



SEKISUI HOUSE REIT, INC.

Fiscal Results Briefing

3rd Fiscal Period Ended April 30, 2016

August 5, 2016

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Inquiries

Asset Management Company: Sekisui House Investment Advisors, Ltd.

Financial Instruments Business Operator: Director-General of the Kanto Finance Bureau (Kinsho) No. 2791

TEL +81-3-6447-4870 (main)

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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 3 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.

(Note) Money amounts less than the indicated figures are rounded down and percentage figures are rounded to the nearest 1st 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

Owned Assets

Aggregate acquisition price

Number of properties

JPY 179.5 bil

6 properties (6 office buildings)



Distributions

Fiscal period ends

Actual for 1st fiscal period

Actual for 2nd fiscal period

Actual for 3rd fiscal period

Forecast for 4th fiscal period

Forecast for 5th fiscal period

April and October of each year

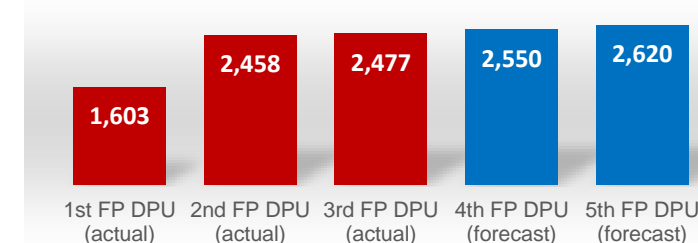
JPY 1,603 per unit

JPY 2,458 per unit

JPY 2,477 per unit

JPY 2,550 per unit

JPY 2,620 per unit



Financial information

Total interest-bearing liabilities

Unitholders' capital

Number of investment units

issued and outstanding

Credit rating

JPY 77.3 bil

JPY 100.0 bil

894,000 units

AA- (stable) [JCR]

History

December 2014

Listed on the Real Estate Investment Trust Section of TSE (J-REIT market)

May through June 2015

1st follow-on public offering
Offering size: JPY 20.6 bil

May through June 2016

2nd follow-on public offering
Offering size: JPY 12.2 bil

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

(Note) The figures are as of July 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 June 30, 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)	53 properties	JPY 95.1 bil
Total (2007-2016)	61 properties	JPY 308.9 bil

(Note) 2 office properties have been acquired by Japan Excellent, Inc. and 53 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

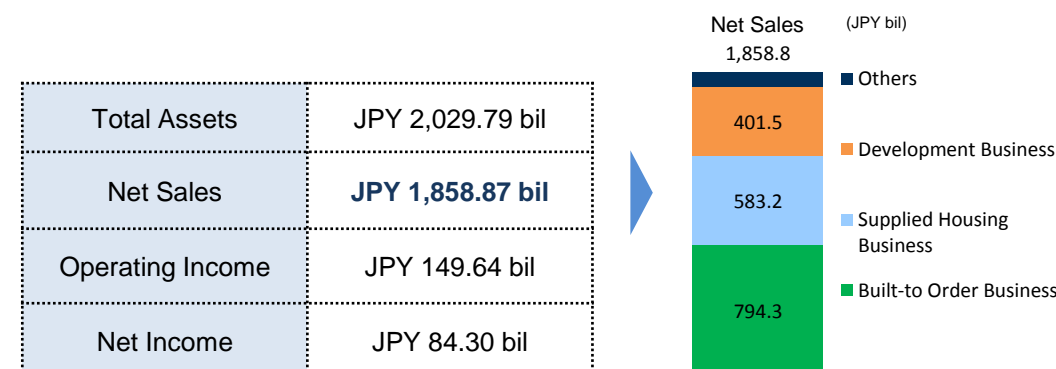
Supplied Housing Business

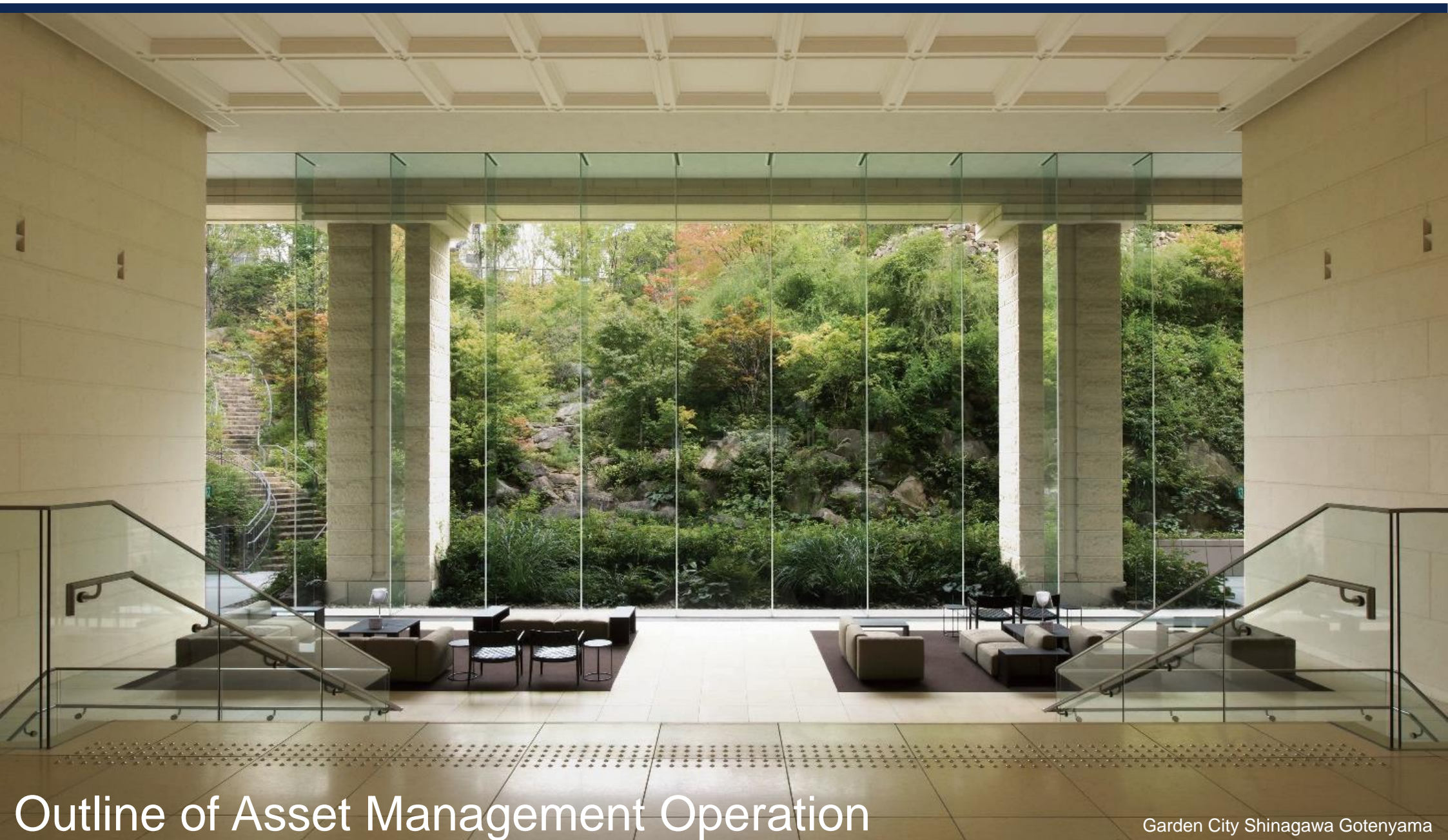
- Strengthening the large-scale renovation for detached houses, rental housing, and condominiums
- Strengthening the brokerage business for sales of detached houses and rental housing
- Promoting Sum Stock (The Provision of Quality Housing Stock Association) business
- Strengthening the block leasing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



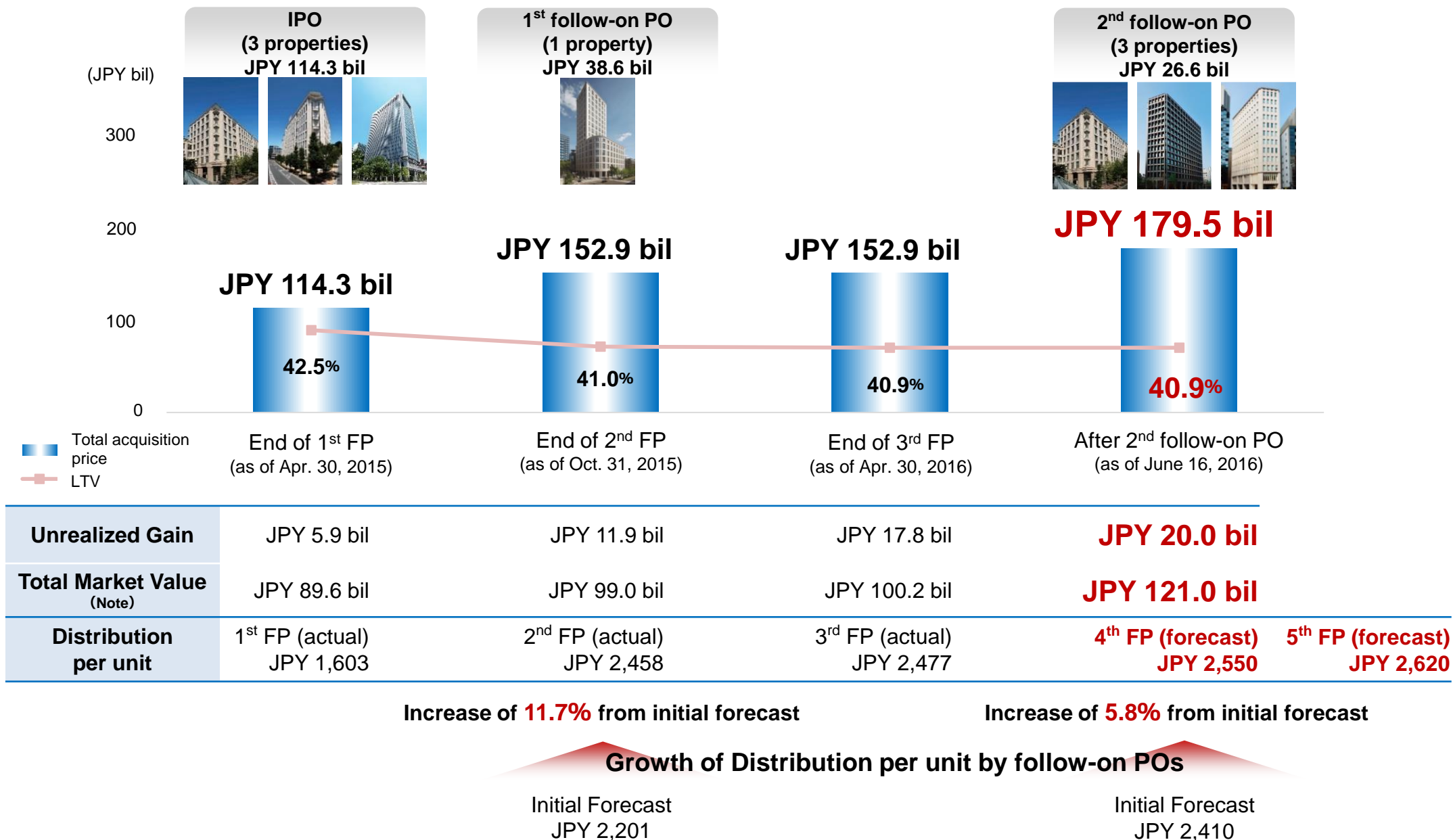


Outline of Asset Management Operation

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 and after 2nd follow-on PO is calculated based on unit price as of end of each FP and as of May 31, 2016 respectively.

Portfolio Summary (as of June 16, 2016)

■ Portfolio Highlight

Asset size (aggregate acquisition price)	JPY 179.5 bil	Total appraisal value (Note 1)	JPY 198.4 bil
Number of properties	6	Occupancy rate (Note 2)	99.9 %
Office buildings ratio	100.0 %	Location ratio (acquisition price basis)	100.0 %
Average building age (Note 3)	5.4 years	3 major metropolitan areas Greater Tokyo	59.6 %

■ Portfolio Description

No.	Property Name	Acquisition Price (JPY)	Appraisal Value (JPY)	Investment Ratio	Total Leasable Area	Occupancy Rate	Building Age	Address
J-1	Garden City Shinagawa Gotenyama	39.7 bil	44.3 bil	22.1%	21,033.47m ²	100.0%	5.3 years	Shinagawa-ku, Tokyo
J-1	(portion of additional acquisition) NEW	15.9 bil	16.9 bil	8.9%	8,202.48m ²			
Total		55.6 bil	61.2 bil	31.0%	29,235.95m ²			
J-2	Gotenyama SH Building	51.5 bil	56.3 bil	28.7%	19,999.97m ²	100.0%	5.4 years	Shinagawa-ku, Tokyo
J-3	Hommachi Minami Garden City	23.1 bil	26.9 bil	12.9%	16,699.46m ²	100.0%	5.3 years	Osaka-shi, Osaka
J-4	Hommachi Garden City	38.6 bil	42.2 bil	21.5%	17,006.94m ²	100.0%	6.1 years	Osaka-shi, Osaka
J-5	HK Yodoyabashi Garden Avenue NEW	4.4 bil	5.1 bil	2.5%	4,554.52m ²	98.6%	0.9 years	Osaka-shi, Osaka
J-6	Hirokoji Garden Avenue NEW	6.35 bil	6.78 bil	3.5%	4,442.75m ²	100.0%	5.3 years	Nagoya-shi, Aichi







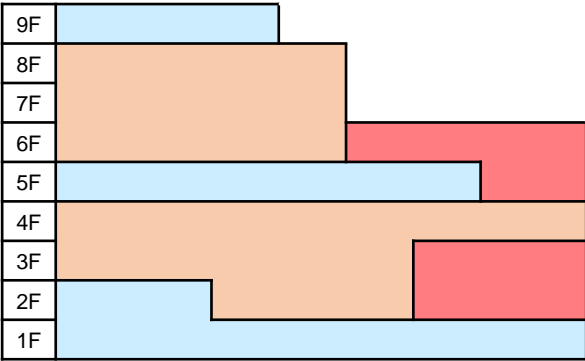
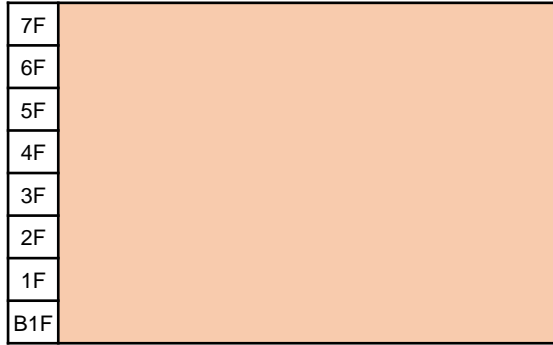

(Note 1) The total appraisal values stated in the appraisal reports as of the end of the 3rd fiscal period is indicated for the assets owned as of the end of the 3rd fiscal period. The total appraisal values at the time of acquisition is indicated for assets acquired in the 4th fiscal period.

(Note 2) Occupancy rate stated above is as of May 31, 2016.







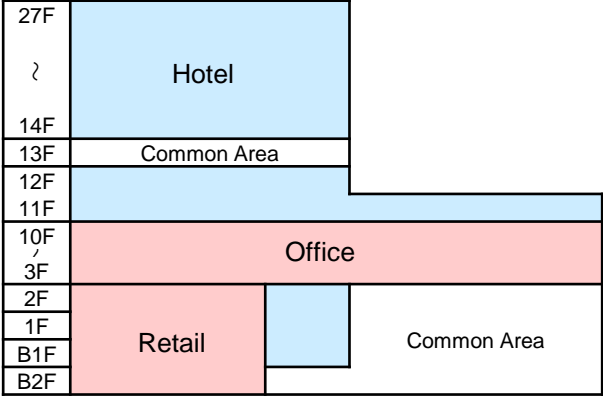
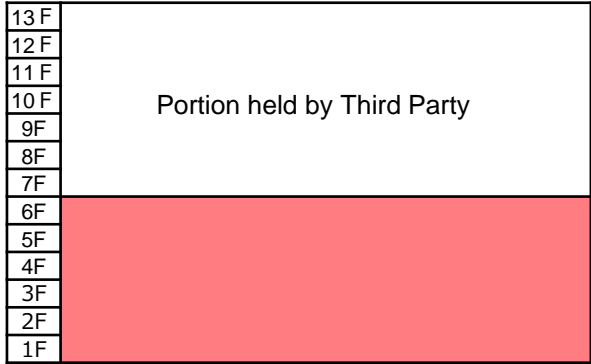
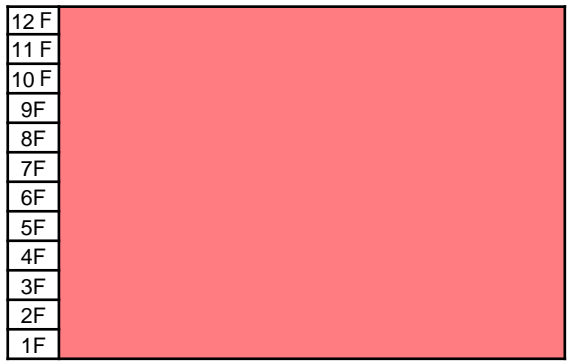



(Note 3) Average building age is calculated using the weighted average of building age according to the respective acquisition price.

(Note 4) 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	 <p> Portion acquired at the time of the IPO Portion acquired at the time of the 2nd follow-on PO Portion held by Sekisui House </p>	 <p> Portion acquired at the time of the IPO Portion acquired at the time of the 2nd follow-on PO Portion held by Sekisui House </p>	 <p> Portion acquired at the time of the IPO Portion acquired at the time of the 2nd follow-on PO Portion held by Sekisui House </p>
Environmental Consideration	DBJ Green Building Certification: 5 Stars	-	DBJ Green Building Certification: 4 Stars
Total Floor Area (entire building)	62,975.42m ²	19,812.85m ²	46,010.88m ²
Total Leasable Area (acquired portions)	29,235.95m ²	19,999.97m ²	16,699.46m ²
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
Photo of Properties Map of Properties	 	 	 
Description of rights			
	 Portion acquired at the time of the 1 st follow-on PO  Portion acquired at the time of the 2 nd follow-on PO  Portion held by Sekisui House		
Environmental Consideration	DBJ Green Building Certification: 4 Stars	CASBEE OSAKA: Rank A	CASBEE NAGOYA: Rank A
Total Floor Area (entire building)	49,163.16m ²	16,953.28m ²	7,017.98m ²
Total Leasable Area (acquired portions)	17,006.94m ²	4,554.52m ²	4,442.75m ²
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.



Sekisui House's ability to develop urban areas and its track record

■ Projects of Sekisui House



Homomachi Garden City (Osaka)
Completion in May 2010



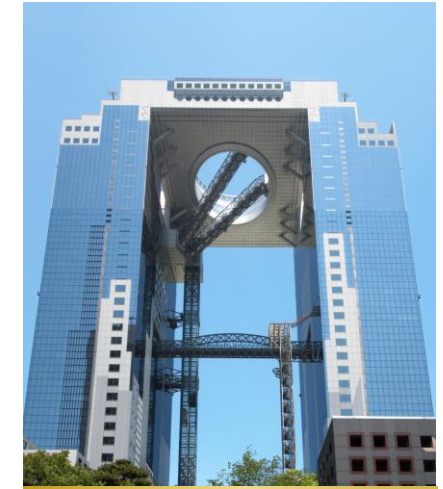
Homomachi Minami Garden City (Osaka)
Completion in Feb. 2011



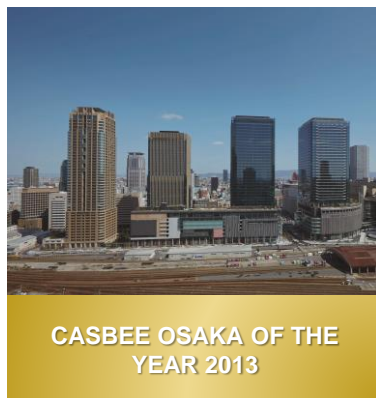
Garden City Shinagawa Gotenyama



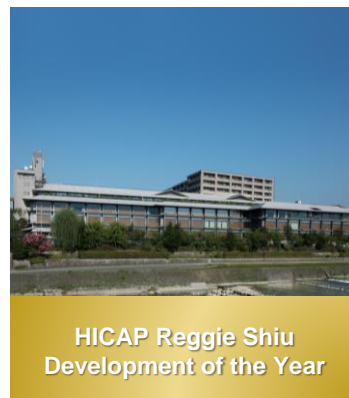
Gotenyama SH Building



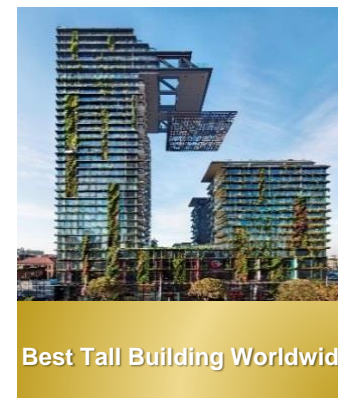
Umeda Sky Building (Osaka)
Completion in Mar. 1993



Grand Front Osaka (Osaka)
Completion in Apr. 2013



The Ritz-Carlton, Kyoto (Kyoto)
Completion in Oct. 2013



Central Park Project in Australia



Akasaka Garden City (Tokyo)
Completion in Jan. 2006

(Note 1) Although SHR has acquired parts of the above buildings, it still has preferential negotiation rights by acquiring the remaining parts of these buildings. SHR does not have any plan to acquire the remaining parts of these buildings as of the date hereof.

(Note 2) The above projects within and outside Japan include joint projects with other companies and properties that have been sold. SHR does not have any plan to acquire these projects as of the date hereof.

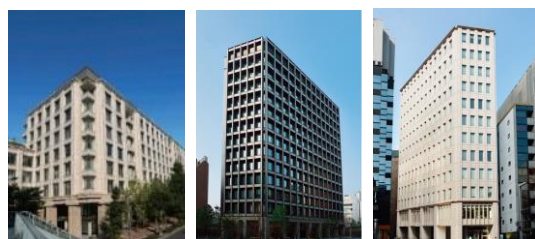
■ Promoting external growth by focusing on “strategic locations” and “high quality” through utilizing Sponsor Pipeline.

<Acquisition Policy>

- By setting a target to achieve JPY 200 bil in asset size, promoting continuous external growth focusing on acquisition from sponsor.
- Continuing the policy of making selective investments and actively considering property acquisition from third parties other than the sponsor.

<Properties acquired from Sponsor in 4th FP>

- SHR acquired recently built and high quality properties for less than appraisal values under adverse acquisition environment.



	Garden City Shinagawa Gotenyama	HK Yodoyabashi Garden Avenue	Hirokoji Garden Avenue
Acquisition Price (JPY bil)	15.9	4.4	6.35
Appraisal Value (JPY bil)	16.9	5.1	6.78
Estimated NOI yield (Note 1)	3.9%	4.5%	4.8%

<Preferential Negotiation Rights (Japan)>



	Garden City Shinagawa Gotenyama	Hommachi Minami Garden City	Hommachi Garden City
Asset Type	Office building	Office building	Hotel
Period of Preferential Negotiation Rights	From Oct. 16, 2014	From Oct. 16, 2014	From Apr. 24, 2015
Ratio of unacquired floor area (Note 2)	24.2%	43.6%	47.3%

<Acquisition Capacity>

- Maintaining LTV (total asset basis) at a conservative level and securing acquisition capacity.
(Acquisition capacity until LTV reaches 50% is about **JPY 35 bil** (Note 3).)

(Note 1) Estimated NOI yield is exclusive of extraordinary factors in the year of acquisition and calculated by dividing the estimated NOI (which is assumed by the Asset Management Company based on the leasing terms and conditions, etc.), by the acquisition price of the property.

(Note 2) “Ratio of unacquired floor area” refers to a percentage of the unacquired floor area in respect of which SHR holds preferential negotiation rights for acquisition to the exclusively-owned area of the entire building. Unacquired floor area refers to the exclusively-owned areas in Garden City Shinagawa Gotenyama, Hommachi Minami Garden City and Hommachi Garden City for which SHR holds preferential negotiation rights for acquisition.

(Note 3) This indicates the maximum amount procured when SHR procures funds for asset acquisition with new interest-bearing liabilities until LTV (total assets basis) reaches 50%. However, please note that this does not guarantee the actual procurement of the funds.

■ Seeking stable earnings and internal growth opportunities

- Policy to select a lease scheme from among pass-through type, fixed-rent type master lease or direct lease with tenants, etc., comprehensively taking into account the status of owned assets, stability of rent revenue, efficiency of operation management and such other factors.
- Maintaining high occupancy rates through operation management utilizing the know-how held by Sekisui House.

Seeking internal growth opportunities

Lease Types (Ratio of lease types) (Note 1)	Fixed-Rent Type Master Lease (68.5%)			Pass-Through Type Master Lease (9.8%)		Direct Lease (21.8%)
Property Name	Garden City Shinagawa Gotenyama	Hommachi Minami Garden City	Hommachi Garden City	HK Yodoyabashi Garden Avenue	Hirokoji Garden Avenue	Gotenyama SH Building
Photo of Properties						
Occupancy Rate	100.0%	100.0%	100.0%	98.6%	100.0%	100.0%
Lessee	Sekisui House	Sekisui House	Sekisui House	Sekisui House	Sekisui House	Non-disclosure (Note 2)
Main End-Tenant	The Japan Research Institute, Limited/ 3M Japan Limited	Sompo Japan Nipponkoa Insurance Inc./ The Dai-ichi Life Insurance Company, Limited	Non-disclosure (Note 2)/ Mizuho Securities Co., Ltd.	Konoike Transport Co., Ltd./ HANWA CO., LTD.	Sekiwa Real Estate Chubu, Ltd.	Non-disclosure (Note 2)
Contract Period (Master Lease or Direct Lease)	① acquired portion From Dec. 2014 to Dec. 2019	② portion additionally acquired From May 2016 to Dec. 2019	From Dec. 2014 to Dec. 2019	From May 2016 to May 2019	From May 2016 to May 2019	From Mar. 2011 to Feb. 2031

(Note 1) "Ratio of lease types" refers to the ratio of the leased floor area for each lease type under the relevant lease agreements for the properties (the master lease agreement if a master lease agreement has been concluded for the property) that is valid as of June 16, 2016, to the total of leased floor areas indicated in such lease agreements.

(Note 2) The tenant name cannot be disclosed as consent for disclosure has not been acquired from the tenant.

Financial Results

■ Financial Standing

	End of 3 rd PF (actual) (as of April 30, 2016)	After 2 nd follow-on PO (as of June 16, 2016)
Total interest-bearing liabilities	JPY 68.1 bil	JPY 77.3 bil
Fixed interest rate borrowing ratio	79.4%	70.0%
Long-term liability ratio	100.0%	88.1%
LTV (total asset basis)	40.9%	40.9%
Acquisition capacity until LTV reaches 50% (Approximate amount)	JPY 31.0 bil	JPY 35.0 bil
Average interest rate (Note 1)	0.80%	0.73%
Average remaining term of interest-bearing liabilities (Note 2)	4.8 years	4.3 years

■ Credit Rating Information (as of June 16, 2016)

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

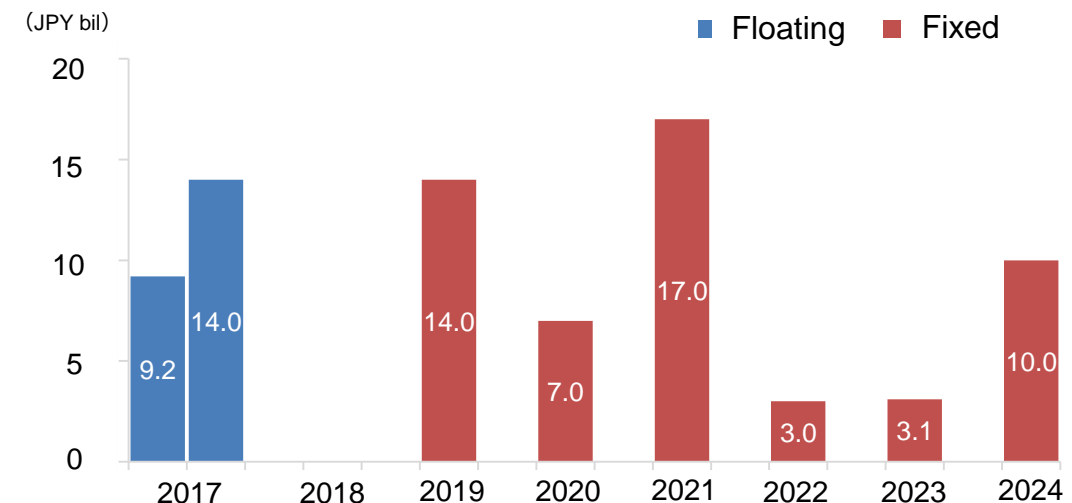
(Note 1) "Average interest rate" indicates a weighted average annual interest rate using the balance of interest-bearing liabilities as of the end of the 3rd fiscal period and May 31, 2016. In respect of the average interest rates of interest-bearing liabilities for which an interest rate swap was conducted in order to hedge the risk of interest rate fluctuations, weighted average interest rates taking into account the effect of the interest rate swap are used. The figure is rounded to the nearest 2nd decimal place.

(Note 2) Average remaining term of interest-bearing liabilities is calculated using the weighted average of remaining years of liabilities until maturity as of the end of the 3rd fiscal period and May 31, 2016 according to the respective balance of liabilities.

■ Distribution of Lenders (excluding short-term loans) (as of June 16, 2016)

Name of Lenders	Percentage (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	23.9
Sumitomo Mitsui Banking Corporation	21.4
Mizuho Bank, Ltd.	12.8
Sumitomo Mitsui Trust Bank, Limited	12.0
Resona Bank, Limited	7.6
Mitsubishi UFJ Trust and Banking Corporation	6.3
Development Bank of Japan Inc.	5.4
The Norinchukin Bank	5.4
Mizuho Trust & Banking Co., Ltd.	5.3

■ Diversification of Repayment Date (as of June 16, 2016)



Interest-Bearing Liabilities (as of June 16, 2016)

■ Loan

Term	Lender	Balance (JPY mil)	Interest Rate	Drawdown Date	Repayment Date	Remarks
Short	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation	9,200	Base Rate (JBA 1-month JPY TIBOR) +0.22%	May 24, 2016	May 23, 2017	Unsecured and Unguaranteed
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	
		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	
		1,650	0.61760%		Nov. 30, 2020	
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	700	0.88470%		Nov. 30, 2022	
		750	1.00850%		Nov. 30, 2023	
	Development Bank of Japan Inc.	650	0.88500%		Nov. 30, 2022	
	Total	77,300	-	-	-	

(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.

■ Investment Corporation Bond

As of June 16, 2016, SHR does not issue investment corporation bonds.

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

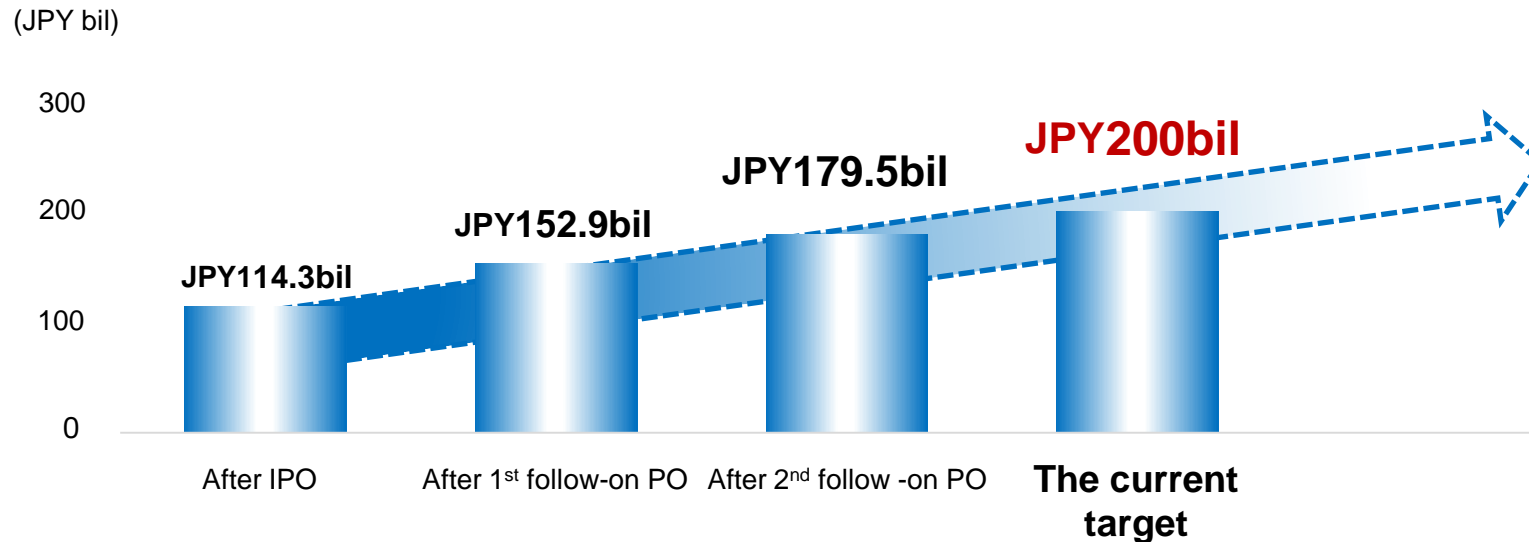
- **Provide high-quality social capital and maximize unitholder value**
- **Invest in commercial properties focused on strategic locations and high quality**
- **Portfolio development policy centering on office buildings**
- **Growth strategies that take full advantage of the versatile support of Sekisui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

Investment Strategies

- Investment focusing on Prime Properties
- Continuous expansion of asset size
- Diversifying portfolio
(number of properties / tenants)
- Utilizing sponsor pipeline by Sekisui House

**Provide high
quality social
capital**

Financial Strategies

- Managing LTV (total asset basis) at a conservative level between 40% and 50%
- Promoting extension of borrowing periods, diversification of repayment dates and fixation of interest rates
- Diversifying funding sources

**Realize
appropriate
financing**

**Maximize our
unitholder value**

**while maintaining stable
DPU growth**



Appendix

HK Yodoyabashi Garden Avenue

Financial Results and Forecast

■ Comparison of forecast and actual results

	Actual Results of 1 st FP (as of Apr. 30, 2015)	Actual Results of 2 nd FP (as of Oct. 31, 2015)	Actual Results of 3 rd FP (as of Apr. 30, 2016)	Forecast of 4 th FP (as of Oct. 31, 2016)	Forecast of 5 th FP (as of Apr. 30, 2017)
Days of Operation	149 days	184 days	182 days	184 days	181 days
Operating Revenue	2,108 JPY mil	3,379 JPY mil	3,467 JPY mil	4,052 JPY mil	4,151 JPY mil
Operating Income	1,580 JPY mil	2,290 JPY mil	2,278 JPY mil	2,633 JPY mil	2,683 JPY mil
Ordinary Income	1,014 JPY mil	1,952 JPY mil	1,967 JPY mil	2,281 JPY mil	2,343 JPY mil
Net income	1,013 JPY mil	1,951 JPY mil	1,966 JPY mil	2,280 JPY mil	2,342 JPY mil
Distribution per unit (DPU)	1,603 JPY	2,458 JPY	2,477 JPY	2,550 JPY	2,620 JPY

■ Results of NOI

	Actual Results of 3 rd FP (as of Apr. 30, 2016)	
	Actual Results	Yield (Note)
NOI	3,166 JPY mil	4.1 %
NOI (after depreciation)	2,606 JPY mil	3.4 %

■ Forecast of NOI yield

	Forecast of 4 th FP (as of Oct. 31, 2016)	Forecast of 5 th FP (as of Apr. 30, 2017)
NOI yield	4.2 %	4.1 %
NOI yield (after depreciation)	3.4 %	3.4 %

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

Balance Sheet

(unit : JPY thousand)

	2 nd Fiscal Period October 31, 2015	3 rd Fiscal Period April 30, 2016
Assets		
Current assets		
Cash and deposits	2,117,144	4,059,682
Cash and deposits in trust	10,093,565	10,037,966
Prepaid expenses	79,735	82,843
Deferred tax assets	10	17
Consumption taxes receivable	1,000,376	-
Other	14,663	6,333
Total current assets	13,305,495	14,186,844
Non-current assets		
Property, plant and equipment		
Buildings in trust	45,889,590	45,895,496
Accumulated depreciation	(848,625)	(1,399,667)
Buildings in trust, net	45,040,965	44,495,829
Structures in trust	672,428	672,428
Accumulated depreciation	(16,259)	(25,303)
Structures in trust, net	656,169	647,125
Tools, furniture and fixtures in trust	996	996
Accumulated depreciation	(13)	(97)
Tools, furniture and fixtures in trust, net	982	898
Land in trust	106,673,263	106,673,263
Construction in progress in trust	-	16,023
Total property, plant and equipment	152,371,380	151,833,140
Intangible assets		
Other	6,087	5,352
Total intangible assets	6,087	5,352
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	306,492	267,961
Total investments and other assets	316,492	277,961
Total non-current assets	152,693,959	152,116,453
Total assets	165,999,455	166,303,297

	2 nd Fiscal Period October 31, 2015	3 rd Fiscal Period April 30, 2016
Liabilities		
Current liabilities		
Operating accounts payable	53,524	75,140
Accounts payable - other	277,730	319,477
Accrued expenses	68,627	69,909
Income taxes payable	586	775
Accrued consumption taxes	-	223,779
Total current liabilities	400,469	689,082
Non-current liabilities		
Long-term loans payable	68,100,000	68,100,000
Tenant leasehold and security deposits in trust	7,803,586	7,803,586
Total non-current liabilities	75,903,586	75,903,586
Total liabilities	76,304,055	76,592,668
Net assets		
Unitholders' equity		
Unitholders' capital	87,743,594	87,743,594
Surplus		
Unappropriated retained earnings	1,951,805	1,967,034
Total surplus	1,951,805	1,967,034
Total unitholders' equity	89,695,399	89,710,628
Total net assets	89,695,399	89,710,628
Total liabilities and net assets	165,999,455	166,303,297

Statement of Income and Retained Earnings

(unit : JPY thousand)

	2 nd Fiscal Period From May 1, 2015 to October 31, 2015	3 rd Fiscal Period From November 1, 2015 to April 30, 2016
Operating revenue		
Rent revenue - real estate	3,379,712	3,467,176
Other lease business revenue	42	379
Total operating revenue	3,379,755	3,467,556
Operating expenses		
Expenses related to rent business	790,155	860,922
Asset management fee	246,331	272,995
Asset custody fee	2,579	3,154
Administrative service fees	10,774	11,783
Directors' compensations	3,600	3,600
Other operating expenses	35,771	36,517
Total operating expenses	1,089,212	1,188,973
Operating income	2,290,542	2,278,582
Non-operating income		
Interest income	1,127	1,267
Interest on refund	1,087	197
Total non-operating income	2,215	1,465
Non-operating expenses		
Interest expenses	265,059	275,257
Borrowing related expenses	50,646	36,447
Investment unit issuance expenses	24,618	-
Other	83	499
Total non-operating expenses	340,407	312,204
Ordinary income	1,952,350	1,967,842
Income before income taxes	1,952,350	1,967,842
Income taxes - current	815	969
Income taxes - deferred	14	(7)
Total income taxes	830	961
Net Income	1,951,520	1,966,880
Retained earnings brought forward	285	153
Unappropriated retained earnings	1,951,805	1,967,034

Entire Portfolio (as of April 30, 2016)

Property No.	J-1	J-2	J-3	J-4
Property name	Garden City Shinagawa Gotenyama	Gotenyama SH Building	Hommachi Minami Garden City	Hommachi Garden City
Address	Shinagawa-ku, Tokyo	Shinagawa-ku, Tokyo	Osaka-shi, Osaka	Osaka-shi, Osaka
Acquisition price (JPY mil)	39,700	51,500	23,100	38,600
Leasable area (m ²)	21,033.47	19,999.97	16,699.46	17,006.94
Occupancy rate (%)	100.0	100.0	100.0	100.0
Tenant	Sekisui House	non-disclosure (Note 1)	Sekisui House	Sekisui House
Days of operation	182	182	182	182
Notes to Statement of Income April 30, 2016 (end of 3 rd FP) (Unit : JPY thousand)				
① Property-related operating revenue	887,965	1,088,998	586,791	903,801
Rent revenue	887,585	1,088,998	586,791	903,801
Other lease business revenue	379	-	-	-
② Property-related operating expenses	211,633	195,938	185,048	268,301
Property management fees	6,000	1,200	6,000	6,000
Trust fees	400	400	500	250
Property and other taxes	77,312	51,411	62,510	58,807
Insurance expenses	1,418	952	974	1,803
Repair expenses	11,340	-	3,485	6,417
Depreciation	114,933	139,639	111,369	194,227
Other expenses related to rent business	228	2,335	209	796
③ Property-related operating income (= ① - ②)	676,331	893,059	401,742	635,499
NOI (= ③ + Depreciation)	791,264	1,032,699	513,111	829,727
NOI yield (Note 2)	4.0%	4.0%	4.4%	4.3%

(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	44,300	39,432	+4,867	45,300	3.6	43,900	3.3	3.8	1,618	DAIWA REAL ESTATE APPRAISAL CO.,LTD.
J-2	Gotenyama SH Building	56,300	51,141	+5,158	57,300	3.7	55,800	3.7	3.9	2,063	The Tanizawa Sōgō Appraisal Co., Ltd.
J-3	Hommachi Minami Garden City	26,900	22,806	+4,093	27,800	4.1	26,500	3.8	4.3	1,141	Rich Appraisal Institute Co., Ltd.
J-4	Hommachi Garden City	42,200	38,436	+3,763	42,700	3.8	41,600	3.5	4.0	1,607	Japan Real Estate Institute
Sub-total as of end of 3 rd FP		169,700	151,817	+17,882	173,100	-	167,800	-	-	6,431	-
J-1	Garden City Shinagawa Gotenyama (portion of additional acquisition)	16,900	15,900	+1,000	17,200	3.7	16,700	3.4	3.9	631	DAIWA REAL ESTATE APPRAISAL CO.,LTD.
J-5	HK Yodoyabashi Garden Avenue	5,100	4,400	+700	5,320	4.3	5,010	4.3	4.4	229	The Tanizawa Sōgō Appraisal Co., Ltd.
J-6	Hirokoji Garden Avenue	6,780	6,350	+430	6,910	4.5	6,720	4.3	4.7	311	DAIWA REAL ESTATE APPRAISAL CO.,LTD.
Sub-total of acquisition in 4 th FP (Note)		28,780	26,650	+2,130	29,430	-	28,430	-	-	1,172	-
Total		198,480	178,467	+20,012	202,530	-	196,230	-	-	7,603	-

(Note) For properties acquired in 4th FP, the figures are calculated based on appraisal reports as of March 31, 2016.

■ Appraisal Value (as of end of 3rd Fiscal Period, compared to as of end of 2nd Fiscal Period)

Property No.	Property Name	Appraisal Value (JPY mil)			Direct Cap Rate (%)		
		End of 2 nd FP ①	End of 3 rd FP ②	Comparison ②-①	End of 2 nd FP ①	End of 3 rd FP ②	Comparison ②-①
J-1	Garden City Shinagawa Gotenyama	42,200	44,300	+2,100	3.8	3.6	△0.2
J-2	Gotenyama SH Building	54,800	56,300	+1,500	3.8	3.7	△0.1
J-3	Hommachi Minami Garden City	26,200	26,900	+700	4.2	4.1	△0.1
J-4	Hommachi Garden City	41,100	42,200	+1,100	3.9	3.8	△0.1
Total		164,300	169,700	+5,400	-	-	-

■ 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.

■ Investment in overseas real estate

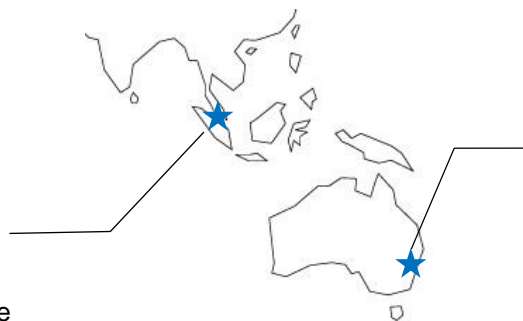
SHR may **invest in real estate located overseas**. The overseas areas where SHR intends to invest in real estate are those where Sekisui House has expertise in its actual development projects. Currently, such areas are **mainly Singapore, Australia and the U.S.**

■ 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**.



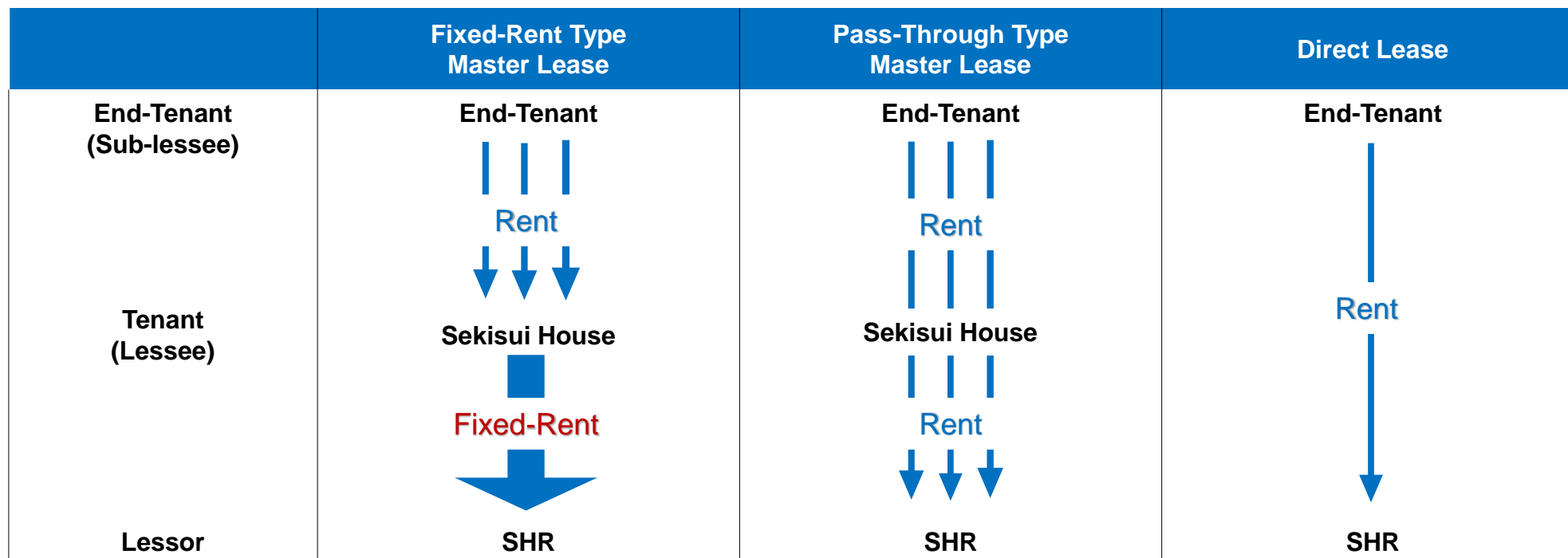
Punggol Waterway Point Project in Punggol, Singapore



Central Park Project in Sydney, Australia

Types of Lease Agreement

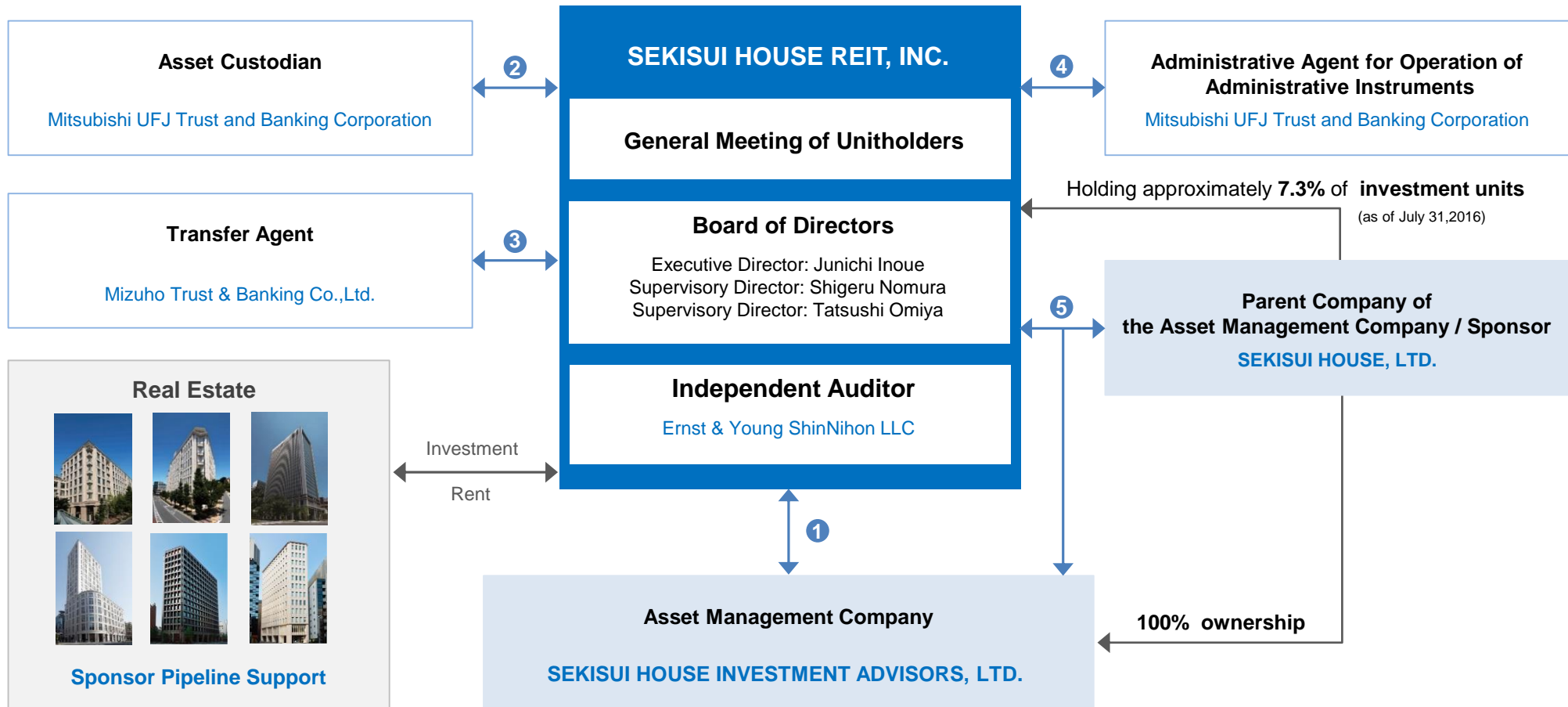
■ Image of Lease Scheme



■ 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 General Administrative Agreement
 ⑤ Pipeline Support Agreement / Sponsor Support Agreement, etc.

Unitholders Composition

■ Major Unitholders (Top 10) (as of April 30, 2016)

Name	Unit	Percentage
Japan Trustee Services Bank, Ltd. (Trust Account)	225,764	28.43%
Sekisui House, Ltd.	63,300	7.97%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	63,216	7.96%
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,976	3.90%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	20,866	2.63%
BNY FOR GCM CLIENT ACCOUNTS(E) ISG	11,321	1.43%
The Hyakujushi Bank, Ltd.	9,200	1.16%
The Hokuriku Bank, Ltd.	8,736	1.10%
NOMURA BANK (LUXEMBOURG) S. A.	8,568	1.08%
The Hokkoku Bank, Ltd.	6,572	0.83%
Total	448,519	56.49%

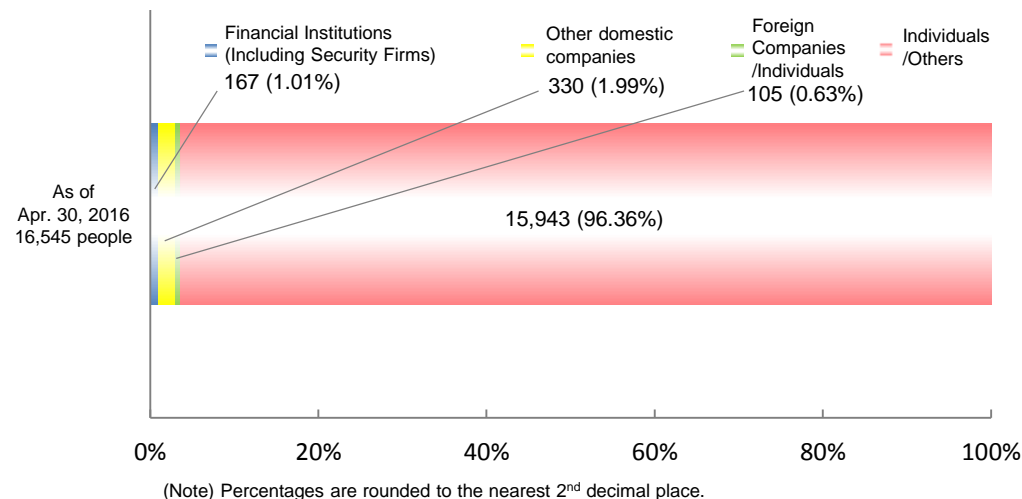
(Note) Percentages, rounded to the nearest 2nd decimal place, are based on the total number of investment units issued and outstanding as of April 30, 2016 (794,000 units).

■ Main Report on Possession of Large Volume (Including Change Report) (as of July 31, 2016)

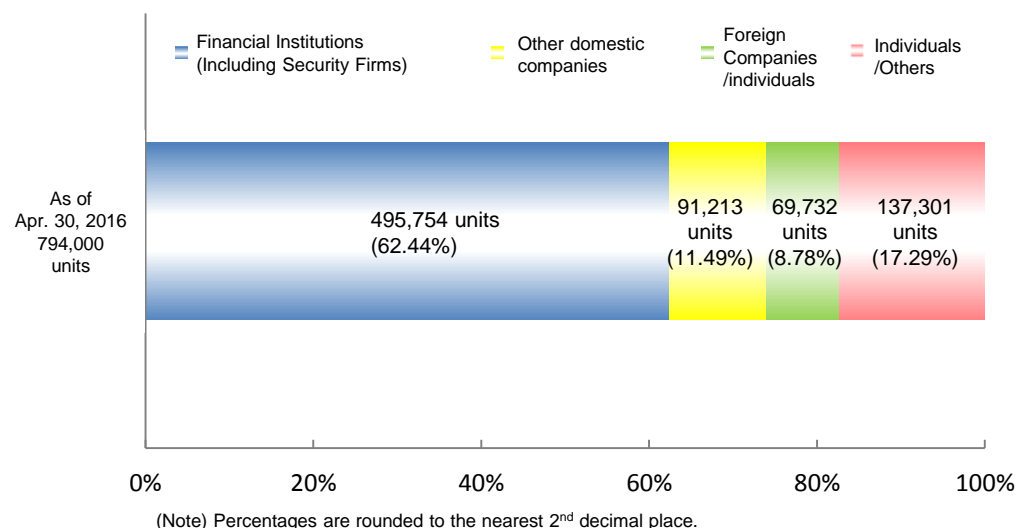
Name	Unit	Share	Submission Date
Sumitomo Mitsui Trust Bank, Ltd. Sumitomo Mitsui Trust Asset Management Co., Ltd. Nikko Asset Management Co., Ltd.	111,158	12.43%	April 25 2016
Mizuho Asset Management Co., Ltd. Shinko Asset Management Co., Ltd.	80,248	8.98%	July 25 2016
DIAM Co., Ltd.	56,615	6.33%	July 5 2016
Nomura Securities Co., Ltd. Nomura Asset Management Co., Ltd.	32,538	3.64%	May 11 2016

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

■ Number of Unitholders by Unitholder Type

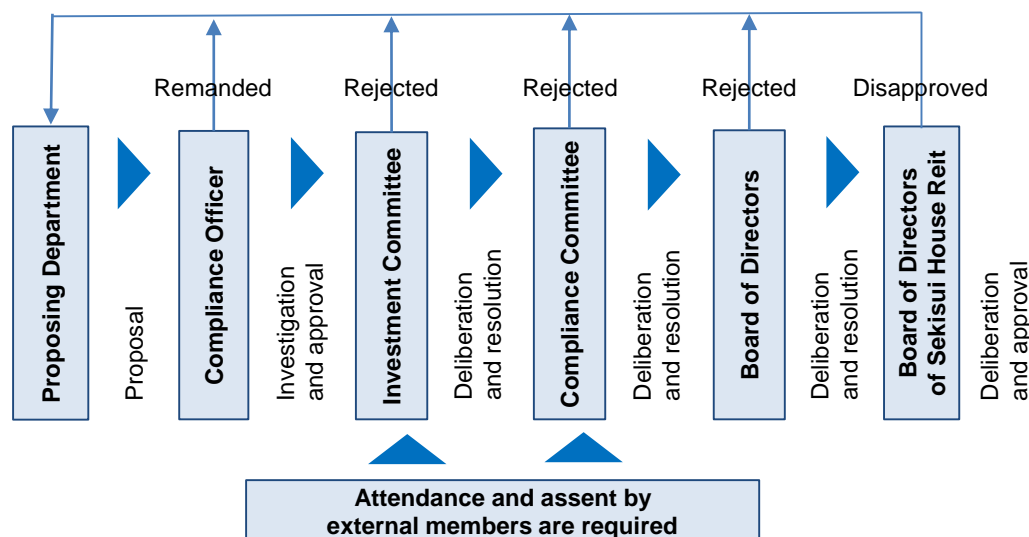


■ Number of Investment Units Issued and Outstanding by Unitholder Type



Adopts a Scheme that Emphasizes Unitholders' Interests

■ Decision-Making Process



■ Performance-Based Asset Management Fees

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

(Note 1) As of June 16, 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

Property Acquisition	Acquisition price shall be equal to or less than the appraisal value.
Property Transfer	Transfer price shall be equal to or higher than the appraisal value.
Payment of Brokerage Fee	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.
Outsourcing of Management and Other Services of Real Estate and Other Assets	<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>
Execution of Lease Agreements for Real Estate and Other Assets	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.
Placement of Orders for Construction Work, Etc. with Contract Amount Surpassing 30 million yen	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.

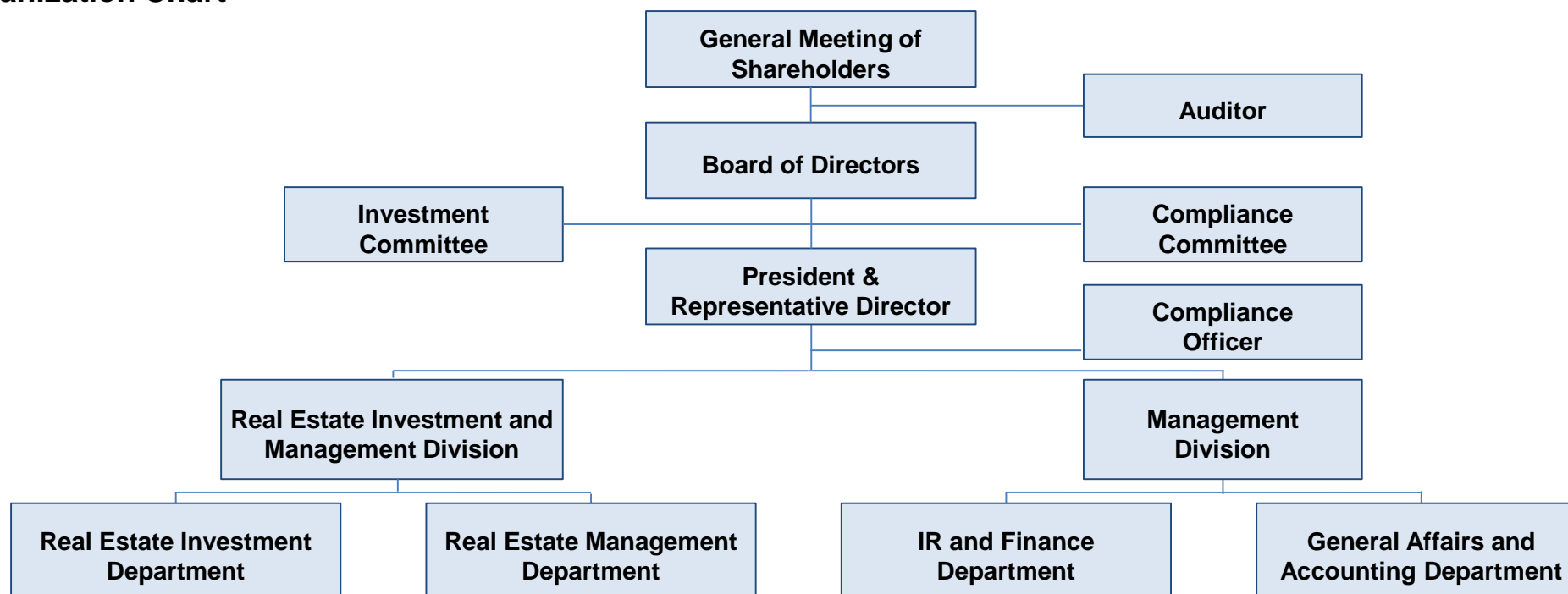
■ Overview of Asset Management Company

Trade Name	Sekisui House Investment Advisors, Ltd. (Financial Instruments Business Operator: Director-General of the Kanto Finance Bureau (Kinsho) No. 2791)
Foundation	February 17, 2014
Paid-in capital	JPY 400 mil
Shareholder	Sekisui House, Ltd. (100%)
Directors and employees	19

■ Directors and Corporate Auditors

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

■ Organization Chart



Change in Unit Price

Change in Unit Price (December 3, 2014 - July 31, 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.



SEKISUI HOUSE REIT, INC.