



SEKISUI HOUSE REIT, INC.

4-15-1 Akasaka, Minato-ku, Tokyo  
<http://sekisuihouse-reit.co.jp/en/>

Semi-Annual  
Report

9<sup>th</sup>  
Fiscal Period

(from November 1, 2018 to April 30, 2019)



SEKISUI HOUSE REIT, INC.



Pictured on the cover

#### The Ritz-Carlton, Kyoto

The Ritz-Carlton, Kyoto is located in a premium location on the banks of the Kamogawa river, a site that makes the most of the natural scenic beauty of Kyoto. During the Edo period (1603-1867), the residences of aristocrats and nobles lined the shores here. Looking at a map of this area in the Edo period, you can see the residences of the royal family such as the Arisugawa-no-miya at the north end of the Nijo-Ohashi bridge, and residences of samurai families including the Kagamaedas and the Choshumoris to the south. Gazing out at the historic surroundings, it is easy to imagine these cultured people as they lived their lives against the scenic backdrop of the distant Higashiyama mountains. Kyoto's character as a tourist city flowered during the Edo period. At first, small buildings for performances of various kinds, such as acrobatics and Kabuki dance, were built here and there in the city. Later, wealthy merchants provided seats to watch, and soon teahouses were opened. This was also the beginning of *noryodoko*, or dining on platforms above the river to enjoy the cool breezes, a practice that continues to this day as a summer tradition in Kyoto. The Ritz-Carlton, Kyoto is a luxury resort that inherits the essence of this distinguished history, and engraves a new chapter in the culture of Kyoto.



## Performance Highlights

### Distribution per Unit

Distribution per Unit (Actual)  
9th Fiscal Period Ended April 2019

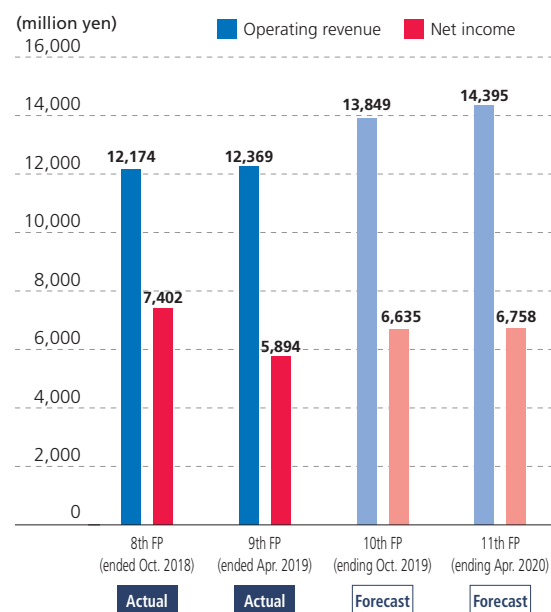
**1,594 yen**

### Business Results and Distribution

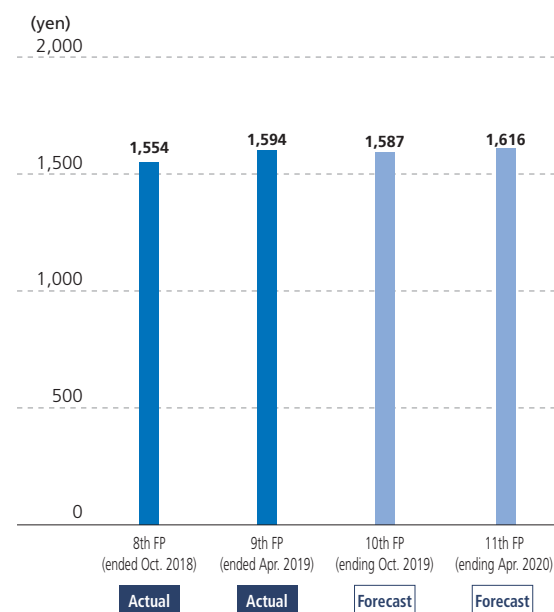
Fiscal Period	8th FP (Actual) (ended Oct. 2018)	9th FP (Actual) (ended Apr. 2019)	10th FP (Forecast) (ending Oct. 2019) <sup>(Note)</sup>	11th FP (Forecast) (ending Apr. 2020) <sup>(Note)</sup>
Operating revenue (million yen)	12,174	<b>12,369</b>	13,849	14,395
Operating income (million yen)	5,793	<b>6,627</b>	7,475	7,678
Ordinary income (million yen)	5,109	<b>5,894</b>	6,636	6,759
Net income (million yen)	7,402	<b>5,894</b>	6,635	6,758
Distribution per unit (yen)	1,554	<b>1,594</b>	1,587	1,616

(Note) The respective figure for "10th FP (Forecast) (ending Oct. 2019)" and "11th FP (Forecast) (ending Apr. 2020)" are figures as of June 18, 2019 (the announcement date of business results) calculated based upon certain assumptions. Actual operating revenue, operating income, ordinary income, net income and distribution per unit may differ materially due to various factors. The above forecasts are not intended to be guarantees of business results or the actual amount of distribution.

### Operating Revenue/Net income



### Distribution per Unit



## Message to Our Unitholders

I would like to express our sincere gratitude for your continued and loyal patronage.

Sekisui House Reit, Inc. ("SHR") has settled its accounts for the 9th fiscal period (fiscal period ended April 2019), the second fiscal period since the merger with Sekisui House Residential Investment Corporation on May 1, 2018. I hereby report on the management status and financial results for the 9th fiscal period of SHR.

In terms of investment operations, SHR newly acquired 3 properties, comprising The Ritz-Carlton, Kyoto and 2 residences, for 19.2 billion yen in total. Of these properties, The Ritz-Carlton, Kyoto, which represents the second hotel investment for SHR, stands on a rarely-found favorable location of scenic beauty in Kyoto City, a globally popular tourist destination, and has extremely strong appeal as the most valuable brand hotel of Marriott International, Inc. These acquisitions brought the assets owned by SHR as of the end of the 9th fiscal period (April 30, 2019) to 115 properties, with the asset size reaching 457.3 billion yen.

Moreover, the occupancy rate continued to stay at a high level, standing at 96.7% for residential properties, 100.0% for commercial properties and 97.5% for the entire portfolio at the end of the 9th fiscal period (April 30, 2019), partly due to the leasing market remaining favorable in recent years.

In terms of finance, the long-term issuer rating granted to SHR by Japan Credit Rating Agency, Ltd. (JCR) was upgraded from AA- (Positive) to AA (Stable) on February 15, 2019, as JCR acknowledged SHR's portfolio enhancement after the merger and the strong support system by the sponsor.

With such a series of initiatives, the management performance for the 9th fiscal period resulted in operating revenue of 12,369 million yen, operating income of 6,627 million yen, ordinary income of 5,894 million yen and net income of 5,894 million yen. The distribution per unit declared for the fiscal period was 1,594 yen, achieving a period-on-period increase of 40 yen.

In June 2019, after entering the 10th fiscal period, SHR acquired 7 properties, comprising 3 office buildings and 4 residences, for 70.1 billion yen by taking full advantage of the real estate development capability of the Sekisui House Group. In doing so, SHR used the funds obtained through a public offering it conducted for the first time since the merger. The acquisitions expanded the asset size to 527.5 billion yen, approximately 2.6 times as much as the end of the 7th fiscal period (April 30, 2018) before the merger.

Going forward, SHR will continue to strive for securing stable earnings and realizing steady growth of its investment assets by utilizing the sponsor support from Sekisui House, thereby aiming 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 Asset Management, Ltd.

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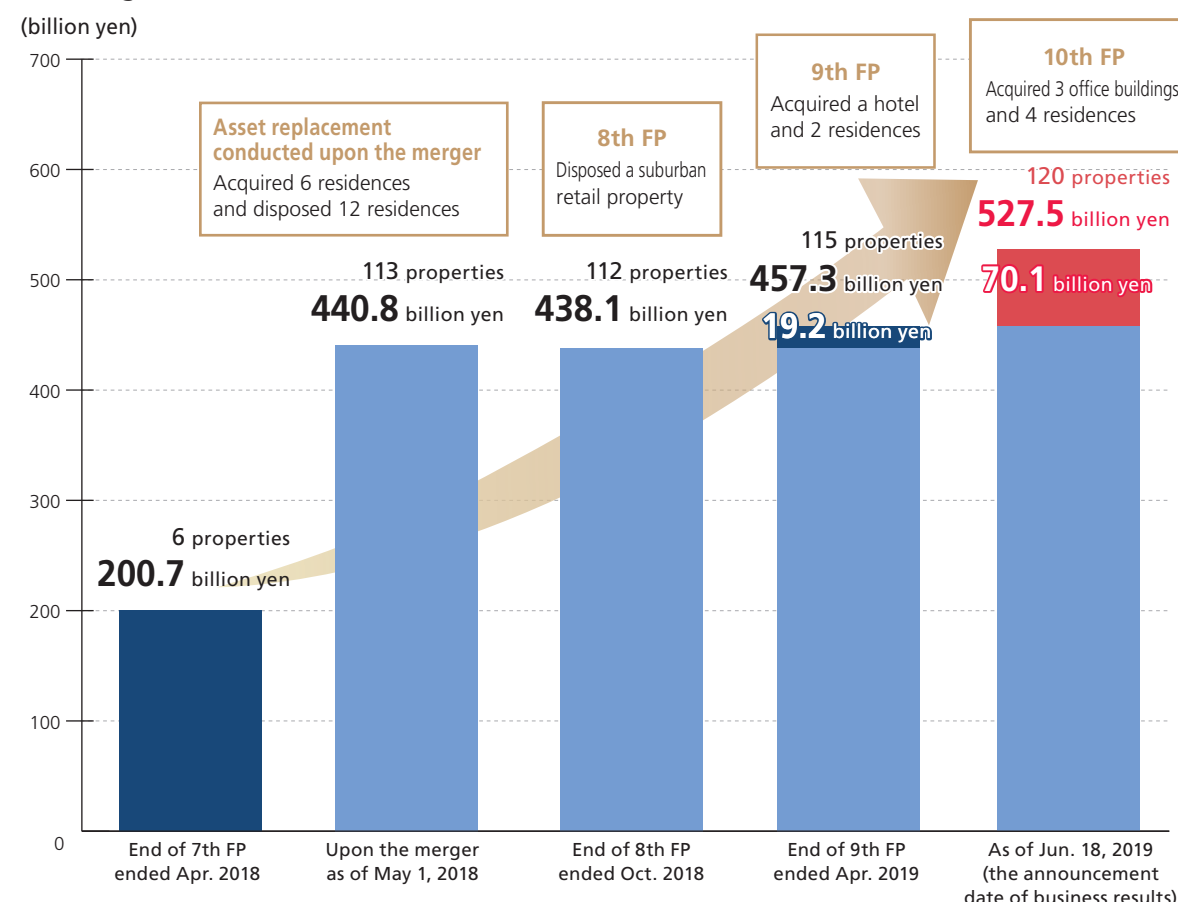
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# Topics: Asset Size Expanded to 527.5 Billion Yen through the First Public Offering since the Merger

SHR acquired 3 properties including The Ritz-Carlton, Kyoto for 19.2 billion yen in the 9th fiscal period and, after entering the 10th fiscal period, acquired 7 properties comprising 3 office buildings (two of which are additional acquisitions) and 4 residences for 70.1 billion yen through the first public offering since the merger (the

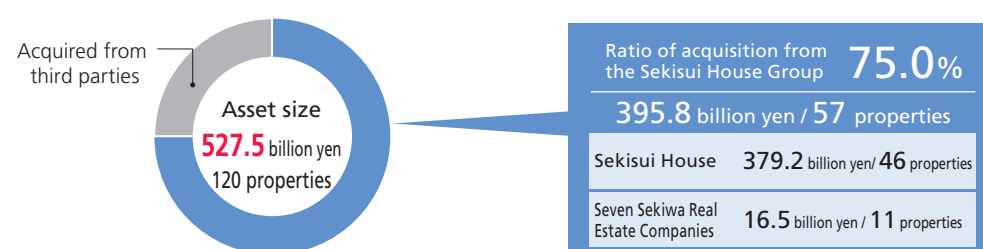
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## Change in Asset Size



## External Growth Centering on Property Acquisition from the Sekisui House Group

Of the 10 properties totaling 89.3 billion yen SHR acquired in the 9th and 10th fiscal periods, 9 properties totaling 88.3 billion yen were acquired from the Sekisui House Group, accounting for 98.8%. With these, the ratio of acquisitions from the Sekisui House Group now stands at 75.0% of the entire portfolio. Looking ahead, SHR will continue its ongoing efforts to promote external growth centering on property acquisitions from the Sekisui House Group, which has an extensive track record of property development.



## Assets Acquired in the 9th Fiscal Period

Usage Type	Property Name	Location	Acquisition Price (million yen)	Appraisal Value (million yen)	Appraisal NOI Yield (Note 1) (%)	Occupancy Rate (Note 2) (%)	Building Age (Note 3) (years)
Residence	Esty Maison Kokura	Kitakyushu-shi, Fukuoka	1,040	1,050	5.4	86.4	13.3
	MAST Ijiri	Fukuoka-shi, Fukuoka	390	400	5.5	100.0	11.4
Hotel	The Ritz-Carlton, Kyoto	Kyoto-shi, Kyoto	17,800	18,480	4.0	100.0	5.7
Total/Average			19,230	19,930	4.1	97.0	6.2

## Assets Acquired in the 10th Fiscal Period through the 4th Public Offering

Usage Type	Property Name	Location	Acquisition Price (million yen)	Appraisal Value (million yen)	Appraisal NOI Yield (Note 1) (%)	Occupancy Rate (Note 2) (%)	Building Age (Note 3) (years)
Office Building	Akasaka Garden City	Minato-ku, Tokyo	28,700	29,900	3.6	98.4	13.4
	Garden City Shinagawa Gotenyama (additional acquisition portion)	Shinagawa-ku, Tokyo	12,350	15,000	4.2	100.0	8.3
	Hommachi Minami Garden City (additional acquisition portion)	Osaka-shi, Osaka	20,900	23,800	4.3	100.0	8.3
Residence	Prime Maison Mitatsunamachi	Minato-ku, Tokyo	2,040	2,160	4.4	79.9	1.7
	Prime Maison Hongo	Bunkyo-ku, Tokyo	2,600	2,700	4.3	91.7	1.3
	Prime Maison Kuramae	Taito-Ku, Tokyo	2,190	2,260	4.3	81.8	0.6
	Esty Maison Yokohama-aobadai North	Yokohama-shi, Kanagawa	1,360	1,460	5.0	100.0	1.0
Total/Average			70,140	77,280	4.0	97.4	9.6

(Note 1) "Appraisal NOI Yield" refers to the figure obtained by dividing the (sum total of) appraisal NOI based on the direct capitalization method in the appraisal without considering depreciation for each acquired asset by the (sum total of) acquisition price.

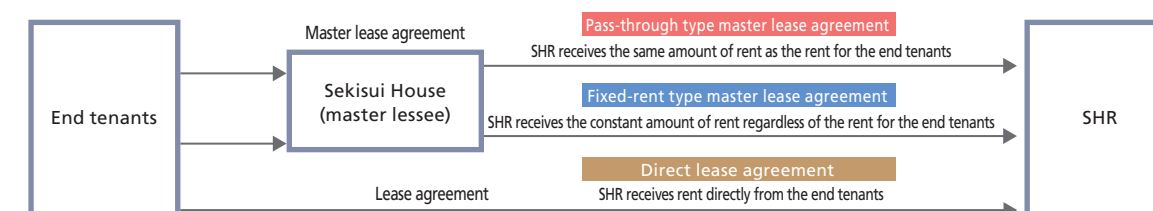
(Note 2) "Occupancy Rate" of each acquired asset refers to the ratio of the (sum total of) leased area to the (sum total of) leasable area as of April 30, 2019 for the assets acquired in the 9th fiscal period and as of May 31, 2019 for the assets acquired in the 10th fiscal period through the 4th Public Offering.

(Note 3) "Building Age" of each acquired asset is calculated by setting June 18, 2019 (the announcement date of business results) as the base date, and "Average Building Age" refers to the weighted average of Building Age of each acquired asset calculated on the basis of the acquisition price. The same shall apply hereinafter.

## Creation of Internal Growth Opportunities for Office Buildings

SHR works to create internal growth opportunities by adopting pass-through type master lease agreements for the office buildings it acquired in accordance with the 4th Public Offering. This is because adopting pass-through type master lease agreements allows SHR to enjoy upside gains when rents are raised. Of the existing owned properties, SHR plans to shift the fixed-rent type master lease agreement for the owned portion of Hommachi Minami Garden City to the pass-through type master lease agreement in December 2019.

## (Reference) Office Building Leasing Scheme Diagram (Illustration)





## Overview of Assets Acquired in the 9th and 10th Fiscal Periods

Hotel H-002 The Ritz-Carlton, Kyoto		Acquired in 9th FP
 		
Location (residential indication)	Kamogawa Nijo-Ohashi Hotori, Nakagyo-ku, Kyoto-shi, Kyoto	
Acquisition price	17,800 million yen	
Structure / Floors	RC with stainless steel sheet roof / B3, 5F	
Total floor area <sup>(Note)</sup>	23,461.39m <sup>2</sup>	
Leasable area <sup>(Note)</sup>	9,384.56m <sup>2</sup>	Completion October 2013

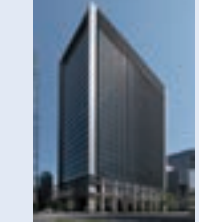

(Note) SHR acquired 40% of the quasi co-ownership interest of the trust beneficiary interest in real estate for the property. As such, while "Total floor area" refers to the floor area of the entire building, "leasable area" refers to the figure obtained by multiplying the leasable area of the entire building by 40%, which is the quasi co-ownership interest owned by SHR.

Residence R-107 Esty Maison Kokura		Acquired in 9th FP
		
Location (residential indication)	4-2-5 Kyomachi, Kokurakita-ku, Kitakyushu-shi, Fukuoka	
Acquisition price	1,040 million yen	
Structure / Floors	RC / 14F	
Leasable area	3,062.59m <sup>2</sup>	
Completion	February 2006	


Residence R-108 MAST Ijiri		Acquired in 9th FP
		
Location (residential indication)	4-3-13 Ijiri, Minami-ku, Fukuoka-shi, Fukuoka	
Acquisition price	390 million yen	
Structure / Floors	RC / 11F	
Leasable area	1,430.60m <sup>2</sup>	
Completion	January 2008	

Office Building O-001 Garden City Shinagawa Gotenyama (additional acquisition portion)		Acquired in 10th FP
 		
Location (residential indication)	6-7-29 Kitashinagawa, Shinagawa-ku, Tokyo	
Acquisition price	12,350 million yen	
Structure / Floors	RC / B1, 9F	Leasable area <sup>(Note)</sup> 7,341.65m <sup>2</sup>
Total floor area <sup>(Note)</sup>	62,975.42m <sup>2</sup>	Completion February 2011



(Note) "Total floor area" refers to the floor area of the entire building. "Leasable area" refers to the leasable area for the exclusively owned portions SHR additionally acquired.



Office Building O-003 Hommachi Minami Garden City (additional acquisition portion)		Acquired in 10th FP
 		
Location (residential indication)	3-6-1 Kitakyuhojimachi, Chuo-ku, Osaka-shi, Osaka	
Acquisition price	20,900 million yen	
Structure / Floors	S, SRC / B2, 25F	Leasable area <sup>(Note)</sup> 12,958.07m <sup>2</sup>
Total floor area <sup>(Note)</sup>	46,010.88m <sup>2</sup>	Completion February 2011

(Note) "Total floor area" refers to the floor area of the entire building. "Leasable area" refers to the leasable area for the exclusively owned portions SHR additionally acquired.

Office Building O-007 Akasaka Garden City		Acquired in 10th FP
  		
Location (residential indication)	4-15-1 Akasaka, Minato-ku, Tokyo	
Acquisition price	28,700 million yen	
Structure / Floors	S, SRC, RC / B2, 19F	
Total floor area <sup>(Note)</sup>	46,776.76m <sup>2</sup>	
Leasable area <sup>(Note)</sup>	12,472.80m <sup>2</sup>	
Completion	January 2006	

(Note) SHR acquired 65.45% of the quasi co-ownership interest of the trust beneficiary interest in real estate with respect to the compartmentalized ownership interest in all of the exclusively-owned portions of the 1st floor below ground to 4th floor above ground and 11th to 19th floor above ground of the building of "Akasaka Garden City," as well as the accompanying right of site (ratio of right of site: 662,768/1,000,000 (approximately 66.3%)). While "total floor area" refers to the floor area of the entire building, "leasable area" refers to the total figure obtained by multiplying the leasable area of the each exclusively-owned portion with respect to the acquired compartmentalized ownership interest by 65.45%, which is the quasi co-ownership interest owned by SHR, rounded to two decimal places.

Residence R-109 Prime Maison Mitatsunamachi		Acquired in 10th FP
 		
Location (residential indication)	2-1-41 Mita, Minato-ku, Tokyo	
Acquisition price	2,040 million yen	Leasable area 1,387.12m <sup>2</sup>
Structure / Floors	RC / B1, 5F	Completion October 2017

Residence R-110 Prime Maison Hongo		Acquired in 10th FP
 		
Location (residential indication)	4-14-10 Hongo, Bunkyo-ku, Tokyo	
Acquisition price	2,600 million yen	Leasable area 2,423.46m <sup>2</sup>
Structure / Floors	RC / B1, 14F	Completion March 2018

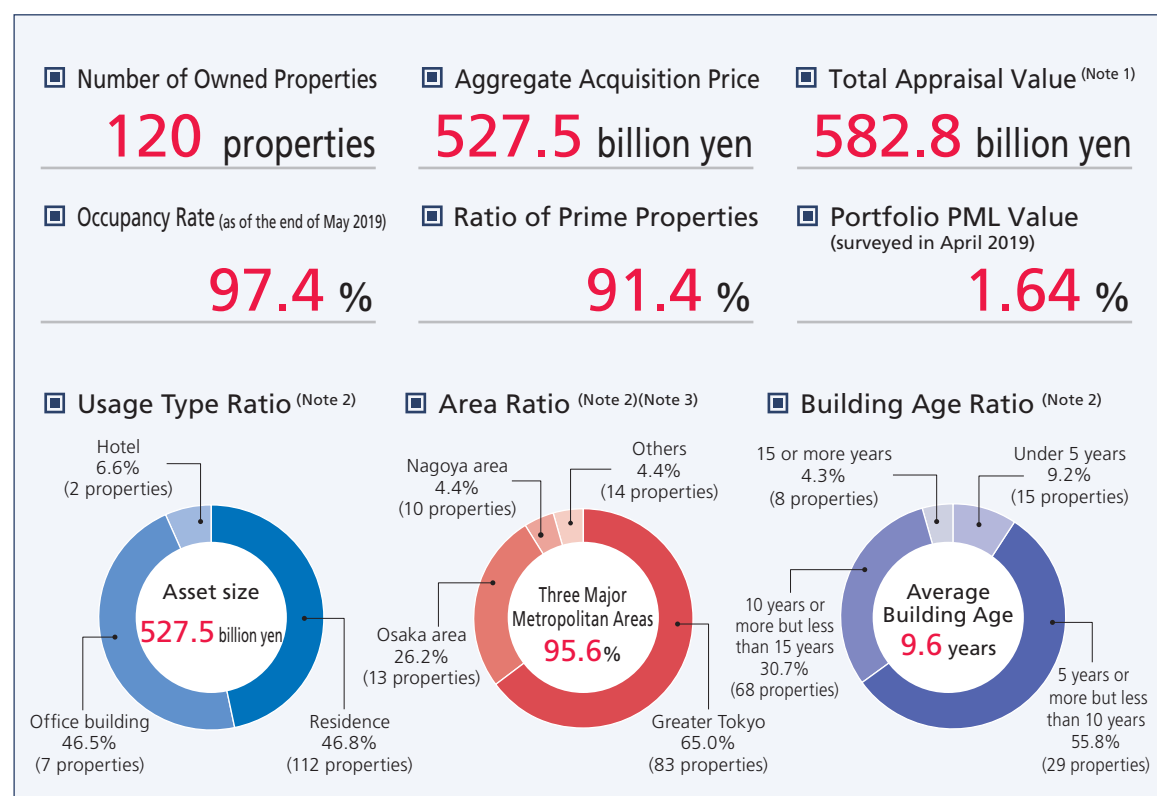
Residence R-111 Prime Maison Kuramae		Acquired in 10th FP
 		
Location (residential indication)	4-18-18 Kuramae, Taito-ku, Tokyo	
Acquisition price	2,190 million yen	Leasable area 2,259.40m <sup>2</sup>
Structure / Floors	RC / 14F	Completion November 2018

Residence R-112 Esty Maison Yokohama-aobadai North		Acquired in 10th FP
 		
Location (residential indication)	2-28-8 Aobadai, Aoba-ku, Yokohama-shi, Kanagawa	
Acquisition price	1,360 million yen	Leasable area 2,723.24m <sup>2</sup>
Structure / Floors	RC / B1, 3F	Completion July 2018

## Outline of SHR

As of June 18, 2019 (the announcement date of business results)

## Overview of Portfolio



## Financial Status (as of the end of the 9th FP ended April 2019)

■ LTV (total asset basis)

**45.3 %**

■ Long-Term Debt Ratio

**97.0 %**

■ Fixed-Interest Rate Debt Ratio

**93.1 %**

## Credit Rating

The long-term issuer rating and bond rating granted to SHR by Japan Credit Rating Agency, Ltd. (JCR) were upgraded on February 15, 2019 for the following reasons.

- It has been confirmed that SHR manages its portfolio and finance as stably as before even after the merger.
- It is anticipated that SHR will continue stable operations under the growth strategy that utilizes the strong sponsor support by Sekisui House.

<Rating agency> Japan Credit Rating Agency, Ltd. (JCR)

Subject of Rating	Before the change	After the change
Long-term Issuer rating (Rating outlook)	AA- (Positive)	AA (Stable)
Bonds rating	AA-	AA

(Note 1) "Total appraisal value" is based on the appraisal value as of the end of April 2019 for the properties that SHR owned as of the end of the 9th fiscal period ended April 2019, and the appraisal value as of April 1, 2019 for the properties acquired on June 10, 2019.

(Note 2) "Hommachi Garden City" is calculated by treating the office building portion as one property and hotel portion as one property according to the usage type of the building under compartmentalized ownership for calculating "Usage Type Ratio," and the entire building as one property for calculating "Area Ratio" and "Building Age Ratio."

(Note 3) The "Three Major Metropolitan Areas" refer to "Greater Tokyo," "Osaka area" and "Nagoya area." The "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.

## Strategies of SHR

## Portfolio Development Policy

## ■ Investment Ratio by Usage Type

Build a portfolio with "residences" as "the bases of living for residents" and "office buildings" as "the bases of operation for business," as core assets, while promoting investments in hotels that are expected to achieve continuous growth.

Asset Category	Usage Type	Examples of Specific Asset Types	Investment Ratio by Usage Type (acquisition price basis)	As of Jun. 18, 2019 (the announcement date of business results)	Investment Ratio Target by Usage Type upon Achieving an Asset Size of 600 Billion Yen
Residential Properties	Core Assets Residence	Residences Student dormitories Company housing	30%~55%	46.8%	Around 45%
	Office Building	Office Buildings Data centers	30%~55%	46.5%	Around 45%
Commercial Properties	Hotel	Hotels Service apartments	0%~30%	6.6%	Around 10%
	Retail and other properties	Retail properties Senior properties (Housing for the elderly with services, Fee-based homes for the aged, and Daycare centers)	0%~10%	—	Around 0%-10%

## ■ Investment Ratio by Area and Asset Category

Priority investment areas are set in light of the characteristics of each asset category.

Asset Category	Priority Investment Area	Investment Ratio by Area (acquisition price basis)	As of Jun. 18, 2019 (the announcement date of business results)
Residential Properties	Greater Tokyo	70% or higher	77.3%
Commercial Properties	Three Major Metropolitan Areas (Greater Tokyo, Osaka area, Nagoya area)	80% or higher	100%

## Investment Strategy

## ■ Prime Properties with "Strategic Location" and "High Quality" as Pillars

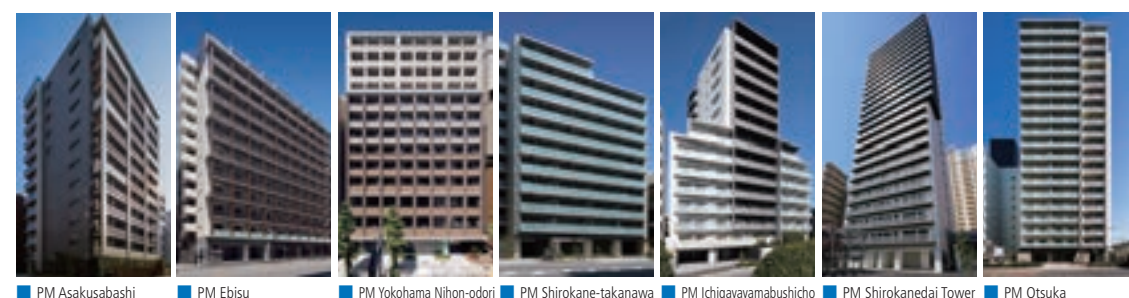
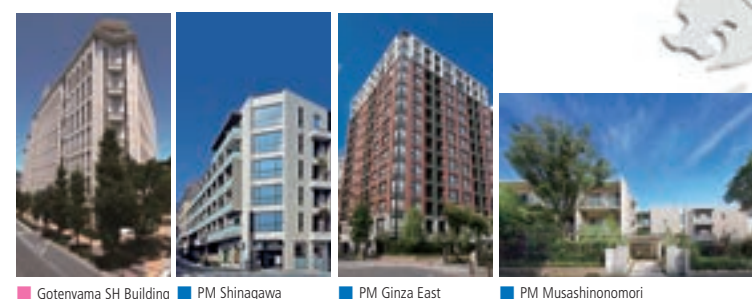
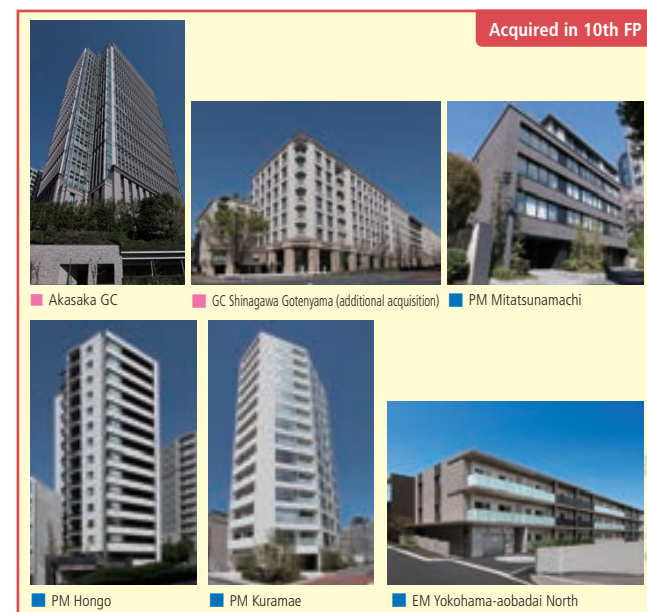
SHR will continue to invest primarily in prime properties with the aim of enhancing the quality of the portfolio.

Asset Category	Strategic Location	High Quality
Residential Properties	Sites suited for "bases for sustainable living" for residents	As residences, provide high-class fundamental functionality, such as comfort and safety, and give due consideration to the environment as a societal request to make comprehensive determinations regarding buildings suited to neighborhoods and the like.
Commercial Properties	Sites suited for "sustainable bases of operation" of tenant companies	In addition to the functionality sought by tenant companies, give consideration to the environment as a societal request and establish specifications suitable for BCP sites to make comprehensive determinations regarding buildings suited to neighborhoods and the like.

# Portfolio Map

## Major Owned Properties

### Greater Tokyo



As of Jun. 18, 2019 (the announcement date of business results)

Greater Tokyo	83 properties
Osaka area <sup>(Note)</sup>	14 properties
Nagoya area	10 properties
Others	14 properties

- Residence
- Office Building
- Hotel

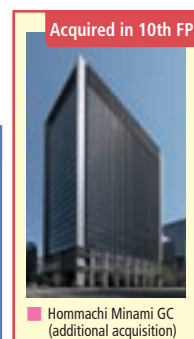


Greater Tokyo	
Residence/	80 properties
Office building/	3 properties

Nagoya area	
Residence/	9 properties
Office building/	1 property

Sapporo-shi Residence/ 3 properties

### Osaka Area



### Nagoya Area



### Others



Residence Office Building Hotel PM: Prime Maison EM: Esty Maison GC: Garden City GA: Garden Avenue GM: Granmast  
(Note) "Hommachi Garden City," located in the Osaka area, is calculated by treating the office building portion as one property and hotel portion as one property.

## Stable and Sound Financial Operations

As of the end of the 9th fiscal period ended April 2019

### Debt Finance

Total interest-bearing liabilities	214.9 billion yen
LTV	45.3%
Fixed-Interest Rate Debt Ratio	93.1%
Long-Term Debt Ratio	97.0%
Average interest rate <sup>(Note)</sup>	0.73%
Average maturity	6.9 years

### Interest-Bearing Liabilities

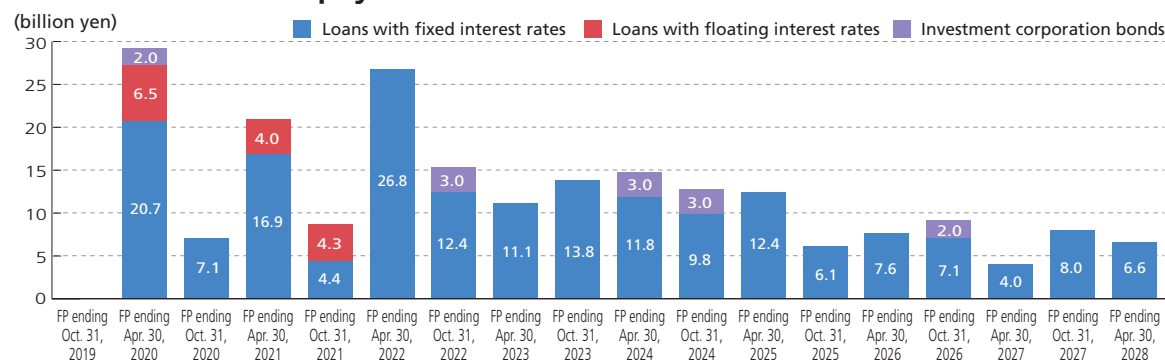
Financial institution	Balance (billion yen)	Percentage	Financial institution	Balance (billion yen)	Percentage
MUFG Bank, Ltd.	48.8	24.2%	Shinkin Central Bank	1.8	0.9%
Mizuho Bank, Ltd.	39.6	19.6%	Aozora Bank, Ltd.	1.7	0.8%
Sumitomo Mitsui Banking Corporation	37.0	18.3%	The Senshu Ikeda Bank, Ltd.	1.5	0.7%
Sumitomo Mitsui Trust Bank, Limited	17.8	8.8%	The 77 Bank, Ltd.	1.5	0.7%
Mizuho Trust & Banking Co., Ltd.	13.6	6.7%	The Yamaguchi Bank, Ltd.	1.5	0.7%
Resona Bank, Limited.	11.4	5.7%	The Shizuoka Bank, Ltd.	1.3	0.6%
Development Bank of Japan Inc.	10.4	5.2%	The Hiroshima Bank, Ltd.	1.3	0.6%
The Norinchukin Bank	9.7	4.8%	<b>Total Loans</b>	201.9	100.0%
The Bank of Fukuoka, Ltd.	2.7	1.3%	<b>Total Investment Corporation Bonds</b>	13.0	—
			<b>Total Interest-Bearing Liabilities</b>	214.9	—

(Note) "Average 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.

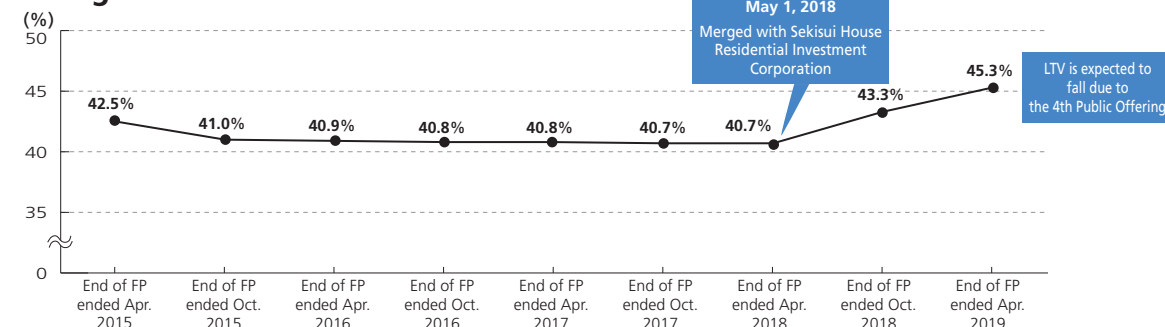
### Status of Commitment Line Agreement

Financial Institution	Credit Limit Amount	Agreement Term
MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation	15.0 billion yen	November 1, 2018 to October 31, 2019

### Diversification of Repayment Dates



### Change in LTV



(Note) LTV (%) = Total interest-bearing liabilities / total assets × 100

## ESG Initiatives

### Signing of the Principles for Responsible Investment (PRI)

The Asset Management Company became a signatory to the Principles for Responsible Investment (PRI) in March 2019, in agreement with the PRI's fundamental thinking that encourages companies to incorporate ESG issues into the investment analysis and decision-making processes.



#### Principles for Responsible Investment (PRI)

Six investment principles advocated in 2006 by Kofi Annan, the United Nations Secretary-General at the time, for the financial industry, as well as the international network of investors to realize the principles.

### Certifications Acquired from External Institutions

SHR acquired rank "S," the highest rank, in the "MUFG ESG Rating Certificate for J-REIT supported by JCR" in April 2019.

SHR acquired "Green Star," the highest rank, for the second consecutive year in the 2018 "Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment."



#### MUFG ESG Rating Certificate for J-REIT supported by JCR

A product dedicated for J-REITs to assess their endeavors on environmental, social and governance ("ESG") considerations and grant scores, as well as to provide feedback the assessment results, current issues to tackle and other matters, with Mitsubishi UFJ Research and Consulting Co., Ltd. as the service provider and Japan Credit Rating Agency, Ltd. ("JCR") as the supporting company.

#### Global Real Estate Sustainability Benchmark (GRESB)

A benchmark for ESG considerations of real estate companies and management institutions, which was established in 2009 primarily by major European pension fund groups.

### Proactive Acquisition of Environmental Certifications

(DBJ Green Building Certification and Certification for CASBEE for Real Estate)

SHR has acquired environmental certifications for 48 properties (or 52.5% on a total floor area basis) <sup>(Note)</sup> of the 120 properties it owns.

As of Jun. 18, 2019 (the announcement date of business results)



External Certification	Assessment Rank	No. of Properties		Total
		Residences	Office Buildings	
DBJ Green Building Certification	2018 OOOOO	2	1	3
	2018 OOOO	2	4	6
	2017 OOOO	7	—	7
	2018 OOO	12	—	12
	2017 OO	20	—	20
Certification for CASBEE for Real Estate	S (Superior)	—	4	4

#### DBJ Green Building Certification

A program established in April 2011 by Development Bank of Japan Inc. to assess and certify real estate properties required by the society and economy, based on the comprehensive evaluation, including responses to a variety of stakeholders, of the relevant properties for their considerations to disaster prevention and local communities, etc. on top of their environmental performances.

#### Certification for CASBEE for Real Estate

A certification program developed with an aim to utilize the environmental assessment results of buildings, in the system to comprehensively assess the environmental performances of buildings with regard to environmental load reductions, such as energy saving, resource saving and recycling performances, as well as considerations for scenic aesthetics and other factors.

(Note) Four of SHR's properties (the owned portions (excluding the portions additionally acquired through the 4th Public Offering) of Garden City Shinagawa Gotenryama and Hommachi Minami Garden City, Hommachi Garden City (Office building portion) and Hirokoji Garden Avenue) have acquired both the DBJ Green Building Certification and the Certification for CASBEE for Real Estate.

## Profile of SHR

### Overview

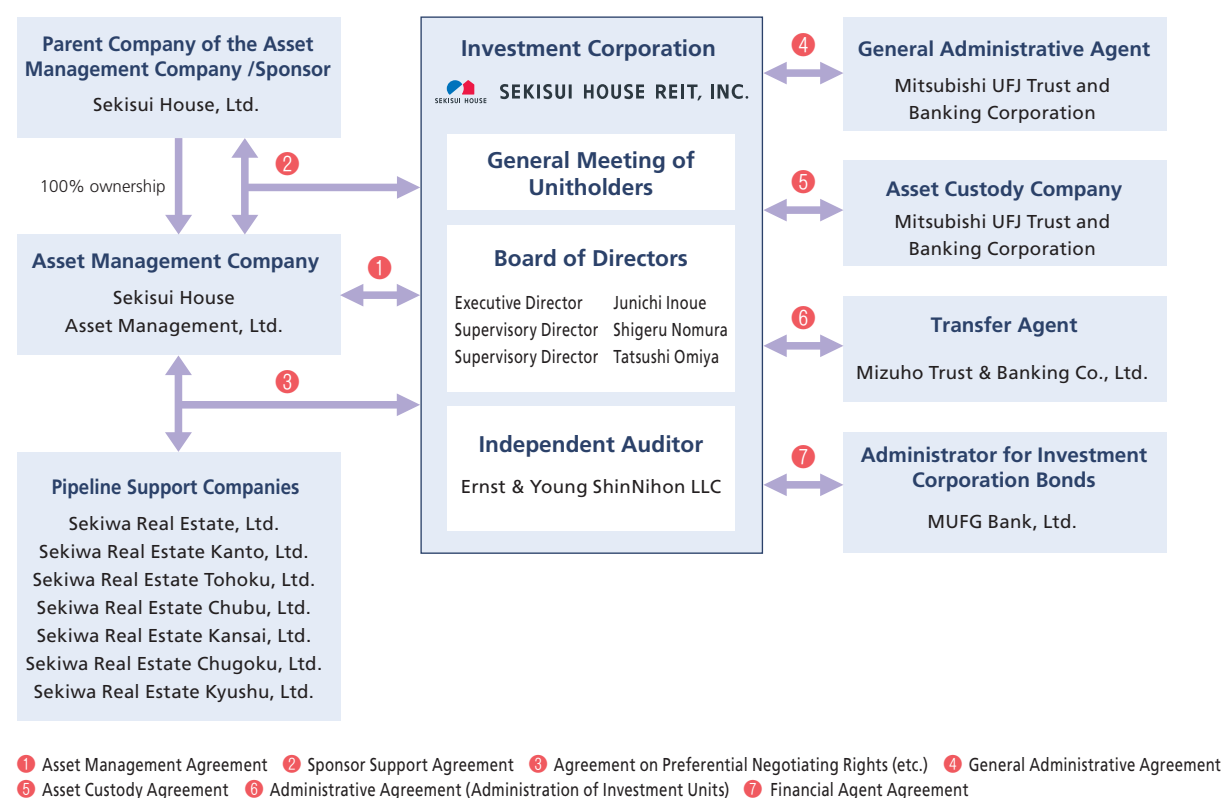
Name	Sekisui House Reit, Inc.
Representative	Junichi Inoue, Executive Director
Location	4-15-1 Akasaka, Minato-ku, Tokyo
Asset Management Company	Sekisui House Asset Management, Ltd.
Fiscal Period Ends	April and October of each year

### History

Sep. 8, 2014	Registration of incorporation under Article 166 of the Investment Trusts Act, and establishment of SHR
Sep. 18, 2014	Registered by the Prime Minister of Japan under Article 187 of the Investment Trusts Act (registration number 95, filed with the Director of the Kanto Local Finance Bureau)
Dec. 3, 2014	Listed on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market (Securities Code: 3309)
May 1, 2018	Merged with Sekisui House Residential Investment Corporation through an absorption-type merger (For each investment unit of the dissolving corporation, 1.65 post-split investment units of the surviving corporation (SHR) were allocated.)

### Structure Diagram

As of Jun. 18, 2019 (the announcement date of business results)



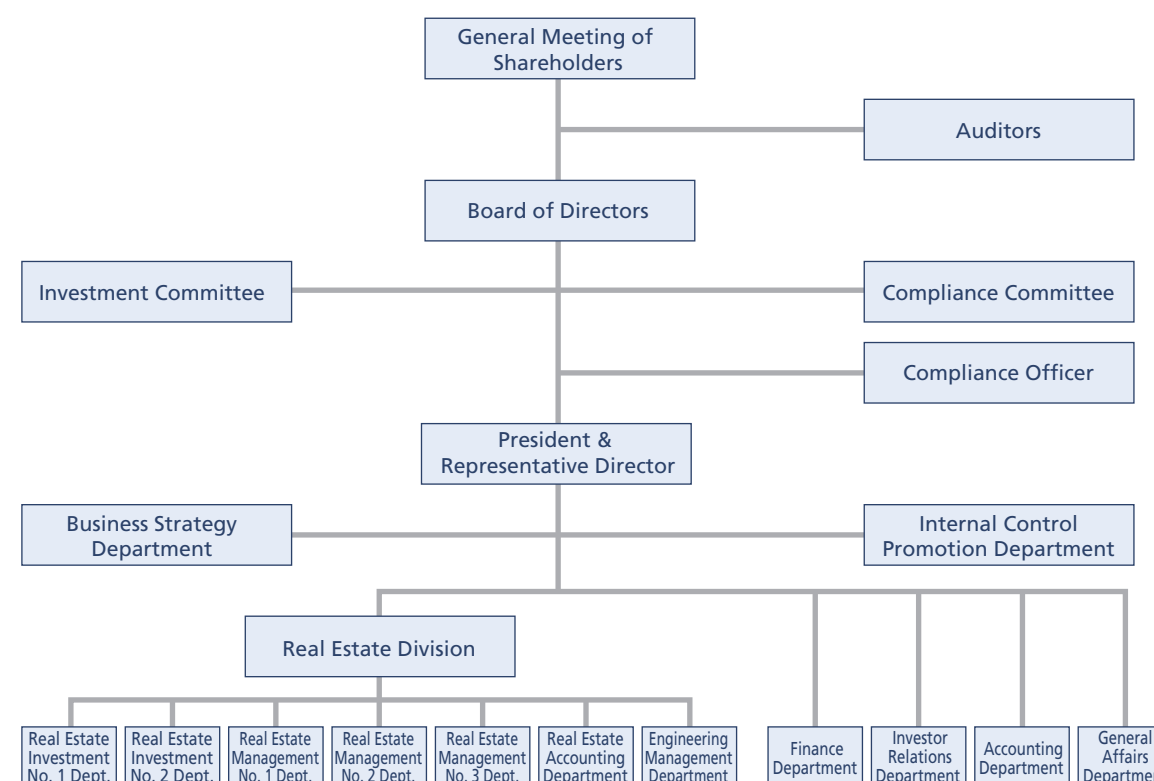
## Overview of Asset Management Company

### Overview

Corporate name	Sekisui House Asset Management, Ltd.
Representative	Junichi Inoue, President & Representative Director
Location	4-15-1 Akasaka, Minato-ku, Tokyo
Capital	400 million yen
Shareholder	Sekisui House, Ltd. (100%)

Licenses and registration, etc.	Licensed for building lots and buildings transaction business License No.(2) 96411 issued by the Governor of Tokyo
	Certified as an entrustment-based agency License No.82 issued by the Minister of Land, Infrastructure, Transportation and Tourism
	Registered as a financial instruments business operator Registration No.2791 issued by the Director-General of Kanto Local Finance Bureau (Kinsho)

### Operational Organizational Structure



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”) was established on September 8, 2014 as an investment corporation investing primarily in commercial properties including office buildings, hotels and retail and other properties, sponsored by Sekisui House, Ltd. (“Sekisui House”), a leading homebuilder representing Japan with an established development and management track record also in the property development business. SHR was listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange, Inc. (“Tokyo Stock Exchange”) on December 3, 2014 (securities code: 3309).

Sekisui House Residential Investment Corporation (“SHI,” and collectively with SHR, the “Two Investment Corporations”) was established on April 20, 2005 as an investment corporation investing primarily in residences and retail properties, with the corporate name of JOINT REIT Investment Corporation, and listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on July 28, 2005. In March 2010, a collaboration system was established with Sekisui House serving as the main sponsor and Spring Investment Co., Ltd. as joint sponsor for the investment corporation, which was renamed from JOINT REIT Investment Corporation to Sekisui House SI Investment Corporation in June 2010. Later, in June 2014, its Articles of Incorporation were revised to set residences as the sole target of investment, and the corporate name was changed to Sekisui House SI Residential Investment Corporation. Subsequently, in association with the shift to a structure in which Sekisui House serves as the sole sponsor in March 2017, SHI was renamed to Sekisui House Residential Investment Corporation in June 2017.

The Two Investment Corporations, each under the support of the Sekisui House Group (Note 1), had separately conducted asset management in an effort to expand their assets and secure stable returns by utilizing their respective strengths with the aim of continuous enhancement of unitholder value. However, with an aim to secure strong returns and stability and growth of cash distributions through promoting a steady increase of assets under management and endeavor to maximize unitholder value by further expanding the scale of their assets and increasing their market presence and enhancing a variety of opportunities for growth through utilizing the integrated corporate strength of the Sekisui House Group, the Two Investment Corporations conducted an absorption-type merger with SHR as the surviving corporation and SHI as the dissolving corporation (the “Investment Corporation Merger”), setting May 1, 2018 as the effective date (Note 2).

SHR’s investment 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, with residential properties (Note 3) and commercial properties (Note 4) as major investment targets.

(Note 1) “Sekisui House Group” refers to a group of companies comprised of Sekisui House and its consolidated subsidiaries and its affiliates accounted for by the equity method. The same shall apply hereinafter.

(Note 2) In association with the Investment Corporation Merger, Sekisui House Asset Management, Ltd. (the “former SHAM”), the asset management company for SHI, and Sekisui House Asset Management, Ltd. (former name: Sekisui House Investment Advisors, Ltd.) (the “Asset Management Company” or “SHAM”), the asset management company for SHR, carried out an absorption-type merger as of the same date as the effective date of the Investment Corporation Merger, with the Asset Management Company being the surviving company and the former SHAM being the dissolving company, and changed the company name to the current one.

(Note 3) “Residential properties” refer to real estate whose principal use is residence (including student dormitories, company housing, furnished residences with appliances which do not fall under service apartments (\*1) (\*2)). The same shall apply hereinafter.

(\*1) “Service apartments” refer to furnished residences with appliances where a dedicated operator provides certain services to users. The same shall apply hereinafter.

(\*2) Some service apartments may fall under apartment houses as defined in the Building Standards Act (Act No. 201 of 1950, as amended) (the “Building Standards Act”). The same shall apply hereinafter.

(Note 4) “Commercial properties” refer to real estate whose principal use is for office buildings, hotels (including service apartments; the same shall apply hereinafter.) and retail and other properties (including housing for elderly with service, fee-based homes for the aged, and daycare centers (\*); the same shall apply hereinafter.) and other non-residential business purposes. The same shall apply hereinafter.

(\*) Some housing for elderly with service, fee-based homes for the aged, and daycare centers may fall under apartment houses as defined in the Building Standards Act. The same shall apply hereinafter.

(2) Management Environment and Management Performance

a. Management Environment

During the fiscal period under review, the Japanese economy continued to show a mild recovery trend, given an increase in capital investment in accordance with improvements in corporate earnings and ongoing solid improvements in the employment and income environment, although weakness was observed in exports and industrial production in some areas.

Under such circumstances, the real estate leasing market continued to see a good supply and demand condition, both for residences and office buildings, with leasing demand kept strong. As for the hotel market, the number of foreign tourists visiting Japan still remains on an upward trend despite a temporary decrease in demand for accommodation in the preceding fiscal period due to the impact from natural disasters, etc.

In the real estate transaction market, the appetite for property acquisition continues to be strong among investors in Japan and abroad given the accommodative financial condition while the high-quality properties that SHR considers to be investible remain in short supply, continuously keeping their expected cap rates at a low level.

b. Management Performance

Under the circumstances described in a. Management Environment above, SHR newly acquired three properties in order to enhance its portfolio of investment properties and further reinforce its earnings base.

These transactions brought the number of properties SHR owned as of April 30, 2019 (“as of the end of the fiscal period under review”) to 115 (comprising 108 residential properties and 7 commercial properties) with an aggregate acquisition price (Note) of 457,375 million yen (238,825 million yen for residential properties and 218,550 million yen for commercial properties).

Moreover, the occupancy rate of SHR’s investment assets as of the end of the fiscal period under review stood at 96.7% for residential properties, 100.0% for commercial properties and 97.5% for the entire portfolio, bolstered by strong leasing demand against the backdrop of the solid economic growth as described above.

(Note) The “acquisition price” indicates the transaction price shown in the sales agreements for respective properties (excluding consumption tax, local consumption tax and commission and other various expenses, rounded down to the nearest million yen).

For properties SHR succeeded from SHI through the Investment Corporation Merger, however, the value based on the appraisal by real estate appraisers with April 30, 2018 as the appraisal date is used as the acquisition price, because the acceptance price should be the appraisal value upon the acquisition by SHR as such properties are accounted for by the purchase method with SHR set as the acquiring corporation and SHI as the acquired corporation. The same shall apply hereinafter.

(3) Overview of Fund Procurement

a. Borrowings

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, SHR borrowed short-term loans totaling 17,000 million yen as of January 31, 2019 to partly fund the acquisition of beneficiary interests in real estate and related expenses. SHR refinanced the said short-term loans with long-term loans with fixed interest rates in the same amount (of which 12,900 million yen was in long-term loans with floating interest rates but interest rate swaps were arranged to practically fix the interest rates) as of March 29, 2019. For the long-term loans totaling 12,382 million yen due for repayment on February 28, 2019 and investment corporation bonds amounting to 2,500 million yen due for redemption on the same date, SHR refinanced them with long-term loans with fixed interest rates amounting to 8,382 million yen (of which 6,691 million yen was in long-term loans with floating interest rates but interest rate swaps were arranged to practically fix the interest rates) and short-term loans with floating interest rates amounting to 6,500 million yen as of the same date.

As a result, the fixed interest rate debt ratio against interest-bearing liabilities fell from 93.7% as of the end of the previous fiscal period to 93.1% as of the end of the fiscal period under review. The balance of interest-bearing liabilities as of the end of the fiscal period under review stood at 214,932 million yen, with the ratio of total interest-bearing liabilities to total assets (“LTV (total assets basis)”) standing at 45.3%.

b. Credit Rating

As of February 15, 2019, Japan Credit Rating Agency, Ltd. (JCR) upgraded the ratings it grants to SHR, changing the long-term issuer rating and bond rating from AA- to AA, in consideration of such facts that SHR is expected to continue stable operations even after the Investment Corporation Merger.

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 12,369 million yen, operating income of 6,627 million yen and ordinary income of 5,894 million yen, resulting in net income of 5,894 million yen. In addition, concerning cash distributions, SHR decided to distribute 5,996 million yen, which is the amount of unappropriated retained earnings after adding reversal of reserve for temporary difference adjustments (102 million yen), as distribution of earnings 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) (the “Special Taxation Measures Act”)).

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)
May 24, 2017	Public offering	9,661	109,702	71,400	965,400	(Note 8)
June 12, 2017	Third-party allotment	487	110,189	3,600	969,000	(Note 9)
May 1, 2018	Split of investment units	—	110,189	969,000	1,938,000	(Note 10)
May 1, 2018	Allocation of investment units through merger	—	110,189	1,824,091	3,762,091	(Note 11)

- (Note 1) New investment units were issued at an issue price of 100,000 yen per unit upon the establishment of SHR.
- (Note 2) New investment units were issued at an issue price of 110,000 yen (with the issue amount 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 amount 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, (3,184 million yen), 111 million yen was allocated for partial repayment of loans and the remaining (3,073 million yen) was allocated, with the net proceeds from the public offering on May 19, 2015, to fund part of the acquisition cost of “Hommachi Garden City (Office building portion)” (as defined in “Condition of investment assets” “2. Major Portfolio Assets” below).
- (Note 4) New investment units were issued at an issue price of 131,917 yen (with the issue amount 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 amount 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 issue price of 127,140 yen (with the issue amount 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 amount 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.
- (Note 8) New investment units were issued at an issue price of 139,912 yen (with the issue amount being 135,320 yen) per unit through a public offering to procure funds for the acquisition of new properties.
- (Note 9) New investment units were issued at an issue amount of 135,320 yen per unit by way of third-party allotment, with the proceeds thereof intended to be used for the partial repayment of the short-term loans that had been taken up to finance the acquisition of the new properties.
- (Note 10) SHR implemented a two-for-one split of investment units with April 30, 2018 as the record date and May 1, 2018 as the effective date.
- (Note 11) Upon the Investment Corporation Merger, 1.65 SHR units following the investment unit split were allocated to every SHI unit on May 1, 2018 and 1,824,091 investment units were newly issued.

## [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	5th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017	6th fiscal period From: May 1, 2017 To: Oct. 31, 2017	7th fiscal period		8th fiscal period From: May 1, 2018 To: Oct. 31, 2018	9th fiscal period From: Nov. 1, 2018 To: Apr. 30, 2019
			Before the ex-rights date From: Nov. 1, 2017 To: Apr. 24, 2018	After the ex-rights date From: Apr. 25, 2018 To: Apr. 30, 2018		
High (yen)	153,900	146,400	149,100	70,500	73,900	85,400
Low (yen)	138,000	125,900	123,700	69,700	68,200	67,100

(Note) SHR implemented a two-for-one split of investment units with April 30, 2018 as the record date and May 1, 2018 as the effective date.

## 3. Performance of Distribution, etc.

Distribution per unit for the fiscal period under review (the 9th fiscal period) is 1,594 yen. The policy is to distribute 5,996,773 thousand yen, which is the amount of unappropriated retained earnings after adding reversal of reserve for temporary difference adjustments (102,630 thousand yen), as distribution of earnings, in application of 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 Special Taxation Measures Act).

Fiscal period	5th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017	6th fiscal period From: May 1, 2017 To: Oct. 31, 2017	7th fiscal period From: Nov. 1, 2017 To: Apr. 30, 2018	8th fiscal period From: May 1, 2018 To: Oct. 31, 2018	9th fiscal period From: Nov. 1, 2018 To: Apr. 30, 2019
Total amount of unappropriated retained earnings (thousand yen)	2,381,018	2,626,016	2,621,502	7,403,117	5,894,142
Amount of accumulated earnings (thousand yen)	296	26	357	1,556,827	—
Total amount of cash distribution (thousand yen)	2,380,722	2,625,990	2,621,145	5,846,289	5,996,773
[Distribution per unit] (yen)	[2,663]	[2,710]	[2,705]	[1,554]	[1,594]
Total amount of distribution of earnings out of the total amount of cash distribution (thousand yen)	2,380,722	2,625,990	2,621,145	5,846,289	5,996,773
[Distribution of earnings per unit] (yen)	[2,663]	[2,710]	[2,705]	[1,554]	[1,594]
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 continue recovering moderately, supported partly by the effects of various economic policies amid the employment and income situation continuing to improve, despite weakness remains in exports and industrial production in some areas, according to the Monthly Economic Report (April 2019) released by the Cabinet Office. However, it is noted that attention must be paid to the impact of the trade issue outcome on the world economy, the prospect of the Chinese economy, uncertainties of the overseas economies and policies and the impact of fluctuations in global financial and capital markets.

Having such circumstances in mind, SHR believes that, in the real estate leasing market, demand will remain stable both for residences and office buildings. Meanwhile, the hotel market will likely continue to see a steady increase in the number of foreign tourists visiting Japan.

As to the real estate transaction market, the expected cap rate is likely to remain low for the time being.

(2) Future Management Policy and Challenges to Address

SHR will continue to focus on prime properties—high-quality residential properties and commercial properties situated in strategic locations—as its core investment targets among other main investment targets. By implementing growth strategies that take full advantage of the real estate development and operation capabilities and other strengths of the Sekisui House Group, which has established an extensive track record of developing and operating residential properties and commercial properties, SHR will 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. On the other hand, SHR will endeavor to expand its asset size by exploring investment opportunities through the initiatives of SHAM on its own.

Concerning main investment target areas in Japan for residential properties, SHR has set Greater Tokyo (Note 1) as the core investment area with a focus on the Tokyo 23 wards, which are believed to have a number of prime properties that offer locations accommodating residents’ needs as well as excellent basic functions as a residence including comfort and safety and such and are expected to see strong leasing demand and supplies of prime properties. In addition, SHR will invest in other major cities throughout Japan outside of Greater Tokyo including government designated cities as well as their surrounding commutable areas, where networks of Sekisui House and Seven Sekiwa Real Estate Companies (Note 2) can be fully utilized.

SHR has set the Three major metropolitan areas (Note 1) 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 by Sekisui House, as the core investment areas in Japan for commercial properties, with a focus on the three large cities, in which SHR can expect stable management against the backdrop of solidified demand resulting from being bases for tenant companies’ business activities. In addition, major cities throughout Japan other than the Three major metropolitan areas are set as investment areas.

SHR has executed a sponsor 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.

Furthermore, SHR has concluded agreements concerning preferential negotiating rights (and others) with the Seven Sekiwa Real Estate Companies. Thus, particularly with residential properties, SHR will be able to receive support in acquiring properties for external growth, such as granting of preferential negotiating rights regarding sale of domestic real estate, etc. owned or developed by the Seven Sekiwa Real Estate Companies.

Sekisui House and Sekiwa Real Estate Group (Note 3) possess (a) property management (“PM”) skills based on their relationship with tenants, (b) know-how as a real estate developer to maintain/improve real estate value through large-scale repair, renovation/value enhancement, redevelopment, etc., and (c) know-how on developing various types of businesses of master lease (Note 4). SHR and SHAM can, by concluding a PM services consignment agreement (“PM Agreement”) or a sponsor support agreement with Sekisui House, seek (a) property management services for commercial properties, 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 renovation/value enhancement of properties, (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 with regard to commercial properties. Furthermore, Sekiwa Real Estate Group possesses PM skills, including know-how on PM services proven by tenant solicitation utilizing its nationwide network and an abundant management track record. As such, SHR will capitalize on the PM skills possessed by Sekiwa Real Estate Group by concluding a PM Agreement with Sekiwa Real Estate Group for residential properties.

(Note 1) 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.

(Note 2) “Seven Sekiwa Real Estate Companies” is a collective name for Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kanto, Ltd., Sekiwa Real Estate Tohoku, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chugoku, Ltd. and Sekiwa Real Estate Kyushu, Ltd., which are wholly-owned subsidiaries of Sekisui House and are core companies of real estate unit of the Sekisui House Group operating nationwide. The same shall apply hereinafter.

(Note 3) “Sekiwa Real Estate Group” refers to a group of companies comprised of Seven Sekiwa Real Estate Companies as the core, and of its subsidiaries and affiliates. The same shall apply hereinafter.

(Note 4) Master lease refers to a form of lease agreement in which the lessor leases the assets it owns to a master lessee, who subleases the assets to end tenants.

(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, with regard to LTV (total assets basis), SHR has the policy to set the figure at around 50% as its upper limit and control the figure at a conservative level with a focus on securing its funding capabilities.

Furthermore, SHR will work to diversify its sources for direct and indirect financing, such as by issuing investment corporation bonds, in comprehensive consideration of the market environment, SHR’s financial standing and other factors, while continuing its endeavors for 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 23, 2019. Payment for new investment units issued through public offering and for new investment units issued by way of third-party allotment were completed on June 10, 2019 and July 9, 2019, respectively. As a result, unitholders’ capital is 149,210,081,225 yen and the number of investment units issued and outstanding is 4,288,666 units as of July 9, 2019.

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

Number of investment units to be issued:	501,500 units (371,356 units through Domestic Primary Offering and 130,144 units through International Offering)
Issue price:	76,537 yen per unit
Total amount of issue price:	38,383,305,500 yen
Amount to be paid in (issue amount):	74,103 yen per unit
Total amount to be paid in (total issue amount):	37,162,654,500 yen
Payment date:	June 10, 2019
Date of commencement of distribution calculation:	May 1, 2019

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

Number of investment units to be issued:	25,075 units
Amount to be paid in (issue amount):	74,103 yen per unit
Total amount to be paid in (total issue amount):	1,858,132,725 yen
Payment date:	July 9, 2019
Date of commencement of distribution calculation:	May 1, 2019
Allottee:	The domestic underwriter

iii) Use of proceeds

SHR used the net proceeds from the issuance of new investment units through the public offering described above to fund part of the acquisition costs of Akasaka Garden City, Garden City Shinagawa Gotenyama (additional acquisition portion), Hommachi Minami Garden City (additional acquisition portion), Prime Maison Mitatsunamachi, Prime Maison Hongo, Prime Maison Kuramae and Esty Maison Yokohama-aobadai North, which are acquired on June 10, 2019. SHR also used the proceeds from the issuance of new investment units by way of the third-party allotment for partial repayment of short-term loans entered into in connection with the acquisition of such specified assets.

(Reference Information)

(1) Asset Acquisition

SHR acquired trust beneficiary interests in real estate for the following 3 office buildings and 4 residences on June 10, 2019.

Property name	Asset type	Location	Acquisition price (million yen)	Seller
Akasaka Garden City (Note 1)	Office building	Minato-ku, Tokyo	28,700	Sekisui House, Ltd.
Garden City Shinagawa Gotenyama (additional acquisition portion) (Note 2)		Shinagawa-ku, Tokyo	12,350	
Hommachi Minami Garden City (additional acquisition portion) (Note 3)		Osaka-shi, Osaka	20,900	
Prime Maison Mitatsunamachi	Residence	Minato-ku, Tokyo	2,040	
Prime Maison Hongo		Bunkyo-ku, Tokyo	2,600	
Prime Maison Kuramae		Taito-ku, Tokyo	2,190	
Esty Maison Yokohama-aobadai North		Yokohama-shi, Kanagawa	1,360	
Total acquisition price			70,140	—

(Note 1) SHR acquired 65.45% of the quasi co-ownership interest of the trust beneficiary interest in real estate with respect to the compartmentalized ownership interest in all of the exclusively-owned portions of the 1st floor below ground to 4th floor above ground and 11th to 19th floors above ground of the building of “Akasaka Garden City”, as well as the accompanying right of site (ratio of right of site: 662,768/1,000,000 (approximately 66.3%)).

(Note 2) SHR acquired the compartmentalized ownership interest in all of the exclusively-owned portions of the 4th, 7th and 8th floors above ground and part of the exclusively-owned portions of the 2nd, 3rd and 6th floors above ground of the building of “Garden City Shinagawa Gotenyama”, as well as the accompanying right of site (ratio of right of site: 2,103,349/3,857,806 (approximately 54.5%)) with an acquisition price of 39,700 million yen on December 3, 2014, the compartmentalized ownership interest in part of the exclusively-owned portions of the 2nd, 3rd, 5th and 6th floors above ground of such building, as well as the accompanying right of site (ratio of right of site: 820,252/3,857,806 (approximately 21.3%)) with an acquisition price of 15,900 million yen on May 24, 2016 and the compartmentalized ownership interest in part of the exclusively-owned portions of the 2nd floor above ground and all of the exclusively-owned portions of the 9th floor above ground of such building, as well as the accompanying right of site (ratio of right of site: 200,039/3,857,806 (approximately 5.2%)) with an acquisition price of 4,000 million yen on May 24, 2017, respectively. As a result, SHR owns the trust beneficiary interest in real estate with respect to the compartmentalized ownership interest in all of the exclusively-owned portions of the 2nd to 4th and 6th to 9th floors above ground and part of the exclusively-owned portions of the 5th floor above ground of the building of “Garden City Shinagawa Gotenyama”, as well as the accompanying right of site (ratio of right of site: 3,123,640/3,857,806 (approximately 81.0%)) as of the end of the fiscal period under review.

In association with the issuance of new investment units through public offering as described in “5. Significant Subsequent

Events” above, SHR additionally acquired the compartmentalized ownership interest in all of the exclusively-owned portions of the 1st floor above ground and part of the exclusively-owned portions of the 5th floor above ground of the building of “Garden City Shinagawa Gotenyama”, as well as the accompanying right of site (ratio of right of site: 734,166/3,857,806 (approximately 19.0%)) (may be hereinafter referred to as “Garden City Shinagawa Gotenyama (additional acquisition portion)”) on June 10, 2019. After the additional acquisition, SHR owns all of “Garden City Shinagawa Gotenyama”.

(Note 3) SHR acquired the compartmentalized ownership interest in all of the exclusively-owned portions of the 13th to 24th floors above ground of the building of “Hommachi Minami Garden City”, as well as the accompanying right of site (ratio of right of site: 1,669,946/2,965,753 (approximately 56.3%)) with an acquisition price of 23,100 million yen on December 3, 2014. As of the end of the fiscal period under review, SHR owns trust beneficiary interest in real estate for these. In association with the issuance of new investment units through public offering as described in “5. Significant Subsequent Events” above, SHR additionally acquired the compartmentalized ownership interest in all of the exclusively-owned portions of the 1st to 12th floors above ground of the building of “Hommachi Minami Garden City”, as well as the accompanying right of site (ratio of right of site: 1,295,807/2,965,753 (approximately 43.7%)) (may be hereinafter referred to as “Hommachi Minami Garden City (additional acquisition portion)”) on June 10, 2019. After the additional acquisition, SHR owns all of “Hommachi Minami Garden City”.

(2) Borrowing of Funds

SHR conducted the following borrowing of funds on June 10, 2019 to fund the acquisition of assets described in “(1) Asset Acquisition” 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)	Security
Short-term	MUFG Bank, Ltd., Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation	31,160	Base rate (JBA 1-month Japanese Yen TIBOR) plus 0.170%	June 10, 2019	May 29, 2020	Lump-sum repayment at maturity	Unsecured Unguaranteed

(Note 1) The borrowing expenses and other charge payable to the lenders are not included.

(Note 2) The base rate applicable to the calculation period for the interest payable on an interest payment date shall be the one month Japanese Yen TIBOR (Tokyo Interbank Offered Rate) published by the Japanese Bankers Association (JBA) TIBOR Administration two business days immediately prior to the immediately preceding interest payment date on the relevant interest payment date. The base rate is subject to review every interest payment date. Where no rate that corresponds to the interest calculation period exists, the base rate shall be that which corresponds to the concerned period calculated based on the method provided for in the relevant loan agreement.

(Note 3) The first interest payment date will be the last day of June 2019. Subsequent interest payment dates will be the last day of each month and the principal repayment date. Where the relevant date is not a business day, such date will be the immediately following business day or, if the immediately following business day falls into the next calendar month, the immediately preceding business day.

(Note 4) The first interest calculation period is from June 10, 2019 to the last day of June 2019, and the base rate applicable to the period is 0.06909%.

(Note 5) Where the repayment date is not a business day, such date will be the immediately following business day or, if the immediately following business day falls in the next calendar month, the immediately preceding business day.

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

(Note 7) SHR made early repayment (1,850 million yen) for part of the existing borrowing stated above as of July 12, 2019, and the remaining amount stands at 29,310 million yen.

(3) Issuance of Investment Corporation Bonds

SHR decided to conduct issuance of new investment corporation bonds (“Investment Corporation Bonds”) as stated below on July 5, 2019 based on the comprehensive resolution passed at a meeting of the board of directors of SHR held on February 25, 2019, and payment for such corporate bonds has been completed on July 11, 2019.

Name of the bonds:	Sekisui House Reit, Inc. Third Series Unsecured Investment Corporation Bonds (with pari passu clause among specified investment corporation bonds) (Green Bonds) (“Third Series Bonds”) Sekisui House Reit, Inc. Fourth Series Unsecured Investment Corporation Bonds (with pari passu clause among specified investment corporation bonds) (Green Bonds) (“Fourth Series Bonds”)	
Total issue amount of the bonds:	Third Series Bonds	4,000 million yen
	Fourth Series Bonds	2,500 million yen

Interest rate:	Third Series Bonds Fourth Series Bonds	0.220% per annum 0.570% per annum
Payment date:	July 11, 2019	
Collateral and guarantee:	No secured mortgage or guarantee is applicable, and no assets are specifically reserved as security for the Investment Corporation Bonds.	
Redemption method and date:	The total amount will be redeemed on July 11, 2024 for the Third Series Bonds and on July 11, 2029 for the Fourth Series Bonds. The Investment Corporation Bonds may be repurchased and cancelled at any time after the payment date unless otherwise specified by Japan Securities Depository Center, Incorporated or laws and regulations.	
Credit rating:	AA (Japan Credit Rating Agency, Ltd.)	
Fiscal agent, issuing agent and paying agent:	MUFG Bank, Ltd.	
Use of proceeds:	The proceeds were used for early repayment of short-term loans on July 12, 2019 (Note 1).	

(Note 1) Details of the early repayment are as follows.

Category	Lender	Balance before repayment (Millions of yen)	Repayment amount (Millions of yen)	Balance after repayment (Millions of yen)	Drawdown date	Repayment date	Early repayment date
Short-term	MUFG Bank, Ltd., Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation	6,500	6,500	—	Feb. 28, 2019	Feb. 28, 2020	Jul. 12, 2019

## Outline of the Investment Corporation

### 1. Status of Capital

Fiscal period	As of the end of 5th fiscal period (Apr. 30, 2017)	As of the end of 6th fiscal period (Oct. 31, 2017)	As of the end of 7th fiscal period (Apr. 30, 2018)	As of the end of 8th fiscal period (Oct. 31, 2018)	As of the end of 9th fiscal period (Apr. 30, 2019)
Total number of investment units authorized (units)	10,000,000	10,000,000	10,000,000	20,000,000	20,000,000
Total number of investment units issued and outstanding (units)	894,000	969,000	969,000	3,762,091	3,762,091
Unitholders' capital (million yen)	100,040	110,189	110,189	110,189	110,189
Number of unitholders (persons)	12,449	14,490	12,958	20,293	18,736

### 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)	955,225	25.39
The Master Trust Bank of Japan, Ltd. (Trust Account)	556,487	14.79
Sekisui House, Ltd.	194,750	5.18
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	142,384	3.78
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	75,523	2.01
Mitsubishi UFJ Trust and Banking Corporation	50,102	1.33
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	46,432	1.23
STATE STREET BANK WEST CLIENT — TREATY 505234	44,912	1.19
SSBTC CLIENT OMNIBUS ACCOUNT	42,550	1.13
The Hachijuni Bank, Ltd.	39,226	1.04
Total	2,147,591	57.09

(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) Name of executive director, supervisory directors and an independent auditor

The following table sets forth information on the executive director, supervisory directors and an independent auditor of SHR as of the date of this document.

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 Asset Management, Ltd.	—
Supervisory Director	Shigeru Nomura	President, Shigeru Nomura Certified Public Accountant Office Outside Director, Eiken Chemical Co., Ltd. Member of Corporate Revitalization Committee, The Resolution and Collection Corporation (RCC)	1,800
	Tatsushi Omiya	Outside Director, QB Net Holdings Co., Ltd. Lawyer, LEX Law Office	1,800
Independent Auditor	Ernst & Young ShinNihon LLC	—	16,500 (Note 2)

(Note 1) None of the executive director or supervisory directors owns SHR investment units in their 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 amount of compensation for the independent auditor, as stated above, is an approximation and includes compensation for auditing matters related to 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 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.

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 date of this document.

Entrustment category	Name
Asset Management Company	Sekisui House Asset Management, 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)	MUFG Bank, 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	Asset category	Geographical area, etc.	As of the end of 8th fiscal period (Oct. 31, 2018)		As of the end of 9th fiscal period (Apr. 30, 2019)	
			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	Residential properties	Greater Tokyo	182,615	39.9	182,060	38.3
		Other areas	54,544	11.9	55,768	11.7
	Commercial properties	Three major metropolitan areas	196,670	43.0	213,952	45.0
		Other areas	—	—	—	—
Total of real estate in trust			433,830	94.8	451,782	95.1
Deposits and other assets			23,757	5.2	23,203	4.9
Total amount of assets			457,588	100.0	474,985	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 each fiscal period, 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 major portfolio assets (top ten properties by book value at the end of period) of SHR as of the end of the fiscal period under review.

Name of real estate, etc.	Book value at the end of period (million yen) (Note 1)	Leasable area (m <sup>2</sup> ) (Note 2)	Leased area (m <sup>2</sup> ) (Note 3)	Occupancy rate (%) (Note 4)	As a percentage of total property-related operating revenue (%) (Note 5)	Usage type
Garden City Shinagawa Gotenyama (Note 6)	58,512	31,236.34	31,236.34	100.0	10.7	Office building
Gotenyama SH Building	50,303	19,999.97	19,999.97	100.0	8.8	Office building
Hommachi Garden City (Office building portion) (Note 7)	37,322	17,006.94	17,006.94	100.0	7.3	Office building
Hommachi Minami Garden City (Note 8)	22,168	16,699.46	16,699.46	100.0	4.8	Office building
The Ritz-Carlton, Kyoto (Note 9)	17,971	9,384.56	9,384.56	100.0	1.4	Hotel
Hommachi Garden City (Hotel portion) (Note 7)	17,082	18,092.98	18,092.98	100.0	3.3	Hotel
Esty Maison Ojima	8,537	9,905.97	9,678.86	97.7	2.0	Residence
Esty Maison Kinshicho II	8,160	9,469.65	9,063.79	95.7	1.8	Residence
Prime Maison Shirokanedai Tower	8,049	6,772.89	6,364.05	94.0	1.9	Residence
Esty Maison Ginza	6,514	5,515.43	5,465.73	99.1	1.4	Residence
Total	234,624	144,084.19	142,992.68	99.2	43.4	—

(Note 1) “Book value at the end of period” 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. The same shall apply hereinafter.

(Note 2) “Leasable area” refers to the floor area presumably 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. In cases where SHR owns co-ownership interests or quasi co-ownership interests of trust beneficiary interests in real estate for respective properties, the figure indicates the value obtained by multiplying the leasable area of real estate or real estate in trust (or the leasable area of exclusive areas for properties under compartmentalized ownership) by the ownership interest owned by SHR or trustees. The same shall apply hereinafter.

(Note 3) “Leased area” refers to the sum total of the leased area indicated in the respective lease agreements, which are valid as of the end of the fiscal period under review, with the end tenants for each of the properties. For Garden City Shinagawa Gotenyama, Hommachi Garden City (Office building portion) (as defined in (Note 7) below), Hommachi Minami Garden City and Hommachi Garden City (Hotel portion) (as defined in (Note 7) below), however, the “Leased area” column indicates the leasable area of each property as fixed-rent type master lease agreements have been concluded with the master lease companies, regardless of whether lease agreements have been concluded with the end tenants. For The Ritz-Carlton, Kyoto (as defined in (Note 9) below), the figure indicates the area corresponding to the quasi co-ownership interest owned by SHR. The same shall apply hereinafter.

(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 indicates the ratio of the sum total of leased area of each property to the sum total of 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 for the fiscal period under review to total property-related operating revenue of each property of SHR’s entire property for the fiscal period under review, rounded to the nearest first decimal place.

(Note 6) For Garden City Shinagawa Gotenyama, SHR owns real estate trust beneficiary interests for the compartmentalized ownership interest to all of the exclusively-owned portions of the 2nd through 4th and 6th through 9th floors above ground of the building and part of the exclusively-owned portions of the 5th floor and for the accompanying right of site (ratio of right of site: 3,123,640/3,857,806 (or approximately 81.0%)) as of the end of the fiscal period under review. Furthermore, SHR additionally acquired the compartmentalized ownership interest in all of the exclusively-owned portions of the 1st floor above ground and part of the exclusively-owned portions of the 5th floor above ground of the building of “Garden City Shinagawa Gotenyama”, as well as the accompanying right of site (ratio of right of site: 734,166/3,857,806 (or approximately 19.0%)) on June 10, 2019. After the additional acquisition, SHR owns all of “Garden City Shinagawa Gotenyama”.

(Note 7) Hommachi Garden City comprises the portions used as office building and retail property (“Hommachi Garden City (Office building portion)”) and the portions used as a hotel (“Hommachi Garden City (Hotel portion)”). In this document, the overview and other information regarding the property may be described separately for the Office building portion and the Hotel portion.

(Note 8) For Hommachi Minami Garden City, SHR owns real estate trust beneficiary interests for the compartmentalized ownership interest to all of the exclusively-owned portions of the 13th through 24th floors above ground of the building and for the accompanying right of site (ratio of right of site: 1,669,946/2,965,753 (or approximately 56.3%)) as of the end of the fiscal period under review. Furthermore, SHR additionally acquired the compartmentalized ownership interest in all of the exclusively-owned portions of the 1st to 12th floors above ground of the building of “Hommachi Minami Garden City”, as well as the accompanying right of site (ratio of right of site: 1,295,807/2,965,753 (or approximately 43.7%)) on June 10, 2019. After the additional acquisition, SHR owns all of “Hommachi Minami Garden City”.

(Note 9) For The Ritz-Carlton, Kyoto, SHR owns 40% quasi co-ownership interest of trust beneficiary interest in real estate for the property, and the figures indicate the value corresponding to the quasi co-ownership interest. The same shall apply hereinafter.

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

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

Usage type	Property number (Note 1)	Name of real estate, etc.	Location (Note 2)	Type of ownership	Book value at the end of period (million yen)	Estimated value at the end of period (million yen) (Note 3)
Residence	R-001	Esty Maison Ginza	Chuo-ku, Tokyo	Real estate trust beneficiary interests	6,514	6,870
	R-002	Esty Maison Azabunagasaka	Minato-ku, Tokyo	Real estate trust beneficiary interests	1,779	1,880
	R-003	Esty Maison Ebisu II	Shibuya-ku, Tokyo	Real estate trust beneficiary interests	2,031	2,120
	R-004	Esty Maison Ebisu	Shibuya-ku, Tokyo	Real estate trust beneficiary interests	869	880
	R-005	Esty Maison Kanda	Chiyoda-ku, Tokyo	Real estate trust beneficiary interests	1,592	1,690
	R-006	Esty Maison Kitashinjuku	Shinjuku-ku, Tokyo	Real estate trust beneficiary interests	1,573	1,650
	R-007	Esty Maison Asakusakomagata	Taito-ku, Tokyo	Real estate trust beneficiary interests	2,160	2,300
	R-008	Esty Maison Kawasaki	Kawasaki-shi, Kanagawa	Real estate trust beneficiary interests	2,516	2,600
	R-009	Esty Maison Yokohama	Yokohama-shi, Kanagawa	Real estate trust beneficiary interests	2,084	2,070
	R-010	Esty Maison Kameido	Koto-ku, Tokyo	Real estate trust beneficiary interests	1,555	1,620
	R-011	Esty Maison Meguro	Meguro-ku, Tokyo	Real estate trust beneficiary interests	1,093	1,110
	R-012	Esty Maison Sugamo	Toshima-ku, Tokyo	Real estate trust beneficiary interests	1,618	1,690
	R-013	Esty Maison Kyobashi	Osaka-shi, Osaka	Real estate trust beneficiary interests	2,923	3,000
	R-014	Esty Maison Hakuraku	Yokohama-shi, Kanagawa	Real estate trust beneficiary interests	918	952
	R-015	Esty Maison Minamihorie	Osaka-shi, Osaka	Real estate trust beneficiary interests	1,053	1,090
	R-016	Esty Maison Gotanda (Note 4)	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	3,085	3,200
	R-017	Esty Maison Oisendaizaka	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	2,693	2,790
	R-018	Esty Maison Shinagawa Seaside	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	2,033	2,120
	R-019	Esty Maison Minamiazabu	Minato-ku, Tokyo	Real estate trust beneficiary interests	1,245	1,290
	R-020	Esty Maison Tsukamoto	Osaka-shi, Osaka	Real estate trust beneficiary interests	1,063	1,100
	R-021	Esty Maison Kawasaki II	Kawasaki-shi, Kanagawa	Real estate trust beneficiary interests	1,983	2,000
	R-022	Esty Maison Azabujuban	Minato-ku, Tokyo	Real estate trust beneficiary interests	2,730	2,820
	R-023	Esty Maison Itabashihoncho	Itabashi-ku, Tokyo	Real estate trust beneficiary interests	924	971
	R-024	Esty Maison Oizumigakuen	Nerima-ku, Tokyo	Real estate trust beneficiary interests	782	818
	R-025	Esty Maison Higashishinagawa	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	2,356	2,380
	R-026	Esty Maison Itabashikuyakushomae	Itabashi-ku, Tokyo	Real estate trust beneficiary interests	2,513	2,620
	R-027	Esty Maison Musashikoyama (Note 5)	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	1,040	1,100
	R-028	Esty Maison Sendagi (Note 6)	Bunkyo-ku, Tokyo	Real estate trust beneficiary interests	692	730

Usage type	Property number (Note 1)	Name of real estate, etc.	Location (Note 2)	Type of ownership	Book value at the end of period (million yen)	Estimated value at the end of period (million yen) (Note 3)
Residence	R-029	Esty Maison Yotsuyasakamachi (Note 7)	Shinjuku-ku, Tokyo	Real estate trust beneficiary interests	2,081	2,190
	R-030	Esty Maison Hakatahigashi	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	2,350	2,410
	R-031	Esty Maison Kamigofuku	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	805	815
	R-032	Esty Maison Sangenjaya	Setagaya-ku, Tokyo	Real estate trust beneficiary interests	813	850
	R-033	Prime Maison Musashinonomori	Kodaira-shi, Tokyo	Real estate trust beneficiary interests	1,828	1,920
	R-034	Prime Maison Higashisakura	Nagoya-shi, Aichi	Real estate trust beneficiary interests	1,479	1,570
	R-035	Prime Maison Kayabakoen	Nagoya-shi, Aichi	Real estate trust beneficiary interests	852	835
	R-036	Esty Maison Sangenjaya II	Setagaya-ku, Tokyo	Real estate trust beneficiary interests	777	822
	R-037	Esty Maison Itabashi C6	Itabashi-ku, Tokyo	Real estate trust beneficiary interests	2,528	2,620
	R-038	MAST Hakata (Note 8)	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	2,294	2,450
	R-039	Esty Maison Kinshicho	Sumida-ku, Tokyo	Real estate trust beneficiary interests	1,241	1,300
	R-040	Esty Maison Musashikoganei	Koganei-shi, Tokyo	Real estate trust beneficiary interests	1,777	1,930
	R-041	Prime Maison Gokiso	Nagoya-shi, Aichi	Real estate trust beneficiary interests	1,919	1,980
	R-042	Prime Maison Yuhigaoka	Osaka-shi, Osaka	Real estate trust beneficiary interests	897	951
	R-043	Prime Maison Kitatanabe	Osaka-shi, Osaka	Real estate trust beneficiary interests	592	624
	R-044	Prime Maison Momochihama	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	1,923	2,050
	R-045	Esty Maison Akihabara	Taito-ku, Tokyo	Real estate trust beneficiary interests	1,902	2,000
	R-046	Esty Maison Sasazuka	Shibuya-ku, Tokyo	Real estate trust beneficiary interests	3,418	3,420
	R-047	Prime Maison Ginza East	Chuo-ku, Tokyo	Real estate trust beneficiary interests	6,188	6,510
	R-048	Prime Maison Takami	Nagoya-shi, Aichi	Real estate trust beneficiary interests	1,044	1,070
	R-049	Prime Maison Yadaminami	Nagoya-shi, Aichi	Real estate trust beneficiary interests	880	848
	R-050	Prime Maison Teriha	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	1,234	1,260
	R-051	Esty Maison Higashishirakabe	Nagoya-shi, Aichi	Real estate trust beneficiary interests	1,557	1,620
	R-052	Esty Maison Sengoku	Bunkyo-ku, Tokyo	Real estate trust beneficiary interests	1,351	1,360
	R-053	Esty Maison Daizawa	Setagaya-ku, Tokyo	Real estate trust beneficiary interests	2,255	2,300
	R-054	Esty Maison Togoshi	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	1,754	1,820
	R-055	Esty Maison Nishitemma	Osaka-shi, Osaka	Real estate trust beneficiary interests	1,660	1,660
	R-056	Esty Maison Shirokanedai	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	2,388	2,470
	R-057	Esty Maison Higashishinjuku	Shinjuku-ku, Tokyo	Real estate trust beneficiary interests	1,658	1,720
	R-058	Esty Maison Motoazabu	Minato-ku, Tokyo	Real estate trust beneficiary interests	1,530	1,580

Usage type	Property number (Note 1)	Name of real estate, etc.	Location (Note 2)	Type of ownership	Book value at the end of period (million yen)	Estimated value at the end of period (million yen) (Note 3)
Residence	R-059	Esty Maison Toritsudaigaku	Meguro-ku, Tokyo	Real estate trust beneficiary interests	854	853
	R-060	Esty Maison Musashikoyama II	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	1,019	1,050
	R-061	Esty Maison Nakano	Nakano-ku, Tokyo	Real estate trust beneficiary interests	1,853	1,860
	R-062	Esty Maison Shinnakano	Nakano-ku, Tokyo	Real estate trust beneficiary interests	1,008	1,020
	R-063	Esty Maison Nakanofujimicho	Nakano-ku, Tokyo	Real estate trust beneficiary interests	974	995
	R-064	Esty Maison Tetsugakudo	Nakano-ku, Tokyo	Real estate trust beneficiary interests	1,146	1,180
	R-065	Esty Maison Koenji	Suginami-ku, Tokyo	Real estate trust beneficiary interests	1,149	1,170
	R-066	Esty Maison Oshiage	Sumida-ku, Tokyo	Real estate trust beneficiary interests	2,461	2,510
	R-067	Esty Maison Akabane	Kita-ku, Tokyo	Real estate trust beneficiary interests	3,244	3,320
	R-068	Esty Maison Oji	Kita-ku, Tokyo	Real estate trust beneficiary interests	1,629	1,700
	R-069	Prime Maison Waseda	Shinjuku-ku, Tokyo	Real estate trust beneficiary interests	1,561	1,610
	R-070	Prime Maison Hatchobori	Chuo-ku, Tokyo	Real estate trust beneficiary interests	1,440	1,490
	R-071	Prime Maison Jimbocho	Chiyoda-ku, Tokyo	Real estate trust beneficiary interests	1,936	1,970
	R-072	Prime Maison Gotenyama East	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	2,895	2,970
	R-073	MAST LIFE Akihabara	Chiyoda-ku, Tokyo	Real estate trust beneficiary interests	551	555
	R-074	Esty Maison Aoi	Nagoya-shi, Aichi	Real estate trust beneficiary interests	2,427	2,510
	R-075	Esty Maison Yakuin	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	2,406	2,430
	R-076	Esty Maison Kinshicho II	Sumida-ku, Tokyo	Real estate trust beneficiary interests	8,160	8,600
	R-077	Esty Maison Ojima	Koto-ku, Tokyo	Real estate trust beneficiary interests	8,537	8,810
	R-078	Prime Maison Fujimidai	Nagoya-shi, Aichi	Real estate trust beneficiary interests	2,051	2,080
	R-079	Esty Maison Tsurumai	Nagoya-shi, Aichi	Real estate trust beneficiary interests	4,679	4,540
	R-080	Prime Maison Morishita	Koto-ku, Tokyo	Real estate trust beneficiary interests	1,904	2,010
	R-081	Prime Maison Shinagawa	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	1,940	2,020
	R-082	Prime Maison Odorikoen	Sapporo-shi, Hokkaido	Real estate trust beneficiary interests	3,135	3,220
	R-083	Prime Maison Minami 2-jo	Sapporo-shi, Hokkaido	Real estate trust beneficiary interests	1,899	1,990
	R-084	Prime Maison Kamokamogawa	Sapporo-shi, Hokkaido	Real estate trust beneficiary interests	1,227	1,310
	R-085	Prime Maison Central Park (Note 9)	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	2,266	2,363
	R-086	MAST LIFE Yahiro	Sumida-ku, Tokyo	Real estate trust beneficiary interests	1,884	1,950
	R-087	Prime Maison Ebisu	Shibuya-ku, Tokyo	Real estate trust beneficiary interests	4,332	4,580
	R-088	Granmast Kanazawa Nishiizumi	Kanazawa-shi, Ishikawa	Real estate trust beneficiary interests	1,061	1,060

Usage type	Property number (Note 1)	Name of real estate, etc.	Location (Note 2)	Type of ownership	Book value at the end of period (million yen)	Estimated value at the end of period (million yen) (Note 3)
Residence	R-089	Granmast Unomori	Yokkaichi-shi, Mie	Real estate trust beneficiary interests	814	830
	R-090	Esty Maison Kohoku Tsunashima	Yokohama-shi, Kanagawa	Real estate trust beneficiary interests	2,732	2,877
	R-091	MAST LIFE Hino	Hino-shi, Tokyo	Real estate trust beneficiary interests	1,366	1,410
	R-092	Prime Maison Yokohama Nihon-odori	Yokohama-shi, Kanagawa	Real estate trust beneficiary interests	4,805	4,880
	R-093	Kobe Women's Student Housing	Kobe-shi, Hyogo	Real estate trust beneficiary interests	5,716	5,990
	R-094	Prime Maison Shibuya	Shibuya-ku, Tokyo	Real estate trust beneficiary interests	2,417	2,540
	R-095	Prime Maison Hatsudai	Shibuya-ku, Tokyo	Real estate trust beneficiary interests	2,984	3,120
	R-096	Esty Maison Uemachidai	Osaka-shi, Osaka	Real estate trust beneficiary interests	1,088	1,060
	R-097	Esty Maison Kobe-sannomiya	Kobe-shi, Hyogo	Real estate trust beneficiary interests	957	977
	R-098	Prime Maison Shirokane-takanawa	Minato-ku, Tokyo	Real estate trust beneficiary interests	4,869	5,120
	R-099	Prime Maison Ichigayayamabushicho	Shinjuku-ku, Tokyo	Real estate trust beneficiary interests	4,189	4,250
	R-100	Esty Maison Morishita	Sumida-ku, Tokyo	Real estate trust beneficiary interests	648	672
	R-101	Prime Maison Shirokanedai Tower	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	8,049	9,240
	R-102	Prime Maison Otsuka	Toshima-ku, Tokyo	Real estate trust beneficiary interests	3,760	4,200
	R-103	Prime Maison Asakusabashi	Taito-ku, Tokyo	Real estate trust beneficiary interests	1,706	1,900
	R-104	Prime Maison Daikanyama	Meguro-ku, Tokyo	Real estate trust beneficiary interests	2,553	2,880
	R-105	Prime Maison Gotenyama West	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	3,449	3,950
	R-106	Esty Maison Toyosu Residence (Note 10)	Koto-ku, Tokyo	Real estate trust beneficiary interests	6,150	6,560
	R-107	Esty Maison Kokura	Kitakyushu-shi, Fukuoka	Real estate trust beneficiary interests	1,097	1,050
	R-108	MAST Ijiri	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	405	409
Subtotal			-	-	237,829	248,057
Office building	O-001	Garden City Shinagawa Gotenyama	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	58,512	71,200
	O-002	Gotenyama SH Building	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	50,303	61,900
	O-003	Hommachi Minami Garden City	Osaka-shi, Osaka	Real estate trust beneficiary interests	22,168	30,300
	O-004	Hommachi Garden City (Office building portion)	Osaka-shi, Osaka	Real estate trust beneficiary interests	37,322	44,700
	O-005	HK Yodoyabashi Garden Avenue (Note 11)	Osaka-shi, Osaka	Real estate trust beneficiary interests	4,324	5,930
	O-006	Hirokoji Garden Avenue	Nagoya-shi, Aichi	Real estate trust beneficiary interests	6,267	7,170
	Subtotal			-	-	178,899
Hotel	H-001	Hommachi Garden City (Hotel portion)	Osaka-shi, Osaka	Real estate trust beneficiary interests	17,082	17,800
	H-002	The Ritz-Carlton, Kyoto	Kyoto-shi, Kyoto	Real estate trust beneficiary interests	17,971	18,520
	Subtotal			-	-	35,053
Total			-	-	451,782	505,577

- (Note 1) “Property number” is the number assigned by property after classifying the properties owned by SHR by usage type, and the letters R, O, H and C refer to residence, office building, hotel and retail and other properties, respectively. The same shall apply hereinafter.
- (Note 2) “Location” is indicated based on the statement in the registry. If there are multiple statements of locations in the registry, either one of them is indicated.
- (Note 3) “Estimated value at the end of period” refers to the value stated in each real estate appraisal report (with the end of April as the appraisal date) for each fiscal period ended April, and the value stated in each real estate appraisal report (with the end of October as the appraisal date) or the survey value stated in each real estate survey value report (with the end of October as the survey date) as a result of value surveys not pursuant to real estate appraisal standards, for each fiscal period ended October, rounded down to the nearest million yen.
- (Note 4) For Esty Maison Gotanda, SHR owns real estate trust beneficiary interest for the compartmentalized ownership interest to part of the exclusively-owned portions of the building and for the accompanying right of site (ratio of right of site: 387,036/426,933 (or approximately 90.7%)).
- (Note 5) For Esty Maison Musashikoyama, SHR owns real estate trust beneficiary interest for the compartmentalized ownership interest to part of the exclusively-owned portions of the building and for the accompanying right of site (ratio of right of site: 117,678/127,609 (or approximately 92.2%)).
- (Note 6) For Esty Maison Sendagi, SHR owns real estate trust beneficiary interest for the compartmentalized ownership interest to part of the exclusively-owned portions of the building and for the accompanying right of site (ratio of right of site: 89,730/103,842 (or approximately 86.4%)).
- (Note 7) For Esty Maison Yotsuyasakamachi, SHR owns real estate trust beneficiary interest for the compartmentalized ownership interest to part of the exclusively-owned portions of the building and for the accompanying right of site (ratio of right of site: 245,317/329,739 (or approximately 74.4%)).
- (Note 8) MAST Hakata is a property on a leased land owned by the Urban Renaissance Agency and for which a general fixed-term leasehold right is established with a lease term of 50 years from December 1, 2002.
- (Note 9) Part of the land of Prime Maison Central Park (lot number: 23-32) is a leased land, while the building (store) on the leased land is owned by the lessee.
- (Note 10) Esty Maison Toyosu Residence is a property on a leased land owned by the Urban Renaissance Agency and for which a general fixed-term leasehold right is established with a lease term of 65 years from March 17, 2006.
- (Note 11) For HK Yodoyabashi Garden Avenue, SHR owns real estate trust beneficiary interests for the compartmentalized ownership interest to all of the exclusively-owned portions of the 1st through 6th floors above ground of the building and for the accompanying right of site (ratio of right of site: 405,901/1,000,000 (or approximately 40.6%)).

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

Usage type	Property number	Name of real estate, etc.	8th fiscal period From: May 1, 2018 To: Oct. 31, 2018				9th fiscal period From: Nov. 1, 2018 To: Apr. 30, 2019			
			Total number of tenants [at the end of fiscal period] (Note 1)	Occupancy rate [at the 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 (%) (Note 4)	Total number of tenants [at the end of fiscal period] (Note 1)	Occupancy rate [at the 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 (%) (Note 4)
Residence	R-001	Esty Maison Ginza	1	98.2	175	1.4	1	99.1	179	1.4
	R-002	Esty Maison Azabunagasaka	1	90.0	51	0.4	1	96.4	50	0.4
	R-003	Esty Maison Ebisu II	1	97.8	58	0.5	1	89.2	58	0.5
	R-004	Esty Maison Ebisu	1	100.0	24	0.2	1	100.0	23	0.2
	R-005	Esty Maison Kanda	1	97.4	45	0.4	1	95.6	46	0.4
	R-006	Esty Maison Kitashinjuku	1	96.9	47	0.4	1	97.7	47	0.4
	R-007	Esty Maison Asakusakomagata	1	99.2	64	0.5	1	97.7	67	0.5
	R-008	Esty Maison Kawasaki	1	98.7	77	0.6	1	97.5	76	0.6
	R-009	Esty Maison Yokohama (Note 5)	1	100.0	65	0.5	1	100.0	65	0.5
	R-010	Esty Maison Kameido	1	97.9	53	0.4	1	99.0	53	0.4
	R-011	Esty Maison Meguro	1	95.0	31	0.3	1	100.0	31	0.3
	R-012	Esty Maison Sugamo	1	100.0	50	0.4	1	90.1	49	0.4
	R-013	Esty Maison Kyobashi	1	97.6	89	0.7	1	94.4	89	0.7
	R-014	Esty Maison Hakuraku	1	98.2	30	0.3	1	93.0	30	0.2
	R-015	Esty Maison Minamihorie	1	95.4	33	0.3	1	100.0	34	0.3
	R-016	Esty Maison Gotanda	1	96.4	94	0.8	1	98.9	95	0.8
	R-017	Esty Maison Oisendaizaka	1	98.4	79	0.7	1	97.2	77	0.6
	R-018	Esty Maison Shinagawa Seaside	1	93.3	65	0.5	1	94.9	64	0.5
	R-019	Esty Maison Minamiazabu	1	98.1	32	0.3	1	92.3	34	0.3
	R-020	Esty Maison Tsukamoto	1	95.8	38	0.3	1	99.0	38	0.3
	R-021	Esty Maison Kawasaki II	1	100.0	63	0.5	1	93.0	63	0.5
	R-022	Esty Maison Azabujuban	1	94.0	67	0.6	1	97.4	67	0.5
	R-023	Esty Maison Itabashihoncho	1	96.9	28	0.2	1	100.0	29	0.2
	R-024	Esty Maison Oizumigakuen	1	98.3	25	0.2	1	96.6	27	0.2
	R-025	Esty Maison Higashishinagawa	1	97.2	69	0.6	1	93.8	70	0.6
	R-026	Esty Maison Itabashi-kuyakushomae	1	92.0	78	0.6	1	100.0	76	0.6
	R-027	Esty Maison Musashikoyama	1	95.6	31	0.3	1	94.0	31	0.3

Usage type	Property number	Name of real estate, etc.	8th fiscal period From: May 1, 2018 To: Oct. 31, 2018				9th fiscal period From: Nov. 1, 2018 To: Apr. 30, 2019			
			Total number of tenants [at the end of fiscal period] (Note 1)	Occupancy rate [at the 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 (%) (Note 4)	Total number of tenants [at the end of fiscal period] (Note 1)	Occupancy rate [at the 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 (%) (Note 4)
Residence	R-028	Esty Maison Sendagi	1	100.0	22	0.2	1	100.0	22	0.2
	R-029	Esty Maison Yotsuyasakamachi	1	98.2	58	0.5	1	100.0	62	0.5
	R-030	Esty Maison Hakatahigashi	1	100.0	86	0.7	1	98.9	85	0.7
	R-031	Esty Maison Kamigofuku	1	95.7	28	0.2	1	97.0	29	0.2
	R-032	Esty Maison Sangenjaya	1	97.2	23	0.2	1	97.2	24	0.2
	R-033	Prime Maison Musashinonomori	1	95.9	62	0.5	1	95.8	62	0.5
	R-034	Prime Maison Higashisakura	1	100.0	52	0.4	1	89.7	52	0.4
	R-035	Prime Maison Kayabakoen	1	100.0	29	0.2	1	96.3	29	0.2
	R-036	Esty Maison Sangenjaya II	1	97.0	23	0.2	1	100.0	24	0.2
	R-037	Esty Maison Itabashi C6	1	96.2	78	0.6	1	97.0	80	0.6
	R-038	MAST Hakata	1	100.0	94	0.8	1	100.0	93	0.8
	R-039	Esty Maison Kinshicho	1	100.0	36	0.3	1	97.2	37	0.3
	R-040	Esty Maison Musashikoganei	1	98.0	54	0.4	1	95.1	55	0.5
	R-041	Prime Maison Gokiso	1	96.6	64	0.5	1	96.5	65	0.5
	R-042	Prime Maison Yuhigaoka	1	95.9	30	0.2	1	100.0	30	0.2
	R-043	Prime Maison Kitatanabe	1	95.5	23	0.2	1	96.6	23	0.2
	R-044	Prime Maison Momochihama	1	100.0	69	0.6	1	100.0	69	0.6
	R-045	Esty Maison Akihabara	1	96.2	56	0.5	1	98.7	58	0.5
	R-046	Esty Maison Sasazuka	1	97.6	88	0.7	1	98.9	90	0.7
	R-047	Prime Maison Ginza East	1	98.6	175	1.4	1	98.7	174	1.4
	R-048	Prime Maison Takami	1	97.2	35	0.3	1	88.8	34	0.3
	R-049	Prime Maison Yadaminami	1	96.1	27	0.2	1	100.0	28	0.2
	R-050	Prime Maison Teriha	1	100.0	51	0.4	1	100.0	51	0.4
	R-051	Esty Maison Higashishirakabe	1	100.0	46	0.4	1	100.0	46	0.4
	R-052	Esty Maison Sengoku	1	95.7	36	0.3	1	97.3	38	0.3
	R-053	Esty Maison Daizawa	1	100.0	60	0.5	1	95.4	60	0.5
	R-054	Esty Maison Togoshi	1	98.8	49	0.4	1	97.9	50	0.4
	R-055	Esty Maison Nishitemma	1	96.1	56	0.5	1	96.9	51	0.4
	R-056	Esty Maison Shirokanedai	1	96.2	64	0.5	1	98.8	66	0.5

Usage type	Property Number	Name of real estate, etc.	8th fiscal period From: May 1, 2018 To: Oct. 31, 2018				9th fiscal period From: Nov. 1, 2018 To: Apr. 30, 2019			
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Residence	R-057	Esty Maison Higashishinjuku	1	100.0	46	0.4	1	100.0	47	0.4
	R-058	Esty Maison Motoazabu	1	85.2	36	0.3	1	100.0	35	0.3
	R-059	Esty Maison Toritsudaigaku	1	100.0	22	0.2	1	100.0	23	0.2
	R-060	Esty Maison Musashikoyama II	1	97.8	29	0.2	1	97.4	29	0.2
	R-061	Esty Maison Nakano	1	98.4	52	0.4	1	96.8	52	0.4
	R-062	Esty Maison Shinnakano	1	98.0	28	0.2	1	92.9	27	0.2
	R-063	Esty Maison Nakanofujimicho	1	97.7	30	0.2	1	92.1	29	0.2
	R-064	Esty Maison Tetsugakudo	1	95.4	33	0.3	1	91.6	33	0.3
	R-065	Esty Maison Koenji	1	100.0	33	0.3	1	96.4	33	0.3
	R-066	Esty Maison Oshiage	1	97.7	72	0.6	1	97.5	72	0.6
	R-067	Esty Maison Akabane	1	97.6	96	0.8	1	94.6	97	0.8
	R-068	Esty Maison Oji	1	98.9	48	0.4	1	100.0	50	0.4
	R-069	Prime Maison Waseda	1	93.0	41	0.3	1	94.5	44	0.4
	R-070	Prime Maison Hatchobori	1	96.2	37	0.3	1	96.9	39	0.3
	R-071	Prime Maison Jimbocho	1	100.0	51	0.4	1	100.0	52	0.4
	R-072	Prime Maison Gotenyama East	1	100.0	84	0.7	1	100.0	84	0.7
	R-073	MAST LIFE Akihabara	1	100.0	15	0.1	1	100.0	15	0.1
	R-074	Esty Maison Aoi	1	92.3	71	0.6	1	85.7	69	0.6
	R-075	Esty Maison Yakuin	1	96.1	75	0.6	1	96.3	76	0.6
	R-076	Esty Maison Kinshicho II	1	98.7	219	1.8	1	95.7	223	1.8
	R-077	Esty Maison Ojima	1	99.1	242	2.0	1	97.7	244	2.0
	R-078	Prime Maison Fujimidai	1	92.2	67	0.6	1	94.1	69	0.6
	R-079	Esty Maison Tsurumai	1	100.0	155	1.3	1	100.0	155	1.3
	R-080	Prime Maison Morishita	1	98.8	57	0.5	1	97.7	57	0.5
	R-081	Prime Maison Shinagawa	1	100.0	57	0.5	1	98.9	56	0.5
	R-082	Prime Maison Odorikoen	1	96.5	115	0.9	1	89.2	113	0.9
	R-083	Prime Maison Minami 2-jo	1	99.3	70	0.6	1	100.0	71	0.6
	R-084	Prime Maison Kamokamogawa	1	98.1	47	0.4	1	88.8	46	0.4
	R-085	Prime Maison Central Park	1	98.7	88	0.7	1	93.1	87	0.7
	R-086	MAST LIFE Yahiro	1	100.0	56	0.5	1	100.0	56	0.5

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Residence	R-087	Prime Maison Ebisu	1	98.2	113	0.9	1	96.5	111	0.9
	R-088	Granmast Kanazawa Nishiizumi	1	100.0	41	0.3	1	100.0	41	0.3
	R-089	Granmast Unomori	1	100.0	26	0.2	1	100.0	26	0.2
	R-090	Esty Maison Kohoku Tsunashima	1	100.0	82	0.7	1	100.0	78	0.6
	R-091	MAST LIFE Hino	1	99.0	48	0.4	1	100.0	48	0.4
	R-092	Prime Maison Yokohama Nihon-odori	1	93.6	136	1.1	1	97.7	153	1.2
	R-093	Kobe Women's Student Housing	1	100.0	222	1.8	1	100.0	223	1.8
	R-094	Prime Maison Shibuya	1	96.6	64	0.5	1	96.2	65	0.5
	R-095	Prime Maison Hatsudai	1	98.2	75	0.6	1	92.9	82	0.7
	R-096	Esty Maison Uemachidai	1	100.0	32	0.3	1	100.0	33	0.3
	R-097	Esty Maison Kobe-sannomiya	1	98.2	30	0.3	1	100.0	31	0.3
	R-098	Prime Maison Shirokane-takanawa	1	97.5	120	1.0	1	96.3	122	1.0
	R-099	Prime Maison Ichigayayamabu shicho	1	95.4	109	0.9	1	97.9	110	0.9
	R-100	Esty Maison Morishita	1	100.0	18	0.2	1	95.1	21	0.2
	R-101	Prime Maison Shirokanedai Tower	1	96.6	232	1.9	1	94.0	238	1.9
	R-102	Prime Maison Otsuka	1	94.9	105	0.9	1	96.1	115	0.9
	R-103	Prime Maison Asakusabashi	1	100.0	51	0.4	1	94.7	56	0.5
	R-104	Prime Maison Daikanyama	1	91.8	68	0.6	1	69.3	65	0.5
	R-105	Prime Maison Gotenyama West	1	95.9	109	0.9	1	96.3	118	1.0
	R-106	Esty Maison Toyosu Residence	1	98.4	463	3.8	1	95.4	467	3.8
	R-107	Esty Maison Kokura	—	—	—	—	1	86.4	26	0.2
	R-108	MAST Ijiri	—	—	—	—	1	100.0	6	0.1
Subtotal			12	97.9	7,399	60.8	12	96.7	7,525	60.8

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Office building	O-001	Garden City Shinagawa Gotenyama	1	100.0	1,318	10.8	1	100.0	1,318	10.7
	O-002	Gotenyama SH Building	1	100.0	1,089	9.0	1	100.0	1,088	8.8
	O-003	Hommachi Minami Garden City	1	100.0	586	4.8	1	100.0	588	4.8
	O-004	Hommachi Garden City (Office building portion)	1	100.0	903	7.4	1	100.0	905	7.3
	O-005	HK Yodoyabashi Garden Avenue	1	100.0	152	1.3	1	100.0	148	1.2
	O-006	Hirokoji Garden Avenue	1	100.0	213	1.8	1	100.0	210	1.7
	Subtotal			2	100.0	4,264	35.0	2	100.0	4,260
Hotel	H-001	Hommachi Garden City (Hotel portion)	1	100.0	402	3.3	1	100.0	406	3.3
	H-002	The Ritz-Carlton, Kyoto	—	—	—	—	1	100.0	178	1.4
Subtotal			1	100.0	402	3.3	2	100.0	584	4.7
Retail and other properties	C-001	Hamamatsu Plaza (Note 6)	—	—	100	0.8	—	—	—	—
	Subtotal		—	—	100	0.8	—	—	—	—
Total			14	98.4	12,166	100.0	15	97.5	12,369	100.0

- (Note 1) “Total 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). In the “Subtotal” and “Total” columns, however, a tenant that leases spaces in multiple properties is counted as one. Furthermore, of the office buildings, the total number of end tenants for HK Yodoyabashi Garden Avenue and Hirokoji Garden Avenue where pass-through type master lease agreements have been concluded is 7 and 8, respectively, both as of the end of the 8th fiscal period (from May 1, 2018 to Oct. 31, 2018) and as of the end of the 9th fiscal period (from Nov. 1, 2018 to Apr. 30, 2019).
- (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 figures indicated in the “Subtotal” columns are the ratio of the subtotal of leased area of each property classified by usage type to the subtotal of leasable area of each property classified by usage type, and the figure indicated in the “Total” column is the ratio of the sum total of leased area of each property to the sum total of leasable area of each property, as the occupancy rate of the entire portfolio. The both figures have been rounded to the nearest first decimal place.
- (Note 3) “Property-related operating revenue [during fiscal period]” indicates the property-related operating revenue of each property for each fiscal period, rounded down to the nearest million yen.
- (Note 4) Figures under the heading “As a percentage of total property-related operating revenue” indicate the ratio of property-related operating revenue of each property for each fiscal period or the subtotal of property-related operating revenue of each property classified by usage type for each fiscal period to total property-related operating revenue of each property for each fiscal period, rounded to the nearest first decimal place.
- (Note 5) For Esty Maison Yokohama, the lease agreement with a large tenant for the residential portion (leased area: 2,706.49m<sup>2</sup>) was terminated as of May 31, 2019. As of the date of this document, no lease agreement has been concluded for the period following June 1, 2019 for the relevant residential portion of Esty Maison Yokohama.
- (Note 6) SHR disposed Hamamatsu Plaza on October 29, 2018. Accordingly, “Property-related operating revenue [during fiscal period]” and “As a percentage of total property-related operating revenue” for the property in the above table indicate the figures for the duration SHR owned it during the previous fiscal period.

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.

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)	55,572,500	48,780,000	(542,929)
Transaction other than market transaction	Interest rate swap transaction (Under which floating interest rates are receivable and fixed interest rates are payable)	86,141,000	72,141,000	—(Note 3)
Total		141,713,500	120,921,000	(542,929)

- (Note 1) The contract amount, etc. of interest rate swap transactions is based on notional principal amounts.
- (Note 2) The fair value was calculated by the counterparty of the relevant transaction based on the actual market interest rate, etc.
- (Note 3) 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 properties owned 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
Esty Maison Yokohama (Tsuruya-cho, Kanagawa-ku, Yokohama-shi, Kanagawa)	Renovation	From: June 2019 To: August 2019	226	-	-
Esty Maison Yakuin (Hirao, Chuo-ku, Fukuoka-shi, Fukuoka)	Large-scale repairs	From: February 2019 To: October 2019	216	-	-
Esty Maison Kyobashi (Higashinoda-machi, Miyakojima- ku, Osaka-shi, Osaka)	Large-scale repairs	From: October 2019 To: April 2020	128	-	-
Esty Maison Kokura (Kiomachi, Kokurakita-ku, Kitakyushu-shi, Fukuoka)	Large-scale repairs	From: November 2019 To: April 2020	128	-	-
Esty Maison Higashishirakabe (Yoshino, Higashi-ku, Nagoya-shi, Aichi)	Large-scale repairs	From: February 2019 To: June 2019	116	-	-
Esty Maison Shinagawa Seaside (Higashishinagawa, Shinagawa- ku, Tokyo)	Large-scale repairs	From: March 2019 To: October 2019	107	-	-
Esty Maison Oisendaizaka (Higashi-Oi, Shinagawa-ku, Tokyo)	Large-scale repairs	From: October 2019 To: March 2020	95	-	-
Esty Maison Akihabara (Ueno, Taito-ku, Tokyo)	Large-scale repairs	From: November 2019 To: April 2020	62	-	-
Hommachi Garden City (Office building portion) (Hommachi, Chuo-ku, Osaka-shi, Osaka)	New installation of coil units for ice heat storage system	From: May 2019 To: June 2019	44	-	-
Hommachi Garden City (Hotel portion) (Hommachi, Chuo-ku, Osaka-shi, Osaka)	New installation of coil units for ice heat storage system	From: May 2019 To: June 2019	40	-	-
Hommachi Garden City (Office building portion) (Hommachi, Chuo-ku, Osaka-shi, Osaka)	Upgrading of central monitoring devices and peripheral equipment	From: November 2019 To: April 2020	27	-	-
Hommachi Garden City (Hotel portion) (Hommachi, Chuo-ku, Osaka-shi, Osaka)	Upgrading of central monitoring devices and peripheral equipment	From: November 2019 To: April 2020	24	-	-

(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 or quasi-co-ownership in the real estate trust beneficiary interest, when SHR owns real estate trust beneficiary interests for the compartmentalized ownership interest or quasi-co-ownership in the real estate trust beneficiary interests for the property that is subject to the relevant work.

2. Capital Expenditures During Period

An overview of capital expenditures conducted by SHR for its properties during the fiscal period under review is as set forth in the following table. Total capital expenditures during the fiscal period under review was 638 million yen and, together with 282 million yen of repair expenses charged to expenses in the fiscal period under review, work amounting to 920 million yen was implemented.

Name of real estate, etc. (location)	Purpose	Period	Payment amount (million yen)
Esty Maison Kawasaki (Ogawa-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa)	Large-scale repair	From: August 2018 To: March 2019	162
Esty Maison Kawasaki II (Ogawa-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa)	Large-scale repair	From: June 2018 To: November 2018	102
Prime Maison Yadaminami (Yadaminami, Higashi-ku, Nagoya- shi, Aichi)	Large-scale repair	From: November 2018 To: April 2019	78
Prime Maison Kayabakoen (Kayaba, Chikusa-ku, Nagoya-shi, Aichi)	Large-scale repair	From: November 2018 To: April 2019	61
Esty Maison Azabujuban (Azabujuban, Minato-ku, Tokyo)	Large-scale repair	From: November 2018 To: March 2019	48
Other capital expenditures			185
Total			638

3. Cash Reserves for Long-Term Repair Plans

SHR had no cash reserved for long-term repair plans as of the end of the fiscal period under review (Note).

(Note) “Reserve fund for repair,” which has been reserved by management associations at the properties owned by SHR in order to secure expenses for repair works expected in the future, is not included in the cash reserves.

Condition of expenses and debts

Details of Expenses Pertaining to Management, etc.

(Unit: thousand yen)

Item	8th fiscal period From: May 1, 2018 To: Oct. 31, 2018	9th fiscal period From: Nov. 1, 2018 To: Apr. 30, 2019
Asset management fee (Note 1)	517,151	826,100
Asset custody fee	8,486	9,083
Administrative service fees	49,959	42,953
Directors' compensations	3,600	3,600
Other expenses (Note2)	1,221,937	217,096
Total	1,801,135	1,098,833

(Note 1) In addition to the amounts shown above, the asset management fees contain 925,022 thousand yen as merger fees, which are included in Other expenses, and 57,599 thousand yen as management fees for property disposition, recorded as other disposition-related expenses, for the 8th fiscal period, and 3,120 thousand yen as management fees for property acquisition, capitalized in the book value of real estate, etc., for the 9th fiscal period.

(Note 2) Other expenses include 941,174 thousand yen as merger-related expenses, including the merger fee, for the 8th fiscal period.

Condition of investment transactions

1. Status, etc. of Sale and Purchase of Real Estate, etc., Asset-Backed Securities, etc., Infrastructure Assets, etc. and Infrastructure-Related Assets

Name of real estate, etc.	Acquisition		Disposition			
	Acquisition date	Acquisition price (million yen) (Note)	Disposition date	Disposition price (million yen) (Note)	Book value (million yen)	Gain (Loss) on sale (million yen)
Esty Maison Kokura	November 29, 2018	1,040	—	—	—	—
MAST Ijiri	January 31, 2019	390	—	—	—	—
The Ritz-Carlton, Kyoto	January 31, 2019	17,800	—	—	—	—
Total	—	19,230	—	—	—	—

(Note) “Acquisition price” and “Disposition price” indicate the transaction prices shown in the sales agreements for respective owned properties (excluding consumption tax, local consumption tax and miscellaneous expenses including transaction fees), rounded down to the nearest million yen. The same shall apply hereinafter.

2. 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.

3. Investigation into Value, etc. of Specified Assets

- (1) Real Estate, etc. (Appraisal)

Acquisition or disposition	Name of real estate, etc.	Transaction date	Type of asset	Acquisition price or disposition price (million yen) (Note)	Appraisal value (million yen) (Note)	Appraiser	Date of appraisal
Acquisition	Esty Maison Kokura	November 29, 2018	Real estate trust beneficiary interests	1,040	1,050	Richi Appraisal Institute	November 1, 2018
	MAST Ijiri	January 31, 2019	Real estate trust beneficiary interests	390	400	Daiwa Real Estate Appraisal Co., Ltd.	December 31, 2018
	The Ritz-Carlton, Kyoto	January 31, 2019	Real estate trust beneficiary interests	17,800	18,480	Richi Appraisal Institute	December 31, 2018

(Note) The appraisal value stated above is derived by applying the “Real Estate Appraisal Standards; Particulars; Chapter 3: Appraisal on Value of Real Estate Subject to Securitization.”

- (2) Others

Concerning transactions requiring investigations into the value, etc. of specified assets pursuant to Article 201, Paragraph 2 of the Investment Trusts Act, Akasaka Audit LLC has conducted the investigations pursuant to Practical Guidelines for Specialized Operations 4460 “Practical Guidelines for Agreed-Upon Procedures Pertaining to Investigation into the Value, etc. of Specified Assets of Investment Trusts and Investment Corporations” published by The Japanese Institute of Certified Public Accountants, and SHR has been notified of the results of the investigations.

The transactions subject to investigations in the fiscal period under review were six interest rate swap transactions. For the transactions, investigations into the name of the counterparty to the transaction, the type of financial instrument or financial indicator involved, the transaction period, other matters concerning the content of the over-the-counter transaction of derivatives, etc. have been entrusted.

4. Status of Transactions with Interested Persons, etc. (Note 1)

(1) Status of Transactions

Category	Amount of purchase and sale, etc.	
	Amount of purchase, etc.	Amount of sale, etc.
Total amount	19,230 million yen	— million yen
Breakdown of status of transactions with interested persons, etc.		
Sekisui House, Ltd.	17,800 million yen [92.6%]	— million yen [—%]
Sekiwa Real Estate Kyushu, Ltd.	390 million yen [2.0%]	— million yen [—%]

(2) Amount of Commission Fee, etc.

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 2)	748,636	Sekiwa Real Estate, Ltd.	394,048	52.6
		Sekiwa Real Estate Chubu, Ltd.	56,081	7.5
		Sekiwa Kanri Kansai Co., Ltd.	40,461	5.4
		Sekisui House, Ltd.	26,458	3.5
		Sekiwa Real Estate Kyushu, Ltd.	17,757	2.4
		Sekiwa Real Estate Kansai, Ltd.	6,716	0.9
		SH Hotel Systems Ltd.	121	0.0

(Note 1) “Interested persons, etc.” refers to interested persons, etc. of the Asset Management Company with which SHR has executed an asset management entrustment 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) “Management fee” has been rounded down to the nearest thousand yen.

(Note 3) Other than the commission fee, etc. indicated above, the amounts paid to interested persons, etc. for repair works, etc. are as follows.

The figures have been rounded down to the nearest thousand yen.

Sekiwa Real Estate, Ltd.	142,926 thousand yen
Sekiwa Real Estate Chubu, Ltd.	54,767 thousand yen
Sekiwa Kanri Kansai Co., Ltd.	30,630 thousand yen
Sekisui House, Ltd.	264,583 thousand yen
Sekiwa Real Estate Kyushu, Ltd.	24,317 thousand yen
Sekiwa Real Estate Kansai, Ltd.	4,009 thousand yen

5. 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 SHAM 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 (Act No. 25 of 1948, including subsequent amendments)), building lots and buildings transaction business, or specified joint real estate ventures.

Financial Section (Audited)

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## 1. Financial Statements

## (1) Balance Sheet

	(Thousands of yen)	
	8th Fiscal Period (As of October 31, 2018)	9th Fiscal Period (As of April 30, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	9,230,651	7,657,644
Cash and deposits in trust	12,859,502	13,301,529
Operating accounts receivable	145,522	157,133
Prepaid expenses	154,213	168,285
Other	5,114	212,703
Allowance for doubtful accounts	(499)	(973)
<b>Total current assets</b>	<b>22,394,506</b>	<b>21,496,324</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings in trust	154,045,698	158,892,235
Accumulated depreciation	(6,157,456)	(8,236,920)
Buildings in trust, net	<b>147,888,242</b>	<b>150,655,315</b>
Structures in trust	1,483,975	1,500,004
Accumulated depreciation	(91,713)	(121,928)
Structures in trust, net	<b>1,392,261</b>	<b>1,378,076</b>
Machinery and equipment in trust	2,093,637	2,153,877
Accumulated depreciation	(45,276)	(91,694)
Machinery and equipment in trust, net	<b>2,048,361</b>	<b>2,062,182</b>
Tools, furniture and fixtures in trust	59,994	117,224
Accumulated depreciation	(3,391)	(10,983)
Tools, furniture and fixtures in trust, net	<b>56,602</b>	<b>106,240</b>
Land in trust	279,918,555	295,079,081
Construction in progress in trust	43,344	98,534
Total property, plant and equipment	<b>431,347,368</b>	<b>449,379,431</b>
Intangible assets		
Leasehold rights in trust	2,526,599	2,501,173
Other	8,346	6,894
Total intangible assets	<b>2,534,946</b>	<b>2,508,068</b>
Investments and other assets		
Lease and guarantee deposits	800,700	790,700
Long-term prepaid expenses	279,284	396,558
Other	173,347	373,282
Total investments and other assets	<b>1,253,331</b>	<b>1,560,540</b>
<b>Total non-current assets</b>	<b>435,135,646</b>	<b>453,448,040</b>
<b>Deferred assets</b>		
Investment corporation bond issuance costs	29,205	26,285
Investment unit issuance costs	29,139	14,755
<b>Total deferred assets</b>	<b>58,344</b>	<b>41,040</b>
<b>Total assets</b>	<b>457,588,497</b>	<b>474,985,405</b>

	(Thousands of yen)	
	8th Fiscal Period (As of October 31, 2018)	9th Fiscal Period (As of April 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	640,450	751,690
Short-term loans payable	—	6,500,000
Current portion of investment corporation bonds	2,500,000	2,000,000
Current portion of long-term loans payable	12,382,000	20,792,500
Accounts payable – other	623,167	986,348
Accrued expenses	195,311	189,758
Income taxes payable	590	590
Accrued consumption taxes	200,653	—
Advances received	311,576	309,077
Derivatives liabilities	15,009	27,894
Other	201,664	189,700
<b>Total current liabilities</b>	<b>17,070,424</b>	<b>31,747,560</b>
<b>Non-current liabilities</b>		
Investment corporation bonds	13,000,000	11,000,000
Long-term loans payable	170,050,500	174,640,000
Tenant leasehold and security deposits in trust	10,964,384	11,148,044
Derivatives liabilities	511,956	515,034
Other	327,370	239,015
<b>Total non-current liabilities</b>	<b>194,854,211</b>	<b>197,542,094</b>
<b>Total liabilities</b>	<b>211,924,636</b>	<b>229,289,654</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	110,189,294	110,189,294
Surplus		
Capital surplus	128,598,415	128,598,415
Voluntary reserve		
Reserve for temporary difference adjustments	—	1,556,827
Total voluntary reserve	—	1,556,827
Unappropriated retained earnings	7,403,117	5,894,142
Total surplus	136,001,532	136,049,385
<b>Total unitholders' equity</b>	<b>246,190,826</b>	<b>246,238,679</b>
<b>Valuation and translation adjustments</b>		
Deferred gains or losses on hedges	(526,965)	(542,929)
<b>Total valuation and translation adjustments</b>	<b>(526,965)</b>	<b>(542,929)</b>
<b>Total net assets (Note 4)</b>	<b>245,663,860</b>	<b>245,695,750</b>
<b>Total liabilities and net assets</b>	<b>457,588,497</b>	<b>474,985,405</b>

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

**(2) Statement of Income and Retained Earnings**

(Thousands of yen)

	8th Fiscal Period (From May 1, 2018 to October 31, 2018)	9th Fiscal Period (From November 1, 2018 to April 30, 2019)
<b>Operating revenue</b>		
Rent revenue – real estate <b>(Note 5)</b>	11,913,550	12,085,814
Other lease business revenue <b>(Note 5)</b>	252,879	284,165
Gain on sale of real estate properties <b>(Note 5)</b>	8,114	—
Total operating revenue	12,174,544	12,369,980
<b>Operating expenses</b>		
Expenses related to rent business <b>(Note 5)</b>	4,579,453	4,643,232
Asset management fees	517,151	826,100
Asset custody fees	8,486	9,083
Administrative service fees	49,959	42,953
Directors' compensation	3,600	3,600
Merger expenses	941,174	—
Provision of allowance for doubtful accounts	324	483
Other operating expenses	280,439	216,612
Total operating expenses	6,380,588	5,742,066
<b>Operating income</b>	5,793,955	6,627,913
<b>Non-operating income</b>		
Interest income	98	111
Reversal of distribution payable	1,716	1,135
Refunded consumption taxes	49,862	30,680
Other	143	—
Total non-operating income	51,820	31,927
<b>Non-operating expenses</b>		
Interest expenses	599,481	607,995
Interest expenses on investment corporation bonds	51,218	48,755
Borrowing related expenses	67,576	89,904
Amortization of investment unit issuance costs	14,384	14,384
Amortization of investment corporation bond issuance costs	2,919	2,919
Other	734	1,135
Total non-operating expenses	736,314	765,094
<b>Ordinary income</b>	5,109,461	5,894,747
<b>Extraordinary income</b>		
Gain on negative goodwill	2,293,923	—
Total extraordinary income	2,293,923	—
<b>Income before income taxes</b>	7,403,385	5,894,747
Income taxes – current	605	605
Income taxes – deferred	21	—
Total income taxes	626	605
<b>Net income</b>	7,402,759	5,894,142
<b>Retained earnings brought forward</b>	357	—
<b>Unappropriated retained earnings</b>	7,403,117	5,894,142

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

**(3) Statement of Changes in Net Assets**

8th Fiscal Period (From May 1, 2018 to October 31, 2018)

(Thousands of yen)

	Unitholders' equity				
	Unitholders' capital	Surplus			Total unitholders' equity
		Capital surplus	Unappropriated retained earnings	Total surplus	
Balance at beginning of period	110,189,294	—	2,621,502	2,621,502	112,810,796
Changes of items during period					
Increase due to merger		128,598,415		128,598,415	128,598,415
Distribution from surplus			(2,621,145)	(2,621,145)	(2,621,145)
Net income			7,402,759	7,402,759	7,402,759
Net changes of items other than unitholders' equity					
Total changes of items during period	—	128,598,415	4,781,614	133,380,029	133,380,029
Balance at end of period <b>(Note 6)</b>	110,189,294	128,598,415	7,403,117	136,001,532	246,190,826

(Thousands of yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	—	—	112,810,796
Changes of items during period			
Increase due to merger			128,598,415
Distribution from surplus			(2,621,145)
Net income			7,402,759
Net changes of items other than unitholders' equity	(526,965)	(526,965)	(526,965)
Total changes of items during period	(526,965)	(526,965)	132,853,063
Balance at end of period <b>(Note 6)</b>	(526,965)	(526,965)	245,663,860

9th Fiscal Period (From November 1, 2018 to April 30, 2019)

(Thousands of yen)					
	Unitholders' equity				
	Unitholders' capital	Surplus			
		Capital surplus	Voluntary reserve		Unappropriated retained earnings
			Reserve for temporary difference adjustments	Total voluntary reserve	
Balance at beginning of period	110,189,294	128,598,415	—	—	7,403,117
Changes of items during period					
Reserve for temporary difference adjustments			1,556,827	1,556,827	(1,556,827)
Distribution from surplus					(5,846,289)
Net income					5,894,142
Net changes of items other than unitholders' equity					
Total changes of items during period	—	—	1,556,827	1,556,827	(1,508,974)
Balance at end of period (Note 6)	110,189,294	128,598,415	1,556,827	1,556,827	5,894,142

(Thousands of yen)

	Unitholders' equity		Valuation and translation adjustments		Total net assets
	Surplus	Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Total surplus				
Balance at beginning of period	136,001,532	246,190,826	(526,965)	(526,965)	245,663,860
Changes of items during period					
Reserve for temporary difference adjustments	—	—			—
Distribution from surplus	(5,846,289)	(5,846,289)			(5,846,289)
Net income	5,894,142	5,894,142			5,894,142
Net changes of items other than unitholders' equity			(15,963)	(15,963)	(15,963)
Total changes of items during period	47,852	47,852	(15,963)	(15,963)	31,889
Balance at end of period (Note 6)	136,049,385	246,238,679	(542,929)	(542,929)	245,695,750

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

(4) Statement of Cash Distributions

Item	8th Fiscal Period (From May 1, 2018 to October 31, 2018 )	9th Fiscal Period (From November 1, 2018 to April 30, 2019 )
I . Unappropriated retained earnings	7,403,117,143yen	5,894,142,237yen
II . Reversal of voluntary reserve		
Reversal of reserve for temporary difference adjustments (Note 7)	—yen	102,630,817yen
III . Cash distributions	5,846,289,414yen	5,996,773,054yen
[Cash distributions per unit]	[1,554yen]	[1,594yen]
IV . Voluntary reserve		
Provision of reserve for temporary difference adjustments (Note 7)	1,556,827,729yen	—yen
V . Retained earnings carried forward	—yen	—yen
Method for calculating cash distributions	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 distribute 5,846,289,414 yen, which is the amount of unappropriated retained earnings after deducting part of the gain on negative goodwill, as distribution of earnings. 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 distribute 5,996,773,054 yen, which is obtained by adding a reversal of the reserve for temporary difference adjustments (102,630,817 yen) to unappropriated retained earnings, as distribution of earnings. 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)	
	8th Fiscal Period (From May 1, 2018 to October 31, 2018)	9th Fiscal Period (From November 1, 2018 to April 30, 2019)
<b>Cash flows from operating activities</b>		
Income before income taxes	7,403,385	5,894,747
Depreciation and amortization	2,143,819	2,190,566
Amortization of investment corporation bond issuance costs	2,919	2,919
Amortization of investment unit issuance costs	14,384	14,384
Gain on negative goodwill	(2,293,923)	—
Interest income	(98)	(111)
Interest expenses	650,700	656,751
Decrease (increase) in operating accounts receivable	(6,629)	(11,611)
Decrease (increase) in consumption taxes receivable	—	(147,089)
Decrease (increase) in prepaid expenses	(40,845)	(14,072)
Decrease (increase) in long-term prepaid expenses	(29,126)	(117,273)
Increase (decrease) in operating accounts payable	147,997	(80,862)
Increase (decrease) in accounts payable – other	(404,864)	361,698
Increase (decrease) in accrued consumption taxes	(127,643)	(200,653)
Increase (decrease) in advances received	72,781	(2,499)
Decrease due to sale of property, plant and equipment in trust	19,029,353	—
Other, net	25,875	(59,850)
Subtotal	26,588,085	8,487,044
Interest income received	98	111
Interest expenses paid	(763,802)	(767,380)
Income taxes paid	(3,188)	(604)
Net cash provided by operating activities	25,821,192	7,719,170
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment in trust	(24,039,880)	(19,999,067)
Purchase of intangible assets in trust	(2,290,065)	—
Purchase of intangible assets	(7,067)	—
Payments for lease and guarantee deposits	(537,857)	—
Proceeds from tenant leasehold and security deposits in trust	483,748	310,349
Repayments of tenant leasehold and security deposits in trust	(666,337)	(126,690)
Decrease (increase) in other investments	(6,605)	(189,934)
Net cash provided by (used in) investing activities	(27,064,065)	(20,005,342)
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans payable	8,000,000	23,500,000
Repayments of short-term loans payable	(8,000,000)	(17,000,000)
Proceeds from long-term loans payable	10,500,000	25,382,000
Repayments of long-term loans payable	(2,500,000)	(12,382,000)
Redemption of investment corporation bonds	—	(2,500,000)
Dividends paid	(5,673,896)	(5,844,807)
Net cash provided by (used in) financing activities	2,326,103	11,155,192
<b>Net increase (decrease) in cash and cash equivalents</b>	1,083,230	(1,130,979)
<b>Cash and cash equivalents at beginning of period</b>	9,613,003	22,090,154
<b>Increase in cash and cash equivalents resulting from merger</b>	11,393,919	—
<b>Cash and cash equivalents at end of period (Note 8)</b>	22,090,154	20,959,174

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 implemented a 2-for-1 split of its investment units with May 1, 2018 as the effective date. SHR conducted an absorption-type merger with Sekisui House Residential Investment Corporation (“SHI”) as the dissolved corporation, setting May 1, 2018 as the effective date.

SHR is externally managed by a licensed asset management company, Sekisui House Asset Management, Ltd. (the “Asset Management Company”). Sekisui House Asset Management, Ltd., previously called Sekisui House Investment Advisors, Ltd., carried out an absorption-type merger with Sekisui House Asset Management, Ltd. (the “former SHAM”), which was the asset management company for SHI, on May 1, 2018, with the Asset Management Company being the surviving company and the former SHAM being the dissolved company, and changed its company name to the current one.

## 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	(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: Buildings 3-69 years Structures 7-45 years Machinery and equipment 10-61 years Tools, furniture and fixtures 2-15 years (2)Intangible assets Intangible assets are amortized utilizing the straight-line method. Leasehold rights in trust are amortized on a straight-line basis over the remaining life of each fixed-term land lease contract. (3)Long-term prepaid expenses Long-term prepaid expenses are amortized utilizing the straight-line method.
2. Accounting for deferred assets	(1) Investment corporation bond issuance costs Investment corporation bond issuance costs are amortized utilizing the straight-line method over the redemption periods. (2) Investment unit issuance costs Investment unit issuance costs are amortized utilizing the straight-line method (over 3 years).

3. Standards for recording allowance	Allowance for doubtful accounts To prepare for possible losses arising from default on receivables, the estimated uncollectable amount is recorded by examining collectability on a case-by-case basis for doubtful and other specific receivables.
4. Standards for revenue and expense recognition	<p>(1)Revenue recognition</p> <p>Rent revenue                      SHR generally recognizes rent revenue, including fixed rent revenues, variable rent revenues and common area charges, on an accrual basis over the term of each lease agreement.</p> <p>Other lease business revenue      Other lease business revenues is recognized in accordance with Japanese GAAP, typically as amounts under relevant agreements become due.</p> <p>(2)Accounting for property taxes</p> <p>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.</p> <p>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.</p> <p>Property taxes capitalized as a part of the acquisition cost amounted to 39,028 thousand yen for the 9th fiscal period and 65,915 thousand yen for the 8th fiscal period</p>
5. Method of hedge accounting	<p>(1)Method of hedge accounting</p> <p>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</p> <p>Hedging instruments:    Interest rate swap transactions</p> <p>Hedged items:              Interest on loans</p> <p>(3)Hedging policy</p> <p>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</p> <p>Interest rate swaps meet the criteria for the special accounting treatment and an assessment of the effectiveness is thus omitted.</p> <p>(5)Special accounting treatment</p> <p>Under the special accounting treatment, interest rate swaps are not measured at fair value, but the differential paid or received under the swap agreements is recognized and included in or deducted from interest expense. Any amounts received under interest rate swaps subject to such accounting treatment are not recognized as income on the accompanying statements of income and retained earnings but rather have the effect of decreasing interest expenses.</p>
6. 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.

7. 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</p> <p>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.</p> <p>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</p> <p>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; Leasehold rights in trust</p> <p>3) Tenant leasehold and security deposits in trust</p> <p>(2)Accounting for consumption tax, etc.</p> <p>Consumption tax and local consumption tax are excluded from the corresponding transaction amounts.</p>
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**4. Notes to Balance Sheet**

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

(Thousands of yen)		
8th Fiscal Period (As of October 31, 2018)	9th Fiscal Period (As of April 30, 2019)	
50,000	50,000	

\*2. Commitment line agreement

SHR has entered into a commitment line agreement with three financial institutions in order to secure flexible and stable financing.

(Thousands of yen)		
8th Fiscal Period (As of October 31, 2018)	9th Fiscal Period (As of April 30, 2019)	
Total amount of commitment line	15,000,000	15,000,000
Balance executed as loans	—	—
Unused line of credit	15,000,000	15,000,000

\*3. Matters concerning accounting for reserve and reversal of reserve for temporary difference adjustments

(Thousands of yen)		
8th Fiscal Period (As of October 31, 2018)	9th Fiscal Period (As of April 30, 2019)	
Gain on negative goodwill (*)		
Initial amount	—	1,556,827
Balance at beginning of period	—	—
Reserve amount during period	—	1,556,827
Reversal amount during period	—	—
Balance at end of period	—	1,556,827
Reason for reserve and reversal	—	Reserve of a part of gain on negative goodwill by merger with SHI.

(\*) Reserve of a part of gain on negative goodwill that arose in the previous fiscal period; SHR plans to drawdown at least 1% of the reserve for each fiscal period (corresponding to the amount of the reserve expensed equally over 50 years) and appropriate the amount for cash distributions, starting from the fiscal period following the fiscal period in which the reserve was made.

**5. Notes to Statement of Income and Retained Earnings**

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

(Thousands of yen)				
	8th Fiscal Period (From May 1, 2018 to October 31, 2018)		9th Fiscal Period (From November 1, 2018 to April 30, 2019)	
A. Property-related operating revenue				
Rent revenue – real estate				
Rental income	11,601,257		11,812,505	
Other	312,293	11,913,550	273,308	12,085,814
Other lease business revenue				
Utilities revenue	50,897		42,768	
Other	201,981	252,879	241,397	284,165
Total property-related operating revenue		12,166,429		12,369,980
B. Property-related operating expenses				
Expenses related to rent business				
Subcontract expenses	381,521		374,236	
Property management fees	383,058		374,765	
Trust fees	40,485		44,181	
Utilities expenses	109,791		113,511	
Property and other taxes	806,781		803,144	
Insurance expenses	14,209		14,533	
Repair expenses	238,406		282,133	
Depreciation	2,142,602		2,189,114	
Other expenses related to rent business	462,595	4,579,453	447,612	4,643,232
Total property-related operating expenses		4,579,453		4,643,232
C. Property-related operating income [A – B]		7,586,976		7,726,747

\*2. Breakdown of gain on sale of real estate properties

8th Fiscal Period (From May 1, 2018 to October 31, 2018)

(Thousands of yen)

Esty Maison Machida	
Esty Maison Shinkawasaki	
Esty Maison Megurohoncho	
Esty Maison Joto	
Esty Maison Tenjinhigashi I	
Esty Maison Tenjinhigashi II	
Esty Maison Shijonishinotoin	
Esty Maison Hachiojiminamino	
Esty Maison Nishinakajima	
Esty Maison Kawaramachi	
Esty Maison Shibaura	
Esty Maison Tsutsujigaoka	
Proceeds from sale of real estate properties	16,400,000
Cost of real estate properties	16,302,324
Other sales expenses	97,675
Gain on sale of real estate properties	—

(Note) Individual gain on sale of real estate properties (disposition prices) are not disclosed as consent for disclosure cannot be obtained from the purchasers. In accordance with this, individual costs of sales of real estate properties (book values) are not disclosed either.

## Hamamatsu Plaza

Proceeds from sale of real estate property	2,799,860
Cost of real estate property	2,727,028
Other sales expenses	64,716
Gain on sale of real estate property	8,114

9th Fiscal Period (From November 1, 2018 to April 30, 2019)  
Not applicable.

**6. Notes to Statement of Changes in Net Assets**

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

	8th Fiscal Period (From May 1, 2018 to October 31, 2018)	9th Fiscal Period (From November 1, 2018 to April 30, 2019)
Total number of authorized investment units	20,000,000units	20,000,000units
Total number of investment units issued	3,762,091units	3,762,091units

**7. Notes to Statement of Cash Distributions**

Reserve for temporary difference adjustments

8th Fiscal Period (As of October 31, 2018)	9th Fiscal Period (As of April 30, 2019)
Of the gain on negative goodwill recorded for the 8th fiscal period, SHR recognized 1,556,827,729 yen as reserve for temporary difference adjustments. SHR plans to drawdown at least 1% of the reserve (corresponding to the amount of the reserve expensed equally over 50 years) and appropriate the amount for cash distributions, starting from the fiscal period following the fiscal period in which the reserve was made.	With regard to the reserve for temporary difference adjustments, SHR plans to drawdown at least 1% of the reserve for each fiscal period (corresponding to the amount of the reserve expensed equally over 50 years) and appropriate the amount for cash distributions, starting from the fiscal period following the fiscal period in which the reserve was made. SHR decided to drawdown 102,630,817 yen for the 9th fiscal period.

**8. 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)

	8th Fiscal Period (From May 1, 2018 to October 31, 2018)	9th Fiscal Period (From November 1, 2018 to April 30, 2019)
Cash and deposits	9,230,651	7,657,644
Cash and deposits in trust	12,859,502	13,301,529
Cash and cash equivalents	22,090,154	20,959,174

\*2. Details of non-cash transaction

8th Fiscal Period (From May 1, 2018 to October 31, 2018)

The assets and liabilities succeeded from SHI as a result of the merger in the 8<sup>th</sup> fiscal period are summarized as follows.

Capital surplus increased by 128,598,415 thousand yen as a result of merger.

(Thousands of yen)

	8th Fiscal Period (From May 1, 2018 to October 31, 2018)	9th Fiscal Period (From November 1, 2018 to April 30, 2019)
Current assets	11,596,391	—
Non-current assets	231,681,572	—
Total assets	243,277,963	—
Current liabilities	21,936,953	—
Non-current liabilities	90,448,670	—
Total liabilities	112,385,624	—

9th Fiscal Period (From November 1, 2018 to April 30, 2019)

Not applicable.

**9. Lease Transactions**

Operating lease transactions as lessee

Future minimum lease payments

(Thousands of yen)

	8th Fiscal Period (As of October 31, 2018)	9th Fiscal Period (As of April 30, 2019)
Due within 1 year	411,348	411,960
Due after 1 year	20,675,865	20,499,571
Total	21,087,213	20,911,531

Operating lease transactions as lessor

Future minimum lease income

(Thousands of yen)

	8th Fiscal Period (As of October 31, 2018)	9th Fiscal Period (As of April 30, 2019)
Due within 1 year	10,582,684	9,798,520
Due after 1 year	31,930,912	30,096,783
Total	42,513,596	39,895,304

10. 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, 2018 and April 30, 2019, 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)).

8th Fiscal Period (As of October 31, 2018)

(Thousands of yen)			
	Book value recorded on the balance sheet	Fair value	Difference
(1) Cash and deposits	9,230,651	9,230,651	—
(2) Cash and deposits in trust	12,859,502	12,859,502	—
Total assets	22,090,154	22,090,154	—
(4) Current portion of investment corporation bonds	2,500,000	2,501,004	1,004
(5) Current portion of long-term loans payable	12,382,000	12,402,940	20,940
(6) Investment corporation bonds	13,000,000	13,169,226	169,226
(7) Long-term loans payable	170,050,500	172,355,674	2,305,174
Total liabilities	197,932,500	200,428,846	2,496,346
(8) Derivative transactions(*)	[526,965]	[526,965]	—
Total derivative transactions(*)	[526,965]	[526,965]	—

(\*)Amounts arising from derivative transactions are shown on a net basis with any amounts inside square parentheses [ ] indicating a net liability position.

9th Fiscal Period (As of April 30, 2019)

(Thousands of yen)			
	Book value recorded on the balance sheet	Fair value	Difference
(1) Cash and deposits	7,657,644	7,657,644	—
(2) Cash and deposits in trust	13,301,529	13,301,529	—
Total assets	20,959,174	20,959,174	—
(3) Short-term loans payable	6,500,000	6,500,000	—
(4) Current portion of investment corporation bonds	2,000,000	2,013,069	13,069
(5) Current portion of long-term loans payable	20,792,500	20,828,447	35,947
(6) Investment corporation bonds	11,000,000	11,209,963	209,963
(7) Long-term loans payable	174,640,000	176,826,547	2,186,547
Total liabilities	214,932,500	217,378,028	2,445,528
(8) Derivative transactions(*)	[542,929]	[542,929]	—
Total derivative transactions(*)	[542,929]	[542,929]	—

(\*)Amounts arising from derivative transactions are shown on a net basis with any amounts inside square parentheses [ ] indicating a net liability position.

(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.

(3) Short-term loans payable

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

(4) Current portion of investment corporation bonds (6) Investment corporation bonds

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

Of the investment corporation bonds issued by SHR, the fair value of those with a market price is based on the quoted market price. For those where it is difficult to obtain the fair value based on the quoted market price, the fair value is based on the method of calculating by discounting the combined total of principal and interest by a reasonably estimated interest rate applicable when conducting similar fund procurement for the remaining period of the bonds.

(5) Current portion of long-term loans payable (7) Long-term loans payable

As the 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 “12. 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.

(8) Derivative transactions

Please refer to “12. 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	8th Fiscal Period (As of October 31, 2018)	9th Fiscal Period (As of April 30, 2019)
Tenant leasehold and security deposits in trust	10,964,384	11,148,044

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

8th Fiscal Period (As of October 31, 2018)

(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	9,230,651	—	—	—	—	—
Cash and deposits in trust	12,859,502	—	—	—	—	—
Total	22,090,154	—	—	—	—	—

9th Fiscal Period (As of April 30, 2019)

(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	7,657,644	—	—	—	—	—
Cash and deposits in trust	13,301,529	—	—	—	—	—
Total	20,959,174	—	—	—	—	—

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

8th Fiscal Period (As of October 31, 2018)

(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 bonds	2,500,000	2,000,000	—	3,000,000	—	8,000,000
Long-term loans payable	12,382,000	27,892,500	29,710,000	39,230,000	22,200,000	51,018,000

9th Fiscal Period (As of April 30, 2019)

(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
Short-term loans payable	6,500,000	—	—	—	—	—
Investment corporation bonds	2,000,000	—	—	3,000,000	3,000,000	5,000,000
Long-term loans payable	20,792,500	28,050,000	35,590,000	23,500,000	25,640,000	61,860,000

11. Securities

8th Fiscal Period (From May 1, 2018 to October 31, 2018)

Not applicable.

9th Fiscal Period (From November 1, 2018 to April 30, 2019)

Not applicable.

12. Derivative Transactions

1. Derivatives to which hedge accounting is not applied

8th Fiscal Period (As of October 31, 2018)

Not applicable.

9th Fiscal Period (As of April 30, 2019)

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.

8th Fiscal Period (As of October 31, 2018)

(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		
Principal method	Interest rate swap transaction Floating interest rate receivable and fixed interest rate payable	Long-term loans payable	63,954,500	55,572,500	(526,965)	*1
Special accounting treatment for interest rate swaps	Interest rate swap transaction Floating interest rate receivable and fixed interest rate payable	Long-term loans payable	66,550,000	66,550,000	*2	—

\*1 Fair value is quoted by counterparties based on the prevailing market interest rates.

\*2 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 “10. Financial Instruments; 2. Matters concerning fair value of financial instruments (Note 1)”).

9th Fiscal Period (As of April 30, 2019)

(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		
Principal method	Interest rate swap transaction Floating interest rate receivable and fixed interest rate payable	Long-term loans payable	55,572,500	48,780,000	(542,929)	*1
Special accounting treatment for interest rate swaps	Interest rate swap transaction Floating interest rate receivable and fixed interest rate payable	Long-term loans payable	86,141,000	72,141,000	*2	—

\*1 Fair value is quoted by counterparties based on the prevailing market interest rates.

\*2 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 “10. Financial Instruments; 2. Matters concerning fair value of financial instruments (Note 1)”).

13. Retirement Benefits

8th Fiscal Period (From May 1, 2018 to October 31, 2018)

Not applicable.

9th Fiscal Period (From November 1, 2018 to April 30, 2019)

Not applicable.

14. Business Combination

8th Fiscal Period (From May 1, 2018 to October 31, 2018)

Business Combination through Acquisition

1. Overview of Business Combination

(1) Name and Business Description of Acquire

Name of acquire : Sekisui House Residential Investment Corporation (“SHI”)

Business description : Real estate investment trust

(2) Main Reasons for Business Combination

SHR reached the conclusion that expanding the scale of assets and increasing market presence through the Investment Corporation Merger as well as enhancing a variety of opportunities for growth by utilizing the integrated corporate strength of the Sekisui House Group would be the best strategy for maximizing unitholder value by securing strong returns and stability and growth of cash distributions through the steady increase of assets under management. Accordingly, SHR concluded a merger agreement as of January 24, 2018.

(3) Date of Business Combination

May 1, 2018

(4) Legal Form of Business Combination

An absorption-type merger: SHR as the surviving corporation and SHI as the dissolved corporation.

(5) Name of the Investment Corporation after Business Combination

Sekisui House Reit, Inc.

(6) Main Reasons for Determining Acquiring Company

SHR was determined to be the acquiring corporation after comprehensively considering the relative voting rights of the unitholders in the combined entity, the composition of the board of directors and other factors, based on the accounting standard for business combination

2. Operating period of Acquire Included in the Statement of Income and Retained Earnings

From May 1, 2018 to October 31, 2018

3. Acquisition Cost of Acquire and the Breakdown

Acquisition cost

Fair value of the Investment Corporation's investment units allotted on the date of business combination

128,598,415 thousand yen

Acquisition cost

128,598,415 thousand yen

4. Exchange Ratio, Method of Determining the Exchange Ratio and Number of Investment Units Allotted for the Acquisition

(1) Exchange Ratio of Investment Units

1.65 units of the Investment Corporation were allotted for 1 unit of SHI through the Merger.

SHR implemented a 2-for-1 investment unit split with May 1, 2018 as the record date before the Merger.

(2) Method of Determining the Exchange Ratio

In calculating the merger ratio used for the Investment Corporation Merger, for the sake of securing fairness, SHR selected Nomura Securities Co., Ltd. and SHI selected Mizuho Securities Co., Ltd. as the financial advisors (“FAs”), respectively, and requested them to calculate the merger ratio. Comprehensive considerations were made regarding such factors as the financial results and the status of assets and liabilities of SHR and SHI, prospects of business operations in the future, advantages of the Investment Corporation Merger and the results of financial analyses conducted by the FA, and discussions and

negotiations were repeatedly conducted in a prudent manner. As a result, it was determined that the above merger ratio is reasonable.

(3) Number of Investment Units Allotted

1,824,091 units

5. Type and Amount of Major Acquisition-Related Expenses

Merger-related fees 925,022 thousand yen

6. Amount and Reason for Gain on Negative Goodwill

(1) Amount of Gain on Negative Goodwill

2,293,923 thousand yen

(2) Reason

Negative goodwill represents the difference between the acquisition cost of SHI in the amount of 128,598,415 thousand yen and the fair value of SHI's net assets acquired in the amount of 130,892,339 thousand yen as of the business combination date.

7. Breakdown of Assets Acquired and Liabilities Assumed on the Date of Business Combination

Current assets 11,596,391 thousand yen

Non-current assets 231,681,572 thousand yen

Total assets 243,277,963 thousand yen

Current liabilities 21,936,953 thousand yen

Non-current liabilities 90,448,670 thousand yen

Total liabilities 112,385,624 thousand yen

8. Estimated Impact on the Statement of income and Retained Earnings for the 8th fiscal period.

There is no impact as the business combination date was the same date as the beginning of the fiscal period.

9th Fiscal Period (From November 1, 2018 to April 30, 2019)

Not applicable.

**15. Income Taxes**

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

	(Thousands of yen)	
	8th Fiscal Period (As of October 31, 2018)	9th Fiscal Period (As of April 30, 2019)
Deferred tax assets		
Valuation difference on assets acquired due to merger	2,422,055	2,357,755
Amortization of leasehold rights in trust	6,835	13,671
Deferred gains or losses on hedges	166,456	171,511
Deferred tax assets (subtotal)	2,595,347	2,542,938
Valuation allowance for total deductible temporary difference	(2,595,347)	(2,542,938)
Total deferred tax assets	—	—
Net deferred tax assets	—	—

## 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

	8th Fiscal Period (As of October 31, 2018)		9th Fiscal Period (As of April 30, 2019)	
Statutory tax rate	31.51		31.51	
[Adjustments]				
Deductible cash distribution	(24.87)		(32.04)	
Gain on negative goodwill	(9.76)		—	
Changes in valuation allowance	3.13		0.54	
Other	0.00		0.00	
Effective income tax rate after application of tax-effect accounting	0.01		0.01	

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

8th Fiscal Period (From May 1, 2018 to October 31, 2018)

Not applicable.

9th Fiscal Period (From November 1, 2018 to April 30, 2019)

Not applicable.

**17. Transactions with Related Parties**

## 1. Parent company and major corporate unitholders.

8th Fiscal Period (From May 1, 2018 to October 31, 2018)

Not applicable.

9th Fiscal Period (From November 1, 2018 to April 30, 2019)

Not applicable.

## 2. Subsidiaries and affiliates.

8th Fiscal Period (From May 1, 2018 to October 31, 2018)

Not applicable.

9th Fiscal Period (From November 1, 2018 to April 30, 2019)

Not applicable.

## 3. Sister companies.

8th Fiscal Period (From May 1, 2018 to October 31, 2018)

Not applicable.

9th Fiscal Period (From November 1, 2018 to April 30, 2019)

Not applicable.

## 4. Directors and major individual unitholders.

8th Fiscal Period (From May 1, 2018 to October 31, 2018)

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 Asset Management, Ltd.	—	Payment of asset management fees to Sekisui House Asset Management, Ltd. (Note 1)	1,499,773 (Note 2)	Accounts payable – other	567,595

(Note 1) A transaction conducted by Junichi Inoue as a representative of a third party (Sekisui House Asset Management, 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 57,599 thousand yen of asset management fees pertaining to real estate sales 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.

9th Fiscal Period (From November 1, 2018 to April 30, 2019)

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 Asset Management, Ltd.	—	Payment of asset management fees to Sekisui House Asset Management, Ltd. (Note 1)	829,220 (Note 2)	Accounts payable – other	892,188

(Note 1) A transaction conducted by Junichi Inoue as a representative of a third party (Sekisui House Asset Management, 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 3,120 thousand yen of asset management fees pertaining to real estate acquisition 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.

**18. Asset Retirement Obligations**

8th Fiscal Period (From May 1, 2018 to October 31, 2018)

Not applicable.

9th Fiscal Period (From November 1, 2018 to April 30, 2019)

Not applicable.

19. 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)		
	8th Fiscal Period (From May 1, 2018 to October 31, 2018)	9th Fiscal Period (From November 1, 2018 to April 30, 2019)
Carrying amount		
Balance at beginning of period	197,376,695	433,830,623
Amount of increase (decrease) during period	236,453,927	17,951,447
Balance at end of period	433,830,623	451,782,070
Fair value at end of period	479,147,000	505,577,000

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

(Note 2) Net increase during the 8th fiscal period is mainly attributable to the acceptance of properties (231,126,624 thousand yen) from SHI through the investment corporation merger and the acquisition of 6 new properties (25,927,177 thousand yen). Net decrease during the 8th fiscal period is mainly attributable to the disposition of 13 properties (19,029,353 thousand yen) SHR owned and depreciation (2,142,602 thousand yen). Net increase during the 9th fiscal period is mainly attributable to the acquisition of 3 new properties (19,501,844thousandyen), offset by depreciation (2,189,114 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 8th and 9th fiscal periods for investment and rental properties is presented in “5. Notes to Statement of Income and Retained Earnings”.

20. 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

8th Fiscal Period (From May 1, 2018 to October 31, 2018)

(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.	3,212,851	Real estate leasing business

9th Fiscal Period (From November 1, 2018 to April 30, 2019)

(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.	3,214,990	Real estate leasing business

21. Per Unit Information

	8th Fiscal Period (From May 1, 2018 to October 31, 2018)	9th Fiscal Period (From November 1, 2018 to April 30, 2019)
Net assets per unit	65,299yen	65,308yen
Net income per unit	1,967yen	1,566yen

(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.

The following is the basis for calculating net income per unit.

	8th Fiscal Period (From May 1, 2018 to October 31, 2018)	9th Fiscal Period (From November 1, 2018 to April 30, 2019)
Net income (Thousands of yen)	7,402,759	5,894,142
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income attributable to common investment units (Thousands of yen)	7,402,759	5,894,142
Average number of investment units during period (Units)	3,762,091	3,762,091

22. Significant Subsequent Events

SHR resolved, at its meeting of the board of directors held on May 23, 2019, the following issuance of new investment units with payment dates of June 10, 2019 for new investment units issued through a public offering and on July 9, 2019 for new investment units issued by way of a third-party allotment. As a result, as of July 9, 2019, unitholders' capital is 149,210,081,225 yen and the total number of investment units issued and outstanding is 4,288,666 units.

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

Number of new investment units to be issued: 501,500 units  
to be offered: of which the domestic primary offering: 371,356 investment units  
of which the international offering: 130,144 investment units

Issue price: 76,537 yen per unit  
Total amount of issue price: 38,383,305,500 yen  
Amount to be paid in (issue amount): 74,103 yen per unit  
Total amount to be paid in (total issue amount): 37,162,654,500 yen  
Payment date: June 10, 2019  
Initial date of calculating distribution: May 1, 2019

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

Number of new investment units to be issued: 25,075 units  
Amount to be paid in (issued amount): 74,103 yen per unit  
Total amount to be paid in (issued amount): 1,858,132,725 yen  
Payment date: July 9, 2019  
Initial date of calculating distribution: May 1, 2019  
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 Akasaka Garden City ,Garden City Shinagawa Gotenyama (additional acquisition portion) ,Hommachi Minami Garden City (additional acquisition portion) ,Prime Maison Mitatsunamachi ,Prime Maison Hongo ,Prime Maison Kuramae and Esty Maison Yokohama-aobadai North on June 10, 2019.

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

9th Fiscal Period (From November 1, 2018 to April 30, 2019)

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	55,572,500	48,780,000	(542,929)
Transaction other than market transaction	Interest rate swap transaction Floating interest rate receivable and fixed interest rate payable	86,141,000	72,141,000	(Note 3)
Total		141,713,500	120,921,000	(542,929)

(Note 1) The contract amount of interest rate swap transactions is based on the notional principal amount.  
(Note 2) Fair value is quoted by counterparties based on the prevailing market interest rates.  
(Note 3) 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		Net balance at end of period	Notes
						or accumulated amortization	For the period		
Property, plant and equipment	Buildings in trust	154,045,698	4,846,536	—	158,892,235	8,236,920	2,079,463	150,655,315	(Note 1)
	Structures in trust	1,483,975	16,029	—	1,500,004	121,928	30,214	1,378,076	
	Machinery and equipment in trust	2,093,637	60,240	—	2,153,877	91,694	46,418	2,062,182	
	Tools, furniture and fixtures in trust	59,994	57,229	—	117,224	10,983	7,591	106,240	
	Land in trust	279,918,555	15,160,525	—	295,079,081	—	—	295,079,081	(Note 1)
	Construction in progress in trust	43,344	98,534	43,344	98,534	—	—	98,534	
	Subtotal	437,645,207	20,239,096	43,344	457,840,959	8,461,527	2,163,688	449,379,431	
Intangible assets	Leasehold rights in trust	2,552,025	—	—	2,552,025	50,851	25,425	2,501,173	
	Other	14,500	—	—	14,500	7,606	1,452	6,894	
	Subtotal	2,566,526	—	—	2,566,526	58,457	26,877	2,508,068	
Total		440,211,733	20,239,096	43,344	460,407,485	8,519,985	2,190,566	451,887,499	

(Note 1) The increase during the fiscal period under review is mainly attributable to the acquisition of The Ritz-Carlton, Kyoto, MAST Ijiri, and Esty Maison Kokura.

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 bonds

Name	Issue date	Balance at beginning of period (Thousands of yen )	Amount of decrease during period (Thousands of yen )	Balance at end of period (Thousands of yen )	Coupon rate (%)	Redemption date	Use of proceeds	Security
SHI Second Series Unsecured Investment Corporation Bond	February 28, 2013	2,000,000	—	2,000,000	1.000	February 28, 2020 (Note 1)	(Note 2)	Unsecured
SHI Third Series Unsecured Investment Corporation Bond	February 28, 2014	2,500,000	2,500,000	—	0.374	February 28, 2019	(Note 3)	Unsecured
SHI Fourth Series Unsecured Investment Corporation Bond	February 28, 2014	3,000,000	—	3,000,000	1.069	February 28, 2024	(Note 3)	Unsecured
SHI Fifth Series Unsecured Investment Corporation Bond	August 29, 2014	3,000,000	—	3,000,000	0.871	August 30, 2024	(Note 3)	Unsecured
SHR First Series Unsecured Investment Corporation Bond	September 8, 2016	2,000,000	—	2,000,000	0.340	September 8, 2026	(Note 3)	Unsecured
SHR Second Series Unsecured Investment Corporation Bond	July 13, 2017	3,000,000	—	3,000,000	0.240	July 13, 2022	(Note 3)	Unsecured
Total	—	15,500,000	2,500,000	13,000,000	—	—	—	—

(Note 1) As of the end of the fiscal period under review, these bonds are recorded as Current portion of investment corporation bonds in Current liabilities on the balance sheet.

(Note 2) The funds are used to repay borrowings and acquire trust beneficiary interests in real estate, etc.

(Note 3) The proceeds are used as funds for repayment of loans payable.

(Note 4) These investment corporation bonds are equipped with pari passu clause among specified investment corporation bonds.

(Note 5) The following is the maturity schedule of investment corporation bonds 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
Investment Corporation Bonds	2,000,000	—	—	3,000,000	3,000,000

6. Schedule of loans payable

(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)	Repayme nt due date	Repayme nt method	Use of proceeds	Security
Short-term loans payable	MUFG Bank, Ltd.	-	6,700,000	6,700,000	-	0.23091	Jan. 31, 2020 (Note2)		Purchase of assets and related expenses	
	Mizuho Bank, Ltd.	-	5,000,000	5,000,000	-					
	Sumitomo Mitsui Banking Corporation	-	5,300,000	5,300,000	-					
	MUFG Bank, Ltd.	-	2,600,000	-	2,600,000	0.23175	Feb. 28, 2020 (Note3)		Repayment of loans payable and Redemption of existing investment corporation bonds	
	Mizuho Bank, Ltd.	-	1,900,000	-	1,900,000					
	Sumitomo Mitsui Banking Corporation	-	2,000,000	-	2,000,000					
Long-term loans payable	Mizuho Bank, Ltd.	1,470,500	-	1,470,500	-	1.15475	Feb. 28, 2019	Lump-sum payment at maturity	Repayment of loans payable	Un- secured Un- guaran- teed
	Sumitomo Mitsui Banking Corporation	1,470,500	-	1,470,500	-					
	Development Bank of Japan Inc.	941,000	-	941,000	-					
	MUFG Bank, Ltd.	750,000	-	750,000	-	0.89900			Purchase of assets and related expenses	
	Mizuho Bank, Ltd.	750,000	-	750,000	-					
	Sumitomo Mitsui Banking Corporation	750,000	-	750,000	-					
	Mizuho Trust & Banking Co., Ltd.	2,250,000	-	2,250,000	-	1.02225	Feb. 28, 2020 (Note3)	Repayment of loans payable		
	MUFG Bank, Ltd.	3,842,500	-	-	3,842,500					
	Mizuho Bank, Ltd.	400,000	-	-	400,000					
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	1.17200	Aug. 31, 2020		Purchase of assets and related expenses	
	Resona Bank, Limited	500,000	-	-	500,000					
	MUFG Bank, Ltd.	800,000	-	-	800,000					
	Mizuho Bank, Ltd.	500,000	-	-	500,000	1.17350	Feb. 28, 2022	Purchase of assets and related expenses		
	Sumitomo Mitsui Trust Bank, Limited	2,500,000	-	-	2,500,000					
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000					
	Resona Bank, Limited	500,000	-	-	500,000	0.79614	Feb. 28, 2020 (Note3)		Repayment of loans payable	
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000					
	MUFG Bank, Ltd.	800,000	-	-	800,000					
	Mizuho Bank, Ltd.	300,000	-	-	300,000	0.95225	Feb. 26, 2021	Repayment of loans payable		
	Sumitomo Mitsui Banking Corporation	300,000	-	-	300,000					
	Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000					
	Mizuho Bank, Ltd.	405,000	-	-	405,000	0.95225			Feb. 26, 2021	Repayment of loans payable
	Sumitomo Mitsui Banking Corporation	1,145,000	-	-	1,145,000					
	MUFG Bank, Ltd.	500,000	-	-	500,000					
	Mizuho Bank, Ltd.	400,000	-	-	400,000	0.95225	Feb. 26, 2021	Repayment of loans payable		
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000					
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000					
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.95225	Feb. 26, 2021			Repayment of loans payable	
Resona Bank, Limited	500,000	-	-	500,000						
The Senshu Ikeda Bank, Ltd.	500,000	-	-	500,000						
The Yamaguchi Bank, Ltd.	500,000	-	-	500,000	0.95225		Feb. 26, 2021	Repayment of loans payable		

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)	Repayme nt due date	Repayme nt method	Use of proceeds	Security		
Long-term loans payable	MUFG Bank, Ltd.	500,000	-	-	500,000	1.11000	Feb. 28, 2022	Lump-sum payment at maturity	Repayment of loans payable	Un- secured Un- guaran- teed		
	Mizuho Bank, Ltd.	400,000	-	-	400,000							
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000							
	Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000							
	Mizuho Trust & Banking Co., Ltd.	980,000	-	-	980,000							
	Resona Bank, Limited	800,000	-	-	800,000							
	Mizuho Bank, Ltd.	300,000	-	-	300,000	0.97300	Feb. 26, 2021		Purchase of assets and related expenses			
	Sumitomo Mitsui Banking Corporation	300,000	-	-	300,000							
	The Bank of Fukuoka, Ltd.	500,000	-	-	500,000							
	Shinkin Central Bank	500,000	-	-	500,000							
	The Shizuoka Bank, Ltd.	500,000	-	-	500,000							
	Mizuho Bank, Ltd.	2,450,000	-	-	2,450,000							
	Sumitomo Mitsui Banking Corporation	1,950,000	-	-	1,950,000	0.83600	Aug. 31, 2021		Repayment of loans payable			
	MUFG Bank, Ltd.	900,000	-	-	900,000	0.96475	Aug. 31, 2022					
	Mizuho Bank, Ltd.	2,500,000	-	-	2,500,000							
	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000							
	MUFG Bank, Ltd.	4,300,000	-	-	4,300,000	0.65830	Nov. 30, 2019 (Note3)				Purchase of assets and related expenses	
	Mizuho Bank, Ltd.	1,800,000	-	-	1,800,000							
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000							
	Sumitomo Mitsui Trust Bank, Limited	1,800,000	-	-	1,800,000							
	Mizuho Trust & Banking Co., Ltd.	600,000	-	-	600,000							
	Resona Bank, Limited	900,000	-	-	900,000							
	Development Bank of Japan Inc.	800,000	-	-	800,000							
	The Norinchukin Bank	800,000	-	-	800,000							
	MUFG Bank, Ltd.	5,100,000	-	-	5,100,000				0.94060			Nov. 30, 2021
	Mizuho Bank, Ltd.	2,400,000	-	-	2,400,000							
	Sumitomo Mitsui Banking Corporation	3,700,000	-	-	3,700,000							
	Sumitomo Mitsui Trust Bank, Limited	2,000,000	-	-	2,000,000							
	Mizuho Trust & Banking Co., Ltd.	900,000	-	-	900,000							
	Resona Bank, Limited	1,400,000	-	-	1,400,000							
	Development Bank of Japan Inc.	800,000	-	-	800,000							
	The Norinchukin Bank	700,000	-	-	700,000							
	MUFG Bank, Ltd.	4,600,000	-	-	4,600,000	1.47450	Nov. 30, 2024					
	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							
	Development Bank of Japan Inc.	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)	Repayme nt due date	Repayme nt method	Use of proceeds	Security		
Long-term loans payable	Mizuho Bank, Ltd.	600,000	-	-	600,000	0.62800	Feb. 26, 2021	Lump-sum payment at maturity	Repayment of loans payable	Un-secured Un-guaran- teed		
	Sumitomo Mitsui Banking Corporation	300,000	-	-	300,000							
	The Norinchukin Bank	500,000	-	-	500,000							
	Shinkin Central Bank	500,000	-	-	500,000							
	The Senshu Ikeda Bank, Ltd.	500,000	-	-	500,000							
	The Shizuoka Bank, Ltd.	500,000	-	-	500,000							
	The 77 Bank, Ltd.	500,000	-	-	500,000							
	The Hiroshima Bank, Ltd.	500,000	-	-	500,000							
	MUFG Bank, Ltd.	300,000	-	-	300,000	0.73975	Feb. 28, 2022					
	Mizuho Bank, Ltd.	500,000	-	-	500,000							
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000							
	Resona Bank, Limited	750,000	-	-	750,000							
	The Norinchukin Bank	800,000	-	-	800,000							
	The Bank of Fukuoka, Ltd.	500,000	-	-	500,000							
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000							
	MUFG Bank, Ltd.	1,300,000	-	-	1,300,000						0.86650	Feb. 28, 2023
	Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000							
	Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000							
	Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000							
	Mizuho Trust & Banking Co., Ltd.	800,000	-	-	800,000							
	Resona Bank, Limited	500,000	-	-	500,000							
	The Norinchukin Bank	500,000	-	-	500,000							
	The Bank of Fukuoka, Ltd.	700,000	-	-	700,000							
	Aozora Bank, Ltd.	200,000	-	-	200,000							
	Shinkin Central Bank	200,000	-	-	200,000							
	The Senshu Ikeda Bank, Ltd.	200,000	-	-	200,000							
	The Shizuoka Bank, Ltd.	200,000	-	-	200,000							
	The 77 Bank, Ltd.	200,000	-	-	200,000							
	The Hiroshima Bank, Ltd.	200,000	-	-	200,000							
	The Yamaguchi Bank, Ltd.	200,000	-	-	200,000							
	MUFG Bank, Ltd.	1,650,000	-	-	1,650,000	0.61760	Nov. 30, 2020					
	MUFG Bank, Ltd.	200,000	-	-	200,000							
	Mizuho Bank, Ltd.	950,000	-	-	950,000							
	Sumitomo Mitsui Banking Corporation	1,650,000	-	-	1,650,000							
Sumitomo Mitsui Trust Bank, Limited	850,000	-	-	850,000								
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000								
Resona Bank, Limited	550,000	-	-	550,000								
The Norinchukin Bank	650,000	-	-	650,000								
MUFG Bank, Ltd.	700,000	-	-	700,000	0.88470	Nov. 30, 2022						
Development Bank of Japan Inc.	650,000	-	-	650,000								
Mizuho Bank, Ltd.	350,000	-	-	350,000	0.89470	Nov. 30, 2022						
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)	Repayme nt due date	Repayme nt method	Use of proceeds	Security
Long-term loans payable	MUFG Bank, Ltd.	750,000	-	-	750,000	1.00850	Nov. 30, 2023	Lump-sum payment at maturity	Repayment of loans payable	Un- secured Un- guaran- teed
	MUFG Bank, Ltd.	500,000	-	-	500,000	1.01850				
	Mizuho Bank, Ltd.	400,000	-	-	400,000					
	Sumitomo Mitsui Banking Corporation	700,000	-	-	700,000					
	Sumitomo Mitsui Trust Bank, Limited	350,000	-	-	350,000					
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000					
	Resona Bank, Limited	100,000	-	-	100,000					
	Mizuho Bank, Ltd.	100,000	-	-	100,000	0.67400	Aug. 31, 2023		Purchase of assets and related expenses	
	Development Bank of Japan Inc.	2,100,000	-	-	2,100,000	0.68030				
	Mizuho Bank, Ltd.	450,000	-	-	450,000					
	Sumitomo Mitsui Banking Corporation	450,000	-	-	450,000					
	Mizuho Trust & Banking Co., Ltd.	1,000,000	-	-	1,000,000					
	MUFG Bank, Ltd.	700,000	-	-	700,000					
	Mizuho Bank, Ltd.	1,100,000	-	-	1,100,000		0.63800		Feb. 29, 2024	
	Sumitomo Mitsui Banking Corporation	1,100,000	-	-	1,100,000					
	Sumitomo Mitsui Trust Bank, Limited	450,000	-	-	450,000					
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000					
	Resona Bank, Limited	300,000	-	-	300,000					
	The Norinchukin Bank	300,000	-	-	300,000					
	Aozora Bank, Ltd.	200,000	-	-	200,000					
	The Yamaguchi Bank, Ltd.	100,000	-	-	100,000					
	MUFG Bank, Ltd.	450,000	-	-	450,000	0.50500				
	Development Bank of Japan Inc.	600,000	-	-	600,000					
	The Bank of Fukuoka, Ltd.	200,000	-	-	200,000					
	Shinkin Central Bank	100,000	-	-	100,000					
	The Senshu Ikeda Bank, Ltd.	100,000	-	-	100,000					
	The Shizuoka Bank, Ltd.	100,000	-	-	100,000					
	The 77 Bank, Ltd.	100,000	-	-	100,000					
	The Hiroshima Bank, Ltd.	100,000	-	-	100,000					
	Mizuho Bank, Ltd.	200,000	-	-	200,000	0.49500	Aug. 30, 2024			
	Sumitomo Mitsui Banking Corporation	200,000	-	-	200,000					
	Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000					
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000						
Resona Bank, Limited	300,000	-	-	300,000						
The Norinchukin Bank	300,000	-	-	300,000						
MUFG Bank, Ltd.	600,000	-	-	600,000	0.57000	Aug. 29, 2025	Repayment of loans payable			
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.59750					
Mizuho Bank, Ltd.	800,000	-	-	800,000						
Sumitomo Mitsui Banking Corporation	800,000	-	-	800,000						
Development Bank of Japan Inc.	400,000	-	-	400,000						
Sumitomo Mitsui Banking Corporation	1,560,000	-	-	1,560,000	0.28712			Nov. 30, 2020		
Sumitomo Mitsui Trust Bank, Limited	830,000	-	-	830,000						
Mizuho Trust & Banking Co., Ltd.	370,000	-	-	370,000						
Resona Bank, Limited	550,000	-	-	550,000						
Development Bank of Japan Inc.	370,000	-	-	370,000						
The Norinchukin Bank	370,000	-	-	370,000						

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)	Repayme nt due date	Repayme nt method	Use of proceeds	Security
Long-term loans payable	MUFG Bank, Ltd.	1,810,000	-	-	1,810,000	0.60500	Sep. 8, 2026	Lump- sum payment at maturity	Repayment of loans payable	Un- secured Un- guaran- teed
	MUFG Bank, Ltd.	440,000	-	-	440,000	0.67000				
	Mizuho Bank, Ltd.	900,000	-	-	900,000					
	Sumitomo Mitsui Banking Corporation	1,600,000	-	-	1,600,000	0.31000	Aug. 31, 2020			
	MUFG Bank, Ltd.	600,000	-	-	600,000	0.61000	Feb. 28, 2025			
	Mizuho Bank, Ltd.	200,000	-	-	200,000					
	Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000	0.67000				
	Mizuho Trust & Banking Co., Ltd.	600,000	-	-	600,000					
	Resona Bank, Limited	400,000	-	-	400,000					
	Shinkin Central Bank	300,000	-	-	300,000					
	MUFG Bank, Ltd.	1,500,000	-	-	1,500,000	0.72500				
	MUFG Bank, Ltd.	800,000	-	-	800,000					
	Mizuho Bank, Ltd.	700,000	-	-	700,000					
	Development Bank of Japan Inc.	1,200,000	-	-	1,200,000	0.77880				
	The Bank of Fukuoka, Ltd.	500,000	-	-	500,000					
	Aozora Bank, Ltd.	300,000	-	-	300,000					
	The Yamaguchi Bank, Ltd.	500,000	-	-	500,000					
	Sumitomo Mitsui Banking Corporation	870,000	-	-	870,000		Aug. 31, 2021			
	Sumitomo Mitsui Trust Bank, Limited	480,000	-	-	480,000	0.26212				
	Resona Bank, Limited	300,000	-	-	300,000					
	The Norinchukin Bank	210,000	-	-	210,000					
	MUFG Bank, Ltd.	990,000	-	-	990,000	0.37000	Nov. 30, 2023			
	MUFG Bank, Ltd.	260,000	-	-	260,000					
	Mizuho Bank, Ltd.	550,000	-	-	550,000	0.45254				
	Mizuho Trust & Banking Co., Ltd.	220,000	-	-	220,000					
	Development Bank of Japan Inc.	220,000	-	-	220,000		Aug. 29, 2025			
	Mizuho Bank, Ltd.	176,000	-	-	176,000	0.61380				
	The Norinchukin Bank	2,352,000	-	-	2,352,000		Jul. 13, 2022			
	MUFG Bank, Ltd.	750,000	-	-	750,000	0.32000				
	Mizuho Bank, Ltd.	1,050,000	-	-	1,050,000					
	Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000					
	Sumitomo Mitsui Trust Bank, Limited	1,050,000	-	-	1,050,000	0.34800				
	Mizuho Trust & Banking Co., Ltd.	650,000	-	-	650,000					
	Resona Bank, Limited	950,000	-	-	950,000					
	The Norinchukin Bank	750,000	-	-	750,000					
	MUFG Bank, Ltd.	650,000	-	-	650,000	0.35341				
	Development Bank of Japan Inc.	550,000	-	-	550,000					
	MUFG Bank, Ltd.	750,000	-	-	750,000	0.34000	May. 31, 2023			
	Mizuho Bank, Ltd.	1,050,000	-	-	1,050,000					
	Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000					
	Sumitomo Mitsui Trust Bank, Limited	1,050,000	-	-	1,050,000	0.41800				
	Mizuho Trust & Banking Co., Ltd.	650,000	-	-	650,000					
	Resona Bank, Limited	950,000	-	-	950,000					
	The Norinchukin Bank	750,000	-	-	750,000					
	MUFG Bank, Ltd.	650,000	-	-	650,000	0.42622				
	Development Bank of Japan Inc.	550,000	-	-	550,000					

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)	Repayme nt due date	Repayme nt method	Use of proceeds	Security
Long-term loans payable	MUFG Bank, Ltd.	1,300,000	-	1,300,000	-	0.24231	Feb. 28, 2019	Lump-sum payment at maturity	Redemption of existing investment corporation	Un-secured Un-guaran- teed
	Mizuho Bank, Ltd.	1,400,000	-	1,400,000	-					
	Sumitomo Mitsui Banking Corporation	1,300,000	-	1,300,000	-					
	MUFG Bank, Ltd.	500,000	-	-	500,000	0.56500	Feb. 27, 2026			
	MUFG Bank, Ltd.	500,000	-	-	500,000	0.63500				
	Mizuho Bank, Ltd.	100,000	-	-	100,000					
	The 77 Bank, Ltd.	500,000	-	-	500,000		0.70000		Aug. 31, 2027	
	The Hiroshima Bank, Ltd.	500,000	-	-	500,000					
	MUFG Bank, Ltd.	1,900,000	-	-	1,900,000					
	Mizuho Bank, Ltd.	4,200,000	-	-	4,200,000	0.78300				
	Sumitomo Mitsui Banking Corporation	1,900,000	-	-	1,900,000					
	Mizuho Bank, Ltd.	1,480,000	-	-	1,480,000		0.23212		Aug. 31, 2021	
	Sumitomo Mitsui Banking Corporation	320,000	-	-	320,000					
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000					
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000					
	Development Bank of Japan Inc.	-	376,000	-	376,000	0.28568	Aug. 30, 2024			
	MUFG Bank, Ltd.	-	300,000	-	300,000	0.34900				
	Mizuho Bank, Ltd.	-	2,459,000	-	2,459,000	0.35900				
	Sumitomo Mitsui Banking Corporation	-	260,000	-	260,000					
	Mizuho Trust & Banking Co., Ltd.	-	900,000	-	900,000					
	Development Bank of Japan Inc.	-	565,000	-	565,000	0.48000	Feb. 26, 2027			
	MUFG Bank, Ltd.	-	450,000	-	450,000	0.56500				
	Mizuho Bank, Ltd.	-	1,332,000	-	1,332,000	0.57500				
	Sumitomo Mitsui Banking Corporation	-	390,000	-	390,000					
	Mizuho Trust & Banking Co., Ltd.	-	1,350,000	-	1,350,000					
	MUFG Bank, Ltd.	-	500,000	-	500,000	0.29900	May. 31, 2023			
	Mizuho Bank, Ltd.	-	500,000	-	500,000	0.30900				
	Sumitomo Mitsui Banking Corporation	-	500,000	-	500,000					
	Sumitomo Mitsui Trust Bank, Limited	-	700,000	-	700,000					
	Mizuho Trust & Banking Co., Ltd.	-	200,000	-	200,000					
	Resona Bank, Limited	-	200,000	-	200,000	0.39580				
	The Norinchukin Bank	-	100,000	-	100,000					
	MUFG Bank, Ltd.	-	1,000,000	-	1,000,000					
	Mizuho Bank, Ltd.	-	800,000	-	800,000		0.40580			
	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000					
	Sumitomo Mitsui Trust Bank, Limited	-	400,000	-	400,000					
	Mizuho Trust & Banking Co., Ltd.	-	400,000	-	400,000					
	Resona Bank, Limited	-	200,000	-	200,000					
	The Norinchukin Bank	-	200,000	-	200,000					
	Shinkin Central Bank	-	200,000	-	200,000	0.41388			Aug. 31, 2026	
	MUFG Bank, Ltd.	-	1,000,000	-	1,000,000	0.55600				

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)	Repayme nt due date	Repayme nt method	Use of proceeds	Security
Long-term loans payable	Mizuho Bank, Ltd.	-	800,000	-	800,000	0.56600	Aug. 31, 2026	Lump- sum payment at maturity	Repayment of loans payable	Un- secured Un- guaran- teed
	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000					
	Sumitomo Mitsui Trust Bank, Limited	-	200,000	-	200,000					
	Mizuho Trust & Banking Co., Ltd.	-	400,000	-	400,000					
	Resona Bank, Limited	-	200,000	-	200,000					
	The Norinchukin Bank	-	500,000	-	500,000					
	MUFG Bank, Ltd.	-	1,400,000	-	1,400,000	0.68500	Feb. 29, 2028			
	Mizuho Bank, Ltd.	-	2,400,000	-	2,400,000					
	Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited	-	200,000	-	200,000					
	Mizuho Trust & Banking Co., Ltd.	-	400,000	-	400,000					
	Resona Bank, Limited	-	300,000	-	300,000					
	The Bank of Fukuoka, Ltd.	-	300,000	-	300,000					
	The Senshu Ikeda Bank, Ltd.	-	200,000	-	200,000					
	The 77 Bank, Ltd.	-	200,000	-	200,000					
The Yamaguchi Bank, Ltd.	-	200,000	-	200,000						
	Total	182,432,500	48,882,000	29,382,000	201,932,500					

(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) Early repayment was made on March 29, 2019.

(Note 3) As of the end of the fiscal period under review, these loans are recorded as Current portion of long-term loans payable in Current liabilities on the balance sheet.

(Note 4) 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	20,792,500	28,050,000	35,590,000	23,500,000	25,640,000



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## 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, 2019, and the statements of income and retained earnings, changes in net assets, cash distributions, cash flows, and supplementary schedules from November 1, 2018 to April 30, 2019 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

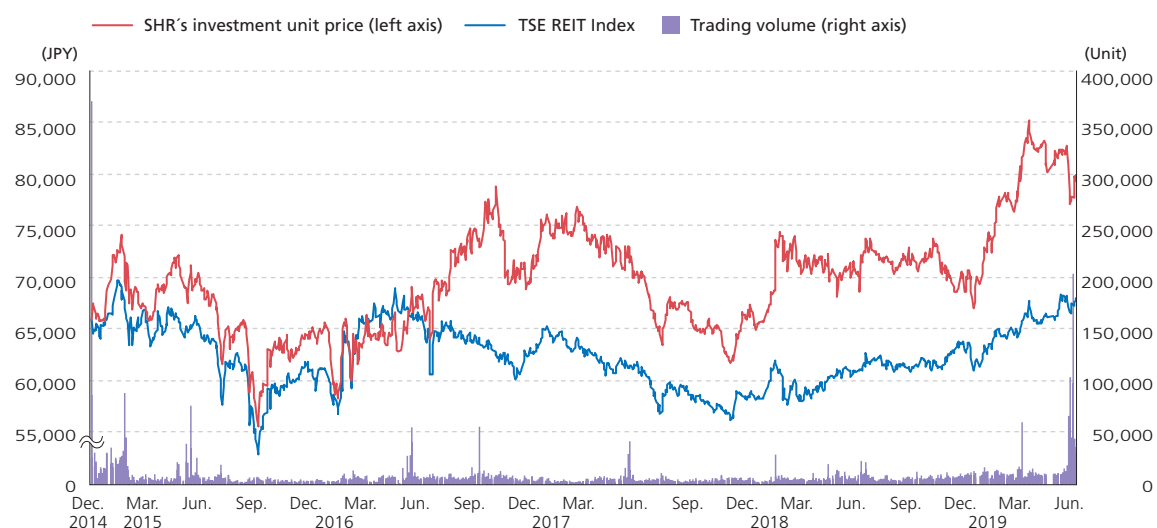
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sekisui House Reit, Inc. as at April 30, 2019, and its financial performance and cash flows from November 1, 2018 to April 30, 2019 in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

July 23, 2019  
Tokyo, Japan

# Unitholder Information

## Change in Investment Unit Price and Trading Volume (December 3, 2014 to June 14, 2019)



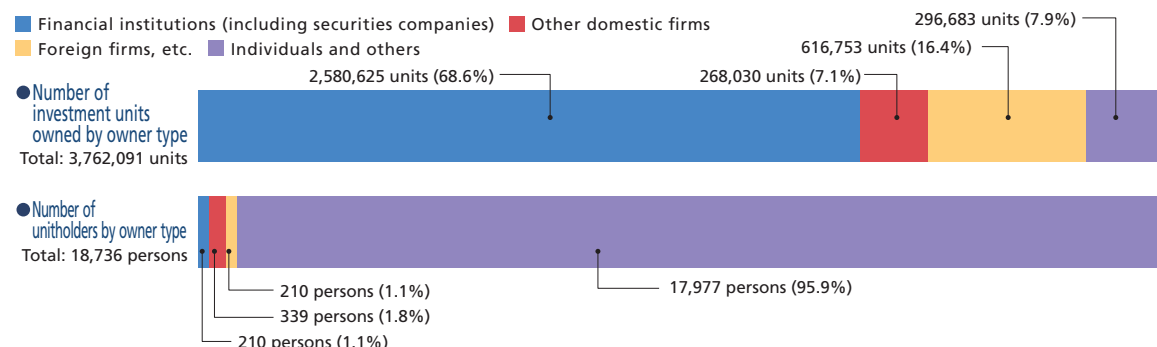
(Note 1) Closing price and trading volume of the investment unit of SHR in a regular trading session at Tokyo Stock Exchange, Inc. are indicated.

(Note 2) As a two-for-one split of investment units was implemented on May 1, 2018, investment units have been traded at halved (the ex-rights) unit price on and after April 25, 2018. In consideration of the impact of the split, the above graph is based on actual figures of "Investment Unit Price" for April 24, 2018 and earlier being divided by two and actual figures of "Trading Volume" being multiplied by two.

(Note 3) Change in TSE REIT Index is indicated after converting the closing price of TSE REIT Index on the listing date of SHR (December 3, 2014) to JPY 66,000, the amount gained after adjusting the two-for-one split to the closing price of the investment unit of SHR in a regular trading session. Furthermore, TSE REIT Index refers to the weighted average-type index of market capitalization of all REIT counters listed on the Tokyo Stock Exchange (TSE).

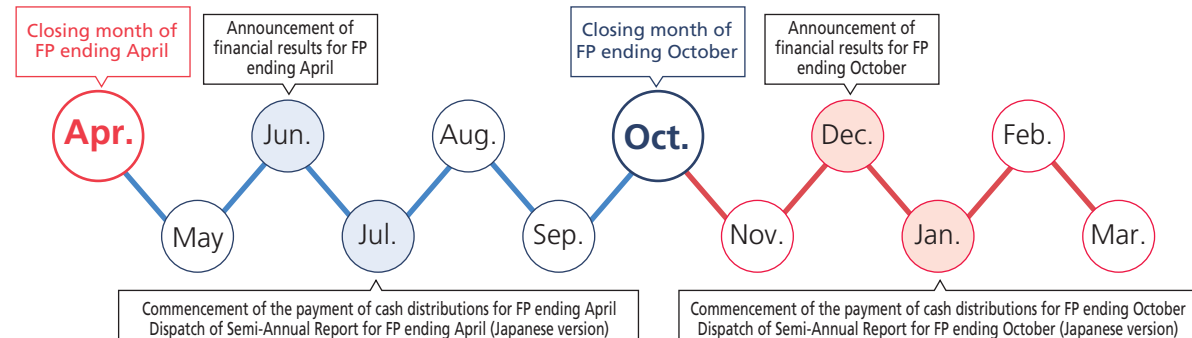
## Unitholder Composition

As of the end of the 9th fiscal period ended April 2019



(Note) Total of ratios may not add up to 100.0% as ratios are indicated as rounded to the first decimal place.

## IR Calendar



# Unitholder Memo

## Unitholder Memo

Account Closing Date	End of April and October of each year
Record Date for Determining Distribution Payment	End of April and October of each year (Cash distribution will be paid out within 3 months from the record date.)
General Meeting of Unitholders	General meeting of unitholders shall be convened on January 1, 2020 and onwards without delay, and subsequently be convened on January 1 every 2 years and onwards without delay. In addition, the general meetings of unitholders may be held from time to time when it is necessary.
Date to Determine Exercising of Voting Rights by Unitholders	Date stipulated in Article 12 of the Articles of Incorporation
Listed Stock Exchange	Tokyo Stock Exchange, Inc. (Securities Code: 3309)
Newspaper Posting Public Notice	Nikkei Inc.
Transfer Agent	Mizuho Trust & Banking Co., Ltd.
Contact	Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. 1-2-1 Yaesu, Chuo-ku, Tokyo, 103-0028 Phone: 0120-288-324 (Toll Free only in Japan)

## Concerning Procedures to Change Registered Address, etc.

Please contact your securities company to change registered address, name, etc.

## Concerning Receiving Cash Distribution

You can receive your "cash distribution" by bringing your "distributions receipt" to a nearby Japan Post Bank or post office. In cases where the reception period has elapsed, please specify how you wish to receive dividends on the back of the "distributions receipt," and then mail it to the place of contact mentioned above, or receive cash distribution directly at the service counter of the head office/branch of Mizuho Trust & Banking Co., Ltd. In addition, with respect to future cash distribution, if you wish to receive them through transfer to a bank account you specify or other measures, please contact your securities company, etc.

Please receive your "cash distribution" on an early date as we will be unable to pay them if they are not received within 3 years from the commencement date of payments of cash distribution.

## Website of Sekisui House Reit, Inc.

### Guide to website

<http://sekisuihouse-reit.co.jp/en/>

SHR strives for timely and accurate information disclosure via the website. IR information is also made available to subscribers via e-mail delivery (Japanese only) to provide access to the latest information.

The latest cash distribution, financial, investment property and other information useful to investors are made available for viewing on the website.

