SEKISUI HOUSE REIT, INC.

May 9, 2017

Real Estate Investment Trust Securities Issuer
Sekisui House Reit, Inc.
Representative: Junichi Inoue, Executive Director
(Securities Code: 3309)
Asset Management Company
Sekisui House Investment Advisors, Ltd.
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Notice Concerning Acquisition of Trust Beneficiary Interests in Domestic Real Estate and its Lease
(Garden City Shinagawa Gotenyama: Additional Acquisition; Hommachi Garden City: Additional Acquisition)

Sekisui House Reit, Inc. ("SHR") hereby announces that Sekisui House Investment Advisors, Ltd., to which SHR entrusts management of its assets (the "Asset Management Company") decided today for SHR to acquire and lease the assets (the "To-be-Acquired Assets") as described below. Since the counterparty to the acquisition and leasing of the assets falls under the category of interested persons, etc. as provided in the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including amendments thereto) (the "Investment Trusts Act"), the Asset Management Company has obtained, in accordance with the Investment Trusts Act, the consent of SHR based on approval at the meeting of the board of directors of SHR held on May 9, 2017.

1. Summary of Acquisition

Property no. (Note 1)	Property name	Location	Planned acquisition price (million yen) (Note 2)	Seller
J-1	Garden City Shinagawa Gotenyama (additional acquisition portion) (Note 3)	Shinagawa-ku, Tokyo	4,000	Sekisui House, Ltd.
J-4	Hommachi Garden City (hotel portion) (Note 4)	Osaka-shi, Osaka	17,200	
Total		—	21,200	—

(1) Sale and purchase contract date: May 9, 2017
(2) Planned acquisition date: May 24, 2017 (Note 5)
(3) Seller: Please refer to "4. Seller Profile" later in this document.
(4) Acquisition financing: Proceeds from the issuance of new investment units through public offering for which resolution was passed at the meeting of the board of directors of SHR held on May 9, 2017 (Note 6), loans (Note 7), and cash on hand
(5) Settlement method: Payment of entire amount at time of delivery

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(Note 1) "Property no." is that assigned in accordance with the categories upon categorizing the To-be-Acquired Assets at SHR into domestic/overseas.

(Note 2) "Planned acquisition price" is the sale and purchase price stated in the sale and purchase agreement for each of the To-be-Acquired Assets (excluding consumption tax and local consumption tax, as well as commission and other various expenses; rounded down to the nearest million yen).

(Note 3) SHR acquired the sectional ownership right to all of the exclusively-owned portions of the 4th, 7th and 8th floors and part of the exclusively-owned portions of the 2nd, 3rd and 6th floors of the building of Garden City Shinagawa Gotenyama, as well as the accompanying right of site (ratio of right of site: 2,103,349/3,857,806 (approximately 54.5%)), on December 3, 2014 (may be hereinafter referred to as "Garden City Shinagawa Gotenyama (1st acquisition portion)" or simply the "1st acquisition portion"), and acquired the sectional ownership right to part of the exclusively-owned portions of the 2nd, 3rd, 5th and 6th floors of the building of Garden City Shinagawa Gotenyama, as well as the accompanying right of site (ratio of right of site: 820,252/3,857,806 (approximately 21.3%)), on May 24, 2016 (may be hereinafter referred to as "Garden City Shinagawa Gotenyama (2nd acquisition portion)" or simply the "2nd acquisition portion," and collectively referred to together with "Garden City Shinagawa Gotenyama (1st acquisition portion)" as "Garden City Shinagawa Gotenyama (acquired portion)" or simply the "acquired portion").

SHR plans to additionally acquire the sectional ownership right to part of the exclusively-owned portions of the 2nd floor and all of the exclusively-owned portions of the 9th floor of the building of Garden City Shinagawa Gotenyama, as well as the accompanying right of site (ratio of right of site: 200,039/3,857,806 (approximately 5.2%)), on the planned acquisition date (may be hereinafter referred to as "Garden City Shinagawa Gotenyama (additional acquisition portion)" or simply the "additional acquisition portion").

(Note 4) SHR acquired the sectional ownership right to all of the exclusively-owned portions used as office building and retail property of the building of Hommachi Garden City, as well as the accompanying right of site, on May 19, 2015 (may be hereinafter referred to as "Hommachi Garden City (office building portion)" or simply the "office building portion"). The ratio of the exclusively-owned area is approximately 52.7% of the exclusively-owned area of the entire building. The ratio of right of site is 68,645/100,000 for the office portion and 1,104/100,000 for the store portion, totaling 69,749/100,000 (approximately 69.7%). The portion acquired by SHR includes co-ownership interest in the common portion pursuant to the bylaws (parking, management office, etc.), but there is no accompanying ratio of right of site. In addition, because the annex building is under the sectional ownership right to all of the exclusively-owned portions used as hotel that is to be acquired, the annex building is not included in the portion acquired by SHR.

SHR plans to additionally acquire the sectional ownership right to all of the exclusively-owned portions used as hotel of the building of Hommachi Garden City, as well as the accompanying right of site, on the planned acquisition date (may be hereinafter referred to as "Hommachi Garden City (hotel portion)" or simply the "hotel portion"). The ratio of the exclusively-owned area is approximately 47.3% of the exclusively-owned area of the entire building. The ratio of right of site is 30,251/100,000 (approximately 30.3%). The portion to be acquired by SHR includes co-ownership interest in the common portion pursuant to the bylaws (parking, management office, etc.), but there is no accompanying ratio of right of site. In addition, because the annex building is under the sectional ownership right to all of the exclusively-owned portions used as hotel that is to be acquired, the annex building is included in the portion to be acquired by SHR.

(Note 5) The planned acquisition date is subject to change in accordance with change of the pricing date (refers to a date between Wednesday, May 17, 2017 and Monday, May 22, 2017) for the issuance of new investment units through public offering announced in the "Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units" dated today.

(Note 6) Please refer to the "Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units" dated today for details.

(Note 7) The loans will be announced at a later date when finalized.

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2. Reason for Acquisition and Leasing

Based on SHR's basic policy to provide high-quality social capital and maximize unitholder value by conducting asset management that pursues stable earnings over the medium to long term and steady growth of its investment assets and on the investment target and investment policy stipulated in its Articles of Incorporation, SHR will acquire the To-be-Acquired Assets to maximize unitholder value through further reinforcement of the earning base of the portfolio. The characteristics of the To-be-Acquired Assets taken into consideration upon deciding on the acquisition are as follows:

(1) Garden City Shinagawa Gotenyama (additional acquisition portion)

① Location characteristics

The property stands in an area with historical background called "Gotenyama" (palace hill), as there used to be the Shinagawa Goten, a separate villa of the Tokugawa Shogunate family. It is an office building also with transportation convenience as it is within walking distance of four stations with ten lines, including Shinagawa Station where developments are expected to continue, such as opening of a Linear Chuo Shinkansen station.

② Property characteristics

Completed in 2011, the building has a high-grade appearance. Since the property has one of the largest standard floors in Japan of approximately 2,044 tsubos allowing it to secure open and regular-shaped spaces without pillars, it is more than fully capable of accepting relocations of corporate headquarters or similar-class offices. In addition, the property is an environmentally-friendly office building promoting energy saving, greening, etc., while it also gives considerations to the business continuity plans (BCPs) of tenant companies, such as through a seismically-isolated structure as anti-disaster measures and securing emergency power using private power generators.

(2) Hommachi Garden City (hotel portion)

① Location characteristics

The property is located along Midosuji street, which is a tourism and business center of the Osaka area, and boasts convenience in that it is directly connected to Hommachi Station. Given also the high transportation convenience for the Kansai area, which encompasses such highly-popular tourist destinations as Kyoto, Kobe and Nara, it boasts highly-rare location conditions with the potential to attract the well-to-do and inbound tourists for tourism, leisure and business purposes.

② Property characteristics

The property has high seismic performance using vibration control parts, such as concrete filled steel tubes, aseismic braces and oil dampers. In addition, the property houses "The St. Regis Osaka," which is a hotel of the luxury brand Marriott International. The appearance is of high grade exuding a dignified look with complete stone cladding, and the guest room floors are positioned on the floors above the office floors to secure an unparalleled view that makes the most of the location being a corner lot of Midosuji street and Hommachi street, making it a landmark property befitting the Midosuji landscape.

Regarding the lessee of the To-be-Acquired Assets, SHR has judged it as complying with the tenant screening standards stated in the "Report on Management Structure and System of the Issuer of Real Estate Investment Trust Units and Related Parties" submitted on January 27, 2017.

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3. Description of the To-be-Acquired Assets and Leasing

The following tables present an overview of the To-be-Acquired Assets and leasing. Please refer below for a glossary of the terms used in the tables. Furthermore, unless otherwise noted, etc., the entries in the tables are each those based on information as of the last day of March 2017. In addition, unless otherwise stated, the entries for "Garden City Shinagawa Gotenyama (additional acquisition portion)" and "Hommachi Garden City (hotel portion)" are only for the additional acquisition portion or hotel portion.

[Explanation of Description of the To-be-Acquired Assets]

(1) "Planned acquisition date" is the acquisition date planned as of today. However, it will be postponed as below in accordance with the pricing date. This is subject to change if agreement is made between SHR and the present owner.

a. When the pricing date is Wednesday, May 17, 2017,
the planned acquisition date will be Wednesday, May 24, 2017

b. When the pricing date is Thursday, May 18, 2017,
the planned acquisition date will be Thursday, May 25, 2017

c. When the pricing date is Friday, May 19, 2017,
the planned acquisition date will be Friday, May 26, 2017

d. When the pricing date is Monday, May 22, 2017,
the planned acquisition date will be Monday, May 29, 2017

(2) "Type of specified asset" is the type of right to be acquired by SHR.

(3) "Trustee" is the party that is to become the trustee after the acquisition by SHR.

(4) "Trust establishment date" is the planned date of trust establishment as a trust is to be established at the same time as the acquisition by SHR. The planned date of acquisition by SHR is subject to change. Please refer to the definition of "Planned acquisition date" stated in (1) earlier in this document.

(5) "Trust expiration date" is the planned date of expiration of the trust period after the acquisition by SHR.

(6) "Planned acquisition price" is the sale and purchase price stated in the sale and purchase agreement for each of the To-be-Acquired Assets (excluding consumption tax and local consumption tax, as well as commission and other various expenses; rounded down to the nearest million yen).

(7) "Appraisal value (Date of value)" is the appraisal value and date of value stated in the real estate appraisal report prepared by the real estate appraisal firm that SHR and the Asset Management Company has entrusted with appraisal of investment real estate, where the appraisal value is rounded down to the nearest million yen.

(8) "Location (indication of residential address)" is the indication of residential address based on that stated in the written property outline or written explanation of important matters. Furthermore, if there is no implementation of indication of residential address or otherwise no indication of residential address in the written property outline and written explanation of important matters, "Location (indication of residential address)" is the parcel number based on that stated in the registry or the indication method used in practice as the location.

(9) For "Land," "Lot" and "Site area" is the parcel number (in cases where there are several, then one of them) and the sum total of parcel area based on that stated in the registry. Furthermore, even if the acquisition is of part of the site of a building under sectional ownership or co-ownership interest in land, "Site area" is the parcel area for the entire site or land.

(10) For "Land," "Use district" is the type of use district listed in Article 8, Paragraph 1, Item 1 of the City Planning Act (Act No. 100 of 1968, including amendments thereto) (the "City Planning Act").

(11) For "Land," "Building coverage ratio," which is the ratio of the building area of the building to the site area as provided in Article 53 of the Building Standards Act (Act No. 201 of 1950, including amendments thereto) (the "Building Standards Act"), is the percentage figure provided in accordance with the Building Standards Act, the City Planning Act and other related laws and regulations.

(12) For "Land," "Floor area ratio," which is the ratio of the total floor area of the building to the site area as provided in Article 52 of the Building Standards Act, is the percentage figure provided in accordance with the Building Standards Act, the City Planning Act and other related laws and regulations.

(13) For "Land," "Type of ownership" is the type of right held by SHR for real estate in the case of real estate directly held by SHR, and is the type of right held by the trustee of the real estate trust for real estate in trust in the case of a trust beneficiary right held by SHR.

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(14) For "Building," "Use" is the major type indicated in the registry. Furthermore, in the case of a building under sectional ownership, "Use" is the use of the concerned exclusively-owned portions.

(15) For "Building," "Construction completion" is the date of new construction in the registry of the principal building. In cases where there are several principal buildings, "Construction completion" is the earliest date of new construction in the registry.

(16) For "Building," "Structure / Floors" is based on that stated in the registry. Furthermore, in cases where the building or building in trust is exclusively-owned portions of a building under sectional ownership, "Structure / Floors" is the structure and number of floors for the entire building and not the exclusively-owned portions to be acquired.
Furthermore, the following abbreviations are used in "Structure / Floors."
RC: Reinforced concrete structure; SRC: Steel reinforced concrete structure; S: Steel-framed structure

(17) For "Building," "Total floor area" is the sum total of floor area of the building or building in trust (excluding annex buildings, etc.) indicated in the registry. In addition, in cases where the building or building in trust is exclusively-owned portions of a building under sectional ownership, "Total floor area" is the floor area for the entire building.

(18) For "Building," "Type of ownership" is the classification of the type of ownership, such as ownership right and sectional ownership right. Sectional ownership right refers to the ownership right to the exclusively-owned portions of a building under sectional ownership.

(19) "PML value" is based on the statement in the seismic risk evaluation report prepared for each of the To-be-Acquired Assets by Tokio Marine & Nichido Risk Consulting Co., Ltd. The concerned statement is no more than an indication of the opinion of the reporting party, and SHR does not guarantee the accuracy of the content thereof.
Furthermore, "PML value" refers to the extent of damage that may be suffered due to an earthquake of the largest scale assumed in the assumed scheduled use period (large earthquake that may occur with a 10% probability of exceedance in 50 years = large earthquake corresponding to a 475-year return period), expressed as a percentage (%) of the replacement cost for the amount of probable loss corresponding to the non-exceedance probability. However, the amount of probable loss is limited to that for direct loss on the building (structure, finishing and building equipment) only that are caused by earthquake ground motion, and does not include damage to equipment, furniture, fixtures, etc., loss caused by post-earthquake water or fire disasters, compensation for disaster victims, operating loss due to interruption of business operations and other secondary damages.

(20) "Collateral" outlines the collateral to be borne by SHR, if any, after the acquisition of the trust beneficiary right by SHR.

(21) "Property management company" is the company to be entrusted with property management services after the acquisition by SHR.

(22) "Master lease company" is the company that is to become the master lease company after the acquisition by SHR.

(23) "Master lease type" is the type of master lease that is to become effective after the acquisition by SHR. "Fixed-rent type" is a master lease in which the rent that the master lessee pays is a fixed amount regardless of the rent that the sublessee pays to the master lessee. "Pass-through type" is a master lease in which the rent that the master lessee pays is always the same amount as the rent that the end-tenant pays to the master lessee.

(24) For "Status of leasing," "Contract period" is the information in the lease agreement and other related agreed documents for each of the To-be-Acquired Assets that is valid at the time of acquisition by SHR.

(25) For "Status of leasing," "Total leasable area" for the To-be-Acquired Assets refers to the floor area available for leasing based on the lease agreement or building drawings, etc. for each property that is valid at the time of acquisition by SHR, rounded to two decimal places. In cases where the property is co-ownership interest in ownership right, "Total leasable area" is the figure arrived at when the leasable area for the co-owned real estate is multiplied by the ratio of interest acquired by SHR or the trustee.

(26) For "Status of leasing," "Total leased area" for the To-be-Acquired Assets is the sum total of the leased area indicated in the lease agreement for each property that is valid at the time of acquisition by SHR.

(27) For "Status of leasing," "Occupancy rate" is the ratio of total leased area to total leasable area for each of the To-be-Acquired Assets, rounded to one decimal place.

(28) For "Status of leasing," "Number of tenants" is the sum total of the number of tenants under the lease agreement for each property indicated in the lease agreement for each of the To-be-Acquired Assets (in cases where a master lease agreement has been executed for the concerned property, then the number of lessees under the master lease agreement) that is valid at the time of acquisition by SHR.

(29) For "Status of leasing," "Annual rent" is the monthly rent (excluding usage fee for parking, storage, signs, etc., but including common area maintenance charges) for the building indicated in the lease agreement for each of the To-be-Acquired Assets that is valid at the time of acquisition by SHR, multiplied by 12 to calculate the annualized amount (excluding consumption tax and local consumption tax), rounded

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down to the nearest million yen.

(30) For "Status of leasing," "Leasehold and security deposits" is the sum total amount of the balance of leasehold and security deposits and other deposits (excluding such related to parking, storage, signs, etc.) provided in the lease agreement for each of the To-be-Acquired Assets that is valid at the time of acquisition by SHR, rounded down to the nearest million yen. Furthermore, in cases where a master lease agreement has been executed for the concerned asset, if the deposit amount under the master lease agreement is to be the same amount as the sum total amount of the balance of leasehold and security deposits and other deposits provided in the lease agreement or the sublease agreement that has been executed with end-tenants, then the concerned sum total amount, rounded down to the nearest million yen.

(31) For "Status of leasing," "Other" is the matters considered important in relation to tenants or lease agreements, and based on the provisions in the lease agreements, etc.

(32) "Matters of special note" is the matters considered important in relation to each of the To-be-Acquired Assets' rights, use, etc. and the matters considered important in consideration of the degree of impact on the To-be-Acquired Assets' valuation, profitability and appropriation, including the following matters.

Furthermore, the matters of special note are prepared by conducting an investigation with the last day of March 2017 as the date of investigation and, in principle, presented to the extent that could be investigated by that date.

a. Key limitations or restrictions by laws and regulations
b. Key burdens or limitations pertaining to rights, etc. (including establishment of security interest)
c. Key structures, etc. crossing the boundary between the real estate or real estate in trust and the adjacent land or issues with boundary confirmation, etc., as well as agreements, etc. thereof, if any
d. Key matters agreed upon or agreements, etc. with co-owners or sectional owners

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(1) Garden City Shinagawa Gotenyama (additional acquisition portion)

Property name		Garden City Shinagawa Gotenyama
Planned acquisition date		May 24, 2017
Type of specified asset		Trust beneficiary interest (planned)
Trustee		Mizuho Trust & Banking Co., Ltd. (planned)
Trust establishment date		May 24, 2017 (planned)
Trust expiration date		December 2, 2024 (planned)
Planned acquisition price		4,000 million yen
Appraisal value (Date of value)		4,290 million yen (as of March 31, 2017)
Location (indication of residential address)		6-7-29 Kitashinagawa, Shinagawa-ku, Tokyo
Land	Lot	6-351-1 Kitashinagawa, Shinagawa-ku, Tokyo, and other
	Site area	15,942.78m^2
	Use district	Commercial district, quasi-industrial district, and category 1 medium- to high-rise exclusive residential district
	Building coverage ratio	80/60/60%
	Floor area ratio	500/300/200%
	Type of ownership	Right of site (co-ownership interest)
Building	Use	Office (Note 1)
	Construction completion	February 2011
	Structure / Floors	RC / B1F/9F (Note 2)
	Total floor area	62,975.42m^2 (Note 2)
	Type of ownership	Sectional ownership right (Note 2)
PML value		0.5%
Collateral		None
Property management company		Sekisui House, Ltd. (planned)
Master lease company (Master lease type)		Sekisui House, Ltd. (planned) (Fixed-rent type)
Status of leasing	Contract period	From May 24, 2017 to December 2, 2019 (planned)
	Total leasable area	2,000.39m^2
	Total leased area	2,000.39m^2
	Occupancy rate	100.0%
	Number of tenants	1
	Annual rent	168 million yen
	Leasehold and security deposits	176 million yen
	Other	A fixed-rent-type master lease agreement that has acquisition by SHR as a condition precedent has been executed, but contains provisions that, if revenue earned by the master lessee (the lessee) exceeds a certain amount, rent based on a percentage of the master lessee's revenue (overage rent) shall be paid. Furthermore, rent may possibly be revised upon renewal of the agreement.
Matters of special note		・ As of today, the property is under the sectional ownership of the present owner Sekisui House, Ltd. (may be hereinafter referred to as "Sekisui House"), along with the trustee of "Garden City Shinagawa Gotenyama (1st acquisition portion)" (hereinafter referred to as the "trustee (1st acquisition

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	portion)" in this section) and the trustee of "Garden City Shinagawa Gotenyama (2nd acquisition portion)" (hereinafter referred to as the "trustee (2nd acquisition portion)" in this section). Based on the sale and purchase agreement with SHR, it has been agreed that part of the exclusively-owned portions of the property, as well as the accompanying right of site, held by Sekisui House be placed in the trust of and transferred to the trustee (hereinafter referred to as the "trustee (additional acquisition portion)" in this section) by Sekisui House on the planned date of acquisition by SHR, followed by transfer of the trust beneficiary right to SHR on the same date. ・ As of today, for the property, Sekisui House, the trustee (1st acquisition portion), the trustee (2nd acquisition portion) and SHR have executed a written sectional owners agreement (hereinafter referred to as the "Agreement" in this section), agreeing to mutual right of first negotiation, etc. In line with execution of the sale and purchase agreement, Sekisui House, the trustee (1st acquisition portion), the trustee (2nd acquisition portion), the trustee (additional acquisition portion) and SHR have agreed to partially amend the Agreement, with acquisition of the property by SHR as a condition precedent. The following outlines the Agreement after the amendment. (a) In the event that Sekisui House, the trustee (1st acquisition portion), the trustee (2nd acquisition portion) or the trustee (additional acquisition portion) seeks to transfer the sectional ownership right in whole or in part (hereinafter referred to as the "subject sectional ownership right" in this section) to a third party or in the event that SHR seeks to transfer the trust beneficiary right for the 1st acquisition portion, the trust beneficiary right for the 2nd acquisition portion, the trust beneficiary right for the additional acquisition portion (the concerned trust beneficiary right and the subject sectional ownership right hereinafter individually or collectively referred to as the "transfer property" in this section) to a third party, the party seeking to transfer (hereinafter referred to as the "offeror" in this section) must notify any other party to the Agreement (hereinafter referred to as the "counterparty" in this section) of the transfer terms and conditions and other information related to the concerned transfer before any transfer negotiations take place with a third party and, if any counterparty requests consultations concerning purchase of the transfer property, the offeror shall hold consultations on the transfer terms and conditions in good faith with the counterparty and no negotiations concerning transfer of the transfer property shall take place with a third party during the prescribed consultation period. Furthermore, only if an acceptance of the offer to purchase is not received by the offeror from the counterparty within the prescribed consultation period or if consultations fail to reach an agreement may the offeror be entitled to transfer the transfer property to a third party; provided, however, that the terms and conditions of the concerned transfer shall not be of more advantageous content to the transferee than the transfer terms and conditions notified to the counterparty above. (b) In the event of failure to perform the obligations provided in the Agreement,

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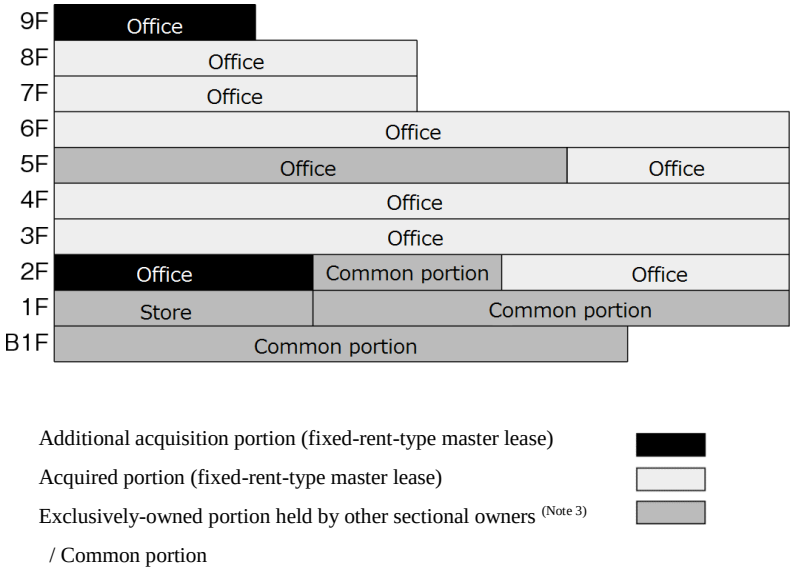
	Sekisui House or SHR shall be entitled to notify the other party that the obligations be performed and, if the concerned obligations are not performed within the prescribed period, to request that the sectional ownership right held by the other party be transferred with compensation. (c) In the event that Sekisui House, the trustee (1st acquisition portion), the trustee (2nd acquisition portion) or the trustee (additional acquisition portion) is to transfer part of the sectional ownership right in the subject property not to other parties to the Agreement but to a third party, the third party shall succeed the status under the Agreement to the extent of the concerned transfer. In this case, the parties to the Agreement shall cooperate in making necessary amendments to the Agreement upon the succession by the concerned third party.
Description of rights	

(Note 1) Use for the entire building is office, parking and store.

(Note 2) The sections to be additionally acquired by SHR are the sectional ownership right to part of the exclusively-owned portions of the 2nd floor and all of the exclusively-owned portions of the 9th floor of the building, as well as the accompanying right of site (ratio of right of site: 200,039/3,857,806 (approximately 5.2%)). After the additional acquisition, SHR will hold the sectional ownership right to all of the exclusively-owned portions of the 2nd, 3rd, 4th, 6th, 7th, 8th and 9th floors and part of the exclusively-owned portions of the 5th floor of the building, as well as the accompanying right of site (ratio of right of site: 3,123,640/3,857,806 (approximately 81.0%)).

(Note 3) SHR has the preferential negotiation right for the concerned portion, but SHR has no plans, as of today, for acquisition other than of the additional acquisition portion.

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(2) Hommachi Garden City (hotel portion)

Property name		Hommachi Garden City
Planned acquisition date		May 24, 2017
Type of specified asset		Trust beneficiary interest (planned)
Trustee		Mizuho Trust & Banking Co., Ltd. (planned)
Trust establishment date		May 24, 2017 (planned)
Trust expiration date		May 31, 2025 (planned)
Planned acquisition price		17,200 million yen
Appraisal value (Date of value)		17,600 million yen (as of March 31, 2017)
Location (indication of residential address)		3-6-4 Hommachi, Chuo-ku, Osaka-shi, Osaka
Land	Lot	3-46-1 Hommachi, Chuo-ku, Osaka-shi, Osaka, and other
	Site area	4,145.71m^2
	Use district	Commercial district
	Building coverage ratio	80%
	Floor area ratio	1,000% (Note 1)
	Type of ownership	Right of site (co-ownership interest)
Building	Use	Hotel (Note 2)
	Construction completion	May 2010
	Structure / Floors	S/SRC / B2F/27F (Note 3)
	Total floor area	49,163.16m^2 (Note 3)
	Type of ownership	Sectional ownership right (Note 3)
PML value		4.2%
Collateral		None
Property management company		Sekisui House, Ltd. (planned)
Master lease company (Master lease type)		Sekisui House, Ltd. (planned) (Fixed-rent type)
Status of leasing	Contract period	From May 24, 2017 to May 18, 2020 (planned)
	Total leasable area	18,092.98m^2
	Total leased area	18,092.98m^2
	Occupancy rate	100.0%
	Number of tenants	1
	Annual rent	805 million yen
	Leasehold and security deposits	0 yen
	Other	A fixed-rent-type master lease agreement that has acquisition by SHR as a condition precedent has been executed, but contains provisions that, if revenue earned by the master lessee (the lessee) exceeds a certain amount, rent based on a percentage of the master lessee's revenue (overage rent) shall be paid. The concerned overage rent is effective from the November 2018 rent, until which there shall be no overage rent regardless of the amount of revenue earned by the master lessee. Furthermore, rent may possibly be revised upon renewal of the agreement. In relation to the agreement, SHR and the Asset Management Company has a letter of intent with Sekisui House for the concerned property of content that includes the holding of consultations in good faith concerning development of

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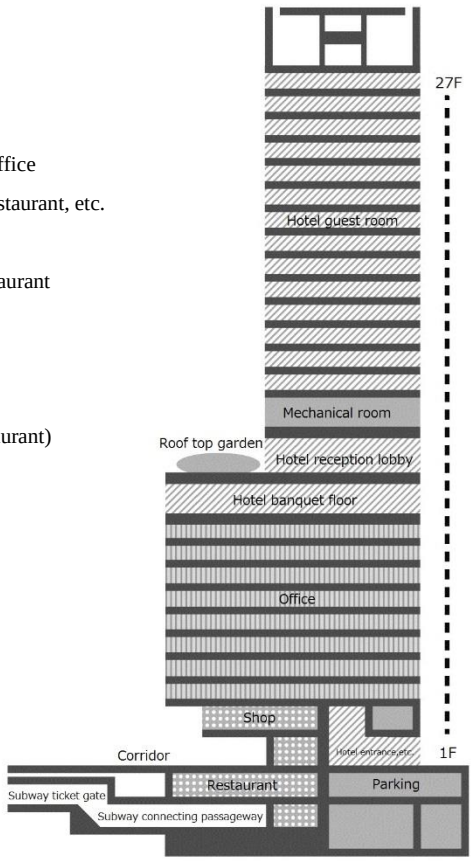
		a collaborative investment scheme for internal growth after the acquisition by SHR.
Matters of special note		・ As of today, the property is under the sectional ownership of the present owner Sekisui House, along with the trustee of "Hommachi Garden City (office building portion)" (hereinafter referred to as the "trustee (office building portion)" in this section). Based on the sale and purchase agreement with SHR, it has been agreed that all of the exclusively-owned portions of the property, as well as the accompanying right of site, and the annex building under the sectional ownership of Sekisui House be placed in the trust of and transferred to the trustee (hereinafter referred to as the "trustee (hotel portion)" in this section) by Sekisui House on the planned date of acquisition by SHR, followed by transfer of the trust beneficiary right to SHR on the same date. ・ As of today, for the property, Sekisui House, the trustee (office building portion) and SHR have executed a written sectional owners agreement (hereinafter referred to as the "Agreement" in this section), agreeing to mutual right of first negotiation, etc. In line with execution of the sale and purchase agreement, Sekisui House, the trustee (office building portion) and SHR have agreed to cancel the Agreement, with acquisition of the property by SHR as a condition precedent.
Description of rights		**[To-be-acquired asset]** **Hotel portion** 27F Suite floor 17F-26F Guest room floor 14F-16F Spa, Fitness, Back office 12F Reception lobby, Restaurant, etc. 11F Banquet floor 1F-2F Hotel entrance, Restaurant To-be-acquired portion (hotel) Acquired portion (office) Acquired portion (shop & restaurant) Common portion **[Acquired asset]** **Office building portion** 3F-10F Office B2F-2F Shop, Restaurant 

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(Note 1) The designated floor area ratio is essentially 1,000%, but has been relaxed to 1,300% for designation as a special urban renaissance district.
(Note 2) Use for the entire building is office, parking, store and hotel.
(Note 3) The sections to be additionally acquired by SHR are the sectional ownership right to all of the exclusively-owned portions used as hotel of the building, as well as the accompanying right of site. The ratio of the exclusively-owned area is approximately 47.3% of the exclusively-owned area of the entire building. The ratio of right of site is the hotel portion's 30,251/100,000 (approximately 30.3%). The portion to be acquired by SHR includes co-ownership interest in the common portion pursuant to the bylaws (parking, management office, etc.), but there is no accompanying ratio of right of site. In addition, because the annex building is under the sectional ownership right to all of the exclusively-owned portions used as hotel that is to be acquired by SHR, the annex building is included in the portion to be acquired by SHR. After the additional acquisition, the trustee will hold the sectional ownership right to the building, as well as the accompanying right of site, and the annex building in its entirety

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4. Seller Profile

①	Name	Sekisui House, Ltd.
②	Location	1-1-88 Oyodonaka, Kita-ku, Osaka-shi, Osaka
③	Name and title of representative	Isami Wada, Chairman, Representative Director & CEO Toshinori Abe, President, Representative Director & COO
④	Business description	Design, construction and contracting of industrialized housing, and sale, purchase, brokerage, leasing and management of real estate; and businesses related to the foregoing
⑤	Capital	202,591 million yen (as of January 31, 2017)
⑥	Date of establishment	August 1960
⑦	Net assets	1,118,264 million yen (consolidated) (as of January 31, 2017)
⑧	Total assets	2,184,895 million yen (consolidated) (as of January 31, 2017)
⑨	Large shareholder (Shareholding ratio)	The Master Trust Bank of Japan, Ltd. (trust account) (7.21%) Sekisui Chemical Co., Ltd. (5.94%) Japan Trustee Services Bank, Ltd. (trust account) (5.44%) (each as of January 31, 2017)
⑩	Relationship between SHR or the Asset Management Company and the concerned company	
	Capital relationship	As of today, the concerned company holds 7.29% of the total number of investment units issued and outstanding of SHR. In addition, the concerned company holds 100% of the total number of shares issued and outstanding of the Asset Management Company and thus falls under the category of interested persons, etc. as provided in the Investment Trusts Act.
	Personnel relationship	As of today, the concerned company dispatches one part-time director and one part-time corporate auditor to the Asset Management Company. In addition, 15 of the officers and employees of the Asset Management Company are seconded from the concerned company.
	Business relationship	The concerned company has executed a pipeline support agreement, sponsor support agreement and memorandum regarding ownership of investment units, as well as a memorandum regarding use of trademarks, with SHR and the Asset Management Company. In addition, the concerned company was the seller of the assets acquired by SHR, and a master lease and property management agreement has been executed for some of the acquired assets.
	Related-party status	The concerned company is the parent company of the Asset Management Company and thus falls under the category of related parties. In addition, as stated above, the concerned company falls under the category of interested persons, etc. of the Asset Management Company as provided in the Investment Trusts Act.

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5. Status of Property Buyers, Etc.

(1) Garden City Shinagawa Gotenyama (additional acquisition portion)

	Previous owner / trust beneficiary	Previous, previous owner / trust beneficiary
Company name	Sekisui House, Ltd.	Party other than a party having special vested interest
Relationship with party having special vested interest	Please refer to "4. Seller Profile; ⑩ Relationship between SHR or the Asset Management Company and the concerned company" above.	—
Acquisition background/reason, etc.	Acquired for development purposes	—
Acquisition price	—	—
Acquisition timing	—	—

(2) Hommachi Garden City (hotel portion)

	Previous owner / trust beneficiary	Previous, previous owner / trust beneficiary
Company name	Sekisui House, Ltd.	Party other than a party having special vested interest
Relationship with party having special vested interest	Please refer to "4. Seller Profile; ⑩ Relationship between SHR or the Asset Management Company and the concerned company" above.	—
Acquisition background/reason, etc.	Acquired for development purposes	—
Acquisition price	—	—
Acquisition timing	—	—

6. Overview of Brokerage

Not applicable.

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7. Transaction with Interested Persons, Etc.

Sekisui House, the seller of the To-be-Acquired Assets, is the parent company of the Asset Management Company, and thus falls under the category of interested persons, etc. as provided in the Investment Trusts Act and also falls under the category of interested parties under the rules on transactions with interested parties that are internal rules of the Asset Management Company. Accordingly, the Asset Management Company has performed the decision-making procedures set forth in the concerned rules on transactions with interested parties (including the consent of SHR by approval at the meeting of the board of directors of SHR held on May 9, 2017) upon conducting the asset acquisition transaction with Sekisui House. In the decision-making for acquisition of "Garden City Shinagawa Gotenyama (additional acquisition portion)," the Asset Management Company requested for appraisal of not only the additional acquisition portion but also the acquired portion for the purpose of confirming the appropriateness of the planned acquisition price of "Garden City Shinagawa Gotenyama (additional acquisition portion)," and has obtained the real estate appraisal report. In the decision-making for acquisition of "Hommachi Garden City (hotel portion)," the Asset Management Company requested for appraisal of "Hommachi Garden City (hotel portion)," including a valuation of the market value and limited market value of the office building portion and the market value of the building in its entirety, for the purpose of confirming the appropriateness of the planned acquisition price of the hotel portion and discern the value of the building in its entirety of Hommachi Garden City, the building of which will be held in its entirety after acquisition of the hotel portion. After a comparative review of each appraisal value and other details in each real estate appraisal report, the Asset Management Company has judged that the planned acquisition price of the To-be-Acquired Assets is appropriate.

In addition, the Asset Management Company has performed the decision-making procedures set forth in the abovementioned rules on transactions with interested parties (including the consent of SHR by approval at the meeting of the board of directors of SHR held on May 9, 2017) upon executing the master lease and property management agreement with Sekisui House.

8. Future Outlook

Please refer to the "Notice Concerning Revisions of Forecast of Management Status and Distribution for Fiscal Period Ending October 2017 and Forecast of Management Status and Distribution for Fiscal Period Ending April 2018" dated today.

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9. Summary of Appraisal Report

(1) Garden City Shinagawa Gotenyama (additional acquisition portion)

Appraisal value	4,290 million yen
Name of appraisal firm	Daiwa Real Estate Appraisal Co., Ltd.
Date of value	As of March 31, 2017

(million yen) (Note)

Item	Details	Description, etc.
Indicated value by income approach	4,290	Appraised based on the indicated value by DCF method, and by verification using the indicated value by direct capitalization method.
Indicated value by direct capitalization method	4,400	Appraised as the net cash flow regarded as being stable in the medium to long term, discounted by the capitalization rate.
Operating revenue	205	
Gross potential income	211	Recorded the rental income, utilities income, parking income, etc. regarded as being stable in the medium to long term.
Vacancy loss, etc.	6	Recorded based on the vacancy rate regarded as being stable in the medium to long term. Collection loss is regarded as being covered by security deposits, etc. and thus not recorded.
Operating expenses	50	
Maintenance and management fee	12	Recorded based on historical data, etc., and by verification using the level of maintenance and management fee for similar property.
Utilities expenses	10	Recorded based on historical data, etc.
Repair expenses	1	Appraised based on the level for similar property and the average repair expenses in the engineering report.
Property management fee	3	Appraised by taking into consideration the level for similar property and the factors specific to the subject property.
Tenant leasing cost, etc.	1	Recorded based on tenant leasing cost, etc. appraised based on the assumed turnover rate and similar property.
Property taxes	15	For the land, appraised based on the fiscal 2016 actual amount, and by taking into consideration the burden level, land price trends, etc. For the building and depreciable assets, recorded the appraised amount based on the fiscal 2016 actual amount.
Insurance premium	0	Recorded based on the contract amount.
Other expenses	4	Recorded shuttle bus operation expenses, energy management expenses, supplies expenses, neighborhood association fee, etc. based on historical data, etc.
Net operating income (NOI)	154	
Financial interests on refundable deposits	1	Recorded based on the investment return appraised from fund management aspects and fund procurement aspects.
Capital expenditures	2	Recorded the appraised amount from the building replacement cost based on the level for similar property.
Net cash flow (NCF)	153	
Capitalization rate	3.5%	Appraised by the method of deriving from comparison with cases of transaction of similar property as a standard, and also interviews with investors, etc. as reference.
Indicated value by DCF method	4,240	Appraised by adding up the cash flows of each year of the analysis period and the present value of the reversionary price.
Discount rate	3.2%	Appraised by comparison with cases of transaction of similar property, adjusting the return on financial assets to reflect property-specific factors, and reference to also interviews with investors, etc.
Terminal capitalization rate	3.7%	Appraised by taking into account such factors as similar transaction cases, future trends in the investment capitalization rate, risks of the subject property, projection of the future economic growth rate and trends in property prices.
Indicated value by cost approach	4,720	
Ratio of land	79.8%	

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Ratio of building	20.2%	
Items considered upon determining appraisal value	None	

(Note) Amounts are rounded down to the nearest million yen. Accordingly, the amounts may not add up to the figures for operating revenue, operating expenses and other items.

(2) Hommachi Garden City (hotel portion)

Appraisal value	17,600 million yen
Name of appraisal firm	Japan Real Estate Institute
Date of value	As of March 31, 2017

(million yen) (Note 1)

Item	Details	Description, etc.
Indicated value by income approach	17,600	Estimated by correlation of the indicated value by direct capitalization method with the indicated value by DCF method as both values are deemed to be of comparable standards.
Indicated value by direct capitalization method	17,800	
Operating revenue	820	
Gross potential income	820	Recorded the rental income (including common area maintenance charges) based on the master lease agreement.
Vacancy loss, etc.	0	Not recorded, because under a master lease agreement for leasing in its entirety.
Operating expenses	135	
Maintenance and management fee	0	Not recorded, because borne by the lessee.
Utilities expenses	0	Not recorded, because borne by the lessee.
Repair expenses	3	Recorded by reference to historical data, and by taking into consideration such factors as future management and operational plans, level for similar property and annual average amount of repair and renewal expenses in the engineering report.
Property management fee	2	Recorded by reference to such factors as the fee rate based on contract terms and conditions, and by taking into consideration such factors as the fee rate for similar property and factors specific to the subject property.
Tenant leasing cost, etc.	0	Not recorded, because judged that, based on the master lease agreement, tenant leasing cost, etc. will not arise.
Property taxes	123	For the land, appraised the tax amount by taking into account such factors as the standard taxable amount according to property taxes related materials and the content of burden adjustment measures. For the building and depreciable assets, recorded based on property taxes related materials.
Insurance premium	5	Recorded by taking into consideration such factors as the insurance premium based on insurance contracts and the insurance premium rate for similar buildings.
Other expenses	0	Recorded neighborhood association fee, etc.
Net operating income (NOI)	685	
Financial interests on refundable deposits	0	There are no deposits.
Capital expenditures	8	Appraised by taking into account such factors as the level of capital expenditures for similar property, building age, and annual average amount of repair and renewal expenses in the engineering report.
Net cash flow (NCF)	677	
Capitalization rate	3.8%	Appraised by taking the area's base rate and adding/subtracting the spread attributable to the location conditions, building conditions and other conditions of the subject property, and by taking into account such factors as future uncertainties and the market capitalization rate for similar property.

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Indicated value by DCF method	17,300	
Discount rate	3.6%	Appraised by reference to such factors as the investment capitalization rate for similar property, and by comprehensively taking into account such factors as the factors specific to the subject property.
Terminal capitalization rate	4.0%	Appraised by reference to such factors as the market capitalization rate for similar property, and by comprehensively taking into account such factors as future trends in the investment capitalization rate, risks of the subject property as an investment target, general projection of the future economic growth rate and trends in property prices and rent.
Indicated value by cost approach	13,100	
Ratio of land	68.8%	
Ratio of building	31.2%	
Items considered upon determining appraisal value	The appraisal is one that seeks the value that reflects the value for typical investors that is intended for presentation to investors, but is one that seeks the value that properly indicates the market value limited to a certain market in cases where divergence from the market value that would form in a market that meets the conditions considered reasonable under real social and economic situations would relatively limit the market. Accordingly, the value sought was the limited market value.	

(Note 1) Amounts are rounded down to the nearest million yen. Accordingly, the amounts may not add up to the figures for operating revenue, operating expenses and other items.

(Note 2) The appraisal report summary is of the limited market value that factors for the increased value from holding the building in its entirety. The market value that does not factor for the increased value from holding the building in its entirety is 17,200 million yen.

*This material is distributed to the press club of the Tokyo Stock Exchange (Kabuto Club), the press club of the Ministry of Land, Infrastructure, Transport and Tourism, and the press club for construction trade publications of the Ministry of Land, Infrastructure, Transport and Tourism.

*Sekisui House Reit, Inc. website: http://www.sekisuihouse-reit.co.jp/en/

<Attachments>

Reference Material 1: Summary of Engineering Report for the To-be-Acquired Assets

Reference Material 2: Summary of Seismic Risk Analysis after the Acquisition of the To-be-Acquired Assets

Reference Material 3: Photograph of Exterior and Map of the Surrounding Area of the To-be-Acquired Assets

Reference Material 4: Portfolio List after the Acquisition of the To-be-Acquired Assets

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Reference Material 1: Summary of Engineering Report for the To-be-Acquired Assets

Property no.	Property name	Replacement cost (million yen) (Note 1)	Repair expenses at time of investigation (thousand yen) (Note 2)			Investigator	Date of report (Note 3)
			Emergency	Short-term	Long-term		
J-1	Garden City Shinagawa Gotenyama (additional acquisition portion)	1,060 (Note 4)	0	0	3,635 (Note 4)	Sompo Risk Management & Health Care Inc.	April 2017
J-4	Hommachi Garden City (hotel portion)	6,182	0	0	11,549 (Note 4)	Tokio Marine & Nichido Risk Consulting Co., Ltd.	
Total		7,242	0	0	15,184	—	—

(Note 1) "Replacement cost" is the replacement cost stated in the engineering report, rounded down to the nearest million yen.

(Note 2) "Repair expenses" is rounded down to the nearest thousand yen. "Short-term" is the investigator's estimate of the repair and renewal expenses required within one year at the time of investigation. "Long-term" is the investigator's estimate of the repair and renewal expenses for 12 years (varies depending on the investigator) at the time of investigation, converted into an annual average amount by the Asset Management Company.

(Note 3) "Date of report" is the date of preparation stated in the engineering report.

(Note 4) The replacement cost and repair expenses at the time of investigation for "Garden City Shinagawa Gotenyama (additional acquisition portion)" are the figures corresponding to the ratio of interest acquired by SHR, derived based on the figures for the entire property.

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Reference Material 2: Summary of Seismic Risk Analysis after the Acquisition of the To-be-Acquired Assets

Property no.	Property name	PML value (Probable Maximum Loss) (Note 1)
Acquired assets		
J-1	Garden City Shinagawa Gotenyama (acquired portion)	0.5%
J-2	Gotenyama SH Building	1.9%
J-3	Hommachi Minami Garden City	4.5%
J-4	Hommachi Garden City (office building portion)	4.2%
J-5	HK Yodoyabashi Garden Avenue	7.5%
J-6	Hirokoji Garden Avenue	2.7%
Entire portfolio of acquired assets (Note 2)		1.9%
To-be-acquired assets		
J-1	Garden City Shinagawa Gotenyama (additional acquisition portion)	0.5%
J-4	Hommachi Garden City (hotel portion)	4.2%
Entire portfolio (Note 3)		2.1%

(Note 1) "PML value" is based on the statement in the seismic risk evaluation report prepared for each property by Tokio Marine & Nichido Risk Consulting Co., Ltd. The concerned statement is no more than an indication of the opinion of the reporting party, and SHR does not guarantee the accuracy of the content thereof.

(Note 2) "Entire portfolio of acquired assets" PML value is the PML value of the portfolio of acquired assets based on the "6 Properties' Building Seismic Risk Evaluation Portfolio Analysis Report" dated April 2016.

(Note 3) "Entire portfolio" PML value is the portfolio PML value after acquisition of the To-be-Acquired Assets based on the "6 Properties' Building Seismic Risk Evaluation Portfolio Analysis Report" dated April 2017.

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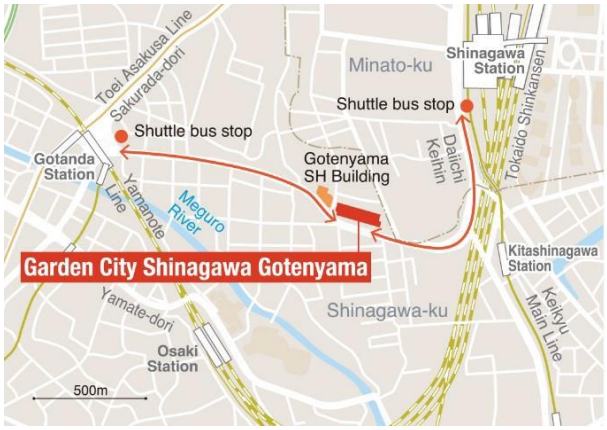
Reference Material 3: Photograph of Exterior and Map of the Surrounding Area of the To-be-Acquired Assets

(1) Garden City Shinagawa Gotenyama (additional acquisition portion)



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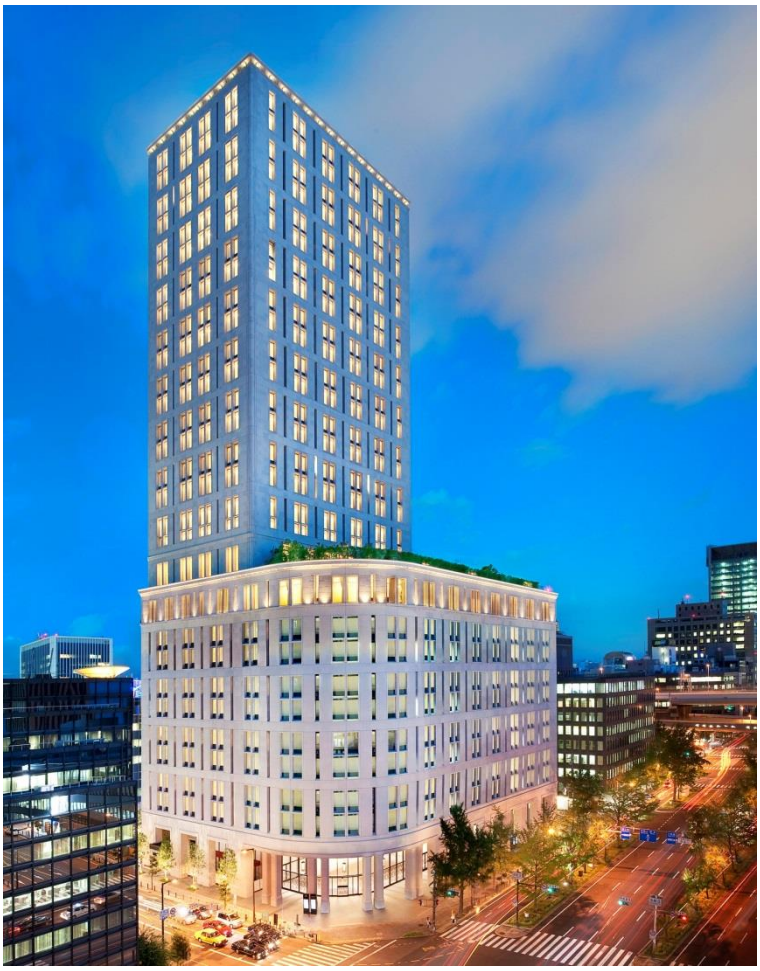
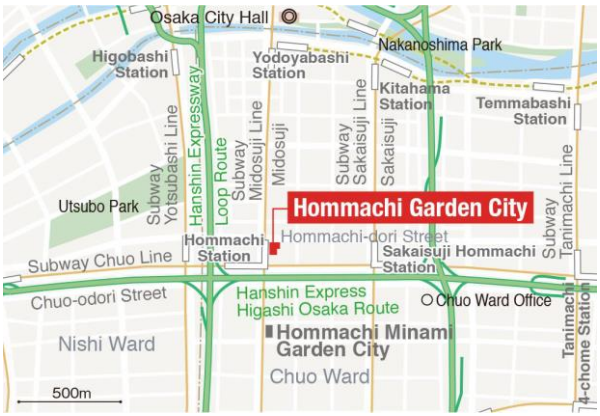
(2) Hommachi Garden City (hotel portion)





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Reference Material 4: Portfolio List after the Acquisition of the To-be-Acquired Assets

Property no.	Property name	Location	Acquisition date OR Planned acquisition date	Acquisition price OR Planned acquisition price (million yen) (Note 1)	Investment ratio (%) (Note 2)
J-1	Garden City Shinagawa Gotenyama	Shinagawa-ku, Tokyo	Acquired portion December 3, 2014 May 24, 2016	55,600	27.7
			Additional acquisition portion May 24, 2017	4,000	2.0
			Subtotal	59,600	29.7
J-2	Gotenyama SH Building	Shinagawa-ku, Tokyo	December 3, 2014	51,500	25.7
J-3	Hommachi Minami Garden City	Osaka-shi, Osaka	December 3, 2014	23,100	11.5
J-4	Hommachi Garden City	Osaka-shi, Osaka	Office building portion May 19, 2015	38,600	19.2
			Hotel portion May 24, 2017	17,200	8.6
			Subtotal	55,800	27.8
J-5	HK Yodoyabashi Garden Avenue	Osaka-shi, Osaka	May 24, 2016	4,400	2.2
J-6	Hirokoji Garden Avenue	Nagoya-shi, Aichi	May 24, 2016	6,350	3.2
Total		—	—	200,750	100.0

(Note 1) "Acquisition price OR Planned acquisition price" is the sale and purchase price stated in the sale and purchase agreement for each property (excluding consumption tax and local consumption tax, as well as commission and other various expenses; rounded down to the nearest million yen).

(Note 2) "Investment ratio" is each property's (planned) acquisition price expressed as a percentage of the sum total of the (planned) acquisition prices, rounded to one decimal place. Accordingly, the sum total of each property's share of the portfolio may differ from the figure stated in the total column.

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