

# 9th Fiscal Period Semi-Annual Report

from March 1, 2023 to August 31, 2023

SANKEI REAL ESTATE Inc.

## Message to Our Unitholders

We would like to express our sincere appreciation to all unitholders for your loyal patronage to SANKEI REAL ESTATE Inc. ("SANKEI REAL ESTATE").

Having settled the 9th fiscal period ended August 2023, we are pleased to report on the performance results of SANKEI REAL ESTATE. We would like to thank all of our unitholders for your continued support and cooperation.

With the aim of a conversion from an office building-focused REIT to a diversified REIT, SANKEI REAL ESTATE has announced Revival Plan. Behind this are expected structural changes in office demand, and in line with environmental changes, we aim to build a portfolio that is capable of sustainable growth. Specifically, we have changed our investment policy so that the investment ratio in office buildings, our primary asset type, will be reduced from 80% to a range between 50% and 70%, and the ratio in sub assets, which was previously set at around 20%, will be increased to a range between 30% and 50%, making it a core asset group. "Hotels," "logistics facilities" and "residential facilities" have been included in the core asset group. Also, from the viewpoint of geographic area diversification in line with changes in asset type diversification, the scope of the investment target areas has been expanded from "Greater Tokyo, Osaka City, and Nagoya City" to "Greater Tokyo, Greater Osaka and Greater Nagoya." As such, we aim to realize a portfolio that withstands market cycles and is equipped with both upside potential and protection against downsides.

In the 9th fiscal period ended August 2023, although the risk of revenue loss continued due to cancellation by a major tenant, operating expenses were lower than the forecast made at the beginning of the period and gain on sale of real estate, etc. was recorded. We decided to distribute 2,418 yen per unit (up 1.7% from the forecast) for the 9th fiscal period, up 41 yen compared with the forecast made at the beginning of the period.

As for forecast distribution per unit, taking into account the change in tenants of assets under management, the price hike in electricity rates and other factors, as well as the large-scale rebalancing of portfolio (one of the components of the Revival Plan) planned to be conducted during the 10th fiscal period (ending February 2024), we expect figures of 2,050 yen for the 10th fiscal period (down 15.2% from the 9th fiscal period) and 2,113 yen for the 11th period ending August 2024 (up 3.1% from the 10th fiscal period).

With the reclassification of COVID-19 as a Class V infectious disease, and a new normal assuming 'living with COVID-19,' movement towards normalization of economic activities further progresses and the economy continues to recover gradually. Meanwhile, the impact of rises in prices abroad, mainly in Europe and the US, and the progress of the weakening of the Japanese yen attributable to monetary policies of other countries on the financial and capital markets and the REIT market in Japan needs to be carefully monitored. While working to discern the trends of the economy and the financial and capital markets going forward, we will securely implement the growth strategy envisioned by SANKEI REAL ESTATE and do our best to maximize unitholder value.

We sincerely apologize to you, our unitholders, for our performance falling short of expectations. We are determined to make a recovery in performance. We ask you to extend to us your continued consideration and support of our operations for many years.

Yuichi Ota  
Executive Director, SANKEI REAL ESTATE Inc.  
President and Chief Executive Officer, Sankei Building Asset Management Co., Ltd.

# I. Asset Management Report

## 1. Overview of Asset Management

### (1) Changes in Operating Results and Other Management Data

Fiscal period		5th fiscal period	6th fiscal period	7th fiscal period	8th fiscal period	9th fiscal period
Closing of accounts		August 2021	February 2022	August 2022	February 2023	August 2023
Operating revenue	million yen	2,176	2,778	3,028	2,891	2,751
[Operating revenue from real estate rent business]	million yen	[2,176]	[2,778]	[3,028]	[2,891]	[2,586]
Operating expenses	million yen	1,034	1,237	1,397	1,648	1,416
[Operating expenses from real estate rent business]	million yen	[793]	[972]	[1,076]	[1,338]	[1,110]
Operating income	million yen	1,141	1,540	1,630	1,243	1,334
Ordinary income	million yen	1,014	1,392	1,476	1,077	1,130
Net income	million yen	1,014	1,391	1,475	1,076	1,129
Unitholders' capital (net) (Note 4)	million yen	36,540	49,435	49,435	49,435	49,435
Total number of investment units issued and outstanding	units	356,800	467,099	467,099	467,099	467,099
Net assets	million yen	37,555	50,827	50,910	50,512	50,565
[Period-on-period change]	%	[(0.0)]	[35.3]	[0.2]	[(0.8)]	[0.1]
Total assets	million yen	79,848	106,523	106,553	105,828	112,235
[Period-on-period change]	%	[0.5]	[33.4]	[0.0]	[(0.7)]	[6.1]
Total interest-bearing liabilities	million yen	37,800	50,600	50,200	50,200	57,000
Net assets per unit (Note 3)	yen	105,255	108,814	108,993	108,140	108,253
Net income per unit (Note 2)	yen	2,841	2,983	3,158	2,304	2,418
Total distribution	million yen	1,021	1,391	1,475	1,076	1,129
Distribution per unit	yen	2,862	2,979	3,158	2,305	2,418
[Distribution of net income per unit]	yen	[2,842]	[2,979]	[3,158]	[2,305]	[2,418]
[Distribution in excess of net income per unit]	yen	[20]	[—]	[—]	[—]	[—]
Ratio of ordinary income to total assets (Note 3)	%	1.3	1.5	1.4	1.0	1.0
Annualized	%	[2.5]	[3.0]	[2.7]	[2.0]	[2.1]
Return on equity (Note 3)	%	2.7	3.1	2.9	2.1	2.2
Annualized	%	[5.4]	[6.3]	[5.8]	[4.3]	[4.4]
Equity ratio (Note 3)	%	47.0	47.7	47.8	47.7	45.1
[Period-on-period change]	%	[(0.3)]	[0.7]	[0.1]	[(0.0)]	[(2.7)]
Payout ratio (Note 3)	%	100.0	100.0	100.0	100.0	100.0
[Other reference information]						
Days of operation	days	184	181	184	181	184
Number of investment properties at end of period	properties	12	14	14	14	15
Depreciation	million yen	228	306	309	296	320
Capital expenditures	million yen	57	73	83	212	219
Leasing NOI (Net Operating Income) (Note 3)	million yen	1,610	2,112	2,260	1,849	1,797
FFO (Funds from Operation) (Note 3)	million yen	1,242	1,698	1,785	1,372	1,286
FFO per unit (Note 3)	yen	3,482	3,635	3,821	2,938	2,753
Ratio of interest-bearing liabilities to total assets at end of period (LTV) (Note 3)	%	47.3	47.5	47.1	47.4	50.8

(Note 1) Consumption tax is not included in operating revenue, etc.

(Note 2) Net income per unit is calculated by dividing net income by daily weighted average number of investment units (5th fiscal period: 356,800 units; 6th fiscal period: 466,286 units; 7th fiscal period: 467,099 units; 8th fiscal period: 467,099 units; 9th fiscal period: 467,099 units).

(Note 3) The indicators are calculated by using the following formulas.

Net assets per unit	Net assets ÷ total number of investment units issued and outstanding
Ratio of ordinary income to total assets	Ordinary income / [(total assets at beginning of period + total assets at end of period) / 2] × 100
Return on equity	Net income / [(net assets at beginning of period + net assets at end of period) / 2] × 100
Equity ratio	Net assets at end of period / total assets at end of period × 100
Payout ratio	Distribution per unit (excluding distribution in excess of earnings) / net income per unit × 100 The payout ratio for the 6th fiscal period is calculated by the following formula, as the number of investment units during the period changed due to issuance of new investment units in the period: Total distribution (excluding distribution in excess of earnings) / net income × 100
Rent NOI (Net Operating Income)	Operating revenue from real estate rent business - operating expenses from real estate rent business + depreciation
FFO (Funds from Operation)	Net income + depreciation - gain or loss on sale of real estate
FFO per unit	FFO / total number of investment units issued and outstanding
Ratio of interest-bearing liabilities to total assets at end of period (LTV)	Balance of interest-bearing liabilities at end of period / total assets at end of period × 100

(Note 4) The amount obtained by subtracting the deduction from unitholders' capital from unitholders' capital.

(Note 5) Unless otherwise stated, the figures less than the specified unit are rounded down for monetary amounts and rounded off to the nearest specified unit for percentage figures in this report.

## (2) Asset Management Review for the Fiscal Period

### 1) Brief History of the Investment Corporation

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

### 2) 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 rising prices due to the yen's weakness on the back of the interest rate differential between the U.S. 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 the impact on the global economy of downside risks to economies starting in Europe and the U.S. 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.

### 3) 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 BREEZE TOWER was sold 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 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 also 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.

#### 4) 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 date.

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%.

#### 5) 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.

### (3) Capital Increases

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	Total number of investment units issued and outstanding (units)		Unitholders' capital (net) (million yen) (Note 1)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
Nov. 19, 2018	Incorporation through private placement	1,000	1,000	100	100	(Note 2)
Mar. 11, 2019	Capital increase through public offering	227,238	228,238	21,928	22,028	(Note 3)
Apr. 10, 2019	Capital increase through third-party allotment	11,362	239,600	1,096	23,124	(Note 4)
Sep. 2, 2019	Capital increase through public offering	111,619	351,219	12,777	35,902	(Note 5)
Sep. 26, 2019	Capital increase through third-party allotment	5,581	356,800	638	36,540	(Note 6)
Sep. 1, 2021	Capital increase through public offering	105,047	461,847	12,287	48,828	(Note 7)
Sep. 29, 2021	Capital increase through third-party allotment	5,252	467,099	614	49,442	(Note 8)
Nov. 22, 2021	Cash distribution in excess of earnings (contribution refund)	—	467,099	(7)	49,435	(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.

#### [Changes in market price of investment certificates]

The highest and lowest (closing price) market prices on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange, on which SANKEI REAL ESTATE's investment certificates are listed, in each fiscal period are as follows:

Fiscal period	5th fiscal period	6th fiscal period	7th fiscal period	8th fiscal period	9th fiscal period
Closing of accounts	August 2021	February 2022	August 2022	February 2023	August 2023
Highest (yen)	135,200	131,300	111,900	99,700	96,300
Lowest (yen)	108,300	107,400	93,300	86,400	80,000

#### (4) Performance of Distribution, Etc.

Concerning distribution for the fiscal period under review, SANKEI REAL ESTATE decided to distribute the entire amount of unappropriated retained earnings, excluding fractions of distribution per unit of less than 1 yen, with the intent of having 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). As a result, the distribution per unit was 2,418 yen.

Fiscal period	5th fiscal period	6th fiscal period	7th fiscal period	8th fiscal period	9th fiscal period
Business period	From: Mar. 1, 2021 To: Aug. 31, 2021	From: Sep. 1, 2021 To: Feb. 28, 2022	From: Mar. 1, 2022 To: Aug. 31, 2022	From: Sep. 1, 2022 To: Feb. 28, 2023	From: Mar. 1, 2023 To: Aug. 31, 2023
Total unappropriated retained earnings (thousand yen)	1,014,232	1,391,567	1,475,277	1,076,805	1,129,754
Retained earnings (thousand yen)	207	80	178	141	309
Total cash distributions (thousand yen)	1,021,161	1,391,487	1,475,098	1,076,663	1,129,445
[Distribution per unit] (yen)	[2,862]	[2,979]	[3,158]	[2,305]	[2,418]
[Total distribution of earnings] (thousand yen)	1,014,025	1,391,487	1,475,098	1,076,663	1,129,445
[Distribution of net income per unit] (yen)	[2,842]	[2,979]	[3,158]	[2,305]	[2,418]
[Total contribution refund] (thousand yen)	7,136	—	—	—	—
[Contribution refund per unit] (yen)	[20]	[—]	[—]	[—]	[—]
Of the total contribution refund, total distribution of the reserve for temporary difference adjustments (thousand yen)	—	—	—	—	—
[Of the contribution refund per unit, distribution per unit of the reserve for temporary difference adjustments] (yen)	[—]	[—]	[—]	[—]	[—]
Of the total contribution refund, total distribution through the reduction in unitholders' capital for tax purposes (thousand yen)	7,136	—	—	—	—
[Of the contribution refund per unit, distribution per unit through the reduction in unitholders' capital for tax purposes] (yen)	[20]	[—]	[—]	[—]	[—]

(Note) Amounts are rounded down to the nearest unit.

#### (5) Future Asset Management Policy and Issues to Be Addressed

##### 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.

## 1) 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.

## 2) 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.

## 3) 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.

## (6) Significant Subsequent Events

Not applicable.

## 2. Overview of the Investment Corporation

### (1) Summary of Unitholders' Capital

	5th fiscal period (as of Aug. 31, 2021)	6th fiscal period (as of Feb. 28, 2022)	7th fiscal period (as of Aug. 31, 2022)	8th fiscal period (as of Feb. 28, 2023)	9th fiscal period (as of Aug. 31, 2023)
Total number of investment units authorized (units)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total number of investment units issued and outstanding (units)	356,800	467,099	467,099	467,099	467,099
Unitholders' capital (net) (Note) (million yen)	36,540	49,435	49,435	49,435	49,435
Number of unitholders (persons)	7,328	10,511	14,345	14,469	14,366

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

### (2) Matters Related to Investment Units

The following table shows the major unitholders (Note 1) of SANKEI REAL ESTATE as of August 31, 2023.

Name	Number of investment units held (units)	Ratio to the total number of investment units issued and outstanding (%) (Note 2)
Custody Bank of Japan, Ltd. (Trust Account)	107,191	22.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	89,244	19.10
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	20,172	4.31
The Sankei Building Co., Ltd.	17,479	3.74
JP MORGAN CHASE BANK 385771	7,164	1.53
The Bank of Yokohama, Ltd.	5,691	1.21
The Hyakujushi Bank, Ltd.	3,500	0.74
Japan Securities Finance Co., Ltd.	3,273	0.70
UEDA YAGI TANSI Co., Ltd.	3,266	0.69
BNP Paribas Securities (Japan) Limited	3,171	0.67
Total	260,151	55.69

(Note 1) "Major unitholders" refers to the ten largest entities among the unitholders according to the ratio of their investment units held to the total number of investment units issued and outstanding.

(Note 2) Ratio to the total number of investment units issued and outstanding is rounded down to two decimal places.



### (3) Matters Related to Directors

The following table shows the directors, etc. of SANKEI REAL ESTATE as of August 31, 2023.

Position	Name	Major concurrent assignments	Total remuneration for each position during the period under review (thousand yen)
Executive Director	Yuichi Ota	President and Chief Executive Officer, Sankei Building Asset Management Co., Ltd.	—
Supervisory Director	Susumu Motoyoshi	Representative, Motoyoshi Total Accounting Office	1,800
		Representative Partner, Motoyoshi Research Institute LLC	
	Kohmei Shimizu	Joint Representative Lawyer, Utsunomiya Shimizu & Haruki	1,800
		Adjunct Professor, Hosei University Law School	
		Independent Director, ROBOT PAYMENT INC.	
Independent Auditor	Ernst & Young ShinNihon LLC	Independent Director, EDGE Technology, Inc.	13,400
		—	

(Note 1) None of the Executive Director or Supervisory Directors own investment units in SANKEI REAL ESTATE, either in their own name or in someone else's name. Moreover, although they may be officers of corporations other than those mentioned above, they have no conflict of interest with SANKEI REAL ESTATE at those and the above positions.

(Note 2) The remuneration for the Executive Director and Supervisory Directors are the amounts paid to them in the fiscal period under review, and the remuneration to the Independent Auditor is the amount payable to it for audits pertaining to the fiscal period under review.

(Note 3) The dismissal of the Independent Auditor shall be considered in accordance with the provisions of the Investment Trusts Act. The decision to not reappoint the Independent Auditor shall be studied by SANKEI REAL ESTATE's Board of Directors upon comprehensively considering the audit quality, audit fee and other various conditions.

(Note 4) The remuneration for independent auditors includes those for the audit of financial statements in English.

### (4) Matters Related to Directors and Officers Liability Insurance Contract

The directors and officers liability insurance contract concluded by SANKEI REAL ESTATE is as follows:

Scope of insured parties	Summary of the content of the contract
Executive directors and supervisory directors	<p>(Outline of insured events) Insurance coverage is provided for damages incurred by the insured parties should claims be made against the insured parties for compensation for damages arising from acts in their capacity as directors of SANKEI REAL ESTATE.</p> <p>(Share of burden of insurance expenses) The insurance contract contains a rider covering executive directors and supervisory directors, the insurance expenses for which are borne by the executive directors and supervisory directors. The insurance expenses other than these are borne by SANKEI REAL ESTATE.</p> <p>(Measures to ensure not to impair the propriety of the execution of duties) Insurance coverage is not provided for cases such as damages incurred by the insured parties from criminal acts, intentional illegal acts, etc.</p>

### (5) Asset Management Company, Asset Custodian and Administrative Agents

The following are the asset management company, asset custodian and administrative agents of SANKEI REAL ESTATE as of August 31, 2023.

Entrustment category	Name
Asset management company	Sankei Building Asset Management Co., Ltd.
Asset custodian	Sumitomo Mitsui Trust Bank, Limited
Administrative agent (unitholder register administrator)	Mizuho Trust & Banking Co., Ltd.
Administrative agent (operation of administrative instruments)	Mizuho Trust & Banking Co., Ltd.
Administrative agent (accounting, bookkeeping)	Reiwa Accounting Holdings Co., Ltd.
Administrative agent (taxes)	Reiwakaikeisha Tax Corporation

### 3. Status of Assets under Management of the Investment Corporation

#### (1) SANKEI REAL ESTATE's Asset Structure

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.

## (2) Major Assets Held

The following is an overview of the major assets (top 10 properties on a book value basis) held by SANKEI REAL ESTATE as of August 31, 2023.

Property name	Book value (million yen) (Note 1)	Total leasable area (m <sup>2</sup> ) (Note 2)	Total leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 2)	Ratio to total rent business revenue (%) (Note 3)	Main use
Shinagawa Seaside TS Tower (Notes 4 and 5)	21,191	15,348.20	1,476.01	9.6	Not disclosed (Note 6)	Office buildings
BREEZÉ TOWER (Note 4)	12,556	11,689.09	11,305.84	96.7	20.3	Office buildings
Hitachi Kyusyu Building	10,167	26,513.33	26,513.33	100.0	Not disclosed (Note 6)	Office buildings
Hotel Intergate Tokyo Kyobashi	8,871	6,006.53	6,006.53	100.0	8.0	Hotels
S-GATE AKASAKA	7,040	3,308.10	3,308.10	100.0	Not disclosed (Note 6)	Office buildings
S-GATE NIHONBASHI-HONCHO (Note 4)	6,635	3,171.83	3,171.83	100.0	6.1	Office buildings
Hibiya Sankei Building	6,060	3,439.61	3,439.61	100.0	7.8	Office buildings
Omori Park Building	5,445	7,469.72	5,914.78	79.2	5.3	Office buildings
SANKEILOGI Settsu	5,307	14,748.33	14,748.33	100.0	3.8	Logistics facilities
Hatchobori Sankei Building	4,989	5,594.90	5,594.90	100.0	6.9	Office buildings
Total	88,264	97,290	81,479	83.7	83.3	—

(Note 1) "Book value" is the depreciated book value for each portfolio assets of August 31, 2023, rounded down to the nearest million yen. The same shall apply hereinafter.

(Note 2) Figures for "total leasable area," "total leased area" and "occupancy rate" are based on the data as of August 31, 2023. Furthermore, "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 portfolio asset, rounded down to two decimal places. "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 portfolio asset, 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. "Occupancy rate" is the ratio of total leased area to total leasable area for each portfolio asset, rounded to one decimal place. In addition, "occupancy rate" in the total column is the ratio of the sum total of total leased area to the sum total of total leasable area for each portfolio asset, rounded to one decimal place. The same shall apply for occupancy rate hereinafter.

(Note 3) "Ratio to total rent business revenue" is rounded to one decimal place. The same shall apply hereinafter.

(Note 4) The book value, total leasable area and total leased area are the figures equivalent to the co-ownership interest (51% for "S-GATE NIHONBASHI-HONCHO") and the quasi co-ownership interest (43.45% for "BREEZÉ TOWER," 50% for "Shinagawa Seaside TS Tower") held by SANKEI REAL ESTATE.

(Note 5) 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).

(Note 6) 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.

### (3) Real Estate Assets in the Portfolio

The following table shows the overview of the assets held by SANKEI REAL ESTATE as of August 31, 2023.

Property name	Location	Form of ownership (Note 1)	Period-end appraisal value (million yen) (Note 2)	Book value (million yen)
Tokyo Sankei Building (Note 3)	1-7-2 Otemachi, Chiyoda-ku, Tokyo	Real estate	2,570	2,618
BREEZÉ TOWER (Note 3)	2-4-9 Umeda, Kita-ku, Osaka-shi, Osaka	Real estate trust beneficiary right	17,380	12,556
S-GATE NIHONBASHI-HONCHO (Note 3)	1-9-1 Nihonbashi-Honcho, Chuo-ku, Tokyo	Real estate trust beneficiary right	7,750	6,635
S-GATE AKIHABARA	2-4-6 Higashi-Kanda, Chiyoda-ku, Tokyo	Real estate trust beneficiary right	2,690	2,021
Hibiya Sankei Building	1-9-1 Yurakucho, Chiyoda-ku, Tokyo	Real estate trust beneficiary right	6,630	6,060
Hatchobori Sankei Building	2-7-1 Hatchobori, Chuo-ku, Tokyo	Real estate trust beneficiary right	5,470	4,989
Toyo Park Building	5-29-17 Toyo, Koto-ku, Tokyo	Real estate trust beneficiary right	3,900	3,871
Shinagawa Seaside TS Tower (Note 3)	4-12-3 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Real estate trust beneficiary right	17,350	21,191
Omori Park Building	1-6-1 Omori-Honcho, Ota-ku, Tokyo	Real estate trust beneficiary right	5,270	5,445
S-GATE AKASAKA	6-2-4 Akasaka, Minato-ku, Tokyo	Real estate trust beneficiary right	7,400	7,040
Miyazakidai Garden Office	2-6-10 Miyazaki, Miyamae-ku, Kawasaki-shi, Kanagawa	Real estate trust beneficiary right	2,710	2,835
Hitachi Kyusyu Building	2-1-1 Momochihama, Sawara-ku, Fukuoka-shi, Fukuoka	Real estate trust beneficiary right	10,300	10,167
Hotel Intergate Tokyo Kyobashi	3-7-8 Kyobashi, Chuo-ku, Tokyo	Real estate trust beneficiary right	9,190	8,871
Hotel Intergate Hiroshima	5-16 Teppochō, Naka-ku, Hiroshima-shi, Hiroshima	Real estate trust beneficiary right	4,180	3,847
SANKEILOGI Settsu	4-1-5 Tsuruno, Settsu-shi, Osaka	Real estate trust beneficiary right	5,550	5,307
Total			108,340	103,458

(Note 1) "Real estate trust beneficiary right" refers to trust beneficiary right that has real estate as main trust assets.

(Note 2) "Period-end appraisal value" indicates the appraisal value or the price in the price survey that is conducted using the method similar to that used by real estate appraisers, with the last day of the fiscal period as the survey date, based on SANKEI REAL ESTATE's articles of incorporation and the "Regulations on Calculations of Investment Corporations" (Cabinet Office Order No. 47 of 2006, as amended).

(Note 3) The period-end appraisal value and book 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," 50% for "Shinagawa Seaside TS Tower") held by SANKEI REAL ESTATE.

The following table shows the overview of the rent business for each of the assets under management held by SANKEI REAL ESTATE.

Property name	8th fiscal period From: Sep. 1, 2022 To: Feb. 28, 2023				9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023			
	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%)	Operating revenue from real estate rent business (during period) (million yen) (Note 2)	Ratio to total rent business revenue (%)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%)	Operating revenue from real estate rent business (during period) (million yen) (Note 2)	Ratio to total rent business revenue (%)
Tokyo Sankei Building	47	99.5	59	2.0	48	99.8	59	2.3
BREEZÉ TOWER	36	90.4	526	18.2	41	96.7	525	20.3
S-GATE NIHONBASHI-HONCHO	2	100.0	171	5.9	2	100.0	157	6.1
S-GATE AKIHABARA	6	100.0	68	2.4	6	100.0	69	2.7
Hibiya Sankei Building	11	100.0	198	6.9	11	100.0	202	7.8
Hatchobori Sankei Building	10	100.0	178	6.2	10	100.0	177	6.9
Toyo Park Building	7	92.3	108	3.8	6	75.1	91	3.5
Shinagawa Seaside TS Tower (Note 3)	Not disclosed (Note 4)	76.0	Not disclosed (Note 4)	Not disclosed (Note 4)	1	9.6	Not disclosed (Note 4)	Not disclosed (Note 4)
Omori Park Building	8	79.2	157	5.4	8	79.2	137	5.3
S-GATE AKASAKA	2	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	2	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)
Miyazakidai Garden Office	8	100.0	86	3.0	8	100.0	92	3.6
Hitachi Kyusyu Building	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)
Hotel InterGate Tokyo Kyobashi	1	100.0	206	7.2	1	100.0	206	8.0
Hotel InterGate Hiroshima	1	100.0	118	4.1	1	100.0	118	4.6
SANKEILOGI Settsu	—	—	—	—	1	100.0	99	3.8
Total	Not disclosed (Note 4)	93.4	2,891	100.0	147	85.6	2,586	100.0

(Note 1) "Number of tenants" indicates the total number of tenants of the respective portfolio assets as of August 31, 2023, based on the lease agreement of the relevant assets. When a master lease agreement has been concluded for the assets, however, the total number of end tenants is indicated for the portion covered by the pass-through-type master lease agreement among such assets. In cases in which one tenant has concluded lease agreements of different use types for the same single asset, the tenant shall be counted as one for each use type.

(Note 2) Figures for "operating revenue from real estate rent business" are rounded down to the nearest million yen.

(Note 3) 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).

(Note 4) 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.

#### (4) Schedule of Renewable Energy Generation Facilities in the Portfolio

Not applicable.

#### (5) Schedule of the Rights to Operate Public Facilities, Etc. in the Portfolio

Not applicable.

#### (6) Status of Other Assets

Real estate and trust beneficiary rights that have real estate as trust assets, etc. held by SANKEI REAL ESTATE are listed altogether on the aforementioned (3) Real estate assets in the portfolio.

##### 1) Schedule of Securities Incorporated in the Portfolio

Not applicable.

##### 2) Status of Contract Amounts, Etc. and Fair Value of Specified Transactions

Not applicable.

#### (7) Status of Assets Held in Each Country/Region

Not applicable for any country or region outside Japan.

## 4. Capital Expenditures for Real Estate Held

### (1) Schedule of Capital Expenditures

Of capital expenditures associated with renovation work, etc. currently planned for assets held by SANKEI REAL ESTATE as of August 31, 2023, the following are the major estimated amounts (10 million yen or more). In accounting for the estimated construction costs below, some portion may be separately charged to expenses.

Name of real estate, etc. (Location)	Purpose	Scheduled period	Expected construction cost (million yen)		
			Total amount	Amount of payment during period	Total amount 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	—	—

### (2) Capital Expenditures during the Fiscal Period

Major construction works falling under the category of capital expenditures of 10 million yen or more conducted in the fiscal period under review for assets held by SANKEI REAL ESTATE as of August 31, 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

### (3) 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: Sep. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sep. 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

## 5. Status of Expenses and Liabilities

### (1) Details of Expenses Related to Asset Management

(Unit: thousand yen)

Item	8th fiscal period From: Sep. 1, 2022 To: Feb. 28, 2023	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023
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 expenses	48,325	46,384
Total	309,094	306,120

### (2) Status of Loans

Regarding the status of loans from respective financial institutions as of August 31, 2023, refer to II Financial Statements (7) Supplementary Schedules.

### (3) Investment Corporation Bonds

Not applicable.

### (4) Short-Term Investment Corporation Bonds

Not applicable.

### (5) Investment Unit Acquisition Rights

Not applicable.

## 6. Acquisitions and Sales during the Fiscal Period

### (1) Acquisition and sale of real estate, asset-backed securities, infrastructure assets, etc. and infrastructure-related assets, etc.

Property name	Acquisition		Sale			
	Acquisition date	Acquisition price (million yen)	Sale date	Sale price (million yen)	Book value (million yen)	Gain or loss on sale (million yen)
S-GATE AKASAKA (20% quasi co-ownership interest) (Additional Acquisition)	March 31, 2023	1,400	—	—	—	—
SANKEILOGI Settsu	March 31, 2023	5,242	—	—	—	—
BREEZÉ TOWER (1.55% quasi co-ownership interest)	—	—	August 31, 2023	620	447	164
<b>Total</b>	—	<b>6,642</b>	—	<b>620</b>	<b>447</b>	<b>164</b>

(Note) Acquisition price and sale price are the sale and purchase price of each trust beneficiary right stated in the sale and purchase agreement, 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 and sale.

### (2) Acquisition and Sale of Other Assets

Main assets other than the above real estate and asset-backed securities, etc. are bank deposits or bank deposits within trust assets.

### (3) Survey on Prices of Specified Assets, Etc.

Acquisition or sale	Property name	Transaction date	Type of asset	Acquisition price or sale price (million yen)	Real estate appraisal value (million yen)	Appraisal date	Appraiser
Acquisition	S-GATE AKASAKA (20% quasi co-ownership interest) (Additional Acquisition)	March 31, 2023	Real estate trust beneficiary right	1,400	1,498	March 1, 2023	Japan Real Estate Institute
Acquisition	SANKEILOGI Settsu	March 31, 2023	Real estate trust beneficiary right	5,242	5,440	March 1, 2023	Japan Real Estate Institute
Sale	BREEZÉ TOWER (1.55% quasi co-ownership interest)	August 31, 2023	Real estate trust beneficiary right	620	620	July 1, 2023	Japan Real Estate Institute

(Note 1) The appraisal value indicated above was prepared by the appraiser based on the Real Estate Appraisal Standards, Specific Thesis Chapter 3: "Appraisal on Prices of Real Estate Subject to Securitization."

(Note 2) "Acquisition price or sale price" is the sale and purchase price of the trust beneficiary right stated in the sale and purchase agreement, 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.

### (4) Transactions with Interested Parties, Etc.

#### 1) Transaction Status

Category	Transaction amount, etc. (million yen) (Note 2)	
	Purchase amount, etc.	Sale amount, etc.
<b>Total</b>	<b>6,642</b>	<b>620</b>

Breakdown of transactions with interested parties, etc. (Note 1)

The Sankei Building Co., Ltd.	5,069	(76.3%)	620	(100.0%)
<b>Total</b>	<b>5,069</b>	<b>(76.3%)</b>	<b>620</b>	<b>(100.0%)</b>

(Note 1) "Interested parties, etc." refer to the interested persons, etc., of the asset management company with which SANKEI REAL ESTATE has entered into an asset management agreement as provided in Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations and Article 26, Paragraph 1, Item 27 of the Rules on Management Reports of Investment Trusts and Investment Corporations of The Investment Trusts Association, Japan.

(Note 2) "Transaction amount, etc." is the sale and purchase price of each trust beneficiary right stated in each sale and purchase agreement, 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.

(Note 3) Figures in parenthesis represent the percentage (%) to the respective total amounts, rounded to one decimal place.



## 2) Amount of Fees Paid, Etc.

Category	Total Amount of Fees Paid, etc. (A)	Breakdown of transactions with interested parties, etc.		Percentage of total amount (B/A)
		Paid party	Paid amount (B)	
Property management fees	41,164 thousand yen	The Sankei Building Co., Ltd.	24,546 thousand yen	59.6%
		The Sankei Building Management Co., Ltd.	10,915 thousand yen	26.5%
Building management fees	169,830 thousand yen	The Sankei Building Management Co., Ltd.	127,362 thousand yen	75.0%

## 3) Major Payments to Other Interested Parties, Etc.

The amounts paid to interested parties, etc. other than the fees paid, etc. above are as follows:

The Sankei Building Management Co., Ltd.	28,051 thousand yen	(Repair expenses)
Sankei Bldg. Techno Co., Ltd.	5,033 thousand yen	(Repair expenses)
The Sankei Building Co., Ltd.	62 thousand yen	(Repair expenses)
Sankei Shimbun Co., Ltd.	1,135 thousand yen	(Land rent)
Fuji Media Holdings, Inc.	683 thousand yen	(Land rent)

## 4) Leasing Transactions, Etc.

Leasing transactions conducted with interested parties, etc. are as follows:

GRANVISTA Hotels & Resorts Co., Ltd.	325,755 thousand yen	(Rental revenue)
The Sankei Building Co., Ltd.	3,200 thousand yen	(Rental revenue)

## (5) Transactions with the Asset Management Company regarding Concurrent Work Conducted by the Asset Management Company

As of August 31, 2023, Sankei Building Asset Management Co., Ltd., the asset management company of SANKEI REAL ESTATE, concurrently conducts investment advisory and agency business, type II financial instruments business and real estate brokerage under the Financial Instruments and Exchange Act, but has no such transactions with SANKEI REAL ESTATE.

## 7. Overview of Accounting

### (1) Assets, Liabilities, Principal, and Profits and Loss

Please refer to Balance Sheet, Statement of Income and Retained Earnings, Statement of Changes in Unitholders' Equity, Notes to Financial Statements and Statement of Cash Distributions on later pages of this report.

### (2) Changes in Calculation Method of Depreciation

Not applicable.

### (3) Changes in Valuation Method of Real Estate and Infrastructure Assets, Etc.

Not applicable.

### (4) Status, Etc. of Self-Managed Investment Trust Beneficiary Certificates, Etc.

Not applicable.

## 8. Other

### (1) Notices

Not applicable.

### (2) Disclosure on Corporation Owning Foreign Real Estate

Not applicable.

### (3) Disclosure on Real Estate Owned by Corporation Owning Foreign Real Estate

Not applicable.

### (4) Other

Unless otherwise stated, the figures less than the specified unit are rounded down for monetary amounts and rounded off to the nearest specified unit for percentage figures in this report.

## Independent Auditor's Report

The Board of Directors  
SANKEI REAL ESTATE, Inc.

### **The Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of SANKEI REAL ESTATE, Inc., (the Company), which comprise the balance sheet as at August 31, 2023, and the statement of income and retained earnings, changes in unitholders' equity, cash distributions, cash flows and supplementary schedules for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2023, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Other Information***

The other information comprises the information included in the Semi-Annual Report that contains audited financial statements but does not include the financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Supervisory Director is responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### ***Responsibilities of Management and the Supervisory Director for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Supervisory Director is responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

**Fee-related Information**

The fees paid or payable to us and other EY Member Firms for the audits of the financial statements of the Company are 13 million yen and there are no other non-audit fees charged in the audit period to the Company.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

December 11, 2023

江下 聖

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Sei Eshita  
Designated Engagement Partner  
Certified Public Accountant

大石 晃一郎

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Koichiro Oishi  
Designated Engagement Partner  
Certified Public Accountant

## II. Financial Statements

### (1) Balance Sheet

(Unit: thousand yen)

	8th fiscal period (as of Feb. 28, 2023)	9th fiscal period (as of Aug. 31, 2023)
<b>Assets</b>		
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
Lease 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
<b>Total assets</b>	<b>105,828,211</b>	<b>112,235,819</b>

(Unit: thousand yen)

	8th fiscal period (as of Feb. 28, 2023)	9th fiscal period (as of Aug. 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	347,103	217,790
Short-term loans	-	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
Lease and guarantee deposits received	88,166	88,716
Lease 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
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	49,442,685	49,442,685
Deduction from unitholders' capital	(7,136)	(7,136)
Unitholders' capital (net)	49,435,549	49,435,549
Surplus		
Unappropriated retained earnings (undisposed loss)	1,076,805	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 properties	-	*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 of surplus				(1,475,098)	(1,475,098)	(1,475,098)	(1,475,098)
Net income				1,076,626	1,076,626	1,076,626	1,076,626
Total changes in items during period	-	-	-	(398,472)	(398,472)	(398,472)	(398,472)
Balance at end of period	*1 49,442,685	(7,136)	49,435,549	1,076,805	1,076,805	50,512,354	50,512,354

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 of 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) 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
<b>Cash flows from operating activities</b>		
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
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(542)	(7,125)
Purchase of property, plant and equipment in trust	(130,867)	(7,014,566)
Proceeds from lease and guarantee deposits received	632	5,231
Refund of lease and guarantee deposits received	(703)	(2,344)
Proceeds from lease and guarantee deposits received in trust	74,547	306,551
Refund of lease 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)
<b>Cash flows from financing activities</b>		
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 to Financial Statements  
(Notes on the Going Concern Assumption)  
Not applicable.

Notes on Matters Concerning Significant Accounting Policies

1. Method of depreciation of non-current assets	<p>(1) Property, plant and equipment (including trust assets) The straight-line method is adopted. Furthermore, the useful lives of major property, plant and equipment is as follows:</p> <table> <tr> <td>Buildings</td><td>3-69 years</td></tr> <tr> <td>Structures</td><td>6-59 years</td></tr> <tr> <td>Machinery and equipment</td><td>8-10 years</td></tr> <tr> <td>Tools, furniture and fixtures</td><td>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								
2. Accounting for deferred assets	<p>Investment unit issuance costs They are amortized by the straight-line method over 3 years.</p>								
3. Standards for revenue and expense recognition	<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> <p>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.</p> <p>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> <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>								
4. Scope of cash (cash and cash equivalents) in the statement of cash flows	<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>								
5. Other significant matters related to the basis for preparation of the financial statements	<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> <p>i. Cash and deposits in trust</p> <p>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</p> <p>iii. Lease and guarantee deposits received in trust</p>								

[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 properties  
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 sales of real estate properties	620,000
Cost of sale of real estate properties	447,918
Other expenses related to sale	7,656
Gain on sale of real estate properties	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: unit)

	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 as the fair value approximates the carrying amount because they are cash or settled in a short period. Furthermore "lease and guarantee deposits received" and "lease and guarantee deposits received in trust" are omitted because the amounts are immaterial.

(Unit: thousand yen)

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

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 transaction amount is based on the terms and conditions provided in SANKEI REAL ESTATE's articles of incorporation.

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

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 transaction amount is based on the terms and conditions provided in SANKEI REAL ESTATE's articles of incorporation.

(Note 4) Asset management fee includes the 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 leasing. 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), 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 acquisition of a property and additional acquisition of a property (total of 2 properties: 6,748,166 thousand yen <including expenses incidental to the acquisition>), and the amount of decrease is mainly attributable to partial sale of a 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 the transfer of real estate, etc. subject to The Japanese Institute of Certified Public Accountants Accounting Committee Report No. 15 "Practical Guidelines on Accounting of Transferors for the Securitization of Real Estate Utilizing Special Purpose Companies" are not included in the above amounts because they are excluded from application of the Revenue Recognition Accounting Standard. The main revenues from contracts with customers are revenue from the sale of real estate, etc. and utilities reimbursement.

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

(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 properties"

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.

(7) Supplementary Schedules

1) Schedule of Securities

a. Shares

Not applicable.

b. Securities other than shares

Not applicable.

2) Status of Contract Amounts, Etc. and Fair Value of Derivative Transactions and Forward Exchange Transactions

Not applicable.

3) Schedule of Assets Related to Real Estate

(Unit: thousand yen)

Type of asset		Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Accumulated depreciation or accumulated amortization (thousand yen)	Amount during period (thousand yen)	Net balance at end of period (thousand yen)	Remarks
Property, plant and equipment	Buildings	182,520	6,520	-	189,040	29,088	3,563	159,952	(Note)
	Structures	544	-	-	544	81	13	463	
	Tools, furniture and fixtures	-	604	-	604	40	40	564	(Note)
	Land	2,457,766	-	-	2,457,766	-	-	2,457,766	
	Buildings in trust	18,955,810	2,403,219	133,146	21,225,884	2,169,707	308,967	19,056,176	(Note)
	Structures in trust	71,171	34,423	137	105,457	6,304	1,758	99,152	(Note)
	Machinery and equipment in trust	14,330	-	4	14,326	3,008	718	11,318	(Note)
	Tools, furniture and fixtures in trust	71,817	6,273	1,969	76,121	21,723	5,843	54,397	(Note)
	Land in trust	77,433,848	4,516,572	331,588	81,618,833	-	-	81,618,833	(Note)
	Construction in progress in trust	945	5,886	945	5,886	-	-	5,886	(Note)
	Subtotal	99,188,756	6,973,500	467,791	105,694,465	2,229,953	320,905	103,464,511	
Intangible assets	Software	9,400	8,000	-	17,400	8,593	1,206	8,806	(Note)
	Subtotal	9,400	8,000	-	17,400	8,593	1,206	8,806	
Total		99,198,156	6,981,500	467,791	105,711,865	2,238,546	322,112	103,473,318	

(Note) The increase during period is mainly due to new acquisition of a property and additional acquisition of a property (6,748,166 thousand yen in total). The decrease during period is mainly due to partial sale of a property (447,918 thousand yen in total).

4) Schedule of Other Specified Assets

Not applicable.

5) Schedule of Investment Corporation Bonds

Not applicable.

6) Schedule of Loans

Category	Lender	Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (Note 1)	Maturity date (Note 2)	Use of funds	Remarks
Short-term loans	Mizuho Bank, Ltd.	-	6,800,000	-	6,800,000	0.40182% (floating interest rate)	Mar. 30, 2024	(Note 3)	Unsecured/ Non-guaranteed
	Subtotal	-	6,800,000	-	6,800,000				
Long-term loans	Mizuho Bank, Ltd.	972,000	-	972,000	-	0.42346% (fixed interest rate)	Mar. 12, 2023	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	716,000	-	716,000	-				
	Development Bank of Japan Inc.	614,000	-	614,000	-				
	Mizuho Trust & Banking Co., Ltd.	392,000	-	392,000	-				
	Sumitomo Mitsui Trust Bank, Limited	358,000	-	358,000	-				
	SBI Shinsei Bank, Limited	324,000	-	324,000	-				
	Resona Bank, Limited	324,000	-	324,000	-	0.49096% (fixed interest rate)	Mar. 12, 2024	(Note 3)	Unsecured/ Non-guaranteed
	Mizuho Bank, Ltd.	856,000	-	-	856,000				
	Sumitomo Mitsui Banking Corporation	639,000	-	-	639,000				
	Development Bank of Japan Inc.	548,000	-	-	548,000				
	Mizuho Trust & Banking Co., Ltd.	350,000	-	-	350,000				
	Sumitomo Mitsui Trust Bank, Limited	319,000	-	-	319,000				
	SBI Shinsei Bank, Limited	294,000	-	-	294,000	0.36200% (fixed interest rate)	Sep. 3, 2023	(Note 3)	Unsecured/ Non-guaranteed
	Resona Bank, Limited	294,000	-	-	294,000				
	Mizuho Bank, Ltd.	950,000	-	-	950,000				
	Sumitomo Mitsui Banking Corporation	800,000	-	-	800,000				
	Development Bank of Japan Inc.	2,000,000	-	-	2,000,000				
	Mizuho Trust & Banking Co., Ltd.	620,000	-	-	620,000	0.32923% (fixed interest rate)	Sep. 12, 2024	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000				
	SBI Shinsei Bank, Limited	490,000	-	-	490,000				
	Resona Bank, Limited	490,000	-	-	490,000				
	Mizuho Bank, Ltd.	1,167,000	-	-	1,167,000				
	Sumitomo Mitsui Banking Corporation	832,000	-	-	832,000	0.36978% (fixed interest rate)	Mar. 12, 2025	(Note 4)	Unsecured/ Non-guaranteed
	Development Bank of Japan Inc.	713,000	-	-	713,000				
	Mizuho Trust & Banking Co., Ltd.	456,000	-	-	456,000				
	Sumitomo Mitsui Trust Bank, Limited	416,000	-	-	416,000				
	SBI Shinsei Bank, Limited	358,000	-	-	358,000				
	Resona Bank, Limited	358,000	-	-	358,000				
	Mizuho Bank, Ltd.	1,331,000	-	-	1,331,000	0.36978% (fixed interest rate)	Mar. 12, 2025	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	929,000	-	-	929,000				
	Development Bank of Japan Inc.	796,000	-	-	796,000				
	Mizuho Trust & Banking Co., Ltd.	509,000	-	-	509,000				
	Sumitomo Mitsui Trust Bank, Limited	465,000	-	-	465,000				
	SBI Shinsei Bank, Limited	385,000	-	-	385,000				
	Resona Bank, Limited	385,000	-	-	385,000				

Category	Lender	Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (Note 1)	Maturity date (Note 2)	Use of funds	Remarks
Long-term loans	Mizuho Bank, Ltd.	1,550,000	-	-	1,550,000	0.29655% (fixed interest rate)	Sep. 2, 2025	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000				
	Development Bank of Japan Inc.	700,000	-	-	700,000				
	Mizuho Trust & Banking Co., Ltd.	600,000	-	-	600,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000				
	SBI Shinsei Bank, Limited	500,000	-	-	500,000				
	Resona Bank, Limited	400,000	-	-	400,000				
	THE NISHI-NIPPON CITY BANK, LTD.	500,000	-	-	500,000				
	Kansai Mirai Bank, Limited	300,000	-	-	300,000				
	The Chiba Bank, Ltd.	150,000	-	-	150,000				
	Mizuho Bank, Ltd.	750,000	-	-	750,000	0.35542% (fixed interest rate)	Sep. 2, 2026	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	700,000	-	-	700,000				
	Development Bank of Japan Inc.	700,000	-	-	700,000				
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000				
	SBI Shinsei Bank, Limited	500,000	-	-	500,000				
	Resona Bank, Limited	400,000	-	-	400,000				
	Aozora Bank, Ltd.	1,500,000	-	-	1,500,000				
	THE NISHI-NIPPON CITY BANK, LTD.	500,000	-	-	500,000				
	Kansai Mirai Bank, Limited	300,000	-	-	300,000				
	The Chiba Bank, Ltd.	150,000	-	-	150,000				
	Mizuho Bank, Ltd.	1,100,000	-	-	1,100,000	0.38044% (fixed interest rate)	Apr. 1, 2026	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000				
	Development Bank of Japan Inc.	700,000	-	-	700,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000				
	SBI Shinsei Bank, Limited	300,000	-	-	300,000				
	Resona Bank, Limited	200,000	-	-	200,000				
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	1,574,000	-	-	1,574,000	0.77500% (fixed interest rate)	Mar. 14, 2028	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,084,000	-	-	1,084,000				
	Development Bank of Japan Inc.	929,000	-	-	929,000				
	Mizuho Trust & Banking Co., Ltd.	593,000	-	-	593,000				
	Sumitomo Mitsui Trust Bank, Limited	542,000	-	-	542,000				
	SBI Shinsei Bank, Limited	439,000	-	-	439,000				
	Resona Bank, Limited	439,000	-	-	439,000				
	Mizuho Bank, Ltd.	2,250,000	-	-	2,250,000	0.79285% (fixed interest rate)	Mar. 5, 2027	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
	Mizuho Trust & Banking Co., Ltd.	620,000	-	-	620,000				
	Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000				
	SBI Shinsei Bank, Limited	490,000	-	-	490,000				
	Resona Bank, Limited	490,000	-	-	490,000				



Category	Lender	Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (Note 1)	Maturity date (Note 2)	Use of funds	Remarks
Long-term loans	Mizuho Bank, Ltd.	-	972,000	-	972,000	1.02763% (fixed interest rate)	Sep. 13, 2027	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	-	716,000	-	716,000				
	Development Bank of Japan Inc.	-	614,000	-	614,000				
	Mizuho Trust & Banking Co., Ltd.	-	392,000	-	392,000				
	Sumitomo Mitsui Trust Bank, Limited	-	358,000	-	358,000				
	SBI Shinsei Bank, Limited	-	324,000	-	324,000				
	Resona Bank, Limited	-	324,000	-	324,000				
		Subtotal	50,200,000	3,700,000	3,700,000	50,200,000			
	Total	50,200,000	10,500,000	3,700,000	57,000,000				

(Note 1) The average interest rate is a weighted-average figure during the fiscal period and is rounded to five decimal places.

(Note 2) If the maturity date is not a business day, the immediately following business day shall be the maturity date; if such date falls in the next month, the immediately preceding business day shall be the maturity date.

(Note 3) These funds are used for acquiring real estate or real estate trust beneficiary rights and accompanying expenses.

(Note 4) The funds are used to repay existing loans.

(Note 5) The total amounts of long-term loans to be repaid for each year within five years after the date of the balance sheet are as follows:

(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
Long-term loans	9,200,000	9,100,000	10,500,000	12,100,000	9,300,000