

March 29, 2023

 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 Period Ending October 31, 2023**

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 period ending October 31, 2023 (from May 1, 2023 to October 31, 2023) ("the Forecast") of SHR announced in the "Financial Report for the Fiscal Period Ended October 31, 2022" dated December 15, 2022.

1. Revisions to the Forecast of Operating Results and Distributions for the Fiscal Period Ending October 31, 2023
(18th Fiscal Period)

	Operating Revenue (Million yen)	Operating Income (Million yen)	Ordinary Income (Million yen)	Net Income (Million yen)	Distributions Per Unit (including distributions in excess of earnings) (yen)	Distributions Per Unit (excluding distributions in excess of earnings) (yen)	Distributions in Excess of Earnings Per Unit (yen)
Previous Forecast (A)	15,541	7,387	6,426	6,425	1,681	1,466	215
Revised Forecast (B)	16,229	7,907	6,920	6,919	1,855	1,579	276
Difference (B-A)	688	519	494	494	174	113	61
Rate of Change	4.4%	7.0%	7.7%	7.7%	10.4%	7.7%	28.4%

(Reference) Forecasted total number of investment units issued and outstanding at the end of the fiscal year : 4,381,482 units
 Forecasted net income per unit at the end of the 18th fiscal period : 1,579 yen

- (Note 1) The above forecasts are calculated as of the date of this document, based on the assumptions set forth in the attached "Prerequisites for the Forecast of Operating Results and Distributions for the Fiscal Period Ending October 31, 2023". The actual operating revenues, operating income, ordinary income, net income, distributions per unit (including distributions in excess of earnings), 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 source of payment of distributions is the amount obtained by adding 1,209 million yen of allowance for temporary difference adjustments (the "ATA") to the unappropriated retained earnings. For details, please refer to the attached "Distributions per unit (excluding distributions in excess of earnings)" and "Distributions in excess of earnings per unit" in "Prerequisites for the Forecast of Operating Results and Distributions for the Fiscal Period Ending October 31, 2023".
- (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 applies hereinafter.
- (Note 5) Rate of change is rounded to the nearest first decimal place.

Disclaimer: This translation is for informational purposes only. If there is any discrepancy between the Japanese version and the English translation, the Japanese version shall prevail.



2. Reason for Revisions to the Forecast of Operating Results and Distributions

As stated in the "Notice Concerning the Disposition of Beneficial Interest in Domestic Real Estate Trust (Gotenyama SH Building)" separately announced by SHR today, it has been decided that the "Gotenyama SH Building" owned by SHR will be divided equally into 10 installments (five years 10 fiscal periods) and disposed of every six months from October 31, 2023.

In addition, upon considering the current financial market changes including operating results, due to the impact of an increase of 10% or more in distributions per unit (including distributions in excess of earnings) of the Forecast announced in the "Financial Report for the Fiscal Period Ended October 31, 2022" dated December 15, 2022, SHR has decided to revise the forecast of operating results and distributions.

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

Attachment

Prerequisites for the Forecast of Operating Results and Distributions for the Fiscal Period Ending October 31, 2023

Item	Prerequisites
Calculation period	Fiscal period ending October 31, 2023 (18th fiscal period): May 1, 2023 – October 31, 2023 (184 days)
Assets under management	<ul style="list-style-type: none"> • Of the real estate trust beneficiary interests (total of 120 properties) owned by SHR (the “Existing Assets”) and silent partnership equity interests as of the date of this document, excluding the disposition of the 10% quasi co-ownership interest of the trust beneficiary interest related to the office building “Gotenyama SH Building” on October 31, 2023 (the “Asset to be Disposed”) and the disposition of the Asset to be Disposed, no changes in assets under management (acquisition of new assets, disposition of existing assets, etc.) are presumed. • Actual figures may fluctuate due to changes in assets under management.
Operating revenue	<ul style="list-style-type: none"> • A decrease in revenue is expected due to the disposition of the Asset to be Disposed. • Property-related operating revenue for the Existing Assets are calculated based on lease agreements in effect as of the date of this document while taking into consideration the market environment and trends of individual tenants, etc. • Gain on disposition of real estate properties are expected to be 1,017 million yen due to the disposition of the Asset to be Disposed. • Operating revenue assumes that there will be no delinquency or non-payment of rent by tenants.
Operating expenses	<ul style="list-style-type: none"> • Of the property-related operating expenses, which is the main portion of the operating expense, expenses other than depreciation for the Existing Assets are calculated based on past performance figures and reflecting variable factors of expenses. • Property and other taxes are expected to be 1,138 million yen. • Generally, fixed property tax, city planning tax and the depreciable property tax for the acquisition year of the asset to be acquired are calculated on a proportional basis with the seller and settled at the time of the acquisition. The amount equivalent to the settlement amount will be included in the acquisition cost, thus will not be recorded as an expense. Fixed property tax, city planning tax, and the depreciable property tax for the two residential properties acquired on February 1, 2022, and the two residential properties acquired on August 2, 2022, is expected to be recorded from the fiscal period ending October 31, 2023 (18th fiscal period). • For building repair expenses, the amount assumed to be necessary for each operating period is recorded as expenses based on the amount planned by Sekisui House Asset Management, Ltd. (“SHAM”), to which SHR entrusts management of its assets, taking into consideration the amount listed on the engineering report and the appraisal report. However, due to the possibility of urgent repair costs due to damage to buildings due to unforeseen factors, the difference in the amount being generally large depending on the year, and the fact that the amount does not occur regularly, building repair expenses for each operating period may differ significantly from the estimated amount. • Depreciation is calculated using the straight-line method, including incidental expenses, and is expected to be 2,650 million yen. • Asset management fees are expected to be 988 million yen.
Non-operating expenses	<ul style="list-style-type: none"> • Investment unit issuance expenses will be depreciated over three years using the straight-line method, with the expected depreciation of investment unit issuance expense to be 8 million yen. • Interest expenses, interest on investment corporation bonds, and other borrowing-related expenses are expected to be 951 million yen. However, it is assumed that 871 thousand yen will be deducted from the interest expenses as a reversal of unearned revenue.

<p>Interest-bearing liabilities</p>	<ul style="list-style-type: none"> • As of the date of this document, the balance of loans payable of SHR is 226,742 million yen, the balance of investment corporation bonds is 31,500 million yen, and the total interest-bearing debt is 258,242 million yen. • The total amount of borrowings due for repayment during the fiscal period ending October 31, 2023 (18th fiscal period) is 20,210 million yen. It is assumed that the funds for repayment of 20,210 million yen will be procured entirely through borrowings or the issuance of investment corporation bonds. • As of the end of the fiscal period ending October 31, 2023 (18th fiscal period), the LTV of total assets is estimated to be approximately 45.3%. • The following formula is used to calculate the LTV of total assets. LTV of total assets = Total interest-bearing debt (estimated) / Total assets (estimated) x100
<p>Total number of investment units issued and outstanding</p>	<ul style="list-style-type: none"> • It is assumed that based on 4,381,482 units issued as of the date of this document, there will be no change in the number of investment units due to additional issuance of new investment units and/or acquisition or cancellation of own investment units by the end of the fiscal period ending October 31, 2023 (18th fiscal period).
<p>Discrepancy between tax and accounting reporting</p>	<ul style="list-style-type: none"> • Depreciation and other discrepancies between tax and accounting reporting (the difference between accounting profit and taxable income; the same applies hereinafter.) are expected to be 1,209 million yen. • Regarding the above discrepancies between tax and accounting reporting, to avoid the occurrence of tax burden including corporate tax, as described in “Distribution per unit (excluding distribution in excess of earnings)” and “Distribution in excess of earnings per unit” below, the policy is to distribute the amount equivalent to the discrepancies between tax and accounting reporting.
<p>Distribution per unit (excluding distribution in excess of earnings)</p>	<ul style="list-style-type: none"> • Distribution per unit (excluding distribution in excess of earnings) is calculated based on the policy for the distribution of cash stipulated in the Articles of Incorporation of SHR. • Of the gain on negative goodwill recorded as extraordinary income in the fiscal period ended October 31, 2018 (8th fiscal period), the balance excluding the amount allocated for distributions will be reserved as RTA of 1,556 million yen as stipulated in the Regulations on Accounting for Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, including subsequent revisions.), and from the fiscal period ended April 30, 2019 (9th fiscal period) and onward, as long as there is an RTA balance, it will be used flexibly to avoid tax burdens such as corporate tax due to discrepancies between tax and accounting reporting. The policy is to withdraw an amount equal to or more than 1% of the initial reserve amount over a 50-year (100 fiscal periods) span and apply it to distributions. The balance of RTA after the payment of distributions for the fiscal period ended October 31, 2022 (16th fiscal period) is 194 million yen. In addition, after the reversal of RTA is completed, with regards to discrepancies between tax and accounting reporting that are expected to continue to occur, cash in excess of earnings will be distributed (distribution in excess of earnings) to avoid the occurrence of tax burdens such as corporate tax • According to the Law Concerning Investment Trust and Investment Corporations (Law No. 198 of 1951, including subsequent amendments), it is not permitted to distribute excess earnings as ATA while leaving reserve for reduction entry. The reserve for reduction entry, which is a part of the gain on disposition of assets, is expected to be withdrawn in each operating period from the end of RTA's withdrawal to the start of distribution by ATA. • For the fiscal period ending April 30, 2023 (17th fiscal period), 194 million yen will be reversed from RTA as distribution related to the amount equivalent to the discrepancies between tax and accounting reporting that is expected to occur in the fiscal period described in the above “Discrepancy between tax and accounting reporting”. Simultaneously, since the reversal of RTA will be completed, it is assumed that the total amount of 911 million yen, which is the balance of reserve for reduction entry, will be reversed and appropriated to distributions.

	<ul style="list-style-type: none"> • Distribution per unit (excluding distribution in excess of earnings) is subject to fluctuate due to various factors including changes in assets under management, changes in rental income due to changes in tenants, occurrence of unexpected repairs, changes in interest rates, etc.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • Starting the fiscal period ending April 30, 2023 (17th fiscal period), when the reversal of RTA is expected to end, the distribution of cash in excess of earnings (distribution in excess of earnings) will be calculated on the assumption that the total amount of discrepancies between tax and accounting reporting and distributable amount minus the valuation/conversion differences will be distributed as ATA in order to avoid the occurrence of tax burden such as corporate tax. Furthermore, it is assumed that the fluctuations in the market value of interest rate swaps will not affect distributions per unit. • It is assumed that ATA of 1,209 million yen will be appropriated for distributions as distribution in excess of earnings related to the amount equivalent to the discrepancies between tax and accounting reporting that is expected to be generated in the relevant fiscal period as stated in the "Discrepancy between tax and accounting reporting" above.
Others	<ul style="list-style-type: none"> • It is assumed that no revision to laws, tax systems, accounting standards, listing regulations, regulations of the Investment Trusts Association, Japan, etc., that affect the figures in this forecast will be implemented. • It is assumed that there will be no unexpected material changes in general economic trends, real estate market conditions, etc.