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Real Estate Investment Trust Securities Issuer
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Real Estate Investment Trust Securities Issuer
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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

As announced in the "Notice Concerning Conclusion of a Merger Agreement between Sekisui House Reit, Inc. and Sekisui House Residential Investment Corporation" released today, Sekisui House Reit, Inc. ("SHR") and Sekisui House Residential Investment Corporation ("SHI") (SHR and SHI collectively, the "Two Investment Corporations") plan to implement an absorption-type merger (the "Investment Corporation Merger") effective May 1, 2018, with SHR as the surviving corporation and SHI as the dissolving corporation, and they have executed a merger agreement dated today.

As announced in 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)" released today by the Two Investment Corporations, Sekisui House Asset Management, Ltd. ("SHAM"), to which SHI entrusts management of its assets, decided at its board meeting today that SHI would acquire 6 residential properties and sell 12 residential properties (the "Asset Replacement"). The settlement and delivery of the Asset Replacement is scheduled to take place on May 1, 2018, which is the effective date of the Investment Corporation Merger. Due to the Investment Corporation Merger, the surviving corporation after the merger ("New SHR") is scheduled to succeed to and perform the position of either buyer or seller, and all rights and duties thereof, under the sale and purchase agreements pertaining to the Asset Replacement.

As a result, details regarding New SHR's forecast of operating results and distributions for the fiscal periods ending October 31, 2018 (May 1, 2018 to October 31, 2018) and April 30, 2019 (November 1, 2018 to April 30, 2019) (the "Forecasts") are provided below.

Particulars

	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)
Fiscal period ending October 31, 2018	12,077	5,683	4,980	4,977	1,178	145	1,323
Fiscal period ending April 30, 2019	12,135	6,366	5,626	5,624	1,495	-	1,495

Note 1: The operating periods of the New SHR are annually from May 1 to October 31 and from November 1 to April 30, meaning there is no change from the operating periods of SHR before and after the Investment Corporation Merger.

Note 2: The forecast total number of outstanding investment units at the end of the fiscal periods ending October 31, 2018 and April 30, 2019 are both 3,762,091 units.

Note 3: The above forecasts are calculated as of today, based on the assumptions set forth in the attached exhibit, Assumptions for Earnings Forecast and Distributions Forecast 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 the Two Investment Corporations. The Forecasts do not guarantee the amount of distributions stated above.

Note 4: The Investment Corporation Merger is expected to generate goodwill or negative goodwill, but as this amount is pending, goodwill or negative goodwill has not been factored into the Forecasts. For details, please refer to the "Goodwill, negative goodwill" section of the exhibit, Assumptions for Earnings Forecast and Distributions Forecast for the Fiscal Periods Ending October 31, 2018 and April 30, 2019. We will report the estimated goodwill or negative goodwill and any revisions to forecasts for earnings results and distributions forecast on May 1, 2018, the effective date of the Investment Corporation Merger.

Note 5: An inconsistency between accounting and taxation purposes (meaning an inconsistency between income for accounting and taxation purposes; the same hereinafter) of approximately 1,838 million yen (approximately 488 yen per unit) including taxable gain on sale (approximately 1,756 million yen) is expected for fiscal period ending October 31, 2018. However, because when taken together with other inconsistencies between accounting and taxation purposes, an inconsistency in excess income between accounting and taxation purposes ultimately occurs (meaning an inconsistency between accounting and taxation purposes in the event income for tax purposes exceeds income for accounting purposes; the same hereinafter), New SHR intends to distribute the amount equal to the inconsistency in excess income between accounting and taxation purposes. However, the distribution of the amount equivalent to this inconsistency between accounting and taxation purposes in the event income for tax purposes exceeds income for accounting purposes has not been factored into the forecast or 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 may significantly change according to investments during this period. This means that the final distributions amount for fiscal period ending October 31, 2018 will change according to the actual amount of inconsistency in excess income between accounting and taxation purposes. For details, please refer to 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 Earnings Forecast and Distributions Forecast for the Fiscal Periods Ending October 31, 2018 and April 30, 2019.

Note 6: For details regarding the taxable gain on sale mentioned in Note 5, 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 today by the Two Investment Corporations.

Note 7: Revisions may be made to the Forecasts once pending values, including those listed below, are fixed or if we envisage a discrepancy with our forecasts above a certain level.

- Goodwill or negative goodwill estimates (Please refer to the "Goodwill, negative goodwill" section of the exhibit)
- Amount of distributions equal to the inconsistency in excess income between accounting and taxation purposes (Please refer to the "Inconsistency between accounting and taxation purposes categories" section of the exhibit)
- Amount of deferred hedge loss (Please refer to the "Distributions per unit (excluding distributions in excess of earnings) section of the exhibit")

Note 8: Amounts less than one unit have been rounded down; the same hereafter.

*Addresses of the websites of the Two Investment Corporations

Sekisui House Reit, Inc.:	http://sekisuihouse-reit.co.jp/en/
Sekisui House Residential Investment Corporation:	http://www.shi-reit.co.jp/eng/

[Exhibit]

Assumptions for Earnings Forecast and Distributions Forecast
for the Fiscal Periods Ending October 31, 2018 and April 30, 2019

Items	Preconditions
Calculation period and effectiveness of merger	- 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) - It is assumed that the Investment Corporation Merger will take effect on May 1, 2018 pursuant to satisfaction of prior conditions such as the Investment Corporation Merger being approved at a general meeting of unitholders of the Two Investment Corporations scheduled for March 27, 2018. - It is assumed that the Accounting Standard for Business Combinations (ASBJ Statement No. 21, revised September 13, 2013) (the “Business Combinations Accounting Standard”) will apply to the Investment Corporation Merger, and the accounting treatment will be by the purchase method with SHR as the acquiring corporation and SHI as the acquired corporation.
Assets under Management	- It is assumed that in addition to the real estate trust beneficiary interests held by SHR today (a total of 6 properties), (i) as a consequence of the Investment Corporation Merger, New SHR will succeed to the real estate trust beneficiary interests currently held by SHI (a total of 113 properties), and (ii) as announced today by the Two Investment Corporations in 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”, New SHR will acquire the real estate trust beneficiary interests (a total of six residences) (the “Asset Acquisitions”) on May 1, 2018, and will sell the real estate trust beneficiary interests (a total of 12 residences) (the “Planned Sale Assets”) on the same day (the “Asset Replacement”), and 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) other than the Asset Replacement before April 30, 2019 (the 9th fiscal period). - In reality, there may be changes due to changes in the assets under management
Operating Revenue	- For leasing business revenue, the calculation for the assets held today by the Two Investment Corporations (excluding Planned Sale Assets) (the “Two Investment Corporations’ Held Assets”) takes into consideration, among other matters, market trends and individual tenant trends based on lease agreements in effect as of today, and the calculation of the Asset Acquisitions takes into consideration, among other matters, information received from the sellers, etc. of properties, and market trends and individual tenant trends based on lease agreements expected to be in effect as of the planned acquisition date of the Asset Acquisitions. - Operating revenue assumes that tenants will not be delinquent on rent or fail to pay rent.
Operating Expenses	- Among leasing business expenses, which are the primary operating expenses, expenses other than depreciation and amortization have been calculated for the Two Investment Corporations’ Held Assets by reflecting the factors behind the fluctuation in expenses based on past results, and for the Asset Acquisitions, 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 expected to be in effect as of the planned acquisition date of the Asset Acquisitions. - Although generally the property 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 property tax, city planning tax and depreciable asset tax factored into the acquisition cost of the Asset Acquisitions is 66 million yen (equivalent to 245 days). It is expected that the FY2019 property tax, city planning tax and depreciable asset tax for the Asset Acquisitions 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 each asset management company of the Two

	Investment Corporations 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 2,152 million yen in the fiscal period ending October 31, 2018 (the 8th fiscal period) and 2,161 million yen in the fiscal period ending on April 30, 2019 (the 9th fiscal period). The book value of the real estate, etc. that New SHR will succeed to from SHI on the effective date of the Investment Corporation Merger has, as of today, not yet been fixed, so may change. - 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). - 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.
Non-operating expenses	- 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. - 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 on 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 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 today is anticipated to be 662 million yen, but the actual amount may be significantly different from the forecast amount as the final recorded amount will be the market value as of April 30, 2018.
Interest-bearing liabilities	- As of today, SHR has outstanding debt of 79,400 million yen, investment corporation bonds of 5,000 million yen and a total interest-bearing liability balance of 84,400 million yen. - As of April 30, 2018, we anticipate SHI will have outstanding debt of 95,032 million yen, investment corporation bonds of 10,500 million yen and a total interest-bearing liability balance of 105,532 million yen, and it is assumed that New SHR will succeed to this total amount. - 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 8,382 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. - It is assumed that long-term borrowings of 8,000 million yen will be borrowed from qualified institutional investors as stipulated in Article 2(3)(i) of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) on May 1, 2018 for allocation to a part of the acquisition funds for the Asset Acquisitions. - The interest-bearing liabilities as of the end of the fiscal period ending October 31, 2018 (the 8th fiscal period) and the fiscal period ending April 30, 2019 (the 9th fiscal period) is expected to be 197,932 million yen. - As a result of the above borrowings, the total asset LTV as of the effective date of the Investment Corporation Merger following the Asset Replacement is expected to be 43.1%, and the total asset LTV for the May 1, 2018 fiscal period ending October 31, 2018 (the 8th fiscal period) and fiscal period ending April 30, 2019 (the 9th fiscal period) is expected to be around the same level. - The following calculation is used to calculate the total asset LTV. Total asset LTV = expected total amount of interest-bearing liabilities / expected total amount of assets × 100
Goodwill, negative goodwill	- The Investment Corporation Merger is expected to generate goodwill or negative goodwill, but because SHR's investment unit price as of the effectuation that is the basis for calculation of the acquisition cost of SHI's assets that New SHR will succeed to is not known today, it is not known whether goodwill or negative goodwill will be generated, and the amount is also

	pending, these have not been factored into the figures in the Forecasts on the assumption that no goodwill or negative goodwill will be generated. - If the Investment Corporation Merger generates goodwill, the goodwill will be recorded in assets and amortized over 20 years using the straight-line method in accordance with the Business Combinations Accounting Standard. If the Investment Corporation Merger generates negative goodwill, the gain on negative goodwill will be recorded as a lump sum as extraordinary income in the fiscal period ending October 31, 2018 (the 8th fiscal period). - Under the Business Combinations Accounting Standard, the total assets of SHI as the acquired corporation are expected to be 243,372 million yen, and total assumed liabilities are expected to be 112,533 million yen.
Investment units	- It is assumed that, in addition to SHR's total outstanding investment units of 1,938,000 after the 2-for-1 investment unit split scheduled for implementation with April 30, 2018 as the split record date and May 1, 2018 as the effective date, SHR will upon the Investment Corporation Merger newly issue 1,824,091 investment units, for a total of 3,762,091 units. For details of the investment split, please see the "Notice Concerning a Split of Investment Units" announced by SHR today. - The number of new investment units issued by SHR due to the Investment Corporation Merger currently is pending, and will change according to rounding and the like. - It is assumed that there will be no other change to the number of investment units such as the issuance of new investment units in the fiscal period ending April 30, 2019 (the 9th fiscal period).
Inconsistency between accounting and taxation purposes categories	- As of today, an inconsistency between accounting and taxation purposes of approximately 1,838 million yen (approximately 488 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). However, if an inconsistency in excess income between accounting and taxation purposes ultimately occurs, New SHR intends to distribute the amount equal to the inconsistency in excess income between accounting and taxation purposes (see note). This distributions of the amount equivalent to this inconsistency between accounting and taxation purposes in the event income for tax purposes exceeds income for accounting purposes has not been factored into the distributions in excess of earnings per unit and distributions per unit (including distributions in excess of earnings per unit) in the Forecasts as the amount of the inconsistency between accounting and taxation may significantly change according to investments during this period. This means that the final distributions amount for the fiscal period ending October 31, 2018 (the 8th fiscal period) will change according to the amount that income for tax purposes actually exceeds income for accounting purposes. (Note) As of today, for such required distributions, New SHR currently intends to make distributions in excess of earnings as an allowance for temporary difference adjustment (the "ATA") if goodwill is generated, and make distributions of earnings using the gain on negative goodwill as capital if negative goodwill is generated. - As goodwill amortization expenses are an inconsistency between accounting and taxation purposes categories, if goodwill occurs, New SHR intends to make distributions in excess of earnings as ATA over the goodwill amortization period for tax reduction purposes, but as stated in "Goodwill, negative goodwill" above, this ATA amount has not been factored into the Forecasts as the assumption is that no goodwill and no negative goodwill will be generated (if negative goodwill is generated, no goodwill amortization expenses will arise, so there will be no distributions in excess of earnings as ATA).
Distributions per unit (excluding distributions in excess of earnings)	- Distributions per unit (excluding distributions in excess of earnings) will be calculated on the assumption of the cash distributions policy stipulated in New 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 from which this loss amount is deducted from unappropriated retained earnings. As of today, it is expected that New 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. 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 significantly different from the above anticipated amount. - 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. - If negative goodwill is generated, New SHR intends to reserve the majority of this excluding the part appropriated for the fiscal period ending October 31, 2018 (the 8th fiscal period) to the reserve for temporary difference adjustment (the "RTA") described in the Calculation Rules for Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, as amended), and subject to any balance of the RTA remaining, intends to drawdown at least 1% corresponding to the amount of the initial reserve amount expensed equally over 50 years (100 fiscal periods) and appropriate this as distributions, but as stated in "Goodwill, negative goodwill" above, this RTA amount has not been factored into the Forecasts as the assumption is that no goodwill and no negative goodwill will be generated.
Distributions in excess of earnings per unit	- Distributions in excess of earnings per unit will be calculated on the assumption of the cash distributions policy stipulated in New SHR's Articles of Incorporation. - If goodwill is generated, New SHR currently intends to make distributions in excess of earnings as ATA for the amount equivalent to the inconsistency in excess income between accounting and taxation purposes, meaning it is expected that it will be possible to avoid the occurrence of a tax burden as a result. New SHR also intends to make distributions in excess of earnings as ATA for the amount equivalent to deferred hedge losses. 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 may significantly change according to investments during this period.
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.