



SEKISUI HOUSE REIT, INC.

Semi-Annual Report 5th Fiscal Period (from November 1, 2016 to April 30, 2017)



SEKISUI HOUSE REIT, INC.



Performance highlights

Distribution per unit

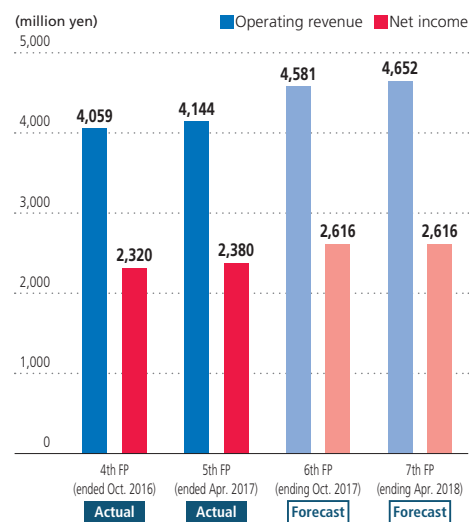
Distribution per unit
5th Fiscal Period Ended April 2017

2,663 yen

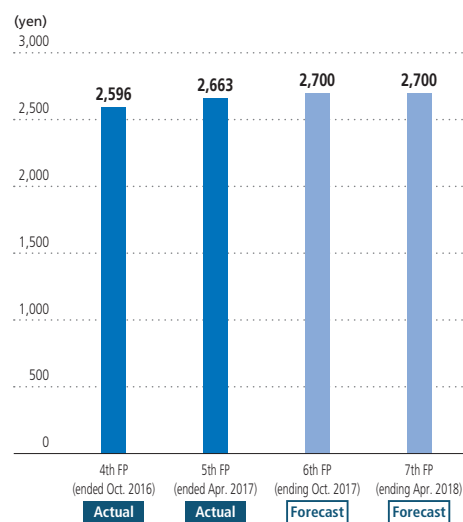
Business results and distribution

	4th FP (Actual) (ended Oct. 2016)	5th FP (Actual) (ended Apr. 2017)	6th FP (Forecast) (ending Oct. 2017)	7th FP (Forecast) (ending Apr. 2018)
Operating revenue (million yen)	4,059	4,144	4,581	4,652
Operating income (million yen)	2,664	2,704	2,979	2,994
Ordinary income (million yen)	2,321	2,381	2,617	2,616
Net income (million yen)	2,320	2,380	2,616	2,616
Distribution per unit (yen)	2,596	2,663	2,700	2,700

●Operating revenue/Net income



●Distribution per unit



Message to Our Unitholders

Since its listing on the Tokyo Stock Exchange Real Estate Investment Trust Section (the J-REIT market) in December 2014, Sekisui House Reit, Inc. ("SHR") has steadily accumulated a track record, and has settled its accounts for the 5th fiscal period (namely, the fiscal period ended April 2017). I, on behalf of SHR, would like to extend my heartfelt thanks to unitholders as this could not have been managed without your support.

I hereby report on the management status and financial results for the 5th fiscal period of SHR.

The management performance for the 5th fiscal period resulted in operating revenue of 4,144 million yen (an increase of 2.1% over that of the previous fiscal period), operating income of 2,704 million yen (an increase of 1.5% over that of the previous fiscal period), ordinary income of 2,381 million yen (an increase of 2.6% over that of the previous fiscal period), and net income of 2,380 million yen (an increase of 2.6% over that of the previous fiscal period).

Since its listing, SHR has been aiming for expansion of its asset size by continuous external growth through utilizing the sponsor pipeline. As part of such efforts, SHR conducted its third public offering in May 2017 (at the beginning of its 6th fiscal period) since its listing and acquired properties (comprising additional portions of two properties parts of which are already owned by SHR) for 21.2 billion yen with the funds raised and other sources of funds. Through this, SHR's asset size has grown to 200.7 billion yen, a growth of approximately 1.8 times over the two years and six months since its listing, while asset types within its portfolio have been expanded to include a hotel asset for the first time.

In terms of operations, SHR has secured high occupancy rates and stable earnings as the occupancy rate of its entire portfolio as of the end of the 5th fiscal period has increased to 100.0% from 99.9% as of the end of the 4th fiscal period with HK Yodoyabashi Garden Avenue being the only property in its portfolio having a vacancy.

By focusing on prime properties - commercial properties that feature strategic locations or high quality - as its core investment targets and taking full advantage of the sponsor support from Sekisui House, Ltd. ("Sekisui House"), which has an established track record of developing commercial properties, SHR will continue to seek to secure stable earnings and steady growth of its investment assets and thereby aim to maximize unitholder value.

I ask for the continued support and encouragement of unitholders.

Junichi Inoue

Executive Director of Sekisui House Reit, Inc.
President & Representative Director of
Sekisui House Investment Advisors, Ltd.

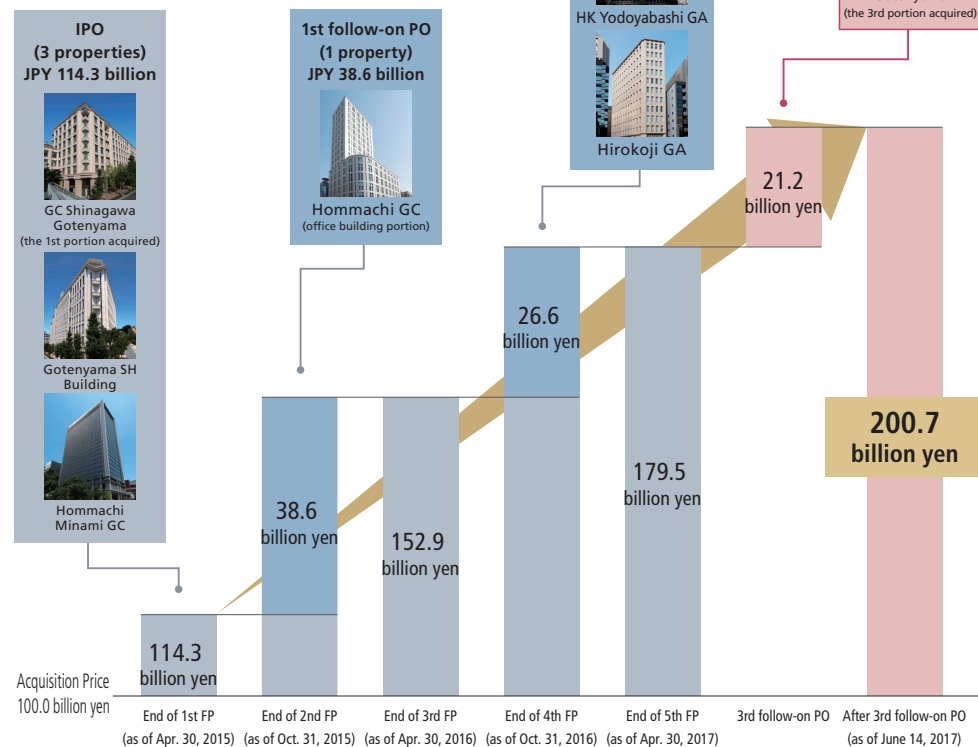


Topics

Achievement of 200 billion yen in asset size within approximately two years and six months since listing

SHR has conducted a public offering for the third consecutive year, and has additionally acquired two properties for 21.2 billion yen with the funds procured and other source of funds. Through this, SHR's asset size has reached 200.7 billion yen (comprising six properties) within approximately two years and six months since its listing, enabling for steady expansion of its asset size as well as growth in distribution per unit and improvement in NAV per unit. Of the two properties acquired, one was SHR's first hotel asset, allowing for expansion of the type of assets within its portfolio.

Development of asset size



(Note) "Garden City" and "Garden Avenue" are abbreviated as "GC" and "GA", respectively.

	End of 1st FP (as of Apr. 30, 2015)	End of 2nd FP (as of Oct. 31, 2015)	End of 3rd FP (as of Apr. 30, 2016)	End of 4th FP (as of Oct. 31, 2016)	End of 5th FP (as of Apr. 30, 2017)
Distribution per unit (yen)	1,603	2,458	2,477	2,596	2,663
Net Asset Value per unit (yen)	115,610	125,531	133,030	138,885	142,888

Overview of portfolio

Outline of portfolio (as of June 14, 2017)

Property No.	Property name	Acquisition price (billion yen)	Investment ratio (%)	Appraisal value (billion yen) ^(Note1)	Leasable area (m ²)	Occupancy rate (%) ^(Note2)	Building age (years)	Location	PML value (%)
J-1	Garden City Shinagawa Gotenyama	the 1st and 2nd portion acquired	55.6	27.7	64.5	29,235.95	100.0	Shinagawa-ku, Tokyo	0.5
		the 3rd portion acquired	4.0	2.0	4.29	2,000.39			
		Sub-total	59.6	29.7	68.79	31,236.34			
J-2	Gotenyama SH Building	51.5	25.7	56.9	19,999.97	100.0	6.4	Shinagawa-ku, Tokyo	1.9
J-3	Hommachi Minami Garden City	23.1	11.5	27.9	16,699.46	100.0	6.3	Osaka-shi, Osaka	4.5
J-4	Hommachi Garden City	office building portion	38.6	19.2	44.6	17,006.94	100.0	Osaka-shi, Osaka	4.2
		hotel portion	17.2	8.6	17.6	18,092.98			
		Sub-total	55.8	27.8	62.2	35,099.92			
J-5	HK Yodoyabashi Garden Avenue	4.4	2.2	5.38	4,554.52	100.0	1.9	Osaka-shi, Osaka	7.5
J-6	Hirokoji Garden Avenue	6.35	3.2	6.94	4,442.75	100.0	6.2	Nagoya-shi, Aichi	2.7
Total/Average		200.75	100.0	228.11	112,032.96	100.0	6.4		2.1

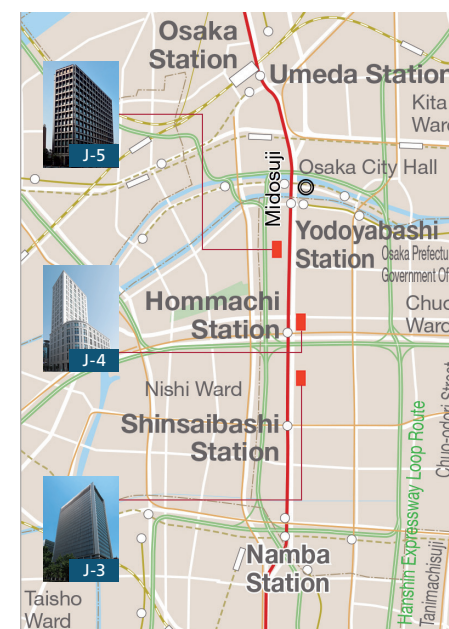
(Note1) Figures are appraisal values stated in the appraisal reports as of the end of the 5th FP for the assets held as of the end of the 5th FP (excluding Hommachi Garden City (office building portion)) and as of March 31, 2017 for the assets acquired in the 6th FP and Hommachi Garden City (office building portion).

With regard to Hommachi Garden City (office building portion) and Hommachi Garden City (hotel portion), the limited market value that includes the increased value from holding the building in its entirety, as stated in the appraisal report, is indicated.

(Note2) Occupancy rate stated above is as of May 31, 2017.

Portfolio map

Osaka Area:Hommachi-Yodoyabashi Area



Greater Tokyo:Shinagawa Gotenyama Area



Nagoya Area:Nagoya Meieki Area



Top Interview

“Achievement of JPY 200 billion in asset size and aiming for further expansion”

SHR achieved an asset size of 200 billion yen in approximately two years and six months from the date of its listing due to its conduct of a public offering for the third consecutive year. We asked Junichi Inoue, President & Representative Director of Sekisui House Investment Advisors, Ltd., about the third public offering, assets acquired using the funds procured, and future growth strategies after reaching 200 billion yen in asset size.

Junichi Inoue

Executive Director of Sekisui House Reit, Inc.
President & Representative Director of
Sekisui House Investment Advisors, Ltd.



Please tell us about the public offering conducted for the third consecutive year.

SHR was listed in December 2014 with an asset size of 114.3 billion yen and strived to diversify its portfolio and improve the liquidity of its investment units through the expansion of its asset size.

In May 2017, SHR acquired assets totaling 21.2 billion yen, comprising the hotel portion of Hommachi Garden City (17.2 billion yen) and the third portion acquired of Garden City Shinagawa Gotenyama (4.0 billion yen), with funds procured through the third public offering conducted for the third consecutive year and other sources of funds. As a result, SHR achieved an asset size of 200 billion yen in approximately two years and six months from its listing.

In addition, SHR has achieved stable growth in its distribution and improvement in its NAV per unit by continuously conducting public offering. SHR believes that the third public offering will lead to further improvements to unitholder value.

Please tell us why SHR acquired the hotel asset.

“The St. Regis Osaka”, the tenant of Hommachi Garden City (hotel portion), which was acquired this time around, is the only hotel in Japan under

“The St. Regis”, one of the most luxurious brands, of Marriott International, one of the largest hotel chains around the world.

We believe that the brand has strong competitiveness as a hotel and has been already recognized as a top-class hotel in the Osaka area, where the number of overnight guests is increasing against the backdrop of favorable inbound tourism demand.

Furthermore, a fixed-rent type master lease agreement has been concluded with the sponsor, Sekisui House, for the property. Given this is a type of agreement where Sekisui House pays rent of a fixed amount, stable revenue is secured.

In addition, performance-based rent is partially adopted for the property, so an increase in rent can be expected in accordance with the performance of the hotel.

With this first acquisition of a hotel asset by SHR, the asset types in the portfolio now comprises office buildings (91.4%) and hotels (8.6%), resulting in the expansion of the asset types, and we believe that SHR has achieved investments in “prime properties” in line with our portfolio development policy from before.

Please tell us about the future growth strategy.

As for our future growth strategy, we will utilize the strength of SHR by striving to manage our portfolio based on the policy of emphasizing stability in various aspects, including finance, and aim for an asset size of 300 billion yen by continuously capitalizing on the sponsor pipeline. We will continue the policy of making selective investments for property acquisitions from third parties other than the sponsor.

We will work on expanding the asset size of SHR while maintaining the quality of the portfolio through selective investments in prime properties by emphasizing the quality of the properties, and thus aim to diversify the portfolio and improve liquidity of investment units which we recognize as an issue facing SHR.

SHR seems to be making significant strides in its environmental considerations as well.

Most of the properties owned by SHR boast high environmental performance. In April 2017, Hirokoji Garden Avenue newly obtained the rating of “4 Stars” under the DBJ Green Building Certification program, a standard to measure the building’s environmental performance.

As five of the six properties in SHR’s portfolio have been graded highly, with the highest grade of “5 Stars” being given to Garden City Shinagawa Gotenyama, and the next highest grade of “4 Stars” being given to four other properties (Note), SHR has achieved superior status in terms of obtaining the DBJ Green Building Certification. SHR believes that the high environmental performance of its properties represents one of SHR’s advantages when acquiring properties developed by Sekisui House.

(Note) The certification in respect of “Hommachi Garden City” was obtained for the office building portion, and not to the hotel portion.

Do you have any message to the unitholders?

We will work to diversify the portfolio and improve the liquidity of our investment units by taking advantage of sponsor support of various kinds from Sekisui House, continuing the management of our portfolio with a focus on stability, and seeking to expand our assets size while taking note of distribution levels.

We will continuously strive to maximize unitholder value and ask for the continued support and encouragement of unitholders.



Feature

The St. Regis Osaka

The St. Regis Bar



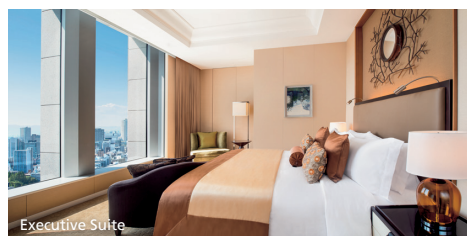
Reception



"The St. Regis Osaka," which occupies Hommachi Garden City (hotel portion) acquired with funds procured through the third public offering and other sources of funds, is located at the center of Osaka City as one of the most luxurious brands of Marriott International. The hotel provides an incomparable experience with exclusive, highest-quality hospitality, such as an artistic space, creative restaurants to stimulate your palate, and butler service to attend to any request from guests.

Blissful stay that satisfies the senses

Space lavishly created - that is "The St. Regis Osaka." Each of our guest rooms feature a residential atmosphere that provides superior relaxation. A Japanese garden on the lobby floor provides an impressive contrast of lush greenery and dry garden, while the interior design of the hotel is a unique blend of Western and Japanese styles. Exceptional experiences that appeal to your five senses await you here at The St. Regis Osaka.



Executive Suite



About St. Regis Butler Service

St. Regis Butler Service has been a treasured hallmark of the St. Regis experience for over one hundred years. From a perfectly pressed suit ready for an important meeting, to a favorite book at hand for an evening read, to a thoughtful, last minute gift for a loved one, no request is too small or unattainable no matter what hour of the day.

Japanese garden where the sky blends with greenery

In a Japanese garden 50m above the ground, "St. Regis Champagne and Beer Garden Terrace" is being held from late April to the end of September. Seat yourself in the open terrace and be charmed by the changing scenery of Osaka from dusk to late into the night while sipping champagne and enjoying a variety of chef's specialties.



St. Regis Garden



Convenience of being located along the street of Midosuji, a base for sightseeing and business, and directly connected to "Hommachi" Station



Entrance



Located right above Hommachi subway station, "The St. Regis Osaka" is an approximate 11-minute subway ride from the Shinkansen (bullet train) stop of "Shin-Osaka Station," providing excellent access even to Kyoto, Nara and Kobe, let alone sightseeing spots within Osaka City.

About St. Regis

St. Regis is one of the most luxurious brands owned by Marriott International, one of the largest hotel chains in the world. There are a total of 58 "The St. Regis" hotels in 24 countries around the world centering in North America, Asia and Europe (including 17 hotels scheduled to be opened: figures as of the end of March 2017.) "The St. Regis Osaka" is the only hotel under the brand in Japan.

The St. Regis Osaka

Address ▶ 3-6-12 Honmachi, Chuo-ku, Osaka, Osaka, 541-0053, Japan
TEL ▶ (81)(6) 6258 3333
URL ▶ <http://www.stregisosaka.co.jp/en>
Nearest station ▶ A short walk from Exit 7 at Hommachi Station on the Midosuji Subway Line

Characteristics of SHR

SHR is a J-REIT that has Sekisui House as its sponsor and invests in commercial properties centering on office buildings

Asset Size

Number of owned properties **6** properties
Aggregate acquisition price **200.7** billion yen

Portfolio Quality

Average building age **6.4** years

PML value **2.1** %

Asset type ratio (acquisition price basis)
Office building **91.4** %
Hotel **8.6** %

Financial Base (as of June 15, 2017)

LTV (total asset basis) **40.8** %

Long-term debt ratio **91.6** %

Fixed interest rate debt ratio **70.2** %

Status of Portfolio

Occupancy rate (as of May 31, 2017) **100.0** %

Total appraisal value^(note) **228.1** billion yen

Unrealized gain^(note) **29.4** billion yen

Location Ratio (acquisition price basis)

Greater Tokyo **55.3** %

Osaka area **41.5** %

Nagoya area **3.2** %

Credit Rating

JCR **AA-**(stable)

(as of June 14, 2017)

(Note) Total appraisal value is the sum of the appraisal values stated in the appraisal reports as of the end of the 5th FP for the assets held as of the end of the 5th FP (excluding Hommachi Garden City (office building portion)) and as of March 31, 2017 for the assets acquired in the 6th FP and Hommachi Garden City (office building portion).

With regard to Hommachi Garden City (office building portion) and Hommachi Garden City (hotel portion), the limited market value that includes the increased value from holding the building in its entirety, as stated in the appraisal report, is indicated.

Owned properties



Garden City
Shinagawa
Gotenya



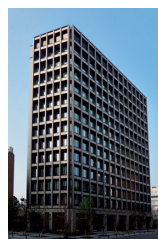
Gotenya SH
Building



Hommachi
Minami Garden
City



Hommachi
Garden City



HK Yodoyabashi
Garden Avenue



Hirokoji
Garden Avenue

Strategies of SHR

SHR seeks to provide high-quality social capital and to maximize the unitholder value through the 3 strategies

1 Investment Strategy Investment in commercial properties focused on “strategic locations” and “high quality”

- The 6 properties owned are in strategic locations of **central Tokyo, Osaka and Nagoya**
- All acquisitions are of **recently built and high quality commercial properties developed by Sekisui House**
- **Reducing earthquake-related risks** by owning properties with high quake-resistant performance such as having a seismically isolated mechanism, etc.

2 Growth Strategy Taking full advantage of versatile support by Sekisui House

- Utilization of **the pipeline support agreement** for property acquisition to realize external growth
- Selecting a leasing agreement type from among a **fixed-rent/pass-through type master lease, a direct lease, etc.**, in accordance with property characteristics
- Entrusting Sekisui House with real estate management/operation and utilizing **information network, etc. on tenant attraction**

3 Financial Strategy Stable and sound financial operations

- **Managing LTV (total assets basis)(ratio of interest-bearing liabilities to total assets) at a conservative level between 40% and 50%**
- Promoting **extension of the term of debts, diversification of dates for repayment and fixation of interest rates** in order to reduce risks of fluctuation in interest rates and refinancing risk
- Obtained **AA- rating (Rating Outlook: Stable) for the long-term issuer rating** from Japan Credit Rating Agency, Ltd. (JCR)

Growth strategies that take full advantage of the versatile support by Sekisui House

External growth strategies: Pipeline Support by Sekisui House

- Grant of preferential negotiation rights with regard to the sale of domestic real estate, etc. owned or developed by Sekisui House
- Provision of information on domestic real estate, etc. owned or developed by third parties
- Provision of warehousing functions
- Support for redevelopment of owned properties

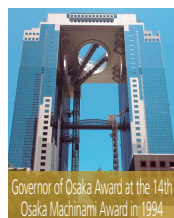
Investment policy

- Promoting continuous external growth primarily through property acquisitions from the sponsor
- Investigating property acquisitions from third parties other than the sponsor, from the perspective of selective investment.
- Continuing to focus on office buildings as the main driver of external growth, while investigating the acquisition of hotels and retail properties from the perspective of expanding the scope of the portfolio
- Shifting to an external growth strategy focused on domestic real estate for the time being

Track record of acquisition by utilizing the pipeline support

All 6 properties SHR has acquired since its listing are properties developed by Sekisui House.

Examples of urban redevelopment projects by Sekisui House



Umeda Sky Building
(Shin Umeda City) (Osaka)
Completion in Mar.1993
(Source) Sekisui House, Ltd.



Akasaka Garden City
(Tokyo)
Completion in Jan.2006



Grand Front Osaka (Osaka)
Completion in Apr.2013



Otemon Tower·JX building
(Tokyo)
Completion in Nov.2015

Status of preferential negotiation rights held by SHR

Property Name	Location	Asset Type	Ratio of unacquired floor area ^(Note)
Garden City Shinagawa Gotenyama	Shinagawa-ku, Tokyo	Office building	19.0%
Hommachi Minami Garden City	Osaka-shi, Osaka	Office building	43.6%

(Note) "Ratio of unacquired floor area" refers to the ratio of the floor area that SHR does not own but in respect of which it holds preferential acquisition negotiation rights in the relevant building, as against the total floor area in the relevant building that is exclusively owned, rounded to the nearest first decimal place. Specifically, such floor area refers to the floor area which is exclusively owned and over which SHR holds preferential acquisition negotiation rights in the Garden City Shinagawa Gotenyama and Hommachi Minami Garden City properties.

Promote external growth focused on domestic real estate, passing on investments in overseas real estate for the time being

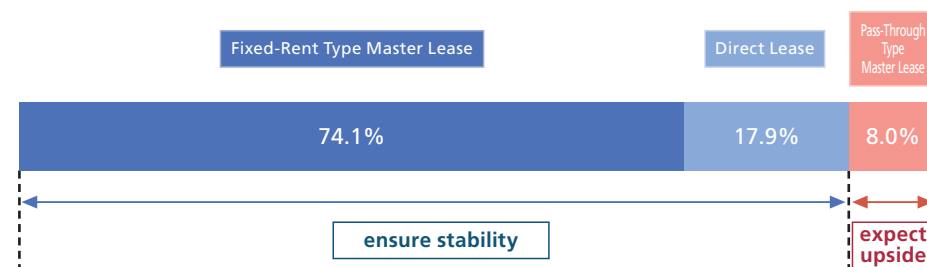
Since its listing, SHR has worked to expand its asset size through acquisition of domestic real estate, while investigating investments in overseas real estate, with preferential negotiation rights granted by Sekisui House for two of its overseas properties. Having investigated such acquisition, SHR concluded that the time is not right to invest in overseas real estate, and a prudent stance can be adopted with respect to such investments that will operate to SHR's benefit. Accordingly, SHR waived the preferential negotiation rights to Sekisui House in November 2016.

Going forward, SHR will work to expand its asset size centering on domestic real estate, while keeping a prudent stance toward investments in overseas real estate for the time being.

Internal growth strategies: Sponsor Support by Sekisui House

- Provision of property management services for owned properties
- Provision of know-how and services related to operation management of highly value-added real estate possessed by Sekisui House
- Upon acquiring properties in respect of which a certain period has passed since the date of construction, coordination in terms of strategies such as renovation or repairment with value enhancement, etc. after acquisition of such properties
- Investigation and discussion regarding such matters as execution of master lease agreements in formats responding to the property characteristics

Status of portfolio by types of lease agreements (leased floor area basis)^(Note)



SHR's characteristics in terms of portfolio

Characteristic 1

74.1% of the portfolio (ratio of lease types)^(Note) adopts **fixed-rent type master lease** by Sekisui House. Rent revenue is stable over the long term, as SHR can receive predetermined rents from Sekisui House regardless of how the market conditions and the occupancy status are.

Characteristic 2

Gotenyama SH Building adopts **direct lease** in which the property is directly leased to the end-tenant. A 20-year lease agreement has been concluded with the tenant, and thus the rent revenue is stable over the long-term.

Characteristic 3

HK Yodoyabashi Garden Avenue and Hirokoji Garden Avenue adopt **pass-through type master lease** by Sekisui House. Since SHR can receive rent which is the same amount as the rent under the lease agreement concluded between Sekisui House and end-tenants, SHR can benefit from rent revenue upside when the occupancy rate rises or the rent is revised upward.

(Note) Ratio of the leased floor for each lease type under the relevant lease agreements, in respect of the properties, that are valid as of June 14, 2017 (or, if a master lease agreement is concluded for the property, the master lease agreement), to the total sum of leased floor areas indicated in such lease agreements, rounded to the nearest first decimal place. "Ratio of lease types" refers to such ratio of the leased floor area for each lease type.

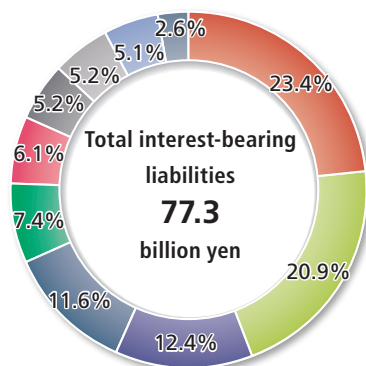
Stable and sound financial operations

Debt finance

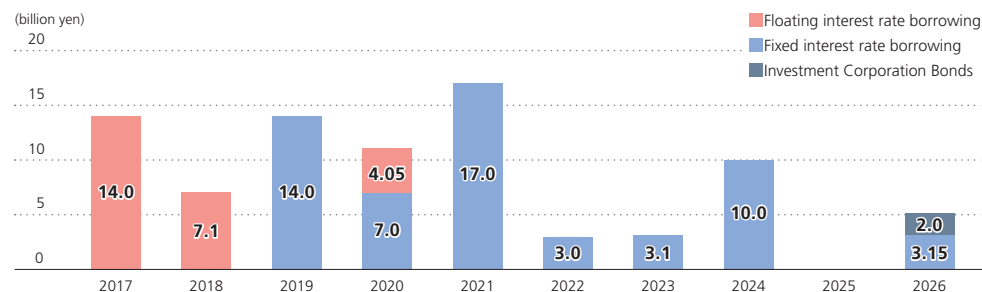
	End of 4th FP (as of Oct. 31, 2016)	End of 5th FP (as of Apr. 30, 2017)	After 3rd follow-on PO (as of June 15, 2017)
Total interest-bearing liabilities (billion yen)	77.3	77.3	84.4
LTV (total asset basis)(%)	40.8	40.8	40.8
Fixed interest rate debt ratio(%)	76.6	76.6	70.2
Long-term debt ratio(%)	100.0	100.0	91.6
Average financing interest rate (Note 1) (%)	0.75	0.75	0.70
Average remaining term of interest-bearing liabilities (Note 2) (years)	4.7	4.2	3.8

Interest-bearing liabilities (excluding short-term loans) (Note 3)

	Balance (billion yen)	Percentage (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	18.11	23.4
Sumitomo Mitsui Banking Corporation	16.16	20.9
Mizuho Bank, Ltd.	9.60	12.4
Sumitomo Mitsui Trust Bank, Limited	8.98	11.6
Resona Bank, Limited	5.70	7.4
Mitsubishi UFJ Trust and Banking Corporation	4.74	6.1
Development Bank of Japan Inc.	4.02	5.2
The Norinchukin Bank	4.02	5.2
Mizuho Trust & Banking Co., Ltd.	3.97	5.1
Investment Corporation Bonds	2.00	2.6



Diversification of repayment date (Note 3)



(Note 1) "Average financing interest rate" indicates a weighted average (annual) interest rate using the balance of interest-bearing liabilities. In respect of the interest rates of interest-bearing liabilities for which an interest rate swap was conducted, interest rates taking into account the effect of the interest rate swap are used.

(Note 2) "Average remaining term of interest-bearing liabilities" indicates the average remaining term from respective date to maturity dates, weighted by the balance of the respective interest-bearing liabilities.

(Note 3) The information is as of June 15, 2017.

Introduction of portfolio

Greater Tokyo

J-1 Garden City Shinagawa Gotenyama Office building

Additionally
Acquired in
the 6th FP

Environmentally friendly maison-like office building that blends in with the townscape of abundant greenery and a long and distinguished history



Location (indication of residential address)	6-7-29 Kitashinagawa, Shinagawa-ku, Tokyo
Acquisition Price	59.6 billion yen
Structure, Floors	RC, 9F/B1F
Total Floor Area	62,975.42m ²
Leasable Area	31,236.34m ²

J-2 Gotenyama SH Building

Office building

Office building located upland with high business continuity incorporating a seismically isolated device



Location (indication of residential address)	6-5-17 Kitashinagawa, Shinagawa-ku, Tokyo
Acquisition Price	51.5 billion yen
Structure, Floors	S/SRC, 7F/B1F
Total Floor Area	19,812.85m ²
Leasable Area	19,999.97m ²

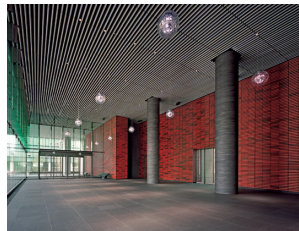
Introduction of portfolio

Osaka area

J-3 Hommachi Minami Garden City

Office building

Office building located along the Midosuji street, which is the main street in Osaka City, and is capable of being a landmark in the vicinity



Location (indication of residential address)	3-6-1 Kitakyuhojimachi, Chuo-ku, Osaka-shi, Osaka
Acquisition Price	23.1 billion yen
Structure, Floors	S/SRC, 25F/B2F
Total Floor Area	46,010.88m ²
Leasable Area	16,699.46m ²

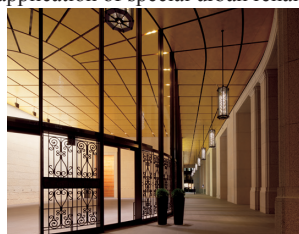
J-4 Hommachi Garden City

Office building

Hotel

Additionally
Acquired in
the 6th FP

Complex facility capable of becoming a landmark as it stands on Midosuji street and its height exceeds the conventional height control due to application of special urban renaissance district rules



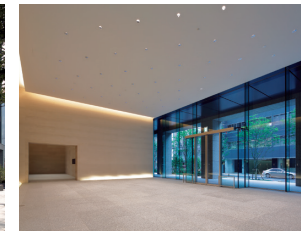
Location (indication of residential address)	3-6-4 Hommachi, Chuo-ku, Osaka-shi, Osaka
Acquisition Price	55.8 billion yen
Structure, Floors	S/SRC, 27F/B2F
Total Floor Area	49,163.16m ²
Leasable Area	35,099.92m ²

Osaka area

J-5 HK Yodoyabashi Garden Avenue

Office building

Comfortable and safe office building with strength of iron and tenderness of natural stone



Location (indication of residential address)	4-3-9 Fushimimachi, Chuo-ku, Osaka-shi, Osaka
Acquisition Price	4.4 billion yen
Structure, Floors	S/SRC/RC, 13F/B2F
Total Floor Area	16,953.28m ²
Leasable Area	4,554.52m ²

Nagoya area

J-6 Hirokoji Garden Avenue

Office building

Office building located in the Nagoya Meieki area, a core area in Nagoya, with an elegant exterior using natural materials



Location (indication of residential address)	4-24-16, Meieki, Nakamura-ku, Nagoya-shi, Aichi
Acquisition Price	6.35 billion yen
Structure, Floors	S/SRC, 12F/B1F
Total Floor Area	7,017.98m ²
Leasable Area	4,442.75m ²

Outline of asset management operation

1. Developments in Asset Management in the Fiscal Period under Review

(1) Brief History of the Investment Corporation

Sekisui House Reit, Inc. (“SHR”), that has as its sponsor Sekisui House, Ltd. (“Sekisui House”), one of the leading homebuilders in Japan with an established development and management track record also in the property development business, was established on September 8, 2014 and listed on the Tokyo Stock Exchange Real Estate Investment Trust Section on December 3, 2014 (securities code: 3309).

SHR's policy is to conduct asset management that seeks to secure stable earnings over the medium to long term and steady growth of its investment assets, mainly by investing in commercial properties (Note 1), in particular commercial properties which are situated in strategic locations or are of a high quality (referred to by SHR as prime properties) positioned as its core investment targets.

Based on the policy described above, SHR acquired three properties (with an aggregate acquisition price (Note 2) of 114,300 million yen) on December 3, 2014, the day it was listed, and thereafter began managing them.

After acquiring a property (with an acquisition price of 38,600 million yen) on May 19, 2015, SHR acquired three additional properties (with an aggregate acquisition price of 26,650 million yen; one of which is an additional portion of a property part of which is already owned by SHR) on May 24, 2016. As of April 30, 2017 (the end of the fiscal period under review), SHR owns six properties (with an aggregate acquisition price of 179,550 million yen) as its investment assets.

(Note 1) “Commercial properties” refer to real estate mainly used for business purposes other than for residence, such as office buildings, retail properties and hotels. Residential properties include student dormitories, company housing and serviced housing for the elderly. The same shall apply hereinafter.

(Note 2) “Acquisition price” is the sale and purchase price stated in the sale and purchase agreement for each of the assets acquired (excluding consumption tax and local consumption tax, as well as commission and various other expenses; rounded down to the nearest million yen). The same shall apply hereinafter.

(2) Management Environment and Management Performance

Management Environment

During the fiscal period under review, the Japanese economy has continued on a trend of moderate recovery, reflecting factors such as a moderate upward trend in capital expenditure amid improving corporate earnings and the underlying firmness of private consumption backed by steady improvements in employment rates and income levels.

In the real estate transaction market, although competition for property is beginning to be overheated, investors continue to show a strong appetite for property acquisition against the backdrop of sustained low vacancy rates, a favorable financing environment and the like.

As for the office leasing market, although it is necessary to be vigilant for the development of mass supply in the Tokyo area going forward, the vacancy rate is currently experiencing a moderate decline due partly to improving corporate earnings and employment rates. Furthermore, the vacancy rates in major cities across Japan have also continued to reflect a declining trend in general.

With regard to the environment surrounding retail properties, according to the Outlook for Economic Activity and Prices (April 2017) released by the Bank of Japan, the sales of department stores have been picking up after bottoming out, and although the sales of supermarkets across Japan remain flat, the sales of convenience stores are on a steady increase. In line with this, private consumption has remained solid against the backdrop of steady improvements in employment rates and income levels. In light of these movements, demand for new store openings has remained firm and rent levels have remained steady across the country. However, the difference between demand and rent levels by area has become more noticeable.

Management Performance

The assets held by SHR as of the end of the fiscal period under review are six properties with an aggregate acquisition price of 179,550 million yen and total leasable area of 91,939.59m². In addition, of the six properties, master lease agreements with Sekisui House as lessee have been executed for five properties and a long-term lease agreement with one tenant as lessee has been executed for one property, resulting in occupancy rate as of the end of the fiscal period under review of 100.0%.

(3) Overview of Fund Procurement

a. Fund Procurement

SHR has adopted as its basic policy the conduct of stable and sound financial operations in order to secure stable earnings over the medium to long term and enhance unitholder value. During the fiscal period under review, there has been no fund procurement in line with new acquisition of assets; and as of the end of the fiscal period under review, unitholders' capital is 100,040 million yen, the total number of investment units issued and outstanding is 894,000 units and the total interest-bearing liabilities (that is, the total amount of loan, investment corporation bonds issued and short-term investment corporation bonds issued; the same shall apply hereinafter) is 77,300 million yen (comprising long-term loans of 75,300 million yen (of which, long-term loans of 14,000 million yen would be maturing within one year) and investment corporation bonds of 2,000 million yen). As of the end of the fiscal period under review, the ratio of total interest-bearing liabilities to total assets (“LTV (total assets basis)”) is 40.8%.

b. Credit Rating

The following table sets forth the rating status of SHR as of the end of the fiscal period under review.

Credit Rating Agency	Rating Type
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating: AA– Rating outlook: Stable
Japan Credit Rating Agency, Ltd. (JCR)	Bond rating: AA–

(4) Overview of Business Performance and Distributions

Results in the fiscal period under review are operating revenue of 4,144 million yen (an increase of 2.1% over that of the previous fiscal period), operating income of 2,704 million yen (an increase of 1.5% over that of the previous fiscal period) and ordinary income of 2,381 million yen (an increase of 2.6% over that of the previous fiscal period), resulting in net income of 2,380 million yen (an increase of 2.6% over that of the previous fiscal period). In addition, concerning distributions, the decision has been made to distribute the entire amount of unappropriated retained earnings (excluding the portion in respect of which distribution per investment unit is less than 1 yen), with the intention of having the maximum amount of distribution of earnings included in deductible expenses based on the application of special tax treatment for investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended)). As a result, the distribution per investment unit is 2,663 yen (an increase of 2.6% over that of the previous fiscal period).

2. Status of Capital Increase, etc.

The following table sets forth the increase/(decrease) in unitholders' capital and the total number of investment units issued and outstanding since the establishment of SHR through to the end of the fiscal period under review.

Date	Event	Unitholders' capital (million yen)		Total number of investment units issued and outstanding (units)		Note
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
September 8, 2014	Private placement for incorporation	200	200	2,000	2,000	(Note 1)
December 2, 2014	Public offering	63,690	63,890	600,000	602,000	(Note 2)
December 24, 2014	Third-party allotment	3,184	67,074	30,000	632,000	(Note 3)
May 19, 2015	Public offering	19,673	86,748	154,200	786,200	(Note 4)
June 12, 2015	Third-party allotment	995	87,743	7,800	794,000	(Note 5)
May 24, 2016	Public offering	11,706	99,450	95,200	889,200	(Note 6)
June 21, 2016	Third-party allotment	590	100,040	4,800	894,000	(Note 7)

(Note 1) New investment units were issued at an offer price of 100,000 yen per unit upon the establishment of SHR on September 8, 2014.

(Note 2) New investment units were issued at an offer price of 110,000 yen (with the issue price being 106,150 yen) per unit through a public offering to procure funds for the acquisition of new properties.

(Note 3) New investment units were issued at an issue price of 106,150 yen per unit by way of third-party allotment and proceeds thereof were intended to use to make part repayment of loans. Out of proceeds from the issuance of new investment units, a portion was allocated for partial repayment of loans and the remaining was allocated to fund part of the acquisition cost of a new property.

(Note 4) New investment units were issued at an offer price of 131,917 yen (with the issue price being 127,587 yen) per unit through a public offering to procure funds for the acquisition of a new property.

(Note 5) New investment units were issued at an issue price of 127,587 yen per unit by way of third-party allotment and proceeds thereof were intended to use to make part repayment of loans or as part of future acquisition funds for specified assets.

(Note 6) New investment units were issued at an offer price of 127,140 yen (with the issue price being 122,967 yen) per unit through a public offering to procure funds for the acquisition of new properties.

(Note 7) New investment units were issued at an issue price of 122,967 yen per unit by way of third-party allotment and proceeds thereof were intended to use to make future part repayment of loans or as part of future acquisition funds for specified assets.

[Changes in Market Price of Investment Securities]

The following table sets forth the fiscal period high and low (closing price) on the Tokyo Stock Exchange Real Estate Investment Trust Section on which SHR investment securities are listed.

Fiscal period	1st fiscal period From: Sep. 8, 2014 To: Apr. 30, 2015	2nd fiscal period From: May 1, 2015 To: Oct. 31, 2015	3rd fiscal period From: Nov. 1, 2015 To: Apr. 30, 2016	4th fiscal period From: May 1, 2016 To: Oct. 31, 2016	5th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017
High (yen)	148,600	142,500	133,500	157,900	153,900
Low (yen)	131,700	111,400	116,700	125,800	138,000

(Note) SHR investment securities were listed on the Tokyo Stock Exchange Real Estate Investment Trust Section on December 3, 2014.

3. Performance of Distribution, etc.

Distribution per unit for the fiscal period under review (that is, the 5th fiscal period) is 2,663 yen. The policy is to distribute almost the entire amount of unappropriated retained earnings with the intention of applying the special treatment of corporation tax under which the amount equivalent to distribution of earnings is deductible from the taxable income of investment corporations as deductible expenses (Article 67-15 of the Act on Special Measures Concerning Taxation).

Fiscal period	1st fiscal period From: Sep. 8, 2014 To: Apr. 30, 2015	2nd fiscal period From: May 1, 2015 To: Oct. 31, 2015	3rd fiscal period From: Nov. 1, 2015 To: Apr. 30, 2016	4th fiscal period From: May 1, 2016 To: Oct. 31, 2016	5th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017
Total amount of unappropriated retained earnings (thousand yen)	1,013,381	1,951,805	1,967,034	2,321,003	2,381,018
Amount of accumulated earnings (thousand yen)	285	153	296	179	296
Total amount of cash distribution (thousand yen)	1,013,096	1,951,652	1,966,738	2,320,824	2,380,722
[Distribution per unit] (yen)	[1,603]	[2,458]	[2,477]	[2,596]	[2,663]
Total amount of distribution of earnings out of the total amount of cash distribution (thousand yen)	1,013,096	1,951,652	1,966,738	2,320,824	2,380,722
[Distribution of earnings per unit] (yen)	[1,603]	[2,458]	[2,477]	[2,596]	[2,663]
Total amount of refund of investment in capital out of the total amount of cash distribution (thousand yen)	—	—	—	—	—
[Amount of refund of investment in capital per unit] (yen)	[—]	[—]	[—]	[—]	[—]
Total distribution amount from reserve for temporary difference adjustments out of total amount of refund of investment in capital (thousand yen)	—	—	—	—	—
[Distribution amount from reserve for temporary difference adjustments per unit out of amount of refund of investment in capital per unit] (yen)	[—]	[—]	[—]	[—]	[—]
Total distribution amount from distribution reducing unitholders' capital for tax purpose out of total amount of refund of investment in capital (thousand yen)	—	—	—	—	—
[Distribution amount from distribution reducing unitholders' capital for tax purpose out of amount of refund of investment in capital per unit] (yen)	[—]	[—]	[—]	[—]	[—]

4. Future Management Policy

(1) Future Trends Outlook

Looking ahead, the Japanese economy is expected to recover moderately, supported by the effects of various economic policies, under circumstances where employment rates and income levels continue rising, according to the Monthly Economic Report (May 2017) released by the Cabinet Office.

On the other hand, we believe that, due to the high level of continuing uncertainties in overseas political and economic conditions, such as the policies of the new U.S. administration and their resulting impact on emerging nations, the outcomes of national elections in major European countries and the U.K.'s Brexit negotiations, fluctuations in financial and capital markets in response to these situations remain a concern.

In the office leasing market, although the impact of possible future mass supply in the Tokyo area requires close attention, firm demand, backed by sustained strong corporate earnings, is expected to continue.

As to the real estate market, although investors' appetite for acquiring property remains generally strong, high-quality properties are in short supply; accordingly, property prices are likely to remain high for the time being.

(2) Future Management Policy and Challenges to Address

In the next and subsequent fiscal periods, SHR will continue to focus on prime properties, commercial properties situated in strategic locations or that are of a high quality, as its core commercial property investment targets.

By implementing growth strategies that take full advantage of the real estate development and operation capabilities and other strengths of Sekisui House, which has established an extensive track record of developing and operating commercial properties, SHR will, through the support of its sponsor, seek to secure stable earnings over the medium to long term and steady growth of its investment assets and thereby aim to maximize unitholder value. Meanwhile at Sekisui House Investment Advisors, Ltd. (the "Asset Management Company"), investment opportunities will also be explored through its own initiatives in efforts to advance portfolio diversification.

SHR's policy is to set as its core investment areas the Three major metropolitan areas with Three large cities, namely the Tokyo 23 Wards, Osaka City and Nagoya City, all of which SHR has knowledge in the course of developments made by Sekisui House (Note).

SHR has executed a pipeline support agreement with Sekisui House. This agreement provides for utilization of the urban redevelopment business track record and know-how of Sekisui House, allowing SHR to seek from Sekisui House property acquisition support for external growth (pipeline support). Specifically, such support will (a) grant to SHR preferential negotiation rights with regard to the sale of domestic real estate, etc. owned or developed by Sekisui House, (b) provide SHR with information on real estate, etc. owned or developed in Japan by third parties, (c) provide SHR with warehousing functions, and (d) provide SHR with support for the redevelopment of owned properties. In addition, SHR can seek from Sekisui House (a) property management services for owned assets, and (b) in relation to management of owned assets for internal growth, (i) technologies and know-how that contribute to the improvement of tenant satisfaction or other factors, including energy-efficiency and eco-friendliness, that contribute to the enhancement of property value, (ii) personnel support, including provision of know-how required for the operation of SHR, and (iii) support in areas such as negotiation of master lease agreements.

By implementing growth strategies that take full advantage of the versatile support from Sekisui House for external growth and internal growth as described above, SHR will seek to secure stable earnings and steady growth of its investment assets and thereby aim to maximize unitholder value.

(Note) The "Three large cities" refer to the Tokyo 23 wards, Osaka City and Nagoya City. In addition, the "Three major metropolitan areas" refer to "Greater Tokyo," the "Osaka area" and the "Nagoya area," where "Greater Tokyo" refers to Tokyo, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture, the "Osaka area" refers to Osaka Prefecture, Kyoto Prefecture, Hyogo Prefecture and Nara Prefecture and the "Nagoya area" refers to Aichi Prefecture. The same shall apply hereinafter.

(3) Financial Strategy

SHR has adopted as its policy the conduct of stable and sound financial operations in order to secure stable earnings over the medium to long term and enhance unitholder value. Specifically, the policy is to form strong and stable business relationships with leading domestic financial institutions, centering on megabanks, bolstered by the creditworthiness of the sponsor Sekisui House, and also to reduce refinancing risks and risks of fluctuations in interest rates by exploring the extension of borrowing periods and working to diversify dates for repayment, etc., while pursuing the optimum balance between fixed-rate and floating-rate debts.

In addition, SHR's LTV policy (on a total assets basis) is to manage LTV at the conservative level of between 40% and 50% with attention being paid to the maintenance of funding capacity. SHR's LTV, which was at 40.8% at the end of the previous fiscal period, remains unchanged at 40.8% at the end of the current fiscal period.

SHR's LTV level as of the end of the current fiscal period is expected to remain unchanged even after the issuance of new investment units conducted in May 2017 and the like. SHR will work to diversify its sources for direct and indirect financing, such as by issuing investment corporation bonds and the like in consideration of the market environment, SHR's financial standing, and other factors, as a whole, while striving to continue stable and sound financial operations.

5. Significant Subsequent Events

Issuance of new investment units

SHR passed the following resolution concerning issuance of new investment units at a meeting of the board of directors held on May 9, 2017. Payments for new investment units issued through a public offering and new investment units issued by way of third-party allotment were completed on May 24 and June 12, 2017, respectively. As a result, unitholders' capital is 110,189,294,000 yen and the number of investment units issued and outstanding is 969,000 units.

i) Issuance of new investment units through public offering (primary offering)

Number of investment units to be issued:	71,400 units
Offer price:	139,912 yen per unit
Total amount of offer price:	9,989,716,800 yen
Amount to be paid in (issue price):	135,320 yen per unit
Total amount to be paid in (issue price):	9,661,848,000 yen
Payment date:	May 24, 2017
Date of commencement of distribution calculation:	May 1, 2017

ii) Issuance of new investment units by way of third-party allotment

Number of investment units to be issued:	3,600 units
Amount to be paid in (issue price):	135,320 yen per unit
Total amount to be paid in (issue price):	487,152,000 yen
Payment date:	June 12, 2017
Date of commencement of distribution calculation:	May 1, 2017
Allottee:	Nomura Securities Co., Ltd.

iii) Use of proceeds

Proceeds from the issuance of new investment units through the public offering described above were used to fund part of the acquisition costs of Garden City Shinagawa Gotenyama (the third portion acquired) and Hommachi Garden City (hotel portion) on May 24, 2017, and proceeds from the issuance of new investment units by way of the third-party allotment described above were used for partial repayment of short-term loans accompanying the acquisition of such specified assets.

(Reference Information)

(a) Acquisition of assets

The following two properties were acquired on May 24, 2017.

Property name	Garden City Shinagawa Goteniyama (the third portion acquired) (Note)
Type of asset	Trust beneficiary interests with real estate as assets in trust
Category	Office building
Acquisition price	4,000 million yen
Acquisition date	May 24, 2017
Seller	Sekisui House, Ltd.
Location (indication of residential address)	6-7-29 Kitashinagawa, Shinagawa-ku, Tokyo
Type of ownership	Land: Right of site (co-ownership interest) Building: Sectional ownership right

(Note) In respect of Garden City Shinagawa Goteniyama, SHR acquired the sectional ownership right to all 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, together with the accompanying right of site (ratio of right of site: 2,103,349/3,857,806 (approximately 54.5%)) on December 3, 2014. SHR also acquired the sectional ownership right to part of the exclusively-owned portions of the 2nd, 3rd, 5th and 6th floors of the building, together with the accompanying right of site (ratio of right of site: 820,252/3,857,806 (approximately 21.3%)) on May 24, 2016. Furthermore, SHR acquired the sectional ownership right to part of the exclusively-owned portions of the 2nd floor and all of the exclusively-owned portions of the 9th floor of Garden City Shinagawa Goteniyama, together with the accompanying right of site (ratio of right of site: 200,039/3,857,806 (approximately 5.2%)) (hereinafter referred to as "Garden City Shinagawa Goteniyama (the third portion acquired)"), pursuant to its issuance of new investment units through the public offering described above.

Property name	Hommachi Garden City (hotel portion) (Note)
Type of asset	Trust beneficiary interests with real estate as assets in trust
Category	Hotel
Acquisition price	17,200 million yen
Acquisition date	May 24, 2017
Seller	Sekisui House, Ltd.
Location (indication of residential address)	3-6-4 Hommachi, Chuo-ku, Osaka-shi, Osaka
Type of ownership	Land: Right of site (co-ownership interest) Building: Sectional ownership right

(Note) In respect of Hommachi Garden City, SHR acquired the sectional ownership right to all of the exclusively-owned portions used as office building and retail property of the building, together with the accompanying right of site, on May 19, 2015. The ratio of the exclusively-owned area is approximately 52.7% of the exclusively-owned area of the entire building. The ratio of right of site is 68,645/100,000 for the office portion and 1,104/100,000 for the retail property portion (i.e., totaling 69,749/100,000 or approximately 69.7%). Hommachi Garden City includes co-ownership interest in the common areas (such as areas containing parking lots, the management office and the like) pursuant to the bylaws in respect of the building, but it has no accompanying ratio of right of site. SHR additionally acquired the sectional ownership right to all of the exclusively-owned portions of Hommachi Garden City that are used as a hotel, as well as the accompanying right of site (hereinafter referred to as "Hommachi Garden City (hotel portion)"), pursuant to its issuance of new investment units through the aforementioned public offering. The ratio of the exclusively-owned area is approximately 47.3% of the exclusively-owned area of the entire building. The ratio of right of site is 30,251/100,000 (approximately 30.3%).

(b) Borrowing of funds

SHR borrowed the following funds on May 24, 2017 to finance its acquisition of the assets stated in "(a) Acquisition of assets" above, as well as related expenses.

Category	Lender	Loan amount (million yen)	Interest rate (Note 1) (Note 2) (Note 3) (Note 4)	Drawdown date	Repayment date (Note 5)	Repayment method (Note 6)	Remarks
Short term	The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Sumitomo Mitsui Banking Corporation	7,600	Base rate (JBA 1-month JPY TIBOR) + 0.18%	May 24, 2017	May 23, 2018	Lump-sum payment at maturity	Unsecured Unguaranteed

(Note 1) Borrowing expenses, etc. payable to the lender are not included.

(Note 2) The base rate applicable to the calculation period for the interest payable on an interest payment date shall be one-month Japanese Yen TIBOR (Tokyo Interbank Offered Rate), published by JBA TIBOR Administration, two business days prior to the interest payment date immediately preceding the respective interest payment date. The base rate is subject to review on every interest payment date. However, in cases where there is no rate corresponding to the interest calculation period, the base rate shall be the base rate corresponding to the concerned period calculated based on the method provided in the contract.

(Note 3) The first interest payment date shall be June 15, 2017, and subsequent interest payment dates shall be the last day of every month and the principal repayment date. However, if the concerned date is not a business day, then it shall be the next business day, and if that next business day falls into the next calendar month, then it shall be the business day immediately preceding the concerned date.

(Note 4) The first interest calculation period shall be from May 24, 2017 to June 15, 2017. The base rate corresponding to the concerned period is 0.03000%.

(Note 5) If the concerned date is not a business day, then the repayment date shall be the next business day, and if that next business day falls into the next calendar month, then it shall be the business day immediately preceding the concerned date.

(Note 6) During the period from the drawdown date to the repayment date, SHR may make early repayment of loans, in whole or in part, if SHR gives prior written notice and if other certain terms and conditions are met.

(c) Issuance of investment corporation bonds

Based on a comprehensive resolution regarding issuance of investment corporation bonds, adopted at a meeting of the board of directors held on February 27, 2017, SHR decided to issue investment corporation bonds on July 7, 2017 (as described below), and payment for such corporate bonds was completed on July 13, 2017.

Name of the bonds:	Sekisui House Reit, Inc. Second Series Unsecured Investment Corporation Bonds (ranked pari passu with specified investment corporation bonds) (hereinafter referred to as the "Second Series Bonds")
Total value of bonds issued:	3 billion yen
Interest rate:	0.240% per annum
Payment date:	July 13, 2017
Collateral and guarantee:	No secured mortgage or guarantee is applicable, and no assets have been specifically reserved as security for the Second Series Bonds.
Redemption method and date:	The Second Series Bonds will be redeemed in their entirety on July 13, 2022. The Second Series Bonds may be repurchased and cancelled at any time after the payment date unless otherwise specified by Japan Securities Depository Center, Incorporated or applicable laws and regulations.
Credit rating:	AA- (Japan Credit Rating Agency, Ltd.)
Fiscal agent, issuing agent and paying agent:	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Use of proceeds:	Proceeds were used for partial repayment of short-term loans accompanying the acquisition of specified assets.

Outline of the Investment Corporation

1. Status of Capital

Fiscal period	As of end of 1st fiscal period (Apr. 30, 2015)	As of end of 2nd fiscal period (Oct. 31, 2015)	As of end of 3rd fiscal period (Apr. 30, 2016)	As of end of 4th fiscal period (Oct. 31, 2016)	As of end of 5th fiscal period (Apr. 30, 2017)
Total number of investment units authorized (units)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total number of investment units issued and outstanding (units)	632,000	794,000	794,000	894,000	894,000
Unitholders' capital (million yen)	67,074	87,743	87,743	100,040	100,040
Number of unitholders (persons)	16,005	18,089	16,545	13,749	12,449

2. Matters Concerning Investment Units

Of the unitholders as of the end of the fiscal period under review, the following are the top ten unitholders in terms of investment unitholding ratio.

Name	Number of units owned (units)	Percentage of owned units to total units issued and outstanding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	269,687	30.17
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	82,226	9.20
The Master Trust Bank of Japan, Ltd. (Trust Account)	79,478	8.89
Sekisui House, Ltd.	65,200	7.29
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	34,456	3.85
STATE STREET BANK - WEST PENSION FUND CLIENTS - EXEMPT 505233	13,848	1.55
STATE STREET BANK AND TRUST COMPANY 505012	11,368	1.27
The Hokuriku Bank, Ltd.	10,098	1.13
The Hyakujushi Bank, Ltd.	9,300	1.04
STICHTING PENSIOENFONDS METAAL EN TECHNIEK	8,117	0.91
Total	583,778	65.30

(Note) Percentage of owned units to total units issued and outstanding is rounded to the nearest second decimal place.

3. Matters Concerning Directors, etc.

- (1) The following table sets forth information on the executive director, supervisory directors and independent auditor of SHR in the fiscal period under review.

Position	Name	Key concurrently held position, etc.	Total amount of compensation for each position during period (thousand yen)
Executive Director	Junichi Inoue	President & Representative Director, Sekisui House Investment Advisors, Ltd.	—
Supervisory Director	Shigeru Nomura	Director, Shigeru Nomura Certified Public Accountant Office Outside Director, Eiken Chemical Co., Ltd.	1,800
	Tatsushi Omiya	Auditor, QB Net Holdings Co., Ltd. Partner, City Law Offices	1,800
Independent Auditor	Ernst & Young ShinNihon LLC	—	9,000 (Note 2)

(Note 1) None of the executive director or supervisory directors owns SHR investment units in his own name or in the name of another person. In addition, supervisory directors may be officers of other corporations other than those stated above, but none of such corporations, including those stated above, has vested interest in SHR.

(Note 2) The total compensation amounts stated above are approximate amounts and include compensation for auditing English financial statements.

- (2) Policy for determining whether to dismiss or refuse the Reappointment of Independent Auditor

Dismissal of the independent auditor is subject to consideration at a meeting of the board of directors of SHR in accordance with the provisions of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) (the "Investment Trusts Act"). Refusal of reappointment of the independent auditor is also subject to consideration at a meeting of the board of directors of SHR by taking into account the quality of audits, amount of audit fee and various other circumstances in a comprehensive manner.

- (3) Matters concerning entities that have been ordered to suspend operations within the past two years

On December 22, 2015, SHR's Independent Auditor received an order from the Financial Services Agency to suspend operations relating to the conclusion of new contracts for three months (from January 1, 2016 to March 31, 2016).

4. Asset Management Company, Asset Custodian and Administrative Agents

The following table sets forth information on the asset management company, asset custodian and administrative agents of SHR as of the end of the fiscal period under review.

Entrustment category	Name
Asset Management Company	Sekisui House Investment Advisors, Ltd.
Asset Custodian	Mitsubishi UFJ Trust and Banking Corporation
Administrative Agent (Transfer Agent)	Mizuho Trust & Banking Co., Ltd.
Administrative Agent (Administrative Agent for Operation of Administrative Instruments)	Mitsubishi UFJ Trust and Banking Corporation
Administrative Agent (Administrative Agent for Investment Corporation Bonds)	The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Condition of investment assets

1. Composition of Assets of the Investment Corporation

The following table sets forth the composition of assets of SHR as of the end of the fiscal period under review.

Type of asset	Geographical area, etc.	As of end of 4th fiscal period (Oct. 31, 2016)		As of end of 5th fiscal period (Apr. 30, 2017)	
		Total amount held (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)	Total amount held (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate in trust	Three major metropolitan areas	177,986	94.0	177,418	93.6
	Other areas	—	—	—	—
Total of real estate in trust		177,986	94.0	177,418	93.6
Deposits and other assets		11,271	6.0	12,209	6.4
Total amount of assets		189,257	100.0	189,627	100.0

(Note 1) "Total amount held" is the carrying amount (or, for real estate in trust, the depreciated book value) as of the end of the fiscal period under review, rounded down to the nearest million yen.

(Note 2) Figures under the heading "As a percentage of total assets" have been rounded to the nearest first decimal place.

(Note 3) SHR does not own any overseas real estate, etc. as of the end of the fiscal period under review.

2. Major Portfolio Assets

The following table sets forth an overview of the portfolio assets of SHR as of the end of the fiscal period under review.

Name of real estate, etc.	Book value (million yen) (Note 1)	Leasable area (m ²) (Note 2)	Leased area (m ²) (Note 3)	Occupancy rate (%) (Note 4)	As a percentage of total property-related operating revenue (%) (Note 5)	Main use
Garden City Shinagawa Gotenyama	55,116	29,235.95	29,235.95	100.0	29.8	Office building
Gotenyama SH Building	50,862	19,999.97	19,999.97	100.0	26.3	Office building
Hommachi Minami Garden City	22,591	16,699.46	16,699.46	100.0	14.2	Office building
Hommachi Garden City	38,083	17,006.94	17,006.94	100.0	21.8	Office building
HK Yodoyabashi Garden Avenue	4,413	4,554.52	4,554.52	100.0	3.5	Office building
Hirokoji Garden Avenue	6,349	4,442.75	4,442.75	100.0	4.5	Office building
Total	177,418	91,939.59	91,939.59	100.0	100.0	—

(Note 1) "Book value" refers to the depreciated book value of each property as of the end of the fiscal period under review, rounded down to the nearest million yen. As such, the sum total of the "book value" of each property may not match the figure indicated in the column for the total.

(Note 2) "Leasable area" refers to the floor area available for leasing based on the lease agreement or building drawing, etc. for each property that is valid as of the end of the fiscal period under review, rounded down to the second decimal place.

(Note 3) "Leased area" refers to the sum total of the leased area indicated in the respective lease agreements for each of the properties that are valid as of the end of the fiscal period under review (or, if a pass-through type master lease agreement that is valid as of the end of each fiscal period has been concluded for the property, the lease agreements with the respective end tenants concluded as of the end of the fiscal period under review).

(Note 4) "Occupancy rate" refers to the ratio of leased area to leasable area of each property as of the end of the fiscal period under review, rounded to the nearest first decimal place. The figure indicated in the total column is the occupancy rate of the entire portfolio, which is the ratio of total leased area of each property to total leasable area of each property, rounded to the nearest first decimal place.

(Note 5) Figures under the heading "As a percentage of total property-related operating revenue" indicate the ratio of property-related operating revenue of each property to total property-related operating revenue, rounded to the nearest first decimal place. As such, the sum total of the figures in respect of each property may not match the figure indicated in the column for the total. The same shall apply hereinafter.

3. Details of Assets (Real Estate, etc.) in the Portfolio

The following table sets forth an overview of the assets held by SHR as of the end of the fiscal period under review.

Name of real estate, etc.	Location	Type of ownership	Book value at end of period (million yen) (Note 1)	Estimated value at end of period (million yen) (Note 2)
Garden City Shinagawa Gotenyama	6-7-29 Kitashinagawa, Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	55,116	64,500
Gotenyama SH Building	6-5-17 Kitashinagawa, Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	50,862	56,900
Hommachi Minami Garden City	3-6-1 Kitakyuhojimachi, Chuo-ku, Osaka-shi, Osaka	Real estate trust beneficiary interests	22,591	27,900
Hommachi Garden City	3-6-4 Hommachi, Chuo-ku, Osaka-shi, Osaka	Real estate trust beneficiary interests	38,083	43,500
HK Yodoyabashi Garden Avenue	4-3-9 Fushimimachi, Chuo-ku, Osaka-shi, Osaka	Real estate trust beneficiary interests	4,413	5,380
Hirokoji Garden Avenue	4-24-16, Meieki, Nakamura-ku, Nagoya-shi, Aichi	Real estate trust beneficiary interests	6,349	6,940
Total	—	—	177,418	205,120

(Note 1) "Book value at end of period" refers to the book value after depreciation of each property as of the end of the fiscal period under review, rounded down to the nearest million yen. As such, the sum total of the figures in respect of each property may not match the figure indicated in the column for the total.

(Note 2) "Estimated value at end of period" refers to the value stated in each real estate appraisal report (based on real estate appraisal reports prepared by Daiwa Real Estate Appraisal Co., Ltd., The Tanizawa Sōgō Appraisal Co., Ltd., Rich Appraisal Institute Co., Ltd. and Japan Real Estate Institute with the end of the fiscal period under review as the date of valuation), rounded down to the nearest million yen.

The following table sets forth the status of leasing of real estate, etc. held by SHR.

Name of real estate, etc.	4th fiscal period From: May 1, 2016 To: Oct. 31, 2016				5th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017			
	Number of tenants [at end of fiscal period] (Note 1)	Occupancy rate [at end of fiscal period] (%) (Note 2)	Property-related operating revenue [during fiscal period] (million yen) (Note 3)	As a percentage of total property-related operating revenue (%)	Number of tenants [at end of fiscal period] (Note 1)	Occupancy rate [at end of fiscal period] (%) (Note 2)	Property-related operating revenue [during fiscal period] (million yen) (Note 3)	As a percentage of total property-related operating revenue (%)
Garden City Shinagawa Gotenyama	1	100.0	1,190	29.3	1	100.0	1,233	29.8
Gotenyama SH Building	1	100.0	1,088	26.8	1	100.0	1,089	26.3
Hommachi Minami Garden City	1	100.0	586	14.5	1	100.0	586	14.2
Hommachi Garden City	1	100.0	904	22.3	1	100.0	903	21.8
HK Yodoyabashi Garden Avenue	1 (6)	98.6	130	3.2	1 (7)	100.0	145	3.5
Hirokoji Garden Avenue	1 (9)	100.0	158	3.9	1 (9)	100.0	185	4.5
Total	2 (15)	99.9	4,059	100.0	2 (16)	100.0	4,144	100.0

(Note 1) "Number of tenants" refers to the sum total of the number of tenants under, and indicated in, the respective lease agreements for each property that are valid as of the end of each fiscal period (or, if a master lease agreement that is valid as of the end of each fiscal period has been concluded for the property, the number of lessees under the master lease agreement). If a pass-through type master lease agreement that is valid as of the end of each fiscal period has been concluded for the property, the number of end tenants for the property is indicated in parenthesis.

In the "Total" column, a tenant that leases spaces in multiple properties is counted as one. The sum total of the number of end tenants for properties where pass-through type master lease agreements that are valid as of the end of each fiscal period have been concluded is indicated in parenthesis.

(Note 2) "Occupancy rate" refers to the ratio of leased area to leasable area of each property as of the end of each fiscal period, rounded to the nearest first decimal place. The total column indicates the occupancy rate of the entire portfolio, which indicates the ratio of total leased area of each property to total leasable area of each property, rounded to the nearest first decimal place.

(Note 3) "Property-related operating revenue [during fiscal period]" refers to the sum total of property-related operating revenue in each fiscal period in respect of each property, rounded down to the nearest million yen. As such, the sum of "Property-related operating revenue [during fiscal period]" in respect of each property may not match the figure indicated in the column for the total.

4. Details of Renewable Energy Power Generation Facility, etc.

Not applicable.

5. Details of Right to Operate Public Facility, etc.

Not applicable.

6. Details of Investment Securities

Not applicable.

7. Table of Status of Contract Amount, etc. and Fair Value of Specified Transactions

The following table sets forth the status of contract amount, etc. and fair value of specified transactions at SHR as of the end of the fiscal period under review.

as of the end of the fiscal period under review.				
Category	Type	Contract amount, etc. (thousand yen) (Note 1)		Fair value (thousand yen) (Note 2)
			Amount due after 1 year	
Transaction other than market transaction	Interest rate swap transaction (Under which floating interest rates are receivable and fixed interest rates are payable)	50,350,000	50,350,000	—

(Note 1) The contract amount, etc. of interest rate swap transactions is based on notional principal amounts.

(Note 2) The fair value is omitted because the transaction meets the criteria for special accounting under the Accounting Standards for Financial Instruments.

8. Status of Other Assets

Trust beneficiary interests with real estate as the main assets in trust are stated in "3. Details of Assets (Real Estate, etc.) in the Portfolio" above. As of the end of the fiscal period under review, there are no specified assets other than real estate, etc., asset-backed securities, etc. and infrastructure assets, etc. in the portfolio.

9. Status of Holding of Assets by Country and Region

As of the end of the fiscal period under review, there are no portfolio real estate, etc. in any other country or region besides Japan.

Capital expenditures for property

1. Schedule of Capital Expenditures

The main capital expenditure amounts accompanying renovation work, etc. currently planned for assets held by SHR, is as follows. However, a portion of such amounts may ultimately be classified as expenses in the course of the accounting process.

Name of real estate, etc. (location)	Purpose	Scheduled period	Scheduled amount (million yen) (Note)		
			Total amount	Payment for the fiscal period under review	Amount already paid
Garden City Shinagawa Gotenyama (Kitashinagawa, Shinagawa-ku, Tokyo)	Upgrading of integrated watt meters	From: January 2018 To: March 2018	7	—	—
Hommachi Garden City (Chuo-ku, Osaka- shi, Osaka)	Upgrading of integrated heat meters	From: September 2017 To: September 2017	6	—	—
Garden City Shinagawa Gotenyama (Kitashinagawa, Shinagawa-ku, Tokyo)	Installation of emergency power generators	From: December 2017 To: March 2018	5	—	—
Hommachi Minami Garden City (Chuo-ku, Osaka-shi, Osaka)	Upgrading of integrated watt meters	From: January 2018 To: January 2018	3	—	—
Garden City Shinagawa Gotenyama (Kitashinagawa, Shinagawa-ku, Tokyo)	Replacement of UPS for central device for lighting control system	From: June 2017 To: September 2017	2	—	—

(Note) "Scheduled amount" refers to the amount arrived at by multiplying (i) the full amount required for the work by (ii) the ratio of SHR's ownership in the real estate trust beneficiary interest.

2. Capital Expenditures During Period

An overview of capital expenditures conducted by SHR for its assets during the fiscal period under review is as set forth in the following table. Total capital expenditures during the fiscal period under review was 80 million yen and, together with 25 million yen of repair expenses charged to expenses in the fiscal period under review, work amounting to 106 million yen was implemented.

Name of real estate, etc. (location)	Purpose	Period	Payment amount (million yen)
Hommachi Garden City (Chuo-ku, Osaka-shi, Osaka)	Installation of integrated energy- saving controlling equipment for absorption water cooling and heating devices	From: September 2016 To: December 2016	21
HK Yodoyabashi Garden Avenue (Chuo-ku, Osaka-shi, Osaka)	Renovation of facilities, etc. in a retail section on the 1st floor	From: January 2017 To: March 2017	21
Hommachi Garden City (Chuo-ku, Osaka-shi, Osaka)	Upgrading of integrated heat meters	From: March 2017 To: March 2017	11
Hommachi Minami Garden City (Chuo-ku, Osaka-shi, Osaka)	Upgrading of integrated watt meters	From: January 2017 To: February 2017	7
Garden City Shinagawa Gotenyama (Kitashinagawa, Shinagawa-ku, Tokyo)	Upgrading of integrated watt meters	From: October 2016 To: January 2017	7
Other capital expenditures			11
Total			80

3. Cash Reserves for Long-Term Repair Plans

No cash was reserved for long-term repair plans as of the end of the fiscal period under review.

Condition of expenses

Details of Expenses Pertaining to Management, etc.

Item	(Unit: thousand yen)	
	4th fiscal period From: May 1, 2016 To: Oct. 31, 2016	5th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017
Asset management fee	309,334	332,503
Asset custody fee	3,159	3,520
Administrative service fees	11,217	11,820
Directors' compensations	3,600	3,600
Other expenses	46,026	35,864
Total	373,337	387,308

(Note) In respect of asset management fees, in addition to the amounts shown above, there are management fees for property acquisition (amounting to 39,975 thousand yen in respect of the 4th fiscal period and not applicable in the 5th fiscal period) included in the book value of real estate, etc.

Condition of investment transactions

- Status, etc. of Sale and Purchase of Real Estate, etc., Asset-Backed Securities, etc., Infrastructure Assets, etc. and Infrastructure-Related Assets
Not applicable.
- Status, etc. in respect of Sale and Purchase of Other Assets
Not applicable.
Main assets other than the abovementioned real estate, etc., asset-backed securities, etc., infrastructure assets, etc. and infrastructure-related assets are essentially bank deposits or bank deposits within assets in trust.
- Investigation into Value, etc. of Specified Assets
 - Real Estate, etc. (Appraisal)
Not applicable.
 - Others
Not applicable.
- Status of Transactions with Interested Persons, etc. (Note 1)
 - Status of Transactions
Not applicable.

(2) Amount of Commission Fee, etc. (Note 2)

Category	Total amount of commission fee, etc. (A) (thousand yen)	Breakdown of transactions with interested persons, etc.		As a percentage of total amount (B / A) (%)
		Payee	Amount paid (B) (thousand yen)	
Management fee (Note 3)	24,996	Sekisui House, Ltd.	24,996	100.0

(Note 1) "Interested persons, etc." refers to interested persons, etc. of the asset management company with which SHR has executed an asset management agreement as provided in Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Order for Enforcement No. 480 of 2000, as amended) and Article 26, Item 27 of the Rules on Investment Reports, etc. of Investment Trusts and Investment Corporations of The Investment Trusts Association, Japan.

(Note 2) There are no payments for repair work, etc. for orders placed to interested persons, etc. during the fiscal period under review besides the commission fee, etc. indicated above.

(Note 3) "Management fee" has been rounded down to the nearest thousand yen.

- Status, etc. of Transactions with the Asset Management Company Pertaining to Business Operations of Concurrent Business Engaged in by the Asset Management Company
There are no applicable transactions because as of the end of the fiscal period under review, the Asset Management Company does not concurrently engage in any type I financial instruments or type II financial instruments business (as defined in the Financial Instruments and Exchange Act), building lots and buildings transaction business, or specified joint real estate ventures.

Other information

1. Notice
- (1) General Meeting of Unitholders
- No general meetings of unitholders were held during the fiscal period under review.
- (2) Meeting of the Board of Directors of the Investment Corporation
- In the fiscal period under review, of the matters, etc. provided in Items 2, 3, 5, 6 and 8 of Article 109, Paragraph 2 of the Investment Trusts Act, there were no matters that were approved at a meeting of the board of directors of SHR or other information that are deemed important.
2. Handling of fractions of monetary amounts and percentage figures
- Amounts have been rounded down and ratios have been rounded to the nearest specified unit unless otherwise indicated in this document.

Financial Section (Audited)

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1. Financial Statements

(1) Balance Sheet

	(Thousands of yen)	
	4th Fiscal Period (As of October 31, 2016)	5th Fiscal Period (As of April 30, 2017)
Assets		
Current assets		
Cash and deposits	2,537,620	4,115,187
Cash and deposits in trust	7,805,438	7,662,531
Operating accounts receivable	24,252	16,709
Prepaid expenses	88,117	84,523
Deferred tax assets	10	16
Consumption taxes receivable	461,715	—
Other	464	11,350
Total current assets	10,917,618	11,890,319
Non-current assets		
Property, plant and equipment		
Buildings in trust	53,265,090	53,345,801
Accumulated depreciation	(2,038,527)	(2,678,821)
Buildings in trust, net	51,226,562	50,666,979
Structures in trust	672,428	672,428
Accumulated depreciation	(34,346)	(43,390)
Structures in trust, net	638,082	629,038
Machinery and equipment in trust	411	411
Accumulated depreciation	(3)	(23)
Machinery and equipment in trust, net	407	387
Tools, furniture and fixtures in trust	996	1,259
Accumulated depreciation	(181)	(297)
Tools, furniture and fixtures in trust, net	815	961
Land in trust	126,120,644	126,120,644
Construction in progress in trust	—	9,699
Total property, plant and equipment	177,986,512	177,427,710
Intangible assets		
Other	4,617	3,882
Total intangible assets	4,617	3,882
Investments and other assets		
Lease and guarantee deposits	20,181	20,181
Long-term prepaid expenses	275,627	239,863
Total investments and other assets	295,808	260,044
Total non-current assets	178,286,938	177,691,637
Deferred assets		
Investment corporation bond issuance costs	18,388	17,453
Investment unit issuance costs	35,032	28,026
Total deferred assets	53,420	45,479
Total assets	189,257,978	189,627,436

	(Thousands of yen)	
	4th Fiscal Period (As of October 31, 2016)	5th Fiscal Period (As of April 30, 2017)
Liabilities		
Current liabilities		
Operating accounts payable	143,397	130,929
Current portion of long-term loans payable	—	14,000,000
Accounts payable – other	347,741	376,804
Accrued expenses	73,014	79,170
Income taxes payable	815	938
Accrued consumption taxes	—	284,571
Total current liabilities	564,968	14,872,413
Non-current liabilities		
Investment corporation bond	2,000,000	2,000,000
Long-term loans payable	75,300,000	61,300,000
Tenant leasehold and security deposits in trust	9,031,712	9,033,710
Total non-current liabilities	86,331,712	72,333,710
Total liabilities	86,896,680	87,206,123
Net assets		
Unitholders' equity		
Unitholders' capital	100,040,294	100,040,294
Surplus		
Unappropriated retained earnings	2,321,003	2,381,018
Total surplus	2,321,003	2,381,018
Total unitholders' equity	102,361,297	102,421,312
Total net assets (Note 4)	102,361,297	102,421,312
Total liabilities and net assets	189,257,978	189,627,436

The accompanying notes are an integral part of these financial statements.

(2) Statement of Income and Retained Earnings

(Thousands of yen)

	4th Fiscal Period (From May1, 2016 to October 31, 2016)	5th Fiscal Period (From November 1, 2016 to April 30, 2017)
Operating revenue		
Rent revenue – real estate (Note 5)	4,032,189	4,121,417
Other lease business revenue (Note 5)	27,097	22,970
Total operating revenue	4,059,286	4,144,387
Operating expenses		
Expenses related to rent business (Note 5)	1,021,071	1,053,022
Asset management fee	309,334	332,503
Asset custody fee	3,159	3,520
Administrative service fees	11,217	11,820
Directors' compensations	3,600	3,600
Other operating expenses	46,026	35,864
Total operating expenses	1,394,409	1,440,331
Operating income	2,664,877	2,704,056
Non-operating income		
Interest income	58	50
Interest on refund	—	1,521
Subsidy income	—	10,935
Total non-operating income	58	12,507
Non-operating expenses		
Interest expenses	283,943	283,125
Interest expenses on investment corporation bond	995	3,383
Borrowing related expenses	48,898	39,818
Amortization of investment unit issuance costs	7,006	7,006
Amortization of investment corporation bond issuance costs	311	934
Other	2,241	515
Total non-operating expenses	343,397	334,784
Ordinary income	2,321,537	2,381,779
Income before income taxes	2,321,537	2,381,779
Income taxes – current	824	945
Income taxes – deferred	6	(5)
Total income taxes	831	940
Net income	2,320,706	2,380,839
Retained earnings brought forward	296	179
Unappropriated retained earnings	2,321,003	2,381,018

The accompanying notes are an integral part of these financial statements.

(3) Statement of Changes in Net Assets

4th Fiscal Period (From May 1, 2016 to October 31, 2016)

(Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at beginning of period	87,743,594	1,967,034	1,967,034	89,710,628	89,710,628
Changes of items during period					
Issuance of new investment units	12,296,700			12,296,700	12,296,700
Distribution from surplus		(1,966,738)	(1,966,738)	(1,966,738)	(1,966,738)
Net income		2,320,706	2,320,706	2,320,706	2,320,706
Total changes of items during period	12,296,700	353,968	353,968	12,650,668	12,650,668
Balance at end of period (Note 6)	100,040,294	2,321,003	2,321,003	102,361,297	102,361,297

5th Fiscal Period (From November 1, 2016 to April 30, 2017)

(Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at beginning of period	100,040,294	2,321,003	2,321,003	102,361,297	102,361,297
Changes of items during period					
Distribution from surplus		(2,320,824)	(2,320,824)	(2,320,824)	(2,320,824)
Net income		2,380,839	2,380,839	2,380,839	2,380,839
Total changes of items during period	—	60,015	60,015	60,015	60,015
Balance at end of period (Note 6)	100,040,294	2,381,018	2,381,018	102,421,312	102,421,312

The accompanying notes are an integral part of these financial statements.

(4) Statement of Cash Distributions

Item	4th Fiscal Period (From May 1, 2016 to October 31, 2016)	5th Fiscal Period (From November 1, 2016 to April 30, 2017)
I . Unappropriated retained earnings	2,321,003,281yen	2,381,018,583yen
II . Cash distributions [Cash distributions per unit]	2,320,824,000yen [2,596yen]	2,380,722,000yen [2,663yen]
III . Retained earnings carried forward	179,281yen	296,583yen
Method of calculating amount of distribution	The basic policy is to distribute in excess of an amount equivalent to 90% of the amount of earnings available for distribution of SHR provided in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation as set forth in Article 46, Paragraph 1, Item 2 of the Articles of Incorporation of SHR. Based on such policy, SHR decided to pay out a distribution of earnings of 2,320,824,000 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (894,000 units) in an amount not in excess of unappropriated retained earnings for the period. SHR will not distribute cash in excess of earnings as set forth in Article 46, Paragraph 2 of the Articles of Incorporation of SHR.	The basic policy is to distribute in excess of an amount equivalent to 90% of the amount of earnings available for distribution of SHR provided in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation as set forth in Article 46, Paragraph 1, Item 2 of the Articles of Incorporation of SHR. Based on such policy, SHR decided to pay out a distribution of earnings of 2,380,722,000 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (894,000 units) in an amount not in excess of unappropriated retained earnings for the period. SHR will not distribute cash in excess of earnings as set forth in Article 46, Paragraph 2 of the Articles of Incorporation of SHR.

(5) Statement of Cash Flows

	(Thousands of yen)	
	4th Fiscal Period (From May 1, 2016 to October 31, 2016)	5th Fiscal Period (From November 1, 2016 to April 30, 2017)
Cash flows from operating activities		
Income before income taxes	2,321,537	2,381,779
Depreciation and amortization	648,726	650,209
Amortization of investment corporation bond issuance costs	311	934
Amortization of investment unit issuance costs	7,006	7,006
Interest income	(58)	(50)
Interest expenses	284,939	286,509
Decrease (increase) in operating accounts receivable	(24,252)	7,543
Decrease (increase) in consumption taxes receivable	(461,715)	461,715
Decrease (increase) in prepaid expenses	(5,273)	3,593
Decrease (increase) in long-term prepaid expenses	(7,666)	35,763
Increase (decrease) in operating accounts payable	74,615	(31,608)
Increase (decrease) in accounts payable – other	26,823	26,524
Increase (decrease) in accrued consumption taxes	(223,779)	284,571
Other, net	5,869	(10,886)
Subtotal	2,647,084	4,103,606
Interest income received	58	50
Interest expenses paid	(281,834)	(280,352)
Income taxes paid	(783)	(823)
Net cash provided by operating activities	2,364,523	3,822,480
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(26,807,722)	(68,745)
Proceeds from tenant leasehold and security deposits in trust	1,228,125	2,177
Repayments of tenant leasehold and security deposits in trust	—	(180)
Repayments for lease and guarantee deposits	(10,181)	—
Net cash provided by (used in) investing activities	(25,589,778)	(66,747)
Cash flows from financing activities		
Proceeds from short-term loans payable	9,200,000	—
Repayments of short-term loans payable	(9,200,000)	—
Proceeds from long-term loans payable	7,200,000	—
Proceeds from issuance of investment corporation bond	1,981,300	—
Proceeds from issuance of investment units	12,254,660	—
Dividends paid	(1,965,296)	(2,321,072)
Net cash provided by (used in) financing activities	19,470,663	(2,321,072)
Net increase (decrease) in cash and cash equivalents	(3,754,590)	1,434,660
Cash and cash equivalents at beginning of period	14,097,649	10,343,058
Cash and cash equivalents at end of period (Note 7)	10,343,058	11,777,719

The accompanying notes are an integral part of these financial statements.

(6) Notes to Financial Statements**1. Organization**

Sekisui House Reit, Inc. ("SHR") is a Japanese real estate investment corporation established in September 2014 under the Act on Investment Trusts and Investment Corporations of Japan (the "Investment Trust Act"). On December 3, 2014, SHR commenced its investment operations when it was listed on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange, and it acquired three properties (total acquisition cost of ¥114.3 billion) on the same day.

SHR is externally managed by a licensed asset management company, Sekisui House Investment Advisors, Ltd.

2. Basis of Presentation

SHR maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), including provisions set forth in the Financial Instruments and Exchange Act, the Investment Trust Act, the Companies Act and the related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are basically a translation of the financial statements of SHR, which were prepared in accordance with Japanese GAAP and were presented in its Securities Report filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to the financial statements include certain information which might not be required under Japanese GAAP but is presented herein as additional information.

SHR's fiscal period is a six-month period, which ends at the end of April and October of each year.

SHR does not prepare consolidated financial statements as it has no subsidiaries.

Unless otherwise specified, amounts have been rounded down to the nearest thousand yen in the accompanying financial statements and the notes thereto. As a result, the amounts shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

3. Summary of Significant Accounting Policies

1. Method of depreciation and amortization of non-current assets	<p>(1)Property, plant and equipment (including assets in trust) Depreciation is calculated using the straight-line method. The useful lives of principal property, plant and equipment are as follows:</p> <table> <tr> <td>Buildings</td><td>8-65 years</td></tr> <tr> <td>Structures</td><td>37-40 years</td></tr> <tr> <td>Machinery and equipment</td><td>10 years</td></tr> <tr> <td>Tools, furniture and fixtures</td><td>2-6 years</td></tr> </table> <p>(2)Intangible assets Intangible assets are amortized utilizing the straight-line method.</p> <p>(3)Long-term prepaid expenses Long-term prepaid expenses are amortized utilizing the straight-line method.</p>	Buildings	8-65 years	Structures	37-40 years	Machinery and equipment	10 years	Tools, furniture and fixtures	2-6 years
Buildings	8-65 years								
Structures	37-40 years								
Machinery and equipment	10 years								
Tools, furniture and fixtures	2-6 years								
2. Accounting for deferred assets	<p>(1) Investment corporation bond issuance costs Investment corporation bond issuance costs are amortized utilizing the straight-line method over the redemption periods.</p> <p>(2) Investment unit issuance costs Investment unit issuance costs are amortized utilizing the straight-line method (over 3 years).</p>								
3. Standards for revenue and expense recognition	<p>Accounting for property taxes In accounting for property tax, city planning tax, depreciable asset tax, etc. on real estate, etc., of the tax amount assessed and determined, the amount corresponding to the applicable calculation period is expensed as expenses related to rent business. Reimbursement of property tax, paid to the seller upon the acquisition of real estate or trust beneficiary interests of real estate as assets in trust, is not recognized as expenses related to rent business in the corresponding fiscal period but included in the acquisition cost of the property. Property taxes capitalized as a part of the acquisition cost amounted to 71,558 thousand yen for the 4th fiscal period, and there were no property taxes capitalized for the 5th fiscal period.</p>								

4. Method of hedge accounting	<p>(1)Method of hedge accounting Deferral hedge accounting is applied. However, the special accounting treatment is applied to interest rate swaps that meet the criteria for the special accounting treatment.</p> <p>(2)Hedging instruments and hedged items Hedging instruments: Interest rate swap transactions Hedged items: Interest on loans</p> <p>(3)Hedging policy SHR conducts derivative transactions for the purpose of hedging the risks set forth in its Articles of Incorporation based on its basic risk management policy.</p> <p>(4)Method for assessing the effectiveness of hedging Interest rate swaps meet the criteria for the special accounting treatment and an assessment of the effectiveness is thus omitted.</p>
5. Scope of funds in the statement of cash flows	The funds (cash and cash equivalents) in the statement of cash flows consist of cash on hand and cash in trust; deposits that can be withdrawn at any time and deposits in trust; and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.
6. Other significant matters serving as basis for preparation of financial statements	<p>(1)Accounting for trust beneficiary interests of real estate, etc. as assets in trust Concerning trust beneficiary interests of real estate, etc. as assets in trust, all accounts of assets and liabilities within assets in trust as well as all accounts of revenue and expenses from the assets in trust are recognized in the relevant account items on the balance sheet and the statement of income and retained earnings. The following material items of the assets in trust recognized in the relevant account items are separately listed on the balance sheet.</p> <p>1) Cash and deposits in trust 2) Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust 3) Tenant leasehold and security deposits in trust</p> <p>(2)Accounting for consumption tax, etc. Consumption tax and local consumption tax are excluded from the corresponding transaction amounts.</p>

4. Notes to Balance Sheet

*1. Minimum net assets designated in Article 67-4 of the Investment Trust Act

(Thousands of yen)	
4th Fiscal Period (As of October 31, 2016)	5th Fiscal Period (As of April 30, 2017)
50,000	50,000

5. Notes to Statement of Income and Retained Earnings

*1. Breakdown of property-related operating revenue and expenses

(Thousands of yen)				
	4th Fiscal Period (From May 1, 2016 to October 31, 2016)		5th Fiscal Period (From November 1, 2016 to April 30, 2017)	
A. Property-related operating revenue				
Rent revenue – real estate				
Rental income	4,021,627		4,109,999	
Other	10,561	4,032,189	11,418	4,121,417
Other lease business revenue				
Utilities revenue	21,811		17,447	
Other	5,285	27,097	5,522	22,970
Total property-related operating revenue	4,059,286		4,144,387	
B. Property-related operating expenses				
Expenses related to rent business				
Subcontract expenses	21,686		24,779	
Property management fees	24,404		24,996	
Trust fees	2,177		2,265	
Utilities expenses	16,189		18,253	
Property and other taxes	277,169		296,203	
Insurance expenses	6,145		6,151	
Repair expenses	20,898		25,632	
Depreciation	647,991		649,474	
Other expenses related to rent business	4,409	1,021,071	5,266	1,053,022
Total property-related operating expenses	1,021,071		1,053,022	
C. Property-related operating income [A – B]	3,038,214		3,091,364	

6. Notes to Statement of Changes in Net Assets

*1. Total number of authorized investment units and total number of investment units issued

	4th Fiscal Period (From May 1, 2016 to October 31, 2016)	5th Fiscal Period (From November 1, 2016 to April 30, 2017)
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued	894,000 units	894,000 units

7. Notes to Statement of Cash Flows

*1. Reconciliation of cash and cash equivalents at end of period to the corresponding balance sheet items

(Thousands of yen)		
	4th Fiscal Period (From May 1, 2016 to October 31, 2016)	5th Fiscal Period (From November 1, 2016 to April 30, 2017)
Cash and deposits	2,537,620	4,115,187
Cash and deposits in trust	7,805,438	7,662,531
Cash and cash equivalents	10,343,058	11,777,719

8. Lease Transactions

Operating lease transactions as lessor

Future minimum lease payments

(Thousands of yen)		
	4th Fiscal Period (As of October 31, 2016)	5th Fiscal Period (As of April 30, 2017)
Due within 1 year	8,162,252	8,178,120
Due after 1 year	42,398,483	38,316,796
Total	50,560,736	46,494,917

9. Financial Instruments

1. Status of financial instruments

(1) Policy for financial instruments

Making it a policy to conduct stable and sound financial operations that would contribute to steady growth of its investment assets as well as efficient management and stability of management, SHR shall procure funds through borrowings or the issuance of investment corporation bonds for the purposes of utilizing such funds for the acquisition of assets, payments of repair expenses or distributions, operations of SHR, repayment of obligations or other.

For derivative transactions, the policy is that derivative transactions shall be limited to those for the purpose of hedging the risk of fluctuations in interest rates on liabilities and foreign currency risk in the case of overseas real estate investments, and that no speculative transactions shall be conducted.

(2) Description of financial instruments and associated risks, and risk management structure

The funds procured through borrowings shall be used mainly for the acquisition of investment assets and for repayment of loans.

The availability and terms and conditions of borrowings and the issuance of investment corporation bonds may be affected by SHR's financial creditworthiness, the interest rate situation and other factors, and there is thus no guarantee that funds can be procured at SHR's desired timing and terms and conditions. Furthermore, loans with floating interest rates are susceptible to subsequent market trends.

SHR manages and limits the liquidity risk and the risk of fluctuations in interest rates associated with such fund procurement by diversifying fund procurement sources and means and by maintaining the ratio of interest-bearing liabilities to total assets and the ratio of floating-rate loans to total loans at appropriate levels. Furthermore, for certain loans with floating interest rates, derivative transactions (interest rate swap transactions) are used as a hedging instrument for hedging the risk of fluctuations in interest rates based on rules that set forth the basic policy for handling derivative transactions and risk management.

(3) Supplementary explanation of matters concerning fair value of financial instruments

The fair value of financial instruments, aside from values based on market price, includes values based on reasonable calculations when there is no market price. As the calculations involve variable factors, there may be cases where the corresponding values will vary when different assumptions are adopted. In addition, the contract amounts of derivative transactions in "2. Matters concerning fair value of financial instruments" do not represent the market risk involved in the derivative transactions.

2. Matters concerning fair value of financial instruments

The following is the carrying amount and fair value of financial instruments as of October 31, 2016 and April 30, 2017, and the difference between them.

The following table does not include those for which fair value is recognized to be extremely difficult to determine (please refer to (Note 2)).

4th Fiscal Period (As of October 31, 2016)

(Thousands of yen)			
	Book value recorded on the balance sheet	Fair value	Difference
(1) Cash and deposits	2,537,620	2,537,620	—
(2) Cash and deposits in trust	7,805,438	7,805,438	—
Total assets	10,343,058	10,343,058	—
(4) Investment corporation bond	2,000,000	1,994,000	(6,000)
(5) Long-term loans payable	75,300,000	77,317,266	2,017,266
Total liabilities	77,300,000	79,311,266	2,011,266
(6) Derivative transactions	—	—	—

5th Fiscal Period (As of April 30, 2017)

(Thousands of yen)			
	Book value recorded on the balance sheet	Fair value	Difference
(1) Cash and deposits	4,115,187	4,115,187	—
(2) Cash and deposits in trust	7,662,531	7,662,531	—
Total assets	11,777,719	11,777,719	—
(3) Current portion of long-term loans payable	14,000,000	14,000,000	—
(4) Investment corporation bond	2,000,000	1,980,000	(20,000)
(5) Long-term loans payable	61,300,000	62,904,555	1,604,555
Total liabilities	77,300,000	78,884,555	1,584,555
(6) Derivative transactions	—	—	—

(Note 1) Method of calculating the fair value of financial instruments

(1) Cash and deposits and (2) Cash and deposits in trust

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

(4) Investment corporation bond

The fair value of investment corporation bond is based on the quoted market price.

(3) Current portion of long-term loans payable (5) Long-term loans payable

As the current portion of long-term loans payable and long-term loans payable with floating interest rates reflect interest rate changes within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value (provided, however, that for long-term loans payable with floating interest rates that qualify for the special accounting treatment of interest rate swaps (please refer to “11. Derivative Transactions”), the fair value is based on the method of calculation in which the sum total amount of principal and interest accounted for with the interest rate swap is discounted by the rate assumed in the event of a similar new drawdown). In addition, for those with fixed interest rates, the fair value is based on the method of calculation in which the sum total amount of principal and interest is discounted by the rate assumed in the event of a similar new drawdown corresponding to the remaining period.

(6) Derivative transactions

Please refer to “11. Derivative Transactions”.

(Note 2) Financial instruments for which fair value is recognized to be extremely difficult to determine

Tenant leasehold and security deposits in trust are not subject to valuation of fair value because a reasonable estimation of cash flows is recognized to be extremely difficult because there is no market price and the difficulty of calculating the actual deposit period from when lessees move in to when they move out.

(Thousands of yen)		
Item	4th Fiscal Period (As of October 31, 2016)	5th Fiscal Period (As of April 30, 2017)
Tenant leasehold and security deposits in trust	9,031,712	9,033,710

(Note 3) Redemption schedule of monetary claims after the closing date

4th Fiscal Period (As of October 31, 2016)

(Thousands of yen)						
	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Cash and deposits	2,537,620	—	—	—	—	—
Cash and deposits in trust	7,805,438	—	—	—	—	—
Total	10,343,058	—	—	—	—	—

5th Fiscal Period (As of April 30, 2017)

(Thousands of yen)						
	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Cash and deposits	4,115,187	—	—	—	—	—
Cash and deposits in trust	7,662,531	—	—	—	—	—
Total	11,777,719	—	—	—	—	—

(Note 4) Repayment schedule of investment corporation bond and loans after the closing date

4th Fiscal Period (As of October 31, 2016)

(Thousands of yen)						
	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Investment corporation bond	—	—	—	—	—	2,000,000
Long-term loans payable	—	14,000,000	—	14,000,000	11,050,000	36,250,000

5th Fiscal Period (As of April 30, 2017)

(Thousands of yen)						
	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Current portion of long-term loans payable	14,000,000	—	—	—	—	—
Investment corporation bond	—	—	—	—	—	2,000,000
Long-term loans payable	—	—	14,000,000	11,050,000	17,000,000	19,250,000

10. Securities

4th Fiscal Period (From May 1, 2016 to October 31, 2016)

Not applicable.

5th Fiscal Period (From November 1, 2016 to April 30, 2017)

Not applicable.

11. Derivative Transactions

1. Derivatives to which hedge accounting is not applied

4th Fiscal Period (As of October 31, 2016)

Not applicable.

5th Fiscal Period (As of April 30, 2017)

Not applicable.

2. Derivatives to which hedge accounting is applied

The following is the contract amount or the amount equivalent to the principal provided in the contract as of the closing date for each method of hedge accounting.

4th Fiscal Period (As of October 31, 2016)

(Thousands of yen)

Method of hedge accounting	Type of derivative transactions	Main hedged item	Contract amount		Fair value	Calculation method of fair value
				Of which, over 1 year		
Special accounting treatment for interest rate swaps	Interest rate swap transaction Floating interest rate receivable and fixed interest rate payable	Long-term loans payable	50,350,000	50,350,000	*	—

*As derivative transactions qualifying for the special accounting treatment for interest rate swaps are accounted for with the hedged long-term loans payable, the fair value is included in the fair value of the underlying long-term loans payable (please refer to "9. Financial Instruments: 2. Matters concerning fair value of financial instruments (Note 1)").

5th Fiscal Period (As of April 30, 2017)

(Thousands of yen)

Method of hedge accounting	Type of derivative transactions	Main hedged item	Contract amount		Fair value	Calculation method of fair value
				Of which, over 1 year		
Special accounting treatment for interest rate swaps	Interest rate swap transaction Floating interest rate receivable and fixed interest rate payable	Long-term loans payable	50,350,000	50,350,000	*	—

*As derivative transactions qualifying for the special accounting treatment for interest rate swaps are accounted for with the hedged long-term loans payable, the fair value is included in the fair value of the underlying long-term loans payable (please refer to "9. Financial Instruments: 2. Matters concerning fair value of financial instruments (Note 1)").

12. Retirement Benefits

4th Fiscal Period (From May 1, 2016 to October 31, 2016)

Not applicable.

5th Fiscal Period (From November 1, 2016 to April 30, 2017)

Not applicable.

13. Income Taxes

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Thousands of yen)

	4th Fiscal Period (As of October 31, 2016)	5th Fiscal Period (As of April 30, 2017)
Deferred tax assets		
Accrued business taxes not deductible from taxable income	10	16
Total deferred tax assets	10	16
Net deferred tax assets	10	16

2. Breakdown of major items that caused significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting

(%)

	4th Fiscal Period (As of October 31, 2016)	5th Fiscal Period (As of April 30, 2017)
Statutory tax rate	31.74	31.74
[Adjustments]		
Deductible cash distribution	(31.73)	(31.73)
Other	0.03	0.03
Effective income tax rate after application of tax-effect accounting	0.04	0.04

14. Profit or Loss of Affiliates Accounted for Under the Equity Method

4th Fiscal Period (From May 1, 2016 to October 31, 2016)

Not applicable.

5th Fiscal Period (From November 1, 2016 to April 30, 2017)

Not applicable.

15. Transactions with Related Parties

1. Parent company and major corporate unitholders.

4th Fiscal Period (From May 1, 2016 to October 31, 2016)

Not applicable.

5th Fiscal Period (From November 1, 2016 to April 30, 2017)

Not applicable.

2. Subsidiaries and affiliates.

4th Fiscal Period (From May 1, 2016 to October 31, 2016)

Not applicable.

5th Fiscal Period (From November 1, 2016 to April 30, 2017)

Not applicable.

3. Sister companies.

4th Fiscal Period (From May 1, 2016 to October 31, 2016)

Not applicable.

5th Fiscal Period (From November 1, 2016 to April 30, 2017)

Not applicable.

4. Directors and major individual unitholders.

4th Fiscal Period (From May 1, 2016 to October 31, 2016)

Type	Name	Description of business or occupation	Percentage of voting rights held by (in) SHR	Description of transaction	Transaction amount (Thousands of yen)	Account item	Balance at end of period (Thousands of yen)
Director or close relative	Junichi Inoue	Executive Director of SHR and Representative Director of Sekisui House Investment Advisors, Ltd.	—	Payment of asset management fee to Sekisui House Investment Advisors, Ltd. (Note 1)	349,309 (Note 2)	Accounts payable – other	334,080

(Note 1) A transaction conducted by Junichi Inoue as a representative of a third party (Sekisui House Investment Advisors, Ltd.) and the fee amount is based on terms and conditions set forth in the Articles of Incorporation of SHR.

(Note 2) The amount includes 39,975 thousand yen of asset management fees pertaining to real estate acquisitions included in the book value of property, plant and equipment.

(Note 3) Consumption taxes are not included in the transaction amount but are included in the balance at end of period.

5th Fiscal Period (From November 1, 2016 to April 30, 2017)

Type	Name	Description of business or occupation	Percentage of voting rights held by (in) SHR	Description of transaction	Transaction amount (Thousands of yen)	Account item	Balance at end of period (Thousands of yen)
Director or close relative	Junichi Inoue	Executive Director of SHR and Representative Director of Sekisui House Investment Advisors, Ltd.	—	Payment of asset management fee to Sekisui House Investment Advisors, Ltd. (Note 1)	332,503	Accounts payable – other	359,103

(Note 1) A transaction conducted by Junichi Inoue as a representative of a third party (Sekisui House Investment Advisors, Ltd.) and the fee amount is based on terms and conditions set forth in the Articles of Incorporation of SHR.

(Note 2) Consumption taxes are not included in the transaction amount but are included in the balance at end of period.

16. Asset Retirement Obligations

4th Fiscal Period (From May 1, 2016 to October 31, 2016)

Not applicable.

5th Fiscal Period (From November 1, 2016 to April 30, 2017)

Not applicable.

17. Investment and Rental Properties

SHR owns rental office buildings, etc. in Tokyo and other areas for the purpose of earning revenue from leasing.

The following is the carrying amount, amount of increase (decrease) during the period and fair value of these investment and rental properties.

(Thousands of yen)		
	4th Fiscal Period (From May 1, 2016 to October 31, 2016)	5th Fiscal Period (From November 1, 2016 to April 30, 2017)
Carrying amount		
Balance at beginning of period	151,817,116	177,986,512
Amount of increase (decrease) during period	26,169,395	(568,501)
Balance at end of period	177,986,512	177,418,011
Fair value at end of period	202,110,000	205,120,000

(Note 1) Carrying amount is the book value less accumulated depreciation.

(Note 2) Net increase during the 4th fiscal period is mainly attributable to the acquisition of new properties (26,810,379 thousand yen), offset by depreciation (647,991 thousand yen).

Net decrease during the 5th fiscal period is mainly attributable to depreciation (649,474 thousand yen).

(Note 3) Fair value at the end of the period is the appraisal value by outside real estate appraisers.

The property-related operating income in the 4th and 5th fiscal periods for investment and rental properties is presented in “5. Notes to Statement of Income and Retained Earnings”.

18. Segment Information

1. Segment information

Segment information is omitted because SHR operates a single segment, which is the real estate leasing business.

2. Related information

4th Fiscal Period (From May 1, 2016 to October 31, 2016)

(1) Information about products and services

Information about products and services is omitted because net sales to external customers for a single products and services category are in excess of 90% of operating revenue on the statement of income and retained earnings.

(2) Information about geographic areas

1) Operating revenue

Information about net sales is omitted because net sales to external customers in Japan are in excess of 90% of operating revenue on the statement of income and retained earnings.

2) Property, plant and equipment

Information about property, plant and equipment is omitted because the property, plant and equipment located in Japan is in excess of 90% of property, plant and equipment on the balance sheet.

(3) Information about major customers

(Thousands of yen)		
Name of customer	Operating revenue	Name of related segment
Sekisui House, Ltd.	2,681,511	Real estate leasing business
Not disclosed (Note)	1,088,998	Real estate leasing business

(Note) The customer is a general business company in Japan, but the name is not disclosed because consent has not been obtained from the customer. The customer is not a group company of Sekisui House, Ltd.

5th Fiscal Period (From November 1, 2016 to April 30, 2017)

(1) Information about products and services

Information about products and services is omitted because net sales to external customers for a single products and services category are in excess of 90% of operating revenue on the statement of income and retained earnings.

(2) Information about geographic areas

1) Operating revenue

Information about net sales is omitted because net sales to external customers in Japan are in excess of 90% of operating revenue on the statement of income and retained earnings.

2) Property, plant and equipment

Information about property, plant and equipment is omitted because the property, plant and equipment located in Japan is in excess of 90% of property, plant and equipment on the balance sheet.

(3) Information about major customers

(Thousands of yen)

Name of customer	Operating revenue	Name of related segment
Sekisui House, Ltd.	2,724,312	Real estate leasing business
Not disclosed (Note)	1,088,998	Real estate leasing business

(Note) The customer is a general business company in Japan, but the name is not disclosed because consent has not been obtained from the customer. The customer is not a group company of Sekisui House, Ltd.

19. Per Unit Information

	4th Fiscal Period (From May 1, 2016 to October 31, 2016)	5th Fiscal Period (From November 1, 2016 to April 30, 2017)
Net assets per unit	114,498 yen	114,565yen
Net income per unit	2,634 yen	2,663 yen

(Note 1) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units.

In addition, diluted net income per unit is not stated because there are no dilutive investment units.

(Note 2) The following is the basis for calculating net income per unit.

	4th Fiscal Period (From May 1, 2016 to October 31, 2016)	5th Fiscal Period (From November 1, 2016 to April 30, 2017)
Net income (Thousands of yen)	2,320,706	2,380,839
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income attributable to common investment units (Thousands of yen)	2,320,706	2,380,839
Average number of investment units during period (Units)	880,769	894,000

20. Significant Subsequent Events

SHR resolved, at its meeting of the board of directors held on May 9, 2017, the following issuance of new investment units with payment dates of May 24, 2017 for new investment units issued through a public offering and on June 12, 2017 for new investment units issued by way of a third-party allotment. As a result, as of July 28, 2017, unitholders' capital is 110,189,294,000 yen and the total number of investment units issued and outstanding is 969,000 units.

<Issuance of new investment units through public offering (primary offering)>

Number of new investment units to be issued	: 71,400 units
Issue price	: 139,912 yen per unit
Total amount of issue price	: 9,989,716,800 yen
Amount to be paid in (issue amount)	: 135,320 yen per unit
Total amount to be paid in (total issue amount)	: 9,661,848,000 yen
Payment date	: May 24, 2017
Initial date of calculating distribution	: May 1, 2017

<Issuance of new investment units by way of third-party allotment>

Number of new investment units to be issued	: 3,600 units
Amount to be paid in (issued amount)	: 135,320 yen per unit
Total amount to be paid in (issued amount)	: 487,152,000 yen
Payment date	: June 12, 2017
Initial date of calculating distribution	: May 1, 2017
Allottee	: Nomura Securities Co., Ltd.

Funds procured from the above issuance of new investment units through the public offering were used to partly fund the acquisition of Garden City Shinagawa Gotenyama (the third portion acquired) and Hommachi Garden City (hotel portion) on May 24, 2017.

Funds procured from the issuance of new investment units by way of the third-party allotment were used for part of repayment of borrowings for the acquisition funds of those specified assets.

(7) Supplementary Schedules

5th Fiscal Period (From November 1, 2016 to April 30, 2017)

1. Schedule of securities

(1) Shares

Not applicable.

(2) Securities other than shares

Not applicable.

2. Contract amount and fair value of derivative transactions

(Thousands of yen)

Category	Type	Contract amount (Note 1)		Fair value (Note 2)
			Of which, over 1 year	
Transaction other than market transaction	Interest rate swap transaction Floating interest rate receivable and fixed interest rate payable	50,350,000	50,350,000	—
Total		50,350,000	50,350,000	—

(Note 1) The contract amount of interest rate swap transactions is based on the notional principal.

(Note 2) The fair value is omitted because the transaction meets the criteria for the special accounting treatment under the Accounting Standards for Financial Instruments.

3. Schedule of property, plant and equipment and intangible assets

(Thousands of yen)

Type of assets		Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Accumulated depreciation or accumulated amortization		Net balance at end of period	Notes
							For the period		
Property, plant and equipment	Buildings in trust	53,265,090	80,710	—	53,345,801	2,678,821	640,293	50,666,979	—
	Structures in trust	672,428	—	—	672,428	43,390	9,043	629,038	—
	Machinery and equipment in trust	411	—	—	411	23	20	387	—
	Tools, furniture and fixtures in trust	996	262	—	1,259	297	116	961	—
	Land in trust	126,120,644	—	—	126,120,644	—	—	126,120,644	—
	Construction in progress in trust	—	9,699	—	9,699	—	—	9,699	—
	Subtotal	180,059,571	90,672	—	180,150,244	2,722,533	649,474	177,427,710	—
Intangible assets	Other	7,350	—	—	7,350	3,467	735	3,882	—
	Subtotal	7,350	—	—	7,350	3,467	735	3,882	—
Total		180,066,921	90,672	—	180,157,594	2,726,001	650,209	177,431,593	—

4. Schedule of other specified assets

Real estate trust beneficiary interests are included above in “3. Schedule of property, plant and equipment and intangible assets”.

5. Schedule of investment corporation bond

Name	Issue date	Balance at beginning of period (Millions of yen)	Amount of decrease during period (Millions of yen)	Balance at end of period (Millions of yen)	Coupon rate (%)	Redemption date	Use of proceeds	Security
First Series Unsecured Investment Corporation Bond	September 8, 2016	2,000	—	2,000	0.340	September 8, 2026	(Note 1)	Unsecured
Total		2,000	—	2,000				

(Note 1) The proceeds are used as funds for repayment of loans payable.

(Note 2) This investment corporation bond is equipped with pari passu clause among specified investment corporation bond.

(Note 3) The following is the maturity schedule of investment corporation bond within five years of the balance sheet date.

(Millions of yen)

	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Investment Corporation Bond	—	—	—	—	—

6. Schedule of loans payable

(Thousands of yen)

(Thousands of yen)										
Category	Lender	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate (%) (Note 1)	Repayment due date	Repayment method	Use of proceeds	Security
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500,000	—	—	1,500,000	0.28000	Nov. 30, 2017 (Note 2)	Lump-sum payment at maturity	Purchase of assets and related expenses	Un-secured Un-guaranteed
	Development Bank of Japan Inc.	1,100,000	—	—	1,100,000					
	The Norinchukin Bank	1,500,000	—	—	1,500,000					
	Mizuho Bank, Ltd.	2,100,000	—	—	2,100,000					
	Mizuho Trust & Banking Co., Ltd.	1,300,000	—	—	1,300,000					
	Sumitomo Mitsui Banking Corporation	1,200,000	—	—	1,200,000					
	Sumitomo Mitsui Trust Bank, Limited	2,100,000	—	—	2,100,000					
	Mitsubishi UFJ Trust and Banking Corporation	1,300,000	—	—	1,300,000					
	Resona Bank, Limited	1,900,000	—	—	1,900,000	0.65830	Nov. 30, 2019			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,300,000	—	—	3,300,000					
	Development Bank of Japan Inc.	800,000	—	—	800,000					
	The Norinchukin Bank	800,000	—	—	800,000					
	Mizuho Bank, Ltd.	1,800,000	—	—	1,800,000					
	Mizuho Trust & Banking Co., Ltd.	600,000	—	—	600,000					
	Sumitomo Mitsui Banking Corporation	3,000,000	—	—	3,000,000					
	Sumitomo Mitsui Trust Bank, Limited	1,800,000	—	—	1,800,000					
	Mitsubishi UFJ Trust and Banking Corporation	1,000,000	—	—	1,000,000					
	Resona Bank, Limited	900,000	—	—	900,000					

Category	Lender	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate (%) (Note 1)	Repayment due date	Repayment method	Use of proceeds	Security
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,200,000	—	—	4,200,000	0.94060	Nov. 30, 2021	Lump-sum payment at maturity	Purchase of assets and related expenses	Un-secured Un-guaranteed
	Development Bank of Japan Inc.	800,000	—	—	800,000					
	The Norinchukin Bank	700,000	—	—	700,000					
	Mizuho Bank, Ltd.	2,400,000	—	—	2,400,000					
	Mizuho Trust & Banking Co., Ltd.	900,000	—	—	900,000					
	Sumitomo Mitsui Banking Corporation	3,700,000	—	—	3,700,000					
	Sumitomo Mitsui Trust Bank, Limited	2,000,000	—	—	2,000,000					
	Mitsubishi UFJ Trust and Banking Corporation	900,000	—	—	900,000					
	Resona Bank, Limited	1,400,000	—	—	1,400,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,200,000	—	—	4,200,000	1.47450	Nov. 30, 2024			
	Development Bank of Japan Inc.	300,000	—	—	300,000					
	Mizuho Bank, Ltd.	700,000	—	—	700,000					
	Sumitomo Mitsui Banking Corporation	3,700,000	—	—	3,700,000					
	Sumitomo Mitsui Trust Bank, Limited	700,000	—	—	700,000					
	Mitsubishi UFJ Trust and Banking Corporation	400,000	—	—	400,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,650,000	—	—	1,650,000	0.61760	Nov. 30, 2020			
	The Norinchukin Bank	650,000	—	—	650,000					
	Mizuho Bank, Ltd.	950,000	—	—	950,000					
	Mizuho Trust & Banking Co., Ltd.	500,000	—	—	500,000					
	Sumitomo Mitsui Banking Corporation	1,650,000	—	—	1,650,000					
	Sumitomo Mitsui Trust Bank, Limited	850,000	—	—	850,000					
	Mitsubishi UFJ Trust and Banking Corporation	200,000	—	—	200,000					
	Resona Bank, Limited	550,000	—	—	550,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	700,000	—	—	700,000	0.88470	Nov. 30, 2022			
	Development Bank of Japan Inc.	650,000	—	—	650,000	0.88500				
Mizuho Bank, Ltd.	350,000	—	—	350,000	0.89470					
Sumitomo Mitsui Banking Corporation	650,000	—	—	650,000						
Sumitomo Mitsui Trust Bank, Limited	350,000	—	—	350,000						
Resona Bank, Limited	300,000	—	—	300,000						

Category	Lender	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate (%) (Note 1)	Repayment due date	Repayment method	Use of proceeds	Security
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	750,000	—	—	750,000	1.00850	Nov. 30, 2023			
	Mizuho Bank, Ltd.	400,000	—	—	400,000	1.01850				
	Mizuho Trust & Banking Co., Ltd.	300,000	—	—	300,000					
	Sumitomo Mitsui Banking Corporation	700,000	—	—	700,000					
	Sumitomo Mitsui Trust Bank, Limited	350,000	—	—	350,000					
	Mitsubishi UFJ Trust and Banking Corporation	500,000	—	—	500,000					
	Resona Bank, Limited	100,000	—	—	100,000	0.60500	Sep. 8, 2026	Lump-sum payment at maturity	Repayment of loans payable	Unsecured Un-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,810,000	—	—	1,810,000					
	Mizuho Bank, Ltd.	900,000	—	—	900,000					
	Mitsubishi UFJ Trust and Banking Corporation	440,000	—	—	440,000	0.67000				
	Sumitomo Mitsui Banking Corporation	1,560,000	—	—	1,560,000					
	Sumitomo Mitsui Trust Bank, Limited	830,000	—	—	830,000	0.25500	Nov. 30, 2020			
	Resona Bank, Limited	550,000	—	—	550,000					
	Development Bank of Japan Inc.	370,000	—	—	370,000					
	The Norinchukin Bank	370,000	—	—	370,000					
	Mizuho Trust & Banking Co., Ltd.	370,000	—	—	370,000					
	Total	75,300,000	—	—	75,300,000	—	—	—	—	—

(Note 1) Average interest rate is the weighted average interest rate during the period. Interest rates are rounded to six decimal places. The interest rates for loans hedged by interest rate swap transactions used to hedge the risk of interest rate fluctuations are the interest rates reflecting the effect of the interest rate swaps.

(Note 2) These loans are recorded in current liabilities on the balance sheet as current portion of long-term loans payable as of the end of the 5th fiscal period.

(Note 3) The following is the maturity schedule of long-term loans within five years of the balance sheet date.

(Thousands of yen)					
	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans payable	14,000,000	—	14,000,000	11,050,000	17,000,000

Memo

Independent Auditor's Report

The Board of Directors
Sekisui House Reit, Inc.

We have audited the accompanying financial statements of Sekisui House Reit, Inc., which comprise the balance sheet as at April 30, 2017, and the statements of income and retained earnings, changes in net assets, cash distributions, cash flows, and supplementary schedules from November 1, 2016 to April 30, 2017 and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sekisui House Reit, Inc. as at April 30, 2017, and its financial performance and cash flows from November 1, 2016 to April 30, 2017 in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

July 25, 2017
Tokyo, Japan