



SEKISUI HOUSE REIT, INC.

Semi-Annual Report

2nd Fiscal Period Ended October 31, 2015
(from May 1, 2015 to October 31, 2015)

Message to Our Unitholders

After its establishment on September 8, 2014, Sekisui House Reit, Inc. (“SHR”) was listed on the Tokyo Stock Exchange Real Estate Investment Trust Section (the J-REIT market) on December 3, 2014 and it has settled its accounts for the 2nd fiscal period (namely, the fiscal period ended October 2015). 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 2nd fiscal period of SHR.

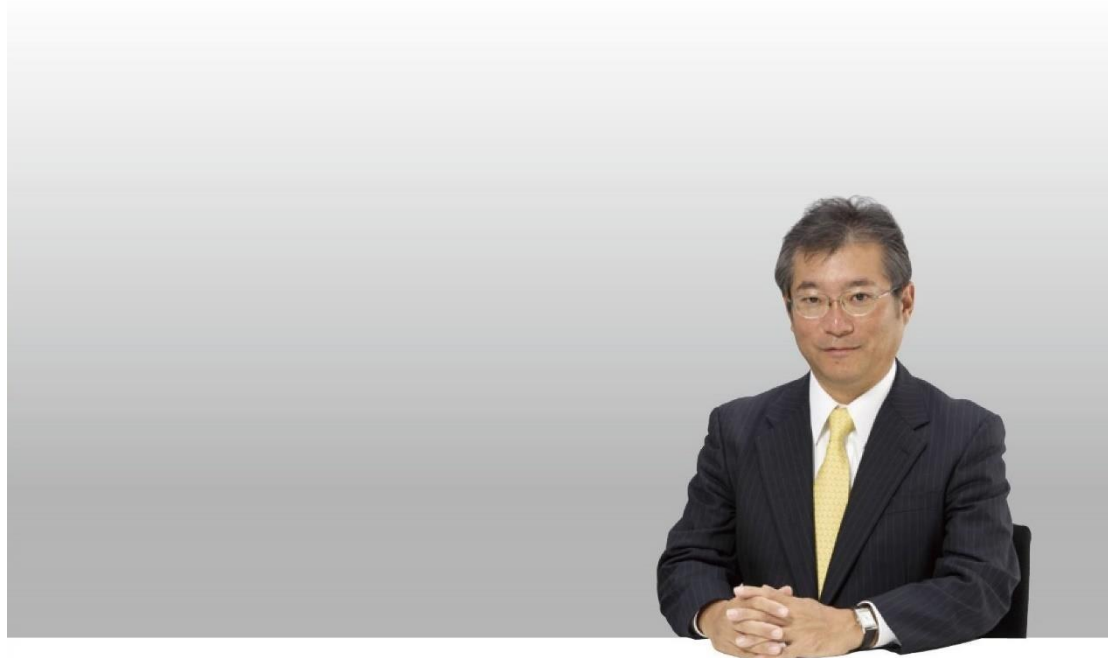
In the fiscal period under review, SHR conducted its first public offering since its listing in May 2015 and acquired the sectional ownership right of Hommachi Garden City (with an acquisition price of 38.6 billion yen) with the funds procured, etc. With this acquisition, the asset size of SHR has grown from 114.3 billion yen comprising three properties to 152.9 billion yen comprising four properties within approximately six months of its listing, which means a growth in size of approximately 1.3 times. SHR has made 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 16.6 billion yen in May 2015 which was used as part of the funds to acquire the property. In July of the same year, 13.1 billion yen of the short-term loan was refinanced as a long-term loan, thereby diversifying dates for repayment of the loan and extending the term, as well as converting the fixed interest rate of the loan into a floating interest rate through interest rate swaps, etc. at the same time.

As a result, SHR recorded operating revenue of 3,379 million yen, operating income of 2,290 million yen, ordinary income of 1,952 million yen and net income of 1,951 million yen, and the distribution per unit declared was 2,458 yen, for the fiscal period ended October 2015.

By taking full advantage of the sponsor support from Sekisui House, which has an excellent track record of developing commercial properties, SHR will continue to pursue the securing of 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.



A handwritten signature in black ink, appearing to read 'Jun. I.', located below the portrait.

Junichi Inoue

Executive Director of Sekisui House Reit, Inc.

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

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”) is sponsored by Sekisui House, Ltd. (“Sekisui House”). Sekisui House, one of the leading homebuilders in Japan, has an abundant development and management track record in the property development business, and 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 pursues the securing of 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 situated in strategic locations or have high quality that it refers to as prime properties positioned as its core investment targets.

Based on the policy described above, SHR acquired three properties (for an aggregate acquisition price of 114,300 million yen) and, in effect, commenced management on the listing date December 3, 2014. In addition, SHR acquired one property (with an acquisition price of 38,600 million yen) and the assets held by SHR as of October 31, 2015 (that is, the end of the fiscal period under review) are four properties (with an aggregate acquisition price: 152,900 million yen).

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

(2) Management Environment and Management Performance

Management Environment

In the fiscal period under review, the Japanese economy continued on a moderate recovery trend even while showing weakness in some sections.

In the real estate transaction market, in addition to signs of improvement in the office rent level and vacancy rate, supply of properties for sale are trending slightly downwards and so the appetite for investment continues to be strong and the sense of overheating is increasing not only in major cities but even for properties in regional cities.

In addition, in the office leasing market, reflecting the improvement in the employment situation and corporate earnings leading to floor space expansions, relocations for greater floor space, etc. in major office areas, the vacancy rate showed an ongoing trend of gentle improvement, and the rent level also showed signs of improvement. On the other hand, in the environment surrounding retail properties, according to the Bank of Japan’s Monthly Report of Recent Economic and Financial Developments (October 2015), sales at department stores have continued to pick up following the decline in demand in response to the consumption tax hike (although demand temporarily increased right before the tax hike in efforts by consumers to avoid paying higher taxes). Meanwhile, sales at supermarkets nationwide have shown relatively weak movements, while sales at convenience stores have continued to show a moderate increasing trend. These, among other factors, suggest that store rent, which is susceptible to private consumption trends, is on a recovery trend.

Management Performance

SHR acquired as assets in trust on May 19, 2015 a real estate trust beneficiary interest whose underlying asset is the “Hommachi Garden City” real estate in Osaka City, Osaka. The acquisition was made at the price of 38,600 million yen. As a result, the assets held by SHR as of the end of the fiscal period under review are four properties with an aggregate acquisition price of 152,900 million yen and total leasable area of 74,739.84m². In addition, of the four properties, master lease agreements with Sekisui House as lessee have been executed for three properties and a long-term lease agreement with one tenant as lessee has been executed for one property, resulting in occupancy rate as of the end of the fiscal period under review of 100.0%.

(3) Overview of Fund Procurement

a. Issuance of New Investment Units

During the fiscal period under review, SHR issued new investment units through its first public offering (of 154,200 units) on May 19, 2015 since its listing, and issued additional new investment units by way of third-party allotment (of 7,800 units) on June 12 of the same year. As a result, as of the end of the fiscal period under review, unitholders' capital is 87,743 million yen and the total number of investment units issued and outstanding is 794,000 units.

b. Borrowing of Funds

For the acquisition of the aforementioned real estate trust beneficiary interest (the underlying asset of which is one property), SHR procured short-term loans in the total amount of 16,600 million yen on May 19, 2015 to use as funds for the acquisition and related expenses. Of these short-term loans, SHR conducted early repayment for 3,500 million yen on June 17, 2015 and July 22, 2015 using funds procured through the issuance of new investment units by way of third-party allotment implemented on June 12, 2015 and the refund of consumption taxes accompanying the acquisition of three properties on December 3, 2014, etc., respectively. 13,100 million yen of short-term loans, excluding the repaid amount mentioned above, was refinanced as long-term loans on July 31, 2015, thereby promoting extension of the term of interest-bearing liabilities, diversification of dates for repayment and converting the fixed interest rate into a floating interest rate through interest rate swaps, etc. As a result, as of the end of the fiscal period under review, the balance of interest-bearing liabilities is 68,100 million yen and the ratio of total interest-bearing liabilities (that is, the total amount of loan, investment corporation bonds issued and short-term investment corporation bonds issued) to total assets ("LTV (total assets basis)") is 41.0%.

c. Credit Rating

The following is 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

(4) Overview of Business Performance and Distributions

Results in the fiscal period under review are operating revenue of 3,379 million yen (an increase of 60.3% over that of the previous fiscal period), operating income of 2,290 million yen (an increase of 44.9% over that of the previous fiscal period) and ordinary income of 1,952 million yen (an increase of 92.4% over that of the previous fiscal period), resulting in net income of 1,951 million yen (an increase of 92.6% over that of the previous fiscal period). In addition, concerning distributions, the decision has been made to distribute the entire amount of unappropriated retained earnings (excluding the portion in respect of which distribution per investment unit is less than 1 yen), with the intention of having the maximum amount of distribution of earnings included in deductible expenses based on the application of special tax treatment for investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended)). As a result, the distribution per investment unit is 2,458 yen.

2. Status of Capital Increase, etc.

The following is the increase/(decrease) in unitholders' capital and the total number of investment units issued and outstanding since the establishment of SHR through to October 31, 2015.

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)

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

(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 public offering.

(Note 3) New investment units were issued at an issue price of 106,150 yen per unit by way of third-party allotment.

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

(Note 5) New investment units were issued at an issue price of 127,587 yen by way of third-party allotment.

[Changes in Market Price of Investment Securities]

The following is 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: Sept. 8, 2014 To: Apr. 30, 2015	2nd fiscal period From: May. 1, 2015 To: Oct. 31, 2015
High (yen)	148,600	142,500
Low (yen)	131,700	111,400

(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 2nd fiscal period) is 2,458 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: Sept. 8, 2014 To: Apr. 30, 2015	2nd fiscal period From: May. 1, 2015 To: Oct. 31, 2015
Total amount of unappropriated retained earnings (thousand yen)	1,013,381	1,951,805
Amount of accumulated earnings (thousand yen)	285	153
Total amount of cash distribution (thousand yen)	1,013,096	1,951,652
[Distribution per unit] (yen)	[1,603]	[2,458]
Total amount of distribution of earnings out of the total amount of cash distribution (thousand yen)	1,013,096	1,951,652
[Distribution of earnings per unit] (yen)	[1,603]	[2,458]
Total amount of refund of investments in capital out of the total amount of cash distribution (thousand yen)	-	-
[Amount of refund of investments in capital per unit] (yen)	[-]	[-]

4. Future Management Policy

(1) Future Trends Outlook

The future Japanese economic outlook is that, amid ongoing improvement in the employment and income situation, moderate economic recovery is expected, in part due to the effects of the government's various measures. However, as U.S. financial policy heads towards normalization, there is a risk of the economies of China and other emerging countries in Asia taking a downward swing, thereby suppressing the Japanese economy, and so it may be important to pay attention to the impact of prolonged fluctuations in the financial and capital markets.

In the office leasing market, there is strong office demand backed by the recovery in the employment situation and corporate earnings, which is expected to lead to the continued gradual improvement in the vacancy rate. Meanwhile, there are hopes for movement in the recovery in rent levels, although such trends are expected to be gentle.

Amid such hopes for the full-fledged recovery of the office leasing market, the real estate transaction market is in an environment where caution must be exercised regarding the timing of fund procurement due to the slightly unstable movements in the financial and capital markets caused by concerns that the Chinese economy will take a downward swing and such other concerns. However, competition for property acquisition continues to be overheated and the current situation where the formation of real estate prices, factoring in the expected future increase in rental income, leads to the lowering of expected cap rates is expected to continue for some time into the future.

(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, pursue the securing of 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 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 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 for matters 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 pursue the securing of stable earnings and steady growth of its investment assets and thereby aim to maximize unitholder value.

(Note) The “Three large cities” refers 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.

(3) Financial Strategy

SHR has adopted as its policy to conduct 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’s LTV (total assets basis), which was 42.5% as of the end of the previous fiscal period, has decreased to 41.0% as a result of the issuance of new investment units through the public offering, etc. implemented in May 2015. Besides considering the utilization of the funding capacity generated by this decrease in LTV (total assets basis), SHR will work to diversify the procurement methods for direct and indirect financing, including issuance of investment corporation bonds, by comprehensively taking into account the market environment, SHR’s financial standing and other factors.

5. Significant Subsequent Events

Not applicable.

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)
Total number of investment units authorized (units)	10,000,000	10,000,000
Total number of investment units issued and outstanding (units)	632,000	794,000
Unitholders' capital (million yen)	67,074	87,743
Number of unitholders (persons)	16,005	18,089

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)	191,711	24.14
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	64,778	8.16
Sekisui House, Ltd.	63,300	7.97
The Master Trust Bank of Japan, Ltd. (Trust Account)	59,367	7.48
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	33,237	4.19
Goldman Sachs International	22,720	2.86
SIX SIS Ltd.	9,579	1.21
The Hokuriku Bank, Ltd.	7,143	0.90
The Hokkoku Bank, Ltd.	7,022	0.88
Trust & Custody Services Bank, Ltd. (Taxable Money Trust Account)	6,829	0.86
Total	465,686	58.65

(Note) Percentage of owned units to total units issued and outstanding is rounded to two decimal places.

3. Matters Concerning Directors, etc.

- (1) The following sets forth 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 Co., Ltd. Partner, City Law Offices	1,800
Independent Auditor	Ernst & Young ShinNihon LLC	—	9,000 (Note 2)

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

(Note 2) The total amount of compensation stated above is an approximate amount and includes 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.

4. Asset Management Company, Asset Custodian and Administrative Agents

The following sets forth 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

Condition of investment assets

1. Composition of Assets of the Investment Corporation

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

Type of asset	Geographical area, etc. (Note 1)	As of end of 1st fiscal period (Apr. 30, 2015)		As of end of 2nd fiscal period (Oct. 31, 2015)	
		Total amount held (million yen) (Note 2)	As a percentage of total assets (%) (Note 3)	Total amount held (million yen) (Note 2)	As a percentage of total assets (%) (Note 3)
Real estate in trust	Three major metropolitan areas	114,108	88.1	152,371	91.8
	Other areas	—	—	—	—
Total of real estate in trust		114,108	88.1	152,371	91.8
Deposits and other assets		15,374	11.9	13,628	8.2
Total amount of assets		129,482	100.0	165,999	100.0

(Note 1) Under “Geographical area, etc.,” 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.

(Note 2) “Total amount held” is the carrying amount (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 3) Figures under the heading “As a percentage of total assets” have been rounded to one decimal place.

(Note 4) 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 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	39,545	21,033.47	21,033.47	100.0	26.3	Office building
Gotenyama SH Building	51,281	19,999.97	19,999.97	100.0	32.2	Office building
Hommachi Minami Garden City	22,916	16,699.46	16,699.46	100.0	17.4	Office building
Hommachi Garden City	38,627	17,006.94	17,006.94	100.0	24.2	Office building
Total	152,371	74,739.84	74,739.84	100.0	100.0	—

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

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

(Note 3) “Leased area” refers to the sum total of the leased area indicated in the respective lease agreements for each property that are valid 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 one decimal place. The figure indicated in the total column is the occupancy rate of the entire portfolio, which is the ratio of leased area of all properties to leasable area of all properties.

(Note 5) Figures under the heading “As a percentage of total property-related operating revenue” indicate the ratio of property-related

operating revenue to total property-related operating revenue, rounded to one 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. Itemization of Assets (Real Estate, etc.) in the Portfolio

The following 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	39,545	42,200
Gotenyama SH Building	6-5-17 Kitashinagawa, Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	51,281	54,800
Hommachi Minami Garden City	3-6-1 Kitakyuhojimachi, Chuo-ku, Osaka-shi, Osaka	Real estate trust beneficiary interests	22,916	26,200
Hommachi Garden City	3-6-4 Hommachi, Chuo-ku, Osaka-shi, Osaka	Real estate trust beneficiary interests	38,627	41,100
Total	—	—	152,371	164,300

(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., Richi Appraisal Institute Co., Ltd. and Japan Real Estate Institute with the end of the fiscal period under review as the date of value), rounded down to the nearest million yen.

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

Name of real estate, etc.	1st fiscal period From: Sept. 8, 2014 To: Apr. 30, 2015				2nd fiscal period From: May 1, 2015 To: Oct. 31, 2015			
	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	730	34.6	1	100.0	887	26.3
Gotenyama SH Building	1	100.0	895	42.5	1	100.0	1,088	32.2
Hommachi Minami Garden City	1	100.0	482	22.9	1	100.0	586	17.4
Hommachi Garden City	—	—	—	—	1	100.0	816	24.2
Total	3	100.0	2,108	100.0	4	100.0	3,379	100.0

(Note 1) "Number of tenants" refers to the sum total of the number of tenants under the respective lease agreements for each property indicated in the lease agreement for the property that is valid as of the end of each fiscal period. In cases where a fixed-rent-type master lease agreement, based on which a fixed amount of rent is received regardless of fluctuations in rent from end-tenants, has been executed for the concerned property, the number of lessees under the master lease agreement is stated as the number of tenants.

(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 one decimal place. The total column indicates the occupancy rate of the entire portfolio, which indicates the ratio of leased area of all properties to leasable area of all properties.

(Note 3) “Property-related operating revenue” 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” in respect of each property may not match the figure indicated in the column for the total.

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

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

Category	Type	Contract amount, etc. (thousand yen) (Note 1)		Fair value (thousand yen) (Note 2)
			Of which, due after 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	—

(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.

5. Status of Other Assets

Trust beneficiary interests that have real estate as the main assets in trust are stated in “3. Itemization 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. and asset-backed securities, etc. in the portfolio.

6. Status of Holding of Assets by Country and Region

As of the end of the fiscal period under review, there are no overseas real estate, etc. in countries and regions other than Japan in the portfolio.

Capital expenditures for property

1. Schedule of Capital Expenditures

The main scheduled amount of capital expenditures accompanying renovation work, etc. currently planned for assets held by SHR, is as follows. However, there may possibly be a portion of the scheduled amount for the work that may end up being classified as expenses in the accounting process.

Name of real estate, etc. (location)	Purpose	Scheduled period	Scheduled amount (thousand yen) (Note)		
			Total amount	Payment for the fiscal period under review	Amount already paid
Hommachi Garden City (Chuo-ku, Osaka City, Osaka)	Power meter exchange work	From: January 2016 To: January 2016	3,425	-	-

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

2. Capital Expenditures During Period

The overview of capital expenditures conducted by SHR for its assets during the fiscal period under review is as follows. Total capital expenditures during the fiscal period under review was 3,096 thousand yen and, together with 10,652 thousand yen of repair expenses charged to expenses in the fiscal period under review, work amounting to 13,748 thousand yen was implemented.

Name of real estate, etc. (location)	Purpose	Period	Payment amount (thousand yen)
Hommachi Garden City (Chuo-ku, Osaka City, Osaka)	Partition work in exclusive area on 4F	From: September 2015 To: September 2015	2,100

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

Itemization of Expenses Pertaining to Management, etc.

(Unit: thousand yen)

Item	1st fiscal period From: Sept. 8, 2014 To: Apr. 30, 2015	2nd fiscal period From: May 1, 2015 To: Oct. 31, 2015
Asset management fee	143,170	246,331
Asset custody fee	1,381	2,579
Administrative service fees	3,813	10,774
Directors' compensations	4,800	3,600
Other expenses	7,632	35,771
Total	160,798	299,056

(Note) In addition to the amounts shown above in respect of asset management fees, management fees of 57,900 thousand yen for property acquisition were included in the book value of real estate, etc. in the 2nd fiscal period.

Condition of investment transactions

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

Name of real estate, etc.	Acquisition		Disposition			
	Acquisition date	Acquisition price (million yen) (Note)	Disposition date	Disposition price (million yen) (Note)	Book value (million yen)	Gain (Loss) on sale (million yen)
Hommachi Garden City	May 19, 2015	38,600	—	—	—	—
Total	—	38,600	—	—	—	—

(Note) “Acquisition price” and “Disposition price” refer to the sale and purchase price as stated in the sale and purchase agreement for the property held (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.

2. Status, etc. in respect of Sale and Purchase of Other Assets

Not applicable.

Main assets other than the abovementioned real estate, etc. and asset-backed securities, etc. 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	Hommachi Garden City	May 19, 2015	Real estate trust beneficiary interests	38,600	40,000	Japan Real Estate Institute	March 31, 2015
Total		—	—	38,600	40,000	—	—

(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

Concerning transactions requiring investigations into the value, etc. of specified assets pursuant to Article 201, Paragraph 2 of the Investment Trusts Act, Ernst & Young ShinNihon LLC has conducted the investigations pursuant to The Japanese Institute of Certified Public Accountants’ Industry Audit Practice Committee Practical Guidelines No. 23 “Investigation into the Value, etc. of Specified Assets of Investment Trusts and Investment Corporations” and SHR has been notified of the results of the investigations.

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

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

(1) Status of Transactions

Category	Amount of purchase and sale, etc.	
	Amount of purchase, etc.	Amount of sale, etc.
Total amount	38,600 million yen	— million yen
Breakdown of status of transactions with interested persons, etc.		
Sekisui House, Ltd.	38,600 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)	18,619	Sekisui House, Ltd.	18,619	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 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

No general meetings of unitholders were held during the fiscal period under review.

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

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

Approval date	Matters approved	Overview
September 25, 2015	Execution of memorandum regarding the administration of investment units	Administration of collection, storage, disposal, deletion, etc. of individual numbers, etc. of unitholders, etc. was entrusted to Mizuho Trust & Banking Co., Ltd., the transfer agent, in relation to the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure (Act No. 27 of 2013), which came into force on October 5, 2015.

2. Others

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)

	1st Fiscal Period (As of April 30, 2015)	2nd Fiscal Period (As of October 31, 2015)
Assets		
Current assets		
Cash and deposits	4,806,695	2,117,144
Cash and deposits in trust	7,770,676	10,093,565
Prepaid expenses	65,883	79,735
Deferred tax assets	24	10
Consumption taxes receivable	2,451,353	1,000,376
Other	121	14,663
Total current assets	15,094,753	13,305,495
Non-current assets		
Property, plant and equipment		
Buildings in trust	30,919,664	45,889,590
Accumulated depreciation	(297,650)	(848,625)
Buildings in trust, net	30,622,013	45,040,965
Structures in trust	643,178	672,428
Accumulated depreciation	(7,215)	(16,259)
Structures in trust, net	635,962	656,169
Tools, furniture and fixtures in trust	—	996
Accumulated depreciation	—	(13)
Tools, furniture and fixtures in trust, net	—	982
Land in trust	82,850,441	106,673,263
Construction in progress in trust	0	—
Total property, plant and equipment	114,108,418	152,371,380
Intangible assets		
Other	6,822	6,087
Total intangible assets	6,822	6,087
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	262,823	306,492
Total investments and other assets	272,823	316,492
Total non-current assets	114,388,065	152,693,959
Total assets	129,482,818	165,999,455
Liabilities		
Current liabilities		
Operating accounts payable	17,552	53,524
Accounts payable – other	194,928	277,730
Accrued expenses	67,862	68,627
Income taxes payable	1,144	586
Total current liabilities	281,488	400,469
Non-current liabilities		
Long-term loans payable	55,000,000	68,100,000
Tenant leasehold and security deposits in trust	6,113,449	7,803,586
Total non-current liabilities	61,113,449	75,903,586
Total liabilities	61,394,937	76,304,055
Net assets		
Unitholders' equity		
Unitholders' capital	67,074,500	87,743,594
Surplus		
Unappropriated retained earnings	1,013,381	1,951,805
Total surplus	1,013,381	1,951,805
Total unitholders' equity	68,087,881	89,695,399
Total net assets (Note 4)	68,087,881	89,695,399
Total liabilities and net assets	129,482,818	165,999,455

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

(2) Statement of Income and Retained Earnings

(Thousands of yen)

	1st Fiscal Period (From September 8, 2014 to April 30, 2015)	2nd Fiscal Period (From May 1, 2015 to October 31, 2015)
Operating revenue		
Rent revenue – real estate (Note 5)	2,108,597	3,379,712
Other lease business revenue (Note 5)	—	42
Total operating revenue	2,108,597	3,379,755
Operating expenses		
Expenses related to rent business (Note 5)	367,319	790,155
Asset management fee	143,170	246,331
Asset custody fee	1,381	2,579
Administrative service fees	3,813	10,774
Directors' compensations	4,800	3,600
Other operating expenses	7,632	35,771
Total operating expenses	528,117	1,089,212
Operating income	1,580,479	2,290,542
Non-operating income		
Interest income	502	1,127
Interest on refund	—	1,087
Total non-operating income	502	2,215
Non-operating expenses		
Interest expenses	183,616	265,059
Borrowing related expenses	134,748	50,646
Organization expenses	58,684	—
Investment unit issuance expenses	119,963	24,618
Other offering costs associated with issuance of investment units	64,367	—
Other	5,000	83
Total non-operating expenses	566,379	340,407
Ordinary income	1,014,602	1,952,350
Income before income taxes	1,014,602	1,952,350
Income taxes – current	1,246	815
Income taxes – deferred	(24)	14
Total income taxes	1,221	830
Net income	1,013,381	1,951,520
Retained earnings brought forward	—	285
Unappropriated retained earnings	1,013,381	1,951,805

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

(3) Statement of Changes in Net Assets

1st Fiscal Period (From September 8, 2014 to April 30, 2015)

(Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at beginning of period	—	—	—	—	—
Changes of items during period					
Issuance of new investment units	67,074,500			67,074,500	67,074,500
Net income		1,013,381	1,013,381	1,013,381	1,013,381
Total changes of items during period	67,074,500	1,013,381	1,013,381	68,087,881	68,087,881
Balance at end of period (Note 6)	67,074,500	1,013,381	1,013,381	68,087,881	68,087,881

2nd Fiscal Period (From May 1, 2015 to October 31, 2015)

(Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at beginning of period	67,074,500	1,013,381	1,013,381	68,087,881	68,087,881
Changes of items during period					
Issuance of new investment units	20,669,094			20,669,094	20,669,094
Distribution from surplus		(1,013,096)	(1,013,096)	(1,013,096)	(1,013,096)
Net income		1,951,520	1,951,520	1,951,520	1,951,520
Total changes of items during period	20,669,094	938,424	938,424	21,607,518	21,607,518
Balance at end of period (Note 6)	87,743,594	1,951,805	1,951,805	89,695,399	89,695,399

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

(4) Statement of Cash Distributions

Item	1st Fiscal Period (From September 8, 2014 to April 30, 2015)	2nd Fiscal Period (From May 1, 2015 to October 31, 2015)
I . Unappropriated retained earnings	1,013,381,222 yen	1,951,805,557 yen
II . Cash distributions [Cash distributions per unit]	1,013,096,000 yen [1,603 yen]	1,951,652,000 yen [2,458 yen]
III . Retained earnings brought forward	285,222 yen	153,557 yen
Method of calculating amount of distribution	<p>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.</p> <p>Based on such policy, SHR decided to pay out a distribution of earnings of 1,013,096,000 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (632,000 units) in an amount not in excess of unappropriated retained earnings for the period.</p> <p>SHR will not distribute cash in excess of earnings as set forth in Article 46, Paragraph 2 of the Articles of Incorporation of SHR.</p>	<p>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.</p> <p>Based on such policy, SHR decided to pay out a distribution of earnings of 1,951,652,000 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.</p> <p>SHR will not distribute cash in excess of earnings as set forth in Article 46, Paragraph 2 of the Articles of Incorporation of SHR.</p>

(5) Statement of Cash Flows

(Thousands of yen)

	1st Fiscal Period (From September 8, 2014 to April 30, 2015)	2nd Fiscal Period (From May 1, 2015 to October 31, 2015)
Cash flows from operating activities		
Income before income taxes	1,014,602	1,952,350
Depreciation and amortization	305,394	560,767
Investment unit issuance expenses	119,963	24,618
Interest income	(502)	(1,127)
Interest expenses	183,616	265,059
Decrease (increase) in consumption taxes receivable	(2,451,353)	1,450,976
Decrease (increase) in prepaid expenses	(65,883)	(13,851)
Decrease (increase) in long-term prepaid expenses	(262,823)	(43,668)
Increase (decrease) in operating accounts payable	17,552	34,974
Increase (decrease) in accounts payable – other	194,928	80,640
Other, net	(121)	60
Subtotal	(944,625)	4,310,800
Interest income received	502	1,127
Interest expenses paid	(115,753)	(264,294)
Income taxes paid	(102)	(1,373)
Net cash provided by (used in) operating activities	(1,059,978)	4,046,260
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(114,413,285)	(38,821,997)
Purchase of intangible assets	(7,350)	—
Proceeds from tenant leasehold and security deposits in trust	6,115,249	1,675,743
Repayments of tenant leasehold and security deposits in trust	(1,800)	(210)
Payments for lease and guarantee deposits	(10,000)	—
Net cash used in investing activities	(108,317,186)	(37,146,463)
Cash flows from financing activities		
Proceeds from short-term loans payable	—	16,600,000
Repayments of short-term loans payable	—	(16,600,000)
Proceeds from long-term loans payable	55,000,000	13,100,000
Proceeds from issuance of investment units	66,954,536	20,644,475
Dividends paid	—	(1,010,934)
Net cash provided by financing activities	121,954,536	32,733,541
Net increase (decrease) in cash and cash equivalents	12,577,371	(366,661)
Cash and cash equivalents at beginning of period	—	12,577,371
Cash and cash equivalents at end of period (Note 7)	12,577,371	12,210,709

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	(1)Property, plant and equipment (including assets in trust) Depreciation is calculated using the straight-line method. The useful lives of principal property, plant and equipment are as follows: Buildings 15-62 years Structures 37-40 years Tools, furniture and fixtures 6 years (2)Intangible assets Intangible assets are amortized utilizing the straight-line method. (3)Long-term prepaid expenses Long-term prepaid expenses are amortized utilizing the straight-line method.
2. Accounting for deferred assets	(1)Organization expenses The entire amount is expensed as incurred. (2)Investment unit issuance expenses The entire amount is expensed as incurred.
3. Standards for revenue and expense recognition	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 30,766 thousand yen for the 1st fiscal period and 109,887 thousand yen for the 2nd fiscal period.

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> <ol style="list-style-type: none"> 1) Cash and deposits in trust 2) Buildings in trust; Structures in trust; Land in trust; Construction in progress in trust 3) Tenant leasehold and security deposits in trust <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)

1st Fiscal Period (As of April 30, 2015)	2nd Fiscal Period (As of October 31, 2015)
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)

	1st Fiscal Period (From September 8, 2014 to April 30, 2015)	2nd Fiscal Period (From May 1, 2015 to October 31, 2015)
A. Property-related operating revenue		
Rent revenue – real estate		
Rental income	2,108,582	3,379,712
Other	14	—
Other lease business revenue		
Other	—	42
Total property-related operating revenue	2,108,597	3,379,755
B. Property-related operating expenses		
Expenses related to rent business		
Property management fees	10,858	18,619
Trust fees	1,077	1,526
Property and other taxes	41,801	191,422
Insurance expenses	2,738	5,026
Repair expenses	3,898	10,652
Depreciation	304,866	560,032
Other expenses related to rent business	2,080	2,876
Total property-related operating expenses	367,319	790,155
C. Property-related operating income [A – B]	1,741,277	2,589,599

6. Notes to Statement of Changes in Net Assets

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

	1st Fiscal Period (From September 8, 2014 to April 30, 2015)	2nd Fiscal Period (From May 1, 2015 to October 31, 2015)
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued	632,000 units	794,000 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)

	1st Fiscal Period (From September 8, 2014 to April 30, 2015)	2nd Fiscal Period (From May 1, 2015 to October 31, 2015)
Cash and deposits	4,806,695	2,117,144
Cash and deposits in trust	7,770,676	10,093,565
Cash and cash equivalents	12,577,371	12,210,709

8. Lease Transactions

Operating lease transactions as lessor

Future minimum lease payments

(Thousands of yen)

	1st Fiscal Period (As of April 30, 2015)	2nd Fiscal Period (As of October 31, 2015)
Due within 1 year	5,126,750	6,934,353
Due after 1 year	42,889,168	46,739,869
Total	48,015,919	53,674,222

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 amount 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, 2015, 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)).

1st Fiscal Period (As of April 30, 2015)

	Book value recorded on the balance sheet	Fair value	Difference
(1) Cash and deposits	4,806,695	4,806,695	—
(2) Cash and deposits in trust	7,770,676	7,770,676	—
Total assets	12,577,371	12,577,371	—
(3) Long-term loans payable	55,000,000	55,096,527	96,527
Total liabilities	55,000,000	55,096,527	96,527
(4) Derivative transactions	—	—	—

2nd Fiscal Period (As of October 31, 2015)

	Book value recorded on the balance sheet	Fair value	Difference
(1) Cash and deposits	2,117,144	2,117,144	—
(2) Cash and deposits in trust	10,093,565	10,093,565	—
Total assets	12,210,709	12,210,709	—
(3) Long-term loans payable	68,100,000	68,961,485	861,485
Total liabilities	68,100,000	68,961,485	861,485
(4) 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) 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.

(4) 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	1st Fiscal Period (As of April 30, 2015)	2nd Fiscal Period (As of October 31, 2015)
Tenant leasehold and security deposits in trust	6,113,449	7,803,586

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

1st Fiscal Period (As of April 30, 2015)

(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	4,806,695	—	—	—	—	—
Cash and deposits in trust	7,770,676	—	—	—	—	—
Total	12,577,371	—	—	—	—	—

2nd Fiscal Period (As of October 31, 2015)

(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	2,117,144	—	—	—	—	—
Cash and deposits in trust	10,093,565	—	—	—	—	—
Total	12,210,709	—	—	—	—	—

(Note 4) Repayment schedule of loans after the closing date

1st Fiscal Period (As of April 30, 2015)

(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	27,000,000

2nd Fiscal Period (As of October 31, 2015)

(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	40,100,000

10. Securities

1st Fiscal Period (As of April 30, 2015)

Not applicable.

2nd Fiscal Period (As of October 31, 2015)

Not applicable.

11. Derivative Transactions

1. Derivatives to which hedge accounting is not applied

1st Fiscal Period (As of April 30, 2015)

Not applicable.

2nd Fiscal Period (As of October 31, 2015)

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.

1st Fiscal Period (As of April 30, 2015)

(Thousands of yen)

Method of hedge accounting	Type of derivative transactions	Main hedged item	Contract amount		Fair value	Calculation method of fair value
				Of which, over 1 year		
Special accounting treatment for interest rate swaps	Interest rate swap transaction Receivable floating ; Payable fixed	Long-term loans payable	41,000,000	41,000,000	*	—

*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)”).

2nd Fiscal Period (As of October 31, 2015)

(Thousands of yen)

Method of hedge accounting	Type of derivative transactions	Main hedged item	Contract amount		Fair value	Calculation method of fair value
				Of which, over 1 year		
Special accounting treatment for interest rate swaps	Interest rate swap transaction 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

[1st Fiscal Period (As of April 30, 2015)]

Not applicable.

[2nd Fiscal Period (As of October 31, 2015)]

Not applicable.

13. Income Taxes

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

(Thousands of yen)

	1st Fiscal Period (As of April 30, 2015)	2nd Fiscal Period (As of October 31, 2015)
Deferred tax assets		
Accrued business taxes not deductible from taxable income	24	10
Total deferred tax assets	24	10
Net deferred tax assets	24	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

	(%)	
	1st Fiscal Period (As of April 30, 2015)	2nd Fiscal Period (As of October 31, 2015)
Statutory tax rate	34.16	32.31
[Adjustments]		
Deductible cash distribution	(34.11)	(32.30)
Other	0.07	0.03
Effective income tax rate after application of tax-effect accounting	0.12	0.04

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

[1st Fiscal Period (From September 8, 2014 to April 30, 2015)]

Not applicable.

[2nd Fiscal Period (From May 1, 2015 to October 31, 2015)]

Not applicable.

15. Transactions with Related Parties

1. Parent company and major corporate unitholders.

[1st Fiscal Period (From September 8, 2014 to April 30, 2015)]

Not applicable.

[2nd Fiscal Period (From May 1, 2015 to October 31, 2015)]

Not applicable.

2. Subsidiaries and affiliates.

[1st Fiscal Period (From September 8, 2014 to April 30, 2015)]

Not applicable.

[2nd Fiscal Period (From May 1, 2015 to October 31, 2015)]

Not applicable.

3. Sister companies.

[1st Fiscal Period (From September 8, 2014 to April 30, 2015)]

Not applicable.

[2nd Fiscal Period (From May 1, 2015 to October 31, 2015)]

Not applicable.

4. Directors and major individual unitholders.

[1st Fiscal Period (From September 8, 2014 to April 30, 2015)]

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)	143,170	Accounts payable – other	154,624

(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.

[2nd Fiscal Period (From May 1, 2015 to October 31, 2015)]

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)	304,231 (Note 2)	Accounts payable – other	266,038

(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 57,900 thousand yen of asset management fees pertaining to real estate acquisition included in the book value of property, plant and equipment.

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

16. Asset Retirement Obligations

[1st Fiscal Period (As of April 30, 2015)]

Not applicable.

[2nd Fiscal Period (As of October 31, 2015)]

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)			
		1st Fiscal Period (From September 8, 2014 to April 30, 2015)	2nd Fiscal Period (From May 1, 2015 to October 31, 2015)
Carrying amount			
	Balance at beginning of period	—	114,108,418
	Amount of increase (decrease) during period	114,108,418	38,262,962
	Balance at end of period	114,108,418	152,371,380
Fair value at end of period		120,100,000	164,300,000

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

(Note 2) Net increase during the 1st fiscal period is mainly attributable to the acquisition of new properties (114,413,284 thousand yen), offset by depreciation (304,866 thousand yen). Net increase during the 2nd fiscal period is mainly attributable to the acquisition of new properties (38,819,898 thousand yen), offset by depreciation (560,032 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 1st and 2nd 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

[1st Fiscal Period (From September 8, 2014 to April 30, 2015)]

(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.	1,212,793	Real estate leasing business
Not disclosed (Note)	895,788	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.

[2nd Fiscal Period (From May 1, 2015 to October 31, 2015)]

(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.	2,290,713	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

	1st Fiscal Period (From September 8, 2014 to April 30, 2015)	2nd Fiscal Period (From May 1, 2015 to October 31, 2015)
Net assets per unit	107,733 yen	112,966 yen
Net income per unit	2,525 yen	2,511 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.

	1st Fiscal Period (From September 8, 2014 to April 30, 2015)	2nd Fiscal Period (From May 1, 2015 to October 31, 2015)
Net income (Thousands yen)	1,013,381	1,951,520
Amount not attributable to common unitholders (Thousands yen)	—	—
Net income attributable to common investment units (Thousands yen)	1,013,381	1,951,520
Average number of investment units during period (Units)	401,319	777,134

20. Significant Subsequent Events

Not applicable.

(7) Supplementary Schedules

[2nd Fiscal Period (From May 1, 2015 to October 31, 2015)]

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	30,919,664	14,969,926	—	45,889,590	848,625	550,974	45,040,965	(Note)
	Structures in trust	643,178	29,250	—	672,428	16,259	9,043	656,169	(Note)
	Tools, furniture and fixtures in trust	—	996	—	996	13	13	982	(Note)
	Land in trust	82,850,441	23,822,821	—	106,673,263	—	—	106,673,263	(Note)
	Construction in progress in trust	0	—	0	—	—	—	—	—
	Subtotal	114,413,285	38,822,994	0	153,236,279	864,898	560,032	152,371,380	—
Intangible assets	Other	7,350	—	—	7,350	1,262	735	6,087	—
	Subtotal	7,350	—	—	7,350	1,262	735	6,087	—
Total		114,420,635	38,822,994	0	153,243,629	866,161	560,767	152,377,467	—

(Note) The increase during the period is attributable to the acquisition of Hommachi Garden City.

4. Schedule of other specified assets

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

5. Schedule of investment corporation bonds

Not applicable.

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	Purpose	Security
Short-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	—	13,280,000	13,280,000	—	0.35500	May 18, 2016 (Note 2)	Lump-sum payment at maturity	Purchase of assets and related expenses	Un-secured Un-guaranteed
	Sumitomo Mitsui Banking Corporation	—	3,320,000	3,320,000	—					
		Subtotal	—	16,600,000	16,600,000	—	—	—	—	—
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500,000	—	—	1,500,000	0.38000	Nov. 30, 2017	Lump-sum payment at maturity	Purchase of assets and related expenses	Un-secured Un-guaranteed
	Development Bank of Japan Inc.	1,100,000	—	—	1,100,000					
	The Norinchukin Bank	1,500,000	—	—	1,500,000					
	Mizuho Bank, Ltd.	2,100,000	—	—	2,100,000					
	Mizuho Trust & Banking Co., Ltd.	1,300,000	—	—	1,300,000					
	Sumitomo Mitsui Banking Corporation	1,200,000	—	—	1,200,000					
	Sumitomo Mitsui Trust Bank, Limited	2,100,000	—	—	2,100,000					
	Mitsubishi UFJ Trust and Banking Corporation	1,300,000	—	—	1,300,000					
	Resona Bank, Limited	1,900,000	—	—	1,900,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,300,000	—	—	3,300,000	0.65830	Nov. 30, 2019			
	Development Bank of Japan Inc.	800,000	—	—	800,000					
	The Norinchukin Bank	800,000	—	—	800,000					
	Mizuho Bank, Ltd.	1,800,000	—	—	1,800,000					
	Mizuho Trust & Banking Co., Ltd.	600,000	—	—	600,000					
	Sumitomo Mitsui Banking Corporation	3,000,000	—	—	3,000,000					
	Sumitomo Mitsui Trust Bank, Limited	1,800,000	—	—	1,800,000					
	Mitsubishi UFJ Trust and Banking Corporation	1,000,000	—	—	1,000,000					
	Resona Bank, Limited	900,000	—	—	900,000					
	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					

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	Purpose	Security	
Long-term loans payable	Mizuho Bank, Ltd.	700,000	—	—	700,000	1.47450	Nov. 30, 2024	Lump-sum payment at maturity	Purchase of assets and related expenses	Un-secured Un-guaranteed	
	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		Repayment of loans payable		
	The Norinchukin Bank	—	650,000	—	650,000	0.62760					
	Mizuho Bank, Ltd.	—	950,000	—	950,000						
	Mizuho Trust & Banking Co., Ltd.	—	500,000	—	500,000						
	Sumitomo Mitsui Banking Corporation	—	1,650,000	—	1,650,000						
	Sumitomo Mitsui Trust Bank, Limited	—	850,000	—	850,000						
	Mitsubishi UFJ Trust and Banking Corporation	—	200,000	—	200,000						
	Resona Bank, Limited	—	550,000	—	550,000						0.88470
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	—	700,000	—	700,000						
	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					
	Mizuho Trust & Banking Co., Ltd.	—	300,000	—	300,000						
	Sumitomo Mitsui Banking Corporation	—	700,000	—	700,000						
	Sumitomo Mitsui Trust Bank, Limited	—	350,000	—	350,000						
	Mitsubishi UFJ Trust and Banking Corporation	—	500,000	—	500,000						
	Resona Bank, Limited	—	100,000	—	100,000						
	Subtotal	55,000,000	13,100,000	—	68,100,000			—	—		—
Total		55,000,000	29,700,000	16,600,000	68,100,000	—	—	—	—	—	

(Note 1) Average interest rate is the weighted average interest rate during the period. Interest rates are rounded to five 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) Partial early repayments were made on June 17, 2015 and July 22, 2015 and an early repayment of the remaining existing loan was made on July 31, 2015.

(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

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, 2015, and the statements of income and retained earnings, changes in net assets, cash distributions, cash flows, and supplementary schedules from May 1, 2015 to October 31, 2015 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, 2015, and its financial performance and cash flows from May 1, 2015 to October 31, 2015 in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

January 22, 2016
Tokyo, Japan



SEKISUI HOUSE REIT, INC.