

## (REIT) Financial Report for the Fiscal Period Ended August 2021

October 15, 2021

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Listing: Tokyo Stock Exchange  
URL: <https://www.s-reit.co.jp/en/>

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Preparation of supplementary financial results briefing materials: Yes  
Holding of financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

## 1. Status of Management and Assets for the Fiscal Period Ended August 2021 (from March 1, 2021, to August 31, 2021)

## (1) Results of Operations (% figures are the rate of period-on-period increase (decrease))

	Operating revenue		Operating profit		Ordinary profit		Net profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal period Ended Aug. 2021	2,176	1.3	1,141	2.0	1,014	(0.2)	1,014	(0.2)
Ended Feb. 2021	2,147	7.1	1,118	12.3	1,017	12.5	1,016	12.5

	Earnings per unit	Return on equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenue
	yen	%	%	%
Fiscal period Ended Aug. 2021	2,841	2.7	1.3	46.6
Ended Feb. 2021	2,849	2.7	1.3	47.4

(Note) Earnings per unit is calculated by dividing net profit by the daily weighted average number of investment units (fiscal period ended February 2021: 356,800 units; fiscal period ended August 2021: 356,800 units).

## (2) Distribution

	Distribution per unit (excluding distributions in excess of earnings)	Total distribution (excluding distribution in excess of earnings)	Distributions in excess of earnings per unit	Total distribution in excess of earnings	Distribution per unit (including distributions in excess of earnings)	Total distribution (including distributions in excess of earnings)	Payout ratio	Ratio of distribution to net assets
	yen	million yen	yen	million yen	yen	million yen	%	%
Fiscal period Ended Aug. 2021	2,842	1,014	20	7	2,862	1,021	100.0	2.7
Ended Feb. 2021	2,849	1,016	-	-	-	-	100.0	2.7

(Note 1) The entire amount of the total distribution in excess of earnings is a refund of investment that falls under distribution reducing investment, etc. under tax law.

(Note 2) The ratio of reduced surplus through the distribution in excess of earnings (refund of investment that falls under distribution reducing investment, etc. under tax law) the fiscal period ended August 31, 2021 was 0.001.

(Note 3) The payout ratio and ratio of distribution to net assets are calculated based on figures that do not include distribution in excess of earnings.

## (3) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
Fiscal period Ended Aug. 2021	79,848	37,555	47.0	105,255
Ended Feb. 2021	79,482	37,557	47.3	105,262

(4) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents Balance at end of period
	million yen	million yen	million yen	million yen
Fiscal period Ended Aug. 2021	1,396	(60)	(1,022)	7,257
Ended Feb. 2021	486	(4,100)	3,397	6,944

2. Operating Forecasts for the Fiscal Period Ending February 2022 (from September 1, 2021, to February 28, 2022) and Operating Forecasts for the Fiscal Period Ending August 2022 (from March 1, 2022, to August 31, 2022)

(% figures are the rate of period-on-period increase (decrease))

	Operating revenue		Operating profit		Ordinary profit		Net profit		Distribution per unit (excluding distribution in excess of earnings)	Distributions in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
Fiscal period Ending Feb. 2022	2,775	27.6	1,526	33.7	1,382	36.2	1,381	36.3	2,958	-
Ending Aug. 2022	2,808	1.2	1,419	(7.0)	1,263	(8.6)	1,262	(8.6)	2,703	-

(Reference) Forecast earnings per unit (Forecast net profit ÷ Forecast total number of investment units issued and outstanding at end of period)

Fiscal period ending February 2022: 2,957 yen Fiscal period ending August 2022: 2,703 yen

(Note) Distribution per unit (excluding distribution in excess of earnings) is calculated based on the forecast total number of investment units issued and outstanding as of the date of this document of 467,099 units.

\* Other

(1) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

- i. Changes in accounting policies accompanying amendments to accounting standards, etc.: None
- ii. Changes in accounting policies other than i: None
- iii. Changes in accounting estimates: None
- iv. Retrospective restatements: None

(2) Total number of investment units issued and outstanding

i. Total number of investment units issued and outstanding (including treasury investment units) at end of period	Fiscal period ended Aug. 2021	356,800 units	Fiscal period ended Feb. 2021	356,800 units
ii. Number of treasury investment units at end of period	Fiscal period ended Aug. 2021	0 units	Fiscal period ended Feb. 2021	0 units

(Note) For the number of investment units serving as the basis for calculation of earnings per unit, please refer to "Notes on Per Unit Information" on page 24.

\* Financial reports are exempt from audits by certified public accountants or audit corporations.

\* Matters of special note

The operating forecasts and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by SANKEI REAL ESTATE. Accordingly, the actual results of operations, etc. may differ materially due to various factors. In addition, the forecasts are not a guarantee of the amount of distribution. For the assumptions underlying the operating forecasts, matters of note in the use of the operating forecasts, etc., please refer to "Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending February 2022 (from September 1, 2021, to February 28, 2022) and Fiscal Period Ending August 2022 (from March 1, 2022, to August 31, 2022)" on pages 7 and 8.

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## 1. Management Status

### (1) Management Status

#### (Overview of the Fiscal Period under Review)

##### i. Brief History of the Investment Corporation

SANKEI REAL ESTATE was incorporated under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter, the "Investment Trusts Act") with Sankei Building Asset Management Co., Ltd. (hereinafter, the "Asset Management Company") as the organizer and investments in capital of 100 million yen (1,000 units) on November 19, 2018, and completed the registration with the Kanto Local Finance Bureau pursuant to Article 187 of the Investment Trusts Act on December 17, 2018 (Registration No. 140 with the Director-General of the Kanto Local Finance Bureau). Later, SANKEI REAL ESTATE listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. on March 12, 2019 (TSE code: 2972).

As of the last day of the fiscal period under review (August 31, 2021), the total number of investment units issued and outstanding was 356,800 units, and unitholders' capital was 36,540 million yen.

##### ii. Management Environment

In the fiscal period under review (fiscal period ended August 2021), amid difficult conditions due to the impact of COVID-19, the Japanese economy showed movements of picking up due to advances made with vaccination. However, the spread of infection caused by variant strains of the virus led to a rapid increase in the number of cases even during the state of emergency and area-focused intensive measures for prevention of the spread of infection based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Responses (Act No. 31 of 2012, as amended). This, among other factors, made it an environment in which economic developments continued to require attention. Overseas, while the economy continued to pick up, it was a situation in which attention should be given to the risk of the COVID-19 spreading again.

Under such economic circumstances, in terms of the office building market, which SANKEI REAL ESTATE sets as the primary investment target, there were movements to cancel lease agreements due to factors such as the consolidation of locations, and the vacancy rate continued to rise while rents declined slightly or remained the same in Tokyo and Osaka where SANKEI REAL ESTATE's portfolio assets are located. As for the hotel market, in which SANKEI REAL ESTATE invests as sub-assets, the total number of guests and occupancy rate improved year on year in almost all months during the fiscal period under review according to the Overnight Travel Statistics Survey by the Japan Tourism Agency, but the number of foreign tourists continued to decrease significantly due to restrictions on entry into Japan taken as a preventive measure against with the spread of COVID-19. Furthermore, the situation did not improve significantly due to factors such as the Tokyo Olympic and Paralympic Games being held without spectators during the state of emergency.

##### iii. Management Performance

SANKEI REAL ESTATE did not acquire or sell any assets in the fiscal period under review. The portfolio of SANKEI REAL ESTATE as of the end of the fiscal period under review consisted of 12 properties with an asset size (total acquisition price) of 71,525 million yen, the same as that in the preceding fiscal period.

As a result, the occupancy rate (Note) of the 12 portfolio properties as of the last day of the fiscal period under review remained high at 98.2%, and operating revenue from real estate leasing was 2,176 million yen, 1.3% higher than that at the end of the previous fiscal period. The appraisal value as of the last day of the fiscal period under review was 79,326 million yen.

SANKEI REAL ESTATE has sought to improve satisfaction through reinforcement and enhancement of the relationship with existing tenants, aiming at expansion of revenue and stable growth of earnings from assets under management as in the previous fiscal period. For existing tenants approaching contract renewal, an effort was made to limit reductions in rent as much as possible and renew contracts with upward revision or no change in rent through careful efforts based on the condition of the COVID-19 pandemic and trends of the rental market. In addition, repairs and capital expenditures were narrowed down to those that contribute to maintenance and improvement of the competitiveness of the assets under management. On the other hand, there are movements of consolidation of bases, mainly among companies based in several locations, and notices of contract cancellation and such associated with consolidation of bases have been received from some tenants even at the assets under management of SANKEI REAL ESTATE in the previous fiscal year, but there is little impact on management performance in the fiscal period under review.

The number of requests for rent decrease, deferment of rent payment, etc. due to the spread of COVID-19 from some tenants, mainly retail tenants occupying portions of office buildings that are assets under management was very low in the fiscal period under review compared to the previous fiscal period, and the impact on management performance in the fiscal period under review is minimal because the assets under management are mainly office buildings. In addition, although the two hotel properties held by SANKEI REAL ESTATE saw impact associated with the spread of COVID-19, fixed rent based on the current contract has been secured as usual for leasing business revenue in the fiscal period under review. SANKEI REAL ESTATE, along with the Asset Management Company, intends to conduct management with consideration for ESG, meaning the Environment, Social and Governance, for the purpose of sustainability of society and increasing the medium- to long-term investor value.

The Asset Management Company established a new "Sustainability Policy" in the Asset Management Company's management guidelines in March 2021 for the purpose of strengthening sustainability initiatives, and has established a variety of rules for its implementation.

In July 2021, SANKEI REAL ESTATE applied to participate in the GRESB Real Estate Assessment that is a global investment benchmark established as a tool for use in selection of and dialogue with investment destinations by measuring ESG considerations in individual companies and funds in the real estate sector, and acquired 3 Star and Green Star ratings in October 2021.

(Note) "Occupancy rate" is the ratio of total leased area to total leasable area, rounded to one decimal place. Moreover, for total leasable area and total leased area, each total is calculated based on the area corresponding to SANKEI REAL ESTATE's ownership interest in each portfolio property.

iv. Overview of Fund Procurement

In the fiscal period under review, 4,800 million yen was borrowed from Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Development Bank of Japan Inc., Mizuho Trust & Banking Co., Ltd., Sumitomo Mitsui Trust Bank, Limited, Shinsei Bank, Limited, and Resona Bank, Limited. through a loan syndicate with Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation as the arrangers on March 12, 2021, to repay 4,800 million yen of long-term borrowings due for repayment on March 12, 2021. The borrowing was made with a borrowing period of 4 years and fixed interest rate, thereby promoting extension of the average time to maturity, improvement in the ratio of fixed-rate debt, and staggering of maturities of interest-bearing liabilities.

As a result, as of the last day of the fiscal period under review, the balance of borrowings outstanding was 37,800 million yen and the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV ratio") was 47.3%.

v. Overview of Business Performance and Distribution

As a result of the management described above, business performance in the fiscal period under review was operating revenue of 2,176 million yen, operating profit of 1,141 million yen, ordinary profit of 1,014 million yen, and net profit of 1,014 million yen.

Concerning distribution, in accordance with SANKEI REAL ESTATE's distribution policy (Article 36 of the articles of incorporation), SANKEI REAL ESTATE intends to have the maximum amount of distribution of earnings included in deductible expenses by application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended)). For the fiscal period under review, the decision was made to distribute 1,014,025,600 yen, which is the entire amount of unappropriated retained earnings, excluding fractions of distribution per unit of less than 1 yen. This resulted in distribution per unit of 2,842 yen (however, excluding distributions in excess of earnings). Furthermore, pursuant to the policy on the distribution of cash in excess of earnings provided in Article 36, Paragraph 2 of SANKEI REAL ESTATE's articles of incorporation, due to net profit decreasing in the fiscal period under review as a result of recording temporary borrowing related expenses associated with borrowing for the acquisition of real estate trust beneficiary rights of 4 properties on September 2, 2021, 7,136,000 yen was distributed as a refund of investment that falls under distribution reducing investment, etc. under tax law, and distribution in excess of earnings per unit was 20 yen. As a result, the distribution per unit was 2,862 yen in the fiscal period under review.

(Outlook for the Next Fiscal Period)

i. General Management Outlook

Although the impact of COVID-19 on social and economic activities in Japan and abroad is expected to be alleviated due to factors such as progress in vaccinations ahead, there is no guarantee that it will lead to containment. As such, the environment will likely continue to be one in which downside risks to the Japanese and overseas economies, the impact on fluctuations in the financial and capital markets, etc. warrant close attention.

In the office building market, vacancy rates have risen and rents have continued to decrease or remain the same. Social and economic activities are expected to recover with rising vaccination rates, but it is necessary to monitor trends in office demand such as changes in work styles and moves to reduce fixed expenses (rent payments, etc.). At SANKEI REAL ESTATE, too, progress in consolidation of bases and reduction of office space due to the expansion of remote working such as working from home and the intention to reduce fixed expenses (rent payments, etc.) could lead to lease contract cancellations arising. We will further reinforce the relationship with tenants and continue consultations and responses as required, while closely monitoring tenants' business performance, etc.

In terms of the hotel market, while a recovery in the number of international visitors to Japan looking unlikely, domestic travelers and business travelers are expected to increase with the recovery in social and economic activities, but the severe situation is still expected to continue. A severe operating environment is foreseen for also the two hotel properties held by SANKEI REAL ESTATE, but no impact on SANKEI REAL ESTATE is expected as GRANVISTA Hotels & Resorts Co., Ltd., which is a tenant of the two properties and a wholly owned subsidiary of SANKEI REAL ESTATE's sponsor, The Sankei Building Co., Ltd. (hereinafter, "Sankei Building" or "Sponsor"), continues to pay fixed rent based on the fixed-term building lease agreement.

(A) External Growth Strategy

While carefully assessing the economic impact of the spread of COVID-19, the real estate investment market conditions, and other factors, SANKEI REAL ESTATE will continue to maintain external growth through acquisition of Sankei Building's portfolio properties as well as properties held by third parties by leveraging the sourcing capabilities of Sankei Building through full utilization of sponsorship support.

In external growth, we will conduct diversified investment conscious of the balance of the portfolio matrix such as area and yield, and strive to improve the profitability and stability of the portfolio.

(B) Internal Growth Strategy

SANKEI REAL ESTATE aims for steady internal growth through reinforcement of the relationship with existing tenants and improvement in tenant satisfaction. Specifically, we will raise rents when upon contract renewal based on the deviation from market rent and continue to implement strategic leasing such as activities to extend the cancellation notification period from tenants and disperse end dates of rental contracts from the viewpoint of termination risk for properties where the end dates of multiple tenants are the same. Furthermore, we will continue to take proactive measures to improve tenant satisfaction such as activities to improve the quality of hygiene and planned implementation of maintenance and repairs under the COVID-19 pandemic.

SANKEI REAL ESTATE will utilize the Sankei Building Group's comprehensive operation and management functions ranging from real estate planning and development to lease-up, operation, and management through collaboration within the Sankei Building Group with Sankei Building at the core.

In addition, SANKEI REAL ESTATE will execute the following measures, etc. to aim for greater revenue and stable growth of earnings from assets under management.

- (a) Strive to provide services for tenants' comfortable use while strengthening and enhancing tenant relationships in order to maintain and improve tenant satisfaction so as to maintain and improve the occupancy rate and rent of assets under management.
- (b) Seek to maintain and improve the market competitiveness of assets under management through planning and implementation of repairs and capital expenditures by taking into consideration the state and characteristics of assets under management, real estate market conditions, tenant needs, and other factors and carefully examining them.
- (c) Strive to maintain and improve earnings by conducting agile leasing activities with a continual grasp of leasing market trends.
- (d) Adopt ongoing initiatives to reduce operating and management costs and consider the environment by periodically verifying the validity of operations, management level, and costs of assets under management. In doing so, the balance with the market competitiveness of assets under management and perspective of maintaining and improving tenant satisfaction are taken into consideration.
- (e) Conduct investment conscious of ESG, such as reduction of the environmental impact of assets under management and cooperation with external stakeholders.

(C) Financial Strategy

SANKEI REAL ESTATE will conduct appropriate and sound financial management while considering agility of financing activities, stability of cash flows, and other matters in order to secure stable earnings and steady growth of assets under management over the medium to long term.

In addition, to secure financial soundness, the basic policy shall be to set the upper limit for the LTV ratio at 60% in principle (however, the LTV ratio may temporarily exceed the range of the upper limit for the LTV ratio for the purpose of new asset acquisition, etc.). As a rule, SANKEI REAL ESTATE will maintain an approximate range of 40% to 50% during normal operations.

(a) Equity Financing

Issuance of new investment units shall be in an agile manner with due consideration to investment unit dilution, while also comprehensively taking into account capital market trends, financial environment, timing of acquisition of real estate, etc. to be newly acquired, ratio of interest-bearing liabilities to total assets and other factors.

(b) Debt Financing

Upon borrowing, etc., fund procurement shall be executed in an appropriate manner by taking into account the balance between interest rate trends, market levels, financial agility, long-term business relationships, and security, and by considering the borrowing period, fixed or floating interest rate, provision of collateral or not, fees, and other terms and conditions of procurement of interest-bearing liabilities.

ii. Significant Subsequent Events

Issuance of new investment units

At the meetings of the board of directors held on August 16, 2021 and August 24, 2021, SANKEI REAL ESTATE passed the following resolutions to issue new investment units, and payment was completed on September 1, 2021 for the issuance of new investment units through public offering and on September 29, 2021 for the issuance of new investment units through third-party allotment. As a result, as of September 29, 2021, unitholders' capital was 49,442,685,000 yen and the total number of investment units issued and outstanding was 467,099 units.

The proceeds from the issuance of new investment units through public offering were used for part of the funds for acquisition of real estate trust beneficiary rights of 4 properties stated "(Reference Information) (B) Acquisition of Assets" below, which were acquired on September 2, 2021. Furthermore, the proceeds from the issuance of new investment units through the third-party allotment are planned to be used as part of the funds for acquisition of specified assets or part of the funds for repayment of borrowings in the future, until which the funds will be deposited with a financial institution as funds on hand.

## (Issuance of new investment units through public offering)

Number of new investment units issued:	105,047 units
Amount of issue price (offer price):	121,327 yen per unit
Total amount of issue price (total offer price):	12,745,037,369 yen
Amount to be paid in (issue amount):	116,971 yen per unit
Total amount of amount to be paid in (issue amount):	12,287,452,637 yen
Payment due date:	September 1, 2021

## (Issuance of new investment units through third-party allotment)

Number of new investment units issued:	5,252 units
Amount to be paid in (issue amount):	116,971 yen per unit
Total amount of amount to be paid in (issue amount):	614,331,692 yen
Payment due date:	September 29, 2021
Allottee:	Daiwa Securities Co. Ltd.

## (Reference Information)

## (A) Borrowing of Funds

SANKEI REAL ESTATE conducted the following borrowing of funds on September 2, 2021 to use as part of the funds for acquisition and incidental expenses upon acquisition of the real estate trust beneficiary rights of 4 properties as described later in this document under “(Reference Information) (B) Acquisition of Assets” along with the proceeds from the issuance of new investment units through public offering stated in “Issuance of new investment units” above.

Category	Lender:	Borrowing amount (million yen)	Interest rate (Note)	Maturity date	Repayment method	Description
Short-term	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation	400	Base rate (JBA 1-month Japanese Yen TIBOR) + 0.150%	Aug. 31, 2022	Lump-sum repayment at maturity	Unsecured and non-guaranteed
Short-term	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation	600	Base rate (JBA 1-month Japanese Yen TIBOR) + 0.150%	Aug. 31, 2022	Lump-sum repayment at maturity	Unsecured and non-guaranteed
Long-term	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Development Bank of Japan, Inc. Mizuho Trust & Banking Co., Ltd. Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Resona Bank, Limited West Japan City Bank, Ltd. Kansai Mirai Bank, Limited The Chiba Bank, Ltd.	6,200	0.29655%	Sept. 2, 2025	Lump-sum repayment at maturity	Unsecured and non-guaranteed
Long-term	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Development Bank of Japan, Inc. Mizuho Trust & Banking Co., Ltd. Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Resona Bank, Limited Aozora Bank, Ltd. West Japan City Bank, Ltd. Kansai Mirai Bank, Limited The Chiba Bank, Ltd.	6,200	0.35542%	Sept. 2, 2026	Lump-sum repayment at maturity	Unsecured and non-guaranteed

(Note) The base rate applicable to the calculation period for the interest payable on each interest payment date shall be decided two business days prior to the immediately preceding interest payment date (the drawdown date in the case of the first interest calculation period). For the JBA Japanese Yen TIBOR, please check the website of JBA TIBOR Administration (<https://www.jbatibor.or.jp/english/rate/>).

Furthermore, the 4,300 million yen of long-term borrowings due for repayment on October 1, 2021, was refinanced on the same day as follows.

Category	Lender:	Borrowing amount (million yen)	Interest rate	Maturity date	Repayment method	Description
Long-term	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Development Bank of Japan, Inc. Mizuho Trust & Banking Co., Ltd. Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Resona Bank, Limited Aozora Bank, Ltd.	4,300	0.38044%	Apr. 1, 2026	Lump-sum repayment at maturity	Unsecured and non-guaranteed

#### (B) Acquisition of Assets

SANKEI REAL ESTATE conducted the following acquisition of real estate trust beneficiary rights of 4 properties (total acquisition price: 25,100 million yen) on September 2, 2021.

Asset type	Property Number	Property name	Location	Acquisition asset	Acquisition price (million yen) (Note)	Seller	Acquisition Date
Office building	A-8	Shinagawa Seaside TS Tower (additional acquisition)	Shinagawa-ku, Tokyo	Real estate trust beneficiary right	10,900	Godo Kaisha SKB 2	Sept. 2, 2021
	A-10	S-GATE AKASAKA (additional acquisition)	Minato-ku, Tokyo	Real estate trust beneficiary right	1,400	The Sankei Building Co., Ltd.	Sept. 2, 2021
	A-11	Miyazakidai Garden Office	Miyamae-ku, Kawasaki-shi, Kanagawa	Real estate trust beneficiary right	2,800	Godo Kaisha SKB Miyazakidai	Sept. 2, 2021
	A-12	Hitachi Kyushu Building	Sawara-ku, Fukuoka-shi, Fukuoka	Real estate trust beneficiary right	10,000	Godo Kaisha SKB Momochi	Sept. 2, 2021
Total (4 properties)			-	-	25,100	-	-

(Note) "Acquisition price" is the sale and purchase price of each trust beneficiary right stated in the trust beneficiary right transfer agreement for each acquired asset, rounded down to the nearest million yen. The sale and purchase prices do not include consumption tax, local consumption tax and the various expenses required for the acquisition.

The acquisition price for "Shinagawa Seaside TS Tower" presented is the figure equivalent to the 25% quasi co-ownership interest in sectional ownership of the building, etc. additionally acquired by SANKEI REAL ESTATE, and the acquisition price for "S-GATE AKASAKA" is the figure equivalent to the 20% quasi co-ownership interest additionally acquired by SANKEI REAL ESTATE. After these additional acquisitions, SANKEI REAL ESTATE holds 50% quasi co-ownership interest in sectional ownership of the buildings, etc. of Shinagawa Seaside TS Tower, and 80% quasi co-ownership interest in S-GATE AKASAKA.

#### iii. Operating Forecasts

SANKEI REAL ESTATE's operating forecasts for the fiscal period ending February 2022 (from September 1, 2021, to February 28, 2022) and fiscal period ending August 2022 (from March 1, 2022, to August 31, 2022) are as follows:

	Operating revenue	Operating profit	Ordinary profit	Net profit	Distribution per unit (excluding distribution in excess of earnings)	Distributions in excess of earnings per unit
	million yen	million yen	million yen	million yen	yen	yen
Fiscal period ending Feb. 2022	2,775	1,526	1,382	1,381	2,958	-
Fiscal period ending Aug. 2022	2,808	1,419	1,263	1,262	2,703	-

Furthermore, for the assumptions underlying the operating forecasts, please refer to "Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending February 2022 (from September 1, 2021, to February 28, 2022) and Fiscal Period Ending August 2022 (from March 1, 2022, to August 31, 2022)" presented below.

(Note) The forecast figures above are the current forecasts calculated under certain assumptions. Accordingly, the actual operating revenue, operating profit, ordinary profit, net profit, distribution per unit, and distribution in excess of earnings per unit may vary due to changes in the circumstances. In addition, the forecasts are not a guarantee of the amount of distribution.



Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending February 2022 (from September 1, 2021, to February 28, 2022) and Fiscal Period Ending August 2022 (from March 1, 2022, to August 31, 2022)

Item	Assumptions																														
Accounting period	<ul style="list-style-type: none"> <li>Fiscal period ending February 2022 (6th fiscal period) (from September 1, 2021, to February 28, 2022) (181 days)</li> <li>Fiscal period ending August 2022 (7th fiscal period) (from March 1, 2022, to August 31, 2022) (184 days)</li> </ul>																														
Assets under management	<ul style="list-style-type: none"> <li>The assumption is that the real estate and real estate trust beneficiary rights (total of 14 properties) held by SANKEI REAL ESTATE as of the date of this document (hereinafter, the "current portfolio assets") will continue to be held and there will be no acquisition of new properties through to the end of the fiscal period ending August 2022.</li> <li>In actual practice, change may arise due to acquisition of new properties, disposition of portfolio properties, etc.</li> </ul>																														
Operating revenue	<ul style="list-style-type: none"> <li>Leasing business revenue of the current portfolio assets is calculated by taking into account various factors, such as lease agreements that have been concluded and are valid as of the date of this document, tenant trends and market trends.</li> <li>The assumption is that there will be no delinquent or unpaid rent by tenants.</li> <li>Assuming that the effects of the spread of COVID-19 will continue through to the end of the fiscal period ending August 2022, operating revenue is calculated by taking into account the utilization rate of rental conference rooms and utilities reimbursement largely similar to the figures for the 4th and 5th fiscal periods.</li> </ul>																														
Operating expenses	<ul style="list-style-type: none"> <li>Of operating expenses, the main components are as follows: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: right;">(Unit: million yen)</th> </tr> <tr> <th></th> <th style="text-align: center;">Fiscal period ending Feb. 2022</th> <th style="text-align: center;">Fiscal period ending Aug. 2022</th> </tr> </thead> <tbody> <tr> <td>Total expenses related to leasing business</td> <td style="text-align: center;">980</td> <td style="text-align: center;">1,074</td> </tr> <tr> <td>    Outsourcing expenses</td> <td style="text-align: center;">223</td> <td style="text-align: center;">216</td> </tr> <tr> <td>    Utilities expenses</td> <td style="text-align: center;">143</td> <td style="text-align: center;">151</td> </tr> <tr> <td>    Repair expenses</td> <td style="text-align: center;">58</td> <td style="text-align: center;">59</td> </tr> <tr> <td>    Property taxes</td> <td style="text-align: center;">222</td> <td style="text-align: center;">309</td> </tr> <tr> <td>    Depreciation</td> <td style="text-align: center;">309</td> <td style="text-align: center;">313</td> </tr> <tr> <td>Other than expenses related to leasing business [Total]</td> <td style="text-align: center;">269</td> <td style="text-align: center;">314</td> </tr> <tr> <td>    Asset management fee</td> <td style="text-align: center;">210</td> <td style="text-align: center;">258</td> </tr> </tbody> </table> </li> <li>Of expenses related to leasing business, which are the main operating expenses, the expenses other than depreciation are calculated on the basis of historical data and by taking into consideration the factors causing fluctuation in each of the expenses.</li> <li>Depreciation is calculated using the straight-line method.</li> <li>In general, fixed asset tax, city planning tax, etc. are calculated on a pro rata basis and reimbursed at the time of property acquisition with the previous owner upon transactions of real estate, etc. At SANKEI REAL ESTATE, the amount equivalent to the reimbursement is included in the cost of acquisition and thus not expensed in the business period in which the property acquisition date falls in the case of the properties for which such reimbursement is made at the time of transaction. Furthermore, the fixed asset tax, city planning tax, etc. on the asset acquired on September 2, 2021, will be expensed starting from the fiscal period ending August 2022.</li> <li>Repair expenses for buildings is the amount estimated based on medium- to long-term repair plans formulated by the asset management company. However, repair expenses possibly increasing in amount or additionally arising from unforeseeable factors may result in repair expenses differing materially from the forecast amount.</li> </ul>		(Unit: million yen)			Fiscal period ending Feb. 2022	Fiscal period ending Aug. 2022	Total expenses related to leasing business	980	1,074	Outsourcing expenses	223	216	Utilities expenses	143	151	Repair expenses	58	59	Property taxes	222	309	Depreciation	309	313	Other than expenses related to leasing business [Total]	269	314	Asset management fee	210	258
	(Unit: million yen)																														
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Non-operating expenses	<ul style="list-style-type: none"> <li>As interest expenses and other borrowing-related expenses, 137 million yen is assumed for the fiscal period ending February 2022 and 149 million yen for the fiscal period ending August 2022.</li> <li>As amortization of investment unit issuance expenses, 6 million yen is assumed for the fiscal period ending February 2022 and 6 million yen for the fiscal period ending August 2022.</li> </ul>																														

Item	Assumptions
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>• The assumption is that total interest-bearing liabilities will be 50,600 million yen at the end of the fiscal period ending February 2022 and 50,200 million yen at the end of the fiscal period ending August 2022.</li> <li>• The assumption is that (i) A portion of the proceeds of new investment units issued on September 29, 2021 through third party allotment will be used as the source of funds to repay a portion (600 million yen) of existing borrowings during the fiscal period ending February 2022, (ii) With refund of consumption taxes corresponding to the fiscal period ending February 2022 scheduled to take place during the fiscal period ending August 2022, the concerned refund, etc. will be used as the source of funds to repay a portion (400 million yen) of existing borrowings during the fiscal period ending August 2022, and (iii) There will be no change in the balance of borrowings other than the above through to the end of the fiscal period ending August 2022.</li> <li>• LTV ratio is expected to be 47.3% at the end of the fiscal period ending February 2022 and 47.1% at the end of the fiscal period ending August 2022. LTV ratio is calculated by the following formula and rounded to one decimal place.  <math display="block">\text{LTV ratio} = \frac{\text{Total interest-bearing liabilities}}{\text{Total assets}} \times 100</math> </li> </ul>
Number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>• The assumption is the total number of investment units issued and outstanding as of the date of this document of 467,099 units and that there will be no change in the number of investment units due to issuance of new investment units, etc. through to the end of the fiscal period ending August 2022.</li> <li>• Distribution per unit (excluding distribution in excess of earnings) is calculated based on the forecast total number of investment units issued and outstanding at the end of the fiscal period ending February 2022 and fiscal period ending August 2022 of 467,099 units.</li> </ul>
Distribution per unit (excluding distribution in excess of earnings)	<ul style="list-style-type: none"> <li>• Distribution per unit (excluding distribution 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.</li> <li>• Distribution per unit (excluding distribution 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 event, or incurrence of unexpected repairs.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>• No cash distribution in excess of earnings is planned to be made at this point in time.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• The assumption is that the negative impact of the spread of COVID-19 will not further increase.</li> <li>• 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, etc. that will impact the forecast figures above.</li> <li>• The assumption is that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.</li> </ul>

## (2) Investment Risks

Disclosure is omitted, because there is no significant change from "Investment Risks" in the securities registration statement (submitted on August 16, 2021).

## 2. Financial Statements

## (1) Balance Sheet

(Unit: thousand yen)

	4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	4,147,117	4,457,965
Cash and deposits in trust	2,797,010	2,799,257
Operating accounts receivable	54,096	36,079
Prepaid expenses	46,597	59,212
Consumption taxes receivable	9,321	-
Other	41,015	77
Total current assets	7,095,157	7,352,593
Non-current assets		
Property, plant and equipment		
Buildings	166,032	169,301
Accumulated depreciation	(11,908)	(15,201)
Buildings, net	154,123	154,100
Structures	353	544
Accumulated depreciation	(16)	(25)
Structures, net	336	518
Land	2,457,766	2,457,766
Buildings in trust	14,296,308	14,340,970
Accumulated depreciation	(769,403)	(992,106)
Buildings in trust, net	13,526,905	13,348,864
Structures in trust	23,602	23,832
Accumulated depreciation	(1,122)	(1,435)
Structures in trust, net	22,479	22,396
Machinery and equipment in trust	2,875	11,302
Accumulated depreciation	(348)	(564)
Machinery and equipment in trust, net	2,526	10,737
Tools, furniture and fixtures in trust	27,889	28,239
Accumulated depreciation	(3,719)	(5,727)
Tools, furniture and fixtures in trust, net	24,170	22,512
Land in trust	56,132,321	56,132,575
Construction in progress in trust	8,103	281,344
Total property, plant and equipment	72,328,733	72,430,815
Intangible assets		
Software	5,773	4,833
Total intangible assets	5,773	4,833
Investments and other assets		
Long-term prepaid expenses	43,237	43,724
Deferred tax assets	13	13
Leasehold and guarantee deposits	10,000	10,000
Total investments and other assets	53,251	53,738
Total non-current assets	72,387,757	72,489,387
Deferred assets		
Investment unit issuance expenses	-	6,488
Total deferred assets	-	6,488
Total assets	79,482,915	79,848,468

(Unit: thousand yen)

	4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	170,112	225,346
Long-term borrowings due within 1 year	9,100,000	9,900,000
Accounts payable - other	219,582	494,644
Accrued expenses	26,175	27,936
Income taxes payable	879	875
Consumption taxes payable	-	89,208
Advances received	373,814	339,943
Deposits received	7,496	14,065
<b>Total current liabilities</b>	<b>9,898,060</b>	<b>11,092,019</b>
Non-current liabilities		
Long-term borrowings	28,700,000	27,900,000
Leasehold and guarantee deposits received	79,585	82,139
Leasehold and guarantee deposits received in trust	3,247,634	3,219,176
<b>Total non-current liabilities</b>	<b>32,027,219</b>	<b>31,201,315</b>
<b>Total liabilities</b>	<b>41,925,280</b>	<b>42,293,334</b>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	36,540,901	36,540,901
Surplus		
Unappropriated retained earnings (undisposed loss)	1,016,734	1,014,232
<b>Total surplus</b>	<b>1,016,734</b>	<b>1,014,232</b>
<b>Total unitholders' equity</b>	<b>37,557,635</b>	<b>37,555,134</b>
<b>Total net assets</b>	<b>*1 37,557,635</b>	<b>*1 37,555,134</b>
<b>Total liabilities and net assets</b>	<b>79,482,915</b>	<b>79,848,468</b>

## (2) Statement of Income

(Unit: thousand yen)

	4th fiscal period From: Sept. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
<b>Operating revenue</b>		
Leasing business revenue	*1 2,015,771	*1 2,032,902
Other leasing business revenue	*1 132,163	*1 143,210
<b>Total operating revenue</b>	<b>2,147,934</b>	<b>2,176,113</b>
<b>Operating expenses</b>		
Expenses related to leasing business	*1 790,014	*1 793,758
Asset management fee	186,562	195,532
Asset custody fee	1,568	1,575
Administrative service fees	7,065	7,100
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	40,510	33,203
<b>Total operating expenses</b>	<b>1,029,320</b>	<b>1,034,769</b>
<b>Operating profit</b>	<b>1,118,614</b>	<b>1,141,343</b>
<b>Non-operating income</b>		
Interest income	21	31
Insurance claim income	-	994
Interest on refund	-	50
Other	0	15
<b>Total non-operating income</b>	<b>21</b>	<b>1,091</b>
<b>Non-operating expenses</b>		
Interest expenses	61,565	66,412
Borrowing related expenses	37,660	61,120
Other	2,000	-
<b>Total non-operating expenses</b>	<b>101,225</b>	<b>127,533</b>
<b>Ordinary profit</b>	<b>1,017,409</b>	<b>1,014,902</b>
<b>Net profit before income taxes</b>	<b>1,017,409</b>	<b>1,014,902</b>
Income taxes - current	882	880
Income taxes - deferred	0	0
<b>Total income taxes</b>	<b>883</b>	<b>880</b>
<b>Net profit</b>	<b>1,016,526</b>	<b>1,014,021</b>
<b>Retained earnings brought forward</b>	<b>207</b>	<b>210</b>
<b>Unappropriated retained earnings (undisposed loss)</b>	<b>1,016,734</b>	<b>1,014,232</b>

## (3) Statement of Unitholders' Equity

4th fiscal period (from September 1, 2020, to February 28, 2021)

(Unit: thousand yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	36,540,901	903,625	903,625	37,444,526	37,444,526
Changes in items during period					
Dividend of surplus		(903,417)	(903,417)	(903,417)	(903,417)
Net profit		1,016,526	1,016,526	1,016,526	1,016,526
Total changes in items during period	-	113,108	113,108	113,108	113,108
Balance at end of period	*136,540,901	1,016,734	1,016,734	37,557,635	37,557,635

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

(Unit: thousand yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	36,540,901	1,016,734	1,016,734	37,557,635	37,557,635
Changes in items during period					
Dividend of surplus		(1,016,523)	(1,016,523)	(1,016,523)	(1,016,523)
Net profit		1,014,021	1,014,021	1,014,021	1,014,021
Total changes in items during period	-	(2,501)	(2,501)	(2,501)	(2,501)
Balance at end of period	*136,540,901	1,014,232	1,014,232	37,555,134	37,555,134

## (4) Statement of Cash Distribution

(Unit: yen)

	4th fiscal period From: Sept. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
I. Unappropriated retained earnings	1,016,734,169	1,014,232,892
II. Additional distributions in excess of earnings		
Deduction from unitholders' capital	-	7,136,000
III. Amount of distribution	1,016,523,200	1,021,161,600
[Amount of distribution per unit]	[2,849]	[2,862]
of which, distribution of earnings	1,016,523,200	1,014,025,600
[of which, distribution of earnings per unit]	[2,849]	[2,842]
of which, distribution in excess of earnings	-	7,136,000
[of which, distributions in excess of earnings per unit]	[-]	[20]
IV. Retained earnings carried forward	210,969	207,293

Method of calculation of amount of distribution	<p>In accordance with the policy on distribution of cash provided in Article 36, Paragraph 1 of SANKEI REAL ESTATE's articles of incorporation, the amount of distribution shall be in excess of the amount equivalent to 90% of the amount of SANKEI REAL ESTATE's earnings available for distribution provided in Article 67-15 of the Act on Special Measures Concerning Taxation, but no more than the amount of earnings. Based on such policy, the decision was made to distribute 1,016,523,200 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (356,800 units) in an amount not in excess of unappropriated retained earnings, as distribution of earnings.</p> <p>The distribution of cash in excess of earnings provided in Article 36, Paragraph 2 of SANKEI REAL ESTATE's articles of incorporation will not be made.</p>	<p>In accordance with the policy on distribution of cash provided in Article 36, Paragraph 1 of SANKEI REAL ESTATE's articles of incorporation, the amount of distribution shall be in excess of the amount equivalent to 90% of the amount of SANKEI REAL ESTATE's earnings available for distribution provided in Article 67-15 of the Act on Special Measures Concerning Taxation, but no more than the amount of earnings. Based on such policy, the decision was made to distribute 1,014,025,600 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (356,800 units) in an amount not in excess of unappropriated retained earnings, as distribution of earnings.</p> <p>Furthermore, pursuant to the policy on the distribution of cash in excess of earnings provided in Article 36, Paragraph 2 of SANKEI REAL ESTATE's articles of incorporation, due to net profit decreasing in the fiscal period under review as a result of recording temporary borrowing related expenses associated with borrowing for the acquisition of real estate trust beneficiary rights of 4 properties on September 2, 2021, 7,136,000 yen was distributed as a refund of investment that falls under distribution reducing investment, etc. under tax law. As a result, the amount of distribution was 1,021,161,600 yen in the fiscal period under review.</p>
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## (5) Statement of Cash Flows

(Unit: thousand yen)

	4th fiscal period From: Sept. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
<b>Net cash provided by (used in) operating activities</b>		
Net profit before income taxes	1,017,409	1,014,902
Depreciation	228,057	229,481
Interest income	(21)	(31)
Interest expenses	61,565	66,412
Decrease (increase) in operating accounts receivable	34,103	20,672
Decrease (increase) in consumption taxes refund receivable	(9,321)	9,321
Decrease (increase) in prepaid expenses	5,300	(12,615)
Increase (decrease) in operating accounts payable	(54,667)	18,847
Increase (decrease) in accounts payable - other	4,076	12,407
Increase (decrease) in consumption taxes refund payable	(129,470)	89,208
Increase (decrease) in advances received	45,256	(33,871)
Increase (decrease) in deposits received	(1,197,677)	6,568
Decrease (increase) in long-term prepaid expenses	17,555	(487)
Decrease (increase) in other assets	526,775	40,937
Subtotal	548,943	1,461,754
Interest received	21	31
Interest paid	(61,662)	(64,651)
Income taxes paid	(896)	(884)
Net cash provided by (used in) operating activities	486,405	1,396,250
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(493)	(3,460)
Purchase of property, plant and equipment in trust	(4,286,634)	(28,670)
Proceeds from leasehold and guarantee deposits received	81	2,572
Refund of leasehold and guarantee deposits received	(12,724)	(19)
Proceeds from leasehold and guarantee deposits received in trust	232,800	3,970
Refund of leasehold and guarantee deposits received in trust	(33,127)	(35,084)
Net cash provided by (used in) investing activities	(4,100,099)	(60,691)
<b>Net cash provided by (used in) financing activities</b>		
Proceeds from long-term borrowings	4,300,000	4,800,000
Repayments of long-term borrowings	-	(4,800,000)
Payments of investment unit issuance expenses	-	(6,488)
Distribution paid	(902,512)	(1,015,975)
Net cash provided by (used in) financing activities	3,397,487	(1,022,464)
Net increase (decrease) in cash and cash equivalents	(216,205)	313,095
Cash and cash equivalents at beginning of period	7,160,333	6,944,127
Cash and cash equivalents at end of period	*1 6,944,127	*1 7,257,223



- (6) Notes on the Going Concern Assumption  
Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

<p>1. Method of depreciation of non-current assets</p>	<p>(1) Property, plant and equipment (including trust assets) The straight-line method is adopted. Furthermore, the useful life of core property, plant and equipment is as follows: Buildings 3–65 years Structures 6–59 years Machinery and equipment 8–10 years Tools, furniture and fixtures 4–8 years</p> <p>(2) Intangible assets The straight-line method is adopted.</p> <p>(3) Long-term prepaid expenses The straight-line method is adopted.</p>
<p>2. Accounting for deferred assets</p>	<p>Investment unit issuance expenses They are amortized by the straight-line method over 3 years.</p>
<p>3. Standards for revenue and expense recognition</p>	<p>Accounting for fixed asset tax, etc. For fixed asset tax, city planning tax, depreciable asset tax, etc. on real estate or trust beneficiary rights that have real estate as trust assets held, the method adopted is that, of the tax amount assessed and determined, the amount corresponding to the concerned accounting period is expensed as expenses related to leasing business. Furthermore, the amount equivalent to fixed asset tax, etc. in the initial fiscal year borne by SANKEI REAL ESTATE upon acquisition of real estate or trust beneficiary rights that have real estate as trust assets is not recognized as expenses but included in the cost of acquisition of the concerned real estate, etc. The amount equivalent to fixed asset tax included in the cost of acquisition of real estate, etc. was 3,425 thousand yen in the previous fiscal period and zero in the fiscal period under review.</p>
<p>4. Scope of funds in the statement of cash flows</p>	<p>The funds (cash and cash equivalents) in the statement of cash flows comprise cash on hand and cash in trust, demand deposits and deposits in trust, and short-term investments with a maturity of 3 months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.</p>
<p>5. Other significant matters serving as the basis for preparation of the financial statements</p>	<p>(1) Accounting for trust beneficiary rights that have real estate etc. as trust assets Concerning trust beneficiary rights that have real estate held, etc. as trust assets, all accounts of assets and liabilities within trust assets and all accounts of revenue and expenses from the trust assets are recognized in the relevant account item of the balance sheet and the statement of income. Furthermore, the following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet. i. Cash and deposits in trust ii. Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust iii. Leasehold and guarantee deposits received in trust</p> <p>(2) Accounting for consumption tax, etc. The accounting for consumption tax and local consumption tax is by the method of exclusion of the taxes.</p>

[Notes on Accounting Standards, Etc. Yet to be Applied]

- “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 26, 2021)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 31, 2020)

1. Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States have jointly developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. Given the situation where IFRS 15 would be applied from fiscal years beginning on or after January 1, 2018, and Topic 606 would be applied from fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard for revenue recognition and issued such together with an implementation guidance.

The basic policy for the ASBJ when it developed the accounting standard for revenue recognition was to determine the accounting standard, incorporating the basic principles of IFRS 15 as a starting point, from the perspective of comparability between financial statements, which is one of the benefits of consistency with IFRS 15. If there is an item to which consideration should be given, such as practices that have been conducted thus far in Japan, alternative treatments shall be added to the extent to which comparability is not impaired.

2. Scheduled application date  
Application will be from the beginning of the fiscal period ending February 2022.
3. Impact of applying the accounting standards, etc.  
The impact on the financial statements of the applying of the “Accounting Standard for Revenue Recognition” and the like is currently under review.

- “Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan (ASBJ) Statement No. 30 issued on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 31, 2020)

1. Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States set up detailed guidance on fair value measurement (IFRS 13 “Fair Value Measurement” by IASB and Topic 820 “Fair Value Measurement” by FASB). To improve the comparability with the provisions of these international accounting standards, the ASBJ discussed the guidance and disclosure regarding mainly the fair value of financial instruments, and announced an accounting standard for fair value measurement and an implementation guidance on the accounting standard for fair value measurement.

The basic policy for the ASBJ when it developed the accounting standard for fair value measurement was to incorporate basically all of the provisions of IFRS 13, from the perspective of improving the comparability between financial statements among domestic and international companies by using a unified method of measurement. To the extent that the comparability between financial statements is not significantly impaired, other treatments of individual items shall be determined considering practices that have been conducted thus far in Japan, etc.

2. Scheduled application date  
Application will be from the beginning of the fiscal period ending February 2022.
3. Impact of applying the accounting standards, etc.  
The impact on the financial statements of the applying of the “Accounting Standard for Fair Value Measurement” and the like is currently under review.

(8) Notes to the Financial Statements

[Notes to the Balance Sheet]

- \*1. Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations  
(Unit: thousand yen)

4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
50,000	50,000

## [Notes to the Statement of Income]

## \*1. Breakdown of operating income (loss) from real estate leasing

(Unit: thousand yen)

	4th fiscal period From: Sept. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
A. Operating revenue from real estate leasing		
Leasing business revenue		
Rental revenue	1,868,319	1,890,879
Common area maintenance revenue	147,452	142,022
Total leasing business revenue	2,015,771	2,032,902
Other leasing business revenue		
Utilities reimbursement	93,366	89,327
Parking revenue	30,655	31,102
Other rental revenue	8,141	22,780
Total other leasing business revenue	132,163	143,210
Total operating revenue from real estate leasing	2,147,934	2,176,113
B. Operating expenses from real estate leasing		
Expenses related to leasing business		
Outsourcing expenses	183,374	169,652
Utilities expenses	110,924	116,632
Property taxes	214,815	223,015
Land rent	1,818	1,818
Repair expenses	35,844	39,331
Insurance premium	4,664	4,354
Trust fee	2,371	2,752
Depreciation	227,117	228,541
Other expenses related to leasing business	9,081	7,658
Total expenses related to leasing business	790,014	793,758
Total operating expenses from real estate leasing	790,014	793,758
C. Operating income (loss) from real estate leasing [A-B]	1,357,920	1,382,355

## [Notes to the Statement of Unitholders' Equity]

## \*1. Total number of investment units authorized and total number of investment units issued and outstanding

(Unit: units)

	4th fiscal period From: Sept. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
Total number of investment units authorized	10,000,000	10,000,000
Total number of investment units issued and outstanding	356,800	356,800

## [Notes to the Statement of Cash Flows]

## \*1. Reconciliation of cash and cash equivalents at end of period to the amount of balance sheet items

(Unit: thousand yen)

	4th fiscal period From: Sept. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
Cash and deposits	4,147,117	4,457,965
Cash and deposits in trust	2,797,010	2,799,257
Cash and cash equivalents	6,944,127	7,257,223

## [Notes on Lease Transactions]

Operating lease transactions (as lessor)

Future minimum lease payments

(Unit: thousand yen)

	4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
Due within 1 year	2,692,306	2,519,482
Due after 1 year	15,407,566	14,482,652
Total	18,099,872	17,002,135

## [Notes on Financial Instruments]

## 1. Matters concerning status of financial instruments

## (1) Policy for handling financial instruments

SANKEI REAL ESTATE shall procure funds in a well-balanced manner through borrowing from financial institutions, issuance of investment corporation bonds, issuance of new investment units, etc. to contribute to steady growth of assets under management as well as efficient operation and stability of management.

Upon borrowing from financial institutions, issuance of investment corporation bonds, etc., the fund procurement shall be in a manner that gives due consideration to the balance between agility in fund procurement and financial stability, characteristics of to-be-acquired real estate, etc. Specifically, the procurement means, ratio of long-term debt, ratio of fixed-rate debt, staggering of maturities, provision of collateral or not, etc. shall be considered. If borrowing, lenders shall be limited to the qualified institutional investors provided in the Financial Instruments and Exchange Act (however, limited to the institutional investors provided in Article 67-15 of the Act on Special Measures Concerning Taxation).

Issuance of new investment units shall be for the purpose of expansion of asset size and enhancement of profitability, and implementation decided by taking into account the LTV ratio, dilution of existing unitholders' rights and accompanying decline in transaction price of investment units, etc. and in light of the financial environment.

Derivative transactions may be conducted for the purpose of hedging the risk of fluctuation in interest rates and other risks on SANKEI REAL ESTATE arising from the concerned liabilities. No derivative transactions were conducted in the fiscal period under review.

## (2) Description of financial instruments and associated risks, and risk management system

Borrowings are mainly for the purpose of procuring funds for acquisition of assets and funds for repayment of obligations. Borrowings are exposed to the risk of inability to refinance upon becoming due for repayment, risk of rise in the interest rate payable, etc., but the risks are mitigated by considering fund procurement that is well balanced through issuance of investment units, etc. while also diversifying fund procurement sources and staggering maturities. In addition, the risk of rise in interest rates on SANKEI REAL ESTATE's operations is managed by closely watching interest rate trends and keeping the LTV ratio under control in an appropriate manner.

## (3) Supplementary explanation to matters concerning fair value, etc. of financial instruments

The fair value of financial instruments is values based on market price, but may otherwise include values based on reasonable calculation when no market price is available. Certain assumptions, etc. are adopted in the calculation of the concerned values. Accordingly, the concerned values may vary when different assumptions, etc. are adopted.

## 2. Matters concerning fair value, etc. of financial instruments

The following are the carrying amount and fair value as of February 28, 2021, and the amount of difference between these. Financial instruments for which estimation of fair value is recognized to be extremely difficult are not included in the following table (Note 2).

(Unit: thousand yen)

	Carrying amount	Fair value	Amount of difference
(1) Cash and deposits	4,147,117	4,147,117	-
(2) Cash and deposits in trust	2,797,010	2,797,010	-
Total assets	6,944,127	6,944,127	-
(1) Long-term borrowings due within 1 year	9,100,000	9,100,000	-
(2) Long-term borrowings	28,700,000	28,744,574	44,574
Total liabilities	37,800,000	37,844,574	44,574

The following are the carrying amount and fair value as of August 31, 2021, and the amount of difference between these. Financial instruments for which estimation of fair value is recognized to be extremely difficult are not included in the following table (Note 2).

(Unit: thousand yen)

	Carrying amount	Fair value	Amount of difference
(1) Cash and deposits	4,457,965	4,457,965	-
(2) Cash and deposits in trust	2,799,257	2,799,257	-
Total assets	7,257,223	7,257,223	-
(1) Long-term borrowings due within 1 year	9,900,000	9,908,903	8,903
(2) Long-term borrowings	27,900,000	27,976,223	76,223
Total liabilities	37,800,000	37,885,127	85,127

(Note 1) Method of calculation of the fair value of financial instruments

Assets

(1) Cash and deposits; (2) Cash and deposits in trust

Because these are settled in a short period of time, the fair value is approximately the same as the book value and thus stated at that book value.

Liabilities

(1) Long-term borrowings due within 1 year; (2) Long-term borrowings

Of long-term borrowings, because those with floating interest rates reflect market interest rates in a short period of time, the fair value is thought to resemble the book value and thus stated at that book value. However, in the case of long-term borrowings with fixed interest rates, the fair value is calculated based on the present value of their future cash flows discounted over the time to maturity and at the rate adjusted for credit risks.

(Note 2) Financial instruments for which estimation of fair value is recognized to be extremely difficult

(Unit: thousand yen)

	4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
Leasehold and guarantee deposits received	79,585	82,139
Leasehold and guarantee deposits received in trust	3,247,634	3,219,176

\* "Leasehold and guarantee deposits received" and "Leasehold and guarantee deposits received in trust" are not subject to disclosure of fair value, because there being no market price and, even if the lease contract period has been set, there being the possibility of contract cancellation before expiration, contract extension or contract renewal make calculating the actual deposit period impossible and reasonable projection of future cash flows is thus recognized to be extremely difficult.

(Note 3) Amount of redemption of monetary claims scheduled to be due after the end of the fiscal period (February 28, 2021)

(Unit: thousand yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Cash and deposits	4,147,117	-	-	-	-	-
Cash and deposits in trust	2,797,010	-	-	-	-	-
Total	6,944,127	-	-	-	-	-

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Amount of redemption of monetary claims scheduled to be due after the end of the fiscal period (August 31, 2021)

(Unit: thousand yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Cash and deposits	4,457,965	-	-	-	-	-
Cash and deposits in trust	2,799,257	-	-	-	-	-
Total	7,257,223	-	-	-	-	-

(Note 4) Amount of repayment of borrowings scheduled to be due after the end of the fiscal period (February 28, 2021)

(Unit: thousand yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Long-term borrowings due within 1 year	9,100,000	-	-	-	-	-
Long-term borrowings	-	11,500,000	9,600,000	7,600,000	-	-
Total	9,100,000	11,500,000	9,600,000	7,600,000	-	-

Amount of repayment of borrowings scheduled to be due after the end of the fiscal period (August 31, 2021)

(Unit: thousand yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Long-term borrowings due within 1 year	9,900,000	-	-	-	-	-
Long-term borrowings	-	9,600,000	9,200,000	9,100,000	-	-
Total	9,900,000	9,600,000	9,200,000	9,100,000	-	-

[Notes on Securities]

4th fiscal period (as of February 28, 2021)

Not applicable.

5th fiscal period (as of August 31, 2021)

Not applicable.

[Notes on Derivative Transactions]

4th fiscal period (as of February 28, 2021)

Not applicable.

5th fiscal period (as of August 31, 2021)

Not applicable.

[Notes on Retirement Benefits]

4th fiscal period (as of February 28, 2021)

Not applicable.

5th fiscal period (as of August 31, 2021)

Not applicable.

## [Notes on Tax-Effect Accounting]

## 1. Breakdown of main causes for occurrence of deferred tax assets and deferred tax liabilities

(Unit: thousand yen)

	4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
Deferred tax assets		
Non-deductible accrued enterprise tax	13	13
Total	13	13
Deferred tax assets, net	13	13

## 2. Breakdown of major components that caused any significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting

(Unit: %)

	4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
Statutory tax rate	31.46	31.46
[Adjustments]		
Deductible distribution payable	(31.43)	(31.43)
Other	0.06	0.06
Effective income tax rate after application of tax-effect accounting	0.09	0.09

## [Notes on Share of Profit (Loss) of Entities Accounted for Using Equity Method]

4th fiscal period (from September 1, 2020, to February 28, 2021)

Not applicable.

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

Not applicable.

## [Notes on Related-Party Transactions]

## 1. Parent company, major corporate unitholder, etc.

4th fiscal period (from September 1, 2020, to February 28, 2021)

Not applicable.

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

Not applicable.

## 2. Affiliated company, etc.

4th fiscal period (from September 1, 2020, to February 28, 2021)

Not applicable.

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

Not applicable.

## 3. Fellow subsidiary, etc.

4th fiscal period (from September 1, 2020, to February 28, 2021)

Not applicable.

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

Not applicable.

4. Director, major individual unitholder, etc.  
4th fiscal period (from September 1, 2020, to February 28, 2021)

Attribute	Name of company, etc. or name of person	Location	Share capital or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) SANKEI REAL ESTATE (%)	Description of relationship		Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
						Concurrent holding of positions, etc. by directors	Business relationship				
Director	Yuichi Ota	-	-	Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.	-		Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.	Payment of asset management fee to asset management company (Note 3)	228,562 (Note 4)	Accounts payable - other	205,218

- (Note 1) Of the related-party transactions subject to disclosure, the related-party transactions including significant transactions are disclosed.  
 (Note 2) Of the amounts above, transaction amount does not include consumption tax, etc., while balance at end of period includes consumption tax, etc. Amounts are rounded down to the nearest thousand yen.  
 (Note 3) Payment of asset management fee is for transactions conducted by Yuichi Ota as representative of Sankei Building Asset Management Co., Ltd., and transaction amount is based on the terms and conditions provided in SANKEI REAL ESTATE's articles of incorporation.  
 (Note 4) Asset management fee includes the portion of the fee for property acquisition included in the book value of individual real estate, etc. (42,000 thousand yen).  
 (Note 5) Transaction terms and conditions are decided based on the actual market conditions.

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

Attribute	Name of company, etc. or name of person	Location	Share capital or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) SANKEI REAL ESTATE (%)	Description of relationship		Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
						Concurrent holding of positions, etc. by directors	Business relationship				
Director	Yuichi Ota	-	-	Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.	-		Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.	Payment of asset management fee to asset management company (Note 3)	195,532	Accounts payable - other	215,085

- (Note 1) Of the related-party transactions subject to disclosure, the related-party transactions including significant transactions are disclosed.  
 (Note 2) Of the amounts above, transaction amount does not include consumption tax, etc., while balance at end of period includes consumption tax, etc. Amounts are rounded down to the nearest thousand yen.  
 (Note 3) Payment of asset management fee is for transactions conducted by Yuichi Ota as representative of Sankei Building Asset Management Co., Ltd., and transaction amount is based on the terms and conditions provided in SANKEI REAL ESTATE's articles of incorporation.  
 (Note 4) Transaction terms and conditions are decided based on the actual market conditions.

[Notes on Asset Retirement Obligations]

4th fiscal period (from September 1, 2020, to February 28, 2021)  
Not applicable.

5th fiscal period (from March 1, 2021, to August 31, 2021)  
Not applicable.



[Notes on Investment and Rental Properties]

SANKEI REAL ESTATE owns office buildings, etc. for the purpose of earning revenue from leasing. The carrying amount, amount of change during period and fair value of these investment and rental properties are as follows:

(Unit: thousand yen)

	4th fiscal period From: Sept. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
Carrying amount		
Balance at beginning of period	68,249,447	72,320,630
Amount of change during period	4,071,182	(171,159)
Balance at end of period	72,320,630	72,149,470
Fair value at end of period	79,181,000	79,326,000

(Note 1) Carrying amount is the amount of the cost of acquisition, less accumulated depreciation.

(Note 2) Of the amount of change during period, the amount of increase in the previous fiscal period is mainly attributable to new property acquisition of 1 property (4,255,758 thousand yen), etc., while the amount of decrease is mainly attributable to depreciation (227,117 thousand yen). The amount of increase in the fiscal period under review is mainly attributable to capital expenditures (57,084 thousand yen), etc., while the amount of decrease is mainly attributable to depreciation (228,541 thousand yen).

(Note 3) Fair value at end of period is the appraisal value by an external real estate appraiser.

Furthermore, the income (loss) concerning investment and rental properties is presented in “Notes to the Statement of Income.”

[Notes on Segment Information, Etc.]

1. Segment information

The information is omitted because SANKEI REAL ESTATE has a single segment—the real estate leasing business.

2. Related information

4th fiscal period (from September 1, 2020, to February 28, 2021)

(1) Information by product and service

The information is omitted, because operating revenue to external customers for a single group of products and services exceeds 90% of operating revenue on the statement of income.

(2) Information by geographic area

i. Operating revenue

The information is omitted, because operating revenue to external customers in Japan exceeds 90% of operating revenue on the statement of income.

ii. Property, plant and equipment

The information is omitted, because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information by major customer

(Unit: thousand yen)

Name of customer	Operating revenue	Related segment
GRANVISTA Hotels & Resorts Co., Ltd.	325,755	Real estate leasing business
Sony Corporation	Not disclosed (Note)	Real estate leasing business

(Note) Not disclosed, due to unavoidable circumstances in that consent for disclosure has not been obtained from the lessee.

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

(1) Information by product and service

The information is omitted, because operating revenue to external customers for a single group of products and services exceeds 90% of operating revenue on the statement of income.

(2) Information by geographic area

i. Operating revenue

The information is omitted, because operating revenue to external customers in Japan exceeds 90% of operating revenue on the statement of income.

ii. Property, plant and equipment

The information is omitted, because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information by major customer

(Unit: thousand yen)

Name of customer	Operating revenue	Related segment
GRANVISTA Hotels & Resorts Co., Ltd.	325,755	Real estate leasing business
Sony Group Corporation	Not disclosed (Note)	Real estate leasing business

(Note) Not disclosed, due to unavoidable circumstances in that consent for disclosure has not been obtained from the lessee.

## [Notes on Per Unit Information]

	4th fiscal period From: Sept. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
Net assets per unit	105,262 yen	105,255 yen
Earnings per unit	2,849 yen	2,841 yen

(Note 1) Earnings per unit is calculated by dividing net profit by the period's daily weighted average number of investment units (fiscal period ended February 2021: 356,800 units; fiscal period ended August 2021: 356,800 units). In addition, diluted earnings per unit is not stated, because there are no diluted investment units

(Note 2) The basis for calculation of earnings per unit is as follows:

	4th fiscal period From: Sept. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
Net profit (thousand yen)	1,016,526	1,014,021
Amount not available to common unitholders (thousand yen)	—	—
Net profit attributable to common investment units (thousand yen)	1,016,526	1,014,021
Average number of investment units during period (units)	356,800	356,800

## [Notes on Significant Subsequent Events]

At the meetings of the board of directors held on August 16, 2021 and August 24, 2021, the following resolutions to issue new investment units were passed, and payment was completed on September 1, 2021 for the issuance of new investment units through public offering and on September 29, 2021 for the issuance of new investment units through third-party allotment. As a result, as of September 29, 2021, unitholders' capital was 49,442,685,000 yen and the total number of investment units issued and outstanding was 467,099 units.

## (Issuance of new investment units through public offering)

Number of new investment units issued:	105,047 units
Amount of issue price (offer price):	121,327 yen per unit
Total amount of issue price (total offer price):	12,745,037,369 yen
Amount to be paid in (issue amount):	116,971 yen per unit
Total amount of amount to be paid in (issue amount):	12,287,452,637 yen
Payment due date:	September 1, 2021
Intended use:	It was used as part of the funds for acquisition of real estate trust beneficiary rights of 4 properties on September 2, 2021.

## (Issuance of new investment units through third-party allotment)

Number of new investment units issued:	5,252 units
Amount to be paid in (issue amount):	116,971 yen per unit
Total amount of amount to be paid in (issue amount):	614,331,692 yen
Payment due date:	September 29, 2021
Allottee:	Daiwa Securities Co. Ltd.
Intended use:	It is planned to be used as part of the funds for acquisition of specified assets or part of the funds for repayment of borrowings in the future, until which the funds will be deposited with a financial institution as funds on hand.

## (9) Changes in Total Number of Investment Units Issued and Outstanding

Changes in unitholders' capital and the total number of investment units issued and outstanding from the incorporation of SANKEI REAL ESTATE to the last day of the fiscal period under review (August 31, 2021) are as follows:

Date	Description	Unitholders' capital (thousand yen)		Total number of investment units issued and outstanding (units)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
Nov. 19, 2018	Incorporation through private placement	100,000	100,000	1,000	1,000	(Note 1)
Mar. 11, 2019	Capital increase through public offering	21,928,467	22,028,467	227,238	228,238	(Note 2)
Apr. 10, 2019	Capital increase through third-party allotment	1,096,433	23,124,900	11,362	239,600	(Note 3)
Sept. 2, 2019	Capital increase through public offering	12,777,138	35,902,038	111,619	351,219	(Note 4)
Sept. 26, 2019	Capital increase through third-party allotment	638,862	36,540,901	5,581	356,800	(Note 5)

(Note 1) Investment units were issued at a paid-in amount of 100,000 yen per unit upon the incorporation of SANKEI REAL ESTATE.

(Note 2) New investment units were issued through public offering at an issue price of 100,000 yen (paid-in amount of 96,500 yen) per unit for the purpose of procuring funds for acquisition of new properties.

(Note 3) New investment units were issued through third-party allotment accompanying the capital increase through public offering at a paid-in amount of 96,500 yen per unit.

(Note 4) New investment units were issued through public offering at an issue price of 118,734 yen (paid-in amount of 114,471 yen) per unit for the purpose of procuring funds for acquisition of new properties.

(Note 5) New investment units were issued through third-party allotment accompanying the capital increase through public offering at a paid-in amount of 114,471 yen per unit.

## 3. Reference Information

## (1) Information on Price of Assets Under Management, Etc.

## i. Investment Status

Asset group	Asset type	Geographic area (Note 1)	4th fiscal period (as of Feb. 28, 2021)		5th fiscal period (as of Aug. 31, 2021)		
			Total amount held (million yen) (Note 2)	As a percentage of total assets (%) (Note 3)	Total amount held (million yen) (Note 2)	As a percentage of total assets (%) (Note 3)	
Real estate	Office buildings	Greater Tokyo, Osaka City and Nagoya City	2,612	3.3	2,612	3.3	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-	
	Sub assets	Greater Tokyo, Osaka City and Nagoya City	-	-	-	-	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-	
Real estate in trust	Office buildings	Greater Tokyo, Osaka City and Nagoya City	56,728	71.4	56,609	70.9	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-	
	Sub assets	Greater Tokyo, Osaka City and Nagoya City	9,004	11.3	8,978	11.2	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,974	5.0	3,949	4.9	
	Hotels	Greater Tokyo, Osaka City and Nagoya City	9,004	11.3	8,978	11.2	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,974	5.0	3,949	4.9	
	Subtotal			72,320	91.0	72,149	90.4
	Deposits and other assets			7,162	9.0	7,698	9.6
Total assets			79,482	100.0	79,848	100.0	

(Note 1) "Greater Tokyo" refers to Tokyo, Kanagawa Prefecture, Saitama Prefecture and Chiba Prefecture.

"Core cities" refers to cities with population of 200,000 or more (excluding Greater Tokyo, Osaka City and Nagoya City, and other cities designated by government ordinance).

"Major regional cities" refers to cities that are municipalities with population of less than 200,000 and the Asset Management Company has deemed certain demand can be found for specific asset types.

(Note 2) "Total amount held" is based on the carrying amount (in the case of real estate and real estate in trust, the depreciated book value), rounded down to the nearest million yen. Furthermore, the total amount held for real estate in trust with hotel as the asset type includes the book value of movables incidental to hotels.

(Note 3) "As a percentage of total assets" is rounded to one decimal place.

	4th fiscal period (as of Feb. 28, 2021)		5th fiscal period (as of Aug. 31, 2021)	
	Amount (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)	Amount (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Total liabilities	41,925	52.7	42,293	53.0
Total net assets	37,557	47.3	37,555	47.0
Total assets	79,482	100.0	79,848	100.0

(Note 1) Total liabilities, total net assets and total assets amounts are each based on the carrying amount, rounded down to the nearest million yen.

(Note 2) "As a percentage of total assets" is rounded to one decimal place.

## ii. Investment Assets

The following are the assets held by SANKEI REAL ESTATE (real estate or trust beneficiary rights that have real estate as trust assets; hereinafter, may be collectively referred to as the “portfolio assets”) as of August 31, 2021.

## (A) Portfolio List

The property name, location, acquisition price, investment ratio, book value, appraisal value and acquisition date of the portfolio assets of SANKEI REAL ESTATE are as follows:

Asset type	Property Number	Property name	Location	Acquisition price (Note 1)		Book value (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Acquisition Date (Note 4)
				Price (million yen)	Investment ratio (%)			
Office buildings	A-1	Tokyo Sankei Building (Note 5)	Chiyoda-ku, Tokyo	2,509	3.5	2,612	2,690	Mar. 12, 2019
	A-2	BREEZÉ TOWER (Note 5)	Kita-ku, Osaka-shi, Osaka	i. 8,600 ii. 4,500 Total 13,100	18.3	13,076	17,280	i. Mar. 12, 2019 ii. Sept. 3, 2019
	A-3	S-GATE NIHONBASHI-HONCHO (Note 5)	Chuo-ku, Tokyo	6,698	9.4	6,707	7,470	Mar. 12, 2019
	A-4	S-GATE AKIHABARA	Chiyoda-ku, Tokyo	2,055	2.9	2,051	2,530	Mar. 12, 2019
	A-5	Hibiya Sankei Building	Chiyoda-ku, Tokyo	5,829	8.1	6,057	6,410	Mar. 12, 2019
	A-6	Hatchobori Sankei Building	Chuo-ku, Tokyo	4,959	6.9	5,011	5,500	Mar. 12, 2019
	A-7	Toyo Park Building	Koto-ku, Tokyo	3,782	5.3	3,892	3,610	Mar. 12, 2019
	A-8	Shinagawa Seaside TS Tower (Note 5)	Shinagawa-ku, Tokyo	10,040	14.0	10,107	11,000	Sept. 3, 2019
	A-9	Omori Park Building	Ota-ku, Tokyo	5,400	7.5	5,463	5,490	Sept. 3, 2019
	A-10	S-GATE AKASAKA (Note 5)	Minato-ku, Tokyo	4,200	5.9	4,242	4,266	Oct. 1, 2020
Subtotal			-	58,574	81.9	59,221	66,246	-
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Chuo-ku, Tokyo	8,961	12.5	8,978	9,010	Mar. 12, 2019
	B-2	Hotel Intergate Hiroshima	Naka-ku, Hiroshima-shi, Hiroshima	3,990	5.6	3,949	4,070	Sept. 3, 2019
Subtotal			-	12,951	18.1	12,927	13,080	-
Total			-	71,525	100.0	72,149	79,326	-

(Note 1) “Acquisition price” is the sale and purchase price of real estate and each trust beneficiary right stated in each sale and purchase agreement for the portfolio assets, rounded down to the nearest million yen. The sale and purchase prices do not include consumption tax, local consumption tax and the various expenses required for the acquisition. “Investment ratio” is the proportion of the acquisition price of each portfolio asset to the sum total amount of acquisition prices, rounded to one decimal place.

(Note 2) “Book value” is the depreciated book value for each portfolio asset as of August 31, 2021, rounded down to the nearest million yen.

(Note 3) “Appraisal value” is the appraisal value with an appraisal date of August 31, 2021, stated in each real estate appraisal report. The appraisal of each portfolio asset is entrusted to Japan Real Estate Institute, The Tanizawa Sōgō Appraisal Co., Ltd. and Daiwa Real Estate Appraisal Co., Ltd.

(Note 4) “Acquisition date” is the acquisition date stated in each sale and purchase agreement for the portfolio assets.

(Note 5) The acquisition price, book value and appraisal value are the figures equivalent to the co-ownership interest (2% for “Tokyo Sankei Building” and 51% for “S-GATE NIHONBASHI-HONCHO”) and the quasi co-ownership interest (45% for “BREEZÉ TOWER,” 25% for “Shinagawa Seaside TS Tower,” and 60% for “S-GATE AKASAKA”) held by SANKEI REAL ESTATE.

## (B) Overview of Buildings and Leasing

The property name, construction completion, total rental revenue, security and guarantee deposits, total leasable area, total leased area and occupancy rate of the portfolio assets of SANKEI REAL ESTATE are as follows:

Asset type	Property Number	Property name	Construction completion (Note 1)	Total rental revenue (million yen) (Note 2)	Security and guarantee deposits (million yen) (Note 3)	Total leasable area (m <sup>2</sup> ) (Note 4)	Total leased area (m <sup>2</sup> ) (Note 5)	Occupancy rate (%) (Note 6)
Office buildings	A-1	Tokyo Sankei Building (Note 7)	Sept. 28, 2000	95	81	881.69	826.25	93.7
	A-2	BREEZÉ TOWER (Note 7)	July 1, 2008	1,046	937	12,146.02	12,122.05	99.8
	A-3	S-GATE NIHONBASHI-HONCHO (Note 7)	Oct. 31, 2018	307	307	3,171.83	3,171.83	100.0
	A-4	S-GATE AKIHABARA	Sept. 29, 2017	130	130	1,681.55	1,681.55	100.0
	A-5	Hibiya Sankei Building	Jun. 25, 1992	382	324	3,439.61	3,439.61	100.0
	A-6	Hatchobori Sankei Building	Sept. 1, 1965	318	261	5,594.90	5,594.90	100.0
	A-7	Toyo Park Building	Jun. 18, 1991	179	143	4,224.52	3,497.61	82.8
	A-8	Shinagawa Seaside TS Tower (Note 7)	July 25, 2003	Not disclosed (Note 8)	Not disclosed (Note 8)	Not disclosed (Note 8)	Not disclosed (Note 8)	100.0
	A-9	Omori Park Building	May 31, 1993	281	261	7,469.72	7,131.88	95.5
	A-10	S-GATE AKASAKA (Note 7)	July 31, 2015	Not disclosed (Note 8)	Not disclosed (Note 8)	1,984.86	1,984.86	100.0
Subtotal (average)			-	3,423	2,957	Not disclosed (Note 8)	Not disclosed (Note 8)	97.6
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Jan. 18, 2018	413	206	6,006.53	6,006.53	100.0
	B-2	Hotel Intergate Hiroshima	Oct. 31, 2018	237	118	9,160.15	9,160.15	100.0
Subtotal (average)			-	651	325	15,166.68	15,166.68	100.0
Total (average)			-	4,075	3,283	Not disclosed (Note 8)	Not disclosed (Note 8)	98.2

(Note 1) "Construction completion" is the date of new construction completion stated in the registry of the main building for each portfolio asset. If there are multiple main buildings, the date of the oldest building stated in the registry is indicated. As for "Shinagawa Seaside TS Tower," the date of new construction completion stated in the registry of the building with the building number 100-1-9 is indicated.

(Note 2) "Total rental revenue" is the amount calculated by annualizing the monthly rent (Only the rent for the rental accommodation, excluding usage fees for warehouses, signboards, parking lots, etc., but including common service charges, etc. Free rent and rent holiday (\*1) will not be taken into consideration. As for rents that include floating rents in agreements with the tenants, the rents are calculated without taking floating rents into consideration. Consumption tax, etc. are not included. The same shall apply hereinafter.) for the building stated in the lease agreement for each portfolio asset effective as of August 31, 2021, rounded down to the nearest million yen. The amount calculated by annualizing the monthly rent stated in the lease agreement concluded with the end tenant with respect to the portion in the pass-through-type master lease agreement (\*2) is indicated when a pass-through-type master lease agreement has been concluded for the portfolio assets.

(\*1) "Free rent" refers to measures temporarily reducing rent or other amount for mainly tenants newly moving in that temporarily reduce costs associated with moving so as to encourage them to move in. "Rent holiday" refers to an agreement on measures temporarily reducing rent or other amount on a regular or irregular basis for a certain period of time during a tenant's period of occupancy. The same shall apply hereinafter. Unless otherwise stated, calculations are made without taking free rent or rent holiday into consideration when calculating monthly rent, etc. in this document.

(\*2) "Pass-through-type master lease agreement" refers to master lease agreements that have no rent guarantee.

(Note 3) "Security and guarantee deposits" is the total amount of security and guarantee deposits (including the amount expected to be received based on each lease agreement, but excluding security and guarantee deposits for warehouses, signboards, parking lots, etc.) based on the lease agreement for each portfolio asset as of August 31, 2021, rounded down to the nearest million yen. The amount of security deposits stated in the lease agreement concluded with the end tenant with respect to the portion in the pass-through-type master lease agreement is indicated when a pass-through-type master lease agreement has been concluded for the portfolio assets.

(Note 4) "Total leasable area" is the area (excluding area of warehouse, signboard, parking lot, etc.) expected to be leasable based on the lease agreement, drawing, etc. of the buildings for each portfolio asset as of August 31, 2021, rounded down to two decimal places.

(Note 5) "Total leased area" is the total leased area (excluding area of warehouse, signboard, parking lot, etc.) stated in the lease agreement (excluding leased agreements under which the lease period is yet to commence) for each portfolio asset as of August 31, 2021, rounded down to two decimal places. With respect to the portion which comes under the pass-through-type master lease agreement, the total area for which the lease agreement has actually been concluded with the end tenant and for which the lease period has commenced is indicated, rounded down to two decimal places.

(Note 6) "Occupancy rate" is the ratio of total leased area to total leasable area for each portfolio asset as of August 31, 2021, rounded to one decimal place. In addition, each subtotal and portfolio total figure is the ratio of the sum total of total leased area to the sum total of total leasable area for each portfolio asset, rounded to one decimal place.

(Note 7) The total rental revenue, security and guarantee deposits, total leasable area and total leased area are the figures equivalent to the co-ownership interest (2% for "Tokyo Sankei Building" and 51% for "S-GATE NIHONBASHI-HONCHO") and the quasi co-ownership interest (45% for "BREEZÉ TOWER," 25% for "Shinagawa Seaside TS Tower," and 60% for "S-GATE AKASAKA") held by SANKEI REAL ESTATE.

(Note 8) Not disclosed, due to unavoidable circumstances in that such contains information for which consent for disclosure has not been obtained from the tenant, relevant party, etc. or information from which confidential information can be derived.

## (C) Overview of Real Estate Appraisal Reports

The following is an overview of each real estate appraisal report prepared by Japan Real Estate Institute, The Tanizawa Sōgō Appraisal Co., Ltd. and Daiwa Real Estate Appraisal Co., Ltd. upon being entrusted by SANKEI REAL ESTATE and the Asset Management Company with the appraisal of the portfolio assets of SANKEI REAL ESTATE. The concerned real estate appraisal reports are the appraisal company's judgment and opinion at a certain point in time, and are not a guarantee of the validity or accuracy of the content thereof, possibility of transaction at the concerned appraisal value, etc. Furthermore, there is no special vested interest between Japan Real Estate Institute, The Tanizawa Sōgō Appraisal Co., Ltd. or Daiwa Real Estate Appraisal Co., Ltd. and SANKEI REAL ESTATE or the Asset Management Company.

Asset type	Property Number	Property name	Appraiser	Appraisal value (million yen) (Note 1)	Overview of appraisal report					
					Direct capitalization method		DCF method			Indicated value by cost approach (million yen)
					Indicated value by income approach (million yen)	Cap rate (%)	Indicated value by income approach (million yen)	Discount rate (%)	Terminal cap rate (%)	
Office buildings	A-1	Tokyo Sankei Building (Note 2)	Japan Real Estate Institute	2,690	2,730	2.5	2,640	2.2	2.6	2,750
	A-2	BREEZÉ TOWER (Note 2)	Japan Real Estate Institute	17,280	17,415	3.8	17,145	3.4	4.0	15,705
	A-3	S-GATE NIHONBASHI-HONCHO (Note 2)	Japan Real Estate Institute	7,470	7,590	3.3	7,340	3.0	3.5	6,650
	A-4	S-GATE AKIHABARA	Japan Real Estate Institute	2,530	2,570	3.5	2,490	3.3	3.7	2,460
	A-5	Hibiya Sankei Building	Japan Real Estate Institute	6,410	6,550	3.0	6,260	2.8	3.2	6,970
	A-6	Hatchobori Sankei Building	The Tanizawa Sōgō Appraisal Co., Ltd.	5,500	5,710	4.1	5,410	4.2	4.3	5,660
	A-7	Toyo Park Building	Japan Real Estate Institute	3,610	3,650	4.0	3,560	3.7	4.1	2,990
	A-8	Shinagawa Seaside TS Tower (Note 2)	The Tanizawa Sōgō Appraisal Co., Ltd.	11,000	11,425	3.6	10,825	3.7	3.8	10,425
	A-9	Omori Park Building	Japan Real Estate Institute	5,490	5,590	3.8	5,380	3.6	4.0	5,530
	A-10	S-GATE AKASAKA (Note 2)	Japan Real Estate Institute	4,266	4,362	3.2	4,164	3.0	3.4	3,942
Subtotal				66,246	67,592	-	65,214	-	-	63,082
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Daiwa Real Estate Appraisal Co., Ltd.	9,010	9,160	3.8	8,950	3.6	4.0	8,710
	B-2	Hotel Intergate Hiroshima	Japan Real Estate Institute	4,070	4,110	4.6	4,030	4.4	4.8	4,320
Subtotal				13,080	13,270	-	12,980	-	-	13,030
Total				79,326	80,862	-	78,194	-	-	76,112

(Note 1) "Appraisal value" is the appraisal value with an appraisal date of August 31, 2021, stated in each real estate appraisal report.

(Note 2) The appraisal value, indicated value by income approach based on direct capitalization method, indicated value by income approach based on DCF method and indicated value by cost approach are the figures equivalent to the co-ownership interest (2% for "Tokyo Sankei Building" and 51% for "S-GATE NIHONBASHI-HONCHO") and the quasi co-ownership interest (45% for "BREEZÉ TOWER," 25% for "Shinagawa Seaside TS Tower," and 60% for "S-GATE AKASAKA") held by SANKEI REAL ESTATE.

## (2) Capital Expenditures

## i. Schedule of Capital Expenditures

Of capital expenditures associated with renovation work, etc. currently planned for assets held by SANKEI REAL ESTATE as of August 31, 2021, the following are the major estimated amounts (10 million yen or more). The estimated construction costs below may include the portion separately charged to expenses in accounting.

Name of real estate, etc. (Location)	Purpose	Scheduled period	Expected construction cost (million yen)		
			Total amount	Amount of payment during period	Total amount already paid
Hibiya Sankei Building (Chiyoda-ku, Tokyo)	Renewal of power distribution panel equipment	From: Nov. 1, 2021 To: Nov. 30, 2021	12	-	-
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Renewal of telephone and switching equipment Renewal of switching peripheral equipment	From: Feb. 1, 2022 To: Feb. 28, 2022	11	-	-

## ii. Capital Expenditures during the Fiscal Period

Major construction works falling under the category of capital expenditures of 10 million yen or more conducted in the fiscal period under review for assets held by SANKEI REAL ESTATE as of August 31, 2021 are as follows: For the fiscal period under review, capital expenditures amounted to 57 million yen and repair expenses separately charged to expenses amounted to 39 million yen for a combined total of 96 million yen of construction works implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of payment (million yen)
Toyo Park Building (Koto-ku, Tokyo)	Installation of raised flooring	From: July 1, 2021 To: Aug. 25, 2021	12
Other			44
Total			57

## iii. Cash Reserves for Long-Term Repair Plans

Based on long-term repair plans formulated on a property-by-property basis, SANKEI REAL ESTATE makes the following provision of reserve for repairs from cash flows during the fiscal period for the purpose of allocating to medium- to long-term future large-scale repairs and other funds.

Fiscal period	1st fiscal period From: Nov. 19, 2018 To: Aug. 31, 2019	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020	3rd fiscal period From: Mar. 1, 2020 To: Aug. 31, 2020	4th fiscal period From: Sept. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
Balance of reserve at beginning of period (thousand yen)	-	95,103	130,466	217,842	175,880
Provision of reserve during period (thousand yen)	95,103	105,897	128,187	59,293	59,293
Reversal of reserve during period (thousand yen)	-	70,534	40,812	101,255	25,496
Reserve carried forward (thousand yen)	95,103	130,466	217,842	175,880	209,678