

(REIT) Financial Report for the Fiscal Period Ended February 2022

April 15, 2022

REIT Securities Issuer: SANKEI REAL ESTATE Inc.
TSE Code: 2972
Representative: Yuichi Ota, Executive Director

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

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Scheduled date of submission of semiannual securities report: May 30, 2022
Scheduled date of commencement of distribution payment: May 27, 2022

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 February 2022 (from September 1, 2021, to February 28, 2022)

(1) Management Status (% 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 Feb. 2022	2,778	27.7	1,540	35.0	1,392	37.2	1,391	37.2
ended Aug. 2021	2,176	1.3	1,141	2.0	1,014	(0.2)	1,014	(0.2)

	Earnings per unit	Return on equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenue
	yen	%	%	%
Fiscal period ended Feb. 2022	2,983	3.1	1.5	50.1
ended Aug. 2021	2,841	2.7	1.3	46.6

(Note) Earnings per unit is calculated by dividing net profit by the daily weighted average number of investment units (fiscal period ended August 2021: 356,800 units; fiscal period ended February 2022: 466,286 units).

(2) Distribution

	Distribution per unit (excluding distribution in excess of earnings)	Total distribution (excluding distribution in excess of earnings)	Distribution 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 Feb. 2022	2,979	1,391	-	-	2,979	1,391	100.0	2.8
ended Aug. 2021	2,842	1,014	20	7	2,862	1,021	100.0	2.7

(Note 1) Due to issuance of new investment units during the fiscal period resulting in change in the number of investment units during the fiscal period, payout ratio of the fiscal period ended February 2022 is calculated by the following formula and rounded to one decimal place.

Payout ratio = Total distribution (excluding distribution in excess of earnings) / Net profit × 100

(Note 2) The entire amount of the total distribution in excess of earnings in the fiscal period ended August 2021 is a refund of investment that falls under distribution reducing investment, etc. under tax law.

(Note 3) 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) for the fiscal period ended August 2021, was 0.001.

(Note 4) 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 Feb. 2022	106,523	50,827	47.7	108,814
ended Aug. 2021	79,848	37,555	47.0	105,255

(4) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal period ended Feb. 2022	1,203	(24,870)	24,651	8,242
ended Aug. 2021	1,396	(60)	(1,022)	7,257

2. Operating Forecasts for the Fiscal Period Ending August 2022 (from March 1, 2022, to August 31, 2022) and Operating Forecasts for the Fiscal Period Ending February 2023 (from September 1, 2022, to February 28, 2023)

(% 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)	Distribution in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
Fiscal period ending Aug. 2022	2,996	7.8	1,620	5.2	1,458	4.7	1,457	4.7	3,120	-
ending Feb. 2023	2,772	(7.5)	1,222	(24.6)	1,046	(28.3)	1,045	(28.3)	2,239	-

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

Fiscal period ending August 2022: 3,120 yen

Fiscal period ending February 2023: 2,238 yen

(Note) Distribution per unit (excluding distribution in excess of earnings) is calculated based on the 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.: Yes
- ii. Changes in accounting policies other than i: None
- iii. Changes in accounting estimates: None
- iv. Retrospective restatements: None

(Note) For details, see “(8) Notes on Changes in Accounting Policies” on page 15.

(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 Feb. 2022	467,099 units	Fiscal period ended Aug. 2021	356,800 units
ii. Number of treasury investment units at end of period	Fiscal period ended Feb. 2022	0 units	Fiscal period ended Aug. 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 22.

* 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 August 2022 (from March 1, 2022, to August 31, 2022) and Fiscal Period Ending February 2023 (from September 1, 2022, to February 28, 2023)” on pages 6 and 7.

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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 Trust 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 Trust Act on December 17, 2018 (Registration No. 140 with the Director-General of the Kanto Local Finance Bureau). Later, SANKEI REAL ESTATE was listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. on March 12, 2019 (TSE code: 2972).

In the fiscal period under review, new investment units (105,047 units) were issued through a public offering with September 1, 2021, as the payment due date, and new investment units (5,252 units) were issued through third-party allotment accompanying the capital increase through public offering with September 29, 2021, as the payment due date. A cash distribution of a sum exceeding profit of 20 yen per unit (contribution refund that falls under distribution through reduction in unitholders' capital for tax purposes) as the cash distribution for the 5th fiscal period (ended August 2021) resolved at SANKEI REAL ESTATE's board of directors' meeting held on October 15, 2021, and payment of the distribution commenced on November 22, 2021. As a result, as of the last day of the fiscal period under review (February 28, 2022), the total number of investment units issued and outstanding was 467,099 units, and unitholders' capital (net) was 49,435 million yen.

ii. Management Environment

In the fiscal period under review (fiscal period ended February 2022), although the Japanese economy continued to show movements of picking up, some weakness was seen amid difficult conditions due to the impact of COVID-19, and pre-emergency measures for COVID-19 based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Responses (Act No. 31 of 2012, as amended) were implemented due to the spread of infection caused by Omicron variant. This, among other factors, made it an environment in which economic developments continued to require attention. Overseas, while the economy continued to pick up from the difficult situation caused by COVID-19, attention should be given to the impact of Russia's invasion of Ukraine in February 2022 on the global economy. Under such economic circumstances, in terms of the office building market, which SANKEI REAL ESTATE sets as the primary investment target, movements to cancel lease agreements continued due to factors such as the consolidation of locations and the reduction of fixed expenses (rent payments, etc.), and the vacancy rate remained the same or continued to rise while rents declined slightly or remained the same in Tokyo, Osaka and Fukuoka 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 generally remained at the same level as the previous year 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 preventative measure against with the spread of COVID-19, and further relaxation of border measures are expected in future.

iii. Management Performance

SANKEI REAL ESTATE executed fund procurement of 12,287 million yen through a capital increase through public offering, and acquired four properties on September 2, 2021 (two of which were additional acquisitions) for a total acquisition price (Note 1) of 25,100 million yen with the procured funds and borrowings. As a result, the portfolio of SANKEI REAL ESTATE as of the last day of the fiscal period under review consisted of 14 properties with an asset size (total acquisition price) of 96,625 million yen.

As a result, the occupancy rate (Note 2) of the 14 portfolio properties as of the last day of the fiscal period under review remained high at 99.1%, and operating revenue from real estate leasing was 2,778 million yen, 27.7% 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 105,713 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 prevent the occurrence of vacancies through careful efforts based on the condition of the COVID-19 pandemic and trends of the rental market. In addition, active efforts were made in leasing activities, and the filling of vacancies that occurred in some assets under management was almost completed during the period under review. At the same time, repairs and capital expenditures were narrowed down to those that contribute to maintenance and improvement of the competitiveness of the assets under management.

The number of requests for rent decrease, deferment of rent payment, etc. due to the spread of COVID-19 from some tenants occupying office buildings that are assets under management decreased in the fiscal period under review compared to when the first state of emergency was declared in April 2020, and the impact on management performance in the fiscal period under review is minimal because the assets under management mainly have office tenants. In addition, although the two hotel properties held by SANKEI REAL ESTATE (Hotel Intergate Tokyo Kyobashi, Hotel Intergate Hiroshima) 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 continue 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 unitholder value based on the “Sustainability Policy” in the Asset Management Company’s management guidelines.

SANKEI REAL ESTATE acquired 3 Star and Green Star ratings in October 2021 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. In addition, two of the hotels owned obtained evaluations under the Building-Housing Energy-efficiency Labelling System (BELS) in December 2021.

(Note 1) “Acquisition price” is the sale and purchase price of each trust beneficiary right stated in the sale and purchase agreement for each acquisition 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 same shall apply hereinafter.

(Note 2) “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
(Equity Financing)

In the fiscal period under review, 12,287 million yen was procured by issuing new investment units (105,047 units) through public offering with September 1, 2021, as the payment due date. In addition, 614 million yen was procured by issuing new investment units (5,252 units) through third-party allotment accompanying the capital increase through public offering with September 29, 2021, as the payment due date.

(Debt Financing)

In the fiscal period under review, 13,400 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, Resona Bank, Limited., Aozora Bank, Ltd., The Nishi-Nippon City Bank, Ltd., Kansai Mirai Bank, Limited and The Chiba Bank, Ltd. through a loan syndicate with Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation as the arrangers on September 2, 2021, to coincide with the acquisition of properties.

Of the above borrowings, 600 million yen was repaid early on November 2, 2021, using the proceeds from the above capital increase through third-party allotment.

In addition, 4,300 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, Resona Bank, Limited and Aozora Bank, Ltd. through a loan syndicate with Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation as the arrangers on October 1, 2021, to repay 4,300 million yen of long-term borrowings due for repayment on the same day.

As a result, as of the last day of the fiscal period under review, the balance of borrowings outstanding was 50,600 million yen and the ratio of interest-bearing liabilities to total assets (hereinafter, “LTV ratio”) was 47.5%.

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 2,778 million yen, operating profit of 1,540 million yen, ordinary profit of 1,392 million yen, and net profit of 1,391 million yen.

Concerning distribution, in accordance with SANKEI REAL ESTATE’s cash 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 1,391,487,921 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 2,979 yen.

(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 and approval of new drugs ahead, the environment will likely continue to be one in which downside risks to the Japanese and overseas economies being affected by movements in Russia’s invasion of Ukraine, 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. While social and economic activities are expected to recover with rising vaccination rates, but it is necessary to monitor future trends in office demand including potential risks such as changes in work styles and moves to reduce fixed expenses (rent payments, etc.) accompanying downside risk to economies. SANKEI REAL ESTATE has concerns that the consolidation of locations and reduction of office space will progress due to the impact of increased telecommuting such as working from home and intentions to reduce fixed expenses (rent payments, etc.), and due to plans for a large volume of new supply especially in central Tokyo in 2023, it is believed that the occurrence of vacancies and a drop in rents due to the relocation of tenants will progress. We will further reinforce the relationship with tenants and continue consultations and responses as required, while closely monitoring tenants’ business performance, trends, 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
Not applicable.

iii. Operating Forecasts

SANKEI REAL ESTATE’s operating forecasts for the fiscal period ending August 2022 (from March 1, 2022, to August 31, 2022) and fiscal period ending February 2023 (from September 1, 2022, to February 28, 2023) are as follows:

	Operating revenue	Operating profit	Ordinary profit	Net profit	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
	million yen	million yen	million yen	million yen	yen	yen
Fiscal period ending Aug. 2022	2,996	1,620	1,458	1,457	3,120	-
ending Feb. 2023	2,772	1,222	1,046	1,045	2,239	-

Furthermore, for the assumptions underlying the operating forecasts, please refer to “Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending August 2022 (from March 1, 2022, to August 31, 2022) and Fiscal Period Ending February 2023 (from September 1, 2022, to February 28, 2023)” 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 August 2022 (from March 1, 2022, to August 31, 2022) and Fiscal Period Ending February 2023 (from September 1, 2022, to February 28, 2023)

Item	Assumptions																														
Accounting period	<ul style="list-style-type: none"> Fiscal period ending August 2022 (7th fiscal period) (from March 1, 2022, to August 31, 2022) (184 days) Fiscal period ending February 2023 (8th fiscal period) (from September 1, 2022, to February 28, 2023) (181 days) 																														
Assets under management	<ul style="list-style-type: none"> 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 February 2023. In actual practice, change may arise due to acquisition of new properties, disposition of portfolio properties, etc. 																														
Operating revenue	<ul style="list-style-type: none"> 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. For the fiscal period ending August 2022, income from penalties for cancellation associated with cancellation by tenants of Shinagawa Seaside TS Tower was recorded. In addition, income from settlement of work to restore to the original state associated with such cancellations was recorded for the fiscal period ending February 2023. The assumption is that there will be no delinquent or unpaid rent by tenants. Assuming that the effects of the spread of COVID-19 will continue through to the end of the fiscal period ending February 2023, 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 period ended August 2021 and the period ended February 2022. 																														
Operating expenses	<ul style="list-style-type: none"> Of operating expenses, the main components are as follows: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th colspan="3" style="text-align: right;">(Unit: million yen)</th> </tr> <tr> <th></th> <th>Fiscal period ending Aug. 2022</th> <th>Fiscal period ending Feb. 2023</th> </tr> </thead> <tbody> <tr> <td>Total expenses related to leasing business</td> <td style="text-align: right;">1,056</td> <td style="text-align: right;">1,245</td> </tr> <tr> <td> Outsourcing expenses</td> <td style="text-align: right;">203</td> <td style="text-align: right;">213</td> </tr> <tr> <td> Utilities expenses</td> <td style="text-align: right;">151</td> <td style="text-align: right;">143</td> </tr> <tr> <td> Repair expenses</td> <td style="text-align: right;">67</td> <td style="text-align: right;">267</td> </tr> <tr> <td> Property taxes</td> <td style="text-align: right;">301</td> <td style="text-align: right;">301</td> </tr> <tr> <td> Depreciation</td> <td style="text-align: right;">308</td> <td style="text-align: right;">295</td> </tr> <tr> <td>Other than expenses related to leasing business [Total]</td> <td style="text-align: right;">319</td> <td style="text-align: right;">303</td> </tr> <tr> <td> Asset management fee</td> <td style="text-align: right;">265</td> <td style="text-align: right;">245</td> </tr> </tbody> </table> 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. Depreciation is calculated using the straight-line method. 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. 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. For the fiscal period ending February 2023, expenses to restore to the original state associated with cancellation by tenants of Shinagawa Seaside TS Tower was recorded under repair expenses. 	(Unit: million yen)				Fiscal period ending Aug. 2022	Fiscal period ending Feb. 2023	Total expenses related to leasing business	1,056	1,245	Outsourcing expenses	203	213	Utilities expenses	151	143	Repair expenses	67	267	Property taxes	301	301	Depreciation	308	295	Other than expenses related to leasing business [Total]	319	303	Asset management fee	265	245
(Unit: million yen)																															
	Fiscal period ending Aug. 2022	Fiscal period ending Feb. 2023																													
Total expenses related to leasing business	1,056	1,245																													
Outsourcing expenses	203	213																													
Utilities expenses	151	143																													
Repair expenses	67	267																													
Property taxes	301	301																													
Depreciation	308	295																													
Other than expenses related to leasing business [Total]	319	303																													
Asset management fee	265	245																													
Non-operating expenses	<ul style="list-style-type: none"> As interest expenses and other borrowing-related expenses, 152 million yen is assumed for the fiscal period ending August 2022 and 166 million yen for the fiscal period ending February 2023. As amortization of investment unit issuance expenses, 6 million yen is assumed for the fiscal period ending August 2022 and 6 million yen for the fiscal period ending February 2023. 																														

Item	Assumptions
Interest-bearing liabilities	<ul style="list-style-type: none"> • The assumption is that total interest-bearing liabilities will be 50,200 million yen at the end of the fiscal period ending August 2022 and 50,200 million yen at the end of the fiscal period ending February 2023. • The assumption is that 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 there will be no change in the balance of borrowings other than the above through to the end of the fiscal period ending February 2023. • LTV ratio is expected to be 47.2% at the end of the fiscal period ending August 2022 and 47.4% at the end of the fiscal period ending February 2023. LTV ratio is calculated by the following formula and rounded to one decimal place. $\text{LTV ratio} = \frac{\text{Total interest-bearing liabilities}}{\text{Total assets}} \times 100$
Number of investment units issued and outstanding	<ul style="list-style-type: none"> • 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 February 2023. • 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 August 2022 and fiscal period ending February 2023 of 467,099 units.
Distribution per unit (excluding distribution in excess of earnings)	<ul style="list-style-type: none"> • 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. • 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.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • No cash distribution in excess of earnings is planned to be made at this point in time.
Other	<ul style="list-style-type: none"> • The assumption is that the negative impact of the spread of COVID-19 will not further increase. • The assumption is that further expansion of the military invasion of Ukraine by Russia and the rise in global resources and energy prices and additional pressure on the supply-and-demand balance associated with this will not have a significant adverse impact on the Japanese economy, and also that the outlook for interest rate hikes by the central banks of the United States and Europe as well as further progression of the depreciation of the yen will not have an adverse impact on the Japanese financial market. • 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. • The assumption is that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.

(2) Investment Risks

Disclosure is omitted, because there is no significant change from "Investment Risks" in the semiannual securities report (submitted on November 26, 2021).

2. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	5th fiscal period (as of Aug. 31, 2021)	6th fiscal period (as of Feb. 28, 2022)
Assets		
Current assets		
Cash and deposits	4,457,965	4,512,675
Cash and deposits in trust	2,799,257	3,729,623
Operating accounts receivable	36,079	89,938
Prepaid expenses	59,212	61,458
Consumption taxes receivable	-	389,377
Other	77	-
Total current assets	7,352,593	8,783,072
Non-current assets		
Property, plant and equipment		
Buildings	169,301	179,269
Accumulated depreciation	(15,201)	(18,849)
Buildings, net	154,100	160,419
Structures	544	544
Accumulated depreciation	(25)	(39)
Structures, net	518	504
Land	2,457,766	2,457,766
Buildings in trust	14,340,970	18,708,509
Accumulated depreciation	(992,106)	(1,291,738)
Buildings in trust, net	13,348,864	17,416,771
Structures in trust	23,832	71,171
Accumulated depreciation	(1,435)	(2,476)
Structures in trust, net	22,396	68,695
Machinery and equipment in trust	11,302	11,302
Accumulated depreciation	(564)	(1,131)
Machinery and equipment in trust, net	10,737	10,170
Tools, furniture and fixtures in trust	28,239	29,876
Accumulated depreciation	(5,727)	(7,822)
Tools, furniture and fixtures in trust, net	22,512	22,054
Land in trust	56,132,575	77,433,848
Construction in progress in trust	281,344	32,673
Total property, plant and equipment	72,430,815	97,602,903
Intangible assets		
Software	4,833	3,893
Total intangible assets	4,833	3,893
Investments and other assets		
Long-term prepaid expenses	43,724	93,338
Deferred tax assets	13	10
Leasehold and guarantee deposits	10,000	10,000
Total investments and other assets	53,738	103,348
Total non-current assets	72,489,387	97,710,146
Deferred assets		
Investment unit issuance expenses	6,488	30,124
Total deferred assets	6,488	30,124
Total assets	79,848,468	106,523,343

(Unit: thousand yen)

	5th fiscal period (as of Aug. 31, 2021)	6th fiscal period (as of Feb. 28, 2022)
Liabilities		
Current liabilities		
Operating accounts payable	225,346	126,748
Short-term borrowings	-	400,000
Long-term borrowings due within 1 year	9,900,000	11,500,000
Accounts payable - other	494,644	242,634
Accrued expenses	27,936	38,805
Income taxes payable	875	815
Consumption taxes payable	89,208	-
Advances received	339,943	485,392
Deposits received	14,065	11,356
Total current liabilities	11,092,019	12,805,752
Non-current liabilities		
Long-term borrowings	27,900,000	38,700,000
Leasehold and guarantee deposits received	82,139	87,974
Leasehold and guarantee deposits received in trust	3,219,176	4,102,499
Total non-current liabilities	31,201,315	42,890,473
Total liabilities	42,293,334	55,696,225
Net assets		
Unitholders' equity		
Unitholders' capital	36,540,901	49,442,685
Deduction from unitholders' capital	-	(7,136)
Unitholders' capital (net)	36,540,901	49,435,549
Surplus		
Unappropriated retained earnings (undisposed loss)	1,014,232	1,391,567
Total surplus	1,014,232	1,391,567
Total unitholders' equity	37,555,134	50,827,117
Total net assets	*1 37,555,134	*1 50,827,117
Total liabilities and net assets	79,848,468	106,523,343

(2) Statement of Income

(Unit: thousand yen)

	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022
Operating revenue		
Leasing business revenue	*1 2,032,902	*1 2,615,817
Other leasing business revenue	*1 143,210	*1 162,297
Total operating revenue	2,176,113	2,778,114
Operating expenses		
Expenses related to leasing business	*1 793,758	*1 972,543
Asset management fee	195,532	210,809
Asset custody fee	1,575	2,013
Administrative service fees	7,100	8,760
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	33,203	40,098
Total operating expenses	1,034,769	1,237,824
Operating profit	1,141,343	1,540,290
Non-operating income		
Interest income	31	37
Insurance claim income	994	253
Interest on refund	50	-
Other	15	17
Total non-operating income	1,091	308
Non-operating expenses		
Interest expenses	66,412	88,264
Borrowing related expenses	61,120	48,540
Amortization of investment unit issuance expenses	-	6,024
Other	-	5,583
Total non-operating expenses	127,533	148,414
Ordinary profit	1,014,902	1,392,184
Net profit before income taxes	1,014,902	1,392,184
Income taxes - current	880	820
Income taxes - deferred	0	2
Total income taxes	880	823
Net profit	1,014,021	1,391,360
Retained earnings brought forward	210	207
Unappropriated retained earnings (undisposed loss)	1,014,232	1,391,567

(3) Statement of Unitholders' Equity
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	*1 36,540,901	1,014,232	1,014,232	37,555,134	37,555,134

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

(Unit: thousand yen)

	Unitholders' equity					Total net assets	
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital (net)	Surplus			Total unitholders' equity
				Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	36,540,901		36,540,901	1,014,232	1,014,232	37,555,134	37,555,134
Changes in items during period							
Issuance of new investment units	12,901,784		12,901,784			12,901,784	12,901,784
Distribution in excess of earnings		(7,136)	(7,136)			(7,136)	(7,136)
Dividend of surplus				(1,014,025)	(1,014,025)	(1,014,025)	(1,014,025)
Net profit				1,391,360	1,391,360	1,391,360	1,391,360
Total changes in items during period	12,901,784	(7,136)	12,894,648	377,335	377,335	13,271,983	13,271,983
Balance at end of period	*1 49,442,685	(7,136)	49,435,549	1,391,567	1,391,567	50,827,117	50,827,117

(4) Statement of Cash Distribution

(Unit: yen)

	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022
I. Unappropriated retained earnings	1,014,232,892	1,391,567,971
II. Additional distributions in excess of earnings		
Deduction from unitholders' capital	7,136,000	-
III. Amount of distribution	1,021,161,600	1,391,487,921
[Amount of distribution per unit]	[2,862]	[2,979]
of which, distribution of earnings	1,014,025,600	1,391,487,921
[of which, distribution of earnings per unit]	[2,842]	[2,979]
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	207,293	80,050

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 1,014,025,600 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>	<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 1,391,487,921 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (467,099 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>
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(5) Statement of Cash Flows

(Unit: thousand yen)

	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022
Cash flows from operating activities		
Net profit before income taxes	1,014,902	1,392,184
Depreciation	229,481	307,937
Amortization of investment unit issuance expenses	-	6,024
Interest income	(31)	(37)
Interest expenses	66,412	88,264
Decrease (increase) in operating accounts receivable	20,672	(47,934)
Decrease (increase) in consumption taxes refund receivable	9,321	(389,377)
Decrease (increase) in prepaid expenses	(12,615)	(2,245)
Increase (decrease) in operating accounts payable	18,847	(86,226)
Increase (decrease) in accounts payable - other	12,407	9,619
Increase (decrease) in consumption taxes refund payable	89,208	(89,208)
Increase (decrease) in advances received	(33,871)	145,449
Increase (decrease) in deposits received	6,568	(2,709)
Decrease (increase) in long-term prepaid expenses	(487)	(49,613)
Decrease (increase) in other assets	40,937	77
Subtotal	1,461,754	1,282,204
Interest received	31	37
Interest paid	(64,651)	(77,396)
Income taxes paid	(884)	(881)
Net cash provided by (used in) operating activities	1,396,250	1,203,964
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,460)	(9,967)
Purchase of property, plant and equipment in trust	(28,670)	(25,743,595)
Proceeds from leasehold and guarantee deposits received	2,572	5,933
Refund of leasehold and guarantee deposits received	(19)	(98)
Proceeds from leasehold and guarantee deposits received in trust	3,970	1,005,708
Refund of leasehold and guarantee deposits received in trust	(35,084)	(128,308)
Net cash provided by (used in) investing activities	(60,691)	(24,870,328)
Cash flows from financing activities		
Proceeds from short-term borrowings	-	1,000,000
Repayments of short-term borrowings	-	(600,000)
Proceeds from long-term borrowings	4,800,000	16,700,000
Repayments of long-term borrowings	(4,800,000)	(4,300,000)
Proceeds from issuance of investment units	-	12,901,784
Payments of investment unit issuance expenses	(6,488)	(29,661)
Distribution paid	(1,015,975)	(1,020,683)
Net cash provided by (used in) financing activities	(1,022,464)	24,651,439
Net increase (decrease) in cash and cash equivalents	313,095	985,075
Cash and cash equivalents at beginning of period	6,944,127	7,257,223
Cash and cash equivalents at end of period	*1 7,257,223	*1 8,242,298

(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:</p> <table border="0" style="margin-left: 20px;"> <tr> <td>Buildings</td> <td style="text-align: right;">1–65 years</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">6–59 years</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">8–10 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: right;">4–8 years</td> </tr> </table> <p>(2) Intangible assets The straight-line method is adopted.</p> <p>(3) Long-term prepaid expenses The straight-line method is adopted.</p>	Buildings	1–65 years	Structures	6–59 years	Machinery and equipment	8–10 years	Tools, furniture and fixtures	4–8 years
Buildings	1–65 years								
Structures	6–59 years								
Machinery and equipment	8–10 years								
Tools, furniture and fixtures	4–8 years								
<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>(1) Standards for revenue recognition The details of performance obligations concerning revenue from contracts with SANKEI REAL ESTATE's customers and the time when the performance obligations are normally satisfied (the normal time to recognize revenue) are as follows.</p> <ul style="list-style-type: none"> i. Sale of real estate, etc. Revenue is recognized for the sale of real estate at the time the buyer who is a customer gains control of the real estate, etc. through the performance of delivery obligations specified in a contract on the sale of real estate. ii. Utilities reimbursement Revenue is recognized for utilities reimbursement according to the supply of electricity, water, etc. to tenants who are customers based on the content of lease agreements for real estate and incidental agreements. For the utilities reimbursement for which SANKEI REAL ESTATE is deemed to be an agent, the net amount after deducting the amount to be paid to another party from the amount received from the other party as charges for electricity, gas, etc. provided by said party is recorded as revenue. <p>(2) 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, etc. included in the cost of acquisition of real estate, etc. was nil in the previous fiscal period. The amount equivalent to fixed asset tax, etc. included in the cost of acquisition of real estate, etc. was 48,733 thousand yen 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>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.</p> <ul style="list-style-type: none"> 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 								

(8) Notes on Changes in Accounting Policies

1. Changes due to the application of the “Accounting Standard for Revenue Recognition”

The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020; hereinafter “Revenue Recognition Accounting Standard”) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 issued on March 26, 2021) have been applied from the beginning of the fiscal period under review, and the amount expected to be received in exchange for goods or services is recognized as revenue at the time control of the promised goods or services is transferred to the customer. The application of the accounting standard has no impact on the financial statements. In accordance with the transitional treatment specified in section 89-3 of the Revenue Recognition Accounting Standard, notes on “Revenue Recognition” for the previous fiscal period are not stated.

2. Changes due to the application of the “Accounting Standard for Fair Value Measurement”

The “Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan (ASBJ) Statement No. 30 issued on July 4, 2019; hereinafter referred to as Fair Value Measurement Accounting Standard), etc. have been applied from the beginning of the fiscal period under review, and in accordance with the transitional treatment specified in section 19 of the Fair Value Measurement Accounting Standard and section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019), the new accounting policies specified by the Fair Value Measurement Accounting Standard, etc. will apply into the future. They have no impact on the financial statements.

(9) 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)

5th fiscal period (as of Aug. 31, 2021)	6th fiscal period (as of Feb. 28, 2022)
50,000	50,000

[Notes to the Statement of Income]

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

(Unit: thousand yen)

	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022
A. Operating revenue from real estate leasing		
Leasing business revenue		
Rental revenue	1,890,879	2,479,240
Common area maintenance revenue	142,022	136,576
Total leasing business revenue	2,032,902	2,615,817
Other leasing business revenue		
Utilities reimbursement	89,327	119,960
Parking revenue	31,102	34,789
Other rental revenue	22,780	7,547
Total other leasing business revenue	143,210	162,297
Total operating revenue from real estate leasing	2,176,113	2,778,114
B. Operating expenses from real estate leasing		
Expenses related to leasing business		
Outsourcing expenses	169,652	224,074
Utilities expenses	116,632	162,294
Property taxes	223,015	220,379
Land rent	1,818	1,818
Repair expenses	39,331	36,069
Insurance premium	4,354	6,044
Trust fee	2,752	3,871
Depreciation	228,541	306,997
Other expenses related to leasing business	7,658	10,992
Total expenses related to leasing business	793,758	972,543
Total operating expenses from real estate leasing	793,758	972,543
C. Operating income (loss) from real estate leasing [A-B]	1,382,355	1,805,571

[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)

	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022
Total number of investment units authorized	10,000,000	10,000,000
Total number of investment units issued and outstanding	356,800	467,099

[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)

	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022
Cash and deposits	4,457,965	4,512,675
Cash and deposits in trust	2,799,257	3,729,623
Cash and cash equivalents	7,257,223	8,242,298

[Notes on Lease Transactions]

Operating lease transactions (as lessor)

Future minimum lease payments

(Unit: thousand yen)

	5th fiscal period (as of Aug. 31, 2021)	6th fiscal period (as of Feb. 28, 2022)
Due within 1 year	2,519,482	2,859,110
Due after 1 year	14,482,652	14,772,633
Total	17,002,135	17,631,744

[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. Upon 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

Certain assumptions, etc. are adopted in the calculation of the value of financial instruments. 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 August 31, 2021, and the amount of difference between these. Notes on “cash and deposits” and “cash and deposits in trust” are omitted due to the fair value being approximated to the carrying amount because they are cash or settled in a short period. Furthermore “leasehold and guarantee deposits received” and “leasehold and guarantee deposits received in trust” are omitted because they lack significance.

(Unit: thousand yen)

	Carrying amount	Fair value	Amount of difference
(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

The following are the carrying amount and fair value as of February 28, 2022, and the amount of difference between these. Notes on “cash and deposits,” “cash and deposits in trust” and “short-term borrowings” are omitted due to the fair value being approximated to the carrying amount because they are cash or settled in a short period. Furthermore “leasehold and guarantee deposits received” and “leasehold and guarantee deposits received in trust” are omitted because they lack significance.

(Unit: thousand yen)

	Carrying amount	Fair value	Amount of difference
(1) Long-term borrowings due within 1 year	11,500,000	11,504,603	4,603
(2) Long-term borrowings	38,700,000	38,654,400	(45,599)
Total liabilities	50,200,000	50,159,003	(40,996)

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

(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) 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	-	-

Amount of repayment of borrowings scheduled to be due after the end of the fiscal period (February 28, 2022)

(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
Short-term borrowings	400,000	-	-	-	-	-
Long-term borrowings due within 1 year	11,500,000	-	-	-	-	-
Long-term borrowings	-	9,600,000	7,600,000	11,000,000	10,500,000	-
Total	11,900,000	9,600,000	7,600,000	11,000,000	10,500,000	-

[Notes on Securities]

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

Not applicable.

6th fiscal period (as of February 28, 2022)

Not applicable.

[Notes on Derivative Transactions]

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

Not applicable.

6th fiscal period (as of February 28, 2022)

Not applicable.

[Notes on Retirement Benefits]

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

Not applicable.

6th fiscal period (as of February 28, 2022)

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)

	5th fiscal period (as of Aug. 31, 2021)	6th fiscal period (as of Feb. 28, 2022)
Deferred tax assets		
Non-deductible accrued enterprise tax	13	10
Total	13	10
Deferred tax assets, net	13	10

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: %)

	5th fiscal period (as of Aug. 31, 2021)	6th fiscal period (as of Feb. 28, 2022)
Statutory tax rate	31.46	31.46
[Adjustments]		
Deductible distribution payable	(31.43)	(31.44)
Other	0.06	0.04
Effective income tax rate after application of tax-effect accounting	0.09	0.06

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

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

Not applicable.

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

Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.

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

Not applicable.

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

Not applicable.

2. Affiliated company, etc.

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

Not applicable.

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

Not applicable.

3. Fellow subsidiary, etc.

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

Not applicable.

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

Not applicable.

4. Director, major individual unitholder, etc.
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.

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

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)	461,809 (Note 4)	Accounts payable - other	231,890

(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. (251,000 thousand yen).

(Note 5) Transaction terms and conditions are decided based on the actual market conditions.

[Notes on Asset Retirement Obligations]

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

Not applicable.

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

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)

	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022
Carrying amount		
Balance at beginning of period	72,320,630	72,149,470
Amount of change during period	(171,159)	25,420,759
Balance at end of period	72,149,470	97,570,230
Fair value at end of period	79,326,000	105,713,000

(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 capital expenditures (57,084 thousand yen), etc., while the amount of decrease is mainly attributable to depreciation (228,541 thousand yen). The amount of increase in the fiscal period under review is mainly attributable to new property acquisition of 4 properties (25,653,909 thousand yen), etc., while the amount of decrease is mainly attributable to depreciation (306,997 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

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.

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

(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 Revenue Recognition]

1. Information breaking down revenue from contracts with customers

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

(Unit: thousand yen)

	Revenue from contracts with customers (Note)	Sales to external customers
Sale of real estate, etc.	-	-
Utilities reimbursement	119,960	119,960
Other	-	2,658,154
Total	119,960	2,778,114

(Note) Leasing business revenue, etc. subject to ASBJ Statement No. 13 "Accounting Standard for Lease Transactions" and the transfer of real estate, etc. subject to The Japanese Institute of Certified Public Accountants Accounting Committee Report No. 15 "Practical Guidelines on Accounting of Transferors for the Securitization of Real Estate Utilizing Special Purpose Companies" are not included in the above amounts because they are excluded from application of the Revenue Recognition Accounting Standard. The main revenues from contracts with customers are revenue from the sale of real estate, etc. and utilities reimbursement.

2. Information forming the basis for understanding revenue from contracts with customers

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

Matters related to significant accounting policies are as stated in the notes.

3. Information on satisfaction of performance obligations based on contracts with customers, cash flows from such contracts, and the amount and timing of revenue expected to be recognized from the next accounting period from contracts with customers that exist at the end of the accounting period under review

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

(1) Balance of contract assets and contract liabilities, etc.

(Unit: thousand yen)

	6th fiscal period
Receivables from contracts with customers (balance at beginning of period)	22,574
Receivables from contracts with customers (balance at end of period)	26,182
Contract assets (balance at beginning of period)	-
Contract assets (balance at end of period)	-
Contract liabilities (balance at beginning of period)	-
Contract liabilities (balance at end of period)	-

(2) Transaction price allocated to remaining performance obligations

Revenue is recognized for utilities reimbursement using the amount for which there is a right to claim in accordance with section 19 of the Implementation Guidance on Accounting Standard for Revenue Recognition because there is a right to receive an amount of consideration directly corresponding to the value for the lessee who is a customer for the portion for which performance is completed by the end of the period. Therefore, the provisions of section 80-22(2) of the Revenue Recognition Accounting Standard apply, and the transaction prices allocated to remaining performance obligations are not included in the notes.

[Notes on Per Unit Information]

	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022
Net assets per unit	105,255 yen	108,814 yen
Earnings per unit	2,841 yen	2,983 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 August 2021: 356,800 units; fiscal period ended February 2022: 466,286 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:

	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022
Net profit (thousand yen)	1,014,021	1,391,360
Amount not available to common unitholders (thousand yen)	-	-
Net profit attributable to common investment units (thousand yen)	1,014,021	1,391,360
Average number of investment units during period (units)	356,800	466,286

[Notes on Significant Subsequent Events]

Not applicable.

(10) 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 (February 28, 2022) are as follows:

Date	Description	Unitholders' capital (net) (thousand yen) (Note 1)		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 2)
Mar. 11, 2019	Capital increase through public offering	21,928,467	22,028,467	227,238	228,238	(Note 3)
Apr. 10, 2019	Capital increase through third-party allotment	1,096,433	23,124,900	11,362	239,600	(Note 4)
Sept. 2, 2019	Capital increase through public offering	12,777,138	35,902,038	111,619	351,219	(Note 5)
Sept. 26, 2019	Capital increase through third-party allotment	638,862	36,540,901	5,581	356,800	(Note 6)
Sept. 1, 2021	Capital increase through public offering	12,287,452	48,828,353	105,047	461,847	(Note 7)
Sept. 29, 2021	Capital increase through third-party allotment	614,331	49,442,685	5,252	467,099	(Note 8)
Nov. 22, 2021	Cash distribution in excess of earnings (contribution refund)	(7, 136)	49,435,549	-	467,099	(Note 9)

(Note 1) The amount obtained by subtracting the deduction from unitholders' capital from unitholders' capital.

(Note 2) Investment units were issued at a paid-in amount of 100,000 yen per unit upon the incorporation of SANKEI REAL ESTATE.

(Note 3) 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 4) 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 5) 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 6) 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.

(Note 7) New investment units were issued through public offering at an issue price of 121,327 yen (paid-in amount of 116,971 yen) per unit for the purpose of procuring funds for acquisition of new properties.

(Note 8) New investment units were issued through third-party allotment accompanying the capital increase through public offering at a paid-in amount of 116,971 yen per unit.

(Note 9) A cash distribution in excess of earnings of 20 yen per unit (contribution refund that falls under distribution through the reduction in unitholders' capital for tax purposes) as the cash distribution for the 5th fiscal period (ended August 2021) resolved at SANKEI REAL ESTATE's board of directors' meeting held on October 15, 2021, and payment of the distribution commenced on November 22, 2021.

3. Reference Information

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

i. Investment Status

Asset group	Asset type	Geographic area (Note 1)	5th fiscal period (as of Aug. 31, 2021)		6th fiscal period (as of Feb. 28, 2022)		
			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	2,618	2.5	
		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	56,609	70.9	71,868	67.5	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	10,208	9.6	
	Sub assets	Greater Tokyo, Osaka City and Nagoya City	8,978	11.2	8,951	8.4	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,949	4.9	3,923	3.7	
	Hotels	Greater Tokyo, Osaka City and Nagoya City	8,978	11.2	8,951	8.4	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,949	4.9	3,923	3.7	
	Subtotal			72,149	90.4	97,570	91.6
	Deposits and other assets			7,698	9.6	8,953	8.4
Total assets			79,848	100.0	106,523	100.0	

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

"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.

	5th fiscal period (as of Aug. 31, 2021)		6th fiscal period (as of Feb. 28, 2022)	
	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	42,293	53.0	55,696	52.3
Total net assets	37,555	47.0	50,827	47.7
Total assets	79,848	100.0	106,523	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 February 28, 2022.

(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	2.6	2,618	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	13.6	13,013	17,775	i. Mar.12, 2019 ii. Sept. 3, 2019
	A-3	S-GATE NIHONBASHI-HONCHO (Note 5)	Chuo-ku, Tokyo	6,698	6.9	6,689	7,490	Mar. 12, 2019
	A-4	S-GATE AKIHABARA	Chiyoda-ku, Tokyo	2,055	2.1	2,044	2,630	Mar. 12, 2019
	A-5	Hibiya Sankei Building	Chiyoda-ku, Tokyo	5,829	6.0	6,070	6,570	Mar. 12, 2019
	A-6	Hatchobori Sankei Building	Chuo-ku, Tokyo	4,959	5.1	5,019	5,510	Mar. 12, 2019
	A-7	Toyo Park Building	Koto-ku, Tokyo	3,782	3.9	3,887	3,820	Mar. 12, 2019
	A-8	Shinagawa Seaside TS Tower (Note 5)	Shinagawa-ku, Tokyo	i. 10,040 ii. 10,900 Total 20,940	21.7	21,179	21,850	i. Sept. 3, 2019 ii. Sept. 2, 2021
	A-9	Omori Park Building	Ota-ku, Tokyo	5,400	5.6	5,458	5,490	Sept. 3, 2019
	A-10	S-GATE AKASAKA (Note 5)	Minato-ku, Tokyo	i. 4,200 ii. 1,400 Total 5,600	5.8	5,652	5,688	i. Oct. 1, 2020 ii. Sept. 2, 2021
	A-11	Miyazakidai Garden Office	Miyamae-ku, Kawasaki-shi, Kanagawa	2,800	2.9	2,853	2,790	Sept. 2, 2021
	A-12	Hitachi Kyushu Building	Sawara-ku, Fukuoka-shi, Fukuoka	10,000	10.3	10,208	10,300	Sept. 2, 2021
Subtotal			-	83,674	86.6	84,695	92,603	-
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Chuo-ku, Tokyo	8,961	9.3	8,951	9,020	Mar. 12, 2019
	B-2	Hotel Intergate Hiroshima	Naka-ku, Hiroshima-shi, Hiroshima	3,990	4.1	3,923	4,090	Sept. 3, 2019
Subtotal			-	12,951	13.4	12,875	13,110	-
Total			-	96,625	100.0	97,570	105,713	-

(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 February 28, 2022, rounded down to the nearest million yen.

(Note 3) “Appraisal value” is the appraisal value with an appraisal date of February 28, 2022, 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,” 50% for “Shinagawa Seaside TS Tower,” and 80% 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 ²) (Note 4)	Total leased area (m ²) (Note 5)	Occupancy rate (%) (Note 6)
Office buildings	A-1	Tokyo Sankei Building (Note 7)	Sept. 28, 2000	101	86	881.69	861.08	97.7
	A-2	BREEZÉ TOWER (Note 7)	July 1, 2008	1,060	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	377	302	3,439.61	3,439.61	100.0
	A-6	Hatchobori Sankei Building	Sept. 1, 1965	309	261	5,594.90	5,594.90	100.0
	A-7	Toyo Park Building	Jun. 18, 1991	189	172	4,224.52	3,897.52	92.3
	A-8	Shinagawa Seaside TS Tower (Note 7, 9)	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	293	273	7,469.72	7,469.72	100.0
	A-10	S-GATE AKASAKA (Note 7)	July 31, 2015	Not disclosed (Note 8)	Not disclosed (Note 8)	2,646.48	2,646.48	100.0
	A-11	Miyazakidai Garden Office	Feb. 4, 1993	134	125	3,687.53	3,158.57	85.7
	A-12	Hitachi Kyushu Building	Feb. 29, 1996	Not disclosed (Note 8)	Not disclosed (Note 8)	26,513.33	26,513.33	100.0
Subtotal (average)			-	4,686	3,770	Not disclosed (Note 8)	Not disclosed (Note 8)	99.0
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)			-	5,337	4,096	Not disclosed (Note 8)	Not disclosed (Note 8)	99.1

(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 valid as of February 28, 2022, 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 February 28, 2022, 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 February 28, 2022, 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 February 28, 2022, 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 February 28, 2022, 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," 50% for "Shinagawa Seaside TS Tower," and 80% 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.
- (Note 9) An agreement has been reached with Sony Group Corporation for the termination of the contract for Shinagawa Seaside TS Tower with termination dates of March 31, 2022 (7 floors) and March 31, 2023 (14 floors). Of these terminations, for the termination of a portion equivalent to 7 floors with a termination date of March 31, 2022, a termination penalty was received on the same date.

(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 appraising 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	2.4	2,640	2.1	2.5	2,750
	A-2	BREEZÉ TOWER (Note 2)	Japan Real Estate Institute	17,775	17,910	3.7	17,595	3.3	3.9	15,660
	A-3	S-GATE NIHONBASHI-HONCHO (Note 2)	Japan Real Estate Institute	7,490	7,610	3.3	7,360	3.0	3.5	6,600
	A-4	S-GATE AKIHABARA	Japan Real Estate Institute	2,630	2,650	3.4	2,610	3.2	3.5	2,440
	A-5	Hibiya Sankei Building	Japan Real Estate Institute	6,570	6,650	2.9	6,480	2.7	3.0	6,970
	A-6	Hatchobori Sankei Building	The Tanizawa Sōgō Appraisal Co., Ltd.	5,510	5,690	4.1	5,430	4.2	4.3	5,650
	A-7	Toyo Park Building	Japan Real Estate Institute	3,820	3,850	3.8	3,790	3.6	3.9	2,990
	A-8	Shinagawa Seaside TS Tower (Note 2)	The Tanizawa Sōgō Appraisal Co., Ltd.	21,850	22,850	3.6	21,400	3.7	3.8	20,700
	A-9	Omori Park Building	Japan Real Estate Institute	5,490	5,530	3.7	5,440	3.5	3.8	5,530
	A-10	S-GATE AKASAKA (Note 2)	Japan Real Estate Institute	5,688	5,760	3.2	5,616	3.0	3.3	5,248
	A-11	Miyazakidai Garden Office	Japan Real Estate Institute	2,790	2,810	4.5	2,760	4.3	4.6	2,340
	A-12	Hitachi Kyushu Building	Japan Real Estate Institute	10,300	10,400	4.3	10,200	4.1	4.4	11,300
Subtotal				92,603	94,440	-	91,321	-	-	88,178
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Daiwa Real Estate Appraisal Co., Ltd.	9,020	9,160	3.8	8,960	3.6	4.0	8,660
	B-2	Hotel Intergate Hiroshima	Japan Real Estate Institute	4,090	4,130	4.6	4,040	4.4	4.8	4,320
Subtotal				13,110	13,290	-	13,000	-	-	12,980
Total				105,713	107,730	-	104,321	-	-	101,158

(Note 1) "Appraisal value" is the appraisal value with an appraisal date of February 28, 2022, 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," 50% for "Shinagawa Seaside TS Tower," and 80% 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 February 28, 2022, 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
Hitachi Kyushu Building (Sawara-ku, Fukuoka-shi)	Toilet renovation work	From: Jun. 1, 2022 To: Aug. 31, 2022	15	-	-
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Update of high-rise billing WHM	From: Mar. 1, 2022 To: Mar. 31, 2022	14	-	-
Hitachi Kyushu Building (Sawara-ku, Fukuoka-shi)	Update central monitoring panel server and client PCs	From: Mar. 19, 2022 To: Mar. 31, 2022	13	-	-

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 February 28, 2022, are as follows: For the fiscal period under review, capital expenditures amounted to 73 million yen and repair expenses separately charged to expenses amounted to 36 million yen for a combined total of 109 million yen of construction works implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of payment (million yen)
Hibiya Sankei Building (Chiyoda-ku, Tokyo)	Renewal of power distribution panel equipment	From: Dec. 7, 2021 To: Feb. 28, 2022	10
Other			63
Total			73

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	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	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022
Balance of reserve at beginning of period (thousand yen)	95,103	130,466	217,842	175,880	209,678
Provision of reserve during period (thousand yen)	105,897	128,187	59,293	59,293	85,567
Reversal of reserve during period (thousand yen)	70,534	40,812	101,255	25,496	32,895
Reserve carried forward (thousand yen)	130,466	217,842	175,880	209,678	262,349