

July 30, 2021

Real Estate Investment Trust Securities Issuer

Sekisui House Reit, Inc.

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(Securities Code: 3309)

Asset Management Company

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**Notice Concerning Revisions to the Forecast of Operating Results and Distributions  
for the Fiscal Periods Ending October 31, 2021 and April 30, 2022**

Sekisui House Reit, Inc. ("SHR") announces that it has decided to make the following revisions to its forecast of operating results and distributions for the fiscal periods ending October 31, 2021 (from May 1, 2021 to October 31, 2021) and April 30, 2022 (from November 1, 2021 to April 30, 2022) ("the Forecast" may be referred to hereinafter) of SHR announced in the "Financial Report for the Fiscal Period Ended April 30, 2021" dated June 15, 2021.

**1. Forecast Revisions**
**(1) Revisions to the forecast of operating results and distributions for the fiscal period ending October 31, 2021**

	Operating Revenue (Million yen)	Operating Income (Million yen)	Ordinary Income (Million yen)	Net income (Million yen)	Net income per unit (yen)	Distributions per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)
Previous forecast (A)	14,578	7,452	6,540	6,540	1,524	1,649	-
Revised forecast (B)	17,262	9,317	8,412	8,412	1,961	1,780	-
Difference (B-A)	2,684	1,864	1,871	1,871	437	131	-
Change ratio	18.4%	25.0%	28.6%	28.6%	28.7%	7.9%	-

(For reference) Forecast total number of investment units issued and outstanding at the end of the fiscal period ending October 31, 2021: 4,288,666 units

**(2) Revisions to the forecast of operating results and distributions for the fiscal period ending April 30, 2022**

	Operating Revenue (Million yen)	Operating Income (Million yen)	Ordinary Income (Million yen)	Net income (Million yen)	Net income per unit (yen)	Distributions per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)
Previous forecast (A)	14,521	7,392	6,481	6,481	1,511	1,625	-
Revised forecast (B)	14,383	7,342	6,434	6,434	1,500	1,671	-
Difference (B-A)	(138)	(50)	(46)	(46)	(11)	46	-
Change ratio	(1.0) %	(0.7) %	(0.7) %	(0.7) %	(0.7) %	2.8%	-

(For reference) Forecast total number of investment units issued and outstanding at the end of the fiscal period ending April 30, 2022: 4,288,666 units

- (Note 1) The above forecasts are calculated as of today, based on the assumptions set forth in the attached exhibit, “Assumptions for Forecast of Operating Results and Distributions for the Fiscal Periods Ending October 31, 2021 and April 30, 2022”. The actual operating revenues, operating income, ordinary income, net income, net income per unit, distributions per unit (excluding distributions in excess of earnings) and distributions in excess of earnings per unit may vary due to future acquisition or disposition of properties, changes in the real estate market, and other factors surrounding SHR. The Forecast does not guarantee the amount of distributions stated above.
- (Note 2) In the Forecast, the payment of distributions for the fiscal period ending October, 2021 is assumed to be made using the amount deducted 1,205 million yen of unappropriated retained earnings as reserve for reduction entry, and added 69 million yen of reversal of reserve for temporary difference adjustment (the “RTA”) and 357 million yen of reversal of reserve for reduction entry. The net cash used for distribution for the fiscal period ending April 2022, is the amount added 190 million yen of reversal of RTA and 541 million yen of reversal of reserve for reduction entry. As a result, distributions per unit differ from the net income per unit in both periods. For details of the amount of reserve for reduction entry, the reversal from RTA, and reversal of reserve for reduction entry, please refer to the attached exhibit “Distributions per unit (excluding distributions in excess of earnings)” in “Assumptions for Forecast of Operating Results and Distributions for the Fiscal Periods Ending October 31, 2021 and April 30, 2022”.
- (Note 3) The forecast may be revised when a certain level of discrepancy from the above forecast is expected.
- (Note 4) Amounts are rounded down to the nearest specified unit. The same shall apply hereafter.
- (Note 5) Change ratios have been rounded to the nearest first decimal place.

## 2. Reason for revisions to the forecast of operating results and distributions

As stated in the “Notice Concerning Acquisition and Disposition of Trust Beneficiary Interest in Domestic Real Estate (Acquisition of Prime Maison Shimokitazawa and Four Other Properties and Disposition of Esty Maison Tsukamoto and Eight Other Properties)” announced today, SHR has decided to dispose nine residential properties as of August 20, 2021, as well as to newly acquire and begin operation three residential properties as of September 1, 2021, and two residential properties as of February 1, 2022.

As a result of the change in the assumptions for calculation of the Forecast, which was announced by SHR in the “Financial Report for the Fiscal Period Ended April 30, 2021” dated June 15, 2021, the forecasted operating revenue increased by more than 10%, etc., and thus the forecast of operating results and distributions is revised.

\*Sekisui House Reit, Inc. website: <https://sekisuihouse-reit.co.jp/en/>

[Exhibit]

Assumptions for Forecast of Operating Results and Distributions  
for the Fiscal Periods Ending October 31, 2021 and April 30, 2022

Items	Preconditions
Calculation period	<ul style="list-style-type: none"> <li>- Fiscal period ending October 31, 2021 (the 14th fiscal period): May 1, 2021 - October 31, 2021 (184 days)</li> <li>- Fiscal period ending April 30, 2022 (the 15th fiscal period): November 1, 2021 - April 30, 2022 (181 days)</li> </ul>
Assets under Management	<ul style="list-style-type: none"> <li>- It is assumed that there will be no changes in the assets under management (such as new acquisitions of properties or the dispositions of existing properties, etc.) through the end of the fiscal period ending April 30, 2022 (the 15th fiscal period) with respect to the real estate trust beneficiary interests which SHR possesses as of today (for a total of 123 properties) (the “Existing Assets”) except for the acquisition of the real estate trust beneficiary interests on September 1, 2021 for a total of three residential properties (Prime Maison Shimokitazawa and other two properties) and on February 1, 2022 for total of two residential properties (Prime Maison Nakameguro and other one property)(the “Assets to be Acquired”), and the disposition of the real estate trust beneficiary interests on August 20, 2021 for a total of nine residential properties (Esty Maison Tsukamoto and other eight properties) (the “Assets to be Disposed”). For details of the Assets to be Acquired and the Assets to be Disposed, please refer to the press release “Notice Concerning Acquisition and Disposition of Trust Beneficiary Interest in Domestic Real Estate (Acquisition of Prime Maison Shimokitazawa and Four Other Properties and Disposition of Esty Maison Tsukamoto and Eight Other Properties)” announced today.</li> <li>- The actual number of assets under management may change due to the acquisitions of new properties other than the Assets to be Acquired or the dispositions of the Existing Assets or the Assets to be Acquired.</li> </ul>
Operating Revenue	<ul style="list-style-type: none"> <li>- SHR anticipates an increase in revenue with the acquisition of the Assets to be Acquired, and decrease in revenue with the disposition of the Assets to be Disposed.</li> <li>- For the leasing business revenue, revenue of the Existing Assets are calculated based on current lease agreements taking into consideration, among other matters, market trends and individual tenant trends, and revenue of the Assets to be Acquired are calculated based on information received from the sellers, etc. of properties, and each lease agreement scheduled to be effective at the time of acquisition of the Assets to be Acquired taking into consideration, among other matters, market trends and individual tenant trends.</li> <li>- SHR expects to record gain on sales of real estate properties by the disposition of Assets to be Disposed of 2,815 million yen.</li> <li>- It is assumed that there will be no delinquent or unpaid rent by tenants.</li> <li>- It is calculated by incorporating a certain amount of decrease in lease revenues, etc., which is expected to be caused by the spread of the COVID-19.</li> </ul>
Operating Expenses	<ul style="list-style-type: none"> <li>- Of operating expenses from leasing, which are the main operating expenses, expenses other than depreciation and amortization of the Existing Assets are calculated by reflecting the factors causing fluctuation in expenses based on actual past results, and for the Assets to be Acquired, by reflecting the factors behind the fluctuation in expenses based on past results after taking into consideration information received from the sellers, etc. of properties and each lease agreement scheduled to be effective at the time of the acquisition of the respective Assets to be Acquired.</li> <li>- Taxes and other public charges of 1,032 million yen are expected in the fiscal period ending October 31, 2021 (the 14th fiscal period) and 1,027 million yen in the fiscal period ending April 30, 2022 (the 15th fiscal period).</li> <li>- Although fixed asset tax, city planning tax and depreciable asset tax for the Assets to be Acquired in the acquisition year are generally calculated proportionally by period with the seller and settled at the time of acquisition, they are not recorded as an expense since the</li> </ul>

	<p>amount equivalent to such settlement amount is included in the acquisition cost.</p> <p>Fixed asset tax, city planning tax, and depreciable asset tax to be included in the acquisition cost are assumed to be 4 million yen in total (equivalent to 122 days) for the three residential properties to be acquired on September 1, 2021, and are assumed to be 30 million yen (equivalent to 334 days) for the two residential properties to be acquired on February 1, 2022, respectively. Fixed asset tax, city planning tax, and depreciable asset tax related to the three residential properties to be acquired on September 1, 2021 and two residential properties to be acquired on February 1, 2022 are assumed to be expensed from the fiscal period ending October 31, 2022 (the 16th fiscal period) and the fiscal period ending October 31, 2023 (the 18th fiscal period), respectively.</p> <ul style="list-style-type: none"> <li>- The building repair expenses expected to be required for each operating period are recorded as expenses based on the amounts planned by Sekisui House Asset Management, Ltd. (Asset Management Company), to which SHR entrusts its asset management, upon taking into consideration the amounts set forth in building condition inspection reports and the appraisal reports. However, the actual repair expenses for the relevant operating period may materially differ from the forecast amount due to emergency repair possibly arising from building damage from unforeseeable factors, the amount generally varying materially from year to year, and not being periodically arising expenses.</li> <li>- Depreciation and amortization are calculated using the straight-line method including incidental expenses, etc., and is expected to be 2,455 million yen in the fiscal period ending October 31, 2021 (the 14th fiscal period) and 2,459 million yen in the fiscal period ending April 30, 2022 (the 15th fiscal period), respectively.</li> <li>- Asset management fees are expected to be 1,285 million yen in the fiscal period ending October 31, 2021 (the 14th fiscal period) and 897 million yen in the fiscal period ending April 30, 2022 (the 15th fiscal period).</li> <li>- SHR expects to record a loss on sale of real estate properties by the disposition of Assets to be Disposed of 365 million yen due to the disposition of assets scheduled for transfer in the fiscal period ending October 31, 2021 (14th fiscal period).</li> </ul>
<p style="text-align: center;">Non-operating expenses</p>	<ul style="list-style-type: none"> <li>- For investment unit issuance costs, amortization of investment unit issuance costs is expected to be 42 million yen in the fiscal period ending October 31, 2021 (the 14th fiscal period) and 42 million yen in the fiscal period ending April 30, 2022 (the 15th fiscal period), premised on amortization over three years using the straight-line method.</li> <li>- Interest expenses, interest expenses on investment corporation bonds, and borrowing-related expenses are expected to be 837 million yen in the fiscal period ending October 31, 2021 (the 14th fiscal period) and 841 million yen in the fiscal period ending April 30, 2022 (the 15th fiscal period), but are premised on 45 million yen in the fiscal period ending October 31, 2021 (the 14th fiscal period) and 34million yen in the fiscal period ending April 30, 2022 (the 15th fiscal period) being deducted from interest expenses as the drawdown amount for deferred income.</li> </ul>
<p style="text-align: center;">Interest-bearing liabilities</p>	<ul style="list-style-type: none"> <li>- SHR has an outstanding debt of 218,442 million yen, investment corporation bonds of 34,500 million yen and a total interest-bearing liability balance of 252,942 million yen as of today.</li> <li>- It is assumed that short-term borrowings of 3,000 million yen will be prepaid in August 2021 through the disposition of Asset to be Disposed, and that short-term borrowings of 10,500 million yen will be borrowed in February 2022 to partially fund for the acquisition of Assets to be Acquired.</li> <li>- For details of the early repayment of 3,000 million yen of short-term borrowings, please refer to the “Notice Concerning Early Repayment of Borrowing” announced today.</li> <li>- It is assumed that the funds for the repayment of 8,760 million yen in borrowings due during the period ending October 31, 2021 (the 14th fiscal period) and 26,830 million yen in borrowings due during the period ending April 30, 2022 (the 15th fiscal period) will be raised entirely through borrowings.</li> <li>- The total asset LTV as of the end of the fiscal period ending October 31, 2021 (the 14th fiscal period) and as of the end of the fiscal period ending April 30, 2022 (the 15th fiscal period) are estimated approximately 45.1% and 46.2%, respectively.</li> <li>- The following calculation is used to calculate the total asset LTV.  Total asset LTV = (expected) total amount of interest-bearing liabilities/(expected) total </li> </ul>

	amount of assets × 100
Total number of investment units issued and outstanding	- It is assumed that the total number of investment units issued and outstanding as of today is 4,288,666 units, and there will be no other change to the number of investment units such as the issuance of new investment units and acquisition and retirement of own investment units through to the end of the fiscal period ending April 30, 2022 (the 15th fiscal period).
Inconsistency between accounting and taxation purposes categories	<ul style="list-style-type: none"> <li>- Depreciation and amortization as well as other inconsistencies between accounting and taxation purposes (meaning an inconsistency between income for accounting and taxation purposes; the same hereinafter) are expected to be 67 million yen in the fiscal period ending October 31, 2021 (the 14th fiscal period) and 187 million yen in the fiscal period ending April 30, 2022 (the 15th fiscal period).</li> <li>- SHR intends to distribute the amount equivalent to the inconsistency between accounting and taxation purposes as described in “Distributions per unit (excluding distributions in excess of earnings)” below for the purpose of avoiding the occurrence of tax burden including corporation tax.</li> </ul>
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> <li>- Distributions per unit (excluding distributions in excess of earnings) will be calculated on the assumption of the cash distributions policy stipulated in SHR’s Articles of Incorporation.</li> <li>- Any amounts remaining in the gains on negative goodwill after appropriation to distribution within the amount recorded as special profits in the fiscal period ended October 31, 2018 (the 8th fiscal period) shall be reserved as RTA in the amount of 1,556 million yen in accordance with the Calculation Rules for Investment Corporation (Cabinet Office Ordinance No. 47 of 2006, as amended thereafter). After the fiscal period ended April 30, 2019 (the 9th fiscal period), as long as there are amounts remaining in the RTA, the reserved RTA shall be utilized flexibly to avoid the taxation burden of corporate taxes, etc., and the amount equivalent to 1% or more of the initially reserved amount equalized over 50 years (100th fiscal periods) shall be reversed each period to be appropriated to distribution. In addition, with regard to the inconsistency between accounting and taxation purposes, which is expected to occur continuously after the completion of the reversal of RTA, SHR plans to implement the distribution of money exceeding the profit (distributions in excess of earnings) as an allowance temporary difference adjustment (“ATA”) in order to avoid the occurrence of the tax burden such as corporate tax.</li> <li>- Since the laws concerning investment trusts and investment corporations do not permit excess profit allocation as ATA while retaining the reserve for reduction entry, SHR intends to flexibly utilize the reserve for reduction entry, which is partially reserved by the disposition of assets, in order to stabilize the distribution level by reversing the reserve for reduction entry for each fiscal period from the end of the reversal of RTA to the start of the allocation by ATA. After payment of distributions for the fiscal period ending October 31, 2021 (the 14th fiscal period) and April 30, 2022 (the 15th fiscal period), the balance of reserve for reduction entry is expected to be 1,574 million yen and 1,033 million yen, respectively.</li> <li>- For the fiscal period ending October 31, 2021 (the 14th fiscal period) and April 30, 2022 (the 15th fiscal period), distributions are premised on reversing 69 million yen and 190 million yen respectively from the RTA and reversing 357 million yen and 541 million yen, respectively, from reserve for reduction entry which is the amount equivalent to the inconsistency between accounting and taxation purposes expected to arise for the relevant fiscal period in “Inconsistency between accounting and taxation purposes categories” above.</li> <li>- For the fiscal period ending October 31, 2021 (the 14th fiscal period), it is assumed that a portion of the gain on the disposition of assets of 1,205 million yen will be reserved as a reserve for reduction entry.</li> <li>- Distributions per unit (excluding distributions in excess of earnings) may vary due to various factors including changes in assets under management, changes in rent income following changes in tenants, the occurrence of unexpected repairs, interest rate changes, etc.</li> </ul>
Distributions in excess of earnings per unit	- Currently, SHR does not plan to make distributions in excess of earnings.



Other	<ul style="list-style-type: none"><li>- It is assumed that there will be no changes in legislation, taxation, accounting standards, listing regulations, and rules and requirements imposed by The Investment Trusts Association, Japan that would impact the figures in the forecasts.</li><li>- It is assumed that there will be no unforeseen material changes in general economic trends and real estate market conditions, etc.</li></ul>
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