

(REIT) Financial Report for the Fiscal Period Ended February 2023

April 14, 2023

REIT Securities Issuer: SANKEI REAL ESTATE Inc.
TSE Code: 2972
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Listing: Tokyo Stock Exchange
URL: <https://www.s-reit.co.jp/en/>

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Scheduled date of submission of semiannual securities report: May 29, 2023
Scheduled date of commencement of distribution payment: May 25, 2023

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

(Amounts are rounded down to the nearest million yen)

1. Status of Management and Assets for the Fiscal Period Ended February 2023 (from September 1, 2022, to February 28, 2023)

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

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal period ended Feb. 2023	2,891	(4.5)	1,243	(23.7)	1,077	(27.0)	1,076	(27.0)
ended Aug. 2022	3,028	9.0	1,630	5.8	1,476	6.0	1,475	6.0

	Net income per unit	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	yen	%	%	%
Fiscal period ended Feb. 2023	2,304	2.1	1.0	37.3
ended Aug. 2022	3,158	2.9	1.4	48.7

(Note) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units (fiscal period ended August 2022: 467,099 units; fiscal period ended February 2023: 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	Payout ratio	Ratio of distribution to net assets
	yen	million yen	yen	million yen	%	%
Fiscal period ended Feb. 2023	2,305	1,076	-	-	100.0	2.1
ended Aug. 2022	3,158	1,475	-	-	100.0	2.9

(3) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
Fiscal period ended Feb. 2023	105,828	50,512	47.7	108,140
ended Aug. 2022	106,553	50,910	47.8	108,993

(4) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal period ended Feb. 2023	1,310	(408)	(1,474)	8,306
ended Aug. 2022	2,504	(78)	(1,790)	8,878

2. Operating Forecasts for the Fiscal Period Ending August 2023 (from March 1, 2023, to August 31, 2023) and
Operating Forecasts for the Fiscal Period Ending February 2024 (from September 1, 2023, to February 29, 2024)

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

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income		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
ending Aug. 2023	2,849	(1.5)	1,315	5.8	1,111	3.2	1,110	3.2	2,377	-
ending Feb. 2024	2,799	(1.8)	1,175	(10.6)	958	(13.8)	957	(13.8)	2,050	-

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

Fiscal period ending August 2023: 2,376 yen Fiscal period ending February 2024: 2,050 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 Feb. 2023	467,099 units	Fiscal period ended Aug. 2022	467,099 units
ii. Number of treasury investment units at end of period	Fiscal period ended Feb. 2023	0 units	Fiscal period ended Aug. 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 23.

* 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 August 2023 (from March 1, 2023, to August 31, 2023) and Fiscal Period Ending February 2024 (from September 1, 2023, to February 29, 2024)" on page 7.

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1. Management Status

(1) Management Status

(Overview of the Fiscal Period under Review)

i. Brief History of the Investment Corporation

SANKEI REAL ESTATE was incorporated under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter, the "Investment Trusts Act") with Sankei Building Asset Management Co., Ltd. (hereinafter, the "Asset Management Company") as the organizer and investments in capital of 100 million yen (1,000 units) on November 19, 2018, and completed the registration with the Kanto Local Finance Bureau pursuant to Article 187 of the Investment Trusts Act on December 17, 2018 (Registration No. 140 with the Director-General of the Kanto Local Finance Bureau). Later, SANKEI REAL ESTATE 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 (February 28, 2023), the total number of investment units issued and outstanding was 467,099 units and unitholders' capital (net) was 49,435 million yen.

ii. Management Environment

In the fiscal period under review (fiscal period ended February 28, 2023), although the Japanese economy continued to be affected by COVID-19, movement toward normalization of the economy progressed, and a new normal assuming living with COVID-19 is becoming established. Meanwhile, expansion of demand due to overseas economic recovery, a rise in prices backed by the invasion of Ukraine by Russia, high interest rates and fluctuations in foreign exchange rates brought about the first rise in prices in Japan in decades. In addition, conditions remain uncertain such as the possibility of COVID-19 infection trends, outcomes of the prolonged invasion of Ukraine and the success or failure of overseas monetary policy being factors in the supply of goods being restricted again or pushing down the 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 cases of decisions to relocate being withheld or taking time have been seen. 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. With regard to the hotel market in which SANKEI REAL ESTATE invests as sub assets, the total number of guests and room occupancy rates are on a path of steady recovery according to the Overnight Travel Statistics Survey by the Japan Tourism Agency, and although they remain below its peak, inbound demand is expected to further expand.

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.

The main factor in management performance as of the last day of the fiscal period under review was cancellations of major tenants, and the occupancy rate (Note 2) of the 14 portfolio properties stood at 93.4%, and operating revenue from real estate rent business was 2,891 million yen, 4.5% lower than that at the end of the previous fiscal period. The appraisal value as of the last day of the fiscal period under review was 104,232 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, efforts were made to limit rent reductions 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. We recognize the filling of vacancies caused by cancellations by major tenants in some assets under management as the most important issue and are working ardently 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 continued to decrease 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, the two hotel properties held by SANKEI REAL ESTATE (Hotel Intergate Tokyo Kyobashi and Hotel Intergate Hiroshima) finally had guest room occupancy rates increase due to the recovery of inbound demand, and although they were subject to the impact associated with COVID-19, the content of contracts with fixed rent based on the current contract also contributed to the stability of portfolio revenue for rent 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 reacquired DBJ Green Building certification for two offices (S-GATE NIHONBASHI-HONCHO and S-GATE AKIHABARA) in September 2022. It also acquired 2 Star and Green Star ratings in October 2022 in the GRESB Real Estate Assessment, a global investment benchmark established as a tool for use in selection of and dialogue with investment destinations by measuring ESG considerations in individual real estate companies and funds. In addition, SANKEI REAL ESTATE acquired Building-Housing Energy-efficiency Labeling System (BELS) certification for two hotel properties in December 2021.

Furthermore, in March 2023, the Asset Management Company expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) and joined the TCFD Consortium, a group of domestic companies that supports the TCFD recommendations.

(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. 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, 5,900 million yen was borrowed from Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Mizuho Trust & Banking Co., Ltd., Sumitomo Mitsui Trust Bank, Limited, Shinsei Bank, Limited (now SBI Shinsei Bank, Limited), and Resona Bank, Limited. through a loan syndicate with Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation as the arrangers on September 5, 2022, to repay long-term loans of 5,900 million yen due for repayment on September 5, 2022. The loan was made with a period of 4.5 years and fixed interest rate, thereby promoting extension of the average time to maturity, making the ratio of fixed-rate debt 100%, and staggering of maturities of interest-bearing liabilities.

As a result, as of the end of the fiscal period under review, the balance of loans outstanding was 50,200 million yen and the ratio of interest-bearing liabilities to total assets (hereinafter, “LTV ratio”) was 47.4%.

v. Overview of Business Performance and Distribution

As a result of the management described above, business performance in the fiscal period under review was operating revenue of 2,891 million yen, operating income of 1,243 million yen, ordinary income of 1,077 million yen, and net income of 1,076 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 1,076,663,195 yen, which is the entire amount of unappropriated retained earnings, excluding fractions of distribution per unit of less than 1 yen. This resulted in distribution per unit of 2,305 yen.

(Outlook for the Next Fiscal Period)

i. General Management Outlook

While the economy is expected to recover as a new normal assuming living with COVID-19 comes about, the environment will likely continue to be one in which downside risks to the Japanese and overseas economies brought about by rising prices starting in Europe and the US triggered by factors such as an imbalance in supply and demand amid global economic recovery and the prolongation of Russia’s invasion of Ukraine, rising interest rates and fluctuation in exchange rates, and 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 the normalization of social and economic activities progresses as the impact of COVID-19 is alleviated, it is necessary to monitor future trends in office demand due to ongoing moves to reduce fixed expenses (rent payments, etc.) accompanying changes in work styles and downside risk to economies. With regard to the assets held by SANKEI REAL ESTATE, there are concerns about progress in consolidation of locations and reduction of office space due to the impact of increased telecommuting such as working from home and the intentions to reduce fixed expenses (rent payments, etc.). Although a large volume of new supply is expected especially in central Tokyo in 2023, it has not had a significant impact on SANKEI REAL ESTATE’s assets at this point in time, but trends in the office building market will continue to be monitored. Furthermore, with regard to the fuel procurement costs that are a cause of rising utilities expenses, relationships with tenants will be further reinforced and consultations and responses will be continued as required, while closely monitoring tenants’ business performance, trends, etc.

In terms of the hotel market, domestic travelers and business travelers are expected to increase with the recovery in social and economic activities. A rapid inflow has been recorded concerning the acceptance of foreign tourists since restrictions were lifted last October, and although conditions remain below the peak level, further expansion is expected. A moderate operating environment is foreseen for also the two hotel properties held by SANKEI REAL ESTATE, continued stable revenue 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.

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 upper limit 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.

(Reference Information)

(A) Borrowing of Funds

SANKEI REAL ESTATE conducted the following borrowing of funds on March 30, 2023, to use as part of the funds for acquisition and incidental expenses upon acquisition of the real estate trust beneficiary rights of two properties as described in “(Reference Information) (B) Acquisition of Assets” below.

Category	Lender	Loan amount (million yen)	Interest rate (Note)	Maturity date	Repayment method	Remarks
Short-term loans	Mizuho Bank, Ltd.	6,800	Base rate (JBA 1-month Japanese Yen TIBOR) + 0.35%	March 30, 2024	Lump-sum repayment at maturity	Unsecured/Non-guaranteed

(Note) Base rate will be: JBA Japanese Yen TIBOR announced by JBA TIBOR Administration for the interest calculation period as of two business days prior to the immediately preceding interest payment date (the drawdown date in the case of the first interest calculation period). For the JBA Japanese Yen TIBOR, please check the website of JBA TIBOR Administration (<https://www.jbatibor.or.jp/english/rate/>).

Furthermore, the 3,700 million yen of long-term loans due for repayment on March 13, 2023, was refinanced on the same day as follows.

Category	Lender	Loan amount (million yen)	Interest rate	Maturity date	Repayment method	Remarks
Long-term loans	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Development Bank of Japan Inc. Mizuho Trust & Banking Co., Ltd. Sumitomo Mitsui Trust Bank, Limited SBI Shinsei Bank, Limited Resona Bank, Limited	3,700	1.02763%	September 13, 2027	Lump-sum repayment at maturity	Unsecured/Non-guaranteed

(B) Acquisition of Assets

SANKEI REAL ESTATE conducted the following acquisition of real estate trust beneficiary rights of two properties (total acquisition price: 6,642 million yen) on March 31, 2023.

Asset type	Property number	Property name	Location	Acquisition asset	Acquisition price (million yen) (Note)	Seller	Acquisition date
Office buildings	A-10	S-GATE AKASAKA (additional acquisition)	Minato-ku, Tokyo	Real estate trust beneficiary right	1,400	The Sankei Building Co., Ltd.	March 31, 2023
Sub assets	B-3	SANKEILOGI Settsu	Settsu-shi, Osaka	Real estate trust beneficiary right	i. 3,669.4 ii. 1,572.6 Total 5,242	i. The Sankei Building Co., Ltd. (70%) ii. JA Mitsui Leasing Tatemono Co., Ltd. (30%)	March 31, 2023
Total (2 properties)			-	-	6,642	-	-

(Note) “Acquisition price” is the sale and purchase price of each trust beneficiary right stated in the trust beneficiary right transfer agreement for each acquired asset, rounded down to the nearest million yen. The sale and purchase prices do not include consumption tax, local consumption tax and the various expenses required for the acquisition. Furthermore, the acquisition price for S-GATE AKASAKA is the figure equivalent to the 20% quasi co-ownership interest additionally acquired by SANKEI REAL ESTATE. As a result of the additional acquisition, SANKEI REAL ESTATE holds 100% of the trust beneficiary right in S-GATE AKASAKA.

iii. Operating Forecasts

SANKEI REAL ESTATE's operating forecasts for the fiscal period ending August 2023 (from March 1, 2023, to August 31, 2023) and fiscal period ending February 2024 (from September 1, 2023, to February 29, 2024) are as follows:

	Operating revenue	Operating income	Ordinary income	Net income	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
	million yen	million yen	million yen	million yen	yen	yen
Fiscal period ending Aug. 2023	2,849	1,315	1,111	1,110	2,377	-
ending Feb. 2024	2,799	1,175	958	957	2,050	-

Furthermore, for the assumptions underlying the operating forecasts, please refer to "Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending August 2023 (from March 1, 2023, to August 31, 2023) and Fiscal Period Ending February 2024 (from September 1, 2023, to February 29, 2024)" presented below.

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

Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending August 2023 (from March 1, 2023, to August 31, 2023) and Fiscal Period Ending February 2024 (from September 1, 2023, to February 29, 2024)

Item	Assumptions																											
Accounting period	<ul style="list-style-type: none"> Fiscal period ending August 2023 (9th fiscal period) (from March 1, 2023, to August 31, 2023) (184 days) Fiscal period ending February 2024 (10th fiscal period) (from September 1, 2023, to February 29, 2024) (182 days) 																											
Assets under management	<ul style="list-style-type: none"> The assumption is that the portfolio will be comprised of the real estate and real estate trust beneficiary rights (total of 15 properties) held by SANKEI REAL ESTATE as of the date of this document (hereinafter, the “current portfolio assets”). 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 and fiscal period ending February 2024. 																											
Operating revenue	<ul style="list-style-type: none"> Rent business revenue of the current portfolio assets is calculated by taking into account various factors, such as lease agreements that have been concluded and are valid as of the date of this document, tenant trends and market trends. For the fiscal period ending August 2023, gain on compensation for damages resulting from usage with delay of vacation by tenants of Shinagawa Seaside TS Tower will be recorded. The assumption is that there will be no delinquent or unpaid rent by tenants. A gain on sale of real estate is expected to be recorded due to the sale of property for the fiscal period ending August 2023 (263 million yen) and fiscal period ending February 2024 (359 million yen). The 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. 																											
Operating expenses	<ul style="list-style-type: none"> Of operating expenses, the main components are as follows: (Unit: million yen) <table border="1" style="margin-left: 40px;"> <thead> <tr> <th></th> <th>Fiscal period ending Aug. 2023</th> <th>Fiscal period ending Feb. 2024</th> </tr> </thead> <tbody> <tr> <td>Total expenses related to rent business</td> <td>1,226</td> <td>1,303</td> </tr> <tr> <td> Outsourcing expenses</td> <td>251</td> <td>282</td> </tr> <tr> <td> Utilities expenses</td> <td>219</td> <td>234</td> </tr> <tr> <td> Repair expenses</td> <td>89</td> <td>110</td> </tr> <tr> <td> Property taxes</td> <td>312</td> <td>309</td> </tr> <tr> <td> Depreciation</td> <td>325</td> <td>336</td> </tr> <tr> <td>Other expenses related to rent business [Total]</td> <td>307</td> <td>321</td> </tr> <tr> <td> Asset management fee</td> <td>241</td> <td>242</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Of expenses related to rent business, which are the main operating expenses, the expenses other than depreciation are calculated on the basis of historical data and by taking into consideration the factors causing fluctuation in each of the expenses. Depreciation is calculated using the straight-line method. In general, non-current 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. 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. 		Fiscal period ending Aug. 2023	Fiscal period ending Feb. 2024	Total expenses related to rent business	1,226	1,303	Outsourcing expenses	251	282	Utilities expenses	219	234	Repair expenses	89	110	Property taxes	312	309	Depreciation	325	336	Other expenses related to rent business [Total]	307	321	Asset management fee	241	242
	Fiscal period ending Aug. 2023	Fiscal period ending Feb. 2024																										
Total expenses related to rent business	1,226	1,303																										
Outsourcing expenses	251	282																										
Utilities expenses	219	234																										
Repair expenses	89	110																										
Property taxes	312	309																										
Depreciation	325	336																										
Other expenses related to rent business [Total]	307	321																										
Asset management fee	241	242																										
Non-operating expenses	<ul style="list-style-type: none"> As interest expenses and other borrowing-related expenses, 197 million yen is assumed for the fiscal period ending August 2023 and 209 million yen for the fiscal period ending February 2024. As amortization of investment unit issuance expenses, 6 million yen is assumed for the fiscal period ending August 2023 and 6 million yen for the fiscal period ending February 2024. 																											
Interest-bearing liabilities	<ul style="list-style-type: none"> The assumption is that total interest-bearing liabilities will be 57,000 million yen at the end of the fiscal period ending August 2023 and 57,000 million yen at the end of the fiscal period ending February 2024. The assumption is that there will be no change in the balance of loans outstanding other than the above through to the end of the fiscal period ending February 2024. LTV ratio is expected to be 50.6% at the end of the fiscal period ending August 2023 and 50.3% at the end of the fiscal period ending February 2024. LTV ratio is calculated by the following formula and rounded to one decimal place. LTV ratio = Total interest-bearing liabilities / Total assets × 100 																											

Item	Assumptions
Number of investment units issued and outstanding	<ul style="list-style-type: none"> • 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 February 2024. • Distribution per unit (excluding distribution in excess of earnings) is calculated based on the forecast total number of investment units issued and outstanding at the end of the fiscal period ending August 2023 and fiscal period ending February 2024 of 467,099 units.
Distribution per unit (excluding distribution in excess of earnings)	<ul style="list-style-type: none"> • Distribution per unit (excluding distribution in excess of earnings) is calculated based on the assumption that distribution of earnings will be in accordance with the policy on distribution of cash provided in SANKEI REAL ESTATE's articles of incorporation. • Distribution per unit (excluding distribution in excess of earnings) may vary due to various factors, such as fluctuation in rent business revenue accompanying change in assets under management, change in tenants or other event, or incurrence of unexpected repairs.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • No cash distribution in excess of earnings is planned to be made at this point in time.
Other	<ul style="list-style-type: none"> • The assumption is that there will be no amendment of laws and regulations, tax systems, accounting standards, listing regulations provided by Tokyo Stock Exchange, Inc., rules provided by The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. • The assumption is that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.

(2) Investment Risks

Disclosure is omitted, because there is no significant change from "Investment Risks" in the semiannual securities report (submitted on November 29, 2022).

2. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	7th fiscal period (as of Aug. 31, 2022)	8th fiscal period (as of Feb. 28, 2023)
Assets		
Current assets		
Cash and deposits	5,575,535	5,208,842
Cash and deposits in trust	3,303,184	3,097,656
Operating accounts receivable	62,702	64,478
Prepaid expenses	71,801	62,795
Other	78	-
Total current assets	9,013,302	8,433,772
Non-current assets		
Property, plant and equipment		
Buildings	181,978	182,520
Accumulated depreciation	(22,182)	(25,525)
Buildings, net	159,795	156,995
Structures	544	544
Accumulated depreciation	(53)	(67)
Structures, net	490	476
Land	2,457,766	2,457,766
Buildings in trust	18,769,170	18,955,810
Accumulated depreciation	(1,592,660)	(1,879,113)
Buildings in trust, net	17,176,510	17,076,697
Structures in trust	71,171	71,171
Accumulated depreciation	(3,517)	(4,558)
Structures in trust, net	67,654	66,613
Machinery and equipment in trust	11,302	14,330
Accumulated depreciation	(1,698)	(2,290)
Machinery and equipment in trust, net	9,603	12,040
Tools, furniture and fixtures in trust	49,525	71,817
Accumulated depreciation	(11,769)	(16,419)
Tools, furniture and fixtures in trust, net	37,756	55,397
Land in trust	77,433,848	77,433,848
Construction in progress in trust	56,722	945
Total property, plant and equipment	97,400,148	97,260,780
Intangible assets		
Software	2,953	2,013
Total intangible assets	2,953	2,013
Investments and other assets		
Long-term prepaid expenses	103,157	103,557
Deferred tax assets	15	12
Lease and guarantee deposits	10,000	10,000
Total investments and other assets	113,173	113,569
Total non-current assets	97,516,274	97,376,363
Deferred assets		
Investment unit issuance costs	24,099	18,075
Total deferred assets	24,099	18,075
Total assets	106,553,676	105,828,211

(Unit: thousand yen)

	7th fiscal period (as of Aug. 31, 2022)	8th fiscal period (as of Feb. 28, 2023)
Liabilities		
Current liabilities		
Operating accounts payable	244,965	347,103
Long-term loans due within one year	9,600,000	9,600,000
Accounts payable - other	308,770	288,400
Accrued expenses	44,831	50,743
Income taxes payable	926	855
Consumption taxes payable	171,838	38,660
Advances received	447,828	449,764
Deposits received	6,036	676
Total current liabilities	10,825,198	10,776,204
Non-current liabilities		
Long-term loans	40,600,000	40,600,000
Lease and guarantee deposits received	88,237	88,166
Lease and guarantee deposits received in trust	4,129,413	3,851,485
Total non-current liabilities	44,817,651	44,539,651
Total liabilities	55,642,849	55,315,856
Net assets		
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)	1,475,277	1,076,805
Total surplus	1,475,277	1,076,805
Total unitholders' equity	50,910,827	50,512,354
Total net assets	*1 50,910,827	*1 50,512,354
Total liabilities and net assets	106,553,676	105,828,211

(2) Statement of Income and Retained Earnings

(Unit: thousand yen)

	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023
Operating revenue		
Rent business revenue	*1 2,516,558	*1 2,452,313
Other rent business revenue	*1 511,493	*1 439,634
Total operating revenue	3,028,051	2,891,948
Operating expenses		
Expenses related to rent business	*1 1,076,927	*1 1,338,956
Asset management fee	265,992	247,055
Asset custody fee	2,100	2,092
Administrative service fees	7,460	8,020
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	41,722	48,325
Total operating expenses	1,397,803	1,648,050
Operating income	1,630,247	1,243,897
Non-operating income		
Interest income	41	41
Reversal of distributions payable	-	584
Insurance claim income	-	930
Interest on refund	279	-
Other	0	285
Total non-operating income	321	1,842
Non-operating expenses		
Interest expenses	100,931	114,796
Borrowing related expenses	47,460	47,427
Amortization of investment unit issuance expenses	6,024	6,024
Other	26	-
Total non-operating expenses	154,444	168,248
Ordinary income	1,476,124	1,077,491
Net income before income taxes	1,476,124	1,077,491
Income taxes - current	932	861
Income taxes - deferred	(5)	3
Total income taxes	927	865
Net income	1,475,197	1,076,626
Retained earnings brought forward	80	178
Unappropriated retained earnings (undisposed loss)	1,475,277	1,076,805

(3) Statement of Changes in Unitholders' Equity
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							
Distributions of surplus				(1,391,487)	(1,391,487)	(1,391,487)	(1,391,487)
Net income				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

8th fiscal period (from September 1, 2022, to February 28, 2023)

(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	1,475,277	1,475,277	50,910,827	50,910,827
Changes in items during period							
Distributions of surplus				(1,475,098)	(1,475,098)	(1,475,098)	(1,475,098)
Net income				1,076,626	1,076,626	1,076,626	1,076,626
Total changes in items during period	-	-	-	(398,472)	(398,472)	(398,472)	(398,472)
Balance at end of period	*1 49,442,685	(7,136)	49,435,549	1,076,805	1,076,805	50,512,354	50,512,354

(4) Statement of Cash Distributions

(Unit: yen)

	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023
I. Unappropriated retained earnings	1,475,277,574	1,076,805,124
II. Amount of distribution	1,475,098,642	1,076,663,195
[Amount of distribution per unit]	[3,158]	[2,305]
III. Retained earnings carried forward	178,932	141,929

Method of calculation of amount of distribution	In accordance with the policy on distribution specified in Article 36, Paragraph 1 of SANKEI REAL ESTATE's articles of incorporation, the amount of distribution shall be limited to the amount of net income in excess of the amount equivalent to 90% of distributable profit, as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. 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) not in excess of unappropriated retained earnings, as distribution of earnings. The distribution in excess of earnings specified in Article 36, Paragraph 2 of SANKEI REAL ESTATE's articles of incorporation will not be made.	In accordance with the policy on distribution specified in Article 36, Paragraph 1 of SANKEI REAL ESTATE's articles of incorporation, the amount of distribution shall be limited to the amount of net income in excess of the amount equivalent to 90% of distributable profit, as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on such policy, the decision was made to distribute 1,076,663,195 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (467,099 units) not in excess of unappropriated retained earnings, as distribution of earnings. The distribution in excess of earnings specified in Article 36, Paragraph 2 of SANKEI REAL ESTATE's articles of incorporation will not be made.
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(5) Statement of Cash Flows

(Unit: thousand yen)

	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023
Cash flows from operating activities		
Net income before income taxes	1,476,124	1,077,491
Depreciation	310,763	297,033
Amortization of investment unit issuance expenses	6,024	6,024
Interest income	(41)	(41)
Interest expenses	100,931	114,796
Decrease (increase) in operating accounts receivable	27,164	(1,775)
Decrease (increase) in consumption taxes refund receivable	389,377	-
Decrease (increase) in prepaid expenses	(10,343)	9,006
Increase (decrease) in operating accounts payable	116,727	77,214
Increase (decrease) in accounts payable - other	64,742	(22,151)
Increase (decrease) in consumption taxes payable	171,838	(133,178)
Increase (decrease) in advances received	(37,563)	1,936
Increase (decrease) in deposits received	(5,319)	(5,360)
Decrease (increase) in long-term prepaid expenses	(9,818)	(399)
Decrease (increase) in other assets	(78)	78
Subtotal	2,600,531	1,420,674
Interest received	41	41
Interest paid	(94,905)	(108,884)
Income taxes paid	(821)	(932)
Net cash provided by (used in) operating activities	2,504,846	1,310,899
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,708)	(542)
Purchase of property, plant and equipment in trust	(102,914)	(130,867)
Proceeds from lease and guarantee deposits received	595	632
Refund of lease and guarantee deposits received	(331)	(703)
Proceeds from lease and guarantee deposits received in trust	110,219	74,547
Refund of lease and guarantee deposits received in trust	(83,190)	(351,923)
Net cash provided by (used in) investing activities	(78,330)	(408,856)
Cash flows from financing activities		
Repayments of short-term loans	(400,000)	-
Proceeds from long-term loans	5,600,000	5,900,000
Repayments of long-term loans	(5,600,000)	(5,900,000)
Distributions paid	(1,390,093)	(1,474,263)
Net cash provided by (used in) financing activities	(1,790,093)	(1,474,263)
Net increase (decrease) in cash and cash equivalents	636,421	(572,220)
Cash and cash equivalents at beginning of period	8,242,298	8,878,719
Cash and cash equivalents at end of period	*1 8,878,719	8,306,499

(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 lives of major property, plant and equipment is as follows:</p> <table border="0" style="margin-left: 20px;"> <tr> <td>Buildings</td> <td style="text-align: right;">3–65 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	3–65 years	Structures	6–59 years	Machinery and equipment	8-10 years	Tools, furniture and fixtures	4-10 years
Buildings	3–65 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 costs 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 customers of SANKEI REAL ESTATE and the timing when the performance obligations are normally satisfied (the normal time to recognize revenue) are as follows.</p> <ul style="list-style-type: none"> i. Sale of real estate, etc. Revenue is recognized for the sale of real estate at the time the buyer who is a customer gains control of the real estate, etc. through the performance of delivery obligations specified in a contract on the sale of real estate. ii. Utilities reimbursement Revenue is recognized for utilities reimbursement according to the supply of electricity, water, etc. to tenants who are customers based on the content of lease agreements for real estate and incidental agreements. For the utilities reimbursement for which SANKEI REAL ESTATE is deemed to be an agent, the net amount after deducting the amount to be paid to another party from the amount received from the other party as charges for electricity, gas, etc. provided by said party is recorded as revenue. <p>(2) Accounting for non-current asset tax, etc. For non-current asset tax, city planning tax, depreciable asset tax, etc. on real estate or trust beneficiary rights of real estate, the tax levied corresponding to the calculation period is recorded as expenses related to rent business. Furthermore, the amount equivalent to non-current asset tax, etc. in the initial fiscal year paid by SANKEI REAL ESTATE upon acquisition of real estate or trust beneficiary rights of real estate is included in the cost of acquisition of the real estate, etc. and not recognized as expenses. The amount equivalent to non-current asset tax, etc. included in the cost of acquisition of real estate, etc. was nil in the previous fiscal period. The amount equivalent to non-current 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 cash (cash and cash equivalents) in the statement of cash flows</p>	<p>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 three 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 related to 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 and retained earnings. Furthermore, the following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet.</p> <ul style="list-style-type: none"> i. Cash and deposits in trust ii. Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust iii. Lease and guarantee deposits received in trust 								

(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)

7th fiscal period (as of Aug. 31, 2022)	8th fiscal period (as of Feb. 28, 2023)
50,000	50,000

[Notes to the Statement of Income and Retained Earnings]

- *1. Breakdown of operating income (loss) from real estate rent business

(Unit: thousand yen)

	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023
A. Operating revenue from real estate rent business		
Rent business revenue		
Rental revenue	2,381,126	2,323,174
Common area maintenance revenue	135,432	129,138
Total rent business revenue	2,516,558	2,452,313
Other rent business revenue		
Utilities reimbursement	121,659	130,668
Parking revenue	33,939	34,048
Termination penalties	346,974	10,466
Income from work to restore to the original state	-	254,855
Other rental revenue	8,919	9,596
Total other rent business revenue	511,493	439,634
Total operating revenue from real estate rent business	3,028,051	2,891,948
B. Operating expenses from real estate rent business		
Expenses related to rent business		
Outsourcing expenses	202,506	231,216
Utilities expenses	184,674	214,149
Property taxes	303,718	300,889
Land rent	1,818	1,818
Repair expenses	55,230	271,417
Insurance premium	5,749	5,603
Trust fee	3,787	3,752
Depreciation	309,823	296,093
Other expenses related to rent business	9,616	14,014
Total expenses related to rent business	1,076,927	1,338,956
Total operating expenses from real estate rent business	1,076,927	1,338,956
C. Operating income (loss) from real estate rent business [A-B]	1,951,124	1,552,992

[Notes to the Statement of Changes in Unitholders' Equity]

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

(Unit: units)

	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023
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)

	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023
Cash and deposits	5,575,535	5,208,842
Cash and deposits in trust	3,303,184	3,097,656
Cash and cash equivalents	8,878,719	8,306,499

[Notes on Lease Transactions]

Operating lease transactions (as lessor)

Future minimum lease payments

(Unit: thousand yen)

	7th fiscal period (as of Aug. 31, 2022)	8th fiscal period (as of Feb. 28, 2023)
Due within 1 year	2,645,767	2,485,706
Due after 1 year	13,446,087	12,893,670
Total	16,091,854	15,379,376

[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

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

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

Certain assumptions, etc. are adopted in the calculation of the value of financial instruments. Accordingly, the concerned values may vary when different assumptions, etc. are adopted.

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

The following are the carrying amount and fair value as of August 31, 2022, and the amount of difference between these. Notes on “cash and deposits” and “cash and deposits in trust” are omitted as the fair value approximates the carrying amount because they are cash or settled in a short period. Furthermore “lease and guarantee deposits received” and “lease and guarantee deposits received in trust” are omitted because the amounts are immaterial.

(Unit: thousand yen)

	Carrying amount	Fair value	Amount of difference
(1) Long-term loans due within one year	9,600,000	9,601,711	1,711
(2) Long-term loans	40,600,000	40,274,136	(325,863)
Total liabilities	50,200,000	49,875,848	(324,151)

The following are the carrying amount and fair value as of February 28, 2023, and the amount of difference between these. Notes on “cash and deposits” and “cash and deposits in trust” are omitted as the fair value approximates the carrying amount because they are cash or settled in a short period. Furthermore “lease and guarantee deposits received” and “lease and guarantee deposits received in trust” are omitted because the amounts are immaterial.

(Unit: thousand yen)

	Carrying amount	Fair value	Amount of difference
(1) Long-term loans due within one year	9,600,000	9,600,915	915
(2) Long-term loans	40,600,000	40,112,914	(487,085)
Total liabilities	50,200,000	49,713,829	(486,170)

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

(1) Long-term loans due within one year; (2) Long-term loans

Of long-term loans, because those with floating interest rates reflect market interest rates in a short period of time, the fair value approximates the book value and thus stated at that book value. However, in the case of long-term loans 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 loans 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 loans due within one year	9,600,000	-	-	-	-	-
Long-term loans	-	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

Amount of repayment of loans scheduled to be due after the end of the fiscal period (February 28, 2023)

(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 loans due within one year	9,600,000	-	-	-	-	-
Long-term loans	-	7,600,000	11,000,000	10,500,000	5,900,000	5,600,000
Total	9,600,000	7,600,000	11,000,000	10,500,000	5,900,000	5,600,000

[Notes on Securities]

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

Not applicable.

8th fiscal period (as of February 28, 2023)

Not applicable.

[Notes on Derivative Transactions]

7th fiscal period (as of August 31, 2022)
Not applicable.

8th fiscal period (as of February 28, 2023)
Not applicable.

[Notes on Retirement Benefits]

7th fiscal period (as of August 31, 2022)
Not applicable.

8th fiscal period (as of February 28, 2023)
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)

	7th fiscal period (as of Aug. 31, 2022)	8th fiscal period (as of Feb. 28, 2023)
Deferred tax assets		
Non-deductible accrued enterprise tax	15	12
Total	15	12
Deferred tax assets, net	15	12

2. Reconciliation of significant differences between the statutory tax rate and the effective income tax rate

(Unit: %)

	7th fiscal period (as of Aug. 31, 2022)	8th fiscal period (as of Feb. 28, 2023)
Statutory tax rate	31.46	31.46
[Adjustments]		
Deductible distribution payable	(31.44)	(31.44)
Other	0.04	0.06
Effective income tax rate after application of tax-effect accounting	0.06	0.08

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

7th fiscal period (from March 1, 2022, to August 31, 2022)
Not applicable.

8th fiscal period (from September 1, 2022, to February 28, 2023)
Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.

7th fiscal period (from March 1, 2022, to August 31, 2022)
Not applicable.

8th fiscal period (from September 1, 2022, to February 28, 2023)
Not applicable.

2. Affiliated company, etc.
7th fiscal period (from March 1, 2022, to August 31, 2022)
Not applicable.

8th fiscal period (from September 1, 2022, to February 28, 2023)
Not applicable.

3. Fellow subsidiary, etc.
7th fiscal period (from March 1, 2022, to August 31, 2022)
Not applicable.

8th fiscal period (from September 1, 2022, to February 28, 2023)
Not applicable.

4. Director, major individual unitholder, etc.
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.

8th fiscal period (from September 1, 2022, to February 28, 2023)

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)	247,055	Accounts payable - other	271,761

(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]

7th fiscal period (from March 1, 2022, to August 31, 2022)
Not applicable.

8th fiscal period (from September 1, 2022, to February 28, 2023)
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)

	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023
Carrying amount		
Balance at beginning of period	97,570,230	97,343,425
Amount of change during period	(226,804)	(83,590)
Balance at end of period	97,343,425	97,259,835
Fair value at end of period	104,937,000	104,232,000

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

(Note 2) Of the amount of change during period, the amount of increase in the previous fiscal period is mainly attributable to capital expenditures (83,067 thousand yen), while the amount of decrease is mainly attributable to depreciation (309,823 thousand yen). The amount of increase in the fiscal period under review is mainly attributable to capital expenditures (212,502 thousand yen), while the amount of decrease is mainly attributable to depreciation (296,093 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 and Retained Earnings."

[Notes on Revenue Recognition]

1. Information breaking down revenue from contracts with customers

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) Rent 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.

8th fiscal period (from September 1, 2022, to February 28, 2023)

(Unit: thousand yen)

	Revenue from contracts with customers (Note)	Sales to external customers
Sale of real estate, etc.	-	-
Utilities reimbursement	130,668	130,668
Other	-	2,761,279
Total	130,668	2,891,948

(Note) Rent 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

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

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

8th fiscal period (from September 1, 2022, to February 28, 2023)

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

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

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

(Unit: thousand yen)

	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023
Receivables from contracts with customers (Balance at beginning of period)	26,182	30,002
Receivables from contracts with customers (Balance at end of period)	30,002	25,127
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

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.

8th fiscal period (from September 1, 2022, to February 28, 2023)

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 since SANKEI REAL ESTATE has a single segment—the real estate rent business.

2. Related information

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

(1) Information by product and service

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

(2) Information by geographic area

i. Operating revenue

The information is omitted since operating revenue to external customers in Japan exceeds 90% of operating revenue on the statement of income and retained earnings.

ii. Property, plant and equipment

The information is omitted since 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 rent business
Sony Group Corporation	Not disclosed (Note)	Real estate rent business

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

8th fiscal period (from September 1, 2022, to February 28, 2023)

(1) Information by product and service

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

(2) Information by geographic area

i. Operating revenue

The information is omitted since operating revenue to external customers in Japan exceeds 90% of operating revenue on the statement of income and retained earnings.

ii. Property, plant and equipment

The information is omitted since 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 rent business
Sony Group Corporation	Not disclosed (Note)	Real estate rent 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]

	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023
Net assets per unit	108,993 yen	108,140 yen
Net income per unit	3,158 yen	2,304 yen

(Note 1) Net income per unit is calculated by dividing net income by the period's daily weighted average number of investment units (fiscal period ended August 2022: 467,099 units; fiscal period ended February 2023: 467,099 units). In addition, diluted net income per unit is not stated, because there are no diluted investment units

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

	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023
Net income (thousand yen)	1,475,197	1,076,626
Amount not available to common unitholders (thousand yen)	-	-
Net income attributable to common investment units (thousand yen)	1,475,197	1,076,626
Average number of investment units during period (units)	467,099	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 (February 28, 2023) 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

Type of asset	Asset type	Geographic area (Note 1)	7th fiscal period (as of Aug. 31, 2022)		8th fiscal period (as of Feb. 28, 2023)		
			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	2,615	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	71,709	67.3	71,677	67.7	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	10,193	9.6	10,197	9.6	
	Sub assets	Greater Tokyo, Osaka City and Nagoya City	8,924	8.4	8,897	8.4	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,898	3.7	3,872	3.7	
	Hotels	Greater Tokyo, Osaka City and Nagoya City	8,924	8.4	8,897	8.4	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,898	3.7	3,872	3.7	
	Subtotal			97,343	91.4	97,259	91.9
	Deposits and other assets			9,210	8.6	8,568	8.1
Total assets			106,553	100.0	105,828	100.0	

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

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

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

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

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

	7th fiscal period (as of Aug. 31, 2022)		8th fiscal period (as of Feb. 28, 2023)	
	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	55,642	52.2	55,315	52.3
Total net assets	50,910	47.8	50,512	47.7
Total assets	106,553	100.0	105,828	100.0

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

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

ii. Investment Assets

The following are the assets held by SANKEI REAL ESTATE (real estate or trust beneficiary rights that have real estate as trust assets; hereinafter, may be collectively referred to as the “portfolio assets”) as of February 28, 2023.

(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	2,615	2,620	Mar. 12, 2019
	A-2	BREEZÉ TOWER (Note 5)	Kita-ku, Osaka-shi, Osaka	13,100	13.6	12,995	18,000	i. Mar. 12, 2019 ii. Sept. 3, 2019
	A-3	S-GATE NIHONBASHI-HONCHO (Note 5)	Chuo-ku, Tokyo	6,698	6.9	6,653	7,750	Mar. 12, 2019
	A-4	S-GATE AKIHABARA	Chiyoda-ku, Tokyo	2,055	2.1	2,028	2,710	Mar. 12, 2019
	A-5	Hibiya Sankei Building	Chiyoda-ku, Tokyo	5,829	6.0	6,064	6,620	Mar. 12, 2019
	A-6	Hatchobori Sankei Building	Chuo-ku, Tokyo	4,959	5.1	5,003	5,490	Mar. 12, 2019
	A-7	Toyo Park Building	Koto-ku, Tokyo	3,782	3.9	3,873	3,920	Mar. 12, 2019
	A-8	Shinagawa Seaside TS Tower (Note 5)	Shinagawa-ku, Tokyo	20,940	21.7	21,130	19,450	i. Sept. 3, 2019 ii. Sept. 2, 2021
	A-9	Omori Park Building	Ota-ku, Tokyo	5,400	5.6	5,452	5,490	Sept. 3, 2019
	A-10	S-GATE AKASAKA (Note 5)	Minato-ku, Tokyo	5,600	5.8	5,631	5,992	i. Oct. 1, 2020 ii. Sept. 2, 2021
	A-11	Miyazakidai Garden Office	Miyamae-ku, Kawasaki-shi, Kanagawa	2,800	2.9	2,843	2,730	Sept. 2, 2021
	A-12	Hitachi Kyushu Building	Sawara-ku, Fukuoka-shi, Fukuoka	10,000	10.3	10,197	10,300	Sept. 2, 2021
Subtotal			-	83,674	86.6	84,489	91,072	-
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Chuo-ku, Tokyo	8,961	9.3	8,897	9,040	Mar. 12, 2019
	B-2	Hotel Intergate Hiroshima	Naka-ku, Hiroshima-shi, Hiroshima	3,990	4.1	3,872	4,120	Sept. 3, 2019
Subtotal			-	12,951	13.4	12,770	13,160	-
Total			-	96,625	100.0	97,259	104,232	-

(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 portfolio assets, rounded down to the nearest million yen. The sale and purchase prices do not include consumption tax, local consumption tax and the various expenses required for the acquisition. “Investment ratio” is the proportion of the acquisition price of each portfolio asset to the sum total amount of acquisition prices, rounded to one decimal place.

(Note 2) “Book value” is the depreciated book value for each portfolio asset as of February 28, 2023, rounded down to the nearest million yen.

(Note 3) “Appraisal value” is the appraisal value with an appraisal date of February 28, 2023, 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, lease 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)	Lease and guarantee deposits (million yen) (Note 3)	Total leasable area (m ²) (Note 4)	Total leased area (m ²) (Note 5)	Occupancy rate (%) (Note 6)
Office buildings	A-1	Tokyo Sankei Building (Note 7)	Sept. 28, 2000	101	87	881.69	877.09	99.5
	A-2	BREEZÉ TOWER (Note 7)	July 1, 2008	972	870	12,146.02	10,974.15	90.4
	A-3	S-GATE NIHONBASHI-HONCHO (Note 7)	Oct. 31, 2018	308	308	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)	76.0
	A-9	Omori Park Building	May 31, 1993	234	213	7,469.72	5,914.78	79.2
	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)			-	4,298	3,522	Not disclosed (Note 8)	Not disclosed (Note 8)	92.2
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)			-	4,949	3,848	Not disclosed (Note 8)	Not disclosed (Note 8)	93.4

(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 incidental parts such as warehouses that are not the main asset type, 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 February 28, 2023, 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) "Lease and guarantee deposits" is the total amount of lease and guarantee deposits (including the amount expected to be received based on each lease agreement, but excluding lease and guarantee deposits for incidental parts such as warehouses that are not the main asset type, signboards, parking lots, etc.) based on the lease agreement for each portfolio asset as of February 28, 2023, rounded down to the nearest million yen. The amount of lease 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 incidental parts such as warehouses that are not the main asset type, signboards, parking lots, etc.) expected to be leasable based on the lease agreement, drawing, etc. of the buildings for each portfolio asset as of February 28, 2023, rounded down to two decimal places.

(Note 5) "Total leased area" is the total leased area (excluding area of incidental parts such as warehouses that are not the main asset type, signboards, parking lots, etc.) stated in the lease agreement (excluding lease agreements under which the lease period is yet to commence) for each portfolio asset as of February 28, 2023, rounded down to two decimal places. With respect to the portion which comes under the pass-through-type master lease agreement, the total area for which the lease agreement has actually been concluded with the end tenant and for which the lease period has commenced is indicated, rounded down to two decimal places.

- (Note 6) "Occupancy rate" is the ratio of total leased area to total leasable area for each portfolio asset as of February 28, 2023, 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, lease and guarantee deposits, total leasable area and total leased area are the figures equivalent to the co-ownership interest (2% for "Tokyo Sankei Building" and 51% for "S-GATE NIHONBASHI-HONCHO") and the quasi co-ownership interest (45% for "BREEZÉ TOWER," 50% for "Shinagawa Seaside TS Tower," and 80% for "S-GATE AKASAKA") held by SANKEI REAL ESTATE.
- (Note 8) Not disclosed due to unavoidable circumstances in that such contains information for which consent for disclosure has not been obtained from the tenant, relevant party, etc. or information from which confidential information can be derived.
- (Note 9) An agreement has been reached with Sony Group Corporation for the termination of the contract for Shinagawa Seaside TS Tower with a termination date of March 31, 2023 (14 floors).

(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	2,620	2,660	2.3	2,580	2.0	2.4	2,750
	A-2	BREEZÉ TOWER (Note 2)	Japan Real Estate Institute	18,000	18,180	3.6	17,820	3.2	3.8	15,930
	A-3	S-GATE NIHONBASHI-HONCHO (Note 2)	Japan Real Estate Institute	7,750	7,890	3.2	7,600	2.9	3.4	6,550
	A-4	S-GATE AKIHABARA	Japan Real Estate Institute	2,710	2,720	3.3	2,690	3.1	3.4	2,410
	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.	5,490	5,660	4.1	5,410	4.2	4.3	5,640
	A-7	Toyo Park Building	Japan Real Estate Institute	3,920	3,960	3.7	3,870	3.5	3.8	2,990
	A-8	Shinagawa Seaside TS Tower (Note 2)	The Tanizawa Sōgō Appraisal Co., Ltd.	19,450	21,100	3.3	18,750	3.4	3.5	20,500
	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	5,328
	A-11	Miyazakidai Garden Office	Japan Real Estate Institute	2,730	2,750	4.5	2,700	4.3	4.6	2,330
	A-12	Hitachi Kyushu Building	Japan Real Estate Institute	10,300	10,400	4.3	10,200	4.1	4.4	12,200
Subtotal				91,072	93,624	-	89,492	-	-	89,268
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Daiwa Real Estate Appraisal Co., Ltd.	9,040	9,170	3.8	8,990	3.6	4.0	8,780
	B-2	Hotel Intergate Hiroshima	Japan Real Estate Institute	4,120	4,160	4.6	4,080	4.4	4.8	4,430
Subtotal				13,160	13,330	-	13,070	-	-	13,210
Total				104,232	106,954	-	102,562	-	-	102,478

(Note 1) "Appraisal value" is the appraisal value with an appraisal date of February 28, 2023, 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 for Real Estate Held

i. Schedule of Capital Expenditures

Of capital expenditures associated with renovation work, etc. currently planned for assets held by SANKEI REAL ESTATE as of February 28, 2023, the following are the major estimated amounts (10 million yen or more). The estimated construction costs below may include the portion separately charged to expenses in accounting

Name of real estate, etc. (Location)	Purpose	Scheduled period	Expected construction cost (million yen)		
			Total amount	Amount of payment during period	Total amount already paid
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Update and maintenance of air conditioner AHU parts	From: Mar. 1, 2023 To: Mar. 31, 2023	10	-	-
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Replacement of tile carpet in office common area	From: Mar. 1, 2023 To: Mar. 31, 2023	10	-	-
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Update of blind system	From: Mar. 1, 2023 To: Mar. 31, 2023	17	-	-
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Dividing work of exclusive area on 17F	From: Mar. 1, 2023 To: Apr. 30, 2023	30	-	-
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Conversion to LED lighting	From: Sept. 1, 2023 To: Sept. 30, 2023	35	-	-
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Update of power receiving and transforming facilities and equipment	From: Feb. 1, 2024 To: Feb. 29, 2024	10	-	-
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Update of security facilities	From: Feb. 1, 2024 To: Feb. 29, 2024	13	-	-
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Update and maintenance of air-conditioning system	From: Feb. 1, 2024 To: Feb. 29, 2024	31	-	-
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Update of blind system	From: Feb. 1, 2024 To: Feb. 29, 2024	67	-	-
Hibiya Sankei Building (Chiyoda-ku, Tokyo)	Replacement of SP pump	From: Nov. 1, 2023 To: Nov. 30, 2023	24	-	-
Hibiya Sankei Building (Chiyoda-ku, Tokyo)	Maintenance of mechanical car parking system	From: Jan. 1, 2024 To: Jan. 31, 2024	11	-	-
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Common area renewal work	From: Jun. 1, 2023 To: Jun. 30, 2023	120	-	-
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Repair of emergency generator	From: Oct. 1, 2023 To: Oct. 31, 2023	16	-	-
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Update of emergency broadcasting system	From: Feb. 1, 2024 To: Feb. 29, 2024	18	-	-
Omori Park Building (Ota-ku, Tokyo)	Update of battery facilities	From: Oct. 1, 2023 To: Oct. 31, 2023	16	-	-
Omori Park Building (Ota-ku, Tokyo)	Repair of individual air-conditioning system	From: Dec. 1, 2023 To: Dec. 31, 2023	16	-	-
Miyazakidai Garden Office (Miyamae-ku, Kawasaki-shi)	Toilet renovation work	From: Jan. 1, 2024 To: Jan. 31, 2024	11	-	-
Hitachi Kyushu Building (Sawara-ku, Fukuoka-shi)	Toilet renovation work	From: Aug. 1, 2023 To: Aug. 31, 2023	18	-	-
Hitachi Kyushu Building (Sawara-ku, Fukuoka-shi)	Vacuum Circuit Breaker (VCB) update work	From: Nov. 1, 2023 To: Nov. 30, 2023	12	-	-
Hitachi Kyushu Building (Sawara-ku, Fukuoka-shi)	Update work on district heating and cooling facilities	From: Jan. 1, 2024 To: Jan. 31, 2024	23	-	-

ii. Capital Expenditures during the Fiscal Period

Major construction works falling under the category of capital expenditures of 10 million yen or more conducted in the fiscal period under review for assets held by SANKEI REAL ESTATE as of February 28, 2023, are as follows: For the fiscal period under review, capital expenditures amounted to 212 million yen and repair expenses separately charged to expenses amounted to 271 million yen for a combined total of 483 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)	Conversion to LED lighting for leased space	From: Sept. 1, 2022 To: Oct. 31, 2022	16
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Update of blind system	From: Sept. 1, 2022 To: Dec. 27, 2022	14
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Update of automatic fire detection equipment	From: Sept. 1, 2022 To: Oct. 31, 2022	61
Omori Park Building (Ota-ku, Tokyo)	Repair of individual air-conditioning system on 7F	From: Dec. 3, 2022 To: Jan. 5, 2023	16
Hitachi Kyushu Building (Sawara-ku, Fukuoka-shi)	Toilet renovation work	From: Sept. 10, 2022 To: Oct. 8, 2022	10
Hitachi Kyushu Building (Sawara-ku, Fukuoka-shi)	Toilet renovation work	From: Jan. 6, 2023 To: Feb. 8, 2023	10
Hitachi Kyushu Building (Sawara-ku, Fukuoka-shi)	Vacuum Circuit Breaker (VCB) update work	From: Nov. 1, 2022 To: Feb. 13, 2023	11
Other			72
Total			212

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.

Business period	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	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023
Balance of reserve at beginning of period (thousand yen)	217,842	175,880	209,678	262,349	303,132
Provision of reserve during period (thousand yen)	59,293	59,293	85,567	59,801	59,801
Reversal of reserve during period (thousand yen)	101,255	25,496	32,895	19,019	38,448
Reserve carried forward (thousand yen)	175,880	209,678	262,349	303,132	324,485