciation and amortization 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 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. - 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 66 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). - Taxes and other public charges of 798 million yen are expected for both fiscal periods ending October 31, 2018 (the 8th fiscal period) and April 30, 2019 (the 9th fiscal period). - The expected building repair expenses required for each operating period are recorded as expenses based on the amounts planned by the Asset Management Company (Sekisui House Asset Management, 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. - Depreciation and amortization are calculated using the straight-line method including incidental expenses, etc., and are anticipated to be 2,147 million yen in the fiscal period ending October 31, 2018 (the 8th fiscal period) and 2,156 million yen in the fiscal period

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	<p>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 which became effective as of today has not yet been fixed, so may change.</p> <p>Asset management fees (excluding merger fees) are expected to be 500 million yen in the fiscal period ending October 31, 2018 (the 8th fiscal period) and 783 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 924 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 734 million yen in the fiscal period ending October 31, 2018 (the 8th fiscal period) and 747 million yen in the fiscal period ending April 30, 2019 (the 9th fiscal period), but are premised on 114 million yen in the fiscal period ending October 31, 2018 (the 8th fiscal period) and 107 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. This deferred income will be the same amount as the fair market value of SHI's interest rate swaps, and anticipated to be 662 million yen as of today, but the actual amount may be different from the forecast amount as the final recorded amount of the market value as of April 30, 2018, is uncertain as of today</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 2,261 million yen at the current moment, 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 243,393 million yen, the total assumed liabilities are 112,533 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>The distributions from gains on negative goodwill has not been factored into the distributions per unit (excluding distributions in excess of earnings per unit) and distributions per unit (including distributions in excess of earnings per unit) as stated in the "Inconsistency between accounting and taxation purposes categories", the amount of the inconsistency between accounting and taxation purposes may significantly change according to operations during these fiscal periods.</p>
<p>Interest-bearing liabilities</p>	<p>As stated in the "Notice Concerning Borrowing of Funds" announced as of April 23, 2018, SHR has borrowed 8,000 million yen as a new borrowing effective today, 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 period) and the amount of 20,382 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> <p>The interest-bearing liabilities as of the end of the fiscal period ending October 31, 2018 (the 8th fiscal period) and April 30, 2019 (the 9th fiscal period) are expected to be 197,932 million yen.</p> <p>The total asset LTV as of today is expected to be approximately 43.1%, and the total asset LTV as of the end of the fiscal period ending October 31, 2018 (the 8th fiscal period) and April 30, 2019 (the 9th fiscal period) are expected to be around the same level.</p> <p>The following calculation is used to calculate the total asset LTV.</p> <p style="padding-left: 40px;">Total asset LTV = expected total amount of interest-bearing liabilities / expected total amount of assets × 100</p>

Investment units	<p>It is assumed that the total number of investment units issued and outstanding as of today of 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>As of today, besides the gains on negative goodwill, an inconsistency between accounting and taxation purposes of approximately 1,833 million yen (approximately 487 yen per unit) including taxable gain on sale (approximately 1,756 million yen) is expected for the fiscal period ending October 31, 2018 (the 8th fiscal period) and an inconsistency between accounting and taxation purposes of approximately 94 million yen (approximately 25 yen per unit) is expected for the fiscal period ending April 30, 2019 (the 9th fiscal period). However, if an inconsistency between accounting and taxation purposes ultimately occurs, SHR intends to distribute the amount equal to the inconsistency between accounting and taxation purposes (see note). This distributions of the amount equivalent to this inconsistency between accounting and taxation purposes has not been factored into the distributions per unit (excluding distributions in excess of earnings), the distributions in excess of earnings per unit and distributions per unit (including distributions in excess of earnings) in the forecasts as the amount of the inconsistency between accounting and taxation purposes may significantly change according to operations during these fiscal periods. This means that the final distributions amount for the fiscal period ending October 31, 2018 (the 8th fiscal period) and April 30, 2019 (the 9th fiscal period) will change according to the factual amount of an inconsistency between accounting and taxation purposes.</p> <p>(Note) As to the level of expected occurrence of the gains on negative goodwill as of today, for such required distributions, SHR currently intends to make distributions from gains on negative goodwill and distribution in excess of earnings as ATA.</p>
Distributions per unit (excluding distributions in excess of earnings)	<p>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. It is expected that deferred hedge loss of SHI's interest rate swap for the Investment Corporation Merger will be recorded for the fiscal period ending October 31, 2018 (the 8th fiscal period), and the distributions per unit (excluding distributions in excess of earnings) will be calculated based on the amount that remains after deducting the deferred hedge loss from unappropriated retained earnings. As of today, it is expected that SHR will record 547 million yen as deferred hedge losses for the fiscal period ending October 31, 2018 (the 8th fiscal period) (accordingly, the distributions per unit (excluding distributions in excess of earnings) for the fiscal period ending October 31, 2018 (the 8th fiscal period) will be reduced by the recorded amount), and it is assumed the amount of such reduction will be distributed as ATA, not been factored into the distribution from the gains on negative goodwill as stated in the above "Gains on negative goodwill" category. The final recorded amount will be the book value for the fiscal period ending October 31, 2018 (the 8th fiscal period), so it may be different from the above anticipated amount.</p> <p>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 and the like.</p>
Distributions in excess of earnings per unit	<p>Distributions in excess of earnings per unit will be calculated on the assumption of the cash distributions policy stipulated in SHR's Articles of Incorporation.</p> <p>In the case, for the fiscal period ending October 31, 2018 (the 8th fiscal period), , the total amount equivalent to deferred hedge loss of SHI's interest rate swap for the Investment Corporation Merger and inconsistency between accounting and taxation purposes (excluding the gains on negative goodwill) exceeds the gains on negative goodwill, SHR currently intends to make distributions in excess of earnings as ATA, which in turn, may be possible to avoid the occurrence of a tax burden as a result. In the case, for the fiscal period ending April 30, 2019 (the 9th fiscal period), inconsistency in excess income between accounting and taxation purposes (meaning an inconsistency between accounting and taxation purposes in the event income for tax purposes exceeds income for accounting purposes) has occurred, SHR currently intends to make distributions in excess of earnings as ATA, which in turn, may be possible to avoid the occurrence of a tax burden as a result. As stated in the above "Inconsistency between accounting and taxation purposes categories," excluding that which concerns deferred hedge losses, the distributions in excess of earnings as ATA has not been factored into the figures in the forecasts because the amount of the inconsistency between accounting and taxation purposes may significantly</p>

	change according to operations during these fiscal periods.
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.