

October 18, 2021

Real Estate Investment Trust Securities Issuer
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 (Securities Code: 3309)

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

Sekisui House Reit, Inc. ("SHR") hereby announces the following revisions of the forecast of the operating results and distributions for the fiscal period ending April 30, 2022 (from November 1, 2021 to April 30, 2022) announced in "Notice Concerning Revisions to the Forecast of Operating Results and Distributions for the Fiscal Periods Ending October 31, 2021 and April 30, 2022" dated July 30, 2021. SHR also newly announces the following forecast of the operating results and distributions for the fiscal period ending October 31, 2022 (from May 1, 2022 to October 31, 2022).

1. Forecast Revisions and Announcements

(1) Revisions to the forecast of operating results and distributions for the fiscal period ending April 30, 2022 (the 15th fiscal period)

	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)	14,383	7,342	6,434	6,434	1,500	1,671	-
Revised forecast (B)	14,722	7,567	6,665	6,665	1,503	1,695	-
Difference (B - A)	339	225	231	231	3	24	-
Change ratio	2.4 %	3.1 %	3.6 %	3.6 %	0.2 %	1.4 %	-

(Reference) Forecast total number of investment units issued and outstanding at the end of the fiscal period ending April 30, 2022 (the 15th fiscal period): 4,433,041 units (Previous announcement assumed 4,288,666 investment units as of such date)

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(2) Forecast of operating results and distributions for the fiscal period ending October 31, 2022 (the 16th fiscal period)

	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)
Forecast	14,849	7,564	6,653	6,652	1,500	1,688	-

(Reference) Forecast total number of investment units issued and outstanding at the end of the fiscal period ending October 31, 2022 (the 16th fiscal period): 4,433,041units

(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 April 30, 2022 and October 31, 2022". The actual operating revenue, 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 sale of properties, changes in the real estate market, the number of new investment units and the issue price of new investment units to be issued actually determined 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 April 30, 2022 is assumed to be made using the amount of unappropriated retained earnings, adding 191 million yen of reversal of reserve for temporary difference adjustment (the "RTA") and 657 million yen of reversal of reserve for reduction entry. The payment of distributions for the fiscal period ending October 2022, is assumed to be made using the amount of unappropriated retained earnings, adding 207 million yen of reversal of RTA and 622 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 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 April 30, 2022 and October 31, 2022".

(Note 3) The forecast may be revised when a certain level of discrepancy from the above forecast is expected.

(Note 4) Figures other than percentages are rounded down to the nearest specified unit. The same shall apply hereinafter.

(Note 5) Change ratio is rounded to the nearest first decimal place.

2. Reasons for Revision and Announcement of Forecast of Operating Results and Distributions

In connection with the decisions to issue new investment units through public offering and to acquire an asset announced today in "Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units" and "Notice Concerning Acquisition of Trust Beneficiary Interest in Domestic Real Estate (Akasaka Garden City: Additional Acquisition)", SHR hereby announces the revisions to the forecast of the operating results and distributions for the fiscal period ending April 30, 2022 (the 15th fiscal period) announced on July 30, 2021 due to the significant change in the assumptions for the forecast of the operating results. SHR also newly announces the forecast of the operating results and distributions for the fiscal period ending October 31, 2022 (the 16th fiscal period).

There are no changes as of today to the forecast of operating results and distributions for the fiscal period ending October 31, 2021 (the 14th fiscal period) announced on July 30, 2021.

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

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[Exhibit]

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

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> ● Fiscal period ending April 30, 2022 (the 15th fiscal period): November 1, 2021 - April 30, 2022 (181 days) ● Fiscal period ending October 31, 2022 (the 16th fiscal period): May 1, 2022 – October 31, 2022 (184 days)
Assets under Management	<ul style="list-style-type: none"> ● It is assumed that in addition to the real estate trust beneficiary interests (for a total of 117 properties) which SHR possesses as of today (the “Existing Assets”), new real estate trust beneficiary interests in one office building (Akasaka Garden City (additional acquisition portion) will be acquired on November 1, 2021 and the acquisitions of new trust beneficiary interests in two residences (Prime Maison Nakameguro and Prime Maison Itabashi) will be acquired on February 1, 2022 (collectively, “Assets to be Acquired”), and that there are no changes in the assets under management (such as acquisition of new properties or disposition of existing properties) through the end of the fiscal period ending October 31, 2022 (the 16th fiscal period) other than the acquisition of the Assets to be Acquired. For details of the Assets to be Acquired, please refer to the separate press release “Notice Concerning Acquisition of Trust Beneficiary Interest in Domestic Real Estate (Akasaka Garden City: Additional Acquisition)” announced today and “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 on July 30, 2021. ● The actual number of the 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.
Operating Revenue	<ul style="list-style-type: none"> ● SHR anticipates an increase in operating revenue with the acquisition of the Asset to be Acquired. ● For the property-related operating revenue, revenue of the Existing Assets is calculated based on lease agreements effective as of today taking into consideration, among other matters, market trends and individual tenant trends. Operating revenue of the Assets to be Acquired is calculated based on information received from the seller of properties, and lease agreements scheduled to be effective upon the acquisition of the Assets to be Acquired taking into consideration, among other matters, market trends and individual tenant trends. ● It is assumed that there will be no delinquent or unpaid rent by tenants. ● SHR calculates operating revenue by incorporating a certain amount of reduction from

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	<p>the lease business, etc., which is expected due to the spread of COVID-19.</p>
Operating Expenses	<ul style="list-style-type: none"> ● Of property-related operating expenses, which are the main operating expenses, expenses other than depreciation of the Existing Assets are calculated by reflecting variable factors in expenses based on past results. Expenses for the Assets to be Acquired are calculated by reflecting variable factors in expenses based on past results after taking into consideration information received from the seller of properties and each lease agreement scheduled to be effective upon the acquisition of the respective Assets to be Acquired. ● Property and other taxes of 1,023 million yen and 1,095 million yen are expected for the fiscal period ending April 30, 2022 (the 15th fiscal period) and for the fiscal period ending October 31, 2022 (the 16th fiscal period), respectively. ● Although property-related taxes for the acquired assets in the acquisition year are generally settled at the time of acquisition by prorating for the period held by the seller, the amount equivalent to the settlement amount is included in the acquisition cost and, is therefore not recorded as an expense. The total amount of property-related taxes included in the acquisition cost of the one office building to be acquired on November 1, 2021 is expected to be 12 million yen (corresponding to 61 days) and of the two residences to be acquired on February 1, 2022 is expected to be 30 million yen (corresponding to 334 days). Furthermore, the property-related taxes of the Assets to be Acquired are expected to be recognized as expenses from the fiscal period ending October 31, 2022 (the 16th fiscal period), and the fiscal period ending October 2023 (the 18th fiscal period), respectively. ● Repair expenses expected to be required for each fiscal period are recorded as expenses based on the amounts planned by Sekisui House Asset Management, Ltd. (the “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 fiscal period may materially differ from the amounts used for the forecast due to potential emergency repairs arising from building damages from unforeseeable factors, generally varying materially from year to year, and not being periodically arising expenses. ● Depreciation is calculated using the straight-line method including incidental expenses, etc., and is expected to be 2,491 million yen in the fiscal period ending April 30, 2022 (the 15th fiscal period) and 2,541 million yen in the fiscal period ending October 31, 2022 (the 16th fiscal period), respectively. ● Asset management fees are expected to be 914 million yen in the fiscal period ending April 30, 2022 (the 15th fiscal period) and 937 million yen in the fiscal period ending October 31, 2022 (the 16th fiscal period), respectively.
Non-operating expenses	<ul style="list-style-type: none"> ● Amortization of investment unit issuance costs including those related to the issuance of new investment units through public offering and secondary offering of investment units,

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	<p>which were resolved at a meeting of SHR's board of directors held today is expected to be 51million yen in the fiscal period ending April 30, 2022 (the 15th fiscal period) and 16 million yen in the fiscal period ending October 31, 2022 (the 16th fiscal period), premised on amortization of investment unit issuance costs over three years using the straight-line method.</p> <ul style="list-style-type: none"> ● Interest expenses, interest expenses on investment corporation bonds, and borrowing-related expenses are expected to be 826 million yen in the fiscal period ending April 30, 2022 (the 15th fiscal period) and 867 million yen in the fiscal period ending October 31, 2022 (the 16th fiscal period), but are premised on 34 million yen in the fiscal period ending April 30, 2022 (the 15th fiscal period) and 17 million yen in the fiscal period ending October 31, 2022 (the 16th fiscal period) being deducted from interest expenses as the drawdown amount for deferred income.
Interest-bearing liabilities	<ul style="list-style-type: none"> ● SHR has an outstanding long-term and short-term loans payable of 215,442 million yen, investment corporation bonds of 34,500 million yen and total interest-bearing liabilities of 249,942 million yen as of today. ● It is assumed that SHR will procure a short-term borrowings of 13,500 million yen in February 2022 in order to partially fund the acquisition of two residential properties scheduled to be acquired on February 1, 2022. ● It is assumed that all funds for repayment or redemption of borrowings totaling 26,830 million yen which become due and payable in the fiscal period ending April 30, 2022 (the 15th fiscal period) and borrowings and investment corporation bonds totaling 15,400 million yen which become due and payable in the fiscal period ending October 31, 2022 (the 16th fiscal period) will be financed by borrowings. ● The LTV ratio as of the end of the fiscal period ending April 30, 2022 (the 15th fiscal period) and the fiscal period ending October 31, 2022 (the 16th fiscal period) is estimated to be around 45.4%. ● The following formula is used to calculate the total assets LTV ratio. The total assets LTV ratio = (expected) total amount of interest-bearing liabilities ÷ (expected) total amount of assets × 100 ● The total assets LTV ratio may vary depending on the finalization of operating results for the fiscal period ended October 31, 2021 (the 14th fiscal period) and the issue amount of the new investment units and the number of new investment units to be issued through public offering and third-party allotment.
Investment units	<ul style="list-style-type: none"> ● It is assumed that, in addition to 4,288,666 units issued and outstanding as of today, all of the investment units scheduled to be newly issued through public offering 137,500 units and by way of third-party allotment (maximum of 6,875 units), for which resolution was passed at a meeting of SHR's board of directors held today. For details, please refer to "Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units" announced separately today.

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	<ul style="list-style-type: none"> Other than as described above, it is assumed that there is no change to the number of investment units due to issuance of new investment units or repurchase and cancellation of our investment units to the end of the fiscal period ending October 31, 2022 (the 16th fiscal period).
<p>Inconsistency between accounting and taxation purposes categories</p>	<ul style="list-style-type: none"> Depreciation as well as other mismatches between accounting and taxation purposes (meaning an inconsistency between income for accounting and taxation purposes; the same hereinafter) are expected to be 187 million yen in the fiscal period ending April 30, 2022 (the 15th fiscal period) and 205 million yen in the fiscal period ending October 31, 2022 (the 16th fiscal period). Regarding the inconsistency between accounting and taxation purposes described above, SHR intends to distribute the amount equivalent to the amount of mismatches between accounting and taxation purposes as described in “Distributions per unit (excluding distributions in excess of earnings)” below for the purpose of avoiding the incurrence of tax burden including corporate tax.
<p>Distributions per unit (excluding distributions in excess of earnings)</p>	<ul style="list-style-type: none"> 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. 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 for temporary difference adjustment (the “ATA”) in order to avoid the occurrence of the tax burden such as corporate tax. The laws concerning investment trusts and investment corporations do not permit distributions in excess of earning while retaining the reserve for reduction entry. Therefore, SHR intends to reverse the reserve for reduction entry for each fiscal period before the end of the reversal and the start of the allocation by ATA, by flexibly utilizing the reserve for reduction entry, which is partially reserved by the disposition of assets, in order to stabilize the distribution level. After payment of distributions for the fiscal period ending April 30, 2022 (the 15th fiscal period) and October 31, 2022 (the 16th fiscal period), the balance of reserve for reduction entry is expected to be 923 million yen

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	<p>and 301 million yen, respectively.</p> <ul style="list-style-type: none"> ● For the fiscal period ending April 30, 2022 (the 15th fiscal period) and October 31, 2022 (the 16th fiscal period), distributions are premised on reversing 191 million yen and 207 million yen respectively from the RTA and reversing 657 million yen and 622 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. ● 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.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> ● SHR does not plan to make distributions in excess of earnings (distributions in excess of earnings per unit) at this point in time.
Other	<ul style="list-style-type: none"> ● 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 above. ● It is assumed that there will be no unforeseen material changes in general economic trends, real estate market conditions and etc.

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