



SEKISUI HOUSE REIT, INC.

4-15-1 Akasaka, Minato-ku, Tokyo

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



SEKISUI HOUSE REIT, INC.



Pictured on the cover

Hommachi Garden City

This property is located on the corner lot where Midosuji street, the established center of Osaka's business zone, intersects with Hommachi street. Completed in 2010, the property is a large-scale skyscraper complex consisting of an office building, retail property and hotel. Its height is over 130m, which exceeds the regulatory value. This was permitted because the special urban renaissance district applies. The property is directly connected to Hommachi Station on the Osaka Metro Midosuji Line, and provides good access to Osaka's major business areas, air terminals such as Itami Airport and Kansai International Airport, in addition to the other major cities of the Kansai region. The property houses The St. Regis Osaka, a leading luxury brand hotel of Marriott International. The lobby, restaurants, bar and other facilities of the hotel are attractive spaces that were designed by taking advantage of the ceiling height (approximately 7,600mm). Panoramic views are among its other characteristics. The high-grade appearance has a dignified look created by the complete stone cladding, making this building a landmark property befitting the Midosuji landscape.



Performance Highlights

Distribution per Unit

Distribution per unit (Actual)
8th Fiscal Period Ended October 2018

1,554 yen

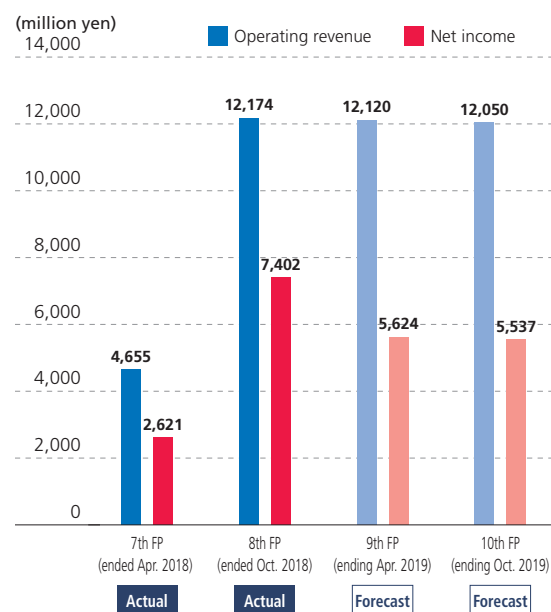
Business Results and Distribution

Fiscal period	7th FP (Actual) (ended Apr. 2018)	8th FP (Actual) (ended Oct. 2018)	9th FP (Forecast) (ending Apr. 2019) ^(Note 1)	10th FP (Forecast) (ending Oct. 2019) ^(Note 1)
Operating revenue (million yen)	4,655	12,174	12,120	12,050
Operating income (million yen)	2,994	5,793	6,353	6,267
Ordinary income (million yen)	2,622	5,109	5,624	5,538
Net income (million yen)	2,621	7,402	5,624	5,537
Distribution per unit (yen) ^(Note 2)	1,352 (2,705)	1,554 (3,108)	1,537 (3,074)	1,532 (3,064)

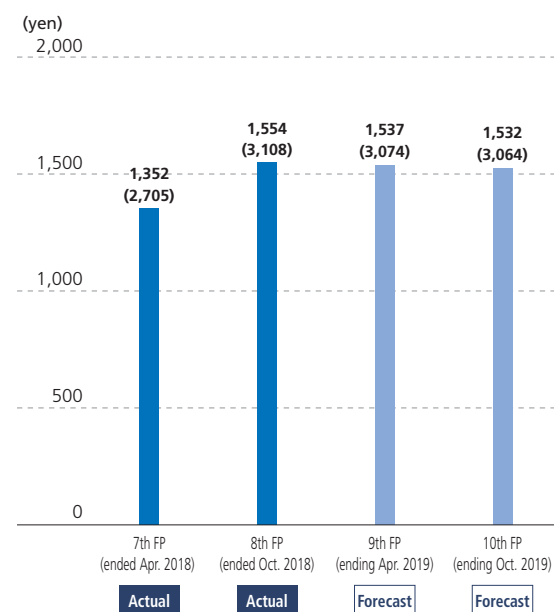
(Note 1) The respective figure for “9th FP (Forecast) (ending Apr. 2019)” and “10th FP (Forecast) (ending Oct. 2019)” are figures as of December 14, 2018 (the announcement date of business results) calculated based upon certain assumptions. Actual operating revenue, operating income, ordinary income, net income and distribution per unit may differ materially due to various factors. The above forecasts are not intended to be guarantees of business results or the actual amount of distribution.

(Note 2) SHR implemented a two-for-one split of investment units with May 1, 2018 as the effective date. In consideration of the impact of the split, distribution per unit for “7th FP (Actual) (ended Apr. 2018)” indicates figures gained by dividing actual figures in brackets by two, and distribution per unit for “8th FP (Actual) (ended Oct. 2018)” or later indicates figures gained by multiplying actual or forecast figures by two in brackets (fractions below 1 yen are rounded down) (here and hereinafter).

Operating Revenue/Net Income



Distribution per Unit



Message to Our Unitholders

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

Sekisui House Reit, Inc. (“SHR”) has settled its accounts for the 8th fiscal period (fiscal period ended October 2018), the first fiscal period since the absorption-type merger with Sekisui House Residential Investment Corporation on May 1, 2018. 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 8th fiscal period of SHR.

In terms of operations, concerning the 113 properties succeeded from Sekisui House Residential Investment Corporation, SHR implemented an asset replacement whereby 12 residential properties were sold to third parties and 6 residential properties were newly acquired from Sekisui House, Ltd. on the same date. In October, SHR sold its sole retail property Hamamatsu Plaza. In this manner, SHR worked to further enhance the quality of the portfolio.

As a result, the properties owned by SHR as of the end of the 8th fiscal period were 112 properties (residential properties: 106 properties; commercial properties: 6 properties) with an aggregate acquisition price of 438,145 million yen (residential properties: 237,395 million yen; commercial properties: 200,750 million yen). The occupancy ratio at the end of the 8th fiscal period was 97.9% for residential properties and 100.0% for commercial properties, resulting in occupancy ratio for the entire portfolio of 98.4%.

In terms of debt finances, SHR procured a total amount of 8,000 million yen for use as part of the funds for the acquisition of real estate trust beneficiary interests during the 8th fiscal period and related expenses, and executed refinancing of 2,500 million yen in long-term loans due for repayment. SHR also concluded an interest rate swap agreement for 4,750 million yen in floating interest rate loans in an effort to hedge the risk of interest rate fluctuations by converting the interest rate payable into a fixed rate. In addition, with the end of the commitment line agreement for 10 billion yen established by Sekisui House Residential Investment Corporation, SHR newly concluded a commitment line agreement with the amount increased to 15 billion yen.

As a result of the above, the management performance for the 8th fiscal period resulted in operating revenue of 12,174 million yen, operating income of 5,793 million yen, ordinary income of 5,109 million yen and net income of 7,402 million yen, and the distribution per unit declared for the 8th fiscal period was 1,554 yen.

Subsequently, SHR acquired Esty Maison Kokura in November 2018 by utilizing the proceeds from sale of Hamamatsu Plaza.

I ask for the continued support and encouragement of unitholders.

Junichi Inoue

Executive Director of Sekisui House Reit, Inc.
President & Representative Director of
Sekisui House Asset Management, Ltd.

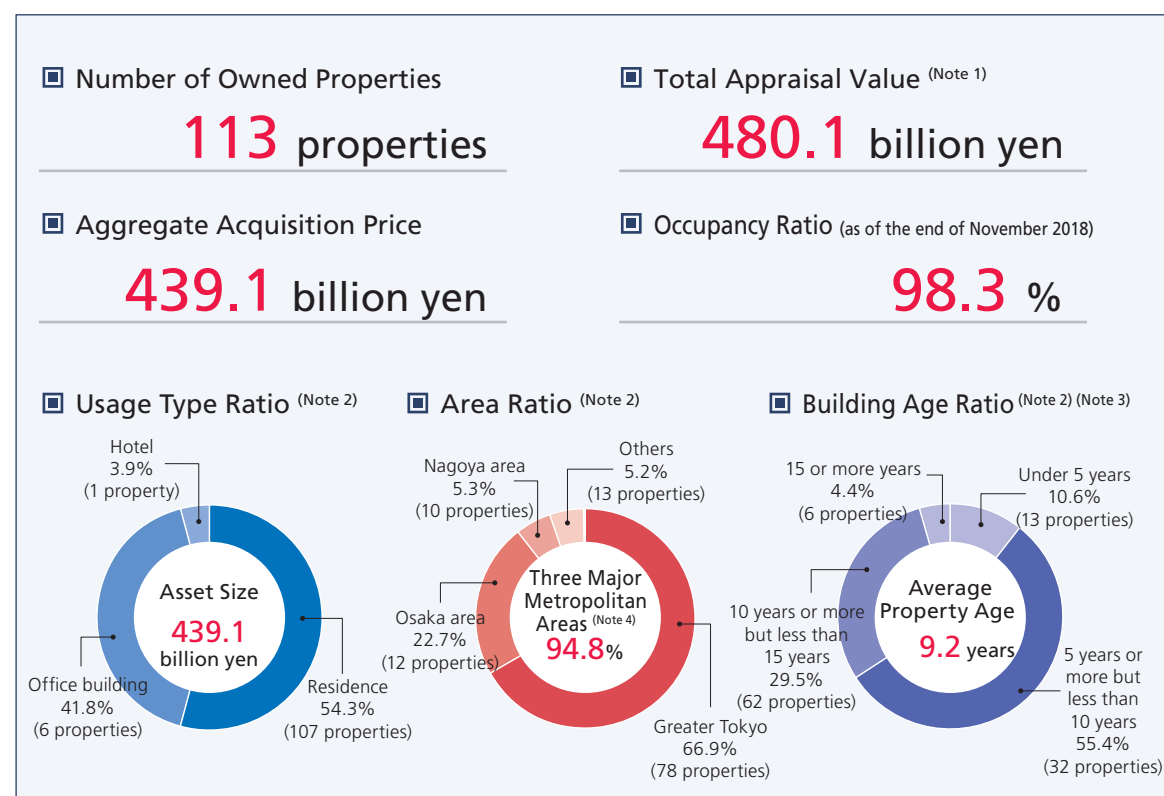
Table of Contents

Overview of SHR	2	Statement of Cash Distributions	44
Financial Section (Audited)	39	Statement of Cash Flows	45
Financial Statements		Notes to Financial Statements	46
Balance Sheet	40	Supplementary Schedules	62
Statement of Income and Retained Earnings	42	Independent Auditor's Report	73
Statement of Changes in Net Assets	43	Unitholder Information	74

Outline of SHR

(as of December 14, 2018 (the announcement date of business results))

Overview of Portfolio



Financial Status

■ LTV (total asset basis) (Note 5)

43.3 %

■ Long-Term Debt Ratio

100.0 %

■ Fixed Interest Rate Debt Ratio

93.7 %

Credit Rating

With the following points recognized by JCR, the credit rating outlook was changed on March 30, 2018 from "Stable" to "Positive."

- Stable operation can be expected even after the merger through utilization of the integrated corporate strength of the Sekisui House Group
- Enhancement of the portfolio and diversification of properties will be achieved through the expansion of asset size resulting from the merger

Rating Agency	Before the Change	After the Change
JCR	AA- (Stable)	AA- (Positive)

(Note 1) "Total appraisal value" is based on the appraisal value as of the end of October 2018 for the investment assets that SHR owned from the 7th fiscal period and the investment assets that SHR acquired in the 8th fiscal period, and the appraisal value as of November 1, 2018 for "Esty Maison Kokura" that SHR acquired on November 29, 2018.

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

(Note 3) Weighted average of building age calculated on the basis of the acquisition price is stated for average property age.

(Note 4) The "Three Major Metropolitan Areas" are "Greater Tokyo," "Osaka Area" and "Nagoya Area" (here and hereinafter). The "Greater Tokyo" includes Tokyo, Kanagawa Prefecture, Chiba Prefecture, and Saitama Prefecture; the "Osaka Area" includes Osaka Prefecture, Kyoto Prefecture, Hyogo Prefecture, and Nara Prefecture; and the "Nagoya Area" includes Aichi Prefecture (here and hereinafter).

(Note 5) "LTV (total asset basis)" is the figure as of the end of October 2018.

Strategies of SHR

Portfolio Development Policy

■ Investment Ratio by Usage Type

Build a portfolio with residential properties as bases and centers of human life and office buildings as business activity bases being the core assets. Promote investment in hotels that are expected to continue growing.

Asset Category	Usage Type	Examples of Specific Asset Types	Investment Ratio by Usage Type (acquisition price basis)	As of December 14, 2018 (the announcement date of business results)	Investment Ratio Target by Usage Type upon Achieving an Asset Size of 600 Billion Yen
Residential Properties	Core Assets Residential properties	Residences Student dormitories Company housing	30~55%	54.3%	Around 45%
	Office buildings	Office buildings Data centers	30~55%	41.8%	Around 45%
Commercial Properties	Hotel	Hotels Service apartments	0~30%	3.9%	Around 10%
	Retail properties, etc.	Retail properties Senior properties (Housing for the elderly with services, Fee-based homes for the aged, and Daycare centers)	0~10%	0%	Around 0-10%

■ Investment Ratio by Area and Asset Category

Priority investment areas are set in light of the characteristics of each asset category. Regarding overseas real estate investment, investment in residential properties and commercial properties will be allowed, but a cautious stance will be maintained for now.

Asset Category	Priority Investment Area	Investment Ratio by Area (acquisition price basis)	As of December 14, 2018 (the announcement date of business results)
Residential Properties	Greater Tokyo	Not less than 70%	76.6%
Commercial Properties	Three Major Metropolitan Areas (Greater Tokyo, Osaka Area, Nagoya Area)	Not less than 80%	100%

Investment Strategy

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

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

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

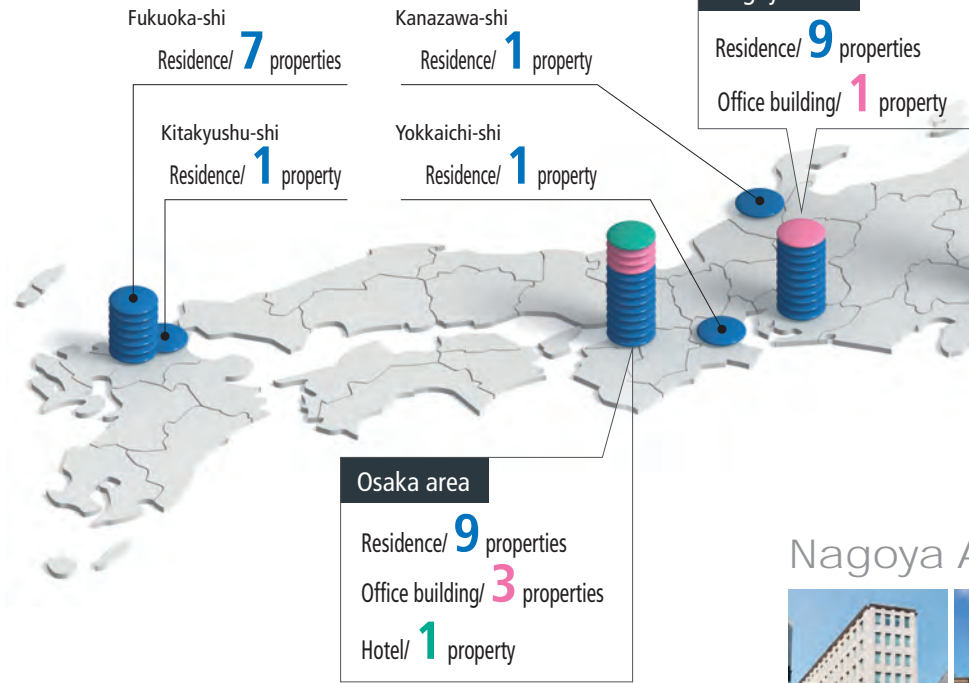
Portfolio Map

Major Owned Properties

(as of December 14, 2018 (the announcement date of business results))

Greater Tokyo	78 properties
Osaka area ^(Note)	13 properties
Nagoya area	10 properties
Others	13 properties

- Residence
- Office building
- Hotel



Greater Tokyo



GC Shinagawa Gotenryama Gotenyama SH Building PM Ginza East



PM Musashinonomori PM Gotenyama East



PM Shinagawa PM Ebisu PM Daikanyama PM Gotenyama West EM Toyosu Residence



PM Yokohama Nihon-odori PM Shirokane-takanawa PM Ichigayayamabushicho PM Shirokanedai Tower PM Otsuka PM Asakusabashi

Residence Office building Hotel PM: Prime Maison EM: Esty Maison GC: Garden City GA: Garden Avenue

Osaka Area



Hommachi GC Hommachi Minami GC



HK Yodoyabashi GA PM Kitatanabe PM Yuhigaoka Kobe Women's Student Housing

Nagoya Area



Hirokoji GA PM Higashisakura PM Gokiso PM Takami PM Yadaminami

Other Areas



MAST Hakata PM Odorikoen PM Minami 2-jo Granmast Kanazawa Nishizumi Granmast Unomori PM Central Park

(Note) "Hommachi Garden City" is calculated by treating the office building portion as one property and hotel portion as one property.

Stable and Sound Financial Operations (as of October 31, 2018 (end of 8th fiscal period))

Debt Finance

Total interest-bearing liabilities (billion yen)	197.9
LTV (total asset basis)	43.3%
Fixed interest rate debt ratio	93.7%
Long-term debt ratio	100.0%
Average financing interest rate <small>(Note)</small>	0.77%
Average number of years spent financing (years)	6.9

Interest-Bearing Liabilities

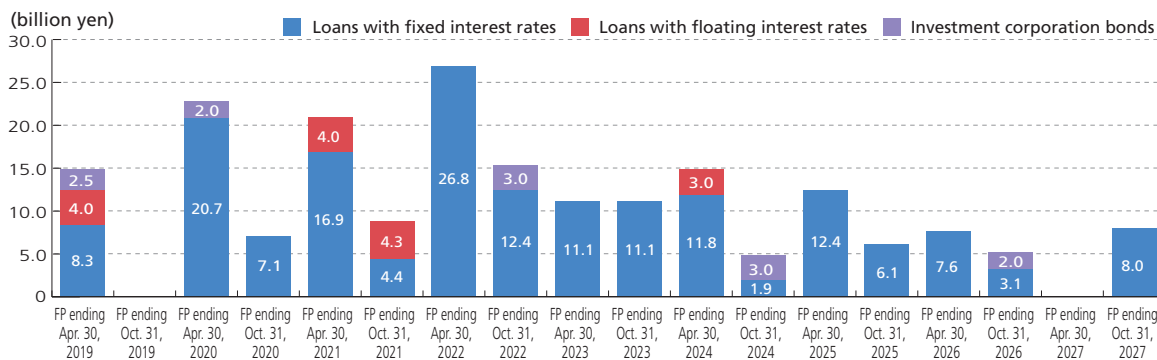
Financial Institution	Balance (billion yen)	Percentage	Financial Institution	Balance (billion yen)	Percentage
MUFG Bank, Ltd.	43.6	23.9%	Aozora Bank, Ltd.	1.7	0.9%
Sumitomo Mitsui Banking Corporation	35.0	19.2%	Shinkin Central Bank	1.6	0.9%
Mizuho Bank, Ltd.	33.0	18.1%	The Senshu Ikeda Bank, Ltd.	1.3	0.7%
Sumitomo Mitsui Trust Bank, Limited	16.3	8.9%	The Shizuoka Bank, Ltd.	1.3	0.7%
Mizuho Trust & Banking Co., Ltd.	12.2	6.7%	The 77 Bank, Ltd.	1.3	0.7%
Resona Bank, Limited	10.5	5.8%	The Hiroshima Bank, Ltd.	1.3	0.7%
Development Bank of Japan Inc.	10.4	5.7%	The Yamaguchi Bank, Ltd.	1.3	0.7%
The Norinchukin Bank	8.9	4.9%	Loan Total	182.4	100.0%
The Bank of Fukuoka, Ltd.	2.4	1.3%	Total Investment Corporation Bonds	15.5	—
			Total Interest-Bearing Liabilities	197.9	—

(Note) "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.

Status of Commitment Line Agreement

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

Diversification of Repayment Dates



Green Bonds

- SHR submitted an amended shelf registration statement for green bond issuance on December 14, 2018

Purpose of green bond issuance

- Further promotion of asset management considering ESG
- Strengthening capital procurement base through expanding the investors who have an interest in ESG investment

What are green bonds?

Green bonds are bonds issued by companies, funds, municipalities, etc. to procure funds for eligible green projects (environmentally-friendly investment projects), and are generally issued under the Green Bond Principles declared by the International Capital Market Association (ICMA). The proceeds of green bonds should be allocated to green projects that provide clear environmental benefits.

In Japan, the amount of issuance has been increasing since Development Bank of Japan Inc. issued Japan's first green bond in 2014. Green bonds were also issued by a city bank in 2015 and the Tokyo Metropolitan Government in 2017.

ESG Initiatives

Acquisition of GRESB Assessment

- Rated in the highest category, "Green Star," for the second consecutive year in the 2018 Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment

	FY 2018
GRESB Assessment	Green Star
GRESB Rating	★★★★
GRESB Public Disclosure	B
Health and Wellbeing Module	Participation
Resilience Module	Participation



The asset management company became a GRESB member in June 2018.

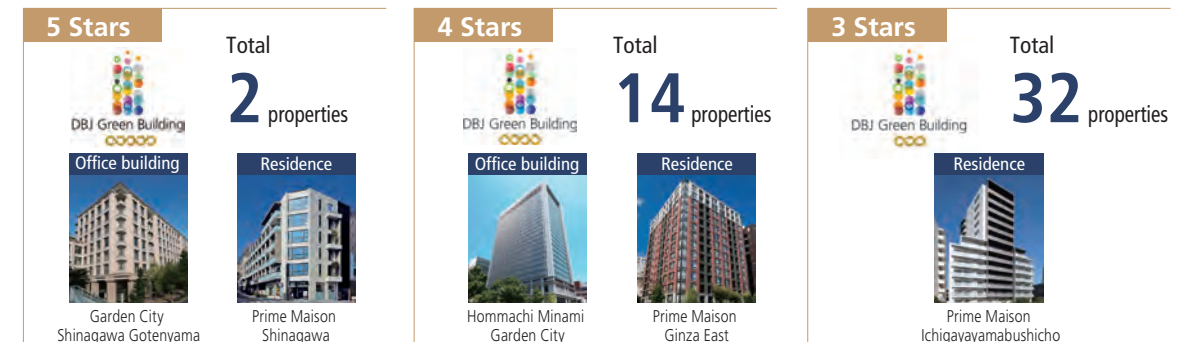
What is GRESB?

GRESB is an annual benchmark for environmental, social and governance ("ESG") considerations in the real estate sector, which was established primarily by major European pension fund groups.

Acquisition of DBJ Green Building Certification

- Newly acquired DBJ Green Building Certification for 16 residential properties

Acquired DBJ Green Building Certification for **48** properties of **113** owned properties, accounting for **58.6%** of the portfolio (based on gross floor area)



What is DBJ Green Building Certification?

The DBJ Green Building Certification System recognizes outstanding properties that respond to the demands of the times. The system was established based on a proprietary scoring model developed by the Development Bank of Japan and serves to improve the environmental functionality of buildings while encouraging the prevalence of properties that demonstrate awareness of societal demands.

Case Examples of ESG Initiatives Initiatives for a low-carbon society and the efficient use of energy

- Efficient use of energy through facilities considerate of the environment
 - Solar power generation panels: Conducted at **4** properties during the 8th FP. Implemented at a total of **43** properties.
 - Low-e double-glazed windows: Hommachi Minami Garden City.
 - LED lighting: HK Yodoyabashi Garden Avenue.
 - Electricity consumption: Expected total annual reduction of around **1,189,083** kwh.
 - Greenhouse gas emissions: Expected total annual reduction of around **602** t-CO₂.
- Replacement of lights for common areas with LED lighting in residential properties
 - Conducted at **4** properties during the 8th FP.
 - Replaced a total of **932** A/C units.
 - Electricity consumption: Expected total annual reduction of around **207,836** kwh.
 - Greenhouse gas emissions: Expected total annual reduction of around **96.0** t-CO₂.
- Promotion of energy-saving of air conditioners for exclusive areas in residential properties
 - Installed **169** units during the 8th FP.
 - Electricity consumption: Expected total annual reduction of around **207,836** kwh.
 - Greenhouse gas emissions: Expected total annual reduction of around **96.0** t-CO₂.

(Note) The examples of initiatives above are ESG initiatives that have been actually undertaken by SHR or Sekisui House Residential Investment Corporation to date as of December 14, 2018. The figures for expected reductions above are estimated by the asset management company based on materials provided by the replacement work operator and materials published by the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry; there is no guarantee that the expected reductions will be realized.

Profile of SHR

Overview

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

History

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

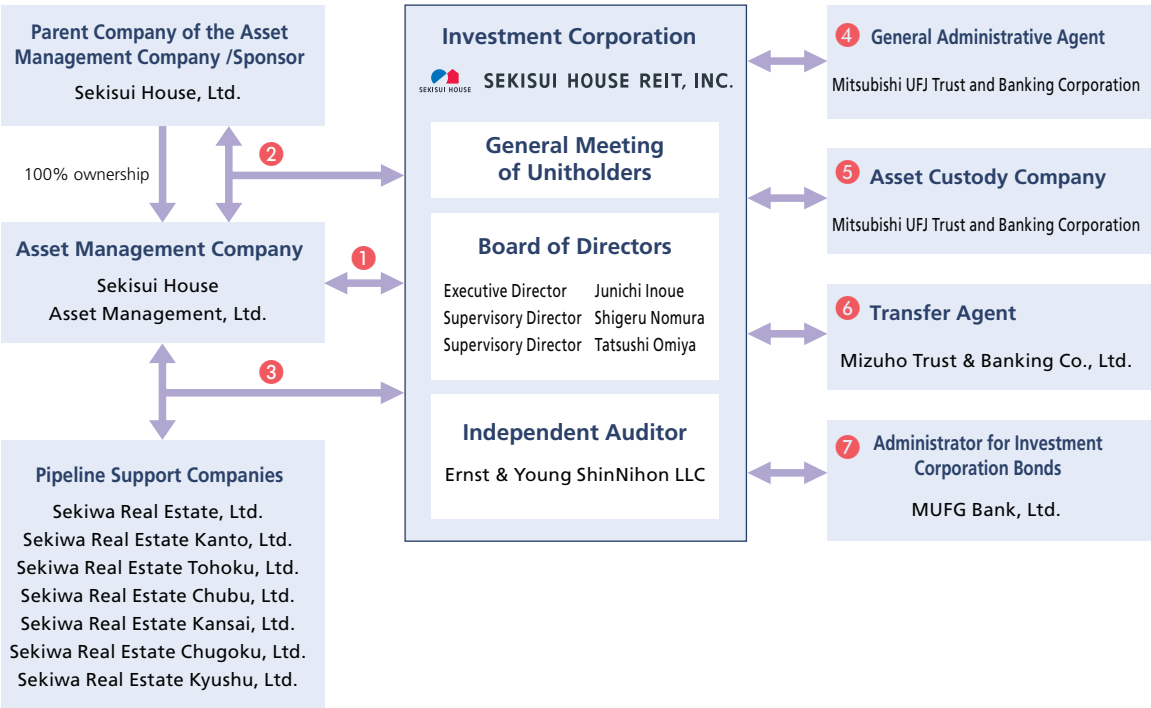
Overview of Asset Management Company

Overview

Corporate name	Sekisui House Asset Management, Ltd.	Licenses and registration, etc.	Licensed for building lots and buildings transaction business License No.(1) 96411 issued by the Governor of Tokyo
Representative	Junichi Inoue, President & Representative Director		Certified as an entrustment-based agency License No.82 issued by the Minister of Land, Infrastructure, Transportation and Tourism
Head office	4-15-1 Akasaka, Minato-ku, Tokyo		Registered as a financial instruments business operator Registration (Kinsho) No.2791 issued by the Director of Kanto Local Finance Bureau
Capital	400 million yen		
Shareholder	Sekisui House, Ltd. (100%)		

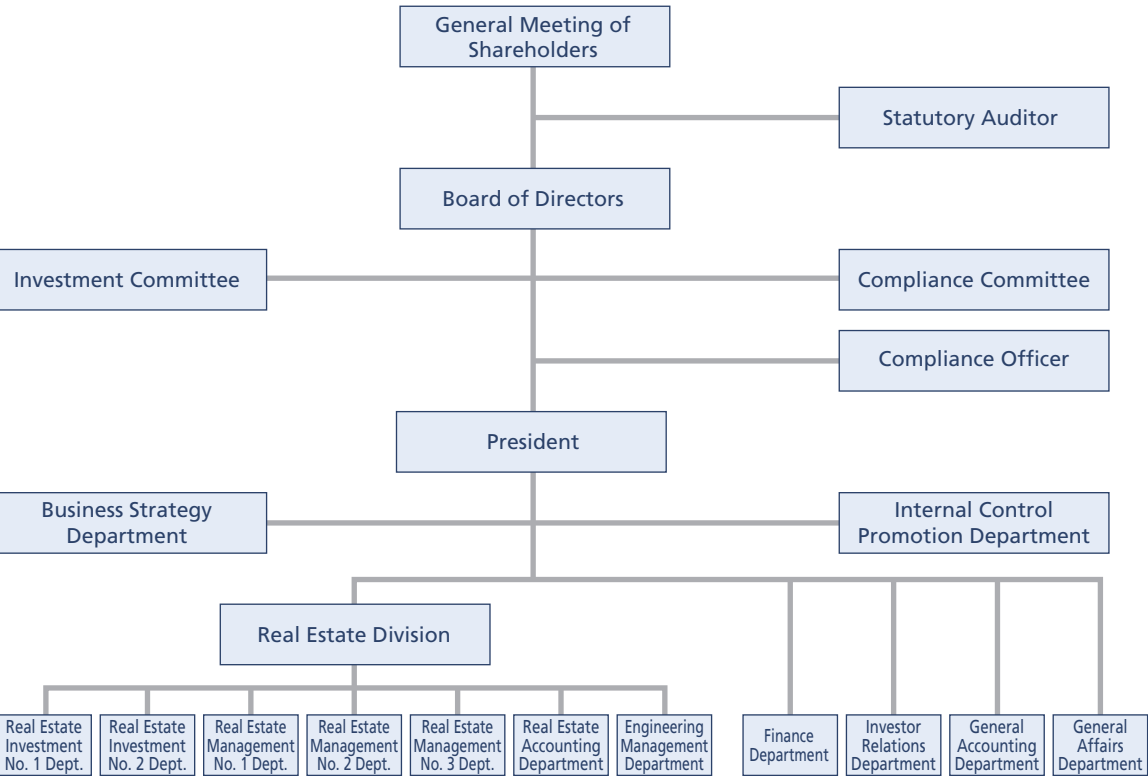
Structure Diagram

(as of December 14, 2018 (the announcement date of business results))



- ① Asset Management Agreement ② Sponsor Support Agreement ③ Agreement on Preferential Negotiating Rights (etc.)
④ General Administrative Agreement ⑤ Asset Custody Agreement
⑥ Administrative Agreement (Administration of Investment Units) ⑦ Financial Agent Agreement

Operational Organizational Structure



Outline of asset management operation

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

(1) Brief History of the Investment Corporation

Sekisui House Reit, Inc. (“SHR”) was established on September 8, 2014 as an investment corporation investing primarily in commercial properties including office buildings, hotels and retail properties, sponsored by 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. SHR was listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange, Inc. (“Tokyo Stock Exchange”) on December 3, 2014 (securities code: 3309).

Sekisui House Residential Investment Corporation (“SHI,” and collectively with SHR, the “Two Investment Corporations”) was established on April 20, 2005 as JOINT REIT Investment Corporation investing primarily in residences and retail properties, and listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on July 28, 2005. In March 2010, a collaboration system was established with Sekisui House serving as the main sponsor and Spring Investment Co., Ltd. (“Spring Investment”) as joint sponsor for the investment corporation, which was renamed to Sekisui House SI Investment Corporation in June 2010. Later, in June 2014, its Articles of Incorporation were revised to set residences as the sole target of investment, and the corporate name was changed to Sekisui House SI Residential Investment Corporation. Subsequently, Spring Investment transferred all of the shares it owned in the asset management company of SHI (Note 1) to Sekisui House in March 2017, making Sekisui House the sole sponsor. In association with the shift to the single sponsor structure, SHI was renamed to Sekisui House Residential Investment Corporation in June 2017.

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

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

(Note 1) Sekisui House Asset Management, Ltd. (the “Asset Management Company”), to which SHR entrusts management of its assets, was previously called Sekisui House Investment Advisors, Ltd. On May 1, 2018, it carried out an absorption-type merger with Sekisui House Asset Management, Ltd. (the “former SHAM”), the asset management company for SHI, with the Asset Management Company being the surviving company and the former SHAM being the dissolving company, and changed its company name to the current one.

(Note 2) “Sekisui House Group” refers to a group of companies comprised of Sekisui House and its consolidated subsidiaries and its affiliates accounted for by the equity method. The same shall apply hereinafter.

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

(Note 4) “Commercial properties” refer to real estate whose principal use is for office buildings, hotels (including service apartments; the same shall apply hereinafter.) and retail properties, etc. (including housing for elderly with service, fee-based homes for the aged, and daycare centers (*2); the same shall apply hereinafter.) and other non-residential business purposes. The same shall apply hereinafter.

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

(*2) Some service apartments and housing for elderly with service, fee-based homes for the aged, and daycare centers may fall under apartment houses as defined in the Building Standards Act (Act No. 201 of 1950, as amended). The same shall apply hereinafter.

(2) Management Environment and Management Performance

a. Management Environment

During the fiscal period under review, the Japanese economy showed a mild recovery with positive circulation of income contributing to expenditure, as was the case in the previous fiscal period, backed by such factors as an increase in capital investment in accordance with improvements in corporate earnings and a moderate increase in private consumption associated with solid improvements in the employment and income environment.

Under such circumstances, the real estate leasing market continued to see a good supply and demand condition, both for residences and office buildings, with leasing demand kept strong. As for the hotel market, the number of foreign tourists visiting Japan still remains on an upward trend despite a temporary negative impact from natural disasters that hit the country repeatedly during the period.

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

b. Management Performance

As of May 1, 2018, in accordance with the Investment Corporation Merger described in (1) Brief History of the Investment Corporation above, SHR succeeded 113 properties (comprising 112 residences and a retail property) owned by SHI. As of the same date, SHR also sold 12 of the residences to independent buyers (total sale price (Note): 16,400 million yen), while acquiring 6 residences (total acquisition price (Note): 25,300 million yen) from Sekisui House. Moreover, as of October 29, 2018, SHR sold Hamamatsu Plaza, a retail property, to an independent buyer (sale price: 2,799 million yen).

These transactions brought the number of properties SHR owned as of October 31, 2018 (“as of the end of the fiscal period under review”) to 112 (comprising 106 residential properties and 6 commercial properties) with an aggregate acquisition price of 438,145 million yen (237,395 million yen for residential properties and 200,750 million yen for commercial properties).

Moreover, the occupancy ratio of SHR’s investment assets as of the fiscal period end stood at 97.9% for residential properties, 100.0% for commercial properties and 98.4% for the entire portfolio, bolstered by strong leasing demand against the backdrop of the solid economic growth described in a. Management Environment above.

(Note) The “sale price” and “acquisition price” respectively indicate the transaction prices shown in the sales agreements for respective properties (excluding consumption tax, local consumption tax and miscellaneous expenses including transaction fees), rounded down to the nearest million yen. For properties SHR succeeded from SHI through the Investment Corporation Merger, however, the value based on the appraisal by real estate appraisers with April 30, 2018 as the appraisal date is used as the acquisition price, because the acceptance price should be the appraisal value upon the acquisition by SHR as such properties are accounted for by the purchase method with SHR set as the acquiring corporation and SHI as the acquired corporation. The same shall apply hereinafter.

(3) Overview of Fund Procurement

a. Borrowings

SHR has adopted as its basic policy the conduct of stable and sound financial operations in order to secure stable earnings over the medium to long term and enhance unitholder value. During the fiscal period under review, SHR succeeded 95,032 million yen in loans and 10,500 million yen in investment corporation bonds from SHI through the Investment Corporation Merger. Moreover, as of May 1, 2018, SHR borrowed short-term loans totaling 8,000 million yen to partly fund the acquisition of beneficiary interests in real estate and related expenses. SHR refinanced the said short-term loans with long-term loans in the same amount as of May 31, 2018. For the long-term loans with floating interest rates totaling 2,500 million yen due for repayment on August 31, 2018, SHR refinanced them with long-term loans with floating interest rates in the same amount. In addition, in order to address the risk of higher interest rates, SHR concluded an interest rate swap agreement as of October 29, 2018 for the loans with floating interest rates totaling 4,750 million yen that it succeeded from SHI, practically fixing the interest rates.

As a result, the fixed interest rate debt ratio against interest-bearing liabilities rose from 93.0% as of the end of the previous fiscal period to 93.7% as of the end of the fiscal period under review. The balance of interest-bearing liabilities as of the end of the fiscal period under review stood at 197,932 million yen, with the ratio of total interest-bearing liabilities to total assets (“LTV (total assets basis)”) standing at 43.3%.

Moreover, as the commitment term of the commitment line agreement with a credit limit of 10,000 million yen

that SHR succeeded from SHI was to end on October 31, 2018, SHR re-concluded the commitment line agreement with a credit limit of 15,000 million yen with MUFG Bank, Ltd., Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation on October 29, 2018, in consideration of the total interest-bearing liabilities that had increased through the succession in association with the merger with SHI and the status of the repayment dates, etc.

b. Credit Rating

The following table sets forth the rating status 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: Positive
Japan Credit Rating Agency, Ltd. (JCR)	Bond rating: AA-

(4) Overview of Business Performance and Distributions

Results in the fiscal period under review are operating revenue of 12,174 million yen, operating income of 5,793 million yen and ordinary income of 5,109 million yen, resulting in net income of 7,402 million yen. In addition, concerning cash distributions, SHR decided to distribute 5,846 million yen, which is the amount of unappropriated retained earnings after deducting part of the negative goodwill, as distribution of earnings based on the application of special tax treatment for investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended)).

2. Status of Capital Increase, etc.

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

Date	Event	Unitholders' capital (million yen)		Total number of investment units issued and outstanding (units)		Note
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
September 8, 2014	Private placement for incorporation	200	200	2,000	2,000	(Note 1)
December 2, 2014	Public offering	63,690	63,890	600,000	602,000	(Note 2)
December 24, 2014	Third-party allotment	3,184	67,074	30,000	632,000	(Note 3)
May 19, 2015	Public offering	19,673	86,748	154,200	786,200	(Note 4)
June 12, 2015	Third-party allotment	995	87,743	7,800	794,000	(Note 5)
May 24, 2016	Public offering	11,706	99,450	95,200	889,200	(Note 6)
June 21, 2016	Third-party allotment	590	100,040	4,800	894,000	(Note 7)
May 24, 2017	Public offering	9,661	109,702	71,400	965,400	(Note 8)
June 12, 2017	Third-party allotment	487	110,189	3,600	969,000	(Note 9)
May 1, 2018	Split of investment units	—	110,189	969,000	1,938,000	(Note 10)
May 1, 2018	Allocation of investment units through merger	—	110,189	1,824,091	3,762,091	(Note 11)

- (Note 1) New investment units were issued at an 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.
- (Note 8) New investment units were issued at an offer price of 139,912 yen (with the issue price being 135,320 yen) per unit through a public offering to procure funds for the acquisition of new properties.
- (Note 9) New investment units were issued at an issue price of 135,320 yen per unit by way of third-party allotment, with the proceeds thereof intended to be used for the partial repayment of the short-term loans that had been taken up to finance the acquisition of the new properties.
- (Note 10) SHR implemented a two-for-one split of investment units with April 30, 2018 as the record date and May 1, 2018 as the effective date.
- (Note 11) Upon the Investment Corporation Merger, 1.65 SHR units following the investment unit split were allocated to every SHI unit on May 1, 2018 and 1,824,091 investment units were newly issued.

[Changes in Market Price of Investment Securities]

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

Fiscal period	4th fiscal period	5th fiscal period	6th fiscal period	7th fiscal period		8th fiscal period
				Before the ex-rights date	After the ex-rights date	
	From: May 1, 2016 To: Oct. 31, 2016	From: Nov. 1, 2016 To: Apr. 30, 2017	From: May 1, 2017 To: Oct. 31, 2017	From: Nov. 1, 2017 To: Apr. 24, 2018	From: Apr. 25, 2018 To: Apr. 30, 2018	From: May 1, 2018 To: Oct. 31, 2018
High (yen)	157,900	153,900	146,400	149,100	70,500	73,900
Low (yen)	125,800	138,000	125,900	123,700	69,700	68,200

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

3. Performance of Distribution, etc.

Distribution per unit for the fiscal period under review (the 8th fiscal period) is 1,554 yen. The policy is to distribute 5,846,289 thousand yen, which is the amount of unappropriated retained earnings after deducting part of the negative goodwill, as distribution of earnings, in application of the special treatment of corporation tax under which the amount equivalent to distribution of earnings is deductible from the taxable income of investment corporations as deductible expenses (Article 67-15 of the Act on Special Measures Concerning Taxation).

Fiscal period	4th fiscal period From: May 1, 2016 To: Oct. 31, 2016	5th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017	6th fiscal period From: May 1, 2017 To: Oct. 31, 2017	7th fiscal period From: Nov. 1, 2017 To: Apr. 30, 2018	8th fiscal period From: May 1, 2018 To: Oct. 31, 2018
Total amount of unappropriated retained earnings (thousand yen)	2,321,003	2,381,018	2,626,016	2,621,502	7,403,117
Amount of accumulated earnings (thousand yen)	179	296	26	357	1,556,827
Total amount of cash distribution (thousand yen)	2,320,824	2,380,722	2,625,990	2,621,145	5,846,289
[Distribution per unit] (yen)	[2,596]	[2,663]	[2,710]	[2,705]	[1,554]
Total amount of distribution of earnings out of the total amount of cash distribution (thousand yen)	2,320,824	2,380,722	2,625,990	2,621,145	5,846,289
[Distribution of earnings per unit] (yen)	[2,596]	[2,663]	[2,710]	[2,705]	[1,554]
Total amount of refund of investment in capital out of the total amount of cash distribution (thousand yen)	—	—	—	—	—
[Amount of refund of investment in capital per unit] (yen)	[—]	[—]	[—]	[—]	[—]
Total distribution amount from reserve for temporary difference adjustments out of total amount of refund of investment in capital (thousand yen)	—	—	—	—	—
[Distribution amount from reserve for temporary difference adjustments per unit out of amount of refund of investment in capital per unit] (yen)	[—]	[—]	[—]	[—]	[—]
Total distribution amount from distribution reducing unitholders' capital for tax purpose out of total amount of refund of investment in capital (thousand yen)	—	—	—	—	—
[Distribution amount from distribution reducing unitholders' capital for tax purpose out of amount of refund of investment in capital per unit] (yen)	[—]	[—]	[—]	[—]	[—]

4. Future Management Policy

(1) Future Trends Outlook

Looking ahead, the Japanese economy is expected to continue recovering moderately, supported partly by the effects of various economic policies, under circumstances where employment rates and income levels continue rising, according to the Monthly Economic Report (October 2018) released by the Cabinet Office. On the other hand, attention must be paid to the impact of the trade issue outcome on the world economy, economic uncertainties overseas and the impact of fluctuations in global financial and capital markets. We also have to be fully mindful of the economic impact of natural disasters that have occurred repeatedly.

Having such circumstances in mind, SHR believes that, in the real estate leasing market, demand will remain solid both for residences and office buildings, although close attention is required to the supply and demand balance in each of our investment areas. Meanwhile, the hotel market will likely continue to see a steady increase in the number of foreign tourists visiting Japan and firm domestic demand.

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

(2) Future Management Policy and Challenges to Address

SHR will continue to focus on prime properties—high-quality residential properties and commercial properties situated in strategic locations—as its core investment targets among other main investment targets. By implementing growth strategies that take full advantage of the real estate development and operation capabilities and other strengths of the Sekisui House Group, which has established an extensive track record of developing and operating residential properties and commercial properties, SHR will seek to secure stable earnings over the medium to long term and steady growth of its investment assets and thereby aim to maximize unitholder value.

On the other hand, SHR will endeavor to expand its asset size by exploring investment opportunities through the initiatives of the Asset Management Company on its own.

Concerning main investment target areas in Japan for residential properties, SHR has set Greater Tokyo (Note 1) as the core investment area with a focus on the Tokyo 23 wards, which are believed to have a number of prime properties that offer locations accommodating residents’ needs as well as excellent basic functions as a residence including comfort and safety and such and are expected to see strong leasing demand and supplies of prime properties. In addition, SHR will invest in government designated cities and other major cities throughout Japan outside of Greater Tokyo as well as their surrounding commutable areas, where networks of Sekisui House and Sekiwa Real Estate companies (7 companies) (Note 2) can be fully utilized.

SHR has set the Three major metropolitan areas (Note 1) with Three large cities, namely the Tokyo 23 Wards, Osaka City and Nagoya City, all of which SHR has knowledge in the course of developments by Sekisui House, as the core investment areas in Japan for commercial properties, with a focus on the Three large cities, in which SHR can expect stable management against the backdrop of solidified demand resulting from being bases for tenant companies’ business activities. In addition, major cities throughout Japan other than the Three major metropolitan areas are set as investment areas.

SHR has executed a sponsor support agreement with Sekisui House. This agreement provides for utilization of the urban redevelopment business track record and know-how of Sekisui House, allowing SHR to seek from Sekisui House property acquisition support for external growth (pipeline support). Specifically, such support will (a) grant to SHR preferential negotiation rights with regard to the sale of domestic real estate, etc. owned or developed by Sekisui House, (b) provide SHR with information on real estate, etc. owned or developed in Japan by third parties, (c) provide SHR with warehousing functions, and (d) provide SHR with support for the redevelopment of owned properties.

Furthermore, SHR has concluded agreements concerning preferential negotiating rights (and others) with the Sekiwa Real Estate companies (7 companies). Thus, particularly with residential properties, SHR will be able to receive support in acquiring properties for external growth, such as granting of preferential negotiating rights regarding sale of domestic real estate, etc. owned or developed by the Sekiwa Real Estate companies (7 companies).

Sekisui House and Sekiwa Real Estate Group (Note 3) possess (a) property management (“PM”) skills based on their relationship with tenants, (b) know-how as a real estate developer to maintain/improve real estate value through large-scale repair, renovation/value enhancement, redevelopment, etc., and (c) know-how on developing various types of master leasing businesses. SHR and the Asset Management Company can, by concluding a PM

services consignment agreement (“PM Agreement”) with Sekisui House or a sponsor support agreement, seek (a) property management services for commercial properties, and (b) in relation to management of owned assets for internal growth, (i) technologies and know-how that contribute to the improvement of tenant satisfaction or other factors, including energy efficiency and eco-friendliness, that contribute to the renovation/value enhancement of properties, (ii) personnel support, including provision of know-how required for the operation of SHR, and (iii) support in areas such as negotiation of master lease agreements. Furthermore, Sekiwa Real Estate Group possesses PM skills, including tenant solicitation utilizing its nationwide network and know-how on PM services proven by an abundant management track record. As such, SHR and the Asset Management Company will capitalize on the PM skills possessed by Sekiwa Real Estate Group by concluding a PM Agreement with Sekiwa Real Estate Group for residential properties.

(Note 1) The “Three major metropolitan areas” refer to “Greater Tokyo,” the “Osaka area” and the “Nagoya area,” where “Greater Tokyo” refers to Tokyo, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture, the “Osaka area” refers to Osaka Prefecture, Kyoto Prefecture, Hyogo Prefecture and Nara Prefecture and the “Nagoya area” refers to Aichi Prefecture. The same shall apply hereinafter.

(Note 2) “Sekiwa Real Estate companies (7 companies)” is a collective name for Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kanto, Ltd., Sekiwa Real Estate Tohoku, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chugoku, Ltd. and Sekiwa Real Estate Kyushu, Ltd., which are wholly-owned subsidiaries of Sekisui House and are core companies of real estate unit of the Sekisui House Group operating nationwide. The same shall apply hereinafter.

(Note 3) “Sekiwa Real Estate Group” refers to a group of companies comprised of Sekiwa Real Estate companies (7 companies) as the core, and of its subsidiaries and affiliates. 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, with regard to LTV (total assets basis), SHR had the polity to set the figure at around 45% as its upper limit for the time being but has changed the policy by raising the upper limit target from around 45% to around 50%, with an intention to securely take property acquisition opportunities by ensuring flexibility in fund procurement in consideration of the market conditions, while maintaining its policy to keep LTV at a conservative level. As of the end of the fiscal period under review, LTV (total assets basis) stood at 43.3%.

SHR will work to diversify its sources for direct and indirect financing, such as by issuing investment corporation bonds, in comprehensive consideration of the market environment, SHR’s financial standing and other factors, while continuing its endeavors for stable and sound financial operations.

5. Significant Subsequent Events

Not applicable.

(Reference Information)

(1) Asset Acquisition

SHR acquired the following property on November 29, 2018.

Property name	Esty Maison Kokura (Note1)
Type of assets	Real estate trust beneficiary interest
Asset type	Residence
acquisition price	1,040 million yen
acquisition date	November 29, 2018
Seller	Undisclosed (Note 2)
Location (indication of residential address)	4-2-5 Kyomachi, Kokurakita-ku, Kitakyushu-shi, Fukuoka
Type of ownership	Proprietorship

(Note 1) The property name of the “Esty Maison Kokura” is “Cosmos Kokura Ekimae” as of December 14, 2018 (the announcement date of business results), but its property name is scheduled to be changed with the brand name “Esty Maison” after publicizing the change to the residents for a certain period of time, so the property name after such change has been stated.

(Note 2) The information is not disclosed as no consent to disclosure has been obtained from the seller.

Outline of the Investment Corporation

1. Status of Capital

Fiscal period	As of the end of 4th fiscal period (Oct. 31, 2016)	As of the end of 5th fiscal period (Apr. 30, 2017)	As of the end of 6th fiscal period (Oct. 31, 2017)	As of the end of 7th fiscal period (Apr. 30, 2018)	As of the end of 8th fiscal period (Oct. 31, 2018)
Total number of investment units authorized (units)	10,000,000	10,000,000	10,000,000	10,000,000	20,000,000
Total number of investment units issued and outstanding (units)	894,000	894,000	969,000	969,000	3,762,091
Unitholders' capital (million yen)	100,040	100,040	110,189	110,189	110,189
Number of unitholders (persons)	13,749	12,449	14,490	12,958	20,293

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)	968,015	25.73
The Master Trust Bank of Japan, Ltd. (Trust Account)	600,269	15.96
Sekisui House, Ltd.	194,750	5.18
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	153,801	4.09
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	112,152	2.98
Mitsubishi UFJ Trust and Banking Corporation	50,102	1.33
STATE STREET BANK WEST CLIENT – TREATY 505234	45,932	1.22
The Hachijuni Bank, Ltd.	39,226	1.04
JP MORGAN CHASE BANK 385771	38,379	1.02
Mizuho Securities Co., Ltd.	33,007	0.88
Total	2,235,633	59.43

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

3. Matters Concerning Directors, etc.

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

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 Asset Management, Ltd.	—
Supervisory Director	Shigeru Nomura	President, Shigeru Nomura Certified Public Accountant Office Outside Director, Eiken Chemical Co., Ltd. Member of Corporate Revitalization Committee, The Resolution and Collection Corporation (RCC)	1,800
	Tatsushi Omiya	Outside Director, QB Net Holdings Co., Ltd. Lawyer, LEX Law Office	1,800
Independent Auditor	Ernst & Young ShinNihon LLC	—	21,115 (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 auditing matters related to the Investment Corporation Merger and English financial statements.

(2) Policy for determining whether to dismiss or refuse the reappointment of independent auditor

Dismissal of the independent auditor is subject to consideration at a meeting of the board of directors of SHR in accordance with the provisions of the Investment Trusts Act. Refusal of reappointment of the independent auditor is also subject to consideration at a meeting of the board of directors of SHR by taking into account the quality of audits, amount of audit fee and various other circumstances in a comprehensive manner.

4. Asset Management Company, Asset Custodian and Administrative Agents

The following table sets forth information on the asset management company, asset custodian and administrative agents of SHR as of the date of this document.

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

Condition of investment assets

1. Composition of Assets of the Investment Corporation

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

Type of asset	Asset category	Geographical area, etc.	As of the end of 7th fiscal period (Apr. 30, 2018) (Note 1)		As of the end of 8th fiscal period (Oct. 31, 2018)	
			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	Residential properties	Greater Tokyo	—	—	182,615	39.9
		Other areas	—	—	54,544	11.9
	Commercial properties	Three major metropolitan areas	197,376	95.1	196,670	43.0
		Other areas	—	—	—	—
Total of real estate in trust			197,376	95.1	433,830	94.8
Deposits and other assets			10,073	4.9	23,757	5.2
Total amount of assets			207,450	100.0	457,588	100.0

(Note 1) Figures indicated in “As of the end of 7th fiscal period (Apr. 30, 2018)” are the figures for SHR only before the Investment Corporation Merger.

(Note 2) “Total amount held” is the carrying amount (or, for real estate in trust, the depreciated book value) as of the end of each fiscal period, rounded down to the nearest million yen.

(Note 3) Figures under the heading “As a percentage of total assets” have been rounded to the nearest first 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 table sets forth an overview of the major portfolio assets (top ten properties by book value at the end of period) of SHR as of the end of the fiscal period under review.

Name of real estate, etc.	Book value at the end of period (million yen) (Note 1)	Leasable area (m²) (Note 2)	Leased area (m²) (Note 3)	Occupancy ratio (%) (Note 4)	As a percentage of total property-related operating revenue (%) (Note 5)	Use
Garden City Shinagawa Gotenyama (Note 6)	58,667	31,236.34	31,236.34	100.0	10.8	Office building
Gotenyama SH Building	50,443	19,999.97	19,999.97	100.0	9.0	Office building
Hommachi Garden City (Office building portion) (Note 7)	37,512	17,006.94	17,006.94	100.0	7.4	Office building
Hommachi Minami Garden City (Note 8)	22,268	16,699.46	16,699.46	100.0	4.8	Office building
Hommachi Garden City (Hotel portion) (Note 7)	17,145	18,092.98	18,092.98	100.0	3.3	Hotel
Esty Maison Ojima	8,583	9,905.97	9,817.01	99.1	2.0	Residence
Esty Maison Kinshicho II	8,205	9,469.65	9,346.02	98.7	1.8	Residence
Prime Maison Shirokanedai Tower	8,072	6,772.89	6,540.11	96.6	1.9	Residence
Esty Maison Ginza	6,527	5,515.43	5,418.81	98.2	1.4	Residence

Hirokoji Garden Avenue	6,286	4,442.75	4,442.75	100.0	1.8	Office building
Total	223,712	139,142.38	138,600.39	99.6	44.3	—

(Note 1) “Book value at the end of period” refers to the depreciated book value of each property as of the end of the fiscal period under review, rounded down to the nearest million yen. The same shall apply hereinafter.

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

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

(Note 4) “Occupancy ratio” refers to the ratio of leased area to leasable area of each property as of the end of the fiscal period under review, rounded to the nearest first decimal place. The figure indicated in the “Total” column indicates the ratio of the sum total of leased area of each property to the sum total of leasable area of each property, rounded to the nearest first decimal place.

(Note 5) Figures under the heading “As a percentage of total property-related operating revenue” indicate the ratio of property-related operating revenue of each property for the fiscal period under review to total property-related operating revenue of each property of SHR’s entire property for the fiscal period under review (including property-related operating revenue of Hamamatsu Plaza), rounded to the nearest first decimal place.

(Note 6) For Garden City Shinagawa Gotenyama, SHR owns real estate trust beneficiary interests for the sectional ownership rights to all of the exclusively-owned portions of the 2nd through 4th and 6th through 9th floors of the building and part of the exclusively-owned portions of the 5th floor and for the accompanying right of site (ratio of right of site: 3,123,640/3,857,806 (or approximately 81.0%)).

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

(Note 8) For Hommachi Minami Garden City, SHR owns real estate trust beneficiary interests for the sectional ownership rights to all of the exclusively-owned portions of the 13th through 24th floors of the building and for the accompanying right of site (ratio of right of site: 1,669,946/2,965,753 (or approximately 56.3%)).

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

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

Use	Property number (Note 1)	Name of real estate, etc.	Location (Note 2)	Type of ownership	Book value at the end of period (million yen)	Estimated value at the end of period (million yen) (Note 3)
Residence	R-001	Esty Maison Ginza	Chuo-ku, Tokyo	Real estate trust beneficiary interests	6,527	6,700
	R-002	Esty Maison Azabunagasaka	Minato-ku, Tokyo	Real estate trust beneficiary interests	1,785	1,840
	R-003	Esty Maison Ebisu II	Shibuya-ku, Tokyo	Real estate trust beneficiary interests	2,036	2,090
	R-004	Esty Maison Ebisu	Shibuya-ku, Tokyo	Real estate trust beneficiary interests	870	896
	R-005	Esty Maison Kanda	Chiyoda-ku, Tokyo	Real estate trust beneficiary interests	1,601	1,650
	R-006	Esty Maison Kitashinjuku	Shinjuku-ku, Tokyo	Real estate trust beneficiary interests	1,580	1,630
	R-007	Esty Maison Asakusakomagata	Taito-ku, Tokyo	Real estate trust beneficiary interests	2,175	2,240
	R-008	Esty Maison Kawasaki	Kawasaki-shi, Kanagawa	Real estate trust beneficiary interests	2,376	2,530
	R-009	Esty Maison Yokohama	Yokohama-shi, Kanagawa	Real estate trust beneficiary interests	2,097	2,110
	R-010	Esty Maison Kameido	Koto-ku, Tokyo	Real estate trust beneficiary interests	1,566	1,590
	R-011	Esty Maison Meguro	Meguro-ku, Tokyo	Real estate trust beneficiary interests	1,097	1,080
	R-012	Esty Maison Sugamo	Toshima-ku, Tokyo	Real estate trust beneficiary interests	1,624	1,660
	R-013	Esty Maison Kyobashi	Osaka-shi, Osaka	Real estate trust beneficiary interests	2,946	3,000
	R-014	Esty Maison Hakuraku	Yokohama-shi, Kanagawa	Real estate trust beneficiary interests	925	932
	R-015	Esty Maison Minamihorie	Osaka-shi, Osaka	Real estate trust beneficiary interests	1,056	1,070
	R-016	Esty Maison Gotanda (Note 4)	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	3,098	3,130
	R-017	Esty Maison Oisendaizaka	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	2,705	2,720
	R-018	Esty Maison Shinagawa Seaside	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	2,042	2,080
	R-019	Esty Maison Minamiazabu	Minato-ku, Tokyo	Real estate trust beneficiary interests	1,247	1,270
	R-020	Esty Maison Tsukamoto	Osaka-shi, Osaka	Real estate trust beneficiary interests	1,071	1,080
	R-021	Esty Maison Kawasaki II	Kawasaki-shi, Kanagawa	Real estate trust beneficiary interests	1,895	1,950
	R-022	Esty Maison Azabujuban	Minato-ku, Tokyo	Real estate trust beneficiary interests	2,686	2,750
	R-023	Esty Maison Itabashihoncho	Itabashi-ku, Tokyo	Real estate trust beneficiary interests	930	955
	R-024	Esty Maison Oizumigakuen	Nerima-ku, Tokyo	Real estate trust beneficiary interests	786	805
	R-025	Esty Maison Higashishinagawa	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	2,373	2,330
	R-026	Esty Maison Itabashikuyakushomae	Itabashi-ku, Tokyo	Real estate trust beneficiary interests	2,526	2,590
	R-027	Esty Maison Musashikoyama (Note 5)	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	1,045	1,060
	R-028	Esty Maison Sendagi (Note 6)	Bunkyo-ku, Tokyo	Real estate trust beneficiary interests	695	711

Use	Property number (Note 1)	Name of real estate, etc.	Location (Note 2)	Type of ownership	Book value at the end of period (million yen)	Estimated value at the end of period (million yen) (Note 3)
Residence	R-029	Esty Maison Yotsuyasakamachi (Note 7)	Shinjuku-ku, Tokyo	Real estate trust beneficiary interests	2,085	2,140
	R-030	Esty Maison Hakatahigashi	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	2,375	2,420
	R-031	Esty Maison Kamigofuku	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	814	816
	R-032	Esty Maison Sangenjaya	Setagaya-ku, Tokyo	Real estate trust beneficiary interests	817	830
	R-033	Prime Maison Musashinonomori	Kodaira-shi, Tokyo	Real estate trust beneficiary interests	1,839	1,880
	R-034	Prime Maison Higashisakura	Nagoya-shi, Aichi	Real estate trust beneficiary interests	1,488	1,530
	R-035	Prime Maison Kayabakoen	Nagoya-shi, Aichi	Real estate trust beneficiary interests	794	819
	R-036	Esty Maison Sangenjaya II	Setagaya-ku, Tokyo	Real estate trust beneficiary interests	781	804
	R-037	Esty Maison Itabashi C6	Itabashi-ku, Tokyo	Real estate trust beneficiary interests	2,544	2,560
	R-038	MAST Hakata (Note 8)	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	2,327	2,400
	R-039	Esty Maison Kinshicho	Sumida-ku, Tokyo	Real estate trust beneficiary interests	1,251	1,270
	R-040	Esty Maison Musashikoganei	Koganei-shi, Tokyo	Real estate trust beneficiary interests	1,783	1,870
	R-041	Prime Maison Gokiso	Nagoya-shi, Aichi	Real estate trust beneficiary interests	1,934	1,950
	R-042	Prime Maison Yuhigaoka	Osaka-shi, Osaka	Real estate trust beneficiary interests	903	929
	R-043	Prime Maison Kitatanabe	Osaka-shi, Osaka	Real estate trust beneficiary interests	596	614
	R-044	Prime Maison Momochihama	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	1,931	1,990
	R-045	Esty Maison Akihabara	Taito-ku, Tokyo	Real estate trust beneficiary interests	1,916	1,940
	R-046	Esty Maison Sasazuka	Shibuya-ku, Tokyo	Real estate trust beneficiary interests	3,429	3,340
	R-047	Prime Maison Ginza East	Chuo-ku, Tokyo	Real estate trust beneficiary interests	6,219	6,360
	R-048	Prime Maison Takami	Nagoya-shi, Aichi	Real estate trust beneficiary interests	1,042	1,050
	R-049	Prime Maison Yadaminami	Nagoya-shi, Aichi	Real estate trust beneficiary interests	809	820
	R-050	Prime Maison Teriha	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	1,247	1,240
	R-051	Esty Maison Higashishirakabe	Nagoya-shi, Aichi	Real estate trust beneficiary interests	1,568	1,590
	R-052	Esty Maison Sengoku	Bunkyo-ku, Tokyo	Real estate trust beneficiary interests	1,355	1,330
	R-053	Esty Maison Daizawa	Setagaya-ku, Tokyo	Real estate trust beneficiary interests	2,262	2,240
	R-054	Esty Maison Togoshi	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	1,762	1,770
	R-055	Esty Maison Nishitemma	Osaka-shi, Osaka	Real estate trust beneficiary interests	1,670	1,650
	R-056	Esty Maison Shirokanedai	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	2,392	2,400
	R-057	Esty Maison Higashishinjuku	Shinjuku-ku, Tokyo	Real estate trust beneficiary interests	1,669	1,720
	R-058	Esty Maison Motoazabu	Minato-ku, Tokyo	Real estate trust beneficiary interests	1,534	1,550

Use	Property number (Note 1)	Name of real estate, etc.	Location (Note 2)	Type of ownership	Book value at the end of period (million yen)	Estimated value at the end of period (million yen) (Note 3)
Residence	R-059	Esty Maison Toritsudaigaku	Meguro-ku, Tokyo	Real estate trust beneficiary interests	857	851
	R-060	Esty Maison Musashikoyama II	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	1,024	1,030
	R-061	Esty Maison Nakano	Nakano-ku, Tokyo	Real estate trust beneficiary interests	1,861	1,810
	R-062	Esty Maison Shinnakano	Nakano-ku, Tokyo	Real estate trust beneficiary interests	1,014	995
	R-063	Esty Maison Nakanofujimicho	Nakano-ku, Tokyo	Real estate trust beneficiary interests	979	994
	R-064	Esty Maison Tetsugakudo	Nakano-ku, Tokyo	Real estate trust beneficiary interests	1,154	1,140
	R-065	Esty Maison Koenji	Suginami-ku, Tokyo	Real estate trust beneficiary interests	1,154	1,170
	R-066	Esty Maison Oshiage	Sumida-ku, Tokyo	Real estate trust beneficiary interests	2,475	2,440
	R-067	Esty Maison Akabane	Kita-ku, Tokyo	Real estate trust beneficiary interests	3,266	3,240
	R-068	Esty Maison Oji	Kita-ku, Tokyo	Real estate trust beneficiary interests	1,638	1,620
	R-069	Prime Maison Waseda	Shinjuku-ku, Tokyo	Real estate trust beneficiary interests	1,570	1,610
	R-070	Prime Maison Hatchobori	Chuo-ku, Tokyo	Real estate trust beneficiary interests	1,450	1,490
	R-071	Prime Maison Jimbocho	Chiyoda-ku, Tokyo	Real estate trust beneficiary interests	1,948	1,970
	R-072	Prime Maison Gotenyama East	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	2,902	2,950
	R-073	MAST LIFE Akihabara	Chiyoda-ku, Tokyo	Real estate trust beneficiary interests	552	551
	R-074	Esty Maison Aoi	Nagoya-shi, Aichi	Real estate trust beneficiary interests	2,444	2,480
	R-075	Esty Maison Yakuin	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	2,418	2,470
	R-076	Esty Maison Kinshicho II	Sumida-ku, Tokyo	Real estate trust beneficiary interests	8,205	8,420
	R-077	Esty Maison Ojima	Koto-ku, Tokyo	Real estate trust beneficiary interests	8,583	8,790
	R-078	Prime Maison Fujimidai	Nagoya-shi, Aichi	Real estate trust beneficiary interests	2,061	2,060
	R-079	Esty Maison Tsurumai	Nagoya-shi, Aichi	Real estate trust beneficiary interests	4,705	4,490
	R-080	Prime Maison Morishita	Koto-ku, Tokyo	Real estate trust beneficiary interests	1,917	1,970
	R-081	Prime Maison Shinagawa	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	1,950	1,970
	R-082	Prime Maison Odorikoen	Sapporo-shi, Hokkaido	Real estate trust beneficiary interests	3,154	3,200
	R-083	Prime Maison Minami 2-jo	Sapporo-shi, Hokkaido	Real estate trust beneficiary interests	1,913	1,950
	R-084	Prime Maison Kamokamogawa	Sapporo-shi, Hokkaido	Real estate trust beneficiary interests	1,237	1,280
	R-085	Prime Maison Central Park (Note 9)	Fukuoka-shi, Fukuoka	Real estate trust beneficiary interests	2,287	2,362
	R-086	MAST LIFE Yahiro	Sumida-ku, Tokyo	Real estate trust beneficiary interests	1,897	1,910
	R-087	Prime Maison Ebisu	Shibuya-ku, Tokyo	Real estate trust beneficiary interests	4,346	4,480
	R-088	Granmast Kanazawa Nishiizumi	Kanazawa-shi, Ishikawa	Real estate trust beneficiary interests	1,068	1,060

Use	Property number (Note 1)	Name of real estate, etc.	Location (Note 2)	Type of ownership	Book value at the end of period (million yen)	Estimated value at the end of period (million yen) (Note 3)
Residence	R-089	Granmast Unomori	Yokkaichi-shi, Mie	Real estate trust beneficiary interests	820	830
	R-090	Esty Maison Kohoku Tsunashima	Yokohama-shi, Kanagawa	Real estate trust beneficiary interests	2,742	2,814
	R-091	MAST LIFE Hino	Hino-shi, Tokyo	Real estate trust beneficiary interests	1,378	1,410
	R-092	Prime Maison Yokohama Nihon-odori	Yokohama-shi, Kanagawa	Real estate trust beneficiary interests	4,837	4,880
	R-093	Kobe Women's Student Housing	Kobe-shi, Hyogo	Real estate trust beneficiary interests	5,795	5,880
	R-094	Prime Maison Shibuya	Shibuya-ku, Tokyo	Real estate trust beneficiary interests	2,423	2,480
	R-095	Prime Maison Hatsudai	Shibuya-ku, Tokyo	Real estate trust beneficiary interests	2,997	3,070
	R-096	Esty Maison Uemachidai	Osaka-shi, Osaka	Real estate trust beneficiary interests	1,094	1,050
	R-097	Esty Maison Kobe-sannomiya	Kobe-shi, Hyogo	Real estate trust beneficiary interests	964	971
	R-098	Prime Maison Shirokane-takanawa	Minato-ku, Tokyo	Real estate trust beneficiary interests	4,884	5,010
	R-099	Prime Maison Ichigayayamabushicho	Shinjuku-ku, Tokyo	Real estate trust beneficiary interests	4,204	4,250
	R-100	Esty Maison Morishita	Sumida-ku, Tokyo	Real estate trust beneficiary interests	651	658
	R-101	Prime Maison Shirokanedai Tower	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	8,072	8,950
	R-102	Prime Maison Otsuka	Toshima-ku, Tokyo	Real estate trust beneficiary interests	3,775	4,090
	R-103	Prime Maison Asakusabashi	Taito-ku, Tokyo	Real estate trust beneficiary interests	1,711	1,860
	R-104	Prime Maison Daikanyama	Meguro-ku, Tokyo	Real estate trust beneficiary interests	2,560	2,850
	R-105	Prime Maison Gotenyama West	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	3,459	3,850
	R-106	Esty Maison Toyosu Residence (Note 10) (Note 11)	Koto-ku, Tokyo	Real estate trust beneficiary interests	6,218	6,510
	Subtotal		-	-	237,160	242,437
	O-001	Garden City Shinagawa Gotenyama	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	58,667	71,400
	O-002	Gotenyama SH Building	Shinagawa-ku, Tokyo	Real estate trust beneficiary interests	50,443	60,100
	O-003	Hommachi Minami Garden City	Osaka-shi, Osaka	Real estate trust beneficiary interests	22,268	29,900
	O-004	Hommachi Garden City (Office building portion)	Osaka-shi, Osaka	Real estate trust beneficiary interests	37,512	44,700
	O-005	HK Yodoyabashi Garden Avenue (Note 12)	Osaka-shi, Osaka	Real estate trust beneficiary interests	4,346	5,750
	O-006	Hirokoji Garden Avenue	Nagoya-shi, Aichi	Real estate trust beneficiary interests	6,286	7,160
	Subtotal		-	-	179,524	219,010
	H-001	Hommachi Garden City (Hotel portion)	Osaka-shi, Osaka	Real estate trust beneficiary interests	17,145	17,700
Subtotal			-	-	17,145	17,700
Total			-	-	433,830	479,147

- (Note 1) “Property number” is the number assigned by property after classifying the properties held by SHR by use, and the letters R, O, H and C refer to residence, office building, hotel and commercial property, respectively. The same shall apply hereinafter.
- (Note 2) “Location” is indicated based on the statement in the registry. If there are multiple statements of locations in the registry, either one of them is indicated.
- (Note 3) “Estimated value at the end of period” refers to the value stated in each real estate appraisal report (with the end of April as the appraisal date) for each fiscal period ended April, and the value stated in each real estate appraisal report (with the end of October as the appraisal date) or the survey value stated in each real estate survey value report (with the end of October as the survey date) as a result of value surveys not pursuant to real estate appraisal standards, for each fiscal period ended October.
- (Note 4) For Esty Maison Gotanda, SHR owns real estate trust beneficiary interests for the sectional ownership rights to part of the exclusively-owned portions of the building and for the accompanying right of site (ratio of right of site: 387,036/426,933 (or approximately 90.7%).
- (Note 5) For Esty Maison Musashikoyama, SHR owns real estate trust beneficiary interests for the sectional ownership rights to part of the exclusively-owned portions of the building and for the accompanying right of site (ratio of right of site: 117,678/127,609 (or approximately 92.2%).
- (Note 6) For Esty Maison Sendagi, SHR owns real estate trust beneficiary interests for the sectional ownership rights to part of the exclusively-owned portions of the building and for the accompanying right of site (ratio of right of site: 89,730/103,842 (or approximately 86.4%).
- (Note 7) For Esty Maison Yotsuyasakamachi, SHR owns real estate trust beneficiary interests for the sectional ownership rights to part of the exclusively-owned portions of the building and for the accompanying right of site (ratio of right of site: 245,317/329,739 (or approximately 74.4%).
- (Note 8) MAST Hakata is a property on a leased land owned by the Urban Renaissance Agency and for which a general fixed-term leasehold right is established with a lease term of 50 years from December 1, 2002.
- (Note 9) Part of the land of Prime Maison Central Park (lot number: 23-32) is a leased land, while the building (store) on the leased land is owned by the lessee.
- (Note 10) The property name of Esty Maison Toyosu Residence was Toyosu Residence when SHR acquired it, but was renamed to the present one as of October 1, 2018 after the acquisition. The same shall apply hereinafter.
- (Note 11) Esty Maison Toyosu Residence is a property on a leased land owned by the Urban Renaissance Agency and for which a general fixed-term leasehold right is established with a lease term of 65 years from March 17, 2006.
- (Note 12) For HK Yodoyabashi Garden Avenue, SHR owns real estate trust beneficiary interests for the sectional ownership rights to all of the exclusively-owned portions of the 1st through 6th floors of the building and for the accompanying right of site (ratio of right of site: 405,901/1,000,000 (or approximately 40.6%).

The following table sets forth the status of leasing of real estate, etc. held by SHR.										
Use	Property number	Name of real estate, etc.	7th fiscal period (Note 1) From: Nov. 1, 2017 To: Apr. 30, 2018				8th fiscal period From: May 1, 2018 To: Oct. 31, 2018			
			Total number of tenants [at the end of fiscal period] (Note 2)	Occupancy ratio [at the end of fiscal period] (%) (Note 3)	Property-related operating revenue [during fiscal period] (million yen) (Note 4)	As a percentage of total property-related operating revenue (%) (Note 5)	Total number of tenants [at the end of fiscal period] (Note 2)	Occupancy ratio [at the end of fiscal period] (%) (Note 3)	Property-related operating revenue [during fiscal period] (million yen) (Note 4)	As a percentage of total property-related operating revenue (%) (Note 5)
Residence	R-001	Esty Maison Ginza	—	—	—	—	1	98.2	175	1.4
	R-002	Esty Maison Azabunagasaka	—	—	—	—	1	90.0	51	0.4
	R-003	Esty Maison Ebisu II	—	—	—	—	1	97.8	58	0.5
	R-004	Esty Maison Ebisu	—	—	—	—	1	100.0	24	0.2
	R-005	Esty Maison Kanda	—	—	—	—	1	97.4	45	0.4
	R-006	Esty Maison Kitashinjuku	—	—	—	—	1	96.9	47	0.4
	R-007	Esty Maison Asakusakomagata	—	—	—	—	1	99.2	64	0.5
	R-008	Esty Maison Kawasaki	—	—	—	—	1	98.7	77	0.6
	R-009	Esty Maison Yokohama	—	—	—	—	1	100.0	65	0.5
	R-010	Esty Maison Kameido	—	—	—	—	1	97.9	53	0.4
	R-011	Esty Maison Meguro	—	—	—	—	1	95.0	31	0.3
	R-012	Esty Maison Sugamo	—	—	—	—	1	100.0	50	0.4
	R-013	Esty Maison Kyobashi	—	—	—	—	1	97.6	89	0.7
	R-014	Esty Maison Hakuraku	—	—	—	—	1	98.2	30	0.3
	R-015	Esty Maison Minamihorie	—	—	—	—	1	95.4	33	0.3
	R-016	Esty Maison Gotanda	—	—	—	—	1	96.4	94	0.8
	R-017	Esty Maison Oisendaizaka	—	—	—	—	1	98.4	79	0.7
	R-018	Esty Maison Shinagawa Seaside	—	—	—	—	1	93.3	65	0.5
	R-019	Esty Maison Minamiazabu	—	—	—	—	1	98.1	32	0.3
	R-020	Esty Maison Tsukamoto	—	—	—	—	1	95.8	38	0.3
	R-021	Esty Maison Kawasaki II	—	—	—	—	1	100.0	63	0.5
	R-022	Esty Maison Azabujuban	—	—	—	—	1	94.0	67	0.6
	R-023	Esty Maison Itabashihoncho	—	—	—	—	1	96.9	28	0.2
	R-024	Esty Maison Oizumigakuen	—	—	—	—	1	98.3	25	0.2
	R-025	Esty Maison Higashishinagawa	—	—	—	—	1	97.2	69	0.6
	R-026	Esty Maison Itabashikuyakush omae	—	—	—	—	1	92.0	78	0.6
	R-027	Esty Maison Musashikoyama	—	—	—	—	1	95.6	31	0.3

Use	Property number	Name of real estate, etc.	7th fiscal period (Note 1) From: Nov. 1, 2017 To: Apr. 30, 2018				8th fiscal period From: May 1, 2018 To: Oct. 31, 2018			
			Total number of tenants [at the end of fiscal period] (Note 2)	Occupancy ratio [at the end of fiscal period] (%) (Note 3)	Property-related operating revenue [during fiscal period] (million yen) (Note 4)	As a percentage of total property-related operating revenue (%) (Note 5)	Total number of tenants [at the end of fiscal period] (Note 2)	Occupancy ratio [at the end of fiscal period] (%) (Note 3)	Property-related operating revenue [during fiscal period] (million yen) (Note 4)	As a percentage of total property-related operating revenue (%) (Note 5)
Residence	R-028	Esty Maison Sendagi	—	—	—	—	1	100.0	22	0.2
	R-029	Esty Maison Yotsuyasakamachi	—	—	—	—	1	98.2	58	0.5
	R-030	Esty Maison Hakatahigashi	—	—	—	—	1	100.0	86	0.7
	R-031	Esty Maison Kamigofuku	—	—	—	—	1	95.7	28	0.2
	R-032	Esty Maison Sangenjaya	—	—	—	—	1	97.2	23	0.2
	R-033	Prime Maison Musashinonomori	—	—	—	—	1	95.9	62	0.5
	R-034	Prime Maison Higashisakura	—	—	—	—	1	100.0	52	0.4
	R-035	Prime Maison Kayabakoen	—	—	—	—	1	100.0	29	0.2
	R-036	Esty Maison Sangenjaya II	—	—	—	—	1	97.0	23	0.2
	R-037	Esty Maison Itabashi C6	—	—	—	—	1	96.2	78	0.6
	R-038	MAST Hakata	—	—	—	—	1	100.0	94	0.8
	R-039	Esty Maison Kinshicho	—	—	—	—	1	100.0	36	0.3
	R-040	Esty Maison Musashikoganei	—	—	—	—	1	98.0	54	0.4
	R-041	Prime Maison Gokiso	—	—	—	—	1	96.6	64	0.5
	R-042	Prime Maison Yuhigaoka	—	—	—	—	1	95.9	30	0.2
	R-043	Prime Maison Kitatanabe	—	—	—	—	1	95.5	23	0.2
	R-044	Prime Maison Momochihama	—	—	—	—	1	100.0	69	0.6
	R-045	Esty Maison Akihabara	—	—	—	—	1	96.2	56	0.5
	R-046	Esty Maison Sasazuka	—	—	—	—	1	97.6	88	0.7
	R-047	Prime Maison Ginza East	—	—	—	—	1	98.6	175	1.4
	R-048	Prime Maison Takami	—	—	—	—	1	97.2	35	0.3
	R-049	Prime Maison Yadaminami	—	—	—	—	1	96.1	27	0.2
	R-050	Prime Maison Teriha	—	—	—	—	1	100.0	51	0.4
	R-051	Esty Maison Higashishirakabe	—	—	—	—	1	100.0	46	0.4
	R-052	Esty Maison Sengoku	—	—	—	—	1	95.7	36	0.3
	R-053	Esty Maison Daizawa	—	—	—	—	1	100.0	60	0.5
	R-054	Esty Maison Togoshi	—	—	—	—	1	98.8	49	0.4
	R-055	Esty Maison Nishitemma	—	—	—	—	1	96.1	56	0.5
	R-056	Esty Maison Shirokanedai	—	—	—	—	1	96.2	64	0.5

Use	Property Number	Name of real estate, etc.	7th fiscal period (Note 1) From: Nov. 1, 2017 To: Apr. 30, 2018				8th fiscal period From: May 1, 2018 To: Oct. 31, 2018			
			Total number of tenants [at the end of fiscal period] (Note 2)	Occupancy ratio [at the end of fiscal period] (%) (Note 3)	Property-related operating revenue [during fiscal period] (million yen) (Note 4)	As a percentage of total property-related operating revenue (%) (Note 5)	Total number of tenants [at the end of fiscal period] (Note 2)	Occupancy ratio [at the end of fiscal period] (%) (Note 3)	Property-related operating revenue [during fiscal period] (million yen) (Note 4)	As a percentage of total property-related operating revenue (%) (Note 5)
Residence	R-057	Esty Maison Higashishinjuku	—	—	—	—	1	100.0	46	0.4
	R-058	Esty Maison Motoazabu	—	—	—	—	1	85.2	36	0.3
	R-059	Esty Maison Toritsudaigaku	—	—	—	—	1	100.0	22	0.2
	R-060	Esty Maison Musashikoyama II	—	—	—	—	1	97.8	29	0.2
	R-061	Esty Maison Nakano	—	—	—	—	1	98.4	52	0.4
	R-062	Esty Maison Shinnakano	—	—	—	—	1	98.0	28	0.2
	R-063	Esty Maison Nakanofujimicho	—	—	—	—	1	97.7	30	0.2
	R-064	Esty Maison Tetsugakudo	—	—	—	—	1	95.4	33	0.3
	R-065	Esty Maison Koenji	—	—	—	—	1	100.0	33	0.3
	R-066	Esty Maison Oshiage	—	—	—	—	1	97.7	72	0.6
	R-067	Esty Maison Akabane	—	—	—	—	1	97.6	96	0.8
	R-068	Esty Maison Oji	—	—	—	—	1	98.9	48	0.4
	R-069	Prime Maison Waseda	—	—	—	—	1	93.0	41	0.3
	R-070	Prime Maison Hatchobori	—	—	—	—	1	96.2	37	0.3
	R-071	Prime Maison Jimbocho	—	—	—	—	1	100.0	51	0.4
	R-072	Prime Maison Gotenyama East	—	—	—	—	1	100.0	84	0.7
	R-073	MAST LIFE Akihabara	—	—	—	—	1	100.0	15	0.1
	R-074	Esty Maison Aoi	—	—	—	—	1	92.3	71	0.6
	R-075	Esty Maison Yakuin	—	—	—	—	1	96.1	75	0.6
	R-076	Esty Maison Kinshicho II	—	—	—	—	1	98.7	219	1.8
	R-077	Esty Maison Ojima	—	—	—	—	1	99.1	242	2.0
	R-078	Prime Maison Fujimidai	—	—	—	—	1	92.2	67	0.6
	R-079	Esty Maison Tsurumai	—	—	—	—	1	100.0	155	1.3
	R-080	Prime Maison Morishita	—	—	—	—	1	98.8	57	0.5
	R-081	Prime Maison Shinagawa	—	—	—	—	1	100.0	57	0.5
	R-082	Prime Maison Odorikoen	—	—	—	—	1	96.5	115	0.9
	R-083	Prime Maison Minami 2-jo	—	—	—	—	1	99.3	70	0.6
	R-084	Prime Maison Kamokamogawa	—	—	—	—	1	98.1	47	0.4
	R-085	Prime Maison Central Park	—	—	—	—	1	98.7	88	0.7
	R-086	MAST LIFE Yahiro	—	—	—	—	1	100.0	56	0.5

Use	Property number	Name of real estate, etc.	7th fiscal period (Note 1) From: Nov. 1, 2017 To: Apr. 30, 2018				8th fiscal period From: May 1, 2018 To: Oct. 31, 2018			
			Total number of tenants [at the end of fiscal period] (Note 2)	Occupancy ratio [at the end of fiscal period] (%) (Note 3)	Property-related operating revenue [during fiscal period] (million yen) (Note 4)	As a percentage of total property-related operating revenue (%) (Note 5)	Total number of tenants [at the end of fiscal period] (Note 2)	Occupancy ratio [at the end of fiscal period] (%) (Note 3)	Property-related operating revenue [during fiscal period] (million yen) (Note 4)	As a percentage of total property-related operating revenue (%) (Note 5)
Residence	R-087	Prime Maison Ebisu	—	—	—	—	1	98.2	113	0.9
	R-088	Granmast Kanazawa Nishiizumi	—	—	—	—	1	100.0	41	0.3
	R-089	Granmast Unomori	—	—	—	—	1	100.0	26	0.2
	R-090	Esty Maison Kohoku Tsunashima	—	—	—	—	1	100.0	82	0.7
	R-091	MAST LIFE Hino	—	—	—	—	1	99.0	48	0.4
	R-092	Prime Maison Yokohama Nihon-Odori	—	—	—	—	1	93.6	136	1.1
	R-093	Kobe Women's Student Housing	—	—	—	—	1	100.0	222	1.8
	R-094	Prime Maison Shibuya	—	—	—	—	1	96.6	64	0.5
	R-095	Prime Maison Hatsudai	—	—	—	—	1	98.2	75	0.6
	R-096	Esty Maison Uemachidai	—	—	—	—	1	100.0	32	0.3
	R-097	Esty Maison Kobe-Sannomiya	—	—	—	—	1	98.2	30	0.3
	R-098	Prime Maison Shirokane-Takanawa	—	—	—	—	1	97.5	120	1.0
	R-099	Prime Maison Ichigayayamabu shicho	—	—	—	—	1	95.4	109	0.9
	R-100	Prime Maison Morishita	—	—	—	—	1	100.0	18	0.2
	R-101	Prime Maison Shirokanedai Tower	—	—	—	—	1	96.6	232	1.9
	R-102	Prime Maison Otsuka	—	—	—	—	1	94.9	105	0.9
	R-103	Prime Maison Asakusabashi	—	—	—	—	1	100.0	51	0.4
	R-104	Prime Maison Daikanyama	—	—	—	—	1	91.8	68	0.6
	R-105	Prime Maison Gotenyama West	—	—	—	—	1	95.9	109	0.9
	R-106	Esty Maison Toyosu Residence	—	—	—	—	1	98.4	463	3.8
	Subtotal		—	—	—	—	12	97.9	7,399	60.8

Use	Property number	Name of real estate, etc.	7th fiscal period (Note 1) From: Nov. 1, 2017 To: Apr. 30, 2018				8th fiscal period From: May 1, 2018 To: Oct. 31, 2018			
			Total number of tenants [at the end of fiscal period] (Note 2)	Occupancy ratio [at the end of fiscal period] (%) (Note 3)	Property-related operating revenue [during fiscal period] (million yen) (Note 4)	As a percentage of total property-related operating revenue (%) (Note 5)	Total number of tenants [at the end of fiscal period] (Note 2)	Occupancy ratio [at the end of fiscal period] (%) (Note 3)	Property-related operating revenue [during fiscal period] (million yen) (Note 4)	As a percentage of total property-related operating revenue (%) (Note 5)
Office building	O-001	Garden City Shinagawa Gotenyama	1	100.0	1,318	28.3	1	100.0	1,318	10.8
	O-002	Gotenyama SH Building	1	100.0	1,088	23.4	1	100.0	1,089	9.0
	O-003	Hommachi Minami Garden City	1	100.0	586	12.6	1	100.0	586	4.8
	O-004	Hommachi Garden City (Office building portion)	1	100.0	903	19.4	1	100.0	903	7.4
	O-005	HK Yodoyabashi Garden Avenue	1	100.0	149	3.2	1	100.0	152	1.3
	O-006	Hirokoji Garden Avenue	1	100.0	205	4.4	1	100.0	213	1.8
	Subtotal			2	100.0	4,253	91.4	2	100.0	4,264
Hotel	H-001	Hommachi Garden City (Hotel portion)	1	100.0	402	8.6	1	100.0	402	3.3
	Subtotal			1	100.0	402	8.6	1	100.0	402
Commercial properties	C-001	Hamamatsu Plaza (Note 6)	—	—	—	—	—	—	100	0.8
	Subtotal			—	—	—	—	—	100	0.8
Total			2	100.0	4,655	100.0	14	98.4	12,166	100.0

(Note 1) Figures indicated in the “7th fiscal period From: Nov. 1, 2017 To: Apr. 30, 2018” column are only for the properties SHR owned since before the Investment Corporation Merger.

(Note 2) “Total number of tenants” refers to the sum total of the number of tenants under, and indicated in, the respective lease agreements for each property that are valid as of the end of each fiscal period (or, if a master lease agreement that is valid as of the end of each fiscal period has been concluded for the property, the number of lessees under the master lease agreement). In the “Subtotal” and “Total” columns, however, a tenant that leases spaces in multiple properties is counted as one. Furthermore, of the office buildings, the total number of end tenants for HK Yodoyabashi Garden Avenue and Hirokoji Garden Avenue where pass-through type master lease agreements have been concluded is 7 and 8, respectively, both as of the end of the 7th fiscal period (from Nov. 1, 2017 to Apr. 30, 2018) and as of the end of the 8th fiscal period (from May 1, 2018 to Oct. 31, 2018).

(Note 3) “Occupancy ratio” refers to the ratio of leased area to leasable area of each property as of the end of each fiscal period, rounded to the nearest first decimal place. The figures indicated in the “Subtotal” columns are the ratio of the subtotal of leased area of each property classified by use to the subtotal of leasable area of each property classified by use, and the figure indicated in the “Total” column is the ratio of the sum total of leased area of each property to the sum total of leasable area of each property, as the occupancy ratio of the entire portfolio. The both figures have been rounded to the nearest first decimal place.

(Note 4) “Property-related operating revenue [during fiscal period]” indicates the property-related operating revenue of each property for each fiscal period, rounded down to the nearest million yen.

(Note 5) Figures under the heading “As a percentage of total property-related operating revenue” indicate the ratio of property-related operating revenue of each property for each fiscal period or the subtotal of property-related operating revenue of each property classified by use for each fiscal period to total property-related operating revenue of each property for each fiscal period, rounded to the nearest first decimal place.

(Note 6) SHR sold Hamamatsu Plaza on October 29, 2018. Accordingly, “Property-related operating revenue [during fiscal period]” and “As a percentage of total property-related operating revenue” for the property in the above table indicate the figures for the duration SHR owned it during the fiscal period under review.

4. Details of Renewable Energy Power Generation Facility, etc.
Not applicable.

5. Details of Right to Operate Public Facility, etc.
Not applicable.

6. Details of Investment Securities
Not applicable.

7. Table of Status of Contract Amount, etc. and Fair Value of Specified Transactions
The following table sets forth the status of contract amount, etc. and fair value of specified transactions at SHR as of the end of the fiscal period under review.

Category	Type	Contract amount, etc. (thousand yen) (Note 1)		Fair value (thousand yen) (Note 2)
			Amount due after 1 year	
Transaction other than market transaction	Interest rate swap transaction (Under which floating interest rates are receivable and fixed interest rates are payable)	63,954,500	55,572,500	-526,965
Transaction other than market transaction	Interest rate swap transaction (Under which floating interest rates are receivable and fixed interest rates are payable)	66,550,000	66,550,000	(Note 3)
Total		130,504,500	122,122,500	-526,965

(Note 1) The contract amount, etc. of interest rate swap transactions is based on notional principal amounts.
(Note 2) The fair value was calculated by the counterparty of the relevant transaction based on the actual market interest rate, etc.
(Note 3) The fair value is omitted because the transaction meets the criteria for special accounting under the Accounting Standards for Financial Instruments.

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

9. Status of Holding of Assets by Country and Region
As of the end of the fiscal period under review, there are no portfolio real estate, etc. in any other country or region besides Japan.

Capital expenditures for property

1. Schedule of Capital Expenditures
The main capital expenditure amounts accompanying renovation work, etc. currently planned for properties 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
Esty Maison Yakuin (Hirao, Chuo-ku, Fukuoka-shi, Fukuoka)	Large-scale repairs	From: February 2019 To: October 2019	217	-	-
Esty Maison Kawasaki (Ogawa-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa)	Large-scale repairs	From: August 2018 To: March 2019	155	-	-
Esty Maison Higashishirakabe (Yoshino, Higashi-ku, Nagoya-shi, Aichi)	Large-scale repairs	From: February 2019 To: June 2019	118	-	-
Esty Maison Shinagawa Seaside (Higashishinagawa, Shinagawa- ku, Tokyo)	Large-scale repairs	From: April 2019 To: October 2019	108	-	-
Esty Maison Kawasaki II (Ogawa-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa)	Large-scale repairs	From: June 2018 To: November 2018	98	39	-

(Note) "Scheduled amount" refers to the amount arrived at by multiplying (i) the full amount required for the work by (ii) the ratio of SHR's ownership in the real estate trust beneficiary interest, when SHR owns real estate trust beneficiary interests for the sectional ownership rights to the property that is subject to the relevant work.

2. Capital Expenditures During Period
An overview of capital expenditures conducted by SHR for its properties during the fiscal period under review is as set forth in the following table. Total capital expenditures during the fiscal period under review was 572 million yen and, together with 238 million yen of repair expenses charged to expenses in the fiscal period under review, work amounting to 810 million yen was implemented.

Name of real estate, etc. (location)	Purpose	Period	Payment amount (million yen)
Esty Maison Tsurumai (Chiyoda, Naka-ku, Nagoya-shi, Aichi)	Large-scale repair	From: October 2017 To: September 2018	239
Esty Maison Sasazuka (Sasazuka, Shibuya-ku, Tokyo)	Large-scale repair	From: December 2017 To: June 2018	98
Esty Maison Uemachidai (Uehonmachi-nishi, Chuo-ku, Osaka-shi, Osaka)	Large-scale repair	From: June 2018 To: September 2018	58
Esty Maison Meguro (Mita, Meguro-ku, Tokyo)	Large-scale repair	From: June 2018 To: October 2018	41
Prime Maison Odorikoen (Odori-nishi, Chuo-ku, Sapporo-shi, Hokkaido)	Repair of mechanical parking facilities	From: August 2018 To: October 2018	14
Other capital expenditures			119
Total			572

3. Cash Reserves for Long-Term Repair Plans
SHR had no cash reserved for long-term repair plans as of the end of the fiscal period under review (Note).
(Note) "Reserve fund for repair," which has been reserved by management associations at the properties owned by SHR in order to secure expenses for repair works expected in the future, is not included in the cash reserves.

Condition of expenses and debts

Details of Expenses Pertaining to Management, etc.

(Unit: thousand yen)

Item	7th fiscal period From: Nov. 1, 2017 To: Apr. 30, 2018	8th fiscal period From: May 1, 2018 To: Oct. 31, 2018
Asset management fee (Note 1)	370,434	517,151
Asset custody fee	3,786	8,486
Administrative service fees	12,732	49,959
Directors' compensations	3,600	3,600
Other expenses (Note2)	47,548	1,221,937
Total	438,101	1,801,135

(Note 1) In addition to the amounts shown above, the asset management fees contain 925,022 thousand yen as merger fees, which are included in Other expenses, and 57,599 thousand yen as management fees for property disposition, recorded as other disposition-related expenses, for the 8th fiscal period.

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

Condition of investment transactions

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

Name of real estate, etc.	Acquisition		Disposition			
	Acquisition date	Acquisition price (million yen) (Note 1)	Disposition date	Disposition price (million yen) (Note 1)	Book value (million yen)	Gain (Loss) on sale (million yen) (Note 3)
Prime Maison Shirokanedai Tower	May 1, 2018	7,950	—	—	—	—
Prime Maison Otsuka	May 1, 2018	3,700	—	—	—	—
Prime Maison Asakusabashi	May 1, 2018	1,680	—	—	—	—
Prime Maison Daikanyama	May 1, 2018	2,520	—	—	—	—
Prime Maison Gotenyama West	May 1, 2018	3,400	—	—	—	—
Esty Maison Toyosu Residence	May 1, 2018	6,050	—	—	—	—
Esty Maison Machida	—	—	May 1, 2018	16,400 (Note 2)	16,302 (Note 2)	—
Esty Maison Shinkawasaki	—	—	May 1, 2018			
Esty Maison Megurohoncho	—	—	May 1, 2018			
Esty Maison Joto	—	—	May 1, 2018			
Esty Maison Tenjinhigashi I	—	—	May 1, 2018			
Esty Maison Tenjinhigashi II	—	—	May 1, 2018			
Esty Maison Shijonishinotoin	—	—	May 1, 2018			
Esty Maison Hachiojiminamino	—	—	May 1, 2018			
Esty Maison Nishinakajima	—	—	May 1, 2018			
Esty Maison Kawaramachi	—	—	May 1, 2018			
Esty Maison Shibaura	—	—	May 1, 2018			
Esty Maison Tsutsujigaoka	—	—	May 1, 2018			
Hamamatsu Plaza (Note 4)	—	—	October 29, 2018	2,799	2,727	8
Total	—	25,300	—	19,199	19,029	8

(Note 1) “Acquisition price” and “Disposition price” indicate the transaction prices shown in the sales agreements for respective owned properties (excluding consumption tax, local consumption tax and miscellaneous expenses including transaction fees), rounded down to the nearest million yen. The same shall apply hereinafter.

(Note 2) Individual disposition prices are not disclosed as no consent to disclosure has been obtained from the purchasers. The same shall apply hereinafter. In accordance with this, individual book values are not disclosed, either. The same shall apply hereinafter.

(Note 3) “Gain (Loss) on sale” indicates the figure calculated by deducting book value and disposition fees from the disposition price.

(Note 4) Hamamatsu Plaza is a retail complex comprised of the Hamamatsu Plaza West area and Hamamatsu Plaza East area. As of the disposition date, the Hamamatsu Plaza East area had the Costco Hamamatsu Warehouse Building, the Xebio Building, Akachan Honpo Building, Hamapla & Frespo Building, a management building and a gas station for Costco members, while the Hamamatsu Plaza West area had the mont-bell Building, ABC-mart Building, UNIQLO-GU Building and Hamamatsu Plaza Sports Building (Zexis). Of these, SHR succeeded only 49% quasi-co-ownership interest in the real estate trust beneficiary interest of the part of Hamamatsu Plaza East Area other than Costco Hamamatsu Warehouse Building and its site, Hamapla & Frespo Building and facilities of the gas station for Costco members from SHI through the Investment Corporation Merger. The same shall apply hereinafter.

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

Not applicable.

Main assets other than the abovementioned real estate, etc., asset-backed securities, etc., infrastructure assets, etc. and infrastructure-related assets are essentially bank deposits or bank deposits within assets in trust.

3. Investigation into Value, etc. of Specified Assets

(1) Real Estate, etc. (Appraisal)

Acquisition or disposition	Name of real estate, etc.	Transaction date	Type of asset	Acquisition price or disposition price (million yen)	Appraisal value (million yen) (Note)	Appraiser	Date of appraisal
Acquisition	Prime Maison Shirokanedai Tower	May 1, 2018	Real estate trust beneficiary interests	7,950	8,570	The Tanizawa Sōgō Appraisal Co., Ltd.	April 1, 2018
	Prime Maison Otsuka	May 1, 2018	Real estate trust beneficiary interests	3,700	3,970	The Tanizawa Sōgō Appraisal Co., Ltd.	April 1, 2018
	Prime Maison Asakusabashi	May 1, 2018	Real estate trust beneficiary interests	1,680	1,800	The Tanizawa Sōgō Appraisal Co., Ltd.	April 1, 2018
	Prime Maison Daikanyama	May 1, 2018	Real estate trust beneficiary interests	2,520	2,730	The Tanizawa Sōgō Appraisal Co., Ltd.	April 1, 2018
	Prime Maison Gotenyama West	May 1, 2018	Real estate trust beneficiary interests	3,400	3,680	The Tanizawa Sōgō Appraisal Co., Ltd.	April 1, 2018
	Esty Maison Toyosu Residence	May 1, 2018	Real estate trust beneficiary interests	6,050	6,460	The Tanizawa Sōgō Appraisal Co., Ltd.	April 1, 2018
Disposition	Esty Maison Machida	May 1, 2018	Real estate trust beneficiary interests	16,400	1,570	The Tanizawa Sōgō Appraisal Co., Ltd.	April 30, 2018
	Esty Maison Shinkawasaki	May 1, 2018	Real estate trust beneficiary interests		1,250	JLL Morii Valuation & Advisory K.K.	April 30, 2018
	Esty Maison Megurohoncho	May 1, 2018	Real estate trust beneficiary interests		1,130	DAIWA REAL ESTATE APPRAISAL CO., LTD.	April 30, 2018
	Esty Maison Joto	May 1, 2018	Real estate trust beneficiary interests		951	Japan Real Estate Institute	April 30, 2018
	Esty Maison Tenjinhighashi I	May 1, 2018	Real estate trust beneficiary interests		364	DAIWA REAL ESTATE APPRAISAL CO., LTD.	April 30, 2018
	Esty Maison Tenjinhighashi II	May 1, 2018	Real estate trust beneficiary interests		738	DAIWA REAL ESTATE APPRAISAL CO., LTD.	April 30, 2018
	Esty Maison Shijonishinotoin	May 1, 2018	Real estate trust beneficiary interests		1,180	Japan Real Estate Institute	April 30, 2018
	Esty Maison Hachiojiminamino	May 1, 2018	Real estate trust beneficiary interests		873	Richi Appraisal Institute	April 30, 2018
	Esty Maison Nishinakajima	May 1, 2018	Real estate trust beneficiary interests		1,900	Japan Real Estate Institute	April 30, 2018
	Esty Maison Kawaramachi	May 1, 2018	Real estate trust beneficiary interests		1,980	The Tanizawa Sōgō Appraisal Co., Ltd.	April 30, 2018
	Esty Maison Shibaura	May 1, 2018	Real estate trust beneficiary interests		2,960	Chuo Real Estate Appraisal Co., Ltd.	April 30, 2018
	Esty Maison Tsutsujigaoka	May 1, 2018	Real estate trust beneficiary interests		918	The Tanizawa Sōgō Appraisal Co., Ltd.	April 30, 2018
	Hamamatsu Plaza	October 29, 2018	Real estate trust beneficiary interests		2,799	Richi Appraisal Institute	April 30, 2018

(2) Others

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

The transactions subject to investigations in the fiscal period under review were two 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	25,300 million yen	19,199 million yen
Breakdown of status of transactions with interested persons, etc.		
Sekisui House, Ltd.	25,300 million yen [100.0%]	— million yen [—%]

(2) Amount of Commission Fee, etc.

Category	Total amount of commission fee, etc. (A) (thousand yen)	Breakdown of transactions with interested persons, etc.		As a percentage of total amount (B/A) (%)
		Payee	Amount paid (B) (thousand yen)	
Management fee (Note 2)	764,450	Sekiwa Real Estate, Ltd.	395,486	51.7
		Sekiwa Real Estate Chubu, Ltd.	56,980	7.5
		Sekiwa Kanri Kansai Co., Ltd.	40,525	5.3
		Sekisui House, Ltd.	26,400	3.5
		Sekiwa Real Estate Kyushu, Ltd.	17,887	2.3
		Sekiwa Real Estate Kansai, Ltd.	6,195	0.8

(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) “Management fee” has been rounded down to the nearest thousand yen.

(Note 3) Other than the commission fee, etc. indicated above, the amounts paid to interested persons, etc. for repair works, etc. are as follows. The figures have been rounded down to the nearest thousand yen.

Sekiwa Real Estate, Ltd.	119,791 thousand yen
Sekiwa Real Estate Chubu, Ltd.	45,740 thousand yen
Sekisui House, Ltd.	42,120 thousand yen
Sekiwa Kensetu Nishi Tokyo Co., Ltd.	41,850 thousand yen
Sekiwa Kanri Kansai Co., Ltd.	18,668 thousand yen
Sekiwa Real Estate Kyushu, Ltd.	18,354 thousand yen
Sekiwa Real Estate Kansai, Ltd.	4,680 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 (Act No. 25 of 1948, including subsequent amendments)), building lots and buildings transaction business, or specified joint real estate ventures.

Financial Section (Audited)

Contents

Financial Statements	
Balance Sheet	40
Statement of Income and Retained Earnings	42
Statement of Changes in Net Assets	43
Statement of Cash Distributions	44
Statement of Cash Flows	45
Notes to Financial Statements	46
Supplementary Schedules	62
Independent Auditor's Report	73

1. Financial Statements

(1) Balance Sheet

	(Thousands of yen)	
	7th Fiscal Period (As of April 30, 2018)	8th Fiscal Period (As of October 31, 2018)
Assets		
Current assets		
Cash and deposits	2,607,767	9,230,651
Cash and deposits in trust	7,005,235	12,859,502
Operating accounts receivable	18,804	145,522
Prepaid expenses	96,381	154,213
Other	133	5,114
Allowance for doubtful accounts	—	(499)
Total current assets	9,728,322	22,394,506
Non-current assets		
Property, plant and equipment		
Buildings in trust	59,654,248	154,045,698
Accumulated depreciation	(4,121,631)	(6,157,456)
Buildings in trust, net	55,532,616	147,888,242
Structures in trust	684,357	1,483,975
Accumulated depreciation	(61,803)	(91,713)
Structures in trust, net	622,554	1,392,261
Machinery and equipment in trust	921	2,093,637
Accumulated depreciation	(93)	(45,276)
Machinery and equipment in trust, net	827	2,048,361
Tools, furniture and fixtures in trust	3,053	59,994
Accumulated depreciation	(638)	(3,391)
Tools, furniture and fixtures in trust, net	2,414	56,602
Land in trust	141,218,283	279,918,555
Construction in progress in trust	—	43,344
Total property, plant and equipment	197,376,695	431,347,368
Intangible assets		
Leasehold rights in trust	—	2,526,599
Other	2,412	8,346
Total intangible assets	2,412	2,534,946
Investments and other assets		
Lease and guarantee deposits	20,181	800,700
Long-term prepaid expenses	246,911	279,284
Deferred tax assets	21	—
Other	—	173,347
Total investments and other assets	267,114	1,253,331
Total non-current assets	197,646,222	435,135,646
Deferred assets		
Investment corporation bond issuance costs	32,125	29,205
Investment unit issuance costs	43,523	29,139
Total deferred assets	75,648	58,344
Total assets	207,450,193	457,588,497

	(Thousands of yen)	
	7th Fiscal Period (As of April 30, 2018)	8th Fiscal Period (As of October 31, 2018)
Liabilities		
Current liabilities		
Operating accounts payable	143,489	640,450
Current portion of investment corporation bonds	—	2,500,000
Current portion of long-term loans payable	—	12,382,000
Accounts payable – other	414,997	623,167
Accrued expenses	91,512	195,311
Income taxes payable	1,048	590
Accrued consumption taxes	318,392	200,653
Advances received	—	311,576
Derivatives liabilities	—	15,009
Other	0	201,664
Total current liabilities	969,440	17,070,424
Non-current liabilities		
Investment corporation bonds	5,000,000	13,000,000
Long-term loans payable	79,400,000	170,050,500
Tenant leasehold and security deposits in trust	9,269,955	10,964,384
Derivatives liabilities	—	511,956
Other	—	327,370
Total non-current liabilities	93,669,955	194,854,211
Total liabilities	94,639,396	211,924,636
Net assets		
Unitholders' equity		
Unitholders' capital	110,189,294	110,189,294
Surplus		
Capital surplus	—	128,598,415
Unappropriated retained earnings	2,621,502	7,403,117
Total surplus	2,621,502	136,001,532
Total unitholders' equity	112,810,796	246,190,826
Valuation and translation adjustments		
Deferred gains or losses on hedges	—	(526,965)
Total valuation and translation adjustments	—	(526,965)
Total net assets (Note 5)	112,810,796	245,663,860
Total liabilities and net assets	207,450,193	457,588,497

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

(2) Statement of Income and Retained Earnings

(Thousands of yen)

	7th Fiscal Period (From November 1, 2017 to April 30, 2018)	8th Fiscal Period (From May 1, 2018 to October 31, 2018)
Operating revenue		
Rent revenue – real estate (Note 6)	4,629,845	11,913,550
Other lease business revenue (Note 6)	25,742	252,879
Gain on sales of real estate properties (Note 6)	—	8,114
Total operating revenue	4,655,588	12,174,544
Operating expenses		
Expenses related to rent business (Note 6)	1,223,022	4,579,453
Asset management fee	370,434	517,151
Asset custody fee	3,786	8,486
Administrative service fees	12,732	49,959
Directors' compensations	3,600	3,600
Merger expenses	—	941,174
Provision of allowance for doubtful accounts	—	324
Other operating expenses	47,548	280,439
Total operating expenses	1,661,123	6,380,588
Operating income	2,994,464	5,793,955
Non-operating income		
Interest income	39	98
Reversal of distribution payable	—	1,716
Refunded consumption taxes	—	49,862
Interest on refund	1,442	—
Other	—	143
Total non-operating income	1,482	51,820
Non-operating expenses		
Interest expenses	296,306	599,481
Interest expenses on investment corporation bonds	6,959	51,218
Borrowing related expenses	52,322	67,576
Amortization of investment unit issuance costs	14,384	14,384
Amortization of investment corporation bond issuance costs	2,919	2,919
Other	537	734
Total non-operating expenses	373,430	736,314
Ordinary income	2,622,516	5,109,461
Extraordinary income		
Gain on negative goodwill	—	2,293,923
Total extraordinary income	—	2,293,923
Income before income taxes	2,622,516	7,403,385
Income taxes – current	1,054	605
Income taxes – deferred	(14)	21
Total income taxes	1,039	626
Net income	2,621,476	7,402,759
Retained earnings brought forward	26	357
Unappropriated retained earnings	2,621,502	7,403,117

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

(3) Statement of Changes in Net Assets

7th Fiscal Period (From November 1, 2017 to April 30, 2018)

(Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at beginning of period	110,189,294	2,626,016	2,626,016	112,815,310	112,815,310
Changes of items during period					
Distribution from surplus		(2,625,990)	(2,625,990)	(2,625,990)	(2,625,990)
Net income		2,621,476	2,621,476	2,621,476	2,621,476
Total changes of items during period	—	(4,513)	(4,513)	(4,513)	(4,513)
Balance at end of period (Note 7)	110,189,294	2,621,502	2,621,502	112,810,796	112,810,796

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

(Thousands of yen)

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

(Thousands of yen)

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

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

(4) Statement of Cash Distributions

Item	7th Fiscal Period (From November 1, 2017 to April 30, 2018)	8th Fiscal Period (From May 1, 2018 to October 31, 2018)
I . Unappropriated retained earnings	2,621,502,992yen	7,403,117,143yen
II . Cash distributions [Cash distributions per unit]	2,621,145,000yen [2,705yen]	5,846,289,414yen [1,554yen]
III. Voluntary reserve Provision of reserve for temporary difference adjustments	— yen	1,556,827,729yen
IV. Retained earnings carried forward	357,992yen	— yen
Method of calculating amount of distribution	The basic policy is to distribute in excess of an amount equivalent to 90% of the amount of earnings available for distribution of SHR provided in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation as set forth in Article 46, Paragraph 1, Item 2 of the Articles of Incorporation of SHR. Based on such policy, SHR decided to pay out a distribution of earnings of 2,621,145,000 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (969,000 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 distribute 5,846,289,414 yen, which is the amount of unappropriated retained earnings after deducting part of the gain on negative goodwill, as distribution of earnings. SHR will not distribute cash in excess of earnings as set forth in Article 46, Paragraph 2 of the Articles of Incorporation of SHR.

(5) Statement of Cash Flows

	(Thousands of yen)	
	7th Fiscal Period (From November 1, 2017 to April 30, 2018)	8th Fiscal Period (From May 1, 2018 to October 31, 2018)
Cash flows from operating activities		
Income before income taxes	2,622,516	7,403,385
Depreciation and amortization	732,273	2,143,819
Amortization of investment corporation bond issuance costs	2,919	2,919
Amortization of investment unit issuance costs	14,384	14,384
Gain on negative goodwill	—	(2,293,923)
Interest income	(39)	(98)
Interest expenses	303,266	650,700
Decrease (increase) in operating accounts receivable	526	(6,629)
Decrease (increase) in consumption taxes receivable	372,744	—
Decrease (increase) in prepaid expenses	(20,182)	(40,845)
Decrease (increase) in long-term prepaid expenses	(19,746)	(29,126)
Increase (decrease) in operating accounts payable	(43,839)	147,997
Increase (decrease) in accounts payable – other	11,768	(404,864)
Increase (decrease) in accrued consumption taxes	318,392	(127,643)
Increase (decrease) in advances received	—	72,781
Decrease due to sale of property, plant and equipment in trust	—	19,029,353
Other, net	(133)	25,875
Subtotal	4,294,850	26,588,085
Interest income received	39	98
Interest expenses paid	(293,992)	(763,802)
Income taxes paid	(749)	(3,188)
Net cash provided by operating activities	4,000,148	25,821,192
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(38,016)	(24,039,880)
Purchase of intangible assets in trust	—	(2,290,065)
Purchase of intangible assets	—	(7,067)
Payments for lease and guarantee deposits	—	(537,857)
Proceeds from tenant leasehold and security deposits in trust	12,250	483,748
Repayments of tenant leasehold and security deposits in trust	(11,025)	(666,337)
Decrease (increase) in other investments	—	(6,605)
Net cash provided by (used in) investing activities	(36,791)	(27,064,065)
Cash flows from financing activities		
Proceeds from short-term loans payable	—	8,000,000
Repayments of short-term loans payable	—	(8,000,000)
Proceeds from long-term loans payable	14,000,000	10,500,000
Repayments of long-term loans payable	(14,000,000)	(2,500,000)
Dividends paid	(2,625,348)	(5,673,896)
Net cash provided by (used in) financing activities	(2,625,348)	2,326,103
Net increase (decrease) in cash and cash equivalents	1,338,008	1,083,230
Cash and cash equivalents at beginning of period	8,274,994	9,613,003
Increase in cash and cash equivalents resulting from merger	—	11,393,919
Cash and cash equivalents at end of period (Note 9)	9,613,003	22,090,154

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

(6) Notes to Financial Statements

1. Organization

Sekisui House Reit, Inc. (“SHR”) is a Japanese real estate investment corporation established in September 2014 under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). On December 3, 2014, SHR commenced its investment operations when it was listed on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange, and it acquired three properties (total acquisition cost of ¥114.3 billion) on the same day. SHR implemented a 2-for-1 split of its investment units with May 1, 2018 as the effective date. SHR conducted an absorption-type merger with Sekisui House Residential Investment Corporation (“SHI”) as the dissolved corporation, setting May 1, 2018 as the effective date.

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

2. Basis of Presentation

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

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

SHR’s fiscal period is a six-month period, which ends at the end of April and October of each year. SHR does not prepare consolidated financial statements as it has no subsidiaries.

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

3. Summary of Significant Accounting Policies

1. Method of depreciation and amortization of non-current assets	(1)Property, plant and equipment (including assets in trust) Depreciation is calculated using the straight-line method. The useful lives of principal property, plant and equipment are as follows: Buildings 3-69 years Structures 7-40 years Machinery and equipment 10-61 years Tools, furniture and fixtures 2-15 years (2)Intangible assets Intangible assets are amortized utilizing the straight-line method. Leasehold rights in trust are amortized on a straight-line basis over the remaining life of each fixed-term land lease contract. (3)Long-term prepaid expenses Long-term prepaid expenses are amortized utilizing the straight-line method.
2. Accounting for deferred assets	(1) Investment corporation bond issuance costs Investment corporation bond issuance costs are amortized utilizing the straight-line method over the redemption periods. (2) Investment unit issuance costs Investment unit issuance costs are amortized utilizing the straight-line method (over 3 years).

3. Standards for recording allowance	Allowance for doubtful accounts To prepare for possible losses arising from default on receivables, the estimated uncollectable amount is recorded by examining collectability on a case-by-case basis for doubtful and other specific receivables.
4. Standards for revenue and expense recognition	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 65,915 thousand yen for the 8th fiscal period, and there were no property taxes capitalized for the 7th fiscal period.
5. Method of hedge accounting	(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. (2)Hedging instruments and hedged items Hedging instruments: Interest rate swap transactions Hedged items: Interest on loans (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. (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.
6. Scope of funds in the statement of cash flows	The funds (cash and cash equivalents) in the statement of cash flows consist of cash on hand and cash in trust; deposits that can be withdrawn at any time and deposits in trust; and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.
7. Other significant matters serving as basis for preparation of financial statements	(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. 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; Leasehold rights in trust 3) Tenant leasehold and security deposits in trust (2)Accounting for consumption tax, etc. Consumption tax and local consumption tax are excluded from the corresponding transaction amounts.

4. Notes to Changes in Presentation

(Changes in accordance with the application of Partial Amendments to Accounting Standard for Tax Effect Accounting)

From the beginning of the 8th fiscal period, SHR applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan Statement No. 28 issued on February 16, 2018) and changed the presentation method for deferred tax assets and deferred tax liabilities. Accordingly, deferred tax assets are now classified as Investments and other assets and deferred tax liabilities are classified as Non-current liabilities.

As a result, the Deferred tax assets amounting to 21 thousand yen which were presented under Current assets for the 7th fiscal period have been reclassified as Deferred tax assets under Investments and other assets.

5. Notes to Balance Sheet

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

(Thousands of yen)	
7th Fiscal Period (As of April 30, 2018)	8th Fiscal Period (As of October 31, 2018)
50,000	50,000

2. Commitment line agreement

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

(Thousands of yen)		
	7th Fiscal Period (As of April 30, 2018)	8th Fiscal Period (As of October 31, 2018)
Total amount of commitment line	—	15,000,000
Balance executed as loans	—	—
Unused line of credit	—	15,000,000

6. Notes to Statement of Income and Retained Earnings

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

(Thousands of yen)				
	7th Fiscal Period (From November 1, 2017 to April 30, 2018)		8th Fiscal Period (From May 1, 2018 to October 31, 2018)	
A. Property-related operating revenue				
Rent revenue – real estate				
Rental income	4,617,985		11,601,257	
Other	11,860	4,629,845	312,293	11,913,550
Other lease business revenue				
Utilities revenue	19,927		50,897	
Other	5,815	25,742	201,981	252,879
Total property-related operating revenue		4,655,588		12,166,429
B. Property-related operating expenses				
Expenses related to rent business				
Subcontract expenses	24,561		381,521	
Property management fees	30,742		383,058	
Trust fees	2,765		40,485	
Utilities expenses	19,172		109,791	
Property and other taxes	378,425		806,781	
Insurance expenses	5,950		14,209	
Repair expenses	22,728		238,406	
Depreciation	731,538		2,142,602	
Other expenses related to rent business	7,137	1,223,022	462,595	4,579,453
Total property-related operating expenses		1,223,022		4,579,453
C. Property-related operating income [A – B]		3,432,565		7,586,976

*2. Breakdown of gain on sales of real estate properties

7th Fiscal Period (From November 1, 2017 to April 30, 2018)

Not applicable.

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

(Thousands of yen)

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

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

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

7. Notes to Statement of Changes in Net Assets

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

	7th Fiscal Period (From November 1, 2017 to April 30, 2018)	8th Fiscal Period (From May 1, 2018 to October 31, 2018)
Total number of authorized investment units	10,000,000 units	20,000,000units
Total number of investment units issued	969,000 units	3,762,091units

8. Notes to Statement of Cash Distributions

Of the gain on negative goodwill recorded for the 8th fiscal period, SHR recognized 1,556,827,729 yen as reserve for temporary difference adjustments. SHR plans to drawdown at least 1% of the reserve (corresponding to the amount of the reserve expensed equally over 50 years) and appropriate the amount for cash distributions, starting from the fiscal period following the fiscal period in which the reserve was made.

9. 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)	
	7th Fiscal Period (From November 1, 2017 to April 30, 2018)	8th Fiscal Period (From May 1, 2018 to October 31, 2018)
Cash and deposits	2,607,767	9,230,651
Cash and deposits in trust	7,005,235	12,859,502
Cash and cash equivalents	9,613,003	22,090,154

*2. Details of non-cash transaction

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

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

	(Thousands of yen)	
	7th Fiscal Period (From November 1, 2017 to April 30, 2018)	8th Fiscal Period (From May 1, 2018 to October 31, 2018)
Current assets	—	11,596,391
Non-current assets	—	231,681,572
Total assets	—	243,277,963
Current liabilities	—	21,936,953
Non-current liabilities	—	90,448,670
Total liabilities	—	112,385,624

10. Lease Transactions

Operating lease transactions as lessee

Future minimum lease payments

	(Thousands of yen)	
	7th Fiscal Period (As of April 30, 2018)	8th Fiscal Period (As of October 31, 2018)
Due within 1 year	—	411,348
Due after 1 year	—	20,675,865
Total	—	21,087,213

Operating lease transactions as lessor

Future minimum lease income

	(Thousands of yen)	
	7th Fiscal Period (As of April 30, 2018)	8th Fiscal Period (As of October 31, 2018)
Due within 1 year	9,047,000	10,582,684
Due after 1 year	31,211,701	31,930,912
Total	40,258,702	42,513,596

11. 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, 2018 and October 31, 2018, 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)).

7th Fiscal Period (As of April 30, 2018)

(Thousands of yen)			
	Book value recorded on the balance sheet	Fair value	Difference
(1) Cash and deposits	2,607,767	2,607,767	—
(2) Cash and deposits in trust	7,005,235	7,005,235	—
Total assets	9,613,003	9,613,003	—
(3) Investment corporation bonds	5,000,000	4,985,800	(14,200)
(4) Long-term loans payable	79,400,000	80,689,728	1,289,728
Total liabilities	84,400,000	85,675,528	1,275,528
(5) Derivative transactions	—	—	—

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

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

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

(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) Current portion of investment corporation bonds (5)Investment corporation bonds

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

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

(4) Current portion of long-term loans payable (6) Long-term loans payable

As the long-term loans payable with floating interest rates reflect interest rate changes within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value (provided, however, that for long-term loans payable with floating interest rates that qualify for the special accounting treatment of interest rate swaps (please refer to “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.

(7) 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	7th Fiscal Period (As of April 30, 2018)	8th Fiscal Period (As of October 31, 2018)
Tenant leasehold and security deposits in trust	9,269,955	10,964,384

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

7th Fiscal Period (As of April 30, 2018)

(Thousands of yen)						
	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Cash and deposits	2,607,767	—	—	—	—	—
Cash and deposits in trust	7,005,235	—	—	—	—	—
Total	9,613,003	—	—	—	—	—

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

(Thousands of yen)						
	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Cash and deposits	9,230,651	—	—	—	—	—
Cash and deposits in trust	12,859,502	—	—	—	—	—
Total	22,090,154	—	—	—	—	—

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

7th Fiscal Period (As of April 30, 2018)

(Thousands of yen)						
	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Investment corporation bonds	—	—	—	—	3,000,000	2,000,000
Long-term loans payable	—	14,000,000	11,050,000	18,860,000	10,000,000	25,490,000

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

(Thousands of yen)						
	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Investment corporation bonds	2,500,000	2,000,000	—	3,000,000	—	8,000,000
Long-term loans payable	12,382,000	27,892,500	29,710,000	39,230,000	22,200,000	51,018,000

12. Securities

7th Fiscal Period (From November 1, 2017 to April 30, 2018)

Not applicable.

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

Not applicable.

13. Derivative Transactions

1. Derivatives to which hedge accounting is not applied

7th Fiscal Period (As of April 30, 2018)

Not applicable.

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

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.

7th Fiscal Period (As of April 30, 2018)

(Thousands of yen)						
Method of hedge accounting	Type of derivative transactions	Main hedged item	Contract amount		Fair value	Calculation method of fair value
				Of which, over 1 year		
Special accounting treatment for interest rate swaps	Interest rate swap transaction Floating interest rate receivable and fixed interest rate payable	Long-term loans payable	60,450,000	60,450,000	*	—

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

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

(Thousands of yen)						
Method of hedge accounting	Type of derivative transactions	Main hedged item	Contract amount		Fair value	Calculation method of fair value
				Of which, over 1 year		
Principal method	Interest rate swap transaction Floating interest rate receivable and fixed interest rate payable	Long-term loans payable	63,954,500	55,572,500	(526,965)	*1
Special accounting treatment for interest rate swaps	Interest rate swap transaction Floating interest rate receivable and fixed interest rate payable	Long-term loans payable	66,550,000	66,550,000	*2	—

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

*2 As derivative transactions qualifying for the special accounting treatment for interest rate swaps are accounted for with the hedged long-term loans payable, the fair value is included in the fair value of the underlying long-term loans payable (please refer to “ 11. Financial Instruments; 2. Matters concerning fair value of financial instruments (Note 1)”).

14. Retirement Benefits

7th Fiscal Period (From November 1, 2017 to April 30, 2018)

Not applicable.

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

Not applicable.

15. Business Combination

7th Fiscal Period (From November 1, 2017 to April 30, 2018)

Not applicable.

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

Business Combination through Acquisition

1. Overview of Business Combination

(1) Name and Business Description of Acquiree

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

Business description : Real estate investment trust

(2) Main Reasons for Business Combination

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

(3) Date of Business Combination

May 1, 2018

(4) Legal Form of Business Combination

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

(5) Name of the Investment Corporation after Business Combination

Sekisui House Reit, Inc.

(6) Main Reasons for Determining Acquiring Company

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

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

From May 1, 2018 to October 31, 2018

3. Acquisition Cost of Acquiree and the Breakdown

Acquisition cost

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

128,598,415 thousand yen

Acquisition cost

128,598,415 thousand yen

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

(1) Exchange Ratio of Investment Units

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

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

(2) Method of Determining the Exchange Ratio

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

(3) Number of Investment Units Allotted

1,824,091units

5. Item and Amount of Major Acquisition-Related Expenses

Item Amount

Merger-related fees 925,022 thousand yen

6. Amount and Reason for Gain on Negative Goodwill

(1) Amount of Gain on Negative Goodwill

2,293,923 thousand yen

(2) Reason

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

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

Current assets 11,596,391 thousand yen

Non-current assets 231,681,572 thousand yen

Total assets 243,277,963 thousand yen

Current liabilities 21,936,953 thousand yen

Non-current liabilities 90,448,670 thousand yen

Total liabilities 112,385,624 thousand yen

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

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

16. Income Taxes

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

	(Thousands of yen)	
	7th Fiscal Period (As of April 30, 2018)	8th Fiscal Period (As of October 31, 2018)
Deferred tax assets		
Valuation difference on assets acquired due to merger	—	2,422,055
Amortization of leasehold rights in trust	—	6,835
Accrued business taxes not deductible from taxable income	21	—
Deferred gains or losses on hedges	—	166,456
Deferred tax assets (subtotal)	21	2,595,347
Valuation allowance for total deductible temporary difference	—	(2,595,347)
Total deferred tax assets	21	—
Net deferred tax assets	21	—

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

	7th Fiscal Period (As of April 30, 2018)	
	8th Fiscal Period (As of October 31, 2018)	
	(%)	
Statutory tax rate	31.74	31.51
[Adjustments]		
Deductible cash distribution	(31.72)	(24.87)
Gain on negative goodwill	—	(9.76)
Changes in valuation allowance	—	3.13
Other	0.02	0.00
Effective income tax rate after application of tax-effect accounting	0.04	0.01

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

7th Fiscal Period (From November 1, 2017 to April 30, 2018)

Not applicable.

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

Not applicable.

18. Transactions with Related Parties

1. Parent company and major corporate unitholders.

7th Fiscal Period (From November 1, 2017 to April 30, 2018)

Not applicable.

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

Not applicable.

2. Subsidiaries and affiliates.

7th Fiscal Period (From November 1, 2017 to April 30, 2018)

Not applicable.

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

Not applicable.

3. Sister companies.

7th Fiscal Period (From November 1, 2017 to April 30, 2018)

Not applicable.

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

Not applicable.

4. Directors and major individual unitholders.

7th Fiscal Period (From November 1, 2017 to April 30, 2018)

Type	Name	Description of business or occupation	Percentage of voting rights held by (in) SHR	Description of transaction	Transaction amount (Thousands of yen)	Account item	Balance at end of period (Thousands of yen)
Director or close relative	Junichi Inoue	Executive Director of SHR and Representative Director of Sekisui House Investment Advisors, Ltd.	—	Payment of asset management fee to Sekisui House Investment Advisors, Ltd. (Note 1)	370,434	Accounts payable – other	400,069

(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.

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

Type	Name	Description of business or occupation	Percentage of voting rights held by (in) SHR	Description of transaction	Transaction amount (Thousands of yen)	Account item	Balance at end of period (Thousands of yen)
Director or close relative	Junichi Inoue	Executive Director of SHR and Representative Director of Sekisui House Asset Management, Ltd.	—	Payment of asset management fee to Sekisui House Asset Management, Ltd. (Note 1)	1,499,773 (Note 2)	Accounts payable – other	567,595

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

(Note 2) The amount includes 57,599 thousand yen of asset management fees pertaining to real estate sales included in the book value of property, plant and equipment.

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

19. Asset Retirement Obligations

7th Fiscal Period (From November 1, 2017 to April 30, 2018)

Not applicable.

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

Not applicable.

20. 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)		
	7th Fiscal Period (From November 1, 2017 to April 30, 2018)	8th Fiscal Period (From May 1, 2018 to October 31, 2018)
Carrying amount		
Balance at beginning of period	198,055,813	197,376,695
Amount of increase (decrease) during period	(679,117)	236,453,927
Balance at end of period	197,376,695	433,830,623
Fair value at end of period	234,040,000	479,147,000

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

(Note 2) Net increase during the 8th fiscal period is mainly attributable to the acceptance of properties (231,126,624 thousand yen) from SHI through the Investment Corporation Manager and the acquisition of 6 new properties (25,927,177 thousand yen). Net decrease during the 8th fiscal period is mainly attributable to the disposition of 13 properties (19,029,353 thousand yen) SHR owned and depreciation (2,142,602 thousand yen).

(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 7th and 8th fiscal periods for investment and rental properties is presented in “5. Notes to Statement of Income and Retained Earnings”.

21. 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

7th Fiscal Period (From November 1, 2017 to April 30, 2018)

(1) Information about products and services

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

(2) Information about geographic areas

1) Operating revenue

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

2) Property, plant and equipment

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

(3) Information about major customers

(Thousands of yen)		
Name of customer	Operating revenue	Name of related segment
Sekisui House, Ltd.	3,211,225	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.

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

(1) Information about products and services

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

(2) Information about geographic areas

1) Operating revenue

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

2) Property, plant and equipment

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

(3) Information about major customers

(Thousands of yen)		
Name of customer	Operating revenue	Name of related segment
Sekisui House, Ltd.	3,212,851	Real estate leasing business

22. Per Unit Information

	7th Fiscal Period (From November 1, 2017 to April 30, 2018)	8th Fiscal Period (From May 1, 2018 to October 31, 2018)
Net assets per unit	58,209yen	65,299yen
Net income per unit	1,352yen	1,967yen

(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) SHR implemented a 2-for-1 split of its investment units with May 1, 2018 as the effective date. Net assets per unit and net income per unit are calculated on the basis that the investment unit split was implemented at the beginning of the 7th fiscal period.

(Note 3) The following is the basis for calculating net income per unit.

	7th Fiscal Period (From November 1, 2017 to April 30, 2018)	8th Fiscal Period (From May 1, 2018 to October 31, 2018)
Net income (Thousands of yen)	2,621,476	7,402,759
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income attributable to common investment units (Thousands of yen)	2,621,476	7,402,759
Average number of investment units during period (Units) (Note)	1,938,000	3,762,091

(Note) SHR implemented a 2-for-1 split of its investment units with May 1, 2018 as the effective date. Average number of investment units during period are calculated on the basis that the investment unit split was implemented at the beginning of the 7th fiscal period.

23. Significant Subsequent Events

Not applicable.

(7) Supplementary Schedules

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

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	63,954,500	55,572,500	(526,965)
Transaction other than market transaction	Interest rate swap transaction Floating interest rate receivable and fixed interest rate payable	66,550,000	66,550,000	(Note 3)
Total		130,504,500	122,122,500	(526,965)

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

(Note 2) Fair value is quoted by counterparties based on the prevailing market interest rates.

(Note 3) The fair value is omitted because the transaction meets the criteria for the special accounting treatment under the Accounting Standards for Financial Instruments.

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

(Thousands of yen)									
Type of assets		Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Accumulated depreciation		Net balance at end of period	Notes
						or accumulated amortization	For the period		
Property, plant and equipment	Buildings in trust	59,654,248	99,383,471	4,992,020	154,045,698	6,157,456	2,039,065	147,888,242	(Note 1) (Note 2)
	Structures in trust	684,357	851,388	51,771	1,483,975	91,713	30,175	1,392,261	(Note 1)
	Machinery and equipment in trust	921	2,209,540	116,823	2,093,637	45,276	45,182	2,048,361	
	Tools, furniture and fixtures in trust	3,053	56,941	—	59,994	3,391	2,753	56,602	
	Land in trust	141,218,283	152,572,516	13,872,244	279,918,555	—	—	279,918,555	(Note 1) (Note 2)
	Construction in progress in trust	—	43,344	—	43,344	—	—	43,344	
	Subtotal	201,560,863	255,117,202	19,032,859	437,645,207	6,297,838	2,117,176	431,347,368	
Intangible assets	Leasehold rights in trust	—	2,552,025	—	2,552,025	25,425	25,425	2,526,599	(Note 1)
	Other	7,350	7,150	—	14,500	6,154	1,216	8,346	
	Subtotal	7,350	2,559,176	—	2,566,526	31,580	26,642	2,534,946	
Total		201,568,213	257,676,379	19,032,859	440,211,733	6,329,418	2,143,819	433,882,315	

(Note 1) The increase during the fiscal period under review is mainly attributable to the transfer of 113 properties owned by SHI through the merger with SHI and the acquisition of 6 new properties.

(Note 2) The decrease during the fiscal period under review is attributable to the disposition of 13 properties SHR owned.

4. Schedule of other specified assets

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

5. Schedule of investment corporation bonds

Name	Issue date	Balance at beginning of period (Thousands of yen)	Amount of decrease during period (Thousands of yen)	Balance at end of period (Thousands of yen)	Coupon rate (%)	Redemption date	Use of proceeds	Security
SHI Second Series Unsecured Investment Corporation Bond (Note 1)	February 28, 2013	—	—	2,000,000	1.000	February 28, 2020	(Note 3)	Unsecured
SHI Third Series Unsecured Investment Corporation Bond (Note 1)	February 28, 2014	—	—	2,500,000	0.374	February 28, 2019 (Note 2)	(Note 4)	Unsecured
SHI 4 th Series Unsecured Investment Corporation Bond (Note 1)	February 28, 2014	—	—	3,000,000	1.069	February 28, 2024	(Note 4)	Unsecured
SHI 5 th Series Unsecured Investment Corporation Bond (Note 1)	August 29, 2014	—	—	3,000,000	0.871	August 30,2024	(Note 4)	Unsecured
SHR First Series Unsecured Investment Corporation Bond	September 8, 2016	2,000,000	—	2,000,000	0.340	September 8, 2026	(Note 4)	Unsecured
SHR Second Series Unsecured Investment Corporation Bond	July 13, 2017	3,000,000	—	3,000,000	0.240	July 13, 2022	(Note 4)	Unsecured
Total	—	5,000,000	—	15,500,000	—	—	—	—

(Note 1) These investment corporation bonds were succeeded from SHI as of May 1, 2018.

(Note 2) As of the end of the fiscal period under review, these bonds are recorded as Current portion of investment corporation bonds in Current liabilities on the balance sheet.

(Note 3) The funds are used to repay borrowings and acquire trust beneficiary interests in real estate, etc.

(Note 4) The proceeds are used as funds for repayment of loans payable.

(Note 5) This investment corporation bonds are equipped with pari passu clause among specified investment corporation bonds.

(Note 6) The following is the maturity schedule of investment corporation bonds within five years of the balance sheet date.

(Thousands of yen)

	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Investment Corporation Bonds	2,500,000	2,000,000	—	3,000,000	—

6. Schedule of loans payable

(Thousands of yen)

category	Lender		Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	interest rate (%) (Note 1)	Repayme nt due date	Repaym ent method	Use of proceeds	Security		
Short-term loans payable	MUFG Bank, Ltd.		-	1,900,000	1,900,000	-	0.23364	Apr. 30, 2019		Purchase of assets and related expenses			
	Mizuho Bank, Ltd.		-	4,200,000	4,200,000	-							
	Sumitomo Mitsui Banking Corporation		-	1,900,000	1,900,000	-							
Long-term loans payable	Mizuho Bank, Ltd.	(Note1)	-	1,470,500	-	1,470,500	1.15475	Feb. 28, 2019 (Note3)		Repayment of loans payable			
	Sumitomo Mitsui Banking Corporation	(Note1)	-	1,470,500	-	1,470,500							
	Development Bank of Japan Inc.	(Note1)	-	941,000	-	941,000							
	MUFG Bank, Ltd.	(Note1)	-	750,000	-	750,000	0.89900			Purchase of assets and related expenses			
	Mizuho Bank, Ltd.	(Note1)	-	750,000	-	750,000							
	Sumitomo Mitsui Banking Corporation	(Note1)	-	750,000	-	750,000							
	Mizuho Trust & Banking Co., Ltd.	(Note1)	-	2,250,000	-	2,250,000	1.02225			Feb. 28, 2020		Lump-sum payment at maturity	Un- secured Un- guaran- teed
	MUFG Bank, Ltd.	(Note1)	-	3,842,500	-	3,842,500							
	Mizuho Bank, Ltd.	(Note1)	-	400,000	-	400,000							
	Mizuho Trust & Banking Co., Ltd.	(Note1)	-	500,000	-	500,000	0.46909	Aug. 31, 2018	Repayment of loans payable				
	Resona Bank, Limited	(Note1)	-	500,000	-	500,000							
	Mizuho Bank, Ltd.	(Note1)	-	200,000	200,000	-							
	Sumitomo Mitsui Banking Corporation	(Note1)	-	1,100,000	1,100,000	-	1.17200	Aug. 31, 2020					
	Sumitomo Mitsui Trust Bank, Limited	(Note1)	-	500,000	500,000	-							
	Mizuho Trust & Banking Co., Ltd.	(Note1)	-	200,000	200,000	-							
	Aozora Bank, Ltd.	(Note1)	-	500,000	500,000	-	1.17350	Feb. 28, 2022		Purchase of assets and related expenses			
	MUFG Bank, Ltd.	(Note1)	-	800,000	-	800,000							
	Mizuho Bank, Ltd.	(Note1)	-	500,000	-	500,000							
	Sumitomo Mitsui Trust Bank, Limited	(Note1)	-	2,500,000	-	2,500,000	0.79614	Feb. 28, 2020		Repayment of loans payable			
	Mizuho Trust & Banking Co., Ltd.	(Note1)	-	200,000	-	200,000							
	Resona Bank, Limited	(Note1)	-	500,000	-	500,000							
	Aozora Bank, Ltd.	(Note1)	-	1,000,000	-	1,000,000	1.17350	Feb. 28, 2022					
	MUFG Bank, Ltd.	(Note1)	-	800,000	-	800,000							
	Mizuho Bank, Ltd.	(Note1)	-	300,000	-	300,000							
	Sumitomo Mitsui Banking Corporation	(Note1)	-	300,000	-	300,000	0.79614	Feb. 28, 2020					
	Sumitomo Mitsui Trust Bank, Limited	(Note1)	-	400,000	-	400,000							
	Mizuho Bank, Ltd.	(Note1)	-	405,000	-	405,000							
	Sumitomo Mitsui Banking Corporation	(Note1)	-	1,145,000	-	1,145,000							

category	Lender		Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	interest rate (%) (Note 1)	Repayme nt due date	Repaym ent method	Use of proceeds	Security	
Long- term loans payable	MUFG Bank, Ltd.	(Note1)	-	500,000	-	500,000	0.95225	Feb. 26, 2021	Lump- sum payment at maturity	Repayment of loans payable	Un- secured Un- guaran- teed	
	Mizuho Bank, Ltd.	(Note1)	-	400,000	-	400,000						
	Sumitomo Mitsui Banking Corporation	(Note1)	-	500,000	-	500,000						
	Sumitomo Mitsui Trust Bank, Limited	(Note1)	-	500,000	-	500,000						
	Mizuho Trust & Banking Co., Ltd.	(Note1)	-	500,000	-	500,000						
	Resona Bank, Limited	(Note1)	-	500,000	-	500,000						
	The Senshu Ikeda Bank, Ltd.	(Note1)	-	500,000	-	500,000						
	The Yamaguchi Bank, Ltd.	(Note1)	-	500,000	-	500,000						
	MUFG Bank, Ltd.	(Note1)	-	500,000	-	500,000	1.11000	Feb. 28, 2022		Purchase of assets and related expenses		
	Mizuho Bank, Ltd.	(Note1)	-	400,000	-	400,000						
	Sumitomo Mitsui Banking Corporation	(Note1)	-	500,000	-	500,000						
	Sumitomo Mitsui Trust Bank, Limited	(Note1)	-	1,500,000	-	1,500,000						
	Mizuho Trust & Banking Co., Ltd.	(Note1)	-	980,000	-	980,000						
	Resona Bank, Limited	(Note1)	-	800,000	-	800,000						
	Mizuho Bank, Ltd.	(Note1)	-	300,000	-	300,000						
	Sumitomo Mitsui Banking Corporation	(Note1)	-	300,000	-	300,000						0.97300
	The Bank of Fukuoka, Ltd.	(Note1)	-	500,000	-	500,000						
	Shinkin Central Bank	(Note1)	-	500,000	-	500,000						
	The Shizuoka Bank, Ltd.	(Note1)	-	500,000	-	500,000						
	Mizuho Bank, Ltd.	(Note1)	-	2,450,000	-	2,450,000	0.83600	Aug. 31, 2021		Purchase of assets and related expenses		
	Sumitomo Mitsui Banking Corporation	(Note1)	-	1,950,000	-	1,950,000						
	MUFG Bank, Ltd.	(Note1)	-	900,000	-	900,000	0.96475	Aug. 31, 2022				Purchase of assets and related expenses
	Mizuho Bank, Ltd.	(Note1)	-	2,500,000	-	2,500,000						
	Sumitomo Mitsui Banking Corporation	(Note1)	-	2,000,000	-	2,000,000	0.65830	Nov. 30, 2019		Purchase of assets and related expenses		
MUFG Bank, Ltd.		4,300,000	-	-	4,300,000							
Mizuho Bank, Ltd.		1,800,000	-	-	1,800,000							
Sumitomo Mitsui Banking Corporation		3,000,000	-	-	3,000,000							
Sumitomo Mitsui Trust Bank, Limited		1,800,000	-	-	1,800,000							
Mizuho Trust & Banking Co., Ltd.		600,000	-	-	600,000							
Resona Bank, Limited		900,000	-	-	900,000							
Development Bank of Japan Inc.		800,000	-	-	800,000							
The Norinchukin Bank		800,000	-	-	800,000							

category	Lender		Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	interest rate (%) (Note 1)	Repayme nt due date	Repaym ent method	Use of proceeds	Security		
Long-term loans payable	MUFG Bank, Ltd.		5,100,000	-	-	5,100,000	0.94060	Nov. 30, 2021	Lump-sum payment at maturity	Purchase of assets and related expenses	Un- secured Un- guaran- teed		
	Mizuho Bank, Ltd.		2,400,000	-	-	2,400,000							
	Sumitomo Mitsui Banking Corporation		3,700,000	-	-	3,700,000							
	Sumitomo Mitsui Trust Bank, Limited		2,000,000	-	-	2,000,000							
	Mizuho Trust & Banking Co., Ltd.		900,000	-	-	900,000							
	Resona Bank, Limited		1,400,000	-	-	1,400,000							
	Development Bank of Japan Inc.		800,000	-	-	800,000							
	The Norinchukin Bank		700,000	-	-	700,000							
	MUFG Bank, Ltd.		4,600,000	-	-	4,600,000	1.47450	Nov. 30, 2024					
	Mizuho Bank, Ltd.		700,000	-	-	700,000							
	Sumitomo Mitsui Banking Corporation		3,700,000	-	-	3,700,000							
	Sumitomo Mitsui Trust Bank, Limited		700,000	-	-	700,000							
	Development Bank of Japan Inc.		300,000	-	-	300,000							
	Mizuho Bank, Ltd.	(Note1)	-	600,000	-	600,000						0.62800	Feb. 26, 2021
	Sumitomo Mitsui Banking Corporation	(Note1)	-	300,000	-	300,000							
	The Norinchukin Bank	(Note1)	-	500,000	-	500,000							
	Shinkin Central Bank	(Note1)	-	500,000	-	500,000							
	The Senshu Ikeda Bank, Ltd.	(Note1)	-	500,000	-	500,000							
	The Shizuoka Bank, Ltd.	(Note1)	-	500,000	-	500,000							
	The 77 Bank, Ltd.	(Note1)	-	500,000	-	500,000							
	The Hiroshima Bank, Ltd.	(Note1)	-	500,000	-	500,000							
	MUFG Bank, Ltd.	(Note1)	-	300,000	-	300,000	0.73975	Feb. 28, 2022					
	Mizuho Bank, Ltd.	(Note1)	-	500,000	-	500,000							
	Sumitomo Mitsui Banking Corporation	(Note1)	-	500,000	-	500,000							
	Resona Bank, Limited	(Note1)	-	750,000	-	750,000							
	The Norinchukin Bank	(Note1)	-	800,000	-	800,000							
	The Bank of Fukuoka, Ltd.	(Note1)	-	500,000	-	500,000							
	Development Bank of Japan Inc.	(Note1)	-	1,000,000	-	1,000,000				0.85250		Feb. 28, 2023	

category	Lender		Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	interest rate (%) (Note 1)	Repayme nt due date	Repaym ent method	Use of proceeds	Security
Long-term loans payable	MUFG Bank, Ltd.	(Note1)	-	1,300,000	-	1,300,000	0.86650	Feb. 28, 2023	Lump- sum payment at maturity	Repayment of loans payable	Un- secured Un- guaran- teed
	Mizuho Bank, Ltd.	(Note1)	-	1,000,000	-	1,000,000					
	Sumitomo Mitsui Banking Corporation	(Note1)	-	600,000	-	600,000					
	Sumitomo Mitsui Trust Bank, Limited	(Note1)	-	300,000	-	300,000					
	Mizuho Trust & Banking Co., Ltd.	(Note1)	-	800,000	-	800,000					
	Resona Bank, Limited	(Note1)	-	500,000	-	500,000					
	The Norinchukin Bank	(Note1)	-	500,000	-	500,000					
	The Bank of Fukuoka, Ltd.	(Note1)	-	700,000	-	700,000					
	Aozora Bank, Ltd.	(Note1)	-	200,000	-	200,000					
	Shinkin Central Bank	(Note1)	-	200,000	-	200,000					
	The Senshu Ikeda Bank, Ltd.	(Note1)	-	200,000	-	200,000					
	The Shizuoka Bank, Ltd.	(Note1)	-	200,000	-	200,000					
	The 77 Bank, Ltd.	(Note1)	-	200,000	-	200,000					
	The Hiroshima Bank, Ltd.	(Note1)	-	200,000	-	200,000					
	The Yamaguchi Bank, Ltd.	(Note1)	-	200,000	-	200,000					
	MUFG Bank, Ltd.		1,650,000	-	-	1,650,000	0.61760	Nov. 30, 2020			
	MUFG Bank, Ltd.		200,000	-	-	200,000	0.62760				
	Mizuho Bank, Ltd.		950,000	-	-	950,000					
	Sumitomo Mitsui Banking Corporation		1,650,000	-	-	1,650,000					
	Sumitomo Mitsui Trust Bank, Limited		850,000	-	-	850,000					
	Mizuho Trust & Banking Co., Ltd.		500,000	-	-	500,000					
	Resona Bank, Limited		550,000	-	-	550,000					
	The Norinchukin Bank		650,000	-	-	650,000					
	MUFG Bank, Ltd.		700,000	-	-	700,000	0.88470	Nov. 30, 2022			
	Development Bank of Japan Inc.		650,000	-	-	650,000	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						
MUFG Bank, Ltd.		750,000	-	-	750,000	1.00850	Nov. 30, 2023				
MUFG Bank, Ltd.		500,000	-	-	500,000	1.01850					
Mizuho Bank, Ltd.		400,000	-	-	400,000						
Sumitomo Mitsui Banking Corporation		700,000	-	-	700,000						
Sumitomo Mitsui Trust Bank, Limited		350,000	-	-	350,000						
Mizuho Trust & Banking Co., Ltd.		300,000	-	-	300,000						
Resona Bank, Limited		100,000	-	-	100,000						

category	Lender		Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	interest rate (%) (Note 1)	Repayme nt due date	Repaym ent method	Use of proceeds	Security		
Long- term loans payable	Mizuho Bank, Ltd.	(Note1)	-	100,000	-	100,000	0.67400	Aug. 31, 2023	Lump- sum payment at maturity	Purchase of assets and related expenses	Un- secured Un- guaran- teed		
	Development Bank of Japan Inc.	(Note1)	-	2,100,000	-	2,100,000							
	Mizuho Bank, Ltd.	(Note1)	-	450,000	-	450,000	0.68030	Aug. 31, 2023					
	Sumitomo Mitsui Banking Corporation	(Note1)	-	450,000	-	450,000							
	Mizuho Trust & Banking Co., Ltd.	(Note1)	-	1,000,000	-	1,000,000							
	MUFG Bank, Ltd.	(Note1)	-	700,000	-	700,000	0.48242						
	Mizuho Bank, Ltd.	(Note1)	-	1,100,000	-	1,100,000							
	Sumitomo Mitsui Banking Corporation	(Note1)	-	1,100,000	-	1,100,000							
	Sumitomo Mitsui Trust Bank, Limited	(Note1)	-	450,000	-	450,000							
	Mizuho Trust & Banking Co., Ltd.	(Note1)	-	500,000	-	500,000							
	Resona Bank, Limited	(Note1)	-	300,000	-	300,000							
	The Norinchukin Bank	(Note1)	-	300,000	-	300,000							
	Aozora Bank, Ltd.	(Note1)	-	200,000	-	200,000							
	The Yamaguchi Bank, Ltd.	(Note1)	-	100,000	-	100,000							
	MUFG Bank, Ltd.	(Note1)	-	450,000	-	450,000						0.50500	Feb. 29, 2024
	Development Bank of Japan Inc.	(Note1)	-	600,000	-	600,000							
	The Bank of Fukuoka, Ltd.	(Note1)	-	200,000	-	200,000							
	Shinkin Central Bank	(Note1)	-	100,000	-	100,000							
	The Senshu Ikeda Bank, Ltd.	(Note1)	-	100,000	-	100,000							
	The Shizuoka Bank, Ltd.	(Note1)	-	100,000	-	100,000							
	The 77 Bank, Ltd.	(Note1)	-	100,000	-	100,000							
	The Hiroshima Bank, Ltd.	(Note1)	-	100,000	-	100,000							
	Mizuho Bank, Ltd.	(Note1)	-	200,000	-	200,000	0.49500	Aug. 30, 2024					
	Sumitomo Mitsui Banking Corporation	(Note1)	-	200,000	-	200,000							
	Sumitomo Mitsui Trust Bank, Limited	(Note1)	-	400,000	-	400,000							
	Mizuho Trust & Banking Co., Ltd.	(Note1)	-	500,000	-	500,000							
	Resona Bank, Limited	(Note1)	-	300,000	-	300,000							
	The Norinchukin Bank	(Note1)	-	300,000	-	300,000							
MUFG Bank, Ltd.	(Note1)	-	600,000	-	600,000	0.57000	Aug. 29, 2025						
MUFG Bank, Ltd.	(Note1)	-	1,000,000	-	1,000,000								
Mizuho Bank, Ltd.	(Note1)	-	800,000	-	800,000	0.59750							
Sumitomo Mitsui Banking Corporation	(Note1)	-	800,000	-	800,000								
Development Bank of Japan Inc.	(Note1)	-	400,000	-	400,000								

category	Lender		Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	interest rate (%) (Note 1)	Repayme nt due date	Repaym ent method	Use of proceeds	Security
Long-term loans payable	Sumitomo Mitsui Banking Corporation		1,560,000	-	-	1,560,000	0.28242	Nov. 30, 2020	Lump- sum payment at maturity	Repayment of loans payable	Un- secured Un- guaran- teed
	Sumitomo Mitsui Trust Bank, Limited		830,000	-	-	830,000					
	Mizuho Trust & Banking Co., Ltd.		370,000	-	-	370,000					
	Resona Bank, Limited		550,000	-	-	550,000					
	Development Bank of Japan Inc.		370,000	-	-	370,000					
	The Norinchukin Bank		370,000	-	-	370,000					
	MUFG Bank, Ltd.		1,810,000	-	-	1,810,000	0.60500	Sep. 8, 2026			
	MUFG Bank, Ltd.		440,000	-	-	440,000	0.67000				
	Mizuho Bank, Ltd.		900,000	-	-	900,000	0.31000	Aug. 31, 2020			
	Sumitomo Mitsui Banking Corporation	(Note1)	-	1,600,000	-	1,600,000					
	MUFG Bank, Ltd.	(Note1)	-	600,000	-	600,000	0.61000	Feb. 28, 2025			
	Mizuho Bank, Ltd.	(Note1)	-	200,000	-	200,000	0.67000				
	Sumitomo Mitsui Trust Bank, Limited	(Note1)	-	300,000	-	300,000					
	Mizuho Trust & Banking Co., Ltd.	(Note1)	-	600,000	-	600,000					
	Resona Bank, Limited	(Note1)	-	400,000	-	400,000					
	Shinkin Central Bank	(Note1)	-	300,000	-	300,000					
	MUFG Bank, Ltd.	(Note1)	-	1,500,000	-	1,500,000	0.72500	Feb. 27, 2026			
	MUFG Bank, Ltd.	(Note1)	-	800,000	-	800,000	0.77880				
	Mizuho Bank, Ltd.	(Note1)	-	700,000	-	700,000					
	Development Bank of Japan Inc.	(Note1)	-	1,200,000	-	1,200,000					
	The Bank of Fukuoka, Ltd.	(Note1)	-	500,000	-	500,000					
	Aozora Bank, Ltd.	(Note1)	-	300,000	-	300,000					
	The Yamaguchi Bank, Ltd.	(Note1)	-	500,000	-	500,000	0.25742	Aug. 31, 2021			
	Sumitomo Mitsui Banking Corporation		870,000	-	-	870,000					
	Sumitomo Mitsui Trust Bank, Limited		480,000	-	-	480,000					
	Resona Bank, Limited		300,000	-	-	300,000					
	The Norinchukin Bank		210,000	-	-	210,000	0.37000	Nov. 30, 2023			
MUFG Bank, Ltd.		990,000	-	-	990,000	0.45254					
MUFG Bank, Ltd.		260,000	-	-	260,000						
Mizuho Bank, Ltd.		550,000	-	-	550,000						
Mizuho Trust & Banking Co., Ltd.		220,000	-	-	220,000						
Development Bank of Japan Inc.		220,000	-	-	220,000						
Mizuho Bank, Ltd.	(Note1)	-	176,000	-	176,000	0.61380	Aug. 29, 2025				
The Norinchukin Bank	(Note1)	-	2,352,000	-	2,352,000						

category	Lender		Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	interest rate (%) (Note 1)	Repayme nt due date	Repaym ent method	Use of proceeds	Security
Long-term loans payable	MUFG Bank, Ltd.		750,000	-	-	750,000	0.32000	Jul. 13, 2022	Lump-sum payment at maturity	Repayment of loans payable	Un- secured Un- guaran- teed
	Mizuho Bank, Ltd.		1,050,000	-	-	1,050,000	0.34800				
	Sumitomo Mitsui Banking Corporation		600,000	-	-	600,000					
	Sumitomo Mitsui Trust Bank, Limited		1,050,000	-	-	1,050,000					
	Mizuho Trust & Banking Co., Ltd.		650,000	-	-	650,000					
	Resona Bank, Limited		950,000	-	-	950,000					
	The Norinchukin Bank		750,000	-	-	750,000	0.35341				
	MUFG Bank, Ltd.		650,000	-	-	650,000					
	Development Bank of Japan Inc.		550,000	-	-	550,000					
	MUFG Bank, Ltd.		750,000	-	-	750,000	0.34000	May. 31, 2023			
	Mizuho Bank, Ltd.		1,050,000	-	-	1,050,000	0.41800				
	Sumitomo Mitsui Banking Corporation		600,000	-	-	600,000					
	Sumitomo Mitsui Trust Bank, Limited		1,050,000	-	-	1,050,000					
	Mizuho Trust & Banking Co., Ltd.		650,000	-	-	650,000					
	Resona Bank, Limited		950,000	-	-	950,000					
	The Norinchukin Bank		750,000	-	-	750,000	0.42622				
	MUFG Bank, Ltd.		650,000	-	-	650,000					
	Development Bank of Japan Inc.		550,000	-	-	550,000					
	MUFG Bank, Ltd.	(Note1)	-	1,300,000	-	1,300,000	0.23742	Feb. 28, 2019 (Note3)			
	Mizuho Bank, Ltd.	(Note1)	-	1,400,000	-	1,400,000					
	Sumitomo Mitsui Banking Corporation	(Note1)	-	1,300,000	-	1,300,000					
	MUFG Bank, Ltd.	(Note1)	-	500,000	-	500,000	0.56500	Feb. 27, 2026			
	MUFG Bank, Ltd.	(Note1)	-	500,000	-	500,000					
	Mizuho Bank, Ltd.	(Note1)	-	100,000	-	100,000					
	The 77 Bank, Ltd.	(Note1)	-	500,000	-	500,000					
	The Hiroshima Bank, Ltd.	(Note1)	-	500,000	-	500,000					
	MUFG Bank, Ltd.		-	1,900,000	-	1,900,000	0.70000				
	Mizuho Bank, Ltd.		-	4,200,000	-	4,200,000	0.78300	Aug. 31, 2027			
	Sumitomo Mitsui Banking Corporation		-	1,900,000	-	1,900,000					
	Mizuho Bank, Ltd.		-	1,480,000	-	1,480,000	0.23504	Aug. 31, 2021			
	Sumitomo Mitsui Banking Corporation		-	320,000	-	320,000					
	Sumitomo Mitsui Trust Bank, Limited		-	500,000	-	500,000					
	Mizuho Trust & Banking Co., Ltd.		-	200,000	-	200,000					
	Total		79,400,000	113,532,500	10,500,000	182,432,500					

(Note 1) These loans were succeeded through the merger with SHI as of May 1, 2018.

(Note 2) 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 3) As of the end of the fiscal period under review, these loans are recorded as Current portion of long-term loans payable in Current liabilities on the balance sheet.

(Note 4) The following is the maturity schedule of long-term loans within five years of the balance sheet date.

(Thousands of yen)

	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans payable	12,382,000	27,892,500	29,710,000	39,230,000	22,200,000



Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503-1100
Fax: +81 3 3503-1197
ey.com

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, 2018, and the statements of income and retained earnings, changes in net assets, cash distributions, cash flows, and supplementary schedules from May 1, 2018 to October 31, 2018 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

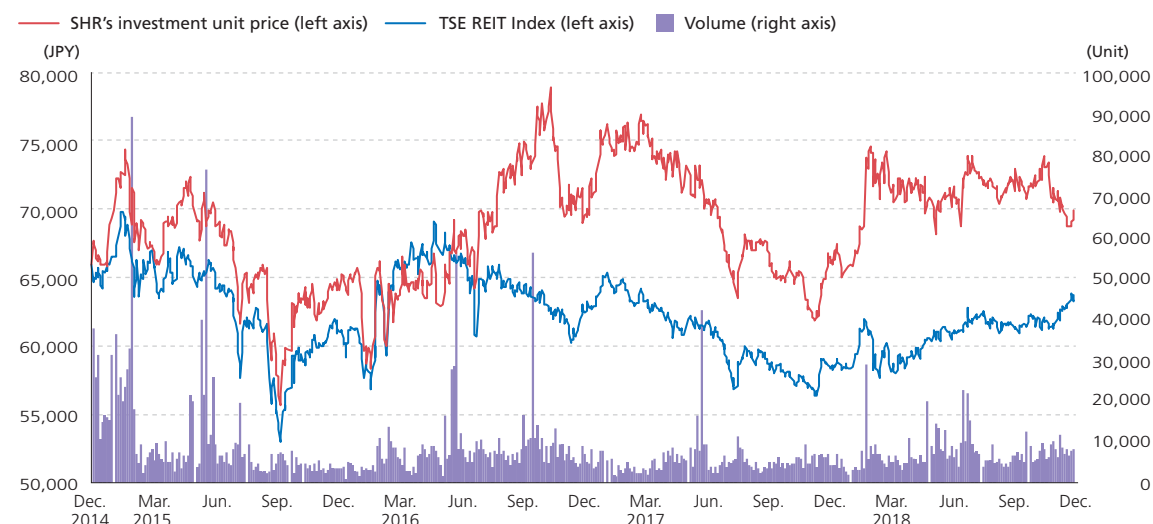
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sekisui House Reit, Inc. as at October 31, 2018, and its financial performance and cash flows from May 1, 2018 to October 31, 2018 in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

January 28, 2019
Tokyo, Japan

Unitholder Information

Change in Investment Unit Price and Trading Volume (December 3, 2014 to November 30, 2018)



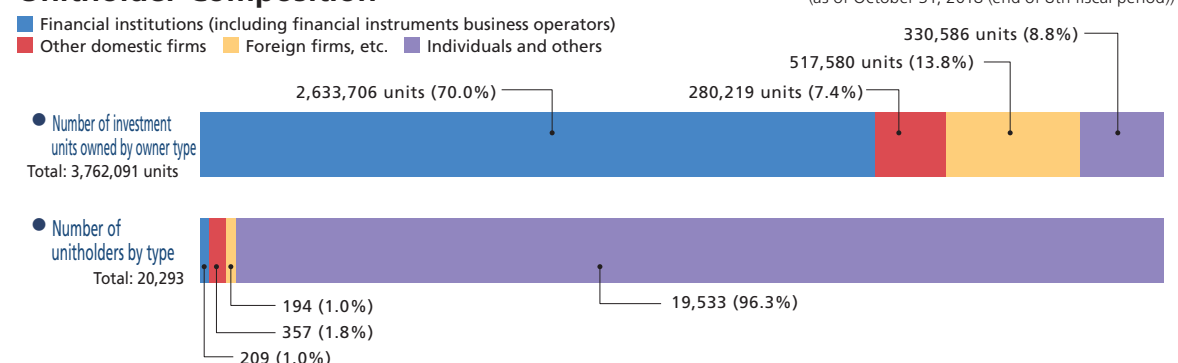
(Note 1) Closing price and volume of the investment unit of SHR in a regular trading session at Tokyo Stock Exchange, Inc. are indicated.

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

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

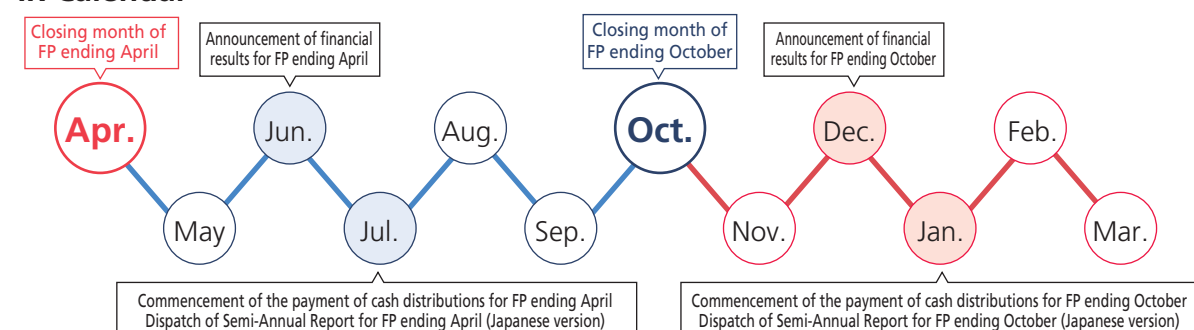
(Note 4) Figures for the period from December 3, 2014 to November 30, 2018 are indicated.

Unitholder Composition



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

IR Calendar



Unitholder Memo

Unitholder Memo

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

Concerning Procedures to Change Registered Address, etc.

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

Concerning Receiving Cash Distribution

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

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

Website of Sekisui House Reit, Inc.

Guide to Website

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

SHR strives for timely and accurate information disclosure via the website. IR information is also made available via e-mail delivery to provide access to the latest information. The latest cash distribution, financial, investment property and other information useful to investors are made available for viewing on the website.

