

March 29, 2023

Real Estate Investment Trust Securities Issuer  
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 (Securities Code: 3309)  
 Asset Management Company  
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Notice Concerning Disposition of Trust Beneficiary Interest in Domestic Real Estate  
(Gotenyama SH Building)

Sekisui House Reit, Inc. (“SHR”) hereby announces that Sekisui House Asset Management, Ltd. (“SHAM”), to which SHR entrusts management of its assets, decided today for SHR to dispose the following asset (the “Asset Disposition”) as described below.

**1. Summary of the Asset Disposition**

Property name	Type of use	Planned disposition price (Note 1)	Book value (Note 2)	Gain on disposition (expected) (Note 3)	Buyer
Gotenyama SH Building	Office building	70,000 million yen	49,326 million yen	20,235 million yen	TIS Inc.

- a. Type of specified asset : Trust beneficiary interest in trust asset which is comprised of domestic real estate  
 b. Contract date : March 29, 2023  
 c. Brokerage : Applicable (Note 4)  
 d. Planned disposition date, etc. (Note 5) : The disposition of the quasi co-ownership interest in trust beneficiary interest related to the Asset Disposition is scheduled to be carried out in 10 equal installments, with 10/100 of the ownership share to be disposed on each planned disposition date listed below.

	<u>Planned disposition price</u>	<u>Gain on disposition (expected)</u>
1: End of October 2023	7,000 million yen (10%)	1,017 million yen
2: End of April 2024	7,000 million yen (10%)	2,080 million yen
3: End of October 2024	7,000 million yen (10%)	2,093 million yen
4: End of April 2025	7,000 million yen (10%)	2,107 million yen
5: End of October 2025	7,000 million yen (10%)	2,121 million yen
6: End of April 2026	7,000 million yen (10%)	2,135 million yen
7: End of October 2026	7,000 million yen (10%)	2,149 million yen
8: End of April 2027	7,000 million yen (10%)	2,163 million yen
9: End of October 2027	7,000 million yen (10%)	2,177 million yen
10: End of April 2028	7,000 million yen (10%)	2,191 million yen

- e. Settlement method : Receipt of entire amount at the time of delivery on each planned disposition date

(Note 1) “Planned disposition price” is the sale and purchase price stated in the sale and purchase agreement for the quasi co-ownership interest in trust beneficiary interest (excluding consumption tax, local consumption tax, commission for sales, and other various expenses; rounded down to the nearest million yen). The same applies hereinafter.

(Note 2) “Book value” is the book value as of October 31, 2022. Additionally, the figures are rounded down to the nearest million yen.

(Note 3) “Gain on disposition (expected)” is the approximate value to be recorded on each planned disposition date as of the date of this document and is subject to change. The same applies hereinafter.

(Note 4) The broker, Mitsubishi UFJ Trust and Banking Corporation, has no capital or personal relationship with SHR or SHAM that needs to be specified and does not fall within the definition of interested persons of SHR and SHAM. SHR entrusts asset custody, general administrative work, and trust of properties owned by SHR, and has a business relationship.

(Note 5) In the event that the “planned disposition date” is not a business day, the said date will be the immediately preceding business day. The same applies hereinafter.

## 2. Reason for the Asset Disposition

Based on the targets and policies for asset management stipulated in the Articles of Incorporation of SHR, upon comprehensive consideration of factors such as the future earnings forecasts, asset value, portfolio composition and profitability of the asset that has been decided to be disposed of (hereinafter referred to as the “Asset to be Disposed”), as well as trends in the real estate market as a whole, the Asset Disposition will be carried out based on the judgement that it will secure a stable distribution source and contribute to maximizing unitholder value from a medium to long term perspective.

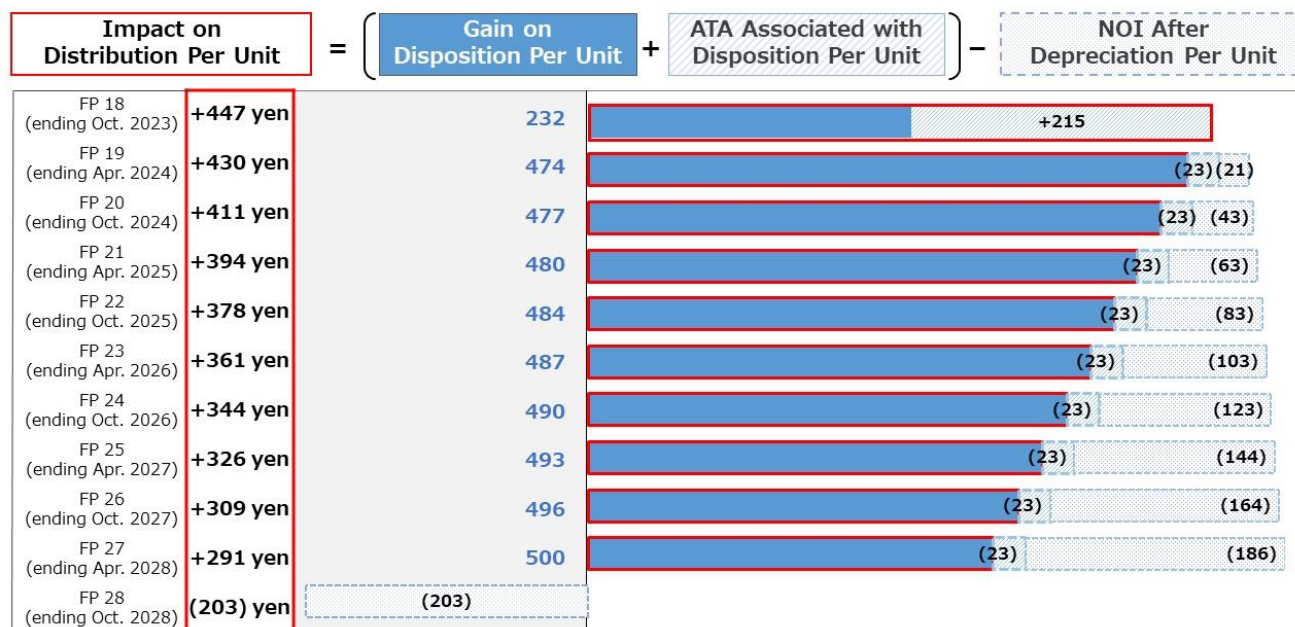
The Asset to be Disposed is a major property with an investment ratio of 9.3% to the total portfolio of SHR and an investment ratio of 19.3% to the office building portfolio alone. To date, stable revenues have been recorded with an NOI yield after depreciation (Note) of 3.5% by leasing the entire building to one tenant under a long-term lease (20-year) contract. However, considering the fact that the entire building is leased to one tenant, and the ratio of investment to SHR’s overall portfolio, SHR recognizes that there is a risk of vacating eight years from now when the current lease agreement expires.

Under such circumstances, SHR was approached by the current tenant, who is the buyer, regarding an acquisition, and after careful negotiations, came to an agreement of disposition at a price exceeding that of the survey price as of the end of October 2022 and the appraisal value as of the end of April 2022 (both of 61,700 million yen). Considering the challenge for SHR regarding progression in office leasing, the uncertainty about the future of the office rental market due to the expansion of remote work following COVID-19, in addition to the rise in acquisition prices for both offices and residences in terms of the real estate trading market, SHR intends to improve the profitability of the portfolio while enjoying the effect of raising the distribution amount through the installment disposition over the medium to long term. As a result of the negotiations, both parties have agreed to the installment disposition over a period of five years and 10 fiscal periods.

Subsequently, the policy is to mitigate the impact of the decline in NOI after depreciation from the Asset Disposition, and to flexibly consider measures such as property acquisitions and buyback of units while taking into account conditions in the financial markets and the real estate transaction market by utilizing the gains on disposition.

(Note) “NOI yield after depreciation” is the total amount of NOI after depreciation for the fiscal period ended April 2022 (15th fiscal period) and the fiscal period ended October 2022 (16th fiscal period) divided by the acquisition price of 51,500 million yen, and rounded to the first decimal place.

### Impact of Asset Disposition on DPU for Each Fiscal Period (Estimate)



(Note 1) “ATA” refers to Allowance for Temporary Difference Adjustments. (Yen)

(Note 2) "Impact on distribution per unit", "Gain on disposition per unit", "ATA associated with disposition per unit", and "NOI after depreciation per unit" are estimates as of the date of this document, and may change in the future.

(Note 3) In calculating the "Impact on distribution per unit", only the recording of gain on disposition, increase/decrease in ATA associated with the disposition, and decrease in NOI after depreciation are taken into consideration. SHR does not take into account changes in other expenses such as asset management fees due to a decrease in asset size, recording of gain on disposition, and a decrease in NOI after depreciation.

In addition, although it is anticipated that the Asset Disposition will reduce the asset size and NOI, SHR believes that acquisition of assets suitable to match the Asset to be Disposed is fully possible due to its abundant pipeline. Although the investment ratio of office buildings will decline as a result of the Asset Disposition, there are no changes to the portfolio development policy and the medium to long term investment ratio of SHR. In addition to the Prime Maison series of rental condominiums utilizing the sponsor pipeline, SHR will also resume investment in office buildings and hotels as soon as the environment is ready, with the aim to pursue external growth.

### 3. Description of the Asset to be Disposed

#### Gotenyama SH Building

Overview of specified asset					
Property name		Gotenyama SH Building			
Type of specified asset		Trust beneficiary interest			
Trustee		Mizuho Trust & Banking Co., Ltd.			
Period of trust contract		From December 3, 2014 to April 30, 2028 (planned)			
Planned disposition price		70,000 million yen			
Appraisal value (Date of value)		61,700 million yen (as of October 31, 2022)			
Appraiser		Tanizawa Sogo Appraisal Co., Ltd.			
Location (residence indication)		6-5-17 Kitashinagawa, Shinagawa-ku, Tokyo			
Land	Lot	6-374-1 Kitashinagawa, Shinagawa-ku, Tokyo and 1 other lot			
	Site area	6,858.68 m <sup>2</sup>			
	Use district	Commercial district / Semi-industrial areas / Class 1 low-rise residential area			
	Building coverage ratio	80% / 60% / 60%			
	Floor area ratio	500% / 300% / 150%			
	Type of ownership	Ownership			
Building	Use	Office building			
	Construction completion	February 2011			
	Structure / Floors	S, SRC / B1, 7F			
	Total floor area	19,812.85 m <sup>2</sup>			
	Type of ownership	Ownership			
Collateral		None			
Status of leasing and management					
Leasable area		19,999.97 m <sup>2</sup>			
Leased area		19,999.97 m <sup>2</sup>			
Occupancy rate	End of Oct. 2022	End of Nov. 2022	End of Dec. 2022	End of Jan. 2023	End of Feb. 2023
	100.0%	100.0%	100.0%	100.0%	100.0%
Number of tenants		1			
Monthly rent		181,499 thousand yen			
Leasehold and security deposits		3,266,994 thousand yen			
Property management company		Sekisui House, Ltd.			

Matters of special note

The buyer, the trustee and SHR are scheduled to execute a written quasi co-owners agreement with condition precedent on April 28, 2023 (referred to as the “Agreement” in this section), agreeing to mutual preferential negotiation rights, etc. The outlines of the Agreement are as follows.

- a. In the event that the buyer or SHR seeks to dispose the quasi co-ownership interest to a third party, the party seeking to dispose (the “offeror” in this section) must notify the other party (the “counterparty” in this section) of the terms and conditions and other information related to the concerned disposition before any negotiations of disposition take place with a third party and, if the counterparty requests consultations concerning purchase of the quasi co-ownership interest, the offeror shall hold consultations on the terms and conditions of disposition in good faith with the counterparty and no negotiations concerning disposition of the quasi co-ownership interest shall take place with a third party during the prescribed consultation period. Furthermore, only if an offer to acquire is not made to the offeror from the counterparty within the prescribed consultation period or if consultations fail to reach an agreement may the offeror be entitled to dispose the quasi co-ownership interest to a third party; provided, however, that the terms and conditions of the concerned disposition shall not be of more advantageous content to the third party than the terms and conditions notified to the counterparty above.
- b. In the event that SHR intends to dispose the quasi-co-ownership interest to a third party, it may be transferred to the third party in accordance with the procedures described in a. above only if the contract for the Asset Disposition is canceled or concluded.
- c. In order for the buyer or SHR to dispose or transfer to a third party, provide as collateral or otherwise dispose of its quasi co-ownership interest without undergoing the procedures described in a. above, it must obtain consent from the counterparty.
- d. In the event that the buyer or SHR is to dispose part of the quasi co-ownership interest not to the counterparty but to a third party with the prior consent of the counterparty, the third party shall succeed to the status under the Agreement to the extent of the ratio of quasi co-ownership interest subject to the concerned disposition.
- e. Certain matters including disposal of trust beneficiary, establishment of mortgage or lien, repair work which exceeds certain amount and change of agreements executed by trustee in connection with this property need mutual agreement between SHR and the buyer.
- f. In the event that co-ownership interest in this property is returned from trustee to beneficiary in kind, claims on division of co-ownership parts in accordance with Article 256 of the Civil Code (Act No. 89 of 1896, as amended) will not be made for five years from the effective return date.

[Explanation of “3. Description of the Asset to be Disposed”]

- (1) “Appraisal value (Date of value)” is the appraisal value or the survey value along with the date of valuation prepared by the appraisal agency or price survey research agency that SHR and SHAM have entrusted with the appraisal or survey of the investment real estate, where the appraisal value or survey value is rounded down to the nearest million yen. In addition, the survey report is based on the Act on Real Estate Appraisal (Act No. 152 of 1963) and the “Guidelines Concerning Determination of the Purpose and Scope of Business when Real Estate Appraisers Conduct Price Surveys Relating to Real Estate and Statements on Results Report” stipulated by the Ministry of Land, Infrastructure, Transport and Tourism, thus was issued as a price survey that does not conform to real estate appraisal standards. The details of the Property are described based on the survey report obtained by SHR. Furthermore, the appraisal value stated in the most recent appraisal report acquired by SHR is 61,700 million yen (appraisal date: April 30, 2022; appraisal agency: Tanizawa Sogo Appraisal Co., Ltd.
- (2) “Location” is the indication of the residential address. Residential address is based on the notice delivered by municipalities, the written property outline or written explanation of important matters. Furthermore, if there is no implementation of indication of residential address or no indication of residential address in the written property outline and written explanation of important matters, “Location” is the content of “Location of the building” section in the registry (including registration information; the same shall apply hereinafter) or the indication method used in practice as the location.
- (3) “Lot” and “Site area” are 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.
- (4) “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”).
- (5) “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.
- (6) “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.
- (7) For “Land,” “Type of ownership” is the classification of the type of ownership, such as ownership right and compartmentalized ownership, interest held or to be held by the trustee.
- (8) “Use” is the major type indicated in the registry.
- (9) “Construction completion” is based on that stated in the registry.
- (10) “Structure / Floors” is based on that stated in the registry. Furthermore, the following abbreviations are used.  
RC: Reinforced concrete structure; SRC: Steel reinforced concrete structure; S: Steel-framed structure
- (11) “Total floor area” is the sum total of floor area of the building (excluding annex buildings, etc.) indicated in the registry.
- (12) For “Building,” “Type of ownership” is the classification of the type of ownership, such as ownership right and compartmentalized ownership interest held or to be held by the trustee of the real estate trust.

- (13) “Collateral” outlines the collateral borne by SHR, if any.
- (14) “Leasable area” refers to the total floor area which is considered to be available for leasing based on the lease agreements or building drawings etc., effective as of the end of February 2023.
- (15) “Leased area” is the sum total of the leased area indicated in the lease agreements or the leased area based on building drawings, etc, effective as of the end of February 2023.
- (16) “Occupancy rate” is the ratio of leased area to leasable area rounded to the first decimal place.
- (17) “Number of tenants” is the total number of the tenant based on the contents of the lease agreement, effective as of the end of February 2023.
- (18) “Monthly rent” is the monthly rent (even if free rent or rent holiday is provided for in such lease agreement, the free rent and rent holiday as of the same day shall not be taken into consideration.), based on the content of each lease agreement with the end tenant effective as of the end of February 2023 and shall be rounded down to the nearest thousand yen. “Free rent” is an agreement which sets up a free or reasonably minimum rent for a certain period (mainly at the time of moving in), and “Rent holiday” is an agreement which sets up a free or reasonably minimum rent regularly or irregularly, only for a certain period during the certain rental period. The same applies hereinafter.
- (19) “Leasehold and security deposits” is the total amount of the leasehold and security deposits stipulated in each lease agreement with the end tenant effective as of the end of February 2023, rounded down to the nearest thousand yen.
- (20) “Property management company” is the company entrusted with property management services.
- (21) “Matters of special note” is the matters considered important in relation to rights, use, etc. of the Asset to be Disposed, and the matters considered important in consideration of the degree of impact on the valuation, profitability and liquidity of the Asset to be Disposed including the following matters.
- 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 compartmentalized ownership holders

#### 4. Profile of Buyer

Name	TIS Inc.	
Address	17-1, Nishishinjuku 8-chome, Shinjuku-ku, Tokyo	
Representative	Yasushi Okamoto, President & Representative Director	
Business activities	Outsourcing business and cloud service related to information technology investment, software development, provision of solutions and business management of group companies and related business	
Capital	10,001 million yen (as of the end of March 2022)	
Established	April 2008	
Net asset	302,993 million yen (consolidated) (as of the end of March 2022)	
Gross asset	476,642 million yen (consolidated) (as of the end of March 2022)	
Major shareholder (shareholding ratio)	The Master Trust Bank of Japan, Ltd. (trust account)	12.98%
	Ichigo Trust Pte. Ltd.	9.48%
	Custody Bank of Japan, Ltd. (trust account)	5.67%
(as of the end of September 2022)		
Relationship with SHR and SHAM		
Capital relationship	There is no noteworthy capital relationship.	
Personal relationship	There is no noteworthy personal relationship.	
Business relationship	As of the date of this document, the concerned company is a tenant of the Asset to be Disposed, and have concluded a lease contract with SHR.	
Related party	It is not a related party of SHR and SHAM.	

#### 5. Future Outlook

Please refer to “Notice Concerning Revisions to the Forecast of Operating Results and Distributions for the Fiscal Period Ending October 31, 2023” announced separately today.



**6. Summary of Appraisal Report, etc. of the Asset to be Disposed**
**Gotenyama SH Building**

Property name	Gotenyama SH Building
Appraisal value	61,700,000,000 yen
Name of appraisal firm	Tanizawa Sogo Appraisal Co., Ltd.
Date of value	October 31, 2022

(thousand yen)

Item	Details	Description, etc.
Income approach value	61,700,000	It was determined that the value based on the income approach calculated using the DCF method, which calculates the value by defining fluctuations on future net operating income, is more persuasive and convincing, thus trial calculations were performed using the direct capitalization method, based on the income amount according to the DCF method
Value based on direct capitalization method	63,200,000	-
Operating revenue	2,178,003	-
Gross potential income	2,178,003	Assessed based on the standardized assumed revenues deemed stable regarding rental revenue, etc.
Vacancy loss, etc.	-	Not recorded in consideration of the fact that it is not a long-term fixed-term building lease agreement
Operating expenses	115,831	-
Maintenance and management fee	4,799	Assessed based on the outsourcing contract for planting management services, etc.
Utilities expenses	-	Not recorded, as the expenses are to be borne by the tenant
Repair expenses	7,200	Assessed based on engineering reports and similar cases
Property management fee	2,400	Assessed based on the property management contract, etc.
Tenant leasing cost, etc	-	Not recorded in consideration of the fact that it is not a long-term fixed-term building lease agreement
Property taxes	99,315	Assessed based on fiscal year 2022 taxation materials
Insurance premium	1,755	Assessed based on insurance policy
Other expenses	360	Assessed based on the memorandum on town membership fees
Net operating income (NOI)	2,062,172	-
Gain on management of income from lump-sum payment	32,669	Assessed using an investment yield of 1.0% and record gain on management of income
Capital expenditures	10,800	Assessed based on engineering reports and similar cases
Net cash flow (NCF)	2,084,042	-
Capitalization rate	3.3%	Assessed by comparing the results with multiple transaction yields in neighboring areas or in similar areas within the primary market area, etc., and comprehensively considering the marketability of the subject real estate, trends in the real estate investment market, etc., while also considering the relationship with the discount rate
Value of earnings calculated by discounted cash flow (DCF) method	61,100,000	-
Discount rate	3.3%	Set a base yield for office buildings using the build up method, etc. based on the yield of financial products, and carried out assessment by incorporating the specified risks for the subject real estate into the base yield
Terminal capitalization rate	3.5%	Assessed by incorporating future unpredictability, based on the capitalization rate
Cost method value	-	-
Ratio of land	-	-
Ratio of building	-	-

<p>Items considered upon determining appraisal value</p>	<p>Based on a value forming process and request purpose in which a market participant (purchaser) values profitability in the subject real property, as well as the typology as “a lease property and its site,” the survey price is determined based on the income amount that appropriately reflects the investment profitability for an investor</p>
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(Note 1) The above contents are based on the survey report obtained by SHR.

(Note 2) The amounts above are rounded down to the nearest thousand yen, thus the amounts may not add up to the figures for operating revenue, operating expenses and other items.

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