

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

October 16, 2023

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

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

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Scheduled date of submission of semiannual securities report: November 29, 2023
Scheduled date of commencement of distribution payment: November 22, 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 August 2023 (from March 1, 2023 to August 31, 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 Aug. 2023	2,751	(4.9)	1,334	7.3	1,130	4.9	1,129	4.9
ended Feb. 2023	2,891	(4.5)	1,243	(23.7)	1,077	(27.0)	1,076	(27.0)

	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 Aug. 2023	2,418	2.2	1.0	41.1
ended Feb. 2023	2,304	2.1	1.0	37.3

(Note) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units (fiscal period ended February 2023: 467,099 units, fiscal period ended August 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 Aug. 2023	2,418	1,129	-	-	100.0	2.2
ended Feb. 2023	2,305	1,076	-	-	100.0	2.1

(3) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
Fiscal period ended Aug. 2023	112,235	50,565	45.1	108,253
ended Feb. 2023	105,828	50,512	47.7	108,140

(4) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal period ended Aug. 2023	1,583	(7,275)	5,722	8,337
ended Feb. 2023	1,310	(408)	(1,474)	8,306

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

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

	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 Feb. 2024	2,613	(5.0)	1,150	(13.8)	958	(15.2)	957	(15.2)	2,050	-
ending Aug. 2024	2,337	(10.6)	1,182	2.8	987	3.0	986	3.0	2,113	-

(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 February 2024: 2,050 yen

Fiscal period ending August 2024: 2,112 yen

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

* Other

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

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

(2) Total number of investment units issued and outstanding

i. Total number of investment units issued and outstanding (including treasury investment units) at end of period	Fiscal period ended Aug. 2023	467,099 units	Fiscal period ended Feb. 2023	467,099 units
ii. Number of treasury investment units at end of period	Fiscal period ended Aug. 2023	0 units	Fiscal period ended Feb. 2023	0 units

(Note) For the number of investment units serving as the basis for calculation of net income per unit, please refer to "Notes on Per Unit Information" on page 22.

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

* Special remarks

The operating forecasts and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by SANKEI REAL ESTATE. Accordingly, the actual results of operations, etc. may differ materially due to various factors. In addition, the forecasts are not a guarantee of the amount of distribution. For the assumptions underlying the operating forecasts, matters of note in the use of the operating forecasts, etc., please refer to "Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending February 2024 (from September 1, 2023 to February 29, 2024) and Fiscal Period Ending August 2024 (from March 1, 2024 to August 31, 2024)" on pages 6-7.

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1. Management Status

(1) Management Status

(Overview of the Fiscal Period under Review)

i. Brief History of the Investment Corporation

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

As of the last day of the fiscal period under review (August 31, 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 August 31, 2023), although the Japanese economy continued to be affected by rising prices brought about by soaring global resources, energy, and raw material prices as well as the yen's weakness on the back of the interest rate differential between the US and Japan, it has continued a path of gradual recovery as congestion in logistics flows were resolved and employment and consumption environments improved amid a global trend of easing of COVID-19 restrictions, including the reclassification of the disease as a Class V infectious disease under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases (Act No. 114 of 1998, as amended) in Japan. However, caution should continue to be taken regarding downside risks to economies starting in Europe and the US due to the continuation of monetary tightening policies overseas or slowdown in the pace of economic growth of Japan's neighboring countries and their impact on the global economy will continue to warrant caution.

Under such economic circumstances, in terms of the office building market, which SANKEI REAL ESTATE sets as the primary investment target, while movements of consolidation of locations and the reduction of fixed expenses (rent payments, etc.) continue as travel restrictions are lifted and gradual progress is made in returning to offices, in Tokyo, Osaka and Fukuoka where assets under management of SANKEI REAL ESTATE are located, the vacancy rates and rent levels remained the same despite some variance observed across the different regions.

SANKEI REAL ESTATE conducts investment in the hotel market and logistics market as its sub assets. With regard to the hotel market, the total number of guests and room occupancy rates are recovering to pre-COVID levels due to a sharp expansion of inbound demand with the lifting of COVID-19 restrictions according to the Overnight Travel Statistics Survey by the Japan Tourism Agency. In addition, for the logistics market, despite the rise in vacancy rates due to a high supply of new facilities and concerns over the 2024 problem, which calls for various measures due to the introduction of a limit on overtime work for drivers in the logistics industry, the market remains strong due to solid demand and a stable level of rental revenue.

iii. Management Performance

SANKEI REAL ESTATE acquired two properties (of which one additional acquisition) on March 31, 2023, at a total acquisition price (Note 1) of 6,642 million yen with borrowings. Quasi co-ownership interest of 1.55% in trust beneficiary rights for BREEZÉ TOWER was disposed on August 31, 2023, and 164 million yen of gain on sale of real estate, etc. was recorded. As a result, the portfolio of SANKEI REAL ESTATE as of the last day of the fiscal period under review consisted of 15 properties with an asset size (total acquisition price) of 102,816 million yen, reaching 100 billion yen.

The main factor in management performance as of the last day of the fiscal period under review was cancellations of major tenants. The occupancy rate (Note 2) of the 15 portfolio properties stood at 85.6%, and operating revenue was 2,751 million yen, 4.9% 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 108,340 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 carefully explain the differences in the unique situation under the COVID-19 pandemic and the current trends of the leasing market, and some tenants came to understand to a certain extent the upward rent revision. Furthermore, leasing activities for some assets under management, which were undertaken as the most important issue, are gradually producing results after continuous efforts. 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 two hotel properties (Hotel Intergate Tokyo Kyobashi and Hotel Intergate Hiroshima) held by SANKEI REAL ESTATE have almost recovered to pre-COVID levels with room occupancy rates and average room prices bolstered by factors such as the recovery in inbound travel. The content of contracts with fixed rents based on existing contracts have contributed to the stability of the portfolio's revenue.

In the fiscal period under review, SANKEI REAL ESTATE acquired SANKEILOGI Settsu (acquisition price: 5,242 million yen) and began managing assets in the logistics sector. In this sector, demand for logistics facilities has steadily expanded on the back of logistics flows energized by growth in the e-commerce market and the resolution of supply restrictions. Moving forward, SANKEI REAL ESTATE will continue to build on its management performance and enhance its presence in this sector.

SANKEI REAL ESTATE, along with the Asset Management Company, has continued to take measures to conduct management in the fiscal period under review 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.

In April 2023, SANKEI REAL ESTATE acquired CASBEE Certification for Real Estate S rank for Shinagawa Seaside TS Tower, taking the number of assets under management that have acquired environmental certifications to eight properties (five properties with DBJ Green Building Certification, two properties with BELS Certification, and one property with CASBEE Certification).

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 assets under management, 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 asset under management.

iv. Overview of Fund Procurement

In the fiscal period under review, 6,800 million yen was borrowed from Mizuho Bank, Ltd. on March 30, 2023 in conjunction with the acquisition of two properties (S-GATE AKASAKA and SANKEILOGI Settsu) on March 31, 2023. In the fiscal period under review, 3,700 million yen was borrowed from Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Development Bank of Japan Inc., Mizuho Trust & Banking Co., Ltd., Sumitomo Mitsui Trust Bank, Limited, 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 March 13, 2023, to repay long-term loans of 3,700 million yen due for repayment on the same day.

As a result, as of the end of the fiscal period under review, the balance of loans outstanding was 57,000 million yen and the ratio of interest-bearing liabilities to total assets (hereinafter, “LTV ratio”) was 50.8%.

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 2,751 million yen, operating income of 1,334 million yen, ordinary income of 1,130 million yen, and net income of 1,129 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 1,129,445,382 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 2,418 yen.

(Outlook for the Next Fiscal Period)

i. General Management Outlook

While the economy is continuing to recover gradually as COVID-19 restrictions are lifted across the world, there is a downside risk to economies from the continuation of monetary tightening policies in Europe and the US as well as concerns over the impact of a slowdown in the economic growth of Japan’s neighbors on the global economy. Under such circumstances, the impact on the Japanese economy and its financial and capital markets will continue to warrant close attention.

In the office building market, while it is necessary to monitor future trends due to the large volume of new supply in 2023, as the impact of COVID-19 is alleviated and there is a move to return to offices, rent levels are moving away from a downward trend to a more stable level. Furthermore, even with changes in working arrangements with the establishment of telecommuting, such as working from home, the demand for office buildings has been increasing in general. On the other hand, the impact of a large volume of supply of offices in central Tokyo, the impact of recent inflation on tenants and such trends in the office building market will continue to be monitored, and a structural change in the demand for offices is foreseen. Furthermore, with regard to the rising utilities expenses on the back of soaring resources and energy prices, 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, other than an expected increase in the number of domestic travelers and business travelers with the recovery in social and economic activities, the number of foreign tourists has also been recovering since entry restrictions on tourists were lifted in October 2022. 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 the “Sponsor”), continues to pay fixed rent based on the fixed-term building lease agreement.

In the logistics market, further expansion is expected buoyed by the expansion of the e-commerce market and strong demand as well as the energization of the logistics market backed by stable rental revenue. Furthermore, in 2024, even though the sector will face various challenges stemming from the labor conditions in the logistics market, stable revenue can be expected since the tenants of facilities held by SANKEI REAL ESTATE are contracted with fixed rents based on fixed-term building lease agreements.

(A) External Growth Strategy

In light of the above outlook, SANKEI REAL ESTATE is scheduled to conduct a large-scale rebalancing of its portfolio as its Revival Plan (Note), given the partial revision of the asset management guidelines at the Asset Management Company. Through the Revival Plan, SANKEI REAL ESTATE will convert into a diversified REIT and aim to become a REIT capable of sustainable growth.

Along with the scheduled large-scale portfolio rebalancing, with regard to future property acquisitions, 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, while carefully assessing the real estate investment market conditions and other factors.

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.

(Note) The Revival Plan consists of three elements designed to eliminate materialized risks in SANKEI REAL ESTATE's internal environment and bring about the revival of SANKEI REAL ESTATE as a REIT capable of sustainable growth: (i) a large-scale portfolio rebalancing, (ii) partial amendment to the asset management guidelines (conversion to a diversified REIT), and (iii) additional acquisition of investment units by the Sponsor. For details, please refer to "Notice of Revival Plan and Granting of Preferential Negotiation Rights for Sale and Acquisition of Domestic Real Estate Trust Beneficiary Rights," "Notice of Additional Acquisition of Investment Units by The Sankei Building Co., Ltd." and "Supplementary Explanation Material for Today's Press Releases" separately to be announced soon.

(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 conducting customer satisfaction surveys, 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 range of the upper limit for the LTV ratio for the purpose of new asset acquisition, etc.). As a rule, SANKEI REAL ESTATE will maintain an approximate range of 40% to 50% during normal operations.

(a) Equity Financing

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

(b) Debt Financing

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

- ii. Significant Subsequent Events
Not applicable.

- iii. Operating Forecasts

SANKEI REAL ESTATE's operating forecasts for the fiscal period ending February 2024 (from September 1, 2023 to February 29, 2024) and fiscal period ending August 2024 (from March 1, 2024 to August 31, 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 Feb. 2024	2,613	1,150	958	957	2,050	-
Fiscal period ending Aug. 2024	2,337	1,182	987	986	2,113	-

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

Item	Assumptions																											
Accounting period	<ul style="list-style-type: none"> • Fiscal period ending February 2024 (10th fiscal period) (from September 1, 2023 to February 29, 2024) (182 days) • Fiscal period ending August 2024 (11th fiscal period) (from March 1, 2024 to August 31, 2024) (184 days) 																											
Assets under management	<ul style="list-style-type: none"> • The assumption for 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 “existing assets under management”) is that there will be no change through to the end of the fiscal period ending August 2024 other than the expected sale and acquisition of some properties in the fiscal period ending February 2024. For details, please refer to “Notice of Revival Plan and Granting of Preferential Negotiation Rights for Sale and Acquisition of Domestic Real Estate Trust Beneficiary Rights” separately announced today. • Other than the above, change may arise due to acquisition of new properties, disposition of portfolio properties, etc. 																											
Operating revenue	<ul style="list-style-type: none"> • Rent business revenue of the existing assets under management is calculated by taking into account various factors, such as lease agreements that have been concluded and are valid as of the calculation period of the assumptions, tenant trends and market trends. • The assumption is that there will be no delinquent or unpaid rent by tenants. • In light of the expected sale and acquisition of some properties, gain on sale of real estate, etc. is expected to be recorded in the fiscal period ending February 2024. Moreover, rent business revenue is calculated for the fiscal period ending August 2024, given the change in portfolio matrix assumed for the fiscal period ending February 2024. Gain on sale of real estate and rent business revenue 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" data-bbox="448 1032 1353 1395"> <thead> <tr> <th></th> <th>Fiscal period ending Feb. 2024</th> <th>Fiscal period ending Aug. 2024</th> </tr> </thead> <tbody> <tr> <td>Total expenses related to rent business</td> <td>1,144</td> <td>821</td> </tr> <tr> <td> Outsourcing expenses</td> <td>239</td> <td>115</td> </tr> <tr> <td> Utilities expenses</td> <td>175</td> <td>113</td> </tr> <tr> <td> Repair expenses</td> <td>86</td> <td>35</td> </tr> <tr> <td> Property taxes</td> <td>295</td> <td>247</td> </tr> <tr> <td> Depreciation</td> <td>314</td> <td>287</td> </tr> <tr> <td>Other expenses related to rent business [Total]</td> <td>318</td> <td>334</td> </tr> <tr> <td> Asset management fee</td> <td>244</td> <td>259</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. Furthermore, non-current asset tax, city planning tax, etc. on the asset acquired on March 31, 2023, will be expensed starting from the fiscal period ending August 2024. • 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 Feb. 2024	Fiscal period ending Aug. 2024	Total expenses related to rent business	1,144	821	Outsourcing expenses	239	115	Utilities expenses	175	113	Repair expenses	86	35	Property taxes	295	247	Depreciation	314	287	Other expenses related to rent business [Total]	318	334	Asset management fee	244	259
	Fiscal period ending Feb. 2024	Fiscal period ending Aug. 2024																										
Total expenses related to rent business	1,144	821																										
Outsourcing expenses	239	115																										
Utilities expenses	175	113																										
Repair expenses	86	35																										
Property taxes	295	247																										
Depreciation	314	287																										
Other expenses related to rent business [Total]	318	334																										
Asset management fee	244	259																										
Non-operating expenses	<ul style="list-style-type: none"> • As interest expenses and other borrowing-related expenses, 184 million yen is assumed for the fiscal period ending February 2024 and 186 million yen for the fiscal period ending August 2024. • As amortization of investment unit issuance expenses, 6 million yen is assumed for the fiscal period ending February 2024 and 6 million yen is assumed for the fiscal period ending August 2024. 																											

Item	Assumptions
Interest-bearing liabilities	<ul style="list-style-type: none"> • The assumption is that total interest-bearing liabilities will be 56,600 million yen at the end of the fiscal period ending February 2024 and 50,200 million yen at the end of the fiscal period ending August 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 August 2024. • LTV ratio is expected to be 50.2% at the end of the fiscal period ending February 2024 and 47.2% at the end of the fiscal period ending August 2024. LTV ratio is calculated by the following formula and rounded to one decimal place. LTV ratio = Total interest-bearing liabilities / Total assets × 100
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 August 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 February 2024 and fiscal period ending August 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 May 29, 2023).

2. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	8th fiscal period (as of Feb. 28, 2023)	9th fiscal period (as of Aug. 31, 2023)
Assets		
Current assets		
Cash and deposits	5,208,842	5,687,713
Cash and deposits in trust	3,097,656	2,649,835
Operating accounts receivable	64,478	62,645
Prepaid expenses	62,795	78,865
Consumption taxes receivable	-	166,963
Other	-	82
Total current assets	8,433,772	8,646,106
Non-current assets		
Property, plant and equipment		
Buildings	182,520	189,040
Accumulated depreciation	(25,525)	(29,088)
Buildings, net	156,995	159,952
Structures	544	544
Accumulated depreciation	(67)	(81)
Structures, net	476	463
Tools, furniture and fixtures	-	604
Accumulated depreciation	-	(40)
Tools, furniture and fixtures, net	-	564
Land	2,457,766	2,457,766
Buildings in trust	18,955,810	21,225,884
Accumulated depreciation	(1,879,113)	(2,169,707)
Buildings in trust, net	17,076,697	19,056,176
Structures in trust	71,171	105,457
Accumulated depreciation	(4,558)	(6,304)
Structures in trust, net	66,613	99,152
Machinery and equipment in trust	14,330	14,326
Accumulated depreciation	(2,290)	(3,008)
Machinery and equipment in trust, net	12,040	11,318
Tools, furniture and fixtures in trust	71,817	76,121
Accumulated depreciation	(16,419)	(21,723)
Tools, furniture and fixtures in trust, net	55,397	54,397
Land in trust	77,433,848	81,618,833
Construction in progress in trust	945	5,886
Total property, plant and equipment	97,260,780	103,464,511
Intangible assets		
Software	2,013	8,806
Total intangible assets	2,013	8,806
Investments and other assets		
Long-term prepaid expenses	103,557	94,326
Deferred tax assets	12	17
Leasehold and guarantee deposits	10,000	10,000
Total investments and other assets	113,569	104,343
Total non-current assets	97,376,363	103,577,662
Deferred assets		
Investment unit issuance costs	18,075	12,050
Total deferred assets	18,075	12,050
Total assets	105,828,211	112,235,819

(Unit: thousand yen)

	8th fiscal period (as of Feb. 28, 2023)	9th fiscal period (as of Aug. 31, 2023)
Liabilities		
Current liabilities		
Operating accounts payable	347,103	217,790
Short-term borrowings	-	6,800,000
Long-term loans due within one year	9,600,000	9,200,000
Accounts payable - other	288,400	295,160
Accrued expenses	50,743	56,973
Income taxes payable	855	957
Consumption taxes payable	38,660	-
Advances received	449,764	397,611
Deposits received	676	10,184
Total current liabilities	10,776,204	16,978,677
Non-current liabilities		
Long-term loans	40,600,000	41,000,000
Leasehold and guarantee deposits received	88,166	88,716
Leasehold and guarantee deposits received in trust	3,851,485	3,603,120
Total non-current liabilities	44,539,651	44,691,837
Total liabilities	55,315,856	61,670,515
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)	1,076,805	1,129,754
Total surplus	1,076,805	1,129,754
Total unitholders' equity	50,512,354	50,565,304
Total net assets	*1 50,512,354	*1 50,565,304
Total liabilities and net assets	105,828,211	112,235,819

(2) Statement of Income and Retained Earnings

(Unit: thousand yen)

	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023
Operating revenue		
Rent business revenue	*1 2,452,313	*1 2,343,152
Other rent business revenue	*1 439,634	*1 243,748
Gain on sale of real estate	-	*2 164,424
Total operating revenue	2,891,948	2,751,326
Operating expenses		
Expenses related to rent business	*1 1,338,956	*1 1,110,607
Asset management fee	247,055	245,773
Asset custody fee	2,092	2,192
Administrative service fees	8,020	8,170
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	48,325	46,384
Total operating expenses	1,648,050	1,416,727
Operating income	1,243,897	1,334,598
Non-operating income		
Interest income	41	40
Reversal of distributions payable	584	639
Insurance claim income	930	-
Other	285	9
Total non-operating income	1,842	689
Non-operating expenses		
Interest expenses	114,796	139,180
Borrowing related expenses	47,427	57,511
Amortization of investment unit issuance expenses	6,024	6,024
Other	-	2,000
Total non-operating expenses	168,248	204,716
Ordinary income	1,077,491	1,130,571
Net income before income taxes	1,077,491	1,130,571
Income taxes - current	861	963
Income taxes - deferred	3	(4)
Total income taxes	865	958
Net income	1,076,626	1,129,612
Retained earnings brought forward	178	141
Unappropriated retained earnings (undisposed loss)	1,076,805	1,129,754

(3) Statement of Changes in Unitholders' Equity
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 from 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

9th fiscal period (from March 1, 2023 to August 31, 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	1,076,805	1,076,805	50,512,354	50,512,354
Changes in items during period							
Distributions from surplus				(1,076,663)	(1,076,663)	(1,076,663)	(1,076,663)
Net income				1,129,612	1,129,612	1,129,612	1,129,612
Total changes in items during period	-	-	-	52,949	52,949	52,949	52,949
Balance at end of period	*1 49,442,685	(7,136)	49,435,549	1,129,754	1,129,754	50,565,304	50,565,304

(4) Statement of Cash Distributions

(Unit: yen)

	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023
I. Unappropriated retained earnings	1,076,805,124	1,129,754,634
II. Amount of distribution	1,076,663,195	1,129,445,382
[Amount of distribution per unit]	[2,305]	[2,418]
III. Retained earnings carried forward	141,929	309,252

Method of calculation of amount of distribution	<p>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.</p> <p>The distribution in excess of earnings specified in Article 36, Paragraph 2 of SANKEI REAL ESTATE's articles of incorporation will not be made.</p>	<p>In accordance with the policy on distribution 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 1,129,445,382 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (467,099 units) in an amount not in excess of unappropriated retained earnings, as distribution of earnings.</p> <p>The distribution in excess of earnings specified in Article 36, Paragraph 2 of SANKEI REAL ESTATE's articles of incorporation will not be made.</p>
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(5) Statement of Cash Flows

(Unit: thousand yen)

	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023
Cash flows from operating activities		
Net income before income taxes	1,077,491	1,130,571
Depreciation	297,033	322,112
Amortization of investment unit issuance expenses	6,024	6,024
Interest income	(41)	(40)
Interest expenses	114,796	139,180
Decrease (increase) in operating accounts receivable	(1,775)	1,832
Decrease (increase) in consumption taxes refund receivable	-	(166,963)
Decrease (increase) in prepaid expenses	9,006	(16,070)
Increase (decrease) in operating accounts payable	77,214	(83,458)
Increase (decrease) in accounts payable - other	(22,151)	8,101
Increase (decrease) in consumption taxes payable	(133,178)	(38,660)
Increase (decrease) in advances received	1,936	(52,153)
Increase (decrease) in deposits received	(5,360)	9,507
Decrease (increase) in long-term prepaid expenses	(399)	9,230
Decrease in property, plant and equipment in trust due to sale	-	447,918
Decrease (increase) in other assets	78	(82)
Subtotal	1,420,674	1,717,050
Interest received	41	40
Interest paid	(108,884)	(132,950)
Income taxes paid	(932)	(861)
Net cash provided by (used in) operating activities	1,310,899	1,583,278
Cash flows from investing activities		
Purchase of property, plant and equipment	(542)	(7,125)
Purchase of property, plant and equipment in trust	(130,867)	(7,014,566)
Proceeds from leasehold and guarantee deposits received	632	5,231
Refund of leasehold and guarantee deposits received	(703)	(2,344)
Proceeds from leasehold and guarantee deposits received in trust	74,547	306,551
Refund of leasehold and guarantee deposits received in trust	(351,923)	(554,915)
Other	-	(8,000)
Net cash provided by (used in) investing activities	(408,856)	(7,275,168)
Cash flows from financing activities		
Proceeds from short-term loans	-	6,800,000
Proceeds from long-term loans	5,900,000	3,700,000
Repayments of long-term loans	(5,900,000)	(3,700,000)
Distributions paid	(1,474,263)	(1,077,059)
Net cash provided by (used in) financing activities	(1,474,263)	5,722,940
Net increase (decrease) in cash and cash equivalents	(572,220)	31,050
Cash and cash equivalents at beginning of period	8,878,719	8,306,499
Cash and cash equivalents at end of period	*1 8,306,499	*1 8,337,549

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

(7) Notes on Matters Concerning Significant Accounting Policies

<p>1. Method of depreciation of non-current assets</p>	<p>(1) Property, plant and equipment (including trust assets) The straight-line method is adopted. Furthermore, the useful life of 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;">3–69 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;">4–15 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	3–69 years	Structures	6–59 years	Machinery and equipment	8–10 years	Tools, furniture and fixtures	4–15 years
Buildings	3–69 years								
Structures	6–59 years								
Machinery and equipment	8–10 years								
Tools, furniture and fixtures	4–15 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 terms 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 tenants 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 22,327 thousand yen 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. Leasehold 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)

8th fiscal period (as of Feb. 28, 2023)	9th fiscal period (as of Aug. 31, 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)

	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023
A. Operating revenue from real estate rent business		
Rent business revenue		
Rental revenue	2,323,174	2,224,844
Common area maintenance revenue	129,138	118,308
Total rent business revenue	2,452,313	2,343,152
Other rent business revenue		
Utilities reimbursement	130,668	113,684
Parking revenue	34,048	33,632
Termination penalties	10,466	85,520
Income from work to restore to the original state	254,855	420
Other rental revenue	9,596	10,491
Total other rent business revenue	439,634	243,748
Total operating revenue from real estate rent business	2,891,948	2,586,901
B. Operating expenses from real estate rent business		
Expenses related to rent business		
Outsourcing expenses	231,216	221,524
Utilities expenses	214,149	189,454
Property taxes	300,889	313,078
Land rent	1,818	1,818
Repair expenses	271,417	37,704
Insurance premium	5,603	7,097
Trust fee	3,752	4,090
Depreciation	296,093	320,905
Other expenses related to rent business	14,014	14,933
Total expenses related to rent business	1,338,956	1,110,607
Total operating expenses from real estate rent business	1,338,956	1,110,607
C. Operating income (loss) from real estate rent business [A-B]	1,552,992	1,476,293

*2. Breakdown of gain on sale of real estate, etc.

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

Not applicable.

9th fiscal period (from March 1, 2023 to August 31, 2023)

(Unit: thousand yen)

BREEZÉ TOWER (1.55% quasi co-ownership interest)	
Revenue from the sale of real estate, etc.	620,000
Cost of sale of real estate, etc.	447,918
Other expenses related to sale	7,656
Gain on sale of real estate, etc.	164,424

[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)

	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 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)

	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023
Cash and deposits	5,208,842	5,687,713
Cash and deposits in trust	3,097,656	2,649,835
Cash and cash equivalents	8,306,499	8,337,549

[Notes on Lease Transactions]

Operating lease transactions (as lessor)

Future minimum lease payments

(Unit: thousand yen)

	8th fiscal period (as of Feb. 28, 2023)	9th fiscal period (as of Aug. 31, 2023)
Due within 1 year	2,485,706	3,143,165
Due after 1 year	12,893,670	15,588,904
Total	15,379,376	18,732,069

[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 February 28, 2023, and the amount of difference between these. Notes on “cash and deposits” and “cash and deposits in trust” are omitted due to the fair value being approximated to the carrying amount because they are cash or settled in a short period. Furthermore “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)

The following are the carrying amount and fair value as of August 31, 2023, and the amount of difference between these. Notes on “cash and deposits,” “cash and deposits in trust” and “short-term loans” 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	9,200,000	9,207,868	7,868
(2) Long-term loans	41,000,000	40,720,139	(279,860)
Total liabilities	50,200,000	49,928,008	(271,991)

(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 (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

Amount of repayment of loans scheduled to be due after the end of the fiscal period (August 31, 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	9,200,000	-	-	-	-	-
Long-term loans	-	9,100,000	10,500,000	12,100,000	9,300,000	-
Total	9,200,000	9,100,000	10,500,000	12,100,000	9,300,000	-

[Notes on Securities]

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

Not applicable.

9th fiscal period (as of August 31, 2023)

Not applicable.

[Notes on Derivative Transactions]

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

Not applicable.

9th fiscal period (as of August 31, 2023)

Not applicable.

[Notes on Retirement Benefits]

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

Not applicable.

9th fiscal period (as of August 31, 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)

	8th fiscal period (as of Feb. 28, 2023)	9th fiscal period (as of Aug. 31, 2023)
Deferred tax assets		
Non-deductible accrued enterprise tax	12	17
Total	12	17
Deferred tax assets, net	12	17

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

(Unit: %)

	8th fiscal period (as of Feb. 28, 2023)	9th fiscal period (as of Aug. 31, 2023)
Statutory tax rate	31.46	31.46
[Adjustments]		
Deductible distribution payable	(31.44)	(31.43)
Other	0.06	0.05
Effective income tax rate after application of tax-effect accounting	0.08	0.08

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

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

Not applicable.

9th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.

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

Not applicable.

9th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable.

2. Affiliated company, etc.

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

Not applicable.

9th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable.

3. Fellow subsidiary, etc.

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

Not applicable.

9th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable.

4. Director, major individual unitholder, etc.

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 asset management fee 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.

9th fiscal period (from March 1, 2023 to August 31, 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)	318,393 (Note 4)	Accounts payable - other	277,170

(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 asset management fee is based on the terms and conditions provided in SANKEI REAL ESTATE's articles of incorporation.

(Note 4) Asset management fee includes the fee for property acquisition or sale included in the book value of individual real estate, etc. or deducted from sale price (72,620 thousand yen)

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

[Notes on Asset Retirement Obligations]

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

Not applicable.

9th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable.

[Notes on Investment and Rental Properties]

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

(Unit: thousand yen)

	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023
Carrying amount		
Balance at beginning of period	97,343,425	97,259,835
Amount of change during period	(83,590)	6,198,790
Balance at end of period	97,259,835	103,458,625
Fair value at end of period	104,232,000	108,340,000

(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 (212,502 thousand yen), etc., while the amount of decrease is mainly attributable to depreciation (296,093 thousand yen). The amount of increase in the fiscal period under review is mainly attributable to new property acquisition of 1 property and additional acquisition of 1 property (total of 2 properties: 6,748,166 thousand yen <including expenses incidental to the acquisition>) while the amount of decrease is mainly attributable to the partial sale of 1 property (447,918 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

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 sale 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.

9th fiscal period (from March 1, 2023 to August 31, 2023)

(Unit: thousand yen)

	Revenue from contracts with customers (Note 1)	Sales to external customers
Sale of real estate, etc.	620,000	(Note 2) 164,424
Utilities reimbursement	113,684	113,684
Other	-	2,473,216
Total	733,684	2,751,326

(Note 1) Rent business revenue, etc. subject to ASBJ Statement No. 13 “Accounting Standard for Lease Transactions” and sale 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.

(Note 2) Since gain or loss on sale of real estate is recognized for the sale of real estate, etc. pursuant to Article 48, paragraph 2 of the Ordinance on Accounting at Investment Corporations (Cabinet Office Ordinance No. 47 or 2006, as amended), the amount obtained by subtracting the cost of sale of real estate, etc. and other sale expenses deducted from revenue from the sale of real estate, etc. is indicated for “Sale of real estate, etc.”

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

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

As stated in Notes on Matters Concerning Significant Accounting Policies

9th fiscal period (from March 1, 2023 to August 31, 2023)

As stated in Notes on Matters Concerning Significant Accounting Policies

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)

	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023
Receivables from contracts with customers (Balance at beginning of period)	30,002	25,127
Receivables from contracts with customers (Balance at end of period)	25,127	26,668
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

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.

9th fiscal period (from March 1, 2023 to August 31, 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

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 because consent for disclosure has not been obtained from the lessee.

9th fiscal period (from March 1, 2023 to August 31, 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

[Notes on Per Unit Information]

	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023
Net assets per unit	108,140 yen	108,253 yen
Net income per unit	2,304 yen	2,418 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 February 2023: 467,099 units; fiscal period ended August 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:

	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023
Net income (thousand yen)	1,076,626	1,129,612
Amount not available to common unitholders (thousand yen)	-	-
Net income attributable to common investment units (thousand yen)	1,076,626	1,129,612
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 the total number of investment units issued and outstanding and unitholders' capital from the incorporation of SANKEI REAL ESTATE to the last day of the fiscal period under review (August 31, 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)	8th fiscal period (as of Feb. 28, 2023)		9th fiscal period (as of Aug. 31, 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	2,615	2.5	2,618	2.3	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-	
	Sub assets	Greater Tokyo, Osaka City and Nagoya City	-	-	-	-	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-	
Real estate in trust	Office buildings	Greater Tokyo, Osaka City and Nagoya City	71,677	67.7	72,646	64.7	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	10,197	9.6	10,167	9.1	
	Sub assets	Greater Tokyo, Osaka City and Nagoya City	8,897	8.4	8,871	7.9	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,872	3.7	9,154	8.2	
	Hotels	Greater Tokyo, Osaka City and Nagoya City	8,897	8.4	8,871	7.9	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,872	3.7	3,847	3.4	
	Logistics facilities	Greater Tokyo, Osaka City and Nagoya City	-	-	-	-	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	5,307	4.7	
	Subtotal			97,259	91.9	103,458	92.2
	Deposits and other assets			8,568	8.1	8,777	7.8
Total assets			105,828	100.0	112,235	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.

	8th fiscal period (as of Feb. 28, 2023)		9th fiscal period (as of Aug. 31, 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	55,315	52.3	61,670	54.9
Total net assets	50,512	47.7	50,565	45.1
Total assets	105,828	100.0	112,235	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, collectively referred to as the “assets under management”) as of August 31, 2023.

(A) Portfolio List

The property name, location, acquisition price, investment ratio, book value and appraisal value of the assets under management 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)
				Price (million yen)	Investment ratio (%)		
Office buildings	A-1	Tokyo Sankei Building (Note 4)	Chiyoda-ku, Tokyo	2,509	2.4	2,618	2,570
	A-2	BREEZÉ TOWER (Note 4)	Kita-ku, Osaka-shi, Osaka	12,648	12.3	12,556	17,380
	A-3	S-GATE NIHONBASHI-HONCHO (Note 4)	Chuo-ku, Tokyo	6,698	6.5	6,635	7,750
	A-4	S-GATE AKIHABARA	Chiyoda-ku, Tokyo	2,055	2.0	2,021	2,690
	A-5	Hibiya Sankei Building	Chiyoda-ku, Tokyo	5,829	5.7	6,060	6,630
	A-6	Hatchobori Sankei Building	Chuo-ku, Tokyo	4,959	4.8	4,989	5,470
	A-7	Toyo Park Building	Koto-ku, Tokyo	3,782	3.7	3,871	3,900
	A-8	Shinagawa Seaside TS Tower (Note 4)	Shinagawa-ku, Tokyo	20,940	20.4	21,191	17,350
	A-9	Omori Park Building	Ota-ku, Tokyo	5,400	5.3	5,445	5,270
	A-10	S-GATE AKASAKA	Minato-ku, Tokyo	7,000	6.8	7,040	7,400
	A-11	Miyazakidai Garden Office	Miyamae-ku, Kawasaki-shi, Kanagawa	2,800	2.7	2,835	2,710
	A-12	Hitachi Kyushu Building	Sawara-ku, Fukuoka-shi, Fukuoka	10,000	9.7	10,167	10,300
Subtotal			-	84,623	82.3	85,433	89,420
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Chuo-ku, Tokyo	8,961	8.7	8,871	9,190
	B-2	Hotel Intergate Hiroshima	Naka-ku, Hiroshima-shi, Hiroshima	3,990	3.9	3,847	4,180
	B-3	SANKEILOGI Settsu	Settsu-shi, Osaka	5,242	5.1	5,307	5,550
Subtotal			-	18,193	17.7	18,025	18,920
Total			-	102,816	100.0	103,458	108,340

(Note 1) “Acquisition price” is the sale and purchase price of each real estate and trust beneficiary right stated in the sale and purchase agreement for each asset under management, 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 asset under management to the sum total amount of acquisition prices, rounded to one decimal place.

(Note 2) “Book value” is the depreciated book value for each asset under management as of August 31, 2023, rounded down to the nearest million yen.

(Note 3) “Appraisal value” is the appraisal value with an appraisal date of August 31, 2023, stated in each real estate appraisal report. The appraisal of each asset under management is entrusted to Japan Real Estate Institute, The Tanizawa Sōgō Appraisal Co., Ltd. and Daiwa Real Estate Appraisal Co., Ltd.

(Note 4) 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 (43.45% for “BREEZÉ TOWER” and 50% for “Shinagawa Seaside TS Tower”) 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 assets under management 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	881.68	880.12	99.8
	A-2	BREEZÉ TOWER (Note 7)	July 1, 2008	992	903	11,689.09	11,305.84	96.7
	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	375	303	3,439.61	3,439.61	100.0
	A-6	Hatchobori Sankei Building	Sept. 1, 1965	310	262	5,594.90	5,594.90	100.0
	A-7	Toyo Park Building	June 18, 1991	152	135	4,224.52	3,170.61	75.1
	A-8	Shinagawa Seaside TS Tower (Note 7, 9)	July 25, 2003	Not disclosed (Note 8)	Not disclosed (Note 8)	15,348.20	1,476.01	9.6
	A-9	Omori Park Building	May 31, 1993	234	213	7,469.72	5,914.78	79.2
	A-10	S-GATE AKASAKA	July 31, 2015	Not disclosed (Note 8)	Not disclosed (Note 8)	3,308.10	3,308.10	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)			-	3,651	3,118	87,010.07	70,144.21	80.6
Sub assets	B-1	Hotel Intergate Kyobashi, Tokyo	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
	B-3	SANKEILOGI Settsu	Oct. 1, 2022	237	118	14,748.33	14,748.33	100.0
Subtotal (average)			-	888	444	29,915.01	29,915.01	100.0
Total (average)			-	4,540	3,562	116,925.08	100,059.22	85.6

(Note 1) "Construction completion" is the date of new construction completion stated in the registry of the main building for each asset under management. 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 certain incidental areas such as warehouses which 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 asset under management effective as of August 31, 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 assets under management.

(*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 certain incidental areas such as warehouses which are not the main asset type, signboards, parking lots, etc.) based on the lease agreement for each asset under management as of August 31, 2023, rounded down to the nearest million yen. The amount of security deposits stated in the lease agreement concluded with the end tenant with respect to the portion in the pass-through-type master lease agreement is indicated when a pass-through-type master lease agreement has been concluded for the assets under management.

(Note 4) "Total leasable area" is the area (excluding certain incidental areas such as warehouses which 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 asset under management as of August 31, 2023, rounded down to two decimal places.

(Note 5) "Total leased area" is the total leased area (excluding certain incidental areas such as warehouses which 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 asset under management as of August 31, 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 asset under management as of August 31, 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 asset under management, 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 (43.45% for "BREEZÉ TOWER" and 50% for "Shinagawa Seaside TS Tower") held by SANKEI REAL ESTATE.

(Note 8) Not disclosed because 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 assets under management 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					Indicated value by cost approach (million yen)
					Direct capitalization method		DCF method			
					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	2,570	2,610	2.3	2,530	2.0	2.4	2,730
	A-2	BREEZÉ TOWER (Note 2)	Japan Real Estate Institute	17,380	17,510	3.5	17,206	3.1	3.7	15,772
	A-3	S-GATE NIHONBASHI-HONCHO (Note 2)	Japan Real Estate Institute	7,750	7,890	3.2	7,610	2.9	3.4	6,550
	A-4	S-GATE AKIHABARA	Japan Real Estate Institute	2,690	2,700	3.3	2,670	3.1	3.4	2,410
	A-5	Hibiya Sankei Building	Japan Real Estate Institute	6,630	6,710	2.8	6,550	2.6	2.9	7,140
	A-6	Hatchobori Sankei Building	The Tanizawa Sōgō Appraisal Co., Ltd.	5,470	5,640	4.1	5,390	4.2	4.3	5,650
	A-7	Toyo Park Building	Japan Real Estate Institute	3,900	3,940	3.7	3,850	3.5	3.8	2,990
	A-8	Shinagawa Seaside TS Tower (Note 2)	The Tanizawa Sōgō Appraisal Co., Ltd.	17,350	18,350	3.4	16,950	3.5	3.6	21,250
	A-9	Omori Park Building	Japan Real Estate Institute	5,270	5,350	3.7	5,190	3.5	3.8	5,550
	A-10	S-GATE AKASAKA	Japan Real Estate Institute	7,400	7,490	3.1	7,310	2.9	3.2	6,650
	A-11	Miyazakidai Garden Office	Japan Real Estate Institute	2,710	2,730	4.5	2,690	4.3	4.6	2,330
	A-12	Hitachi Kyushu Building	Japan Real Estate Institute	10,300	10,400	4.2	10,200	4.0	4.3	12,500
Subtotal				89,420	91,320	-	88,146	-	-	91,522
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Daiwa Real Estate Appraisal Co., Ltd.	9,190	9,320	3.7	9,130	3.5	3.9	8,800
	B-2	Hotel Intergate Hiroshima	Japan Real Estate Institute	4,180	4,220	4.5	4,140	4.3	4.7	4,530
	B-3	SANKEILOGI Settsu	Japan Real Estate Institute	5,550	5,640	3.7	5,460	3.5	3.9	5,210
Subtotal				18,920	19,180	-	18,730	-	-	18,540
Total				108,340	110,500	-	106,876	-	-	110,062

(Note 1) "Appraisal value" is the appraisal value with an appraisal date of August 31, 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 (43.45% for "BREEZÉ TOWER" and 50% for "Shinagawa Seaside TS Tower") 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 under management of SANKEI REAL ESTATE as of August 31, 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
Hibiya Sankei Building (Chiyoda-ku, Tokyo)	Replacement of SP pump	From: Feb. 1, 2024 To: Feb. 29, 2024	24	-	-
Hibiya Sankei Building (Chiyoda-ku, Tokyo)	Renewal of air-conditioner outdoor unit	From: May 1, 2024 To: May 31, 2024	18	-	-
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Overhaul of engine of emergency generator	From: Nov. 1, 2023 To: Nov. 30, 2023	17	-	-
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Repair of air-conditioning system	From: Nov. 1, 2023 To: Dec. 31, 2023	25	-	-
Omori Park Building (Ota-ku, Tokyo)	Repair of individual air- conditioning system	From: Dec. 1, 2023 To: Dec. 31, 2023	16	-	-
Omori Park Building (Ota-ku, Tokyo)	Update of battery facilities	From: Jan. 1, 2024 To: Jan. 31, 2024	16	-	-

ii. Capital Expenditures during the Fiscal Period

Major construction work falling under the category of capital expenditures of 10 million yen or more conducted in the fiscal period under review for assets under management of SANKEI REAL ESTATE as of August 31, 2023, are as follows: For the fiscal period under review, capital expenditures amounted to 219 million yen and repair expenses separately charged to expenses amounted to 37 million yen for a combined total of 257 million yen of construction works implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of payment (million yen)
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Update of blind system	From: Jul 14, 2022 To: Mar. 2, 2023	14
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Replacement of tile carpet in office common area	From: Jan. 14, 2023 To: Mar. 31, 2023	11
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Dividing work of area on 17F	From: Mar. 3, 2023 To: May 15, 2023	28
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Common area renovation work	From: Jan. 6, 2023 To: Jun. 30, 2023	118
Other			46
Total			219

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	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	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023
Balance of reserve at beginning of period (thousand yen)	175,880	209,678	262,349	303,132	324,485
Provision of reserve during period (thousand yen)	59,293	85,567	59,801	59,801	72,811
Reversal of reserve during period (thousand yen)	25,496	32,895	19,019	38,448	27,295
Reserve carried forward (thousand yen)	209,678	262,349	303,132	324,485	370,002