

## (REIT) Financial Report for the Fiscal Period Ended August 2022

October 14, 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: November 29, 2022  
Scheduled date of commencement of distribution payment: November 22, 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 August 2022 (from March 1, 2022, to August 31, 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 Aug. 2022	3,028	9.0	1,630	5.8	1,476	6.0	1,475	6.0
ended Feb. 2022	2,778	27.7	1,540	35.0	1,392	37.2	1,391	37.2

	Earnings per unit	Return on equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenue
	yen	%	%	%
Fiscal period ended Aug. 2022	3,158	2.9	1.4	48.7
ended Feb. 2022	2,983	3.1	1.5	50.1

(Note) Earnings per unit is calculated by dividing net profit by the daily weighted average number of investment units (fiscal period ended February 2022: 466,286 units, fiscal period ended August 2022: 467,099 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 Aug. 2022	3,158	1,475	-	-	3,158	1,475	100.0	2.9
ended Feb. 2022	2,979	1,391	-	-	2,979	1,391	100.0	2.8

(Note) 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

## (3) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
Fiscal period ended Aug. 2022	106,553	50,910	47.8	108,993
ended Feb. 2022	106,523	50,827	47.7	108,814

(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 Aug. 2022	2,504	(78)	(1,790)	8,878
ended Feb. 2022	1,203	(24,870)	24,651	8,242

2. Operating Forecasts for the Fiscal Period Ending February 2023 (from September 1, 2022, to February 28, 2023) and Operating Forecasts for the Fiscal Period Ending August 2023 (from March 1, 2023, to August 31, 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 Feb. 2023	2,867	(5.3)	1,215	(25.5)	1,046	(29.1)	1,045	(29.2)	2,239	-
ending Aug. 2023	2,858	(0.3)	1,302	7.2	1,111	6.2	1,110	6.2	2,377	-

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

Fiscal period ending February 2023: 2,238 yen

Fiscal period ending August 2023: 2,377 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.: None
- ii. Changes in accounting policies other than i: None
- iii. Changes in accounting estimates: None
- iv. Retrospective restatements: None

(2) Total number of investment units issued and outstanding

i. Total number of investment units issued and outstanding (including treasury investment units) at end of period	Fiscal period ended Aug. 2022	467,099 units	Fiscal period ended Feb. 2022	467,099 units
ii. Number of treasury investment units at end of period	Fiscal period ended Aug. 2022	0 units	Fiscal period ended Feb. 2022	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.

\* Special remarks

The operating forecasts and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by SANKEI REAL ESTATE. Accordingly, the actual results of operations, etc. may differ materially due to various factors. In addition, the forecasts are not a guarantee of the amount of distribution. For the assumptions underlying the operating forecasts, matters of note in the use of the operating forecasts, etc., please refer to "Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending February 2023 (from September 1, 2022, to February 28, 2023) and Fiscal Period Ending August 2023 (from March 1, 2023, to August 31, 2023)" on page 6.

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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).

As of the last day of the fiscal period under review (August 31, 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 August 31, 2022), the Japanese economy showed movements of moderate picking up since the lifting of 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) in March 2022, and although the impact of COVID-19 continues to be felt, movement toward normalization of the economy is continuing. Overseas, the stagnation of production activity showed signs of recovery, and in Europe and the United States, which were early to lift restrictions on COVID-19, economies started to pick up, but the prolongation of the military invasion of Ukraine by Russia that began in February 2022 impacted logistics for resources and materials, and prices centered on resources, energy and food continue to rise. Furthermore, central banks of the United States and other countries raised their key interest rates, resulting in a rapid change of foreign exchange rates and a rise in prices, leading to uncertainty about a full recovery of the Japanese 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. The hotel market in which SANKEI REAL ESTATE invests as sub assets is continuing to be in a condition significantly below its peak despite the total number of guests and room occupancy rates recovering according to the Overnight Travel Statistics Survey by the Japan Tourism Agency. Further expansion of deregulation measures not limited to the resumption of acceptance of foreign tourists is much anticipated.

##### iii. Management Performance

SANKEI REAL ESTATE did not acquire or sell any assets in the fiscal period under review. The portfolio of SANKEI REAL ESTATE as of the end of the fiscal period under review consisted of 14 properties with an asset size (total acquisition price (Note 1)) of 96,625 million yen, the same as that in the previous fiscal period.

As a result, the occupancy rate (Note 2) of the 14 portfolio properties as of the end of the fiscal period under review stood at 94.2%, and operating revenue from real estate leasing was 3,028 million yen, 9.0% higher than that at the end of the previous fiscal period. The appraisal value as of the end of the fiscal period under review was 104,937 million yen.

SANKEI REAL ESTATE has sought to improve satisfaction through reinforcement and enhancement of relations 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. During the fiscal period under review, there were cancellations by major tenants in some assets under management, and we recognize the filling of those vacancies as the most important issue and are working hard on leasing activities. In addition, repairs and capital expenditures were narrowed down to those that contribute to maintenance and improvement of the competitiveness of the assets under management.

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 with 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 and 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 real estate and trust beneficiary right stated in the sale and purchase agreement for each acquired asset, rounded down to the nearest million yen. The sale and purchase prices do not include consumption tax, local consumption tax and the various expenses required for the acquisition. The 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

In the fiscal period under review, 5,600 million yen was borrowed from Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Development Bank of Japan Inc., Mizuho Trust & Banking Co., Ltd., Sumitomo Mitsui Trust Bank, Limited, Shinsei Bank, Limited, and Resona Bank, Limited. through a loan syndicate with Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation as the arrangers on March 14, 2022, to repay long-term borrowings of 5,600 million yen due for repayment on March 14, 2022. The borrowing was made with a borrowing period of 6 years and fixed interest rate, thereby promoting extension of the average time to maturity and staggering of maturities of interest-bearing liabilities.

In addition, early repayment of short-term borrowings of 400 million yen was made on July 4, 2022, using the consumption taxes refund for the properties acquired on September 2, 2021.

As a result, as of the end of the fiscal period under review, the balance of borrowings outstanding was 50,200 million yen and the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV ratio") was 47.1%.

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 3,028 million yen, operating profit of 1,630 million yen, ordinary profit of 1,476 million yen, and net profit of 1,475 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 1,475,098,642 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 3,158 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 brought about by the prolongation of Russia's invasion of Ukraine and by sudden fluctuations in interest rates and exchange rates caused by rising prices resulting from the imbalance of supply and demand amid the global economic recovery persist while the impact on financial and capital markets warrant close attention.

In the office building market, vacancy rates have risen and rents have continued to fall or remain the same. While social and economic activities are expected to be normalized as COVID-19 continues to have an impact, it is necessary to monitor future trends in office demand due to the emergence of some 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. Furthermore, dealing with rising fuel procurement costs that are a cause of rising utilities expenses is also a pressing issue. 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 domestic travelers and business travelers are expected to increase with the recovery in social and economic activities, the severe situation is still expected to continue due to the resumption of acceptance of foreign tourists not leading to a rapid expansion. 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 relations with existing tenants and improvement in tenant satisfaction. Specifically, we will attempt to raise rents upon contract renewal if there is a significant 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 improving 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 relations 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 performed in an agile manner with due consideration to investment unit dilution while 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 February 2023 (from September 1, 2022, to February 28, 2023) and fiscal period ending August 2023 (from March 1, 2023, to August 31, 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 Feb. 2023	2,867	1,215	1,046	1,045	2,239	-
ending Aug. 2023	2,858	1,302	1,111	1,110	2,377	-

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

Item	Assumptions																														
Accounting period	<ul style="list-style-type: none"> <li>Fiscal period ending February 2023 (8th fiscal period) (from September 1, 2022, to February 28, 2023) (181 days)</li> <li>Fiscal period ending August 2023 (9th fiscal period) (from March 1, 2023, to August 31, 2023) (184 days)</li> </ul>																														
Assets under management	<ul style="list-style-type: none"> <li>The assumption is that the portfolio will be comprised of 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").</li> <li>There are no matters decided as of the date of this document, but it is assumed that the properties will be disposed in the fiscal period ending August 2023.</li> </ul>																														
Operating revenue	<ul style="list-style-type: none"> <li>Leasing business revenue of the current portfolio assets is calculated by taking into account various factors, such as lease agreements that have been concluded and are valid as of the date of this document, tenant trends and market trends.</li> <li>For the fiscal period ending February 2023, income from settlement of work to restore to the original state and income from settlement of electricity and air conditioning expenses associated with cancellations by tenants at Shinagawa Seaside TS Tower were recorded.</li> <li>The assumption is that there will be no delinquent or unpaid rent by tenants.</li> <li>Assuming that the effects of the spread of COVID-19 will continue through to the end of the fiscal period ending August 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 February 2022 and the period ended August 2022.</li> <li>There are no matters decided as of the date of this document but it is assumed that around 570 million yen will be recorded as gain on sale of real estate due to the sale of properties for the period ended August 2023. Gain on sale of real estate may vary depending on whether the sale is made, the disposition price, the timing of the disposition and other conditions.</li> </ul>																														
Operating expenses	<ul style="list-style-type: none"> <li>Of operating expenses, the main components are as follows: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: right;">(Unit: million yen)</th> </tr> <tr> <th></th> <th style="text-align: center;">Fiscal period ending Feb. 2023</th> <th style="text-align: center;">Fiscal period ending Aug. 2023</th> </tr> </thead> <tbody> <tr> <td>Total expenses related to leasing business</td> <td style="text-align: center;">1,342</td> <td style="text-align: center;">1,262</td> </tr> <tr> <td>    Outsourcing expenses</td> <td style="text-align: center;">228</td> <td style="text-align: center;">354</td> </tr> <tr> <td>    Utilities expenses</td> <td style="text-align: center;">154</td> <td style="text-align: center;">167</td> </tr> <tr> <td>    Repair expenses</td> <td style="text-align: center;">333</td> <td style="text-align: center;">97</td> </tr> <tr> <td>    Property taxes</td> <td style="text-align: center;">301</td> <td style="text-align: center;">312</td> </tr> <tr> <td>    Depreciation</td> <td style="text-align: center;">298</td> <td style="text-align: center;">307</td> </tr> <tr> <td>Other than expenses related to leasing business [Total]</td> <td style="text-align: center;">310</td> <td style="text-align: center;">294</td> </tr> <tr> <td>    Asset management fee</td> <td style="text-align: center;">245</td> <td style="text-align: center;">228</td> </tr> </tbody> </table> </li> <li>Of expenses related to leasing business, which are the main operating expenses, the expenses other than depreciation are calculated on the basis of historical data and by taking into consideration the factors causing fluctuation in each of the expenses.</li> <li>Depreciation is calculated using the straight-line method.</li> <li>In general, fixed asset tax, city planning tax, etc. are calculated on a pro rata basis and reimbursed at the time of property acquisition with the previous owner upon transactions of real estate, etc. At SANKEI REAL ESTATE, the amount equivalent to the reimbursement is included in the cost of acquisition and thus not expensed in the business period in which the property acquisition date falls in the case of the properties for which such reimbursement is made at the time of transaction.</li> <li>Repair expenses for buildings is the amount estimated based on medium- to long-term repair plans formulated by the Asset Management Company. However, repair expenses possibly increasing in amount or additionally arising from unforeseeable factors may result in repair expenses differing materially from the forecast amount.</li> <li>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.</li> </ul>		(Unit: million yen)			Fiscal period ending Feb. 2023	Fiscal period ending Aug. 2023	Total expenses related to leasing business	1,342	1,262	Outsourcing expenses	228	354	Utilities expenses	154	167	Repair expenses	333	97	Property taxes	301	312	Depreciation	298	307	Other than expenses related to leasing business [Total]	310	294	Asset management fee	245	228
	(Unit: million yen)																														
	Fiscal period ending Feb. 2023	Fiscal period ending Aug. 2023																													
Total expenses related to leasing business	1,342	1,262																													
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Depreciation	298	307																													
Other than expenses related to leasing business [Total]	310	294																													
Asset management fee	245	228																													
Non-operating expenses	<ul style="list-style-type: none"> <li>As interest expenses and other borrowing-related expenses, 162 million yen is assumed for the fiscal period ending February 2023 and 183 million yen for the fiscal period ending August 2023.</li> <li>As amortization of investment unit issuance expenses, 6 million yen is assumed for the fiscal period ending February 2023 and 6 million yen is assumed for the fiscal period ending August 2023.</li> </ul>																														



Item	Assumptions
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>• The assumption is that total interest-bearing liabilities will be 50,200 million yen at the end of the fiscal period ending February 2023 and 50,200 million yen at the end of the fiscal period ending August 2023.</li> <li>• The assumption is that there will be no change in the balance of borrowings other than the above through to the end of the fiscal period ending August 2023.</li> <li>• LTV ratio is expected to be 47.3% at the end of the fiscal period ending February 2023 and 47.6% at the end of the fiscal period ending August 2023. LTV ratio is calculated by the following formula and rounded to one decimal place. LTV ratio = Total interest-bearing liabilities / Total assets × 100</li> </ul>
Number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>• The assumption is total number of investment units issued and outstanding as of the date of this document of 467,099 units and that there will be no change in the number of investment units due to issuance of new investment units, etc. through to the end of the fiscal period ending August 2023.</li> <li>• Distribution per unit (excluding distribution in excess of earnings) is calculated based on the forecast total number of investment units issued and outstanding at the end of the fiscal period ending February 2023 and fiscal period ending August 2023 of 467,099 units.</li> </ul>
Distribution per unit (excluding distribution in excess of earnings)	<ul style="list-style-type: none"> <li>• Distribution per unit (excluding distribution in excess of earnings) is calculated based on the assumption that distribution of earnings will be in accordance with the policy on distribution of cash provided in SANKEI REAL ESTATE's articles of incorporation.</li> <li>• Distribution per unit (excluding distribution in excess of earnings) may vary due to various factors, such as fluctuation in leasing business revenue accompanying change in assets under management, change in tenants or other event, or incurrence of unexpected repairs.</li> <li>• Distribution per unit for the fiscal period ending February 2023 is assumed to be 2,239 yen, down 29.1% from the previous fiscal period, primarily due to the absence of termination penalties recorded in the previous fiscal period.</li> </ul>
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> <li>• No cash distribution in excess of earnings is planned to be made at this point in time.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• The assumption is that the negative impact of the spread of COVID-19 will not further increase.</li> <li>• The assumption is that external factors beyond the control of SANKEI REAL ESTATE, including geopolitical conditions will not have a significant adverse impact on the Japanese economy, and also that the 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.</li> <li>• The assumption is that there will be no amendment of laws and regulations, tax systems, accounting standards, listing regulations provided by Tokyo Stock Exchange, Inc., rules provided by The Investment Trusts Association, Japan, etc. that will impact the forecast figures above.</li> <li>• The assumption is that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.</li> </ul>

## (2) Investment Risks

Disclosure is omitted, because there is no significant change from "Investment Risks" in the semiannual securities report (submitted on May 30, 2022).

## 2. Financial Statements

## (1) Balance Sheet

(Unit: thousand yen)

	6th fiscal period (as of Feb. 28, 2022)	7th fiscal period (as of Aug. 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	4,512,675	5,575,535
Cash and deposits in trust	3,729,623	3,303,184
Operating accounts receivable	89,938	62,702
Prepaid expenses	61,458	71,801
Consumption taxes receivable	389,377	-
Other	-	78
<b>Total current assets</b>	<b>8,783,072</b>	<b>9,013,302</b>
Non-current assets		
Property, plant and equipment		
Buildings	179,269	181,978
Accumulated depreciation	(18,849)	(22,182)
<b>Buildings, net</b>	<b>160,419</b>	<b>159,795</b>
Structures	544	544
Accumulated depreciation	(39)	(53)
<b>Structures, net</b>	<b>504</b>	<b>490</b>
Land	2,457,766	2,457,766
Buildings in trust	18,708,509	18,769,170
Accumulated depreciation	(1,291,738)	(1,592,660)
<b>Buildings in trust, net</b>	<b>17,416,771</b>	<b>17,176,510</b>
Structures in trust	71,171	71,171
Accumulated depreciation	(2,476)	(3,517)
<b>Structures in trust, net</b>	<b>68,695</b>	<b>67,654</b>
Machinery and equipment in trust	11,302	11,302
Accumulated depreciation	(1,131)	(1,698)
<b>Machinery and equipment in trust, net</b>	<b>10,170</b>	<b>9,603</b>
Tools, furniture and fixtures in trust	29,876	49,525
Accumulated depreciation	(7,822)	(11,769)
<b>Tools, furniture and fixtures in trust, net</b>	<b>22,054</b>	<b>37,756</b>
Land in trust	77,433,848	77,433,848
Construction in progress in trust	32,673	56,722
<b>Total property, plant and equipment</b>	<b>97,602,903</b>	<b>97,400,148</b>
Intangible assets		
Software	3,893	2,953
<b>Total intangible assets</b>	<b>3,893</b>	<b>2,953</b>
Investments and other assets		
Long-term prepaid expenses	93,338	103,157
Deferred tax assets	10	15
Leasehold and guarantee deposits	10,000	10,000
<b>Total investments and other assets</b>	<b>103,348</b>	<b>113,173</b>
<b>Total non-current assets</b>	<b>97,710,146</b>	<b>97,516,274</b>
Deferred assets		
Investment unit issuance expenses	30,124	24,099
<b>Total deferred assets</b>	<b>30,124</b>	<b>24,099</b>
<b>Total assets</b>	<b>106,523,343</b>	<b>106,553,676</b>

(Unit: thousand yen)

	6th fiscal period (as of Feb. 28, 2022)	7th fiscal period (as of Aug. 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	126,748	244,965
Short-term borrowings	400,000	-
Long-term borrowings due within 1 year	11,500,000	9,600,000
Accounts payable - other	242,634	308,770
Accrued expenses	38,805	44,831
Income taxes payable	815	926
Consumption taxes payable	-	171,838
Advances received	485,392	447,828
Deposits received	11,356	6,036
Total current liabilities	12,805,752	10,825,198
Non-current liabilities		
Long-term borrowings	38,700,000	40,600,000
Leasehold and guarantee deposits received	87,974	88,237
Leasehold and guarantee deposits received in trust	4,102,499	4,129,413
Total non-current liabilities	42,890,473	44,817,651
Total liabilities	55,696,225	55,642,849
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	49,442,685	49,442,685
Deduction from unitholders' capital	(7,136)	(7,136)
Unitholders' capital (net)	49,435,549	49,435,549
Surplus		
Unappropriated retained earnings (undisposed loss)	1,391,567	1,475,277
Total surplus	1,391,567	1,475,277
Total unitholders' equity	50,827,117	50,910,827
Total net assets	*1 50,827,117	*1 50,910,827
Total liabilities and net assets	106,523,343	106,553,676

## (2) Statement of Income

(Unit: thousand yen)

	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
<b>Operating revenue</b>		
Leasing business revenue	*1 2,615,817	*1 2,516,558
Other leasing business revenue	*1 162,297	*1 511,493
<b>Total operating revenue</b>	<b>2,778,114</b>	<b>3,028,051</b>
<b>Operating expenses</b>		
Expenses related to leasing business	*1 972,543	*1 1,076,927
Asset management fee	210,809	265,992
Asset custody fee	2,013	2,100
Administrative service fees	8,760	7,460
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	40,098	41,722
<b>Total operating expenses</b>	<b>1,237,824</b>	<b>1,397,803</b>
<b>Operating profit</b>	<b>1,540,290</b>	<b>1,630,247</b>
<b>Non-operating income</b>		
Interest income	37	41
Insurance claim income	253	-
Interest on refund	-	279
Other	17	0
<b>Total non-operating income</b>	<b>308</b>	<b>321</b>
<b>Non-operating expenses</b>		
Interest expenses	88,264	100,931
Borrowing related expenses	48,540	47,460
Amortization of investment unit issuance expenses	6,024	6,024
Other	5,583	26
<b>Total non-operating expenses</b>	<b>148,414</b>	<b>154,444</b>
<b>Ordinary profit</b>	<b>1,392,184</b>	<b>1,476,124</b>
<b>Net profit before income taxes</b>	<b>1,392,184</b>	<b>1,476,124</b>
Income taxes - current	820	932
Income taxes - deferred	2	(5)
<b>Total income taxes</b>	<b>823</b>	<b>927</b>
<b>Net profit</b>	<b>1,391,360</b>	<b>1,475,197</b>
Retained earnings brought forward	207	80
<b>Unappropriated retained earnings (undisposed loss)</b>	<b>1,391,567</b>	<b>1,475,277</b>

## (3) Statement of Unitholders' Equity

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)
Distribution 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

7th fiscal period (from March 1, 2022, to August 31, 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	49,442,685	(7,136)	49,435,549	1,391,567	1,391,567	50,827,117	50,827,117
Changes in items during period							
Distribution of surplus				(1,391,487)	(1,391,487)	(1,391,487)	(1,391,487)
Net profit				1,475,197	1,475,197	1,475,197	1,475,197
Total changes in items during period	-	-	-	83,709	83,709	83,709	83,709
Balance at end of period	*1 49,442,685	(7,136)	49,435,549	1,475,277	1,475,277	50,910,827	50,910,827

## (4) Statement of Cash Distribution

(Unit: yen)

	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
I. Unappropriated retained earnings	1,391,567,971	1,475,277,574
II. Amount of distribution	1,391,487,921	1,475,098,642
[Amount of distribution per unit]	[2,979]	[3,158]
III. Retained earnings carried forward	80,050	178,932

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 1,391,487,921 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>	<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 1,475,098,642 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)

	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
<b>Cash flows from operating activities</b>		
Net profit before income taxes	1,392,184	1,476,124
Depreciation	307,937	310,763
Amortization of investment unit issuance expenses	6,024	6,024
Interest income	(37)	(41)
Interest expenses	88,264	100,931
Decrease (increase) in operating accounts receivable	(47,934)	27,164
Decrease (increase) in consumption taxes refund receivable	(389,377)	389,377
Decrease (increase) in prepaid expenses	(2,245)	(10,343)
Increase (decrease) in operating accounts payable	(86,226)	116,727
Increase (decrease) in accounts payable - other	9,619	64,742
Increase (decrease) in consumption taxes refund payable	(89,208)	171,838
Increase (decrease) in advances received	145,449	(37,563)
Increase (decrease) in deposits received	(2,709)	(5,319)
Decrease (increase) in long-term prepaid expenses	(49,613)	(9,818)
Decrease (increase) in other assets	77	(78)
<b>Subtotal</b>	<b>1,282,204</b>	<b>2,600,531</b>
Interest received	37	41
Interest paid	(77,396)	(94,905)
Income taxes paid	(881)	(821)
<b>Cash flows from operating activities</b>	<b>1,203,964</b>	<b>2,504,846</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(9,967)	(2,708)
Purchase of property, plant and equipment in trust	(25,743,595)	(102,914)
Proceeds from leasehold and guarantee deposits received	5,933	595
Refund of leasehold and guarantee deposits received	(98)	(331)
Proceeds from leasehold and guarantee deposits received in trust	1,005,708	110,219
Refund of leasehold and guarantee deposits received in trust	(128,308)	(83,190)
<b>Cash flows from investing activities</b>	<b>(24,870,328)</b>	<b>(78,330)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	1,000,000	-
Repayments of short-term borrowings	(600,000)	(400,000)
Proceeds from long-term borrowings	16,700,000	5,600,000
Repayments of long-term borrowings	(4,300,000)	(5,600,000)
Proceeds from issuance of investment units	12,901,784	-
Payments of investment unit issuance expenses	(29,661)	-
Distribution paid	(1,020,683)	(1,390,093)
<b>Cash flows from financing activities</b>	<b>24,651,439</b>	<b>(1,790,093)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>985,075</b>	<b>636,421</b>
Cash and cash equivalents at beginning of period	7,257,223	8,242,298
<b>Cash and cash equivalents at end of period</b>	<b>*1 8,242,298</b>	<b>*1 8,878,719</b>

(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;">4-10 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	4-10 years
Buildings	1–65 years								
Structures	6–59 years								
Machinery and equipment	8-10 years								
Tools, furniture and fixtures	4-10 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"> <li>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.</li> <li>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.</li> </ul> <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 48,733 thousand yen in the previous fiscal period. The amount equivalent to fixed asset tax, etc. included in the cost of acquisition of real estate, etc. was nil 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, etc. as trust assets held, 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"> <li>i. Cash and deposits in trust</li> <li>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</li> <li>iii. Leasehold and guarantee deposits received in trust</li> </ul>								



## (8) Notes to the Financial Statements

[Notes to the Balance Sheet]

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

6th fiscal period (as of Feb. 28, 2022)	7th fiscal period (as of Aug. 31, 2022)
50,000	50,000

[Notes to the Statement of Income]

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

(Unit: thousand yen)

	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
A. Operating revenue from real estate leasing		
Leasing business revenue		
Rental revenue	2,479,240	2,381,126
Common area maintenance revenue	136,576	135,432
Total leasing business revenue	2,615,817	2,516,558
Other leasing business revenue		
Utilities reimbursement	119,960	121,659
Parking revenue	34,789	33,939
Termination penalties	13	346,974
Other rental revenue	7,533	8,919
Total other leasing business revenue	162,297	511,493
Total operating revenue from real estate leasing	2,778,114	3,028,051
B. Operating expenses from real estate leasing		
Expenses related to leasing business		
Outsourcing expenses	224,074	202,506
Utilities expenses	162,294	184,674
Property taxes	220,379	303,718
Land rent	1,818	1,818
Repair expenses	36,069	55,230
Insurance premium	6,044	5,749
Trust fee	3,871	3,787
Depreciation	306,997	309,823
Other expenses related to leasing business	10,992	9,616
Total expenses related to leasing business	972,543	1,076,927
Total operating expenses from real estate leasing	972,543	1,076,927
C. Operating income (loss) from real estate leasing [A-B]	1,805,571	1,951,124

[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)

	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
Total number of investment units authorized	10,000,000	10,000,000
Total number of investment units issued and outstanding	467,099	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)

	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
Cash and deposits	4,512,675	5,575,535
Cash and deposits in trust	3,729,623	3,303,184
Cash and cash equivalents	8,242,298	8,878,719

## [Notes on Lease Transactions]

Operating lease transactions (as lessor)

Future minimum lease payments

(Unit: thousand yen)

	6th fiscal period (as of Feb. 28, 2022)	7th fiscal period (as of Aug. 31, 2022)
Due within 1 year	2,859,110	2,645,767
Due after 1 year	14,772,633	13,446,087
Total	17,631,744	16,091,854

## [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 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)

The following are the carrying amount and fair value as of August 31, 2022, 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	9,600,000	9,601,711	1,711
(2) Long-term borrowings	40,600,000	40,274,136	(325,863)
Total liabilities	50,200,000	49,875,848	(324,151)

(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 (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	-

Amount of repayment of borrowings scheduled to be due after the end of the fiscal period (August 31, 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
Long-term borrowings due within 1 year	9,600,000	-	-	-	-	-
Long-term borrowings	-	9,200,000	9,100,000	10,500,000	6,200,000	5,600,000
Total	9,600,000	9,200,000	9,100,000	10,500,000	6,200,000	5,600,000

[Notes on Securities]

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

Not applicable.

7th fiscal period (as of August 31, 2022)

Not applicable.

## [Notes on Derivative Transactions]

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

Not applicable.

7th fiscal period (as of August 31, 2022)

Not applicable.

## [Notes on Retirement Benefits]

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

Not applicable.

7th fiscal period (as of August 31, 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)

	6th fiscal period (as of Feb. 28, 2022)	7th fiscal period (as of Aug. 31, 2022)
Deferred tax assets		
Non-deductible accrued enterprise tax	10	15
Total	10	15
Deferred tax assets, net	10	15

## 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: %)

	6th fiscal period (as of Feb. 28, 2022)	7th fiscal period (as of Aug. 31, 2022)
Statutory tax rate	31.46	31.46
[Adjustments]		
Deductible distribution payable	(31.44)	(31.44)
Other	0.04	0.04
Effective income tax rate after application of tax-effect accounting	0.06	0.06

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

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

Not applicable.

7th fiscal period (from March 1, 2022, to August 31, 2022)

Not applicable.

## [Notes on Related-Party Transactions]

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

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

Not applicable.

7th fiscal period (from March 1, 2022, to August 31, 2022)

Not applicable.

2. Affiliated company, etc.

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

Not applicable.

7th fiscal period (from March 1, 2022, to August 31, 2022)

Not applicable.

3. Fellow subsidiary, etc.

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

Not applicable.

7th fiscal period (from March 1, 2022, to August 31, 2022)

Not applicable.

4. Director, major individual unitholder, etc.

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.

7th fiscal period (from March 1, 2022, to August 31, 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)	265,992	Accounts payable - other	292,592

(Note 1) Of the related-party transactions subject to disclosure, the related-party transactions including significant transactions are disclosed.

(Note 2) Of the amounts above, transaction amount does not include consumption tax, etc., while balance at end of period includes consumption tax, etc. Amounts are rounded down to the nearest thousand yen.

(Note 3) Payment of asset management fee is for transactions conducted by Yuichi Ota as representative of Sankei Building Asset Management Co., Ltd., and transaction amount is based on the terms and conditions provided in SANKEI REAL ESTATE's articles of incorporation.

(Note 4) Transaction terms and conditions are decided based on the actual market conditions.

[Notes on Asset Retirement Obligations]

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

Not applicable.

7th fiscal period (from March 1, 2022, to August 31, 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)

	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
Carrying amount		
Balance at beginning of period	72,149,470	97,570,230
Amount of change during period	25,420,759	(226,804)
Balance at end of period	97,570,230	97,343,425
Fair value at end of period	105,713,000	104,937,000

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

(Note 2) Of the amount of change during period, the amount of increase in the previous fiscal period is mainly attributable to new property acquisition of 4 properties (25,653,909 thousand yen), etc., while the amount of decrease is mainly attributable to depreciation (306,997 thousand yen). The amount of increase in the fiscal period under review is mainly attributable to capital expenditures (83,067 thousand yen), etc., while the amount of decrease is mainly attributable to depreciation (309,823 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 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.

7th fiscal period (from March 1, 2022, to August 31, 2022)

(Unit: thousand yen)

	Revenue from contracts with customers (Note)	Sales to external customers
Sale of real estate, etc.	-	-
Utilities reimbursement	121,659	121,659
Other	-	2,906,392
Total	121,659	3,028,051

(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.

7th fiscal period (from March 1, 2022, to August 31, 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

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

(Unit: thousand yen)

	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
Receivables from contracts with customers (balance at beginning of period)	22,574	26,182
Receivables from contracts with customers (balance at end of period)	26,182	30,002
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

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

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.

7th fiscal period (from March 1, 2022, to August 31, 2022)

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 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

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.

7th fiscal period (from March 1, 2022, to August 31, 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 Per Unit Information]

	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
Net assets per unit	108,814 yen	108,993 yen
Earnings per unit	2,983 yen	3,158 yen

(Note 1) Earnings per unit is calculated by dividing net profit by the period's daily weighted average number of investment units (fiscal period ended February 2022: 466,286 units; fiscal period ended August 2022: 467,099 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:

	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
Net profit (thousand yen)	1,391,360	1,475,197
Amount not available to common unitholders (thousand yen)	-	-
Net profit attributable to common investment units (thousand yen)	1,391,360	1,475,197
Average number of investment units during period (units)	466,286	467,099

## [Notes on Significant Subsequent Events]

Not applicable.



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

Changes in unitholders' capital and the total number of investment units issued and outstanding from the incorporation of SANKEI REAL ESTATE to the last day of the fiscal period under review (August 31, 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)	6th fiscal period (as of Feb. 28, 2022)		7th fiscal period (as of Aug. 31, 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	2,618	2.5	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	71,868	67.5	71,709	67.3	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	10,208	9.6	10,193	9.6	
	Sub assets	Greater Tokyo, Osaka City and Nagoya City	8,951	8.4	8,924	8.4	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,923	3.7	3,898	3.7	
	Hotels	Greater Tokyo, Osaka City and Nagoya City	8,951	8.4	8,924	8.4	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,923	3.7	3,898	3.7	
	Subtotal			97,570	91.6	97,343	91.4
	Deposits and other assets			8,953	8.4	9,210	8.6
Total assets			106,523	100.0	106,553	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.

	6th fiscal period (as of Feb. 28, 2022)		7th fiscal period (as of Aug. 31, 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	55,696	52.3	55,642	52.2
Total net assets	50,827	47.7	50,910	47.8
Total assets	106,523	100.0	106,553	100.0

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

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

## ii. Investment Assets

The following are the assets held by SANKEI REAL ESTATE (real estate or trust beneficiary rights that have real estate as trust assets; hereinafter, may be collectively referred to as the “portfolio assets”) as of August 31, 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	12,999	18,225	i. Mar. 12, 2019 ii. Sept. 3, 2019
	A-3	S-GATE NIHONBASHI-HONCHO (Note 5)	Chuo-ku, Tokyo	6,698	6.9	6,671	7,720	Mar. 12, 2019
	A-4	S-GATE AKIHABARA	Chiyoda-ku, Tokyo	2,055	2.1	2,036	2,710	Mar. 12, 2019
	A-5	Hibiya Sankei Building	Chiyoda-ku, Tokyo	5,829	6.0	6,067	6,620	Mar. 12, 2019
	A-6	Hatchobori Sankei Building	Chuo-ku, Tokyo	4,959	5.1	5,007	5,520	Mar. 12, 2019
	A-7	Toyo Park Building	Koto-ku, Tokyo	3,782	3.9	3,880	3,920	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	21,115	19,800	i. Sept. 3, 2019 ii. Sept. 2, 2021
	A-9	Omori Park Building	Ota-ku, Tokyo	5,400	5.6	5,444	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	5,642	5,992	i. Oct. 1, 2020 ii. Sept. 2, 2021
	A-11	Miyazakidai Garden Office	Miyamae-ku, Kawasaki-shi, Kanagawa	2,800	2.9	2,844	2,790	Sept. 2, 2021
	A-12	Hitachi Kyushu Building	Sawara-ku, Fukuoka-shi, Fukuoka	10,000	10.3	10,193	10,300	Sept. 2, 2021
Subtotal			-	83,674	86.6	84,520	91,777	-
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Chuo-ku, Tokyo	8,961	9.3	8,924	9,040	Mar. 12, 2019
	B-2	Hotel Intergate Hiroshima	Naka-ku, Hiroshima-shi, Hiroshima	3,990	4.1	3,898	4,120	Sept. 3, 2019
Subtotal			-	12,951	13.4	12,822	13,160	-
Total			-	96,625	100.0	97,343	104,937	-

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

(Note 2) “Book value” is the depreciated book value for each portfolio asset as of August 31, 2022, rounded down to the nearest million yen.

(Note 3) “Appraisal value” is the appraisal value with an appraisal date of August 31, 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 <sup>2</sup> ) (Note 4)	Total leased area (m <sup>2</sup> ) (Note 5)	Occupancy rate (%) (Note 6)
Office buildings	A-1	Tokyo Sankei Building (Note 7)	Sept. 28, 2000	101	87	881.69	877.09	99.5
	A-2	BREEZÉ TOWER (Note 7)	July 1, 2008	1,024	907	12,146.02	11,697.81	96.3
	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	June 25, 1992	376	303	3,439.61	3,439.61	100.0
	A-6	Hatchobori Sankei Building	Sept. 1, 1965	310	261	5,594.90	5,594.90	100.0
	A-7	Toyo Park Building	June 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)	66.3
	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	153	144	3,687.53	3,687.53	100.0
	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)			-	4,322	3,532	Not disclosed (Note 8)	Not disclosed (Note 8)	93.2
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Jan. 18, 2018	413	206	6,006.53	6,006.53	100.0
	B-2	Hotel Intergate Hiroshima	Oct. 31, 2018	237	118	9,160.15	9,160.15	100.0
Subtotal (average)			-	651	325	15,166.68	15,166.68	100.0
Total (average)			-	4,974	3,857	Not disclosed (Note 8)	Not disclosed (Note 8)	94.2

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

(Note 2) "Total rental revenue" is the amount calculated by annualizing the monthly rent (Only the rent for the rental accommodation, excluding usage fees for warehouses, signboards, parking lots, etc., but including common service charges, etc. Free rent and rent holiday (\*1) will not be taken into consideration. As for rents that include floating rents in agreements with the tenants, the rents are calculated without taking floating rents into consideration. Consumption tax, etc. are not included. The same shall apply hereinafter.) for the building stated in the lease agreement for each portfolio asset effective as of August 31, 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 amounts for mainly tenants newly moving in which temporarily reduce costs associated with moving so as to encourage them to move in. "Rent holiday" refers to an agreement on measures temporarily reducing rent or other amount on a regular or irregular basis for a certain period of time during a tenant's period of occupancy. The same shall apply hereinafter. Unless otherwise stated, calculations are made without taking free rent or rent holiday into consideration when calculating monthly rent, etc. in this document.

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

(Note 3) "Security and guarantee deposits" is the total amount of security and guarantee deposits (including the amount expected to be received based on each lease agreement, but excluding security and guarantee deposits for warehouses, signboards, parking lots, etc.) based on the lease agreement for each portfolio asset as of August 31, 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 August 31, 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 August 31, 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 August 31, 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) Agreements have 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, termination penalties were received on March 31, 2022, for the 7 floors with the termination date of March 31, 2022.

## (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	2.3	2,640	2.0	2.4	2,750
	A-2	BREEZÉ TOWER (Note 2)	Japan Real Estate Institute	18,225	18,405	3.6	18,000	3.2	3.8	15,660
	A-3	S-GATE NIHONBASHI-HONCHO (Note 2)	Japan Real Estate Institute	7,720	7,860	3.2	7,580	2.9	3.4	6,600
	A-4	S-GATE AKIHABARA	Japan Real Estate Institute	2,710	2,730	3.3	2,690	3.1	3.4	2,440
	A-5	Hibiya Sankei Building	Japan Real Estate Institute	6,620	6,700	2.8	6,530	2.6	2.9	7,140
	A-6	Hatchobori Sankei Building	The Tanizawa Sōgō Appraisal Co., Ltd.	5,520	5,700	4.1	5,440	4.2	4.3	5,650
	A-7	Toyo Park Building	Japan Real Estate Institute	3,920	3,960	3.7	3,880	3.5	3.8	2,990
	A-8	Shinagawa Seaside TS Tower (Note 2)	The Tanizawa Sōgō Appraisal Co., Ltd.	19,800	21,200	3.3	19,200	3.4	3.5	20,700
	A-9	Omori Park Building	Japan Real Estate Institute	5,490	5,540	3.7	5,430	3.5	3.8	5,500
	A-10	S-GATE AKASAKA (Note 2)	Japan Real Estate Institute	5,992	6,064	3.1	5,912	2.9	3.2	5,248
	A-11	Miyazakidai Garden Office	Japan Real Estate Institute	2,790	2,810	4.5	2,760	4.3	4.6	2,350
	A-12	Hitachi Kyushu Building	Japan Real Estate Institute	10,300	10,400	4.3	10,200	4.1	4.4	11,700
Subtotal				91,777	94,099	-	90,262	-	-	88,728
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Daiwa Real Estate Appraisal Co., Ltd.	9,040	9,180	3.8	8,980	3.6	4.0	8,730
	B-2	Hotel Intergate Hiroshima	Japan Real Estate Institute	4,120	4,160	4.6	4,070	4.4	4.8	4,320
Subtotal				13,160	13,340	-	13,050	-	-	13,050
Total				104,937	107,439	-	103,312	-	-	101,778

(Note 1) "Appraisal value" is the appraisal value with an appraisal date of August 31, 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 August 31, 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		
			Total amount	Amount of payment during period	Total amount already paid
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Conversion to LED lighting for leased space	From: Aug. 1, 2022 To: Oct. 31, 2022	16	-	-
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Update and maintenance of air conditioner AHU parts	From: Feb. 1, 2022 To: Feb. 28, 2023	10	-	-
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Update of automatic fire detection equipment	From: Oct. 1, 2022 To: Oct. 31, 2022	29	-	-
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Update of disaster prevention facilities	From: Oct. 1, 2022 To: Dec. 31, 2022	32	-	-
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Replacement of automated control parts	From: Nov. 1, 2022 To: Nov. 30, 2022	12	-	-
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Update of uninterruptible power supply system	From: Jan. 1, 2023 To: Jan. 31, 2023	11	-	-
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Update of clean water pressurization water supply pump unit	From: Jan. 1, 2023 To: Jan. 31, 2023	20	-	-
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Update of general service water pressurization water supply pump unit	From: Jan. 1, 2023 To: Jan. 31, 2023	20	-	-
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Common area renewal work	From: Dec. 1, 2022 To: Feb. 28, 2023	120	-	-
Omori Park Building (Ota-ku, Tokyo)	Repair of individual air-conditioning system on 7th floor	From: Nov. 1, 2022 To: Jan. 31, 2023	17	-	-
Hitachi Kyushu Building (Sawara-ku, Fukuoka-shi)	Toilet renovation work	From: Sep. 1, 2022 To: Oct. 31, 2022	11	-	-
Hitachi Kyushu Building (Sawara-ku, Fukuoka-shi)	Vacuum Circuit Breaker (VCB) update work	From: Mar. 1, 2023 To: Mar. 31, 2023	12	-	-
Hitachi Kyushu Building (Sawara-ku, Fukuoka-shi)	Toilet renovation work for 11F and 13F	From: Dec. 1, 2022 To: Dec. 31, 2022	19	-	-

## ii. Capital Expenditures during the Fiscal Period

Major construction work falling under the category of capital expenditures of 10 million yen or more conducted in the fiscal period under review for assets held by SANKEI REAL ESTATE as of August 31, 2022, are as follows: For the fiscal period under review, capital expenditures amounted to 83 million yen and repair expenses separately charged to expenses amounted to 55 million yen for a combined total of 138 million yen of construction works implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of payment (million yen)
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Update of high-rise billing WHM	From: Oct. 5, 2021 To: Mar. 10, 2022	14
Hitachi Kyushu Building (Sawara-ku, Fukuoka-shi)	Update central monitoring panel server and client PCs	From: Mar. 22, 2022 To: Mar. 22, 2022	13
Other			55
Total			83

## 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	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	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
Balance of reserve at beginning of period (thousand yen)	130,466	217,842	175,880	209,678	262,349
Provision of reserve during period (thousand yen)	128,187	59,293	59,293	85,567	59,801
Reversal of reserve during period (thousand yen)	40,812	101,255	25,496	32,895	19,019
Reserve carried forward (thousand yen)	217,842	175,880	209,678	262,349	303,132