



January 27, 2017

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

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## About Sekisui House Reit, Inc.

• Executive Summary	3
• Growth Strategies Utilizing Sekisui House's Support	5
• Management Performance since IPO	7
• Portfolio Summary (as of December 14, 2016)	8
• Outline of Portfolio	9
• Portfolio Map and Growth Potential of the Area	11
• Portfolio Development Policy	12
• External Growth	13
• Urban developments undertaken by Sekisui House	14
• Internal Growth	15
• Financial Results	16
• Interest-Bearing Liabilities (as of October 31, 2016)	17
• Strategy for Future Growth	19
• Our Growth Strategies	20

## Appendix

• Financial Results and Forecast	22
• Balance Sheet	23
• Statement of Income and Retained Earnings	24
• Entire Portfolio (as of October 31, 2016)	25
• Overview of Appraisal	26
• Types of Lease Agreement	27
• Structure of SHR	28
• Unitholders Composition	29
• Governance System	30
• Asset Management Company (as of January 27, 2017)	31
• Change in Unit Price	32

## Characteristics of Sekisui House Reit, Inc. (“SHR”)

### Characteristic 1

- SHR’s sponsor is **Sekisui House, Ltd. (“Sekisui House”)**, one of the leading homebuilders in Japan.
- Expanding asset size by **utilizing pipeline support from Sekisui House** and reducing risk of portfolio concentration by entering into fixed-rent type master lease agreement with Sekisui House.

Current AUM  
(aggregate acquisition price)  
**JPY 179.5 bil**

### Characteristic 2

- SHR is a diversified REIT focusing mainly on **office buildings**, retail properties and hotels (“Commercial Properties”).

Current Portfolio  
(asset type)  
**Office Buildings  
100%**

- Investing in Commercial Properties located in **major metropolitan areas**; Greater Tokyo (59.6%), Osaka area (36.8%) and Nagoya area (3.5%) (acquisition price basis).

Current Portfolio  
(area)  
**Tokyo, Osaka & Nagoya  
100%**

- Investing in Prime Properties featuring “**strategic locations**” and “**high quality**”.
- All 6 properties have been recently built and 4 properties have a rating of 4 or 5 stars under the **DBJ Green Building Certification system**.

Current Portfolio  
(features)  
**Prime Properties  
100%**

### Characteristic 3

- **Strong relationships** with major domestic financial institutions.

firstte) Money amounts less than the indicated figures are rounded down and percentage figures are rounded to the nearest first decimal place otherwise indicated in this document. The same shall apply hereinafter.

## Profile of Sekisui House Reit, Inc.

### Corporate Profile

Trade name  
Asset management company  
Sponsor

Sekisui House Reit, Inc. (securities code: 3309)  
Sekisui House Investment Advisors, Ltd.  
Sekisui House, Ltd.



Sekisui House is also the main sponsor of  
**Sekisui House SI Residential Investment Corporation**

### Owned Assets

Aggregate acquisition price  
Number of properties

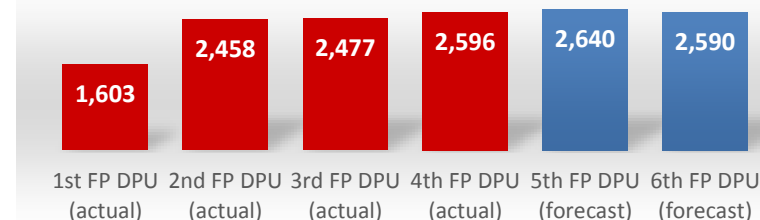
JPY 179.5 bil  
6 properties (6 office buildings)



### Distributions

Fiscal period ends  
Actual for 4<sup>th</sup> fiscal period  
Forecast for 5<sup>th</sup> fiscal period  
Forecast for 6<sup>th</sup> fiscal period

April and October of each year  
JPY 2,596 per unit  
JPY 2,640 per unit  
JPY 2,590 per unit



### Financial information

Total interest-bearing liabilities  
Unitholders' capital  
Number of investment units issued and outstanding  
Long-term issuer rating

JPY 77.3 bil  
JPY 100.0 bil  
894,000 units  
AA- (stable) [JCR]

### Highlight

SHR has been included in the  
**FTSE EPRA/NAREIT Global Real Estate Index Series**  
from September 19, 2016.

(Note) The figures are as of December 31, 2016.

## Strength and Track Record of Sekisui House's Development Business

### ■ Sekisui House's Corporate Profile and Business Strategies

#### About Sekisui House

##### Sekisui House's Corporate Profile (As of January 31, 2016)

Corporation Name : **Sekisui House, Ltd.**

Date of Establishment : **August 1, 1960**

Capital Stock : **JPY 202,591.20 million**

Cumulative Number of Houses Built : **2,284,659 houses**

##### How Sekisui House became involved in the field of J-REIT

**Since 2005**, Sekisui House entered the J-REIT field by acquiring an equity stake in Japan Excellent Asset Management Co., Ltd., the asset manager for Japan Excellent Inc. (The capital ties have dissolved already.).

**In 2010**, Sekisui House acquired 75% of Joint Capital Partners Co., Ltd., the asset manager of Joint Reit Investment Corporation, now known as Sekisui House SI Residential Investment Corporation.

#### ■ Commitment of properties by Sekisui House Group to its sponsored J-REITs (as of December 31, 2016)

Collaboration with our J-REIT platform within Sekisui House's Development Business has become significantly more important.

Asset Type	Number of Properties (Note)	Transaction Price
Office (2007-2016)	8 properties	JPY 213.8 bil
Residential (2010-2016)	55 properties	JPY 103.6 bil
Total (2007-2016)	63 properties	JPY 317.4bil

(Note) 2 office properties have been acquired by Japan Excellent, Inc. and 55 residential properties have been acquired by Sekisui House SI Residential Investment Corporation.

#### Priority strategies for each business model

##### **Built-to-Order Business**

- Strengthening sales of mid-range and high-end products by enhancing value-added proposals
- Strengthening sales of multifamily housing by enhancing three-and four-story houses
- Reinforcing sales of Green First Zero
- Promoting sales for elderly housing with supportive services

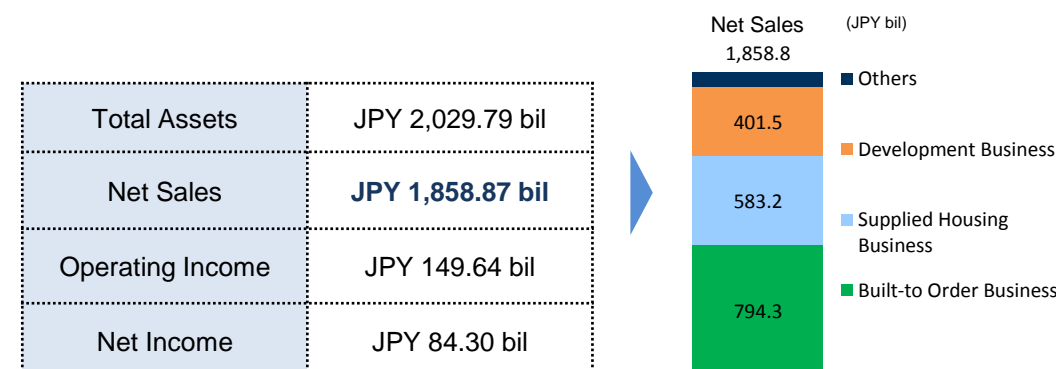
##### **Supplied Housing Business**

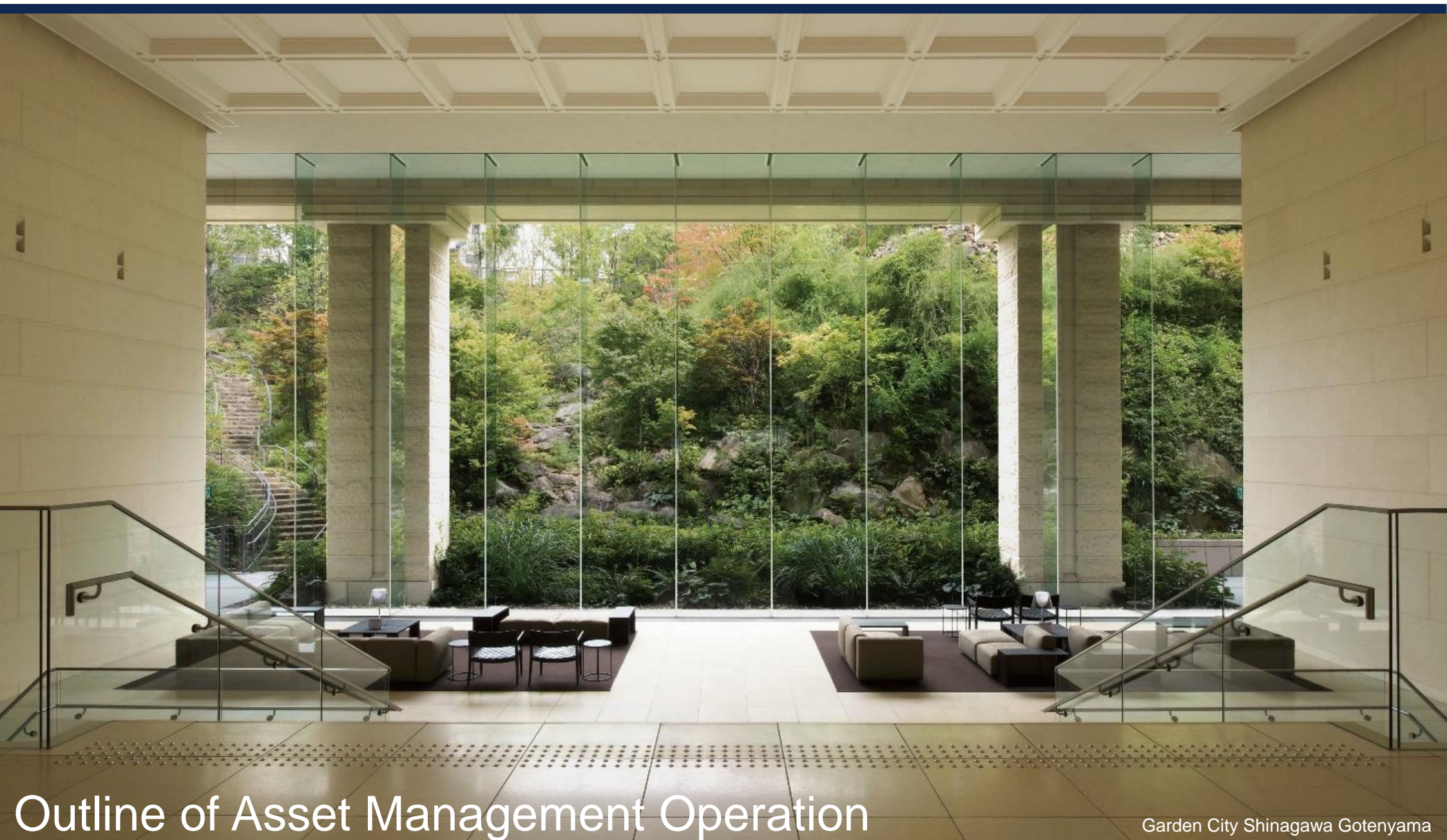
- Strengthening the large-scale renovation for detached houses, rental housing, and condominiums
- Strengthening the brokerage business for sales of detached houses and rental housing
- Promoting Sum Stock (The Provision of Quality Housing Stock Association) business
- Strengthening the block leasing of elderly housing with supportive services

##### **Development Business**

- Creating quality communities to promote sales in the Houses for Sale Business
- Bolstering exit strategies through Sekisui House Reit, Inc.
- Strengthening brand building in the Overseas Business

#### ■ Sekisui House's Consolidated Financial Statements FY2015(15/2-16/1)



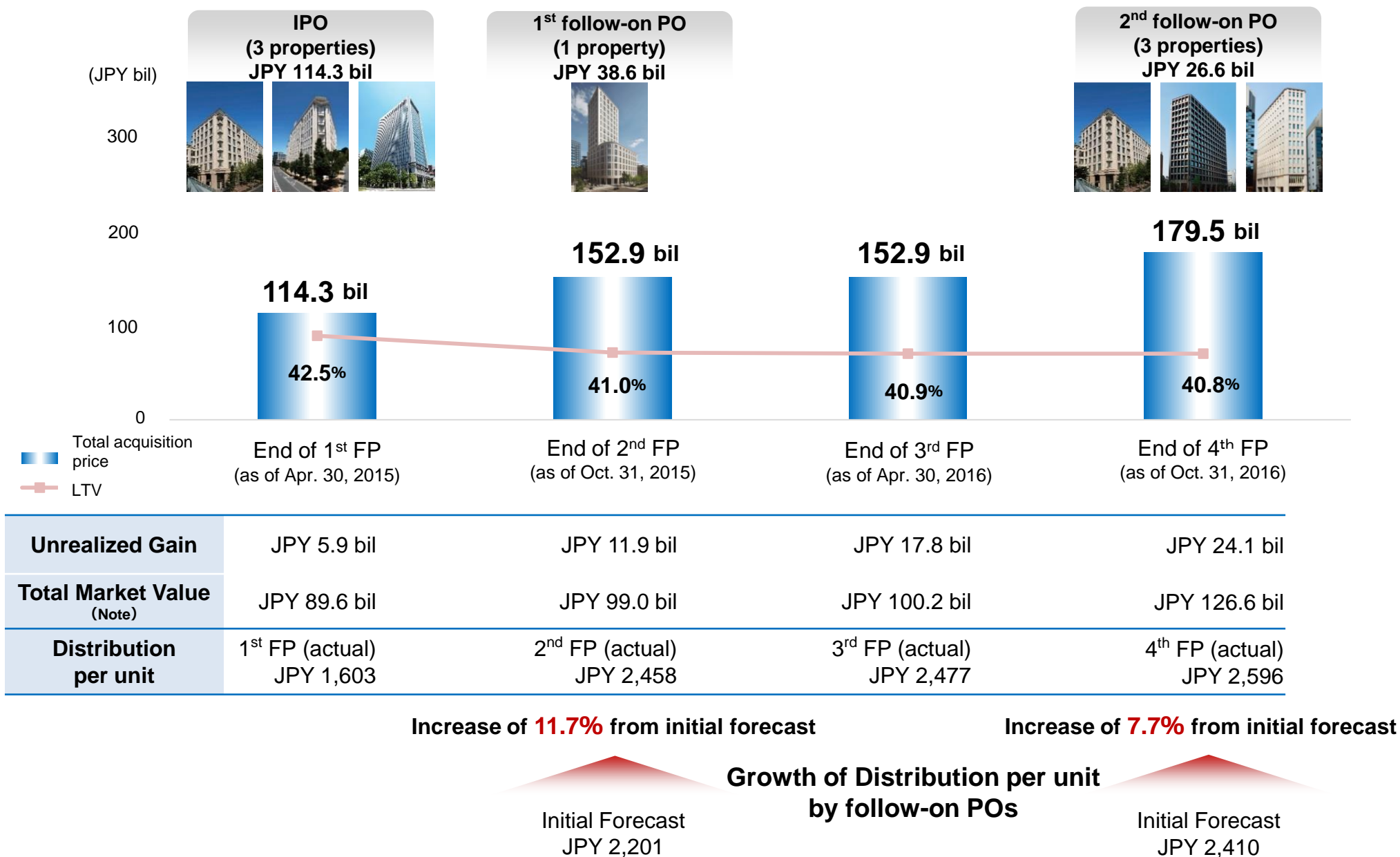


# Outline of Asset Management Operation

Garden City Shinagawa Gotenyama

# Management Performance since IPO

## Steady External Growth and Increase in Unitholder Value



(Note) Total market value as of end of each FP is calculated based on unit price as of end of each FP respectively.

# Portfolio Summary (as of December 14, 2016)

## Portfolio Highlight

Asset size (aggregate acquisition price)	JPY <b>179.5</b> bil	Total appraisal value	JPY <b>202.1</b> bil
Number of properties	<b>6</b>	Occupancy rate (Note 1)	<b>99.9</b> %
Office buildings ratio	<b>100.0</b> %	Location ratio (acquisition price basis)	<b>100.0</b> %
Average building age (Note 2)	<b>5.9</b> years	3 major metropolitan areas Greater Tokyo	<b>59.6</b> %

## Portfolio Description







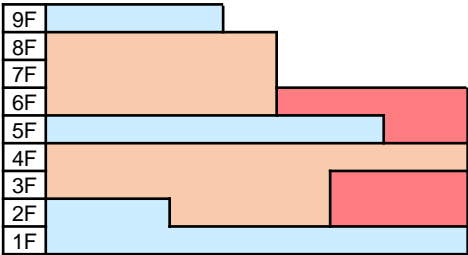





No.	Property Name	Acquisition Price (JPY)	Appraisal Value (JPY)	Investment Ratio	Leasable Area	Occupancy Rate	Building Age	Address
J-1	Garden City Shinagawa Gotenyama	55.6 bil	63.1 bil	31.0%	29,235.95m <sup>2</sup>	100.0%	5.8 years	Shinagawa-ku, Tokyo
J-2	Gotenyama SH Building	51.5 bil	56.9 bil	28.7%	19,999.97m <sup>2</sup>	100.0%	5.9 years	Shinagawa-ku, Tokyo
J-3	Hommachi Minami Garden City	23.1 bil	27.2 bil	12.9%	16,699.46m <sup>2</sup>	100.0%	5.8 years	Osaka-shi, Osaka
J-4	Hommachi Garden City	38.6 bil	42.8 bil	21.5%	17,006.94m <sup>2</sup>	100.0%	6.6 years	Osaka-shi, Osaka
J-5	HK Yodoyabashi Garden Avenue	4.4 bil	5.19 bil	2.5%	4,554.52m <sup>2</sup>	98.6%	1.4 years	Osaka-shi, Osaka
J-6	Hirokoji Garden Avenue	6.35 bil	6.92 bil	3.5%	4,442.75m <sup>2</sup>	100.0%	5.8 years	Nagoya-shi, Aichi

(Note 1) Occupancy rate stated above is as of October 31, 2016.

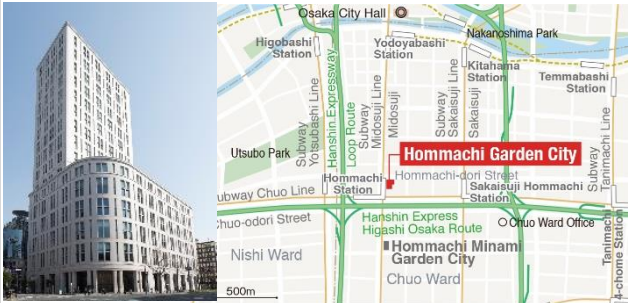


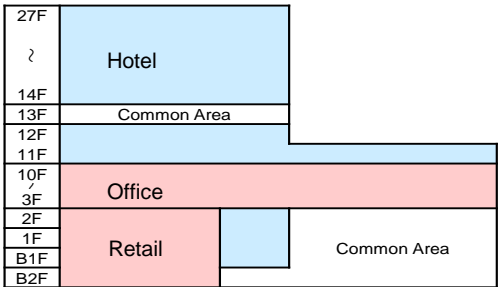
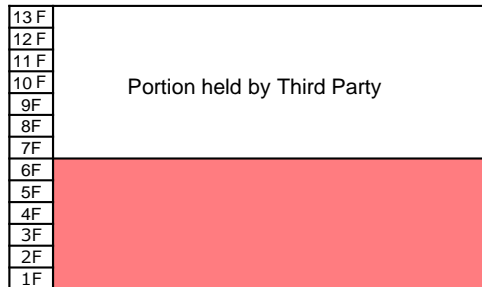
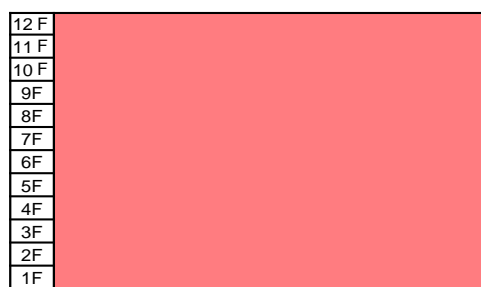



(Note 2) Average building age is calculated using the weighted average of building age according to the respective acquisition price.

(Note 3) As for Garden City Shinagawa Gotenyama, Hommachi Minami Garden City and HK Yodoyabashi Garden Avenue, SHR owns the sectional ownership right as well as accompanying right of site (in the site ownership ratio of approximately 75.8%, 56.3% and 40.6%, respectively). As for Hommachi Garden City, SHR owns the sectional ownership right to all exclusively-owned portions used as office and retail property of the building (in the exclusive area ratio of approximately 52.7%), as well as the accompanying right of site (in the site ownership ratio of approximately 69.7%).

# Outline of Portfolio

Property No.	J-1	J-2	J-3
Property name	Garden City Shinagawa Gotenyama	Gotenyama SH Building	Hommachi Minami Garden City
Photo of Properties			
Map of Properties			
Description of Rights			
	 Portion acquired at the time of the IPO  Portion acquired at the time of the 2 <sup>nd</sup> follow-on PO  Portion held by Sekisui House		
Types of Lease Agreement	Fixed-Rent Type Master Lease	Direct Lease	Fixed-Rent Type Master Lease
Environmental Consideration	DBJ Green Building Certification: 5 Stars	-	DBJ Green Building Certification: 4 Stars
Total Floor Area (entire building)	62,975.42m <sup>2</sup>	19,812.85m <sup>2</sup>	46,010.88m <sup>2</sup>
Leasable Area (acquired portions)	29,235.95m <sup>2</sup>	19,999.97m <sup>2</sup>	16,699.46m <sup>2</sup>
Occupancy Rate	100.0%	100.0%	100.0%
Completion	Feb. 2011	Feb. 2011	Feb. 2011

# Outline of Portfolio

Property No.	J-4	J-5	J-6
Property name	Hommachi Garden City	HK Yodoyabashi Garden Avenue	Hirokoji Garden Avenue
<p>Photo of Properties</p> <p>Map of Properties</p>			
Description of Rights			
	 Portion acquired at the time of the 1 <sup>st</sup> follow-on PO  Portion acquired at the time of the 2 <sup>nd</sup> follow-on PO  Portion held by Sekisui House		
Types of Lease Agreement	Fixed-Rent Type Master Lease	Pass-Through Type Master Lease	Pass-Through Type Master Lease
Environmental Consideration	DBJ Green Building Certification: 4 Stars	DBJ Green Building Certification: 4 Stars CASBEE OSAKA: Rank A	CASBEE NAGOYA: Rank A
Total Floor Area (entire building)	49,163.16m <sup>2</sup>	16,953.28m <sup>2</sup>	7,017.98m <sup>2</sup>
Leasable Area (acquired portions)	17,006.94m <sup>2</sup>	4,554.52m <sup>2</sup>	4,442.75m <sup>2</sup>
Occupancy Rate	100.0%	98.6%	100.0%
Completion	May 2010	July 2015	Mar. 2011

# Portfolio Map and Growth Potential of the Area

## Shinagawa Gotenyama Area

- Shinagawa station, the accessible station from the two buildings below, is one of the largest stations in Tokyo and has a high growth rate in terms of the passenger numbers.
- Shinagawa Station offers easy access to the Shinkansen Line and to Tokyo International Airport.

## Hommachi - Yodoyabashi Area

- These three buildings are located in an area known as the Hommachi - Yodoyabashi area, the representative business area of Osaka.
- This area is convenient for accessing public transportation and also offers easy access to the Shinkansen Line and to Osaka International Airport.

## Nagoya Meieki Area

- Nagoya Station, the biggest terminal station in Chubu Area, is located in Nagoya Meieki Area, which comprises a business and commercial district.
- A large-scale redevelopment project around Nagoya is underway with an eye to the launch of the Linear Chuo Shinkansen in 2027.



## ■ Portfolio Development Policy by Asset Type and by Country (Japan/Overseas)

Asset Type	Japan		Overseas
Office buildings	80% or more	80% or more	Less than 20%
Retail properties and hotels, etc.	Less than 20%		

## ■ Portfolio Development Policy by Area (Japan)

Area	Ratio
3 major metropolitan areas	80% or more
Other areas	Less than 20%

(Note) "3 major metropolitan areas" refers to Greater Tokyo, Osaka area and Nagoya area.

SHR waived its preferential negotiation rights for overseas real estate in November 2016 (while maintaining the undermentioned investment policy for overseas real estate).

## ■ Investment policy for overseas real estate

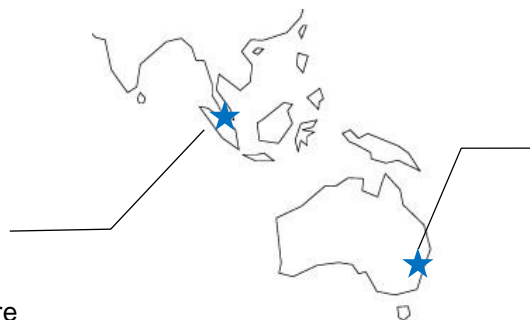
SHR may **invest in real estate located overseas**. The overseas areas where SHR intends to invest in real estate are those where Sekisui House has expertise in its actual development projects. Currently, such areas are **mainly Singapore, Australia and the U.S.**

## ■ Major overseas projects

SHR and the asset management company have entered into respective basic agreements on the sale of properties overseas with Sekisui House in relation to the following two projects, which gives SHR and the said company **preferential negotiation rights exercisable after Dec. 2016**.



Punggol Waterway Point Project in Punggol, Singapore






Central Park Project in Sydney, Australia

## ■ Investment policy

- Promoting continuous external growth focusing on property acquisitions from the sponsor
- Applying strict investment selection criteria when considering acquisition from third parties
- External growth centering on acquisition of office buildings
- Shifting to an external growth strategy focusing on domestic real estate for the time being

Achieve JPY 200 billion in asset size by focusing on domestic real estate through utilizing Sponsor Pipeline and promote continuous external growth.

【Preferential Negotiation Rights for Properties Co-owned with Sekisui House】

	Garden City Shinagawa Gotenyama	Hommachi Minami Garden City	Hommachi Garden City
Asset Type and Ratio of unacquired floor area (Note)	Office building  unacquired floor area 24.2%	Office building  unacquired floor area 43.6%	Hotel  unacquired floor area 47.3%

## ■ Background to investment in overseas real estate

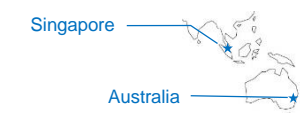
SHR waived the preferential negotiation rights for overseas real estate as it has concluded that the time is not right to invest in overseas real estate.

### Reasons for the decision

- Status of the legal and tax systems surrounding overseas real estate
- Concerns of investors over country risk, exchange rate fluctuation risk, etc.
- Problems of with the current indirect investment structure have from the perspective of acquiring of overseas real estate.

Clearly show a stance to seek external growth through acquisitions of domestic real estate for the time being

(2 overseas properties)



October 2014

Established investment policy for overseas real estate  
Obtained preferential negotiation rights for 2 overseas real estate

November 2016

Waived preferential negotiation rights for the overseas real estate

December 2016

The preferential negotiation rights were exercisable from December 1, 2016



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

# Urban developments undertaken by Sekisui House

## OSAKA AREA

Umeda Sky Building  
Completion in Mar. 1993



Grand Front Osaka  
Completion in Apr. 2013



The Ritz-Carlton, Kyoto  
Completion in Oct. 2013



Hommachi Minami Garden City  
Completion in Feb. 2011



Hommachi Garden City  
Completion in May 2010



HK Yodoyabashi Garden Avenue  
Completion in July 2015



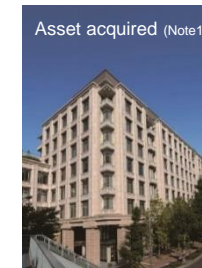
## NAGOYA AREA

Hirokoji Garden Avenue  
Completion in Mar. 2011

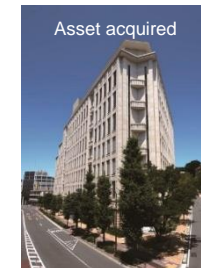


## TOKYO AREA

Garden City Shinagawa  
Gotenyama  
Completion in Feb. 2011



Gotenyama SH Building  
Completion in Feb. 2011



Akasaka Garden City  
Completion in Jan. 2006



(Note1) Although SHR has acquired parts of the above buildings, it still has preferential negotiation rights by acquiring the remaining parts of these buildings.

(Note2) The above projects include joint projects with other companies and properties that have been sold. Also, SHR does not have any plan to acquire the above properties as of the date hereof.







## ■ Utilization of sponsor support

- Provision of property management services for owned assets
- Utilization of know-how and services possessed by Sekisui House that can enhance tenant satisfaction for operation management
- Coordination in strategies such as renovation and value enhancement, etc. regarding old properties
- Investigation and discussion regarding execution of master lease agreements responding to property characteristics

## ■ Status of lease agreements of portfolio properties (as of December 14, 2016)

Management policy emphasizing stability until the portfolio is diversified

Selecting lease type depending on property characteristics

Property Name	Garden City Shinagawa Gotenyama		Hommachi Minami Garden City	Hommachi Garden City	Gotenyama SH Building	HK Yodoyabashi Garden Avenue	Hirokoji Garden Avenue
Photo of Properties							
Lease Type (Ratio of lease types) (Note)	<b>Fixed-Rent Type Master Lease 68.5%</b>				<b>Direct Lease 21.8%</b>	<b>Pass-Through Type Master Lease 9.8%</b>	
Contract Period (Master Lease or Direct Lease)	① portion originally acquired From Dec. 2014 to Dec. 2019	② portion additionally acquired From May 2016 to Dec. 2019	From Dec. 2014 to Dec. 2019	From May 2015 to May 2020	From Mar. 2011 to Feb. 2031	From May 2016 to May 2019	From May 2016 to May 2019

Stable rent revenue

Long-term rent revenue

Creation of internal growth opportunities

Rent for 90.2% of leased floor area (including direct lease) has been fixed substantively

Seeking internal growth opportunities by adopting pass-through type master lease

(Note) "Ratio of lease type" refers to the ratio of the leased floor area for each lease type under the relevant lease agreements, in respect of the properties, that are valid as of December 14, 2016 (or, if a master lease agreement that is valid as of December 14, 2016 is concluded for the property, the master lease agreement), to the total sum of the leased floor areas indicated in such lease agreements, rounded to the nearest first decimal place.

# Financial Results

## ■ Financial Standing

	End of 3 <sup>rd</sup> FP (actual) (as of Apr. 30, 2016)	End of 4 <sup>th</sup> FP (actual) (as of Oct. 31, 2016)
Total interest-bearing liabilities	JPY 68.1 bil	JPY 77.3 bil
Fixed interest rate debt ratio	79.4%	76.6%
Long-term debt ratio	100.0%	100.0%
LTV (total asset basis)	40.9%	40.8%
Acquisition capacity until LTV reaches 50% (Approximate amount)	JPY 31.0 bil	JPY 35.0 bil
Average financing interest rate (Note 1)	0.80%	0.75%
Average financing term (Note 2)	6.1 years	6.3 years
Average remaining term of interest-bearing liabilities (Note 3)	4.8 years	4.7 years

## ■ Credit Rating Information

Credit Rating Company	Long-term Issuer Rating
JCR	AA- (Stable)

(Note 1) "Average financing interest rate" indicates a weighted average (annual) interest rate using the balance of interest-bearing liabilities as of the end of each FP. In respect of the average interest rates of interest-bearing liabilities for which an interest rate swap was conducted in order to hedge the risk of interest rate fluctuations, interest rates taking into account the effect of the interest rate swap are used. The figure is rounded to the nearest 2<sup>nd</sup> decimal place.

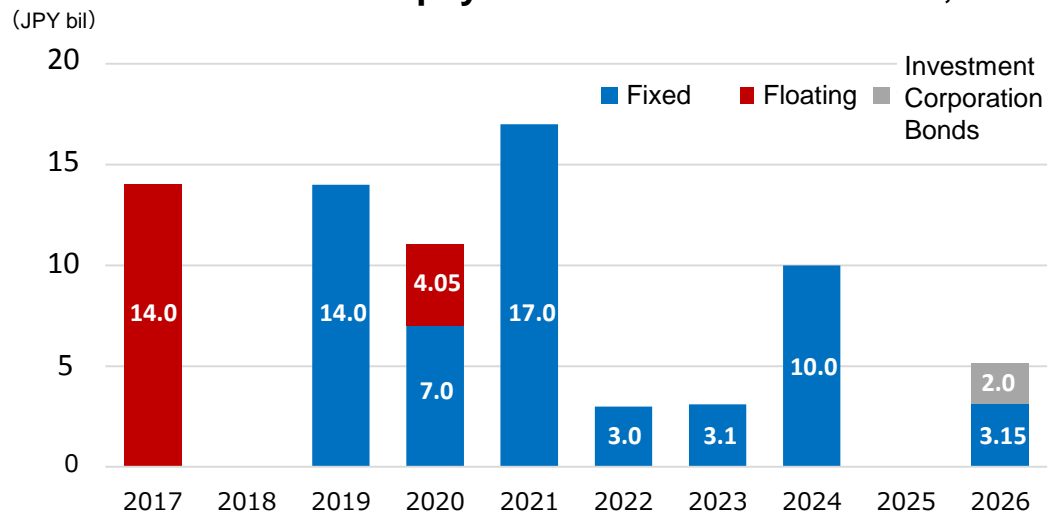
(Note 2) "Average financing term" indicates the average term from the date of borrowing to maturity dates weighted by the balance of the respective interest-bearing liabilities.

(Note 3) "Average remaining term of interest-bearing liabilities" indicates the average remaining term from the end of each FP to maturity dates weighted by the balance of the respective interest-bearing liabilities.

## ■ Status of interest-bearing liabilities (as of October 31, 2016)

	Percentage
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	23.4 %
Sumitomo Mitsui Banking Corporation	20.9 %
Mizuho Bank, Ltd.	12.4 %
Sumitomo Mitsui Trust Bank, Limited	11.6 %
Resona Bank, Limited	7.4 %
Mitsubishi UFJ Trust and Banking Corporation	6.1 %
Development Bank of Japan Inc.	5.2 %
The Norinchukin Bank	5.2 %
Mizuho Trust & Banking Co., Ltd.	5.1 %
Investment Corporation Bonds	2.6 %

## ■ Diversification of Repayment Date (as of October 31, 2016)



# Interest-Bearing Liabilities (1/2) (as of October 31, 2016)

## ■ Loan

Term	Lender	Balance (JPY mil)	Interest Rate	Drawdown Date	Repayment Date	Remarks
Long	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited Mitsubishi UFJ Trust and Banking Corporation Development Bank of Japan Inc. The Norinchukin Bank Mizuho Trust & Banking Co., Ltd.	14,000	Base Rate (JBA 1-month JPY TIBOR) +0.25%	Dec. 3, 2014	Nov. 30, 2017	Unsecured and Unguaranteed
		14,000	0.65830% (Note)		Nov. 30, 2019	
		17,000	0.94060% (Note)		Nov. 30, 2021	
		10,000	1.47450% (Note)		Nov. 30, 2024	
	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited Mitsubishi UFJ Trust and Banking Corporation The Norinchukin Bank Mizuho Trust & Banking Co., Ltd.	5,350	0.62760% (Note)	July 31, 2015	Nov. 30, 2020	
	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited	1,650	0.89470% (Note)		Nov. 30, 2022	
	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited Mitsubishi UFJ Trust and Banking Corporation Mizuho Trust & Banking Co., Ltd.	2,350	1.01850% (Note)		Nov. 30, 2023	

(Note) In order to hedge the risk of interest rate fluctuations, an interest rate swap transaction, which substantially secured interest rates, was conducted. Accordingly, the interest rates are calculated taking the effect of this interest rate swap into consideration.

# Interest-Bearing Liabilities (2/2) (as of December 14, 2016)

Term	Lender	Balance (JPY mil)	Interest Rate	Drawdown Date	Repayment Date	Remarks
Long	Development Bank of Japan Inc.	650	0.88500%	July 31, 2015	Nov. 30, 2022	Unsecured and Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,650	0.61760%		Nov. 30, 2020	
		700	0.88470%		Nov. 30, 2022	
		750	1.00850%		Nov. 30, 2023	
		1,810	0.60500%			
	Mizuho Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation	1,340	0.67000%	Sep. 9, 2016	Sep. 8, 2026	
	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited Development Bank of Japan Inc. The Norinchukin Bank Mizuho Trust & Banking Co., Ltd.	4,050	Base Rate (JBA 1-month JPY TIBOR) +0.225%		Nov. 30, 2020	
	<b>Total Loans</b>	<b>75,300</b>	-	-	-	-

## Investment Corporation Bond

Name	Issue Amount (JPY mil)	Interest Rate	Issue Date	Redemption Date	Remarks
First Series Unsecured Investment Corporation Bonds (with a clause that ranks them pari passu among specified investment corporation bonds)	2,000	0.340%	Sep. 8, 2016	Sep. 8, 2026	Unsecured and Unguaranteed
<b>Total Investment Corporation Bonds</b>	<b>2,000</b>	-	-	-	-
<b>Total Interest-Bearing Liabilities</b>	<b>77,300</b>				

**Sekisui House REIT's goals are to continue to focus on “Prime Properties”, and expand and diversify its portfolio at a sustainable pace, by capitalizing on the strong support of Sekisui House.**

## **Sekisui House REIT's Operational Philosophy**

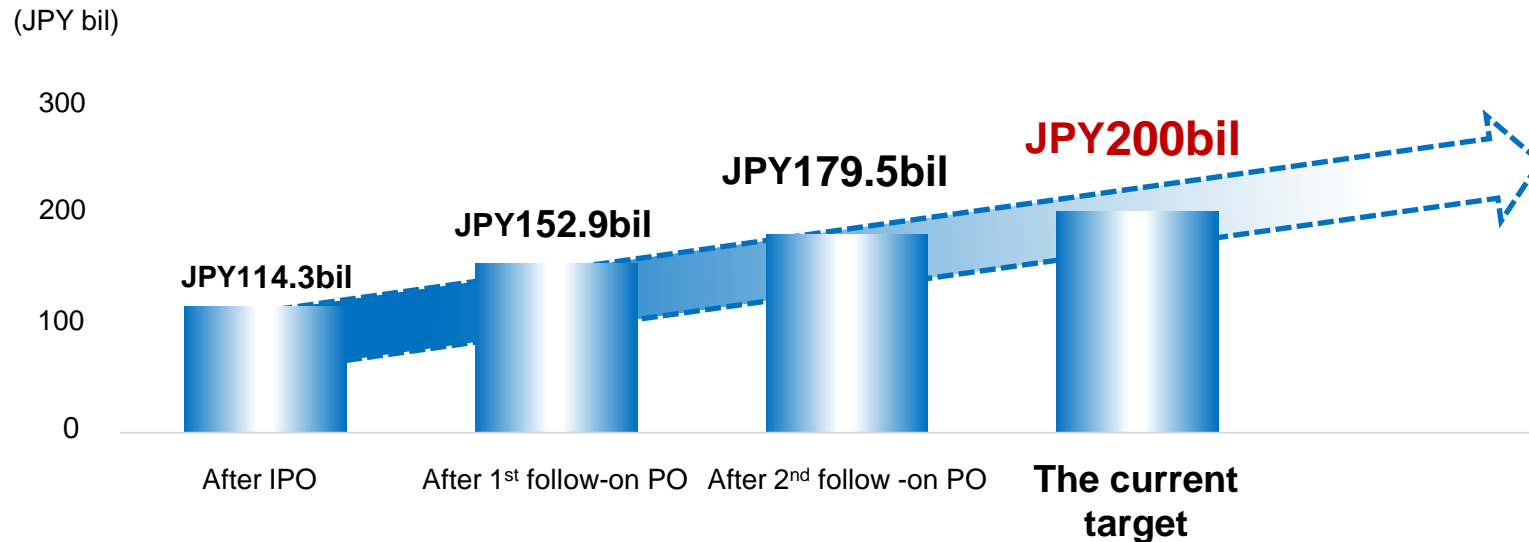
- **Provide high-quality social capital and maximize unitholder value**
- **Invest in commercial properties focused on strategic locations and high quality**
- **Portfolio development policy centering on office buildings**
- **Growth strategies that take full advantage of the versatile support of Sekisui House**

## **Sekisui House's Support for Sekisui House REIT**

- **External growth through Pipeline Support Agreement**
- **Fixed-rent type Master Lease with Sekisui House**

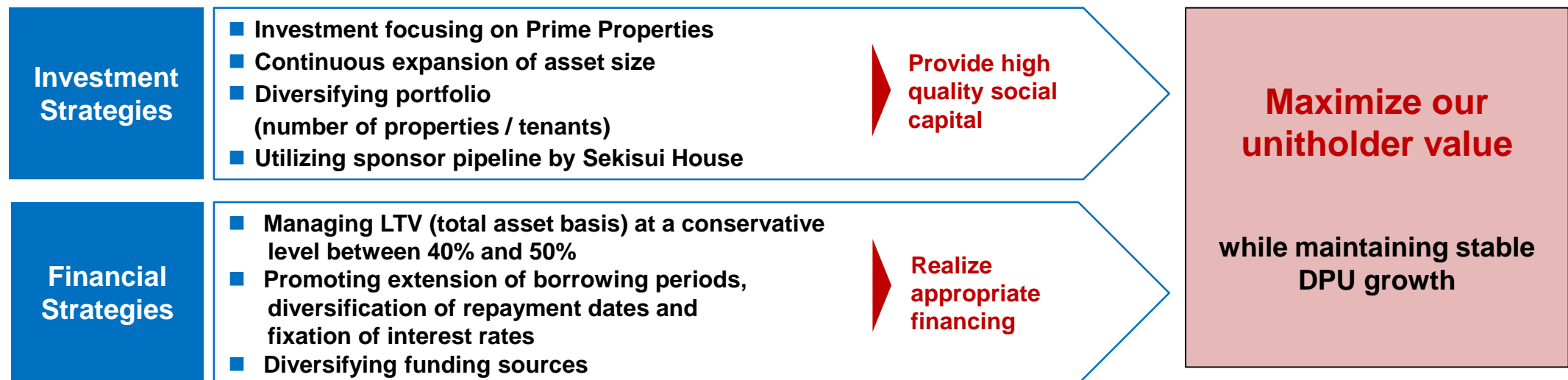
# Our Growth Strategies

## ■ Growth of Our Asset Size and Target



Utilize sponsor pipeline  
by Sekisui House  
+  
Utilize acquisition capacity  
↓  
**Promote continuous  
external growth**

## ■ Management Strategies





Appendix

HK Yodoyabashi Garden Avenue

# Financial Results and Forecast

## ■ Comparison of forecast and actual results

	Actual Results of 1 <sup>st</sup> FP (as of Apr. 30, 2015)	Actual Results of 2 <sup>nd</sup> FP (as of Oct. 31, 2015)	Actual Results of 3 <sup>rd</sup> FP (as of Apr. 30, 2016)	Actual Results of 4 <sup>th</sup> FP (as of Oct. 31, 2016)	Forecast of 5 <sup>th</sup> FP (as of Apr. 30, 2017)	Forecast of 6 <sup>th</sup> FP (as of Oct. 31, 2017)
Days of Operation	<b>149</b> days	<b>184</b> days	<b>182</b> days	<b>184</b> days	<b>181</b> days	<b>184</b> days
Operating Revenue	<b>2,108</b> JPY mil	<b>3,379</b> JPY mil	<b>3,467</b> JPY mil	<b>4,059</b> JPY mil	<b>4,140</b> JPY mil	<b>4,149</b> JPY mil
Operating Income	<b>1,580</b> JPY mil	<b>2,290</b> JPY mil	<b>2,278</b> JPY mil	<b>2,664</b> JPY mil	<b>2,686</b> JPY mil	<b>2,657</b> JPY mil
Ordinary Income	<b>1,014</b> JPY mil	<b>1,952</b> JPY mil	<b>1,967</b> JPY mil	<b>2,321</b> JPY mil	<b>2,361</b> JPY mil	<b>2,315</b> JPY mil
Net Income	<b>1,013</b> JPY mil	<b>1,951</b> JPY mil	<b>1,966</b> JPY mil	<b>2,320</b> JPY mil	<b>2,360</b> JPY mil	<b>2,314</b> JPY mil
Distribution Per Unit (DPU)	<b>1,603</b> JPY	<b>2,458</b> JPY	<b>2,477</b> JPY	<b>2,596</b> JPY	<b>2,640</b> JPY	<b>2,590</b> JPY

## ■ Results of NOI

	Actual Results of 4 <sup>th</sup> FP (as of Oct. 31, 2016)	
	Actual Results	Yield (Note)
NOI	<b>3,686</b> JPY mil	<b>4.2</b> %
NOI (after depreciation)	<b>3,038</b> JPY mil	<b>3.5</b> %

## ■ Forecast of NOI yield

	Forecast of 5 <sup>th</sup> FP (as of Apr. 30, 2017)	Forecast of 6 <sup>th</sup> FP (as of Oct. 31, 2017)
NOI yield	<b>4.2</b> %	<b>4.1</b> %
NOI yield (after depreciation)	<b>3.4</b> %	<b>3.4</b> %

(Note) Yield is calculated by dividing annualized NOI and NOI (after depreciation) by total acquisition price of the current portfolio.

# Balance Sheet

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

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

(unit : JPY thousand)

# Statement of Income and Retained Earnings

(unit : JPY thousand )

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

# Entire Portfolio (as of October 31, 2016)

(unit : JPY thousand)

Property No.	J-1	J-2	J-3	J-4	J-5	J-6
Property name	Garden City Shinagawa Gotenyama	Gotenyama SH Building	Hommachi Minami Garden City	Hommachi Garden City	HK Yodoyabashi Garden Avenue	Hirokoji Garden Avenue
Address	Shinagawa-ku, Tokyo	Shinagawa-ku, Tokyo	Osaka-shi, Osaka	Osaka-shi, Osaka	Osaka-shi, Osaka	Nagoya-shi, Aichi
Acquisition price (JPY mil)	55,600	51,500	23,100	38,600	4,400	6,350
Leasable area (m <sup>2</sup> )	29,235.95	19,999.97	16,699.46	17,006.94	4,554.52	4,442.75
Occupancy rate (%)	100.0	100.0	100.0	100.0	98.6	100.0
Tenant	Sekisui House	Non-disclosure (Note 1)	Sekisui House	Sekisui House	Sekisui House	Sekisui House
Days of operation	184	184	184	184	161	161
Notes to Statement of Income October 31, 2016 (end of 4 <sup>th</sup> FP)						
① Property-related operating revenue	1,190,918	1,088,998	586,791	904,006	130,299	158,272
Rent revenue	1,190,918	1,088,998	586,791	903,801	120,130	141,549
Other lease business revenue	-	-	-	205	10,168	16,722
② Property-related operating expenses	252,705	195,262	187,723	296,046	41,245	48,088
Subcontract expenses	-	-	-	-	7,296	14,389
Property management fees	8,103	1,200	6,000	6,000	1,577	1,523
Trust fees	619	400	500	250	210	197
Utilities expenses	-	-	-	-	9,130	7,058
Property and other taxes	75,922	50,620	62,417	88,209	-	-
Insurance expenses	1,590	962	984	1,823	502	281
Repair expenses	7,983	160	6,402	5,434	98	819
Depreciation	157,316	139,639	111,402	194,298	21,690	23,645
Other expenses related to rent business	1,170	2,280	16	31	738	172
③ Property-related operating income (= ① - ②)	938,212	893,735	399,067	607,960	89,053	110,184
NOI (= ③ + Depreciation)	1,095,528	1,033,375	510,470	802,258	110,743	133,829
NOI yield (Note 2)	4.1%	4.0%	4.4%	4.2%	5.7%	4.8%

(Note 1) The tenant name cannot be disclosed as consent for disclosure has not been acquired from the tenant.

(Note 2) NOI yield is calculated by dividing annualized NOI by total acquisition price.

# Overview of Appraisal

## ■ Appraisal Value List

Property No.	Property Name	Appraisal Value ① (JPY mil)	Book Value or Acquisition price ② (JPY mil)	Unrealized Gain/Loss ①-② (JPY mil)	Capitalization					Appraisal NOI (JPY mil)	Appraisal Institution
					Direct Return Method		DCF Method				
					Capitalization (JPY mil)	Cap Rate (%)	Capitalization (JPY mil)	Discount Rate (%)	Terminal Cap Rate (%)		
J-1	Garden City Shinagawa Gotenyama	63,100	55,262	+7,837	64,700	3.5	62,400	3.2	3.7	2,274	DAIWA REAL ESTATE APPRAISAL CO.,LTD.
J-2	Gotenyama SH Building	56,900	51,002	+5,897	58,000	3.6	56,400	3.6	3.8	2,063	The Tanizawa Sōgō Appraisal Co., Ltd.
J-3	Hommachi Minami Garden City	27,200	22,695	+4,504	28,200	4.0	26,800	3.7	4.2	1,141	Richi Appraisal Institute Co., Ltd.
J-4	Hommachi Garden City	42,800	38,242	+4,557	43,400	3.7	42,200	3.4	3.9	1,607	Japan Real Estate Institute
J-5	HK Yodoyabashi Garden Avenue	5,190	4,413	+776	5,410	4.2	5,100	4.2	4.3	230	The Tanizawa Sōgō Appraisal Co., Ltd.
J-6	Hirokoji Garden Avenue	6,920	6,370	+549	7,000	4.4	6,880	4.2	4.6	311	DAIWA REAL ESTATE APPRAISAL CO.,LTD.
Total		202,110	177,986	+24,123	206,710	-	199,780	-	-	7,628	-

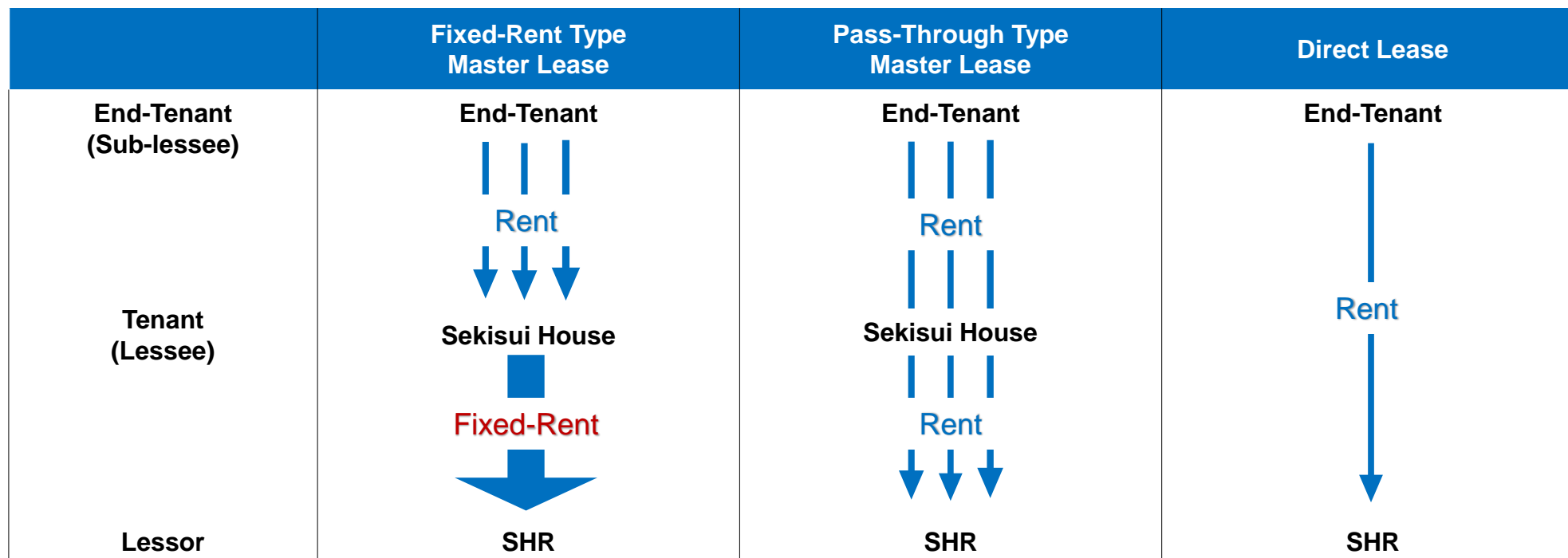
## ■ Appraisal Value (as of end of 4<sup>th</sup> Fiscal Period, compared to as of end of 3<sup>rd</sup> Fiscal Period)

Property No.	Property Name	Appraisal Value (JPY mil)			Direct Cap Rate (%)		
		End of 3 <sup>rd</sup> FP ① (Note)	End of 4 <sup>th</sup> FP ②	Comparison ②-①	End of 3 <sup>rd</sup> FP ① (Note)	End of 4 <sup>th</sup> FP ②	Comparison ②-①
J-1	Garden City Shinagawa Gotenyama	44,300	63,100	+1,900	3.6	3.5	(0.1)
	(Portion of additional acquisition)	16,900			3.7		(0.2)
J-2	Gotenyama SH Building	56,300	56,900	+600	3.7	3.6	(0.1)
J-3	Hommachi Minami Garden City	26,900	27,200	+300	4.1	4.0	(0.1)
J-4	Hommachi Garden City	42,200	42,800	+600	3.8	3.7	(0.1)
J-5	HK Yodoyabashi Garden Avenue	5,100	5,190	+90	4.3	4.2	(0.1)
J-6	Hirokoji Garden Avenue	6,780	6,920	+140	4.5	4.4	(0.1)
Total		198,480	202,110	+3,630	-	-	-

(Note) For Garden City Shinagawa Gotenyama (portion of additional acquisition), HK Yodoyabashi Garden Avenue and Hirokoji Garden Avenue, which were acquired in the 4th FP, the figures described are based on appraisal reports as of March 31, 2016.

# Types of Lease Agreement

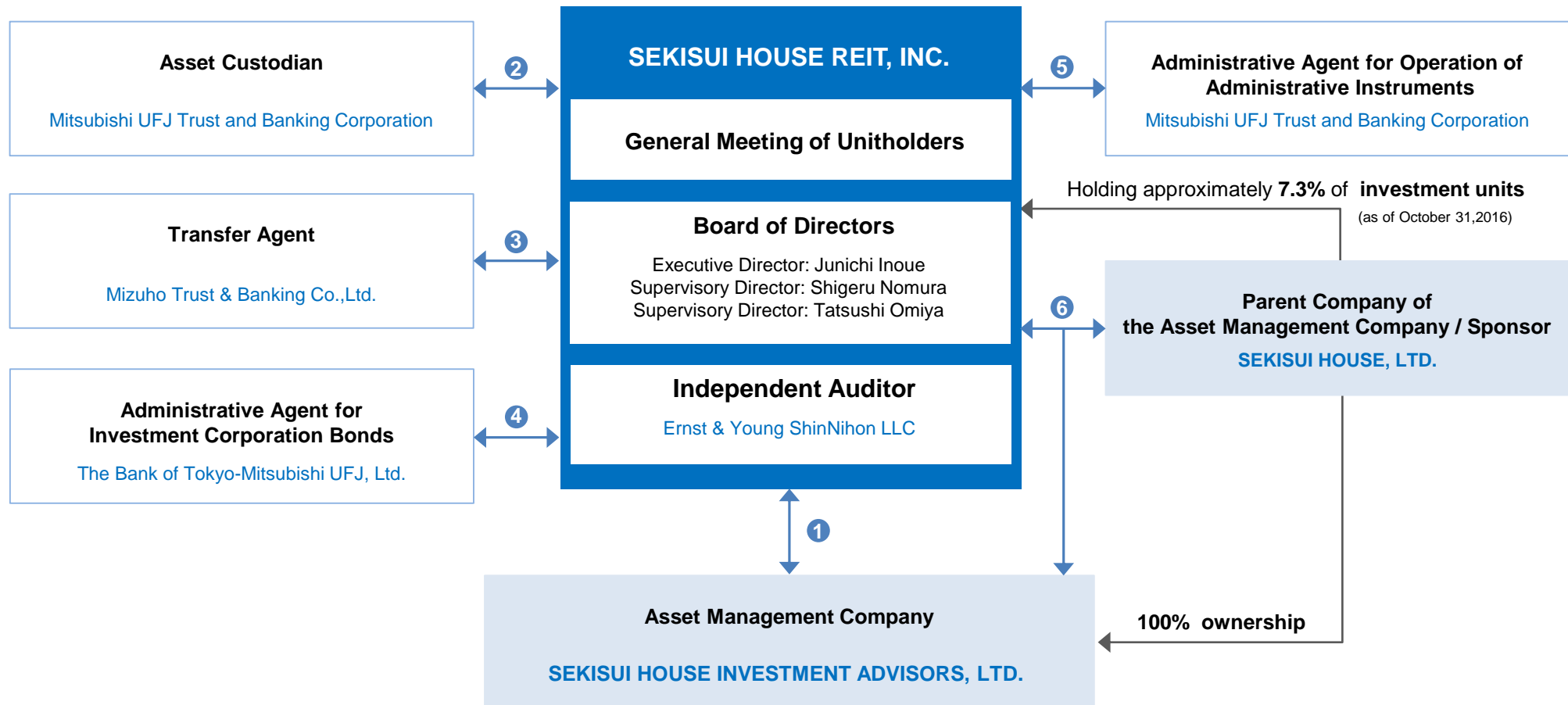
## ■ Image of Lease Scheme



## ■ Characteristics of SHR's Internal Growth

- Approximately 70% of the portfolio (ratio of lease types) adopts **fixed-rent type master lease** with Sekisui House. Rent revenue is being fixed in order to reduce the impact of tenant vacation, etc. on earnings.
- HK Yodoyabashi Garden Avenue and Hirokoji Garden Avenue adopt **pass-through type master lease** with Sekisui House. Since SHR can receive rent of the same amount as the rent under the lease agreement concluded between Sekisui House and end-tenants, SHR can benefit from rent revenue upside when the occupancy rate rises or the rent is revised upward.
- Gotenyama SH Building adopts **direct lease** in which the property is directly leased to the end-tenant. A 20-year lease agreement has been concluded with the tenant, and thus the rent revenue is stable over the long-term.

## ■ Structure Diagram



- ① Asset Management Agreement
- ② Asset Custody Agreement
- ③ Administrative Agreement (Administration of Investment Units)
- ④ Fiscal Agency Agreement
- ⑤ General Administrative Agreement
- ⑥ Pipeline Support Agreement / Sponsor Support Agreement, etc.

# Unitholders Composition

## ■ Major Unitholders (Top 10) (as of October 31, 2016)

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

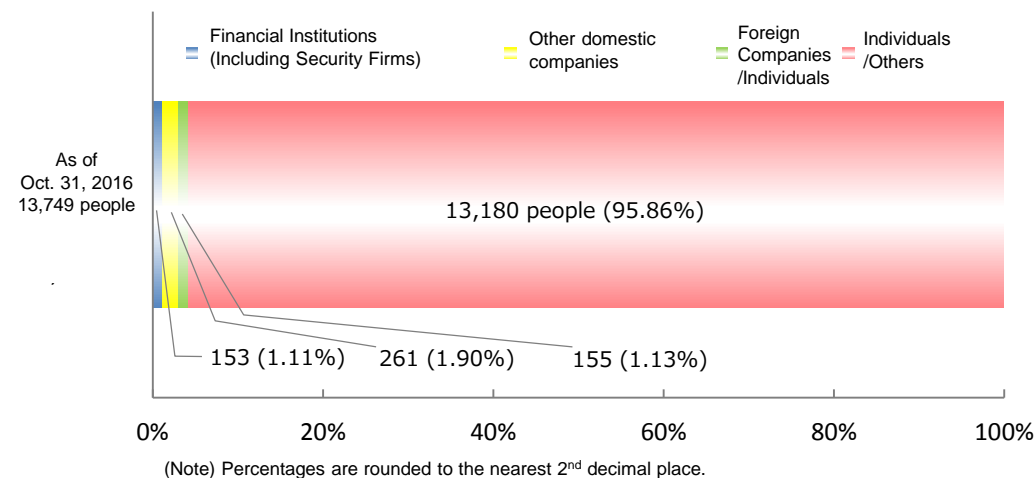
(Note) Percentages, rounded to the nearest 2<sup>nd</sup> decimal place, are based on the total number of investment units issued and outstanding as of October 31, 2016 (894,000 units).

## ■ Main Report on Possession of Large Volume (Including Change Report) (as of January 26, 2017)

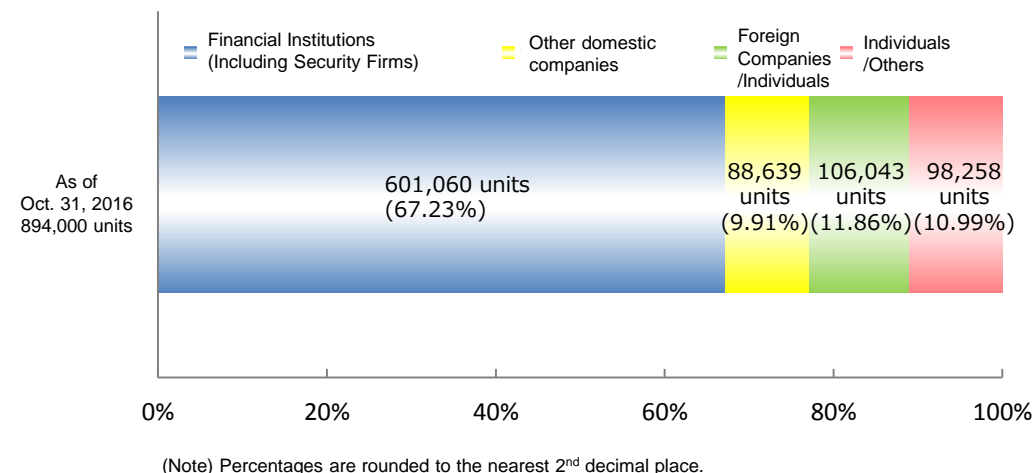
Name	Units	Share (%)	Submission Date
Sumitomo Mitsui Trust Bank, Ltd. Sumitomo Mitsui Trust Asset Management Co., Ltd. Nikko Asset Management Co., Ltd.	152,311	17.04%	January 26 2017
Asset Management One Co., Ltd.	137,555	15.39%	October 7 2016
Nomura Securities Co., Ltd. Nomura Asset Management Co., Ltd.	32,538	3.64%	May 11 2016

(Note) Percentages, rounded to the nearest 2<sup>nd</sup> decimal place, are based on the total number of investment units issued and outstanding as of December 7, 2016 (894,000 units).

## ■ Number of Unitholders by Unitholder Type

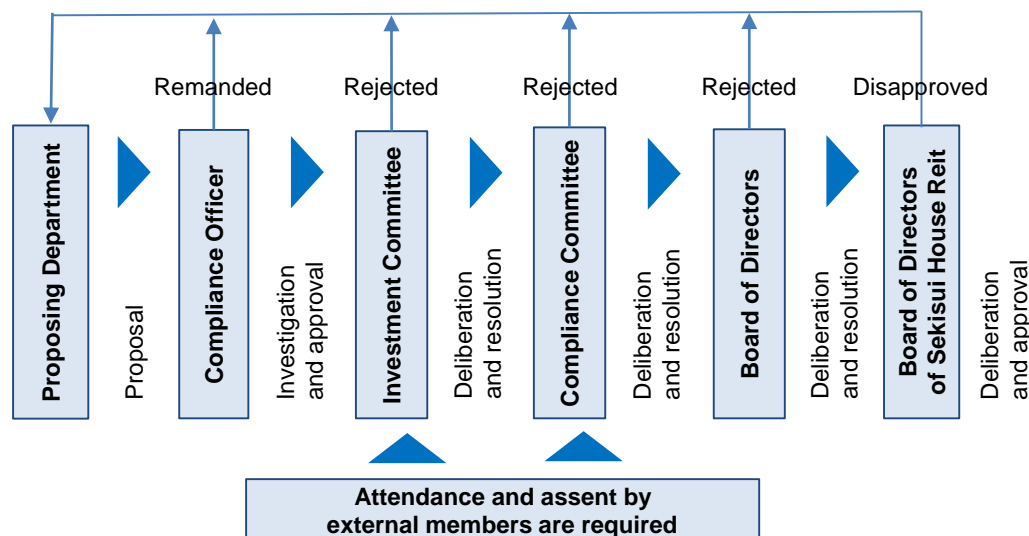


## ■ Number of Investment Units Issued and Outstanding by Unitholder Type



## Adopts a Scheme that Emphasizes Unitholders' Interests

### Decision-Making Process



### Performance-Based Asset Management Fees

Management Fee	Calculation Method
<b>Type 1 (Asset-based fee)</b>	Total assets at prior FY-end × (up to) 0.5% <sup>(Note 1)</sup>
<b>Type 2 (DPU-based fee)</b>	DPU <sup>(Note 2)</sup> × Operating Income <sup>(Note 3)</sup> × (up to) 0.004% <sup>(Note 1)</sup>
<b>Type 3 (Acquisition Fees)</b>	Purchase price × (up to) 0.5% <sup>(Note 1)</sup> (up to 0.25% <sup>(Note 1)</sup> in case of a transaction with a related party)
<b>Type 4 (Disposition Fees)</b>	Sale price × (up to) 0.5% (zero in case of a transaction with a related party)

(Note 1) As of December 14, 2016,  
Rate for Type 1 management fee is 0.15%,  
Rate for Type 2 management fee is 0.0023%,  
Rate for Type 3 management fee is 0.3% (or 0.15% in case of a transaction with a related party)

(Note 2) DPU= distributable profit before deduction of Type 2 management fee / total number of investment units issued and outstanding

(Note 3) Operating Income before deduction of type 2 management fee

## Strong Alignment of Interests between Sekisui House and Our Unitholders

### Same-Boat Investment from Sekisui House

Sekisui House has confirmed that it intends to continue holding SHR's investment units on a long-term basis

### Agreement on Consideration of Co-Ownership or Sectional Ownership with Sekisui House

Sekisui House has confirmed that it will consider faithfully co-ownership (including beneficiary interests) or sectional ownership with us upon our request

### Measures to Prevent Transactions Involving Conflict of Interest

<b>Property Acquisition</b>	Acquisition price shall be equal to or less than the appraisal value.
<b>Property Transfer</b>	Transfer price shall be equal to or higher than the appraisal value.
<b>Payment of Brokerage Fee</b>	Brokerage fee shall be within the scope of reward stipulated in the Building Lots and Buildings Transaction Business Act, and shall be determined after taking into account the levels of contract terms and conditions, difficulty in conducting brokerage and other factors.
<b>Outsourcing of Management and Other Services of Real Estate and Other Assets</b>	<p>a. Consignment shall be made under conditions that are deemed to be appropriate after comprehensively taking into account the market levels of the outsourcing fees, the content of provided services, total work volume and other factors.</p> <p>b. Upon acquiring real estate and other assets, and if their management and other services have been outsourced to interested parties and will continue to be outsourced to the same parties, approval or disapproval of the acquisition as well as the acquisition price shall be determined by paying full attention to the adequacy of the outsourcing terms and conditions.</p> <p>c. With regard to the interested party's status of implementing management and other services, the party's adequacy as consignee shall be verified once a year as a rule via assessments and such conducted by an outside independent appraiser that is not an interested party.</p>
<b>Execution of Lease Agreements for Real Estate and Other Assets</b>	The agreements shall be executed under the terms and conditions that are deemed to be adequate after investigating such factors as the market rent level and price situation in neighboring markets and, as needed, referring to the opinions of third parties that are not interested parties.
<b>Placement of Orders for Construction Work, Etc. with Contract Amount Surpassing 30 million yen</b>	Orders may be placed to interested parties only when such factors as the estimated price and the content of services to be provided are not disadvantageous to SHR after comparing such factors with those of third parties other than the interested parties.

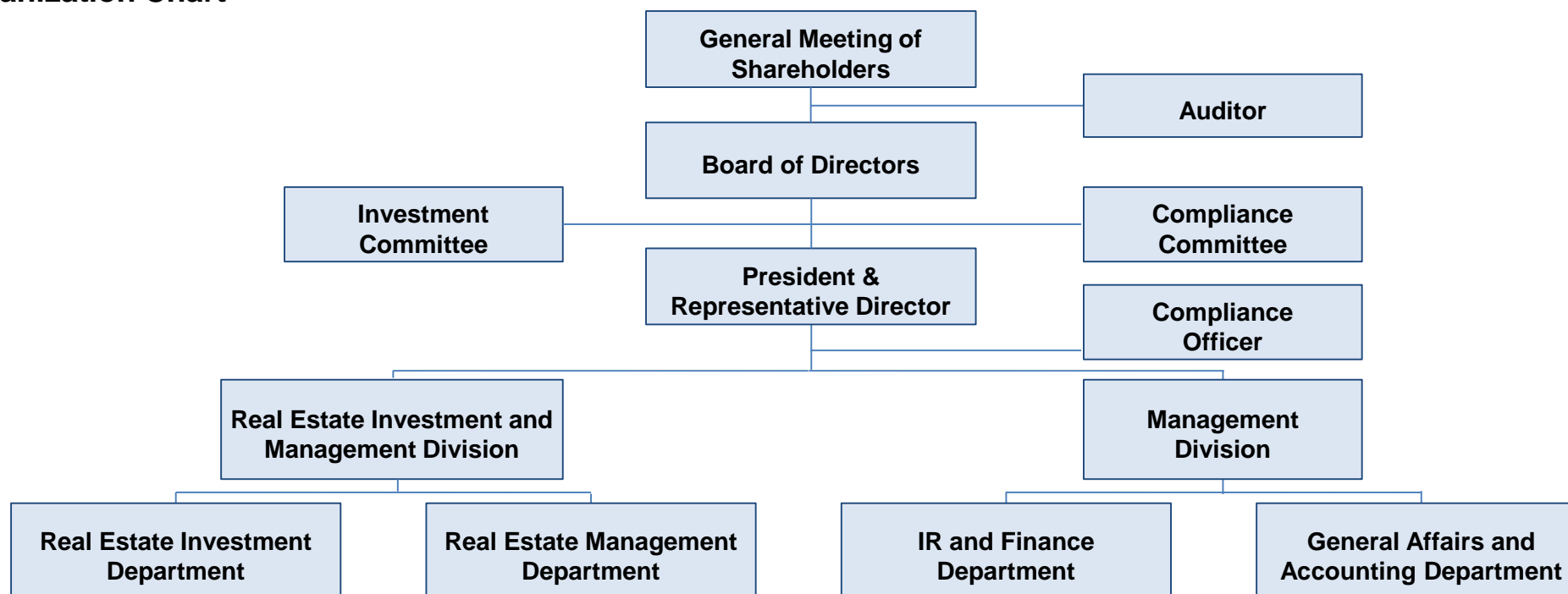
## ■ Overview of Asset Management Company

<b>Trade Name</b>	Sekisui House Investment Advisors, Ltd. (Financial Instruments Business Operator: Director-General of the Kanto Finance Bureau (Kinsho) No. 2791)
<b>Foundation</b>	February 17, 2014
<b>Paid-in capital</b>	JPY 400 mil
<b>Shareholder</b>	Sekisui House, Ltd. (100%)
<b>Directors and employees</b>	24

## ■ Directors and Corporate Auditors

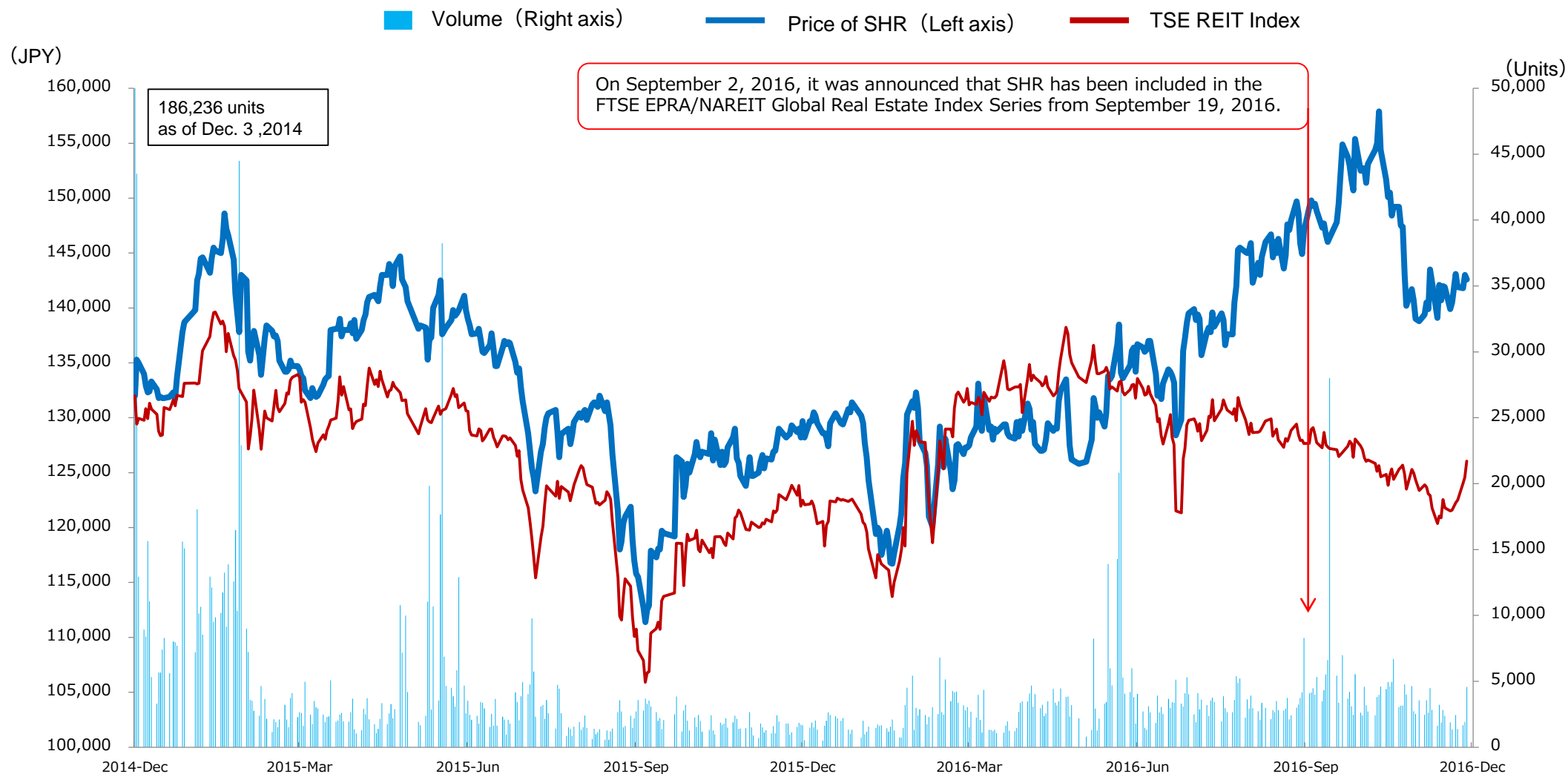
<b>President &amp; Representative Director</b>	Junichi Inoue
<b>Director</b>	Atsuhiko Kida (General Manager of Management Division)
<b>Director</b>	Shoichi Maruyama (General Manager of Real Estate Investment Management Division)
<b>Director</b>	Ichiro Maeoka (Compliance Officer)
<b>Director (Part time)</b>	Hideyuki Kamijyo (Executive Officer, Chief Manager of Accounting & Finance Department of Sekisui House)
<b>Auditor (Part time)</b>	Keizo Yoshimoto (Senior Manager of Secretariat of Sekisui House)

## ■ Organization Chart



# Change in Unit Price

## Change in Unit Price (December 3, 2014 - November 30, 2016)



(Note) TSE REIT Index performance is indexed to SHR unit price (132,000 yen) as of December 3, 2014, which is our listing date.  
TSE REIT Index refers to the weighted average-type index of market capitalization of all REIT counters.



Lined area for memo content.



**SEKISUI HOUSE REIT, INC.**