

Semi-Annual Report 4th Fiscal Period (from May 1, 2016 to October 31, 2016)



SEKISUI HOUSE REIT, INC.



SEKISUI HOUSE REIT, INC.



Performance highlights

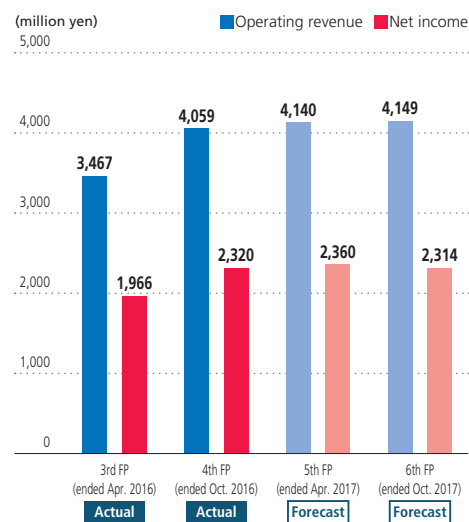
Distribution per unit

Distribution per unit
4th Fiscal Period Ended October 2016 **2,596**yen

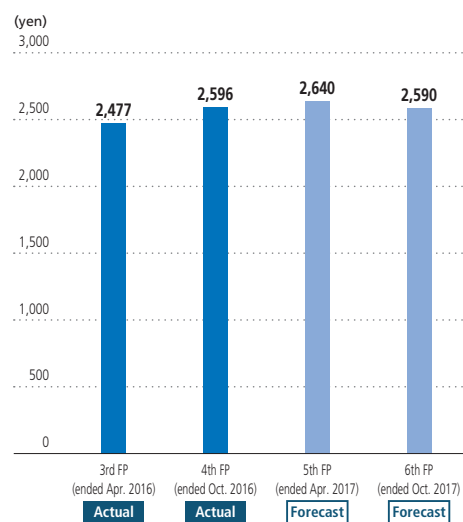
Business results and distribution

	3rd FP (Actual) (ended Apr. 2016)	4th FP (Actual) (ended Oct. 2016)	5th FP (Forecast) (ended Apr. 2017)	6th FP (Forecast) (ended Oct. 2017)
Operating revenue (million yen)	3,467	4,059	4,140	4,149
Operating income (million yen)	2,278	2,664	2,686	2,657
Ordinary income (million yen)	1,967	2,321	2,361	2,315
Net income (million yen)	1,966	2,320	2,360	2,314
Distribution per unit (yen)	2,477	2,596	2,640	2,590

●Operating revenue/Net income



●Distribution per unit



Message to our unitholders

Since its listing on the Tokyo Stock Exchange Real Estate Investment Trust Section (the J-REIT market) in December 2014, Sekisui House Reit, Inc. ("SHR") has steadily accumulated a track record, and it has settled its accounts for the 4th fiscal period (namely, the fiscal period ended October 2016). I, on behalf of SHR, would like to extend my heartfelt thanks to unitholders as this could not have been managed without your support.

I hereby report on the management status and financial results for the 4th fiscal period of SHR.

In the fiscal period under review, SHR conducted its second public offering in May 2016 since its listing and acquired three properties (comprising an additional portion of a property part of which is already owned by SHR and two new properties) for 26.6 billion yen with the funds procured, etc. With this public offering, SHR's asset size has grown from 152.9 billion yen comprising four properties at the end of the 3rd fiscal period to 179.5 billion yen comprising six properties, enabling SHR to make progress in the realization of its external growth and diversification of its portfolio.

In terms of debt finances, SHR obtained a short-term loan of 9.2 billion yen in May 2016 which was used as part of the funds to acquire the properties. In September of the same year, it conducted early repayment of the short-term loan by using funds procured through its first issuance of investment corporation bonds and a long-term loan etc., thereby extending the term of debts and diversifying the dates for repayment of debts, as well as diversifying its financing method.

Moreover, SHR was included in the FTSE EPRA/NAREIT Global Real Estate Index Series in September 2016. The inclusion should allow SHR to expect the further broadening of its potential investor base and an increase in the liquidity of its investment units.

As a result, SHR recorded operating revenue of 4,059 million yen, operating income of 2,664 million yen, ordinary income of 2,321 million yen and net income of 2,320 million yen, and the distribution per unit declared for the fiscal period ended October 2016 was 2,596 yen.

By taking full advantage of the sponsor support from Sekisui House, Ltd. ("Sekisui House"), which has an excellent track record of developing commercial properties, SHR will continue to seek to secure stable earnings and steady growth of its investment assets and thereby aim to maximize unitholder value. I ask for the continued support and encouragement of unitholders.

Junichi Inoue

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



Characteristics of SHR

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

Asset Size

Number of owned properties **6** properties
Aggregate acquisition price **179.5** billion yen

Portfolio Quality

Average building age **5.8** years
PML value **1.9**%
Office building ratio **100.0**%

Financial Base

LTV (total asset basis) **40.8**%
Long-term debt ratio **100.0**%
Fixed interest rate debt ratio **76.6**%

Status of Portfolio

Occupancy rate **99.9**%
Total appraisal value **202.1** billion yen
Unrealized gain **24.1** billion yen

Location Ratio

Greater Tokyo **59.6**%
Osaka area **36.8**%
Nagoya area **3.5**%

Credit Rating

JCR **AA-** (stable)

(as of October 31, 2016)

Owned properties



Garden City
Shinagawa
Gotenyama



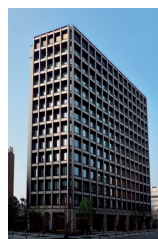
Gotenyama SH
Building



Hommachi
Minami Garden
City



Hommachi
Garden City



HK Yodoyabashi
Garden Avenue



Hirokoji
Garden Avenue

Strategies of SHR

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

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

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

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

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

3 Financial Strategy Stable and sound financial operations

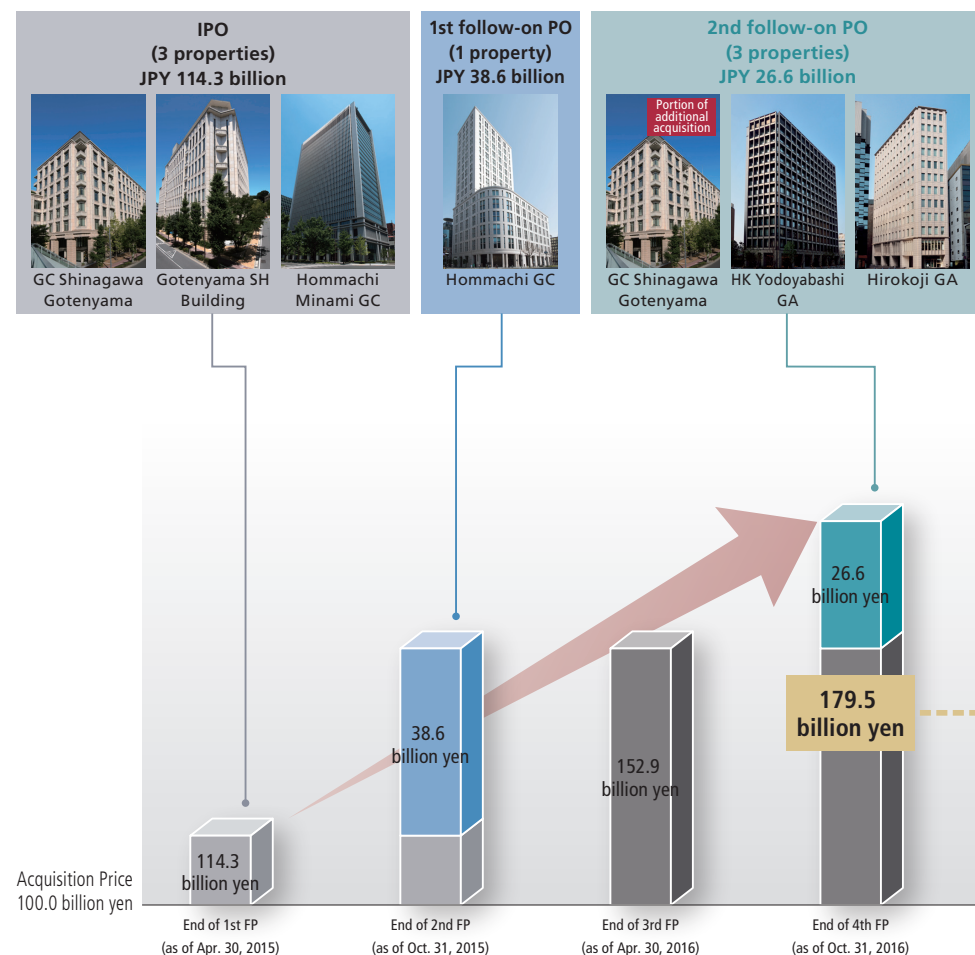
- **Managing LTV (total assets basis)(ratio of interest-bearing liabilities to total assets) at a conservative level between 40% and 50%**
- Promoting **extension of the term of debts, diversification of dates for repayment and fixation of interest rates** in order to reduce risks of fluctuation in interest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

Topics

SHR conducted the public offering for two consecutive years since its listing, enabling SHR to expand its asset size

In May 2016, SHR conducted a public offering for the second consecutive year since its listing, and acquired three properties for 26.6 billion yen with the fund procured, etc. Such acquisition expanded its asset size to 179.5 billion yen comprising six properties, further diversifying its portfolio. Moreover, as a first arrangement, SHR adopted the pass-through type master lease at two of the three properties, in an effort to create opportunities for its internal growth.

Development of asset size



Indexes as of the end of 4th fiscal period

Portfolio	End of 3rd FP (as of Apr. 30, 2016)	End of 4th FP (as of Oct. 31, 2016)
Number of owned properties	4 properties	6 properties
Aggregate acquisition price	152.9 billion yen	179.5 billion yen
Total appraisal value	169.7 billion yen	202.1 billion yen
Unrealized gain	17.8 billion yen	24.1 billion yen
Unrealized gain ratio (Note 1)	11.8%	13.6%

Finance	End of 3rd FP (as of Apr. 30, 2016)	End of 4th FP (as of Oct. 31, 2016)
LTV (total asset basis)	40.9%	40.8%
Acquisition capacity until LTV reaches 50% (Approximate amount) (Note 2)	31.0 billion yen	35.0 billion yen
Number of investment units issued and outstanding	794,000 units	894,000 units
Net Asset Value per unit (Note 3)	133,030 yen	138,885 yen
Distribution per unit (actual)	2,477 yen	2,596 yen

(Note 1) "Unrealized gain ratio" is obtained by dividing unrealized gain (the difference between the sum total of the book value and the sum total of the appraisal value of owned properties at the end of each fiscal period) by the sum total of the book value of owned properties at the end of each fiscal period, rounded to the nearest first decimal place.

(Note 2) "Acquisition capacity" refers to the maximum amount of funds to be procured, upon property acquisitions by SHR, through new interest-bearing liabilities until LTV (total asset basis) reaches 50%. Please note that this does not guarantee that such an amount can be actually procured.

(Note 3) Net Asset Value per unit = (unitholders' capital at the end of each fiscal period + unrealized gain) / number of investment units issued and outstanding

Inclusion in the FTSE EPRA/NAREIT Global Real Estate Index Series

SHR was included in the FTSE EPRA/NAREIT Global Real Estate Index Series from September 19, 2016. This Index is widely adopted by many institutional investors globally as a benchmark for international real estate investments and SHR believes that its inclusion in the Index will contribute to the further broadening of its potential investor base and an increase in the liquidity of its investment units.

SHR's first issuance of investment corporation bonds

On September 8, 2016, SHR issued the First Series Unsecured Investment Corporation Bonds, marking its first issuance of investment corporation bonds. Taking advantage of the favorable bond issuance environment, SHR issued the bonds with a coupon rate of 0.340%, the lowest level for bonds with a term of 10 years issued by J-REITs (Note), thereby diversifying its financing method and procuring funds with a lower interest rate than that of loans.

(Note) The information is as of September 8, 2016, upon issuance of the First Series Unsecured Investment Corporation Bonds.

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

External growth strategies: Pipeline Support by Sekisui House

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

Investment policy

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

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

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

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

Furthermore, after waiver of the relevant preferential negotiation rights to Sekisui House, SHR has preferential negotiation rights as outlined below.

Property Name	Location	Asset Type	Ratio of unacquired floor area ^(Note)
Garden City Shinagawa Gotenyama	Shinagawa-ku, Tokyo	Office building	24.2%
Hommachi Minami Garden City	Osaka-shi, Osaka	Office building	43.6%
Hommachi Garden City	Osaka-shi, Osaka	Hotel	47.3%

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

SHR waived the following preferential negotiation rights (on overseas real estate) on November 28, 2016.

Property Name	Location	Asset Type	Term of preferential period (when the preferential right is exercisable)
Waterway Point	Punggol, Singapore	Retail property	From Dec. 1, 2016 To Nov. 30, 2019
One Central Park	Sydney, Australia	Retail property	From Dec. 1, 2016 To Nov. 30, 2019

Internal growth strategies: Sponsor Support by Sekisui House

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

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



SHR's characteristics in terms of portfolio

Characteristic 1 Approximately 70% of the portfolio (ratio of lease types)^(Note) adopts **fixed-rent type master lease** by Sekisui House. Rent revenue is stable over the long term, as SHR can receive pre-determined rents from Sekisui House regardless of how the market conditions and the occupancy status are.

Characteristic 2 Gotenyama SH Building adopts **direct lease** in which the property is directly leased to the end-tenant. A 20-year lease agreement has been concluded with the tenant, and thus the rent revenue is stable over the long-term.

Characteristic 3 HK Yodoyabashi Garden Avenue and Hirokoji Garden Avenue adopt **pass-through type master lease** by Sekisui House. Since SHR can receive rent which is the same amount as the rent under the lease agreement concluded between Sekisui House and end-tenants, SHR can benefit from rent revenue upside when the occupancy rate rises or the rent is revised upward.

(Note) Ratio of the leased floor for each lease type under the relevant lease agreements, in respect of the properties, that are valid as of October 31, 2016 (or, if a master lease agreement that is valid as of October 31, 2016 is concluded for the property, the master lease agreement), to the total sum of leased floor areas indicated in such lease agreements, rounded to the nearest first decimal place. "Ratio of lease types" refers to such ratio of the leased floor area for each lease type.

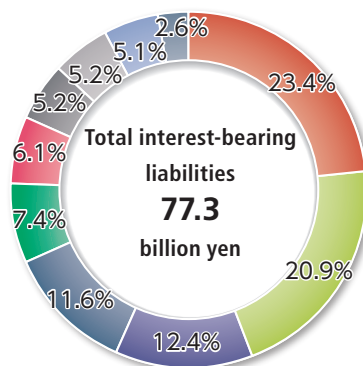
Stable and sound financial operations

Debt finance

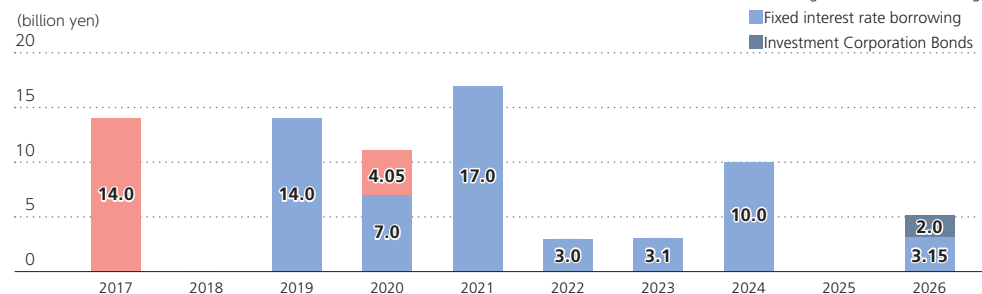
	End of 3rd FP (As of Apr. 30, 2016)	End of 4th FP (As of Oct. 31, 2016)
Total interest-bearing liabilities(billion yen)	68.1	77.3
LTV (total asset basis)(%)	40.9	40.8
Fixed interest rate debt ratio(%)	79.4	76.6
Long-term debt ratio(%)	100.0	100.0
Average financing interest rate ^(Note 1) (%)	0.80	0.75
Average remaining term of interest-bearing liabilities ^(Note 2) (years)	4.8	4.7

Interest-bearing liabilities ^(Note 3)

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



Diversification of repayment date ^(Note 3)



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

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

(Note 3) The information is as of October 31, 2016.

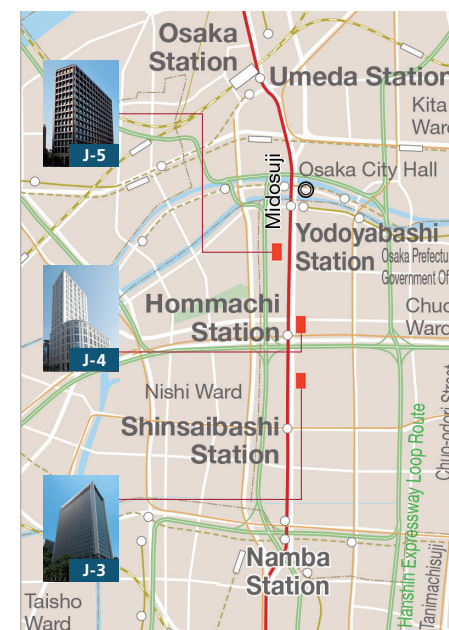
Overview of portfolio

Outline of portfolio ^(as of October 31, 2016)

Property No.	Property name	Acquisition price (billion yen)	Investment ratio (%)	Appraisal price (billion yen)	Leasable area (m ²)	Occupancy rate (%)	Building age (years)	Location	PML value (%)
J-1	Garden City Shinagawa Gotenyama	39.7	22.1	—	21,033.47	100.0	5.7	Shinagawa-ku, Tokyo	0.5
	Portion of additional acquisition NEW	15.9	8.9	—	8,202.48				
	Sub-total	55.6	31.0	63.1	29,235.95				
J-2	Gotenyama SH Building	51.5	28.7	56.9	19,999.97	100.0	5.7	Shinagawa-ku, Tokyo	1.9
J-3	Hommachi Minami Garden City	23.1	12.9	27.2	16,699.46	100.0	5.7	Osaka-shi, Osaka	4.5
J-4	Hommachi Garden City	38.6	21.5	42.8	17,006.94	100.0	6.5	Osaka-shi, Osaka	4.2
J-5	HK Yodoyabashi Garden Avenue NEW	4.4	2.5	5.19	4,554.52	98.6	1.3	Osaka-shi, Osaka	7.5
J-6	Hirokoji Garden Avenue NEW	6.35	3.5	6.92	4,442.75	100.0	5.6	Nagoya-shi, Aichi	2.7
Total		179.55	100.0	202.11	91,939.59				

Portfolio map

Osaka Area:Hommachi-Yodoyabashi Area



Greater Tokyo:Shinagawa Gotenyama Area



Nagoya Area:Nagoya Meieki Area



Overview of portfolio

Greater Tokyo

J-1 Garden City Shinagawa Gotenyama

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



Location (indication of residential address)	6-7-29 Kitashinagawa, Shinagawa-ku, Tokyo
Acquisition Price	55.6 billion yen
Structure, Floors	RC, 9F/B1F
Total Floor Area	62,975.42m ²
Leasable Area	29,235.95m ²

Additionally
Acquired in
the 4th FP

J-2 Gotenyama SH Building

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

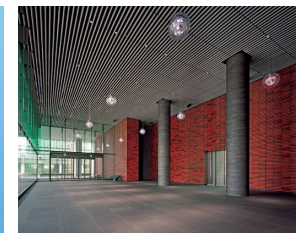


Location (indication of residential address)	6-5-17 Kitashinagawa, Shinagawa-ku, Tokyo
Acquisition Price	51.5 billion yen
Structure, Floors	S/ SRC, 7F/B1F
Total Floor Area	19,812.85m ²
Leasable Area	19,999.97m ²

Osaka area

J-3 Hommachi Minami Garden City

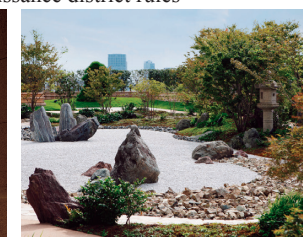
Office building located along the Midotsuji street, which is the main street in Osaka City, and is capable of being a landmark in the vicinity



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

J-4 Hommachi Garden City

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



Location (indication of residential address)	3-6-4 Hommachi, Chuo-ku, Osaka-shi, Osaka
Acquisition Price	38.6 billion yen
Structure, Floors	S/ SRC, 27F/B2F
Total Floor Area	49,163.16m ²
Leasable Area	17,006.94m ²

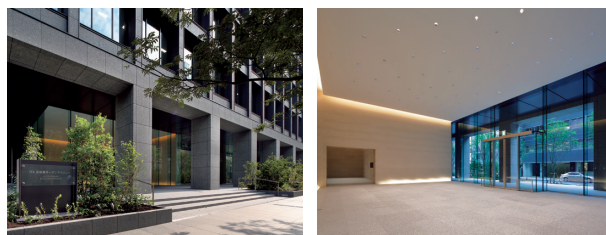
Overview of portfolio

Osaka area

J-5 HK Yodoyabashi Garden Avenue

Acquired in
the 4th FP

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



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

Nagoya area

J-6 Hirokoji Garden Avenue

Acquired in
the 4th FP

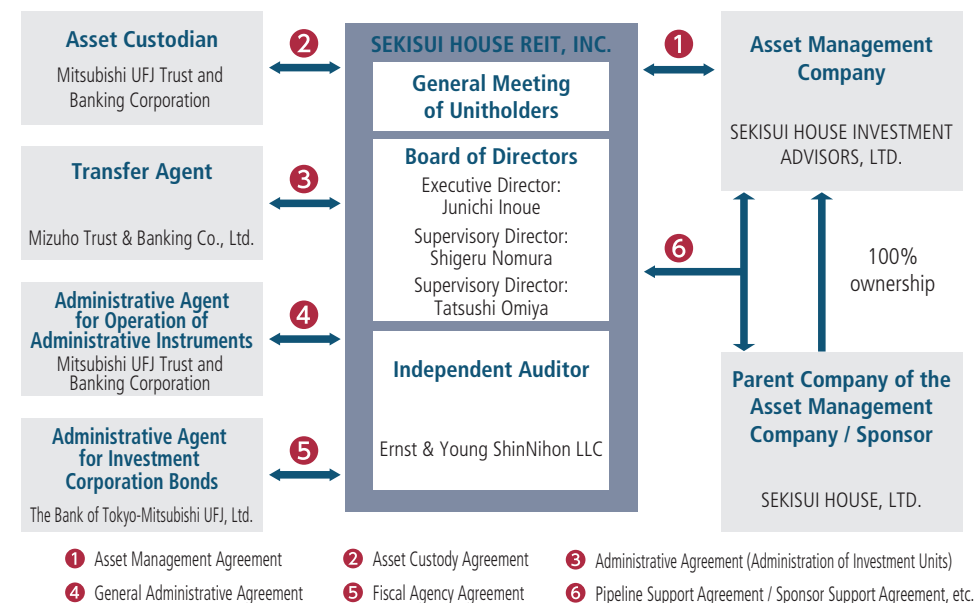
Office building located in the Nagoya Meieki area, a core area in Nagoya, with an elegant exterior using natural materials



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

Overview of SHR and the Asset Management Company

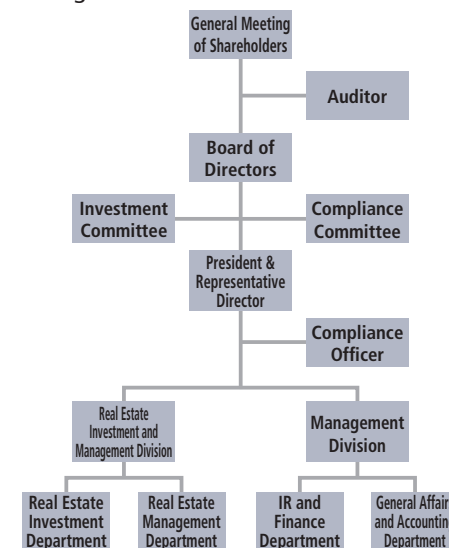
Structure diagram



Overview of the Asset Management Company

Trade Name	Sekisui House Investment Advisors, Ltd.
Shareholder	Sekisui House, Ltd. (100%)
Paid-in Capital	400 million yen
Location	1-6-6 Motoakasaka, Minato-ku, Tokyo
President & CEO	Junichi Inoue

Organization chart



Outline of asset management operation

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

(1) Brief History of the Investment Corporation

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

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

Based on the policy described above, SHR acquired three properties (with an aggregate acquisition price of 114,300 million yen) on December 3, 2014, the day it was listed, and thereafter began managing them. After acquiring a property (with an acquisition price of 38,600 million yen) on May 19, 2015, SHR acquired three additional properties (with an aggregate acquisition price of 26,650 million yen; one of which is an additional portion of a property part of which is already owned by SHR) on May 24, 2016. As of October 31, 2016 (the end of the fiscal period under review), SHR owns six properties (with an aggregate acquisition price of 179,550 million yen) as its investment assets.

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

(2) Management Environment and Management Performance

Management Environment

During the fiscal period under review, the Japanese economy remained, as a matter of basic trend, on course for a moderate recovery, on the back of a virtuous cycle of continued income spending, although sluggishness was observed, mainly in exports and production, due to such factors as the slowdown in emerging economies.

In the real estate transaction market, investors remain willing to invest, backed by high rent levels for office buildings and improved vacancy rates. Competition over acquisitions has been intensified, however, as property prices have stayed at a high level and the supply of properties available for sale has gone down. Accordingly, the transaction volume in the domestic market is on a downward trend, although real estate investment corporations continue to show a strong appetite for property acquisitions and willingness to pay high prices for acquisitions.

As for the office leasing market, demand remains solid. Given that the pace of economic recovery has stayed modest, however, tenants' ability to pay their rents has failed to grow. As such, there is a prevailing sense of rent levels hitting the ceiling as a whole on the back of signs of a turnaround of market recovery, although there are differences in rent levels by area.

With regard to the environment surrounding retail properties, according to the Outlook for Economic Activity and Prices (October 2016) by the Bank of Japan, private consumption has remained solid, backed by steady improvements in the employment and income environments, although some weakness can be seen in certain areas.

Demand for new store openings has remained strong as a whole, supported by the trend of population inflows in large cities and the number of foreign visitors to Japan hitting a record high, despite the fact that the impact of inbound tourism demand passing its peak has started to surface.

Management Performance

On May 24, 2016, SHR acquired real estate trust beneficiary interests as assets in trust for Garden City Shinagawa Gotenyama (portion of additional acquisition) (Shinagawa-ku, Tokyo; acquisition price: 15,900 million yen), HK Yodoyabashi Garden Avenue (Osaka-shi, Osaka; acquisition price: 4,400 million yen) and Hirokoji Garden Avenue (Nagoya-shi, Aichi; acquisition price: 6,350 million yen.). As a result, the assets held by SHR as of the end of the fiscal period under review are six properties with an aggregate acquisition price of 179,550 million yen and total leasable area of 91,939.59m². In addition, of the six properties, master lease

agreements with Sekisui House as lessee have been executed for five properties and a long-term lease agreement with one tenant as lessee has been executed for one property, resulting in occupancy rate as of the end of the fiscal period under review of 99.9%.

(3) Overview of Fund Procurement

a. Issuance of New Investment Units

During the fiscal period under review, SHR issued new investment units through the public offering (of 95,200 units) on May 24, 2016, and issued additional new investment units by way of third-party allotment (of 4,800 units) on June 21 of the same year. As a result, as of the end of the fiscal period under review, unitholders' capital is 100,040 million yen and the total number of investment units issued and outstanding is 894,000 units.

b. Fund Procurement

For the acquisition of the aforementioned real estate trust beneficiary interests (relating to three underlying properties), SHR procured short-term loans in the total amount of 9,200 million yen on May 24, 2016 to use as funds for acquisitions and related expenses. SHR made early repayment of the above-mentioned 9,200 million yen in short-term loans on September 9, 2016 by using proceeds from the investment corporation bonds totaling 2,000 million yen that it issued on September 8, 2016 (which is the first such issuance for SHR), and long-term loans totaling 7,200 million yen that it borrowed on September 9, 2016, among other funds. With this arrangement, SHR worked to diversify the dates for debt repayment, extend the term of debts and partly fix the interest rates of debts.

As a result, as of the end of the fiscal period under review, the balance of interest-bearing liabilities is 77,300 million yen and the ratio of total interest-bearing liabilities to total assets ("LTV (total assets basis)") is 40.8%.

c. Credit Rating

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

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

(4) Overview of Business Performance and Distributions

Results in the fiscal period under review are operating revenue of 4,059 million yen (an increase of 17.1% over that of the previous fiscal period), operating income of 2,664 million yen (an increase of 17.0% over that of the previous fiscal period) and ordinary income of 2,321 million yen (an increase of 18.0% over that of the previous fiscal period), resulting in net income of 2,320 million yen (an increase of 18.0% over that of the previous fiscal period). In addition, concerning distributions, the decision has been made to distribute the entire amount of unappropriated retained earnings (excluding the portion in respect of which distribution per investment unit is less than 1 yen), with the intention of having the maximum amount of distribution of earnings included in deductible expenses based on the application of special tax treatment for investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended)). As a result, the distribution per investment unit is 2,596 yen (an increase of 4.8% over that of the previous fiscal period).

2. Status of Capital Increase, etc.

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

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

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

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

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

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

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

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

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

[Changes in Market Price of Investment Securities]

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

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

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

3. Performance of Distribution, etc.

Distribution per unit for the fiscal period under review (that is, the 4th fiscal period) is 2,596 yen. The policy is to distribute almost the entire amount of unappropriated retained earnings with the intention of applying the special treatment of corporation tax under which the amount equivalent to distribution of earnings is deductible from the taxable income of investment corporations as deductible expenses (Article 67-15 of the Act on Special Measures Concerning Taxation).

Fiscal period	1st fiscal period From: Sep. 8, 2014 To: Apr. 30, 2015	2nd fiscal period From: May 1, 2015 To: Oct. 31, 2015	3rd fiscal period From: Nov. 1, 2015 To: Apr. 30, 2016	4th fiscal period From: May 1, 2016 To: Oct. 31, 2016
Total amount of unappropriated retained earnings (thousand yen)	1,013,381	1,951,805	1,967,034	2,321,003
Amount of accumulated earnings (thousand yen)	285	153	296	179
Total amount of cash distribution (thousand yen)	1,013,096	1,951,652	1,966,738	2,320,824
[Distribution per unit] (yen)	[1,603]	[2,458]	[2,477]	[2,596]
Total amount of distribution of earnings out of the total amount of cash distribution (thousand yen)	1,013,096	1,951,652	1,966,738	2,320,824
[Distribution of earnings per unit] (yen)	[1,603]	[2,458]	[2,477]	[2,596]
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 head toward moderate recovery, supported by the effects of various policies, while the employment and income situations continue to improve, according to the Monthly Economic Report (November 2016) by the Cabinet Office. However, attention should be paid to the uncertainty in overseas economies and the impact of fluctuations in the financial and capital markets.

In the office leasing market, there continues to be strong office demand, bolstered by recovery in the employment situation and corporate earnings, such as to keep vacancy rates stably at a low level. While future supply trends must be closely watched, vacancy rates will presumably continue in the trend of staying stably at a low level. Meanwhile, while rent levels are also expected to improve, the pace of improvement will be a modest one, and the sense of rent levels hitting the ceiling as a whole will remain, although there are differences in rent levels by area.

Although the office leasing market is expected to show a full-fledged recovery, the real estate transaction market is in an environment where caution must be exercised in terms of the timing of fund procurement, since the financial market has become somewhat less stable due to such factors as concerns about a downward swing of the Chinese economy, the monetary policy in the U.S. and Brexit (the U.K. leaving the EU).

The above being said, competition over property acquisitions still shows a trend of overheating and cap rates remain stable at a low level. Consequently, it is likely that transaction prices of properties will continue to stay at a high level for some time to come.

(2) Future Management Policy and Challenges to Address

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

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

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

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

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

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

(3) Financial Strategy

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

In addition, the LTV (total assets basis) policy is to manage it at a conservative level between 40% and 50% with attention paid to the securing of funding capacity.

SHR will consider utilizing its funding capacity and work to diversify procurement methods for direct and indirect financing by comprehensively taking into account the market environment, SHR's financial standing and other factors.

5. Significant Subsequent Events

Not applicable.

(Reference Information)

SHR was granted preferential negotiation rights for the acquisition of the Properties (as defined below) (the “Preferential Negotiation Rights”) by Sekisui House, based on the Letters of Intent concerning Sale of Overseas Real Estate (the “Letters of Intent”) dated October 16, 2014 between Sekisui House, SHR and the Asset Management Company. Such rights entitled SHR to enter into negotiations with Sekisui House, on a preferential basis, for the acquisition of the properties owned by Sekisui House, its subsidiaries or its affiliates in which it has equity interest (collectively the “Sekisui House Group”) during the preferential period. The Properties refer to the retail components of (i) Waterway Point, located in Punggol, Singapore and (ii) One Central Park, located in Sydney, Australia.

In connection with the above, SHR and the Asset Management Company have made the decision to waive the Preferential Negotiation Rights and, accordingly, agreed with Sekisui House to cancel the Letters of Intent on November 28, 2016.

A brief outline of the Preferential Negotiation Rights is set forth in the following table.

Property name	Location	Asset type	Term of preferential period (when the preferential right is exercisable)
Waterway Point	Punggol, Singapore	Retail property	From Dec. 1, 2016 to Nov. 30, 2019
One Central Park	Sydney, Australia	Retail property	From Dec. 1, 2016 to Nov. 30, 2019

Outline of the Investment Corporation

1. Status of Capital

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

2. Matters Concerning Investment Units

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

Name	Number of units owned (units)	Percentage of owned units to total units issued and outstanding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	269,581	30.15
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	93,268	10.43
Sekisui House, Ltd.	65,200	7.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	54,371	6.08
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	32,984	3.69
STATE STREET BANK AND TRUST COMPANY 505012	11,668	1.31
STATE STREET BANK - WEST PENSION FUND CLIENTS - EXEMPT 505233	11,152	1.25
The Hokuriku Bank, Ltd.	9,818	1.10
The Hyakujushi Bank, Ltd.	9,300	1.04
The Dai-ichi Life Insurance Company, Limited	6,580	0.74
Total	563,922	63.08

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

3. Matters Concerning Directors, etc.

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

Position	Name	Key concurrently held position, etc.	Total amount of compensation for each position during period (thousand yen)
Executive Director	Junichi Inoue	President & Representative Director, Sekisui House Investment Advisors, Ltd.	—
Supervisory Director	Shigeru Nomura	Auditor, K-GOLD International Corporation Director, Shigeru Nomura Certified Public Accountant Office Inspector, View Communications Outside Director, Eiken Chemical Co., Ltd.	1,800
	Tatsushi Omiya	Auditor, QB Net Holdings Co., Ltd. Partner, City Law Offices	1,800
Independent Auditor	Ernst & Young ShinNihon LLC	—	14,000 (Note 2)

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

(Note 2) The total amount of compensation for the Independent Auditor, as stated above, is an approximation and includes compensation for preparing comfort letters for the issuance of new investment units in May 2016 and the issuance of the First Series Unsecured Investment Corporation Bonds in September 2016, as well as compensation for auditing English financial statements.

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

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

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

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

4. Asset Management Company, Asset Custodian and Administrative Agents

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

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

Condition of investment assets

1. Composition of Assets of the Investment Corporation

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

Type of asset	Geographical area, etc.	As of end of 3rd fiscal period (Apr. 30, 2016)		As of end of 4th fiscal period (Oct. 31, 2016)	
		Total amount held (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)	Total amount held (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate in trust	Three major metropolitan areas	151,817	91.3	177,986	94.0
	Other areas	—	—	—	—
Total of real estate in trust		151,817	91.3	177,986	94.0
Deposits and other assets		14,486	8.7	11,271	6.0
Total amount of assets		166,303	100.0	189,257	100.0

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

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

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

2. Major Portfolio Assets

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

Name of real estate, etc.	Book value (million yen) (Note 1)	Leasable area (m ²) (Note 2)	Leased area (m ²) (Note 3)	Occupancy rate (%) (Note 4)	As a percentage of total property-related operating revenue (%) (Note 5)	Main use
Garden City Shinagawa Gotenyama	55,262	29,235.95	29,235.95	100.0	29.3	Office building
Gotenyama SH Building	51,002	19,999.97	19,999.97	100.0	26.8	Office building
Hommachi Minami Garden City	22,695	16,699.46	16,699.46	100.0	14.5	Office building
Hommachi Garden City	38,242	17,006.94	17,006.94	100.0	22.3	Office building
HK Yodoyabashi Garden Avenue	4,413	4,554.52	4,492.58	98.6	3.2	Office building
Hirokoji Garden Avenue	6,370	4,442.75	4,442.75	100.0	3.9	Office building
Total	177,986	91,939.59	91,877.65	99.9	100.0	—

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

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

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

as of the end of each fiscal period has been concluded for the property, the lease agreements with the respective end tenants concluded as of the end of the fiscal period under review).

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

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

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

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

Name of real estate, etc.	Location	Type of ownership	Book value at end of period (million yen) (Note 1)	Estimated value at end of period (million yen) (Note 2)
Garden City Shinagawa Gotenyama	6-7-29 Kitashinagawa, Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	55,262	63,100
Gotenyama SH Building	6-5-17 Kitashinagawa, Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	51,002	56,900
Hommachi Minami Garden City	3-6-1 Kitakyuhojimachi, Chuo-ku, Osaka-shi, Osaka	Real estate trust beneficiary interests	22,695	27,200
Hommachi Garden City	3-6-4 Hommachi, Chuo-ku, Osaka-shi, Osaka	Real estate trust beneficiary interests	38,242	42,800
HK Yodoyabashi Garden Avenue	4-3-9 Fushimimachi, Chuo-ku, Osaka-shi, Osaka	Real estate trust beneficiary interests	4,413	5,190
Hirokoji Garden Avenue	4-24-16, Meieki, Nakamura-ku, Nagoya-shi, Aichi	Real estate trust beneficiary interests	6,370	6,920
Total	—	—	177,986	202,110

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

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

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

Name of real estate, etc.	3rd fiscal period From: Nov. 1, 2015 To: Apr. 30, 2016				4th fiscal period From: May. 1, 2016 To: Oct. 31, 2016			
	Number of tenants [at end of fiscal period] (Note 1)	Occupancy rate [at end of fiscal period] (%) (Note 2)	Property-related operating revenue [during fiscal period] (million yen) (Note 3)	As a percentage of total property-related operating revenue (%)	Number of tenants [at end of fiscal period] (Note 1)	Occupancy rate [at end of fiscal period] (%) (Note 2)	Property-related operating revenue [during fiscal period] (million yen) (Note 3)	As a percentage of total property-related operating revenue (%)
Garden City Shinagawa Gotenyama	1	100.0	887	25.6	1	100.0	1,190	29.3
Gotenyama SH Building	1	100.0	1,088	31.4	1	100.0	1,088	26.8
Hommachi Minami Garden City	1	100.0	586	16.9	1	100.0	586	14.5
Hommachi Garden City	1	100.0	903	26.1	1	100.0	904	22.3
HK Yodoyabashi Garden Avenue	—	—	—	—	1 (6)	98.6	130	3.2
Hirokoji Garden Avenue	—	—	—	—	1 (9)	100.0	158	3.9
Total	2	100.0	3,467	100.0	2 (15)	99.9	4,059	100.0

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

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

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

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

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

Not applicable.

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

Not applicable.

6. Details of Investment Securities

Not applicable.

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

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

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

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

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

8. Status of Other Assets

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

9. Status of Holding of Assets by Country and Region

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

Capital expenditures for property

1. Schedule of Capital Expenditures

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

Name of real estate, etc. (location)	Purpose	Scheduled period	Scheduled amount (million yen) (Note)		
			Total amount	Payment for the fiscal period under review	Amount already paid
Hommachi Garden City (Chuo-ku, Osaka- shi, Osaka)	Installation of integrated energy-saving controlling equipment for absorption water cooling and heating devices	From: September 2016 To: December 2016	21	—	—
Hommachi Garden City (Chuo-ku, Osaka- shi, Osaka)	Upgrading of integrated heat meters	From: March 2017 To: March 2017	11	—	—
Hommachi Minami Garden City (Chuo-ku, Osaka-shi, Osaka)	Upgrading of integrated watt meters	From: January 2017 To: March 2017	7	—	—
Garden City Shinagawa Gotenyama (Kitashinagawa, Shinagawa-ku, Tokyo)	Upgrading of integrated watt meters	From: October 2016 To: January 2017	7	—	—
Hommachi Garden City (Chuo-ku, Osaka- shi, Osaka)	Upgrading of integrated heat meters	From: October 2017 To: October 2017	6	—	—

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

2. Capital Expenditures During Period

An overview of capital expenditures conducted by SHR for its assets during the fiscal period under review is as set forth in the following table. Total capital expenditures during the fiscal period under review was 7 million yen and, together with 20 million yen of repair expenses charged to expenses in the fiscal period under review, work amounting to 27 million yen was implemented.

Name of real estate, etc. (location)	Purpose	Period	Payment amount (million yen)
Garden City Shinagawa Gotenyama (Kitashinagawa, Shinagawa-ku, Tokyo)	Replacement of parts for central monitoring devices	From: September 2016 To: September 2016	2
	Replacement of parts for mechanical security systems	From: September 2016 To: September 2016	2
Other capital expenditures			1
Total			7

3. Cash Reserves for Long-Term Repair Plans

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

Condition of expenses

Details of Expenses Pertaining to Management, etc.

Item	(Unit: thousand yen)	
	3rd fiscal period From: Nov. 1, 2015 To: Apr. 30, 2016	4th fiscal period From: May 1, 2016 To: Oct. 31, 2016
Asset management fee	272,995	309,334
Asset custody fee	3,154	3,159
Administrative service fees	11,783	11,217
Directors' compensations	3,600	3,600
Other expenses	36,517	46,026
Total	328,051	373,337

(Note) In respect of asset management fees, in addition to the amounts shown above, there are management fees for property acquisition (not applicable in the 3rd fiscal period and amounting to 39,975 thousand yen in respect of the 4th fiscal period) included in the book value of real estate, etc.

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 1)	Disposition date	Disposition price (million yen) (Note 1)	Book value (million yen)	Gain (Loss) on sale (million yen)
Garden City Shinagawa Gotenyama (portion of additional acquisition) (Note 2)	May 24, 2016	15,900	—	—	—	—
HK Yodoyabashi Garden Avenue	May 24, 2016	4,400	—	—	—	—
Hirokoji Garden Avenue	May 24, 2016	6,350	—	—	—	—
Total	—	26,650	—	—	—	—

(Note 1) "Acquisition price" and "Disposition price" refer to the sale and purchase price as stated in the sale and purchase agreement for each property (excluding consumption tax and local consumption tax, as well as commissions and other various expenses: rounded down to the nearest million yen). The same shall apply hereinafter.

(Note 2) Concerning Garden City Shinagawa Gotenyama, SHR acquired the sectional ownership right to all of the exclusively-owned portions of the 4th, 7th and 8th floors and part of the exclusively-owned portions of the 2nd, 3rd and 6th floors of the building, as well as the accompanying right of site (ratio of right of site: 2,103,349/3,857,806 (approximately 54.5%)) on December 3, 2014. Of the building of Garden City Shinagawa Gotenyama, SHR additionally acquired the sectional ownership right to part of the exclusively-owned portions of the 2nd, 3rd, 5th and 6th floors of the building, as well as the accompanying right of site (ratio of right of site: 820,252/3,857,806 (approximately 21.3%)) (the "Portion of Additional Acquisition") on May 24, 2016.

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)	Appraisal value (million yen) (Note)	Appraisal firm	Date of value
Acquisition	Garden City Shinagawa Gotenyama (portion of additional acquisition)	May 24, 2016	Real estate trust beneficiary interests	15,900	16,900	DAIWA REAL ESTATE APPRAISAL CO.,LTD.	March 31, 2016
Acquisition	HK Yodoyabashi Garden Avenue	May 24, 2016	Real estate trust beneficiary interests	4,400	5,100	The Tanizawa Sōgō Appraisal Co., Ltd.	March 31, 2016
Acquisition	Hirokoji Garden Avenue	May 24, 2016	Real estate trust beneficiary interests	6,350	6,780	DAIWA REAL ESTATE APPRAISAL CO.,LTD.	March 31, 2016
Total		—	—	26,650	28,780	—	—

(Note) The appraisal 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

Not applicable.

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	26,650 million yen	— million yen
Breakdown of status of transactions with interested persons, etc.		
Sekisui House, Ltd.	26,650 million yen [100.0%]	— million yen

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

Category	Total amount of commission fee, etc. (A) (thousand yen)	Breakdown of transactions with interested persons, etc.		As a percentage of total amount (B / A) (%)
		Payee	Amount paid (B) (thousand yen)	
Management fee (Note 3)	24,404	Sekisui House, Ltd.	24,404	100.0

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

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

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

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 Asset Management Company does not concurrently engage in any type I financial instruments or type II financial instruments business (as defined in the Financial Instruments and Exchange Act), building lots and buildings transaction business, or specified joint real estate ventures.

Other information

1. Notice

(1) General Meeting of Unitholders

During the fiscal period under review, on July 28, 2016, SHR held its Second General Meeting of Unitholders (the "General Meeting"). Items approved at the General Meeting are summarized below.

Approved Item	Overview
Partial amendments to the Articles of Incorporation	<p>A resolution was passed to approve the partial amendments to the Articles of Incorporation, as indicated below.</p> <p>(1) The following amendments shall be made in accordance with amendments to the Investment Trusts Act:</p> <ol style="list-style-type: none"> Regarding provisions on the convening of SHR's general meetings of unitholders on specified dates and thereafter without delay, amendments shall be made to the relevant provision to stipulate that SHR's general meeting of unitholders shall be convened on July 1, 2018 or thereafter without delay, and subsequent convocation of the meetings shall be made on July 1 or thereafter every two years without delay; and, if necessary, the meetings may be convened at any time. A new provision shall be established to stipulate that a general meeting of unitholders be held before 25 months have passed since the immediately preceding general meeting of unitholders that is convened on July 1, 2018 or thereafter without delay, and the general meeting of unitholders that is convened on July 1 or thereafter every two years without delay and is held accordingly shall not require a public notice of its convocation. In addition, amendments shall be made to the relevant provision to establish the base date for determining matters related to the relevant general meeting of unitholders. A new provision shall be established to stipulate that the term of office of the Executive Director and Supervisory Directors may be extended or shortened to the extent provided by applicable laws and regulations, through the resolution of the general meeting of unitholders. <p>(2) Amendments shall be made to the relevant provision to allow SHR to acquire shares in an overseas real estate holding corporation as stipulated in Article 105-1 of the Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations (Ordinance of the Prime Minister's Office No. 129 of 2000, as amended), at such proportion that exceeds the limitation set forth in Article 194 of the Investment Trusts Act.</p> <p>(3) As the requirements for an investment corporation to apply for special taxation measures have been changed due to revisions to the Ordinance for Enforcement of the Act on Special Measures Concerning Taxation (Ordinance of the Ministry of Finance No. 15 of 1957, as amended), a provision that has become unnecessary shall be deleted.</p> <p>(4) Amendments shall be made to the relevant provisions to clarify that, for assets that are formed based on or governed by foreign laws and regulations, evaluations shall be conducted through the use of the same methods and standards as applied to domestic assets.</p> <p>(5) Amendments shall be made to the relevant provision pursuant to the fact that following revisions to the fiscal 2015 tax system and revisions to the Ordinance on Accounting of Investment Corporations (Ordinance of the Cabinet Office No. 47 of 2006, as amended), measures were taken to resolve the issue of inconsistency between profits for accounting purposes and profits for tax purposes at an investment corporation (the issue of incidence of taxation). In addition, amendments shall be made to the relevant provision to allow SHR to make cash distributions in excess of earnings in order to reduce its tax burdens.</p> <p>(6) Amendments shall be made to the relevant provision to clarify that SHR's general meeting of unitholders shall be held at venues near the location of its head office.</p> <p>(7) Other than the above, expressions shall be changed to establish consistency with expressions in applicable laws and regulations and to clarify the content of the provisions, etc.; provisions that have become unnecessary shall be deleted; and, the numbering of provisions shall be rearranged.</p>
Appointment of one Executive Director	Junichi Inoue was appointed as Executive Director, with a term of office that expires two years from August 1, 2016.
Appointment of one Substitute Executive Director	Atsuhiko Kida was appointed as Substitute Executive Director, with a term of office that expires upon the expiration of the term of office of the Executive Director referred to above.
Appointment of two Supervisory Directors	Shigeru Nomura and Tatsushi Omiya were appointed as Supervisory Directors, with terms of office that expire two years from August 1, 2016.

(2) Meeting of the Board of Directors of the Investment Corporation

In the fiscal period under review, regarding the matters, etc. provided in Items 2, 3, 5, 6 and 8 of Article 109, Paragraph 2 of the Investment Trusts Act, the following matters were approved at a meeting of the board of directors of SHR, as well as other matters deemed important.

Approval date	Matters approved	Overview
May 9, 2016	Conclusion of a new investment unit underwriting agreement	Administrative functions pertaining to solicitation of persons to subscribe for new investment units and other business operations related to the issuance of new investment units and secondary distribution of investment units approved at the meeting of the board of directors held on the same date were entrusted to Nomura Securities Co., Ltd., SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd., Daiwa Securities Co. Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
July 27, 2016	Conclusion of an agreement concerning amendments to the asset management agreement	Addition of investment targets and other arrangements were made on the condition that partial amendments to the Articles of Incorporation should be approved at SHR's Second General Meeting of Unitholders held on July 28, 2016.
August 29, 2016	Conclusion of a fiscal agency agreement	With regard to the SHR First Series Unsecured Investment Corporation Bonds (with pari passu clause among specified investment corporation bonds), functions of issuing agent and payment agent, functions pertaining to the investment corporation bonds register, and functions for accepting propositions from investment corporation bond holders, including claims regarding exercising their rights, etc. were entrusted to The Bank of Tokyo-Mitsubishi UFJ, Ltd.
August 29, 2016	Conclusion of an investment corporation bond purchase and underwriting agreement	Administrative functions pertaining to solicitation of persons to subscribe for the SHR First Series Unsecured Investment Corporation Bonds (with pari passu clause among specified investment corporation bonds) and other business operations were entrusted to Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Mizuho Securities Co., Ltd., Nomura Securities Co., Ltd. and SMBC Nikko Securities Inc.

2. Handling of fractions of monetary amounts and percentage figures

Amounts have been rounded down and ratios have been rounded to the nearest specified unit unless otherwise indicated in this document.

Financial Section (Audited)

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1. Financial Statements

(1) Balance Sheet

	(Thousands of yen)	
	3rd Fiscal Period (As of April 30, 2016)	4th Fiscal Period (As of October 31, 2016)
Assets		
Current assets		
Cash and deposits	4,059,682	2,537,620
Cash and deposits in trust	10,037,966	7,805,438
Operating accounts receivable	—	24,252
Prepaid expenses	82,843	88,117
Deferred tax assets	17	10
Consumption taxes receivable	—	461,715
Other	6,333	464
Total current assets	14,186,844	10,917,618
Non-current assets		
Property, plant and equipment		
Buildings in trust	45,895,496	53,265,090
Accumulated depreciation	(1,399,667)	(2,038,527)
Buildings in trust, net	44,495,829	51,226,562
Structures in trust	672,428	672,428
Accumulated depreciation	(25,303)	(34,346)
Structures in trust, net	647,125	638,082
Machinery and equipment in trust	—	411
Accumulated depreciation	—	(3)
Machinery and equipment in trust, net	—	407
Tools, furniture and fixtures in trust	996	996
Accumulated depreciation	(97)	(181)
Tools, furniture and fixtures in trust, net	898	815
Land in trust	106,673,263	126,120,644
Construction in progress in trust	16,023	—
Total property, plant and equipment	151,833,140	177,986,512
Intangible assets		
Other	5,352	4,617
Total intangible assets	5,352	4,617
Investments and other assets		
Lease and guarantee deposits	10,000	20,181
Long-term prepaid expenses	267,961	275,627
Total investments and other assets	277,961	295,808
Total non-current assets	152,116,453	178,286,938
Deferred assets		
Investment corporation bond issuance costs	—	18,388
Investment unit issuance costs	—	35,032
Total deferred assets	—	53,420
Total assets	166,303,297	189,257,978

	(Thousands of yen)	
	3rd Fiscal Period (As of April 30, 2016)	4th Fiscal Period (As of October 31, 2016)
Liabilities		
Current liabilities		
Operating accounts payable	75,140	143,397
Accounts payable – other	319,477	347,741
Accrued expenses	69,909	73,014
Income taxes payable	775	815
Accrued consumption taxes	223,779	—
Total current liabilities	689,082	564,968
Non-current liabilities		
Investment corporation bond	—	2,000,000
Long-term loans payable	68,100,000	75,300,000
Tenant leasehold and security deposits in trust	7,803,586	9,031,712
Total non-current liabilities	75,903,586	86,331,712
Total liabilities	76,592,668	86,896,680
Net assets		
Unitholders' equity		
Unitholders' capital	87,743,594	100,040,294
Surplus		
Unappropriated retained earnings	1,967,034	2,321,003
Total surplus	1,967,034	2,321,003
Total unitholders' equity	89,710,628	102,361,297
Total net assets (Note 4)	89,710,628	102,361,297
Total liabilities and net assets	166,303,297	189,257,978

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

(2) Statement of Income and Retained Earnings

(Thousands of yen)

	3rd Fiscal Period (From November 1, 2015 to April 30, 2016)	4th Fiscal Period (From May1, 2016 to October 31, 2016)
Operating revenue		
Rent revenue – real estate (Note 5)	3,467,176	4,032,189
Other lease business revenue (Note 5)	379	27,097
Total operating revenue	3,467,556	4,059,286
Operating expenses		
Expenses related to rent business (Note 5)	860,922	1,021,071
Asset management fee	272,995	309,334
Asset custody fee	3,154	3,159
Administrative service fees	11,783	11,217
Directors' compensations	3,600	3,600
Other operating expenses	36,517	46,026
Total operating expenses	1,188,973	1,394,409
Operating income	2,278,582	2,664,877
Non-operating income		
Interest income	1,267	58
Interest on refund	197	—
Total non-operating income	1,465	58
Non-operating expenses		
Interest expenses	275,257	283,943
Interest expenses on investment corporation bond	—	995
Borrowing related expenses	36,447	48,898
Amortization of investment unit issuance costs	—	7,006
Amortization of investment corporation bond issuance costs	—	311
Other	499	2,241
Total non-operating expenses	312,204	343,397
Ordinary income	1,967,842	2,321,537
Income before income taxes	1,967,842	2,321,537
Income taxes – current	969	824
Income taxes – deferred	(7)	6
Total income taxes	961	831
Net income	1,966,880	2,320,706
Retained earnings brought forward	153	296
Unappropriated retained earnings	1,967,034	2,321,003

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

(3) Statement of Changes in Net Assets

3rd Fiscal Period (From November 1, 2015 to April 30, 2016)

(Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at beginning of period	87,743,594	1,951,805	1,951,805	89,695,399	89,695,399
Changes of items during period					
Distribution from surplus		(1,951,652)	(1,951,652)	(1,951,652)	(1,951,652)
Net income		1,966,880	1,966,880	1,966,880	1,966,880
Total changes of items during period	—	15,228	15,228	15,228	15,228
Balance at end of period (Note 6)	87,743,594	1,967,034	1,967,034	89,710,628	89,710,628

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

(Thousands of yen)

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

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

(4) Statement of Cash Distributions

Item	3rd Fiscal Period (From November 1, 2015 to April 30, 2016)	4th Fiscal Period (From May 1, 2016 to October 31, 2016)
I . Unappropriated retained earnings	1,967,034,548 yen	2,321,003,281yen
II . Cash distributions	1,966,738,000 yen	2,320,824,000yen
[Cash distributions per unit]	[2,477 yen]	[2,596yen]
III. Retained earnings brought forward	296,548 yen	179,281yen
Method of calculating amount of distribution	The basic policy is to distribute in excess of an amount equivalent to 90% of the amount of earnings available for distribution of SHR provided in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation as set forth in Article 46, Paragraph 1, Item 2 of the Articles of Incorporation of SHR. Based on such policy, SHR decided to pay out a distribution of earnings of 1,966,738,000 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (794,000 units) in an amount not in excess of unappropriated retained earnings for the period. SHR will not distribute cash in excess of earnings as set forth in Article 46, Paragraph 2 of the Articles of Incorporation of SHR.	The basic policy is to distribute in excess of an amount equivalent to 90% of the amount of earnings available for distribution of SHR provided in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation as set forth in Article 46, Paragraph 1, Item 2 of the Articles of Incorporation of SHR. Based on such policy, SHR decided to pay out a distribution of earnings of 2,320,824,000 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (894,000 units) in an amount not in excess of unappropriated retained earnings for the period. SHR will not distribute cash in excess of earnings as set forth in Article 46, Paragraph 2 of the Articles of Incorporation of SHR.

(5) Statement of Cash Flows

	(Thousands of yen)	
	3rd Fiscal Period (From November 1, 2015 to April 30, 2016)	4th Fiscal Period (From May 1, 2016 to October 31, 2016)
Cash flows from operating activities		
Income before income taxes	1,967,842	2,321,537
Depreciation and amortization	560,904	648,726
Amortization of investment corporation bond issuance costs	—	311
Amortization of investment unit issuance costs	—	7,006
Interest income	(1,267)	(58)
Interest expenses	275,257	284,939
Decrease (increase) in operating accounts receivable	—	(24,252)
Decrease (increase) in consumption taxes receivable	1,000,376	(461,715)
Decrease (increase) in prepaid expenses	(3,108)	(5,273)
Decrease (increase) in long-term prepaid expenses	38,530	(7,666)
Increase (decrease) in operating accounts payable	9,246	74,615
Increase (decrease) in accounts payable – other	39,208	26,823
Increase (decrease) in accrued consumption taxes	223,779	(223,779)
Other, net	(6,273)	5,869
Subtotal	4,104,497	2,647,084
Interest income received	1,267	58
Interest expenses paid	(273,974)	(281,834)
Income taxes paid	(780)	(783)
Net cash provided by operating activities	3,831,009	2,364,523
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(9,559)	(26,807,722)
Proceeds from tenant leasehold and security deposits in trust	14,603	1,228,125
Repayments for lease and guarantee deposits	—	(10,181)
Net cash provided by (used in) investing activities	5,044	(25,589,778)
Cash flows from financing activities		
Proceeds from short-term loans payable	—	9,200,000
Repayments of short-term loans payable	—	(9,200,000)
Proceeds from long-term loans payable	—	7,200,000
Proceeds from issuance of investment corporation bond	—	1,981,300
Proceeds from issuance of investment units	—	12,254,660
Dividends paid	(1,949,114)	(1,965,296)
Net cash provided by (used in) financing activities	(1,949,114)	19,470,663
Net increase (decrease) in cash and cash equivalents	1,886,939	(3,754,590)
Cash and cash equivalents at beginning of period	12,210,709	14,097,649
Cash and cash equivalents at end of period (Note 7)	14,097,649	10,343,058

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

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

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

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

2. Basis of Presentation

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

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

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

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

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

3. Summary of Significant Accounting Policies

1. Method of depreciation and amortization of non-current assets	<p>(1)Property, plant and equipment (including assets in trust) Depreciation is calculated using the straight-line method. The useful lives of principal property, plant and equipment are as follows:</p> <table> <tr> <td>Buildings</td><td>15-65 years</td></tr> <tr> <td>Structures</td><td>37-40 years</td></tr> <tr> <td>Machinery and equipment</td><td>10 years</td></tr> <tr> <td>Tools, furniture and fixtures</td><td>6 years</td></tr> </table> <p>(2)Intangible assets Intangible assets are amortized utilizing the straight-line method.</p> <p>(3)Long-term prepaid expenses Long-term prepaid expenses are amortized utilizing the straight-line method.</p>	Buildings	15-65 years	Structures	37-40 years	Machinery and equipment	10 years	Tools, furniture and fixtures	6 years
Buildings	15-65 years								
Structures	37-40 years								
Machinery and equipment	10 years								
Tools, furniture and fixtures	6 years								
2. Accounting for deferred assets	<p>(1) Investment corporation bond issuance costs Investment corporation bond issuance costs are amortized utilizing the straight-line method over the redemption periods.</p> <p>(2) Investment unit issuance costs Investment unit issuance costs are amortized utilizing the straight-line method (over 3 years).</p>								
3. Standards for revenue and expense recognition	<p>Accounting for property taxes In accounting for property tax, city planning tax, depreciable asset tax, etc. on real estate, etc., of the tax amount assessed and determined, the amount corresponding to the applicable calculation period is expensed as expenses related to rent business. Reimbursement of property tax, paid to the seller upon the acquisition of real estate or trust beneficiary interests of real estate as assets in trust, is not recognized as expenses related to rent business in the corresponding fiscal period but included in the acquisition cost of the property. Property taxes capitalized as a part of the acquisition cost amounted to 71,558 thousand yen for the 4th fiscal period, and there were no property taxes capitalized for the 3rd fiscal period.</p>								

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

4. Notes to Balance Sheet

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

(Thousands of yen)	
3rd Fiscal Period (As of April 30, 2016)	4th Fiscal Period (As of October 31, 2016)
50,000	50,000

5. Notes to Statement of Income and Retained Earnings

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

(Thousands of yen)				
	3rd Fiscal Period (From November 1, 2015 to April 30, 2016)		4th Fiscal Period (From May 1, 2016 to October 31, 2016)	
A. Property-related operating revenue				
Rent revenue – real estate				
Rental income	3,467,176		4,021,627	
Other	—	3,467,176	10,561	4,032,189
Other lease business revenue				
Utilities revenue	—		21,811	
Other	379	379	5,285	27,097
Total property-related operating revenue	3,467,556		4,059,286	
B. Property-related operating expenses				
Expenses related to rent business				
Subcontract expenses	—		21,686	
Property management fees	19,200		24,404	
Trust fees	1,550		2,177	
Utilities expenses	—		16,189	
Property and other taxes	250,042		277,169	
Insurance expenses	5,149		6,145	
Repair expenses	21,242		20,898	
Depreciation	560,169		647,991	
Other expenses related to rent business	3,569	860,922	4,409	1,021,071
Total property-related operating expenses		860,922		1,021,071
C. Property-related operating income [A – B]	2,606,633		3,038,214	

6. Notes to Statement of Changes in Net Assets

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

	3rd Fiscal Period (From November 1, 2015 to April 30, 2016)	4th Fiscal Period (From May 1, 2016 to October 31, 2016)
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued	794,000 units	894,000 units

7. Notes to Statement of Cash Flows

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

(Thousands of yen)		
	3rd Fiscal Period (From November 1, 2015 to April 30, 2016)	4th Fiscal Period (From May 1, 2016 to October 31, 2016)
Cash and deposits	4,059,682	2,537,620
Cash and deposits in trust	10,037,966	7,805,438
Cash and cash equivalents	14,097,649	10,343,058

8. Lease Transactions

Operating lease transactions as lessor

Future minimum lease payments

(Thousands of yen)		
	3rd Fiscal Period (As of April 30, 2016)	4th Fiscal Period (As of October 31, 2016)
Due within 1 year	6,934,353	8,162,252
Due after 1 year	43,272,692	42,398,483
Total	50,207,045	50,560,736

9. Financial Instruments

1. Status of financial instruments

(1) Policy for financial instruments

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

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

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

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

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

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

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

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

2. Matters concerning fair value of financial instruments

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

3rd Fiscal Period (As of April 30, 2016)

(Thousands of yen)			
	Book value recorded on the balance sheet	Fair value	Difference
(1) Cash and deposits	4,059,682	4,059,682	—
(2) Cash and deposits in trust	10,037,966	10,037,966	—
Total assets	14,097,649	14,097,649	—
(3) Investment corporation bond	—	—	—
(4) Long-term loans payable	68,100,000	70,039,383	1,939,383
Total liabilities	68,100,000	70,039,383	1,939,383
(5) Derivative transactions	—	—	—

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

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

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

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

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

(3) Investment corporation bond

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

(4) Long-term loans payable

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

(5) Derivative transactions

Please refer to “11. Derivative Transactions”.

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

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

(Thousands of yen)		
Item	3rd Fiscal Period (As of April 30, 2016)	4th Fiscal Period (As of October 31, 2016)
Tenant leasehold and security deposits in trust	7,803,586	9,031,712

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

3rd Fiscal Period (As of April 30, 2016)

(Thousands of yen)						
	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Cash and deposits	4,059,682	—	—	—	—	—
Cash and deposits in trust	10,037,966	—	—	—	—	—
Total	14,097,649	—	—	—	—	—

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

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

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

3rd Fiscal Period (As of April 30, 2016)

(Thousands of yen)						
	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Long-term loans payable	—	14,000,000	—	14,000,000	7,000,000	33,100,000

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

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

10. Securities

3rd Fiscal Period (From November 1, 2015 to April 30, 2016)

Not applicable.

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

Not applicable.

11. Derivative Transactions

1. Derivatives to which hedge accounting is not applied

3rd Fiscal Period (As of April 30, 2016)

Not applicable.

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

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.

3rd Fiscal Period (As of April 30, 2016)

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

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

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

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

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

12. Retirement Benefits

3rd Fiscal Period (From November 1, 2015 to April 30, 2016)

Not applicable.

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

Not applicable.

13. Income Taxes

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

	(Thousands of yen)	
	3rd Fiscal Period (As of April 30, 2016)	4th Fiscal Period (As of October 31, 2016)
Deferred tax assets		
Accrued business taxes not deductible from taxable income	17	10
Total deferred tax assets	17	10
Net deferred tax assets	17	10

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

	3rd Fiscal Period (As of April 30, 2016)	
	4th Fiscal Period (As of October 31, 2016)	
	3rd Fiscal Period (As of April 30, 2016)	
	4th Fiscal Period (As of October 31, 2016)	
Statutory tax rate	32.31	31.74
[Adjustments]		
Deductible cash distribution	(32.29)	(31.73)
Other	0.03	0.03
Effective income tax rate after application of tax-effect accounting	0.05	0.04

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

3rd Fiscal Period (From November 1, 2015 to April 30, 2016)

Not applicable.

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

Not applicable.

15. Transactions with Related Parties

1. Parent company and major corporate unitholders.

3rd Fiscal Period (From November 1, 2015 to April 30, 2016)

Not applicable.

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

Not applicable.

2. Subsidiaries and affiliates.

3rd Fiscal Period (From November 1, 2015 to April 30, 2016)

Not applicable.

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

Not applicable.

3. Sister companies.

3rd Fiscal Period (From November 1, 2015 to April 30, 2016)

Not applicable.

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

Not applicable.

4. Directors and major individual unitholders.

3rd Fiscal Period (From November 1, 2015 to April 30, 2016)

Type	Name	Description of business or occupation	Percentage of voting rights held by (in) SHR	Description of transaction	Transaction amount (Thousands of yen)	Account item	Balance at end of period (Thousands of yen)
Director or close relative	Junichi Inoue	Executive Director of SHR and Representative Director of Sekisui House Investment Advisors, Ltd.	—	Payment of asset management fee to Sekisui House Investment Advisors, Ltd. (Note 1)	272,995	Accounts payable – other	294,835

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

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

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

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

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

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

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

16. Asset Retirement Obligations

3rd Fiscal Period (From November 1, 2015 to April 30, 2016)

Not applicable.

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

Not applicable.

17. Investment and Rental Properties

SHR owns rental office buildings, etc. in Tokyo and other areas for the purpose of earning revenue from leasing. The following is the carrying amount, amount of increase (decrease) during the period and fair value of these investment and rental properties.

(Thousands of yen)		
	3rd Fiscal Period (From November 1, 2015 to April 30, 2016)	4th Fiscal Period (From May 1, 2016 to October 31, 2016)
Carrying amount		
Balance at beginning of period	152,371,380	151,817,116
Amount of increase (decrease) during period	(554,263)	26,169,395
Balance at end of period	151,817,116	177,986,512
Fair value at end of period	169,700,000	202,110,000

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

(Note 2) Net decrease during the 3rd fiscal period is mainly attributable to depreciation (560,169 thousand yen).

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

(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 3rd and 4th fiscal periods for investment and rental properties is presented in “5. Notes to Statement of Income and Retained Earnings”.

18. Segment Information

1. Segment information

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

2. Related information

3rd Fiscal Period (From November 1, 2015 to April 30, 2016)

(1) Information about products and services

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

(2) Information about geographic areas

1) Operating revenue

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

2) Property, plant and equipment

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

(3) Information about major customers

(Thousands of yen)		
Name of customer	Operating revenue	Name of related segment
Sekisui House, Ltd.	2,378,178	Real estate leasing business
Not disclosed (Note)	1,088,998	Real estate leasing business

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

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

(1) Information about products and services

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

(2) Information about geographic areas

1) Operating revenue

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

2) Property, plant and equipment

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

(3) Information about major customers

(Thousands of yen)

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

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

19. Per Unit Information

	3rd Fiscal Period (From November 1, 2015 to April 30, 2016)	4th Fiscal Period (From May 1, 2016 to October 31, 2016)
Net assets per unit	112,985 yen	114,498 yen
Net income per unit	2,477 yen	2,634 yen

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

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

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

	3rd Fiscal Period (From November 1, 2015 to April 30, 2016)	4th Fiscal Period (From May 1, 2016 to October 31, 2016)
Net income (Thousands of yen)	1,966,880	2,320,706
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income attributable to common investment units (Thousands of yen)	1,966,880	2,320,706
Average number of investment units during period (Units)	794,000	880,769

20. Significant Subsequent Events

Not applicable.

(7) Supplementary Schedules

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

1. Schedule of securities

(1) Shares

Not applicable.

(2) Securities other than shares

Not applicable.

2. Contract amount and fair value of derivative transactions

(Thousands of yen)

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

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

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

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

(Thousands of yen)

Type of assets		Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Accumulated depreciation or accumulated amortization		Net balance at end of period	Notes
							For the period		
Property, plant and equipment	Buildings in trust	45,895,496	7,369,593	—	53,265,090	2,038,527	638,860	51,226,562	(Note)
	Structures in trust	672,428	—	—	672,428	34,346	9,043	638,082	—
	Machinery and equipment in trust	—	411	—	411	3	3	407	—
	Tools, furniture and fixtures in trust	996	—	—	996	181	83	815	—
	Land in trust	106,673,263	19,447,381	—	126,120,644	—	—	126,120,644	(Note)
	Construction in progress in trust	16,023	—	16,023	—	—	—	—	—
	Subtotal	153,258,208	26,817,386	16,023	180,059,571	2,073,059	647,991	177,986,512	—
Intangible assets	Other	7,350	—	—	7,350	2,732	735	4,617	—
	Subtotal	7,350	—	—	7,350	2,732	735	4,617	—
Total		153,265,558	26,817,386	16,023	180,066,921	2,075,791	648,726	177,991,130	—

(Note) The increase during the period is attributable to the acquisition of Garden City Shinagawa Gotenyama (additional acquisition), HK Yodoyabashi Garden Avenue, and Hirokoji Garden Avenue.

4. Schedule of other specified assets

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

5. Schedule of investment corporation bond

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

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

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

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

(Millions of yen)

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

6. Schedule of loans payable

(Thousands of yen)

Category	Lender	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate (%) (Note 1)	Repayment due date	Repayment method	Use of proceeds	Security
Short-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	—	6,440,000	6,440,000	—	0.25207	May. 23, 2017 (Note 2)	Lump-sum payment at maturity	Purchase of assets and related expenses	Unsecured Un-guaranteed
	Sumitomo Mitsui Banking Corporation	—	2,760,000	2,760,000	—					
	Subtotal	—	9,200,000	9,200,000	—					
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500,000	—	—	1,500,000	0.28286	Nov. 30, 2017			
	Development Bank of Japan Inc.	1,100,000	—	—	1,100,000					
	The Norinchukin Bank	1,500,000	—	—	1,500,000					
	Mizuho Bank, Ltd.	2,100,000	—	—	2,100,000					
	Mizuho Trust & Banking Co., Ltd.	1,300,000	—	—	1,300,000					
	Sumitomo Mitsui Banking Corporation	1,200,000	—	—	1,200,000					
	Sumitomo Mitsui Trust Bank, Limited	2,100,000	—	—	2,100,000					
	Mitsubishi UFJ Trust and Banking Corporation	1,300,000	—	—	1,300,000					
	Resona Bank, Limited	1,900,000	—	—	1,900,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,300,000	—	—	3,300,000	0.65830	Nov. 30, 2019	Lump-sum payment at maturity	Purchase of assets and related expenses	Unsecured Un-guaranteed
	Development Bank of Japan Inc.	800,000	—	—	800,000					
	The Norinchukin Bank	800,000	—	—	800,000					
	Mizuho Bank, Ltd.	1,800,000	—	—	1,800,000					
	Mizuho Trust & Banking Co., Ltd.	600,000	—	—	600,000					
	Sumitomo Mitsui Banking Corporation	3,000,000	—	—	3,000,000					
	Sumitomo Mitsui Trust Bank, Limited	1,800,000	—	—	1,800,000					

Category	Lender	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate (%) (Note 1)	Repayment due date	Repayment method	Use of proceeds	Security
Long-term loans payable	Mitsubishi UFJ Trust and Banking Corporation	1,000,000	—	—	1,000,000	0.65830	Nov. 30, 2019	Lump-sum payment at maturity	Purchase of assets and related expenses	Un-secured Un-guaranteed
	Resona Bank, Limited	900,000	—	—	900,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,200,000	—	—	4,200,000	0.94060	Nov. 30, 2021			
	Development Bank of Japan Inc.	800,000	—	—	800,000					
	The Norinchukin Bank	700,000	—	—	700,000					
	Mizuho Bank, Ltd.	2,400,000	—	—	2,400,000					
	Mizuho Trust & Banking Co., Ltd.	900,000	—	—	900,000					
	Sumitomo Mitsui Banking Corporation	3,700,000	—	—	3,700,000					
	Sumitomo Mitsui Trust Bank, Limited	2,000,000	—	—	2,000,000					
	Mitsubishi UFJ Trust and Banking Corporation	900,000	—	—	900,000					
	Resona Bank, Limited	1,400,000	—	—	1,400,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,200,000	—	—	4,200,000	1.47450	Nov. 30, 2024			
	Development Bank of Japan Inc.	300,000	—	—	300,000					
	Mizuho Bank, Ltd.	700,000	—	—	700,000					
	Sumitomo Mitsui Banking Corporation	3,700,000	—	—	3,700,000					
	Sumitomo Mitsui Trust Bank, Limited	700,000	—	—	700,000					
	Mitsubishi UFJ Trust and Banking Corporation	400,000	—	—	400,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,650,000	—	—	1,650,000	0.61760	Nov. 30, 2020			
	The Norinchukin Bank	650,000	—	—	650,000					
	Mizuho Bank, Ltd.	950,000	—	—	950,000	0.62760				
	Mizuho Trust & Banking Co., Ltd.	500,000	—	—	500,000					
	Sumitomo Mitsui Banking Corporation	1,650,000	—	—	1,650,000					
	Sumitomo Mitsui Trust Bank, Limited	850,000	—	—	850,000					
	Mitsubishi UFJ Trust and Banking Corporation	200,000	—	—	200,000					
	Resona Bank, Limited	550,000	—	—	550,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	700,000	—	—	700,000	0.88470			Nov. 30, 2022	
	Development Bank of Japan Inc.	650,000	—	—	650,000	0.88500				
	Mizuho Bank, Ltd.	350,000	—	—	350,000	0.89470				
	Sumitomo Mitsui Banking Corporation	650,000	—	—	650,000					
	Sumitomo Mitsui Trust Bank, Limited	350,000	—	—	350,000					
	Resona Bank, Limited	300,000	—	—	300,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	750,000	—	—	750,000	1.00850	Nov. 30, 2023			
	Mizuho Bank, Ltd.	400,000	—	—	400,000	1.01850				

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 October 31, 2016, and the statements of income and retained earnings, changes in net assets, cash distributions, cash flows, and supplementary schedules from May 1, 2016 to October 31, 2016 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 October 31, 2016, and its financial performance and cash flows from May 1, 2016 to October 31, 2016 in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

January 25, 2017
Tokyo, Japan

Category	Lender	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate (%) (Note 1)	Repayment due date	Repayment method	Use of proceeds	Security
Long-term loans payable	Mizuho Trust & Banking Co., Ltd.	300,000	—	—	300,000	1.01850	Nov. 30, 2023	Lump-sum payment at maturity	Repayment of loans payable	Unsecured Un-guaranteed
	Sumitomo Mitsui Banking Corporation	700,000	—	—	700,000					
	Sumitomo Mitsui Trust Bank, Limited	350,000	—	—	350,000					
	Mitsubishi UFJ Trust and Banking Corporation	500,000	—	—	500,000					
	Resona Bank, Limited	100,000	—	—	100,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	—	1,810,000	—	1,810,000	0.60500	Sep. 8, 2026			
	Mizuho Bank, Ltd.	—	900,000	—	900,000	0.67000				
	Mitsubishi UFJ Trust and Banking Corporation	—	440,000	—	440,000					
	Sumitomo Mitsui Banking Corporation	—	1,560,000	—	1,560,000	0.25574	Nov. 30, 2020			
	Sumitomo Mitsui Trust Bank, Limited	—	830,000	—	830,000					
	Resona Bank, Limited	—	550,000	—	550,000					
	Development Bank of Japan Inc.	—	370,000	—	370,000					
	The Norinchukin Bank	—	370,000	—	370,000					
	Mizuho Trust & Banking Co., Ltd.	—	370,000	—	370,000					
Subtotal	68,100,000	7,200,000	—	75,300,000	—			—	—	—
Total	68,100,000	16,400,000	9,200,000	75,300,000	—	—	—	—	—	

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

(Note 2) Early repayment was made on September 9, 2016.

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

(Thousands of yen)

	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans payable	—	14,000,000	—	14,000,000	11,050,000