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For Immediate Release

Real Estate Investment Trust Securities Issuer

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Notice Concerning Revisions to Operating Forecasts and Distribution Forecasts for the Fiscal Period
Ending August 31, 2021, and Fiscal Period Ending February 28, 2022

SANKEI REAL ESTATE Inc. (“SANKEI REAL ESTATE”) hereby announces the following revisions to the operating forecasts and distribution forecasts for the fiscal period ending August 31, 2021 (from March 1, 2021 to August 31, 2021) and fiscal period ending February 28, 2022 (from September 1, 2021 to February 28, 2022) announced in “(REIT) Financial Report for the Fiscal Period Ended February 2021” dated April 15, 2021.

1. Details of Revisions to Operating Forecasts and Distribution Forecasts

(1) Fiscal period ending August 31, 2021 (5th fiscal period) (from March 1, 2021 to August 31, 2021)

	Operating revenue (million yen)	Operating profit (million yen)	Ordinary profit (million yen)	Net profit (million yen)	Distribution per unit (yen) (including distributions in excess of earnings)	Distribution per unit (yen) (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit (yen)
Previous forecasts announced (A)	2,178	1,119	1,022	1,021	2,862	2,862	0
Revised forecasts (B)	2,175	1,130	999	998	2,862	2,800	62
Change (B-A)	-3	11	-22	-22	0	-62	62
Change rate	-0.2 %	1.0 %	-2.2 %	-2.2 %	0.0%	-2.2 %	

(Reference) Fiscal period ending August 31, 2021

Forecast number of investment units issued and outstanding at end of period: 356,800 units; Forecast net profit per unit: 2,799 yen

Disclaimer: This document is a press announcement for publicly announcing the revisions of the operating forecasts and distribution forecasts of SANKEI REAL ESTATE Inc. for the fiscal period ending August 31, 2021, and the fiscal period ending February 28, 2022, and has not been prepared for the purpose of solicitation of investment in Japan or abroad. Be sure to read the prospectus on the issuance of new investment units and secondary offering of investment units prepared by the Investment Corporation and corrections thereof (if any) before making an investment based on your own judgment and responsibility. Furthermore, this document does not constitute a solicitation of securities in the United States. Investment units may not be offered or sold as securities in the United States unless they are registered as securities or exempt from registration under the Securities Act of 1933. This is not a public offering of securities in the United States.

(2) Fiscal period ending February 28, 2022 (6th fiscal period) (from September 1, 2021 to February 28, 2022)

	Operating revenue (million yen)	Operating profit (million yen)	Ordinary profit (million yen)	Net profit (million yen)	Distribution per unit (yen) (including distributions in excess of earnings)	Distribution per unit (yen) (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit (yen)
Previous forecasts announced (A)	2,144	1,079	971	970	2,720	2,720	-
Revised forecasts (B)	2,782	1,539	1,385	1,384	2,963	2,963	-
Change (B-A)	638	459	413	413	243	243	-
Change rate	29.8 %	42.5 %	42.6 %	42.6 %	8.9 %	8.9 %	-

(Reference) Fiscal period ending February 28, 2022

Forecast number of investment units issued and outstanding at end of period: 467,099 units; Forecast net profit per unit: 2,963 yen

(Note 1) The operating forecasts and distribution forecasts for the fiscal period ending August 31, 2021, and fiscal period ending February 28, 2022, are made using information available at the time of this release, based on the assumptions stated in Attachment 1 "Assumptions Underlying the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending August 31, 2021, and Fiscal Period Ending February 28, 2022." Actual operating revenue, operating profit, ordinary profit, net profit, distribution per unit (excluding distributions in excess of earnings) and distributions in excess of earnings per unit may differ as a result of variance from assumptions due to various factors, such as future additional acquisition or sale of real estate, trends in the real estate market, interest rate fluctuation, actually determined number of new investment units to be issued and issue price thereof, and other changes in circumstances surrounding SANKEI REAL ESTATE. In addition, the forecasts are not a guarantee of the amount of distributions.

(Note 2) The above forecasts may be revised in the event that a discrepancy above a certain level from the forecasts above is expected.

(Note 3) Figures are rounded down to the nearest specified unit, and change rate is rounded to one decimal place.

2. Reason for Revisions to Operating Forecasts and Distribution Forecasts and Announcement of Such

"Assumptions Underlying the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending August 31, 2021 (from March 1, 2021 to August 31, 2021) and Fiscal Period Ending February 28, 2022 (from September 1, 2021 to February 28, 2022)" announced in "(REIT) Financial Report for the Fiscal Period Ended February 2021" dated April 15, 2021, have been changed in line with the acquisition of the To-Be-Acquired Assets stated in "Notice Concerning Acquisition and Leasing of Trust Beneficiary Rights in Domestic Real Estate" announced today (defined in Attachment 1 "Assumptions Underlying the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending August 31, 2021, and Fiscal Period Ending February 28, 2022") (Note) and the resolution on issuance of new investment units passed at the meeting of the board of directors of SANKEI REAL ESTATE held today. Due to the above and other reasons, a difference of more than 10% will occur in the operating revenue forecast for the fiscal period ending February 28, 2022, and a difference of more than 30% will occur in the ordinary profit and net profit forecasts and a difference of more than 5% will occur in the distribution per unit forecasts, for the fiscal period ending February 28, 2022, respectively, SANKEI REAL ESTATE made the revisions accordingly.

(Note) For details of the To-Be-Acquired Assets, please refer to "Notice Concerning Acquisition and Leasing of Trust Beneficiary Rights in Domestic Real Estate" announced today.

* SANKEI REAL ESTATE Inc. website: <https://www.s-reit.co.jp/en/>

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[Attachment 1]

Assumptions Underlying the Operating Forecasts and Distribution Forecasts for the Fiscal Period
Ending August 31, 2021, and Fiscal Period Ending February 28, 2022

Item	Assumptions
Accounting period	<ul style="list-style-type: none"> • Fiscal period ending August 31, 2021 (5th fiscal period) (from March 1, 2021 to August 31, 2021) (184 days) • Fiscal period ending February 28, 2022 (6th fiscal period) (from September 1, 2021 to February 28, 2022) (181 days)
Assets under management	<ul style="list-style-type: none"> • The assumption is that, in addition to the real estate and real estate trust beneficiary rights (12 properties in total) (hereinafter, the “acquired assets”) SANKEI REAL ESTATE holds as of today, the real estate trust beneficiary rights (Note 1) to 4 properties (25% quasi co-ownership interest in sectional ownership of the buildings for “Shinagawa Seaside TS Tower,” 20% quasi co-ownership interest in sectional ownership of the buildings for “S-GATE AKASAKA,” “Miyazakidai Garden Office” and “Hitachi Kyusyu Building”) that are planned to be acquired after the issuance of new investment units for which resolution was passed at the meeting of the board of directors of SANKEI REAL ESTATE held on August 16, 2021 (hereinafter, the “To-Be-Acquired Assets”) will be acquired or additionally acquired on September 2, 2021, resulting in an increase in the number of SANKEI REAL ESTATE’s portfolio assets to 14 properties (Note 2), and that there will be no acquisition of new assets or disposition of portfolio assets through to the end of the fiscal period ending February 28, 2022. • In actual practice, acquisition of new properties other than the To-Be-Acquired Assets or disposition of portfolio properties may change the assumption. <ul style="list-style-type: none"> (Note 1) With respect to “Shinagawa Seaside TS Tower,” SANKEI REAL ESTATE already owns a 25% quasi co-ownership interest in trust beneficiary rights with sectional ownership of the office portion of the buildings, co-ownership interest in sectional ownership of the parking portion of the buildings and rights to use the site (ownership and mutual use rights of the site) as trust assets, and plans to additionally acquire 25% quasi co-ownership interest in the same trust beneficiary rights. Furthermore, SANKEI REAL ESTATE already owns 60% quasi co-ownership interest in trust beneficiary rights of “S-GATE AKASAKA” and plans to additionally acquire 20% quasi co-ownership interest in the same trust beneficiary rights. For details, please refer to “Notice Concerning Acquisition and Leasing of Trust Beneficiary Rights in Domestic Real Estate” announced today. (Note 2) “Shinagawa Seaside TS Tower” and “S-GATE AKASAKA” will be treated as one property together with the quasi co-ownership interest already owned by SANKEI REAL ESTATE in calculating the number of portfolio assets after the acquisition of the To-Be-Acquired Assets as it is an additional acquisition of quasi co-ownership interest for the property already acquired by SANKEI REAL ESTATE.
Operating revenue	<ul style="list-style-type: none"> • Leasing business revenue of the acquired assets is calculated by taking into account various factors, such as lease agreements that have been concluded and are valid as of today, tenant trends and market trends. • Leasing business revenue of the To-Be-Acquired Assets is calculated by taking into account various factors, such as lease agreements that have been concluded, tenant trends and market trends, based on the information provided by the current owners of To-Be-Acquired Assets. • The assumption is that there will be no delinquent or unpaid rent by tenants. • Assuming that the effects of the spread of COVID-19 will continue until the end of February 2022, calculations are made based on the assumption that the operation of rental conference rooms and utilities reimbursement will be equivalent to the results in the Fiscal Period Ended August 2020 and the Fiscal Period Ended February 2021.

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Item	Assumptions		
Operating expenses	<ul style="list-style-type: none"> Of operating expenses, the main components are as follows: (Unit: million yen) 		
		FP ending Aug. 2021	FP ending Feb. 2022
	Expenses related to leasing business [Total]	800	979
	Outsourcing expenses	173	226
	Utilities expenses	110	141
	Repair expenses	46	53
	Taxes and public dues	221	221
	Depreciation	229	312
	Other than expenses related to leasing business [Total]	244	264
	Asset management fee	195	210
Non-operating expenses	<ul style="list-style-type: none"> As interest expenses and other borrowing-related expenses, 130 million yen for the fiscal period ending August 31, 2021, and 146 million yen for the fiscal period ending February 28, 2022. As the depreciation of investment unit issuance costs, 7 million yen for the fiscal period ending February 28, 2022. 		
Interest-bearing liabilities	<ul style="list-style-type: none"> The assumption is that total interest-bearing liabilities will be 37,800 million yen at the end of the fiscal period ending August 31, 2021, and 50,600 million yen at the end of the fiscal period ending February 28, 2022. The assumption is that new borrowings with a total amount of 13,400 million yen will be executed on September 2, 2021, from a qualified investor as prescribed under Article 2, paragraph (3), item (i) of the Financial Instruments and Exchange Act, the borrowings of 4,300 million yen due on October 1, 2021, will be refinanced on the same day, and 600 million yen that is part of the above borrowings will be returned in the fiscal period ending February 28, 2022, if 5,252 new investment units (maximum) are issued by third-party allotment as stated in the "Number of investment units issued and outstanding" column below, with the proceeds and cash on hand as a source of funds, and there will be no other changes in the borrowing amount until February 28, 		

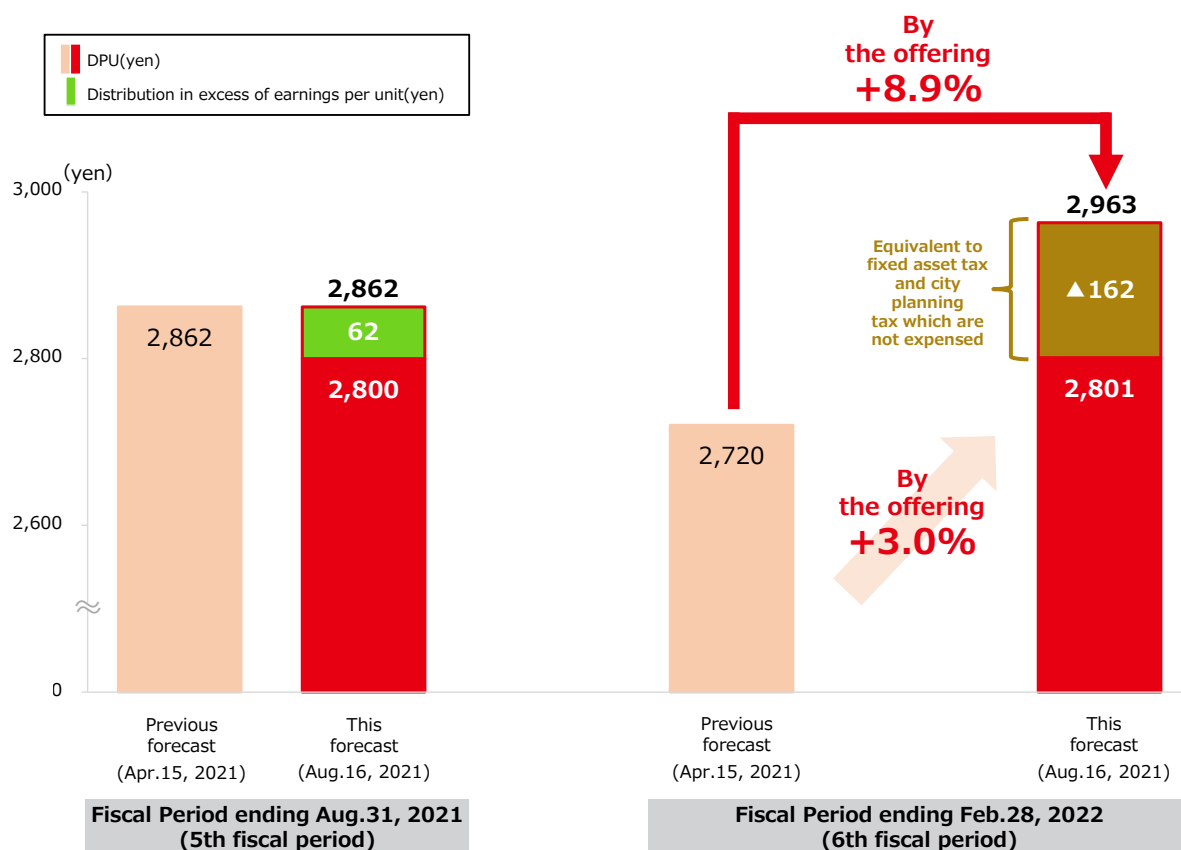
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Item	Assumptions
	<p>2022.</p> <ul style="list-style-type: none"> LTV ratio is expected to be 47.6% at the end of the fiscal period ending August 31, 2021, and 47.3% at the end of the fiscal period ending February 28, 2022. LTV ratio is calculated using the following formula and rounded to one decimal place. LTV ratio = Total interest-bearing liabilities ÷ Total assets × 100 LTV ratio may vary depending on the number of new investment units to be issued and issue price of the new issuance.
Number of investment units issued and outstanding	<ul style="list-style-type: none"> The assumption is that, in addition to the number of investment units issued and outstanding as of today of 356,800, the number of new investment units planned to be newly issued in the issuance of new investment units through public offering (105,047 units) and through third-party allotment (5,252 units (maximum)) for which resolution was passed at the meeting of the board of directors of SANKEI REAL ESTATE held today, totaling 110,299 units at a maximum, will all be issued. The assumption is that there will be no change in the number of investment units due to issuance of new investment units, etc. other than the above through the end of the fiscal period ending February 28, 2022. Distribution per unit (excluding distributions in excess of earnings) is calculated using the number of investment units issued and outstanding as of today (356,800 units) for the fiscal period ending August 31, 2021; and the forecast number of investment units issued and outstanding at the end of the fiscal period (467,099 units), which includes the abovementioned maximum number of investment units to be newly issued (110,299 units), for the fiscal period ending February 28, 2022.
Distribution per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> Distribution per unit (excluding distributions in excess of earnings) is calculated based on the assumption that distribution of earnings will be in accordance with the policy on distribution of cash provided in SANKEI REAL ESTATE's articles of incorporation. Distribution per unit (excluding distributions in excess of earnings) may vary due to various factors, such as fluctuation in leasing business revenue accompanying change in assets under management, change in tenants or other events, or incurrence of unexpected repairs.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> Distributions in excess of earnings per unit are calculated in accordance with the policy on distribution of cash provided in SANKEI REAL ESTATE's articles of incorporation. As Distributions in excess of earnings per unit (Allowance for temporary difference adjustments), 62 yen for the fiscal period ending August 31, 2021. The assumption is that, there is no concern that economic environment, trends of real estate market and leasing market etc., the circumstances of portfolio assets and financial circumstances etc. get materially worse. No distribution reducing unitholders' capital for tax purposes is planned to be conducted at this point in time.
Other	<ul style="list-style-type: none"> The assumption is that the adverse effect of the spread of COVID-19 will not expand further. The assumption is that there will be no amendment of laws and regulations, tax systems, accounting standards, listing regulations provided by Tokyo Stock Exchange, Inc., rules provided by The Investment Trusts Association, Japan or other similar factors that will impact the forecast figures above. The assumption is that there will be no unforeseen material change in general economic trends and real estate market conditions.

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[Attachment 2]

Change in Forecast Distribution per Unit (Estimate)



(Note 1) "Previous forecast" refers to the expected value of distribution per unit forecasts described in "(REIT) Financial Report for the Fiscal Period Ended February 2021" dated April 15, 2021, and "This forecast" refers to the expected value of distribution per unit forecasts described in this "Notice Concerning Revisions to Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending August 31, 2021 and Fiscal Period Ending February 28, 2022."

(Note 2) "Equivalent to fixed asset tax and city planning tax which are not expensed" are calculated by dividing the estimated amount of 75.5 million yen for fixed asset tax and city planning tax on the property to be acquired over the full year by 467,099 units which is forecast number of investment units issued and outstanding at the end of the fiscal period ending February 28, 2022, and rounded to the nearest whole number.

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