

11th Fiscal Period Semi-Annual Report

from March 1, 2024 to August 31, 2024

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 11th fiscal period ended August 2024, 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.

In the 11th fiscal period (ended August 2024), SANKEI REAL ESTATE acquired the relatively new “Vessel Hotel Campana Susukino” (40% co-ownership interest) in Chuo-ku, Sapporo in March 2024, and in April, additionally acquired “S-GATE NIHONBASHI-HONCHO” (49% co-ownership interest), a mid-sized, high-spec office building in Chuo-ku, Tokyo, bringing its ownership ratio in this property to 100%. In addition, each hotel owned by SANKEI REAL ESTATE is achieving favorable operating results thanks to continued inbound demand, and the three hotels in particular, which use a combination of fixed and floating rents, have posted operating revenues that exceed earnings forecasts, demonstrating steady internal growth. Furthermore, in terms of financial management, we obtained a long-term issuer rating from the Japan Credit Rating Agency in July, which will enable us to issue investment corporation bonds in addition to borrowings from financial institutions as we have done in the past, and we believe this will enable us to diversify our fund-raising methods.

As a result of these efforts, the distribution per unit for the current fiscal period will be 2,369 yen (7.3% increase from the forecast), which is 161 yen per unit higher than the initial forecast. In addition, the forecasted distribution per unit is 2,302 yen for the 12th fiscal period (ending February 2025) and 2,250 yen for the 13th fiscal period (ending August 2025).

The Nikkei Stock Average, which hit an all-time high, also showed its biggest drop ever at one point, so the situation remains one in which we cannot necessarily be all-bullish. While the Bank of Japan raised interest rates again in July, the United States has embarked on a significant interest rate cut, with further revisions to policy interest rates expected by the end of the year. Moreover, in addition to the long-running situations in Ukraine and the Middle East, important elections were held in various major countries this year, making it difficult to predict the direction of the international situation. In this environment, we will diligently strive to maximize unitholder value by steadily implementing the growth strategy envisioned by SANKEI REAL ESTATE, while keeping a close eye on future trends in the economy and financial and capital markets.

We would like to ask our unitholders for their continued support and encouragement for many years to come.

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		7th fiscal period	8th fiscal period	9th fiscal period	10th fiscal period	11th fiscal period
Closing of accounts		August 2022	February 2023	August 2023	February 2024	August 2024
Operating revenue	million yen	3,028	2,891	2,751	7,778	2,461
[Operating revenue from real estate rent business]	million yen	[3,028]	[2,891]	[2,586]	[2,361]	[2,461]
Operating expenses	million yen	1,397	1,648	1,416	6,548	1,161
[Operating expenses from real estate rent business]	million yen	[1,076]	[1,338]	[1,110]	[1,141]	[848]
Operating income	million yen	1,630	1,243	1,334	1,229	1,299
Ordinary income	million yen	1,476	1,077	1,130	1,038	1,107
Net income	million yen	1,475	1,076	1,129	1,037	1,106
Unitholders' capital (net) (Note 4)	million yen	49,435	49,435	49,435	49,435	49,435
Total number of investment units issued and outstanding	units	467,099	467,099	467,099	467,099	467,099
Net assets	million yen	50,910	50,512	50,565	50,473	50,542
[Period-on-period change]	%	[0.2]	[(0.8)]	[0.1]	[(0.2)]	[0.1]
Total assets	million yen	106,553	105,828	112,235	104,802	104,878
[Period-on-period change]	%	[0.0]	[(0.7)]	[6.1]	[(6.6)]	[0.1]
Total interest-bearing liabilities	million yen	50,200	50,200	57,000	50,200	50,200
Net assets per unit (Note 3)	yen	108,993	108,140	108,253	108,056	108,204
Net income per unit (Note 2)	yen	3,158	2,304	2,418	2,220	2,369
Total distribution	million yen	1,475	1,076	1,129	1,037	1,106
Distribution per unit	yen	3,158	2,305	2,418	2,221	2,369
[Distribution of earnings per unit]	yen	[3,158]	[2,305]	[2,418]	[2,221]	[2,369]
[Distribution in excess of earnings per unit]	yen	[-]	[-]	[-]	[-]	[-]
Ratio of ordinary income to total assets (Note 3)	%	1.4	1.0	1.0	1.0	1.1
Annualized	%	[2.7]	[2.0]	[2.1]	[1.9]	[2.1]
Return on equity (Note 3)	%	2.9	2.1	2.2	2.1	2.2
Annualized	%	[5.8]	[4.3]	[4.4]	[4.1]	[4.3]
Equity ratio (Note 3)	%	47.8	47.7	45.1	48.2	48.2
[Period-on-period change]	%	[0.1]	[(0.0)]	[(2.7)]	[3.1]	[0.0]
Payout ratio (Note 3)	%	100.0	100.0	100.0	100.0	100.0
[Other reference information]						
Days of operation	days	184	181	184	182	184
Number of investment properties at end of period	properties	14	14	15	16	17
Depreciation	million yen	309	296	320	315	317
Capital expenditures	million yen	83	212	219	111	81
Leasing NOI (Net Operating Income) (Note 3)	million yen	2,260	1,849	1,797	1,535	1,930
FFO (Funds from Operation) (Note 3)	million yen	1,785	1,372	1,286	995	1,425
FFO per unit (Note 3)	yen	3,821	2,938	2,753	2,131	3,051
Ratio of interest-bearing liabilities to total assets at end of period (LTV) (Note 3)	%	47.1	47.4	50.8	47.9	47.9

(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 (7th fiscal period: 467,099 units; 8th fiscal period: 467,099 units; 9th fiscal period: 467,099 units; 10th fiscal period: 467,099 units; 11th fiscal period: 467,099 units).

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

Net assets per unit	$\text{Net assets} / \text{total number of investment units issued and outstanding}$
Ratio of ordinary income to total assets	$\text{Ordinary income} / [(\text{total assets at beginning of period} + \text{total assets at end of period}) / 2] \times 100$
Return on equity	$\text{Net income} / [(\text{net assets at beginning of period} + \text{net assets at end of period}) / 2] \times 100$
Equity ratio	$\text{Net assets at end of period} / \text{total assets at end of period} \times 100$
Payout ratio	$\text{Total distribution (excluding distribution in excess of earnings)} / \text{net income} \times 100$
Leasing NOI (Net Operating Income)	$\text{Operating revenue from real estate rent business} - \text{operating expenses from real estate rent business} + \text{depreciation}$
FFO (Funds from Operation)	$\text{Net income} + \text{depreciation} - \text{gain or loss on sale of real estate properties}$
FFO per unit	$\text{FFO} / \text{total number of investment units issued and outstanding}$
Ratio of interest-bearing liabilities to total assets at end of period (LTV)	$\text{Balance of interest-bearing liabilities at end of period} / \text{total assets at end of period} \times 100$

(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).

In October 2023, SANKEI REAL ESTATE converted from an office-building-oriented REIT to a comprehensive REIT due to partial amendment in its management guidelines of the Asset Management Company.

As of the last day of the fiscal period under review (August 31, 2024), 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, 2024), the Japanese economy has been plagued by rising prices due to the weak yen and rising raw material costs, but signs of a return to growth are beginning to appear, with consumption trends expected to improve through solid corporate performance and improved labor supply and demand. In line with the review of the accommodative monetary policy, the policy interest rate has been raised and the stock market has reached an all-time high, while the TSE REIT Index has been weak due to an expectation of higher interest rates.

In this situation, a further increase in the policy interest rate in Japan, coupled with the prospect of interest rate cuts against the backdrop of economic trends in Europe and the United States that are also showing signs of economic uncertainty, is threatening to cause a sharp decline in the stock market, and is therefore a turbulent factor. In addition, the situations in Ukraine and the Middle East, as well as the slowdown in the Chinese economy, are unpredictable and require continued vigilance.

In this economic environment, as for the office building market in which SANKEI REAL ESTATE primarily invests, last year's large supply of office space in the Tokyo metropolitan area was smoothly absorbed, and this year's supply is in a trough; on the other hand, the vacancy rate is declining and rents are rising due to demand for better office environment, location, additional space and other factors. However, depending on the location and grade of the property, the situation varies including occurrence of secondary vacancies.

Among the core asset groups (Note), SANKEI REAL ESTATE is currently investing in the hotel and logistics markets. As for the hotel market, the number of foreign visitors to Japan recorded its highest ever single month in June and July (both estimated figures) according to the Japan National Tourism Organization's statistics on foreign visitors to Japan, and continued to exceed the same period in 2019, showing a steady performance even amid a sluggish recovery in some countries, such as China. The logistics market continues to show signs of expansion, with the steady expansion of the EC market and the expansion of logistics bases in response to the so-called 2024 problem, which requires various responses due to the introduction of restrictions on overtime work hours for drivers and other workers.

(Note) "Core asset group" refers to hotels, logistics facilities, and residential facilities (housing, student residences, health care facilities, and other asset types with residential functions).

3) Management Performance

Since March 2023, SANKEI REAL ESTATE has been undertaking a review of its portfolio and converted to a comprehensive REIT in October 2023, following partial amendments to the Asset Management Company's management guidelines. In March 2024, we acquired "Vessel Hotel Campana Susukino" (40% co-ownership interest), and in April 2024, we acquired "S-GATE NIHONBASHI-HONCHO" (49% co-ownership interest) to bring our ownership ratio to 100%. Through these series of reviews, SANKEI REAL ESTATE's portfolio as of the end of the current fiscal period now consists of 17 properties with an asset size (total acquisition price (Note 1)) of 96,447 million yen.

As of the end of the fiscal period under review, regarding our management performance we had 17 properties, with an occupancy rate (Note 2) of 96.6%. Operating revenue decreased 68.4% from the previous fiscal period to 2,461 million yen due to the absence of gain on sale of real estate properties that occurred in the previous fiscal period. However, excluding this, operating revenue from real estate rent business increased 4.2% from the previous fiscal period to 2,461 million yen. In addition, the appraisal value as of the end of the fiscal period was 101,590 million yen.

SANKEI REAL ESTATE has sought to improve satisfaction through reinforcing and enhancing relations with existing tenants, aiming to expand revenue and have stable growth of earnings from assets under management as in the previous fiscal period. As the revision period approaches, some tenants are showing a certain attitude toward increasing rent as we carefully explain to tenants the unique circumstances surrounding the coronavirus pandemic and the current trends in the rental market. Repairs and capital expenditures were narrowed down to those that contribute to maintenance and improvement of the competitiveness of the assets under management.

With the acquisition of Vessel Hotel Campana Susukino during the period, the number of hotels owned by SANKEI REAL ESTATE has increased to six in total as of the end of the period. The three properties that adopt fixed rents (Hotel Intergate Tokyo Kyobashi, Hotel Intergate Hiroshima and Vessel Hotel Campana Susukino) ensure the stability of portfolio revenue, while the three properties that combine fixed and floating rents (Hotel Intergate Kyoto Shijo Shinmachi, Hotel Intergate Kanazawa and Grids Premium Hotel Osaka Namba) are expected to contribute to improved profitability depending on market conditions, such as a recovery in inbound tourism and increases in room occupancy and average room rates.

In the logistics market, demand for logistics facilities has been steadily increasing, not only because of activated distribution but also because of the need to develop logistics networks triggered by the 2024 problem. SANKEI REAL ESTATE will continue to strive to improve its presence by building on its management performance in this field.

Moreover, in accordance with the "Sustainability Policy" in the Asset Management Company's Asset Management Guidelines, SANKEI REAL ESTATE, together with the Asset Management Company, is continually working on investment that takes into consideration "ESG," which stands for Environment, Social, and Governance, with the aim of improving social sustainability and unitholder value over the medium to long term.

In April 2024, we reacquired DBJ Green Building certification for "S-GATE AKASAKA." As a result, SANKEI REAL ESTATE has acquired environmental certification for a total of nine assets under management (four properties certified by DBJ Green Building and five properties rated by BELS). And, as an investment corporation, we have received 2 stars and a Green Star in the GRESB Real Estate Rating.

Additionally, SANKEI REAL ESTATE introduced substantial renewable energy to some of its properties by purchasing FIT Non-Fossil Certificates in June 2024.

(Note 1) "Acquisition price" and "disposition price" indicate the purchase price of real estate and trust beneficiary rights stated in each purchase and sale agreement pertaining to the assets held by SANKEI REAL ESTATE (real estate or trust beneficiary rights in real estate as trust assets; hereinafter collectively referred to as "Assets under Management"), rounded down to the nearest one million yen. The purchase price does not include consumption tax, local consumption tax, and various expenses required for acquisition or disposition. 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. The total leasable area and the total leased area are calculated from the area equivalent to the interest of SANKEI REAL ESTATE in each asset under management.

4) Overview of Fund Procurement

During the fiscal period under review, in order to repay 3,300 million yen of long-term loans maturing on March 12, 2024, we borrowed 3,300 million yen on the same day 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 syndicated loan arranged by Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation.

As a result, as of the end of the fiscal period under review, the balance of loans outstanding was 50,200 million yen and the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV") was 47.9%.

Further, on July 23, 2024, SANKEI REAL ESTATE obtained a long-term issuer rating of "A+" (rating outlook: stable) from Japan Credit Rating Agency, Ltd. (JCR). We will continue to strive to improve our creditworthiness through appropriate and sound financial management.

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 2,461 million yen, operating income of 1,299 million yen, ordinary income of 1,107 million yen, and net income of 1,106 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, we decided to distribute 1,106,557,531 yen, which is the full amount of unappropriated retained earnings excluding fractional portions where the distribution amount per investment unit is less than 1 yen. As a result, the distribution amount per investment unit is 2,369 yen.

(3) Capital Increases

Changes in the total number of investment units issued and outstanding and unitholders' capital over the past five years 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	
Sep. 2, 2019	Capital increase through public offering	111,619	351,219	12,777	35,902	(Note 2)
Sep. 26, 2019	Capital increase through third-party allotment	5,581	356,800	638	36,540	(Note 3)
Sep. 1, 2021	Capital increase through public offering	105,047	461,847	12,287	48,828	(Note 4)
Sep. 29, 2021	Capital increase through third-party allotment	5,252	467,099	614	49,442	(Note 5)
Nov. 22, 2021	Cash distribution in excess of earnings (contribution refund)	-	467,099	(7)	49,435	(Note 6)

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

(Note 2) 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 3) 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 4) 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 5) 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 6) 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	7th fiscal period	8th fiscal period	9th fiscal period	10th fiscal period	11th fiscal period
Closing of accounts	August 2022	February 2023	August 2023	February 2024	August 2024
Highest (yen)	111,900	99,700	96,300	95,500	91,600
Lowest (yen)	93,300	86,400	80,000	84,800	78,700

(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 2,369 yen.

Fiscal period	7th fiscal period	8th fiscal period	9th fiscal period	10th fiscal period	11th fiscal period
Business period	From: Mar. 1, 2022 To: Aug. 31, 2022	From: Sep. 1, 2022 To: Feb. 28, 2023	From: Mar. 1, 2023 To: Aug. 31, 2023	From: Sep. 1, 2023 To: Feb. 29, 2024	From: Mar. 1, 2024 To: Aug. 31, 2024
Total unappropriated retained earnings (thousand yen)	1,475,277	1,076,805	1,129,754	1,037,578	1,106,801
Retained earnings (thousand yen)	178	141	309	151	243
Total cash distributions (thousand yen)	1,475,098	1,076,663	1,129,445	1,037,426	1,106,557
[Distribution per unit] (yen)	[3,158]	[2,305]	[2,418]	[2,221]	[2,369]
[Total distribution of earnings] (thousand yen)	1,475,098	1,076,663	1,129,445	1,037,426	1,106,557
[Distribution of earnings per unit] (yen)	[3,158]	[2,305]	[2,418]	[2,221]	[2,369]
[Total contribution refund] (thousand yen)	-	-	-	-	-
[Contribution refund per unit] (yen)	[-]	[-]	[-]	[-]	[-]
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)	-	-	-	-	-
[Of the contribution refund per unit, distribution per unit through the reduction in unitholders' capital for tax purposes] (yen)	[-]	[-]	[-]	[-]	[-]

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

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

General Management Outlook

The Nikkei average, which had reached an all-time high, has temporarily shown the largest drop in its history, and the situation is not necessarily bullish all the way. While the Bank of Japan raised interest rates again in July, the United States has embarked on a significant interest rate cut, with further revisions to policy interest rates expected by the end of the year. Further, in addition to the long-running situations in Ukraine and the Middle East, important elections were/will be held in various major countries this year, making it difficult to predict the international situation.

In this environment, the real estate market is expected to continue to see high transaction volumes due to relatively low interest rates and low expected returns, making it difficult to acquire new properties.

In the office building market, the massive supply in 2023, the largest supply ever, was absorbed smoothly due to the steady return to offices, demand for better office environments, locations and for additional space. Further, with no significant supply in 2024, we have seen a decline in vacancy rates and an increase in rents. However, secondary vacancies may occur depending on the location and grade of the property, so we need to develop detailed leasing policies for each property. In addition, we expect a large supply of properties to be available again in 2025, so we will continue to closely monitor market trends.

In the hotel market, the number of foreign tourists visiting Japan has been steadily increasing since October of the year before last. Combined with the impact of the weak yen, the number of foreign visitors to Japan reached an all-time high for a single month in June and July 2024 (both estimated figures) according to the Japan National Tourism Organization's statistics on foreign visitors to Japan, and continuously exceeded the same periods in 2019. Inbound demand is expected to expand steadily. The three properties with fixed rents are expected to generate stable revenues, while the three hotels with a combination of fixed and floating rents are expected to see revenue increase in line with market conditions.

For the logistics market, further revitalization is expected, supported by the expansion of the e-commerce market and solid demand, and stable growth is expected to continue due to the expansion of logistics bases to address the so-called "2024 problem." The facilities owned by SANKEI REAL ESTATE have fixed rent based on fixed-term building lease agreements with tenants, and stable revenues are expected.

1) External Growth Strategy

Through a partial change to the management guidelines implemented in October 2023, SANKEI REAL ESTATE carried out a large-scale portfolio rebalancing and transformed from an office-focused REIT into a comprehensive REIT.

We will continue to maintain our portfolio through ongoing rebalancing and strive to strengthen it, which will help to improve the portfolio quality.

Additionally, during the fiscal period under review, we acquired our first property owned by a third party with the support of SANKEI BUILDING. Going forward, we will continue to make maximum use of SANKEI BUILDING's sponsor support and sustain external growth by acquiring third-party-owned properties, leveraging SANKEI BUILDING's sourcing capabilities. Furthermore, we will strive to improve the profitability and stability of the portfolio by implementing diversified investments that take into consideration the balance of the portfolio matrix such as area and yield.

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 also continue to actively work to improve tenant satisfaction by conducting customer satisfaction surveys, improving the quality of hygiene, and carrying out planned 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 at 60% in principle (however, the LTV may temporarily exceed the upper limit for the purpose of new asset acquisition, etc.). As a rule, SANKEI REAL ESTATE will maintain an approximate range of 40% to 50% during normal operations.

(a) Equity Financing

Issuance of new investment units shall be performed in an agile manner with due consideration to investment unit dilution while comprehensively taking into account capital market trends, the 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

	7th fiscal period (as of Aug. 31, 2022)	8th fiscal period (as of Feb. 28, 2023)	9th fiscal period (as of Aug. 31, 2023)	10th fiscal period (as of Feb. 29, 2024)	11th fiscal period (as of Aug. 31, 2024)
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)	467,099	467,099	467,099	467,099	467,099
Unitholders' capital (net) (Note) (million yen)	49,435	49,435	49,435	49,435	49,435
Number of unitholders (persons)	14,345	14,469	14,366	13,121	13,091

(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, 2024.

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)	97,604	20.89
The Master Trust Bank of Japan, Ltd. (Trust Account)	90,080	19.28
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	25,593	5.47
The Sankei Building Co., Ltd.	23,179	4.96
JP MORGAN CHASE BANK 385771	6,124	1.31
The Bank of Yokohama, Ltd.	5,691	1.21
UEDA YAGI TANSHI Co., Ltd.	4,570	0.97
The Hyakujushi Bank, Ltd.	3,500	0.74
JP MORGAN CHASE BANK 380755	3,378	0.72
Custody Bank of Japan, Ltd. (Trust Account 4)	3,369	0.72
Total	263,088	56.32

(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, etc.

The following table shows the directors, etc. of SANKEI REAL ESTATE as of August 31, 2024.

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	-	13,800

(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. Furthermore, there is no remuneration based on non-audit services to the Accounting Auditor or to persons belonging to the same network as the Accounting Auditor.

(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 includes special provisions for compensation for executive directors and supervisory directors, and the insurance premiums 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, 2024.

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)	10th fiscal period (as of Feb. 29, 2024)		11th fiscal period (as of Aug. 31, 2024)		
			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, Greater Osaka and Greater Nagoya	2,615	2.5	2,621	2.5	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-	
	Core asset group	Greater Tokyo, Greater Osaka and Greater Nagoya	-	-	-	-	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-	
Real estate in trust	Office buildings	Greater Tokyo, Greater Osaka and Greater Nagoya	38,879	37.1	46,391	44.2	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	10,141	9.7	10,112	9.6	
	Core asset group	Greater Tokyo, Greater Osaka and Greater Nagoya	27,882	26.6	27,816	26.5	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	7,110	6.8	10,027	9.6	
	Hotels	Greater Tokyo, Greater Osaka and Greater Nagoya	22,595	21.6	22,549	21.5	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	7,110	6.8	10,027	9.6	
	Logistics facilities	Greater Tokyo, Greater Osaka and Greater Nagoya	5,287	5.0	5,267	5.0	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-	
	Subtotal			86,629	82.7	96,970	92.5
	Deposits and other assets			18,173	17.3	7,907	7.5
Total assets			104,802	100.0	104,878	100.0	

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

The "Greater Osaka" refers to Osaka Prefecture, Hyogo Prefecture and Kyoto Prefecture, and is limited to ordinance-designated cities, core cities and major regional cities.

The "Greater Nagoya" refers to Aichi Prefecture, Gifu Prefecture and Mie Prefecture, and is limited to ordinance-designated cities, core cities and major regional cities.

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

"Major regional cities" are cities, towns and villages with a population of less than 200,000 that have been determined by the Asset Management Company to have a certain level of demand 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, 2024.

Property name	Book value (million yen) (Note 1)	Total leasable area (m ²) (Note 2)	Total leased area (m ²) (Note 2)	Occupancy rate (%) (Note 2)	Ratio to total rent business revenue (%) (Note 3)	Main use
S-GATE NIHONBASHI-HONCHO (Note 4)	14,138	6,219.28	6,219.28	100.0	12.0	Office buildings
Hitachi Kyusyu Building	10,112	26,513.33	26,513.33	100.0	Not disclosed (Note 5)	Office buildings
Hotel Intergate Tokyo Kyobashi	8,817	6,006.53	6,006.53	100.0	8.4	Hotels
GRIDS PREMIUM Hotel Osaka Namba	7,866	4,353.79	4,353.79	100.0	8.8	Hotels
S-GATE AKASAKA	7,017	3,308.10	3,308.10	100.0	Not disclosed (Note 5)	Office buildings
Hibiya Sankei Building	6,089	3,439.61	3,439.61	100.0	8.2	Office buildings
Hotel Intergate Kyoto Shijo Shinmachi	5,865	6,029.40	6,029.40	100.0	6.2	Hotels
Omori Park Building	5,461	7,469.72	4,902.82	65.6	3.9	Office buildings
SANKEILOGI Settsu	5,267	14,748.33	14,748.33	100.0	4.8	Logistics facilities
Hatchobori Sankei Building	4,974	5,594.90	5,594.90	100.0	7.3	Office buildings
Total	75,609	83,682.99	81,116.09	96.9	76.7	-

(Note 1) "Book value" is the depreciated book value for each portfolio assets of August 31, 2024, 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, 2024. Furthermore, "total leasable area" is the area (excluding certain incidental areas such as warehouses, signboards, parking lots, etc. which are not the main asset type) 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, signboards, parking lots, etc. which are not the main asset type) 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) An additional 49% co-ownership interest in "S-GATE NIHONBASHI-HONCHO" was acquired on April 1, 2024. "Ratio to total rent business revenue" is calculated based on the rent business revenue received from the property, including the additional acquisition, during from that date to August 31, 2024.

(Note 5) 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, 2024.

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	2,630	2,621
S-GATE NIHONBASHI-HONCHO	1-9-1 Nihonbashi-Honcho, Chuo-ku, Tokyo	Real estate trust beneficiary right	15,800	14,138
S-GATE AKIHABARA	2-4-6 Higashi-Kanda, Chiyoda-ku, Tokyo	Real estate trust beneficiary right	2,720	2,006
Hibiya Sankei Building	1-9-1 Yurakucho, Chiyoda-ku, Tokyo	Real estate trust beneficiary right	6,770	6,089
Hatchobori Sankei Building	2-7-1 Hatchobori, Chuo-ku, Tokyo	Real estate trust beneficiary right	5,120	4,974
Toyo Park Building	5-29-17 Toyo, Koto-ku, Tokyo	Real estate trust beneficiary right	3,490	3,865
Omori Park Building	1-6-1 Omori-Honcho, Ota-ku, Tokyo	Real estate trust beneficiary right	4,950	5,461
S-GATE AKASAKA	6-2-4 Akasaka, Minato-ku, Tokyo	Real estate trust beneficiary right	7,540	7,017
Miyazakidai Garden Office	2-6-10 Miyazaki, Miyamae-ku, Kawasaki-shi	Real estate trust beneficiary right	2,710	2,839
Hitachi Kyusyu Building	2-1-1 Momochihama, Sawara-ku, Fukuoka-shi	Real estate trust beneficiary right	10,300	10,112
Hotel Intergate Tokyo Kyobashi	3-7-8 Kyobashi, Chuo-ku, Tokyo	Real estate trust beneficiary right	9,360	8,817
Hotel Intergate Hiroshima	5-16 Teppocho, Naka-ku, Hiroshima-shi	Real estate trust beneficiary right	4,330	3,795
SANKEILOGI Settsu	4-1-5 Tsuruno, Settsu-shi, Osaka	Real estate trust beneficiary right	5,510	5,267
Hotel Intergate Kyoto Shijo Shinmachi	387 Mukadeyacho, Shinmachidori Nishikiojiagaru, Nakagyo-ku, Kyoto-shi	Real estate trust beneficiary right	6,090	5,865
Hotel Intergate Kanazawa	2-5 Takaokamachi, Kanazawa-shi, Ishikawa	Real estate trust beneficiary right	3,300	3,277
GRIDS PREMIUM Hotel Osaka Namba	1-7-7 Nanbanaka, Naniwa-ku, Osaka-shi	Real estate trust beneficiary right	8,040	7,866
Vessel Hotel Campana Susukino (Note 3)	6-16-1 Minami-Gojo Nishi, Chuo-ku, Sapporo-shi	Real estate trust beneficiary right	2,930	2,955
Total			101,590	96,970

(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) "Period-end appraisal value" and "Book value" are the figures equivalent to the co-ownership interests held by SANKEI REAL ESTATE as of August 31, 2024 (2% for "Tokyo Sankei Building" and 40% for "Vessel Hotel Campana Susukino").

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

Property name	10th fiscal period From: Sep. 1, 2023 To: Feb. 29, 2024				11th fiscal period From: Mar. 1, 2024 To: Aug. 31, 2024			
	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	48	99.8	62	2.6	49	100.0	61	2.5
BREEZÉ TOWER (Note 4)	-	-	437	18.5	-	-	-	-
S-GATE NIHONBASHI-HONCHO (Note 6)	2	100.0	163	6.9	2	100.0	295	12.0
S-GATE AKIHABARA	5	85.3	70	3.0	5	85.3	59	2.4
Hibiya Sankei Building	11	100.0	200	8.5	11	100.0	202	8.2
Hatchobori Sankei Building	10	100.0	176	7.5	10	100.0	179	7.3
Toyo Park Building	6	75.1	87	3.7	6	75.1	87	3.6
Shinagawa Seaside TS Tower (Note 4)	-	-	Not disclosed (Note 3)	Not disclosed (Note 3)	-	-	-	-
Omori Park Building	7	65.6	121	5.1	7	65.6	95	3.9
S-GATE AKASAKA	2	100.0	Not disclosed (Note 3)	Not disclosed (Note 3)	2	100.0	Not disclosed (Note 3)	Not disclosed (Note 3)
Miyazakidai Garden Office	8	100.0	92	3.9	8	100.0	89	3.7
Hitachi Kyusyu Building	1	100.0	Not disclosed (Note 3)	Not disclosed (Note 3)	1	100.0	Not disclosed (Note 3)	Not disclosed (Note 3)
Hotel Intergate Tokyo Kyobashi	1	100.0	206	8.8	1	100.0	206	8.4
Hotel Intergate Hiroshima	1	100.0	118	5.0	1	100.0	118	4.8
SANKEILOGI Settsu	1	100.0	119	5.1	1	100.0	118	4.8
Hotel Intergate Kyoto Shijo Shinmachi (Note 5)	1	100.0	19	0.8	1	100.0	152	6.2
Hotel Intergate Kanazawa (Note 5)	1	100.0	12	0.5	1	100.0	86	3.5
GRIDS PREMIUM Hotel Osaka Namba (Note 5)	1	100.0	30	1.3	1	100.0	216	8.8
Vessel Hotel Campana Susukino	-	-	-	-	1	100.0	Not disclosed (Note 3)	Not disclosed (Note 3)
Total	106	96.3	2,361	100.0	108	96.6	2,461	100.0

(Note 1) "Number of tenants" indicates the total number of tenants of the respective portfolio assets as of August 31, 2024, 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) Not disclosed because such contains information for which consent for disclosure has not been obtained from the tenant, relevant party, etc. or information from which confidential information can be derived.

(Note 4) "BREEZÉ TOWER" and "Shinagawa Seaside TS Tower" were disposed on January 31, 2024.

(Note 5) "Hotel Intergate Kyoto Shijo Shinmachi," "Hotel Intergate Kanazawa" and "GRIDS PREMIUM Hotel Osaka Namba" were acquired on February 1, 2024. "Operating revenue from real estate rent business (during period)" and "Ratio to total rent business revenue" are calculated based on the rent business revenue received from each property from the said date to February 29, 2024.

(Note 6) An additional 49% co-ownership interest in "S-GATE NIHONBASHI-HONCHO" was acquired on April 1, 2024. "Operating revenue from real estate rent business (during period)" and "Ratio to total rent business revenue" are calculated based on the rent business revenue received from the property, including the additional acquisition, during from that date to August 31, 2024.

(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 scheduled capital expenditures associated with renovation work, etc. currently planned for Assets under Management held by SANKEI REAL ESTATE as of August 31, 2024, the major ones (10 million yen or more) are as follows: The estimated construction costs below may include the portion separately charged to expenses in accounting.

Name of real estate, etc. (Location)	Purpose	Scheduled period	Expected construction cost (million yen)		
			Total amount	Amount of payment during period	Total amount already paid
Hibiya Sankei Building (Chiyoda-ku, Tokyo)	Air Conditioner Outdoor Unit Update (4th floor)	From: Feb. 1, 2025 To: Feb. 28, 2025	17	-	-
Hatchobori Sankei Building (Chuo-ku, Tokyo)	Waterproofing (Tower Houses, Roofs, etc.)	From: Mar. 1, 2025 To: Mar. 31, 2025	35	-	-
Omori Park Building (Ota-ku, Tokyo)	Individual air conditioning renovation work 1 floor	From: Dec. 1, 2024 To: Dec. 31, 2024	18	-	-
Omori Park Building (Ota-ku, Tokyo)	Absorption cold/hot water generator control panel update	From: Feb. 1, 2025 To: Feb. 28, 2025	25	-	-
Omori Park Building (Ota-ku, Tokyo)	Central monitoring equipment parts replacement	From: Jul. 1, 2025 To: Jul. 31, 2025	12	-	-
Omori Park Building (Ota-ku, Tokyo)	Renewal of LEDs in common areas	From: Aug. 1, 2025 To: Aug. 31, 2025	10	-	-
Miyazakidai Garden Office (Miyamae-ku, Kawasaki-shi)	Waterproofing work (rooftop and tower)	From: Feb. 1, 2025 To: Feb. 28, 2025	14	-	-
Miyazakidai Garden Office (Miyamae-ku, Kawasaki-shi)	Waterproofing and sealant replacement work (2nd and 3rd floor rooftops)	From: Aug. 1, 2025 To: Aug. 31, 2025	15	-	-

(2) Capital Expenditures during the Fiscal Period

Construction works falling under the category of capital expenditures of 10 million yen or more conducted in the fiscal period under review for Assets under Management held by SANKEI REAL ESTATE as of August 31, 2024, are as follows: For the fiscal period under review, capital expenditures amounted to 81 million yen and repair expenses separately charged to expenses amounted to 45 million yen for a combined total of 127 million yen of construction works implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of payment (million yen)
Hibiya Sankei Building (Chiyoda-ku, Tokyo)	Replacement of SP pump and surrounding valves	From: Feb. 1, 2024 To: Mar. 31, 2024	22
Hibiya Sankei Building (Chiyoda-ku, Tokyo)	Update of Air Conditioning system (11th floor)	From: Apr. 27, 2024 To: May 5, 2024	15
Other			43
Total			81

(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	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	10th fiscal period From: Sep. 1, 2023 To: Feb. 29, 2024	11th fiscal period From: Mar. 1, 2024 To: Aug. 31, 2024
Balance of reserve at beginning of period (thousand yen)	262,349	303,132	324,485	370,002	293,338
Provision of reserve during period (thousand yen)	59,801	59,801	72,811	78,124	46,692
Reversal of reserve during period (thousand yen)	19,019	38,448	27,295	154,789	17,713
Reserve carried forward (thousand yen)	303,132	324,485	370,002	293,338	322,317

5. Status of Expenses and Liabilities

(1) Details of Expenses Related to Asset Management

(Unit: thousand yen)

Item	10th fiscal period From: Sep. 1, 2023 To: Feb. 29, 2024	11th fiscal period From: Mar. 1, 2024 To: Aug. 31, 2024
Asset management fee	244,680	249,422
Asset custody fee	2,198	2,065
Administrative service fees	7,975	9,030
Remuneration for directors (and other officers)	3,600	3,600
Other expenses	88,867	48,670
Total	347,321	312,788

(2) Status of Loans

Regarding the status of loans from respective financial institutions as of August 31, 2024, refer to II. Financial Statement (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)
Vessel Hotel Campana Susukino (40% co-ownership interest)	March 1, 2024	2,920	-	-	-	-
S-GATE NIHONBASHI-HONCHO (49% co-ownership interest)	April 1, 2024	7,450	-	-	-	-
Total	-	10,370	-	-	-	-

(Note) Acquisition price and disposition 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 or Disposition Price (Note 1) (million yen)	Real estate appraisal value (Note 2) (million yen)	Appraisal date	Appraiser
Acquisition	Vessel Hotel Campana Susukino (40% co-ownership interest)	March 1, 2024	Real estate trust beneficiary right	2,920	2,930	February 1, 2024	Japan Real Estate Institute
Acquisition	S-GATE NIHONBASHI-HONCHO (49% co-ownership interest)	April 1, 2024	Real estate trust beneficiary right	7,450	7,480	February 1, 2024	Japan Real Estate Institute

(Note 1) "Acquisition or disposition 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 and sale.

(Note 2) 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."

(4) Transactions with Interested Parties, Etc.

1) Transaction Status

Category	Transaction amount, etc. (million yen) (Note 2)	
	Purchase amount, etc.	Sale amount, etc.
Total	10,370	-

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

The Sankei Building Co., Ltd.	2,920	(28.2%)	-	(-%)
Total	2,920	(28.2%)	-	(-%)

(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 and sale.

(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	28,730 thousand yen	The Sankei Building Co., Ltd.	2,320 thousand yen	8.1%
		Sankei Building Management Co., Ltd.	21,569 thousand yen	75.1%
Building management fees	83,270 thousand yen	Sankei Building Management Co., Ltd.	83,263 thousand yen	100.0%

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:

Sankei Building Management Co., Ltd.	40,759 thousand yen	(Repair expenses)
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.	565,307 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, 2024, 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 or 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, 2024, and the statement of income and retained earnings, changes in unitholders' equity, cash distributions, and cash flows for the six-month period then ended, and notes to the financial statements and supplementary schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2024, 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 to reduce threats to an acceptable level.

Fee-related Information

The fees for the audits of the financial statements of the Company and other services provided by us and other EY member firms for the six-month period ended August 31, 2024, are presented in paragraph (3) titled “Matters Related to Directors, etc.” in “Overview of the Investment Corporation” included in the Semi-Annual Report for the six-month period ended August 31, 2024, of 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 10, 2024

Sei Eshita

Sei Eshita
Designated Engagement Partner
Certified Public Accountant

Koichiro Oishi

Koichiro Oishi
Designated Engagement Partner
Certified Public Accountant

II. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	10th fiscal period (as of Feb. 29, 2024)	11th fiscal period (as of Aug. 31, 2024)
Assets		
Current assets		
Cash and deposits	15,252,088	5,127,817
Cash and deposits in trust	1,762,519	2,316,513
Operating accounts receivable	953,754	63,157
Prepaid expenses	73,876	91,812
Consumption taxes receivable	-	205,433
Other	5,486	-
Total current assets	18,047,724	7,804,733
Non-current assets		
Property, plant and equipment		
Buildings	189,290	198,752
Accumulated depreciation	(32,666)	(36,550)
Buildings, net	156,623	162,202
Structures	544	544
Accumulated depreciation	(94)	(108)
Structures, net	449	435
Tools, furniture and fixtures	604	1,461
Accumulated depreciation	(100)	(244)
Tools, furniture and fixtures, net	504	1,217
Land	2,457,766	2,457,766
Buildings in trust	20,401,544	23,287,755
Accumulated depreciation	(1,483,517)	(1,790,318)
Buildings in trust, net	18,918,027	21,497,436
Structures in trust	111,450	117,008
Accumulated depreciation	(7,666)	(9,531)
Structures in trust, net	103,783	107,476
Machinery and equipment in trust	39,317	88,140
Accumulated depreciation	(3,821)	(6,082)
Machinery and equipment in trust, net	35,496	82,058
Tools, furniture and fixtures in trust	25,456	28,669
Accumulated depreciation	(8,277)	(10,874)
Tools, furniture and fixtures in trust, net	17,178	17,794
Land in trust	64,939,537	72,643,724
Total property, plant and equipment	86,629,368	96,970,113
Intangible assets		
Software	7,068	6,133
Total intangible assets	7,068	6,133
Investments and other assets		
Long-term prepaid expenses	102,677	87,116
Deferred tax assets	9	15
Lease and guarantee deposits	10,000	10,000
Total investments and other assets	112,687	97,132
Total non-current assets	86,749,123	97,073,378
Deferred assets		
Investment unit issuance costs	6,025	-
Total deferred assets	6,025	-
Total assets	104,802,873	104,878,112

(Unit: thousand yen)

	10th fiscal period (as of Feb. 29, 2024)	11th fiscal period (as of Aug. 31, 2024)
Liabilities		
Current liabilities		
Operating accounts payable	219,486	187,134
Long-term loans due within one year	7,600,000	9,100,000
Accounts payable - other	492,122	290,943
Accrued expenses	52,901	59,191
Income taxes payable	795	847
Consumption taxes payable	182,108	-
Advances received	326,433	387,368
Deposits received	346	214
Total current liabilities	8,874,193	10,025,699
Non-current liabilities		
Long-term loans	42,600,000	41,100,000
Lease and guarantee deposits received	88,012	88,158
Lease and guarantee deposits received in trust	2,767,538	3,121,902
Total non-current liabilities	45,455,551	44,310,061
Total liabilities	54,329,745	54,335,761
Net assets		
Unitholders' equity		
Unitholders' capital	49,442,685	49,442,685
Deduction from unitholders' capital	(7,136)	(7,136)
Unitholders' capital (net)	49,435,549	49,435,549
Surplus		
Unappropriated retained earnings (undisposed loss)	1,037,578	1,106,801
Total surplus	1,037,578	1,106,801
Total unitholders' equity	50,473,128	50,542,350
Total net assets	*1 50,473,128	*1 50,542,350
Total liabilities and net assets	104,802,873	104,878,112

(2) Statement of Income and Retained Earnings

(Unit: thousand yen)

	10th fiscal period From: Sep. 1, 2023 To: Feb. 29, 2024	11th fiscal period From: Mar. 1, 2024 To: Aug. 31, 2024
Operating revenue		
Rent business revenue	*1 2,214,154	*1 2,343,666
Other rent business revenue	*1 147,053	*1 117,736
Gain on sale of real estate properties	*2 5,417,202	-
Total operating revenue	7,778,411	2,461,403
Operating expenses		
Expenses related to rent business	*1 1,141,048	*1 848,642
Loss on sale of real estate properties	*3 5,060,134	-
Asset management fee	244,680	249,422
Asset custody fee	2,198	2,065
Administrative service fees	7,975	9,030
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	88,867	48,670
Total operating expenses	6,548,504	1,161,430
Operating income	1,229,906	1,299,972
Non-operating income		
Interest income	42	539
Reversal of distributions payable	545	351
Insurance claim income	462	1,145
Interest on tax refund	427	94
Other	9	0
Total non-operating income	1,487	2,129
Non-operating expenses		
Interest expenses	142,563	143,895
Borrowing-related expenses	41,557	43,841
Amortization of investment unit issuance expenses	6,024	6,025
Other	3,168	767
Total non-operating expenses	193,314	194,529
Ordinary income	1,038,079	1,107,573
Net income before income taxes	1,038,079	1,107,573
Income taxes - current	801	930
Income taxes - deferred	7	(6)
Total income taxes	809	923
Net income	1,037,269	1,106,649
Retained earnings brought forward	309	151
Unappropriated retained earnings (undisposed loss)	1,037,578	1,106,801

(3) Statement of Changes in Unitholders' Equity

10th fiscal period (from September 1, 2023 to February 29, 2024)

(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	1,129,754	1,129,754	50,565,304	50,565,304
Changes in items during period							
Distributions from surplus				(1,129,445)	(1,129,445)	(1,129,445)	(1,129,445)
Net income				1,037,269	1,037,269	1,037,269	1,037,269
Total changes in items during period	-	-	-	(92,175)	(92,175)	(92,175)	(92,175)
Balance at end of period	* ₁ 49,442,685	(7,136)	49,435,549	1,037,578	1,037,578	50,473,128	50,473,128

11th fiscal period (from March 1, 2024 to August 31, 2024)

(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	1,037,578	1,037,578	50,473,128	50,473,128
Changes in items during period							
Distributions from surplus				(1,037,426)	(1,037,426)	(1,037,426)	(1,037,426)
Net income				1,106,649	1,106,649	1,106,649	1,106,649
Total changes in items during period	-	-	-	69,222	69,222	69,222	69,222
Balance at end of period	* ₁ 49,442,685	(7,136)	49,435,549	1,106,801	1,106,801	50,542,350	50,542,350

(4) Statement of Cash Distributions

(Unit: yen)

	10th fiscal period From: Sep. 1, 2023 To: Feb. 29, 2024	11th fiscal period From: Mar. 1, 2024 To: Aug. 31, 2024
I. Unappropriated retained earnings	1,037,578,855	1,106,801,173
II. Amount of distribution	1,037,426,879	1,106,557,531
[Amount of distribution per unit]	[2,221]	[2,369]
III. Retained earnings carried forward	151,976	243,642

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 1,037,426,879 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 1,106,557,531 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)

	10th fiscal period From: Sep. 1, 2023 To: Feb. 29, 2024	11th fiscal period From: Mar. 1, 2024 To: Aug. 31, 2024
Cash flows from operating activities		
Net income before income taxes	1,038,079	1,107,573
Depreciation	317,312	318,500
Amortization of investment unit issuance expenses	6,024	6,025
Interest income	(42)	(539)
Interest expenses	142,563	143,895
Decrease (increase) in operating accounts receivable	(891,108)	890,606
Decrease (increase) in consumption taxes refund receivable	166,963	(205,433)
Decrease (increase) in prepaid expenses	4,989	(17,936)
Increase (decrease) in operating accounts payable	(33,749)	(4,713)
Increase (decrease) in accounts payable - other	12,737	(15,862)
Increase (decrease) in consumption taxes payable	182,108	(182,108)
Increase (decrease) in advances received	(71,177)	60,935
Increase (decrease) in deposits received	(9,837)	(131)
Decrease (increase) in long-term prepaid expenses	(8,351)	15,561
Decrease in property, plant and equipment in trust due to sale	33,678,715	-
Decrease (increase) in other assets	(5,404)	5,486
Subtotal	34,529,823	2,121,858
Interest received	42	539
Interest paid	(146,635)	(137,605)
Income taxes paid	(963)	(877)
Net cash provided by (used in) operating activities	34,382,266	1,983,913
Cash flows from investing activities		
Purchase of property, plant and equipment	(249)	(9,886)
Purchase of property, plant and equipment in trust	(16,936,372)	(10,860,803)
Proceeds from lease and guarantee deposits received	1,301	161
Refund of lease and guarantee deposits received	(3,730)	(638)
Proceeds from lease and guarantee deposits received in trust	549,773	397,982
Refund of lease and guarantee deposits received in trust	(1,385,355)	(43,618)
Net cash provided by (used in) investing activities	(17,774,632)	(10,516,802)
Cash flows from financing activities		
Repayment of short-term loans	(6,800,000)	-
Proceeds from long-term loans	5,900,000	3,300,000
Repayments of long-term loans	(5,900,000)	(3,300,000)
Distributions paid	(1,130,575)	(1,037,388)
Net cash provided by (used in) financing activities	(7,930,575)	(1,037,388)
Net increase (decrease) in cash and cash equivalents	8,677,058	(9,570,277)
Cash and cash equivalents at beginning of period	8,337,549	17,014,608
Cash and cash equivalents at end of period	*1 17,014,608	*1 7,444,330

- (6) Notes to Financial Statements
 (Notes on the Going Concern Assumption)
 Not applicable.

Notes on Matters Concerning Significant Accounting Policies

<p>1. Method of depreciation of non-current assets</p>	<p>(1) Property, plant and equipment (including trust assets) The straight-line method is adopted. Furthermore, the useful lives of major property, plant and equipment are as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Buildings</td> <td style="text-align: right;">3–69 years</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">6–59 years</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">10–27 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: right;">3–10 years</td> </tr> </table> <p>(2) Intangible assets The straight-line method is adopted.</p> <p>(3) Long-term prepaid expenses The straight-line method is adopted.</p>	Buildings	3–69 years	Structures	6–59 years	Machinery and equipment	10–27 years	Tools, furniture and fixtures	3–10 years
Buildings	3–69 years								
Structures	6–59 years								
Machinery and equipment	10–27 years								
Tools, furniture and fixtures	3–10 years								
<p>2. Accounting for deferred assets</p>	<p>Investment unit issuance costs They are amortized by the straight-line method over 3 years.</p>								
<p>3. Standards for revenue and expense recognition</p>	<p>(1) Standards for revenue recognition The details of performance obligations concerning revenue from contracts with customers of SANKEI REAL ESTATE and the timing when the performance obligations are normally satisfied (the normal time to recognize revenue) are as follows.</p> <p>i. Sale of real estate properties Revenue is recognized for the sale of real estate properties at the time the buyer who is a customer gains control of the real estate properties through the performance of delivery obligations specified in a contract on the sale of real estate properties.</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 period 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. In the previous fiscal period, the amount equivalent to non-current asset tax, etc. included in the acquisition cost of real estate, etc. was nil. In the fiscal period under review, the amount equivalent to non-current asset tax, etc. included in the cost of acquisition of real estate, etc. was 77,814 thousand yen.</p>								
<p>4. Scope of cash (cash and cash equivalents) in the statement of cash flows</p>	<p>Cash and cash equivalents in the statement of cash flows comprise cash on hand and cash in trust, demand deposits and deposits in trust, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.</p>								
<p>5. Other significant matters related to the basis for preparation of the financial statements</p>	<p>Accounting for trust beneficiary rights that have real estate, etc. as trust assets Concerning trust beneficiary rights that have real estate, etc. as trust assets held, all accounts of assets and liabilities within trust assets and all accounts of revenue and expenses from the trust assets are recognized in the relevant account item of the balance sheet and the statement of income and retained earnings. Furthermore, the following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet.</p> <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)

10th fiscal period (as of Feb. 29, 2024)	11th fiscal period (as of Aug. 31, 2024)
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)

	10th fiscal period From Sep. 1, 2023 To: Feb. 29, 2024	11th fiscal period From: Mar. 1, 2024 To: Aug. 31, 2024
A. Operating revenue from real estate rent business		
Rent business revenue		
Rental revenue	2,117,288	2,320,676
Common area maintenance revenue	96,866	22,990
Total rent business revenue	2,214,154	2,343,666
Other rent business revenue		
Utilities reimbursement	98,319	82,499
Parking revenue	31,294	26,658
Income from work to restore to the original state	7,500	-
Other rental revenue	9,940	8,578
Total other rent business revenue	147,053	117,736
Total operating revenue from real estate rent business	2,361,208	2,461,403
B. Operating expenses from real estate rent business		
Expenses related to rent business		
Outsourcing expenses	239,931	113,640
Utilities expenses	154,887	98,785
Property taxes	322,169	248,798
Land rent	1,590	683
Repair expenses	76,809	45,638
Insurance premium	6,987	6,819
Trust fee	4,924	6,923
Depreciation	315,574	317,565
Other expenses related to rent business	18,173	9,786
Total expenses related to rent business	1,141,048	848,642
Total operating expenses from real estate rent business	1,141,048	848,642
C. Operating income (loss) from real estate rent business [A-B]	1,220,160	1,612,761

- *2. Breakdown of gain on sale of real estate properties
10th fiscal period (from September 1, 2023 to February 29, 2024)
(Unit: thousand yen)

BREEZÉ TOWER (43.45% quasi-co-ownership interest)	
Revenue from sale of real estate properties	17,995,000
Cost of sale of real estate properties	12,521,932
Other expenses related to sale	55,865
Gain on sale of real estate properties	5,417,202

11th fiscal period (from March 1, 2024, to August 31, 2024)
Not applicable.

- *3. Breakdown of loss on sale of real estate properties
10th fiscal period (from September 1, 2023 to February 29, 2024)
(Unit: thousand yen)

Shinagawa Seaside TS Tower (50% quasi-co-ownership interest)	
Revenue from sale of real estate properties	16,100,000
Cost of sale of real estate properties	21,156,783
Other expenses related to sale	3,351
Loss on sale of real estate properties	5,060,134

11th fiscal period (from March 1, 2024 to August 31, 2024)
Not applicable.

[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)

	10th fiscal period From: Sep. 1, 2023 To: Feb. 29, 2024	11th fiscal period From: Mar. 1, 2024 To: Aug. 31, 2024
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)

	10th fiscal period From: Sep. 1, 2023 To: Feb. 29, 2024	11th fiscal period From: Mar. 1, 2024 To: Aug. 31, 2024
Cash and deposits	15,252,088	5,127,817
Cash and deposits in trust	1,762,519	2,316,513
Cash and cash equivalents	17,014,608	7,444,330

[Notes on Lease Transactions]

Operating lease transactions (as lessor)
Future minimum lease payments

(Unit: thousand yen)

	10th fiscal period (as of Feb. 29, 2024)	11th fiscal period (as of Aug. 31, 2024)
Due within 1 year	2,470,177	2,881,379
Due after 1 year	16,679,094	19,014,199
Total	19,149,271	21,895,578

[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 and issuance of investment corporation bonds, 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 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 29, 2024, 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	7,600,000	7,598,568	(1,431)
(2) Long-term loans	42,600,000	42,330,138	(269,861)
Total liabilities	50,200,000	49,928,707	(271,292)

The following are the carrying amount and fair value as of August 31, 2024, 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	9,100,000	9,094,975	(5,024)
(2) Long-term loans	41,100,000	40,883,582	(216,417)
Total liabilities	50,200,000	49,978,557	(221,442)

(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 they are 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 29, 2024)

(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	7,600,000	-	-	-	-	-
Long-term loans	-	11,000,000	16,400,000	9,600,000	5,600,000	-
Total	7,600,000	11,000,000	16,400,000	9,600,000	5,600,000	-

Amount of repayment of loans scheduled to be due after the end of the fiscal period (August 31, 2024)

(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	9,100,000	-	-	-	-	-
Long-term loans	-	16,400,000	12,100,000	9,300,000	3,300,000	-
Total	9,100,000	16,400,000	12,100,000	9,300,000	3,300,000	-

[Notes on Securities]

10th fiscal period (as of February 29, 2024)

Not applicable.

11th fiscal period (as of August 31, 2024)

Not applicable.

[Notes on Derivative Transactions]

10th fiscal period (as of February 29, 2024)

Not applicable.

11th fiscal period (as of August 31, 2024)

Not applicable.

[Notes on Retirement Benefits]

10th fiscal period (as of February 29, 2024)

Not applicable.

11th fiscal period (as of August 31, 2024)

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)

	10th fiscal period (as of Feb. 29, 2024)	11th fiscal period (as of Aug. 31, 2024)
Deferred tax assets		
Non-deductible accrued enterprise tax	9	15
Total deferred tax assets	9	15
Deferred tax assets, net	9	15

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

(Unit: %)

	10th fiscal period (as of Feb. 29, 2024)	11th fiscal period (as of Aug. 31, 2024)
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 Equity Method Profit and Loss]

10th fiscal period (from September 1, 2023 to February 29, 2024)

Not applicable.

11th fiscal period (from March 1, 2024 to August 31, 2024)

Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.

10th fiscal period (from September 1, 2023 to February 29, 2024)

Not applicable.

11th fiscal period (from March 1, 2024 to August 31, 2024)

Not applicable.

2. Affiliated company, etc.

10th fiscal period (from September 1, 2023 to February 29, 2024)

Not applicable.

11th fiscal period (from March 1, 2024 to August 31, 2024)

Not applicable.

3. Fellow subsidiary, etc.

10th fiscal period (from September 1, 2023 to February 29, 2024)

Not applicable.

11th fiscal period (from March 1, 2024 to August 31, 2024)

Not applicable.

4. Director, major individual unitholder, etc.

10th fiscal period (from September 1, 2023 to February 29, 2024)

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)	467,165 (Note 4)	Accounts payable - other	454,499

(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) The payment of asset management fees is for transactions conducted by Yuichi Ota as representative of Sankei Building Asset Management Co., Ltd., and the amount of the fees is subject to the terms and conditions provided in SANKEI REAL ESTATE's articles of incorporation.

(Note 4) Asset management fees include fees related to the acquisition and disposition of properties (222,485 thousand yen) that are entered into the book value of individual real estate, etc. or deducted from the disposition price.

(Note 5) Trading conditions are determined based on prevailing market conditions.

11h fiscal period (from March 1, 2024 to August 31, 2024)

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)	353,122 (Note 4)	Accounts payable - other	274,365

(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) The payment of asset management fees is for transactions conducted by Yuichi Ota as representative of Sankei Building Asset Management Co., Ltd., and the amount of the fees is subject to the terms and conditions provided in SANKEI REAL ESTATE's articles of incorporation.

(Note 4) Asset management fees include fees (103,700 thousand yen) related to the acquisition and disposition of properties that are included in the book value of individual real estate, etc. or deducted from the disposition price.

(Note 5) Trading conditions are determined based on prevailing market conditions.

[Notes on Asset Retirement Obligations]

10th fiscal period (from September 1, 2023 to February 29, 2024)

Not applicable.

11th fiscal period (from March 1, 2024 to August 31, 2024)

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)

	10th fiscal period From: Sep. 1, 2023 To: Feb. 29, 2024	11th fiscal period From: Mar. 1, 2024 To: Aug. 31, 2024
Carrying amount		
Balance at beginning of period	103,458,625	86,629,368
Amount of change during period	(16,829,257)	10,340,745
Balance at end of period	86,629,368	96,970,113
Fair value at end of period	90,280,000	101,590,000

(Note 1) The carrying amount is the amount obtained by deducting the accumulated depreciation from the acquisition cost.

(Note 2) Of the amount of change during period, the main increase in the previous fiscal period was due to the new acquisition of three properties (total for three properties: 17,053,244 thousand yen <including incidental costs related to acquisition>), and the main decrease was due to the disposition of two properties (total for two properties: 33,678,715 thousand yen). The main increase in the current fiscal period was due to the new acquisition of one property and additional acquisition of one property (total for two properties: 10,527,038 thousand yen <including incidental costs related to acquisition>), and the main decrease was due to depreciation expenses (317,565 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

10th fiscal period (from September 1, 2023 to February 29, 2024)

(Unit: thousand yen)

	Revenue from contracts with customers (Note 1)	Sales to external customers
Sale of real estate properties	34,095,000	(Note 2) 5,417,202
Utilities reimbursement	98,319	98,319
Other	-	2,262,889
Total	34,193,319	7,778,411

(Note 1) Rent business revenue, etc. subject to ASBJ Statement No. 13 “Accounting Standard for Lease Transactions” and the disposition of real estate, etc. subject to The Japanese Institute of Certified Public Accountants Accounting Committee Report No. 15 “Practical Guidelines on the Accounting of Transferors for the Securitization of Real Estate Using 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 properties and utilities reimbursement.

(Note 2) As for sale of real estate properties the amount obtained by deducting the cost of selling real estate properties and other selling expenses from the income from the sale of real estate properties is recorded as profit or loss on the sale of real estate properties in the statement of income and retained earnings in accordance with Article 48, Paragraph 2 of the Regulations on Accounting for Investment Corporations (Cabinet Office Ordinance No. 47 of 2006). SANKEI REAL ESTATE records a gain on sale of real estate properties as operating revenue and loss on sale of real estate properties as operating expenses, so the table above only shows the amount of gain on sale of real estate properties.

11th fiscal period (from March 1, 2024 to August 31, 2024)

(Unit: thousand yen)

	Revenue from contracts with customers (Note 1)	Sales to external customers
Sale of real estate properties	-	-
Utilities reimbursement	82,499	82,499
Other	-	2,378,904
Total	82,499	2,461,403

(Note) Rent business revenue, etc. subject to ASBJ Statement No. 13 “Accounting Standard for Lease Transactions” and the disposition of real estate, etc. subject to ASBJ Transferred Guidance No. 10 “Practical Guidelines on the Accounting for Transferors in Securitization of Real Estate Using 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 properties and utilities reimbursement.

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

10th fiscal period (from September 1, 2023, to February 29, 2024)

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

11th fiscal period (from March 1, 2024, to August 31, 2024)

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

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

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

(Unit: thousand yen)

	10th fiscal period From: Sep. 1, 2023 To: Feb. 29, 2024	11th fiscal period From: Mar. 1, 2024 To: Aug. 31, 2024
Receivables from contracts with customers (Balance at beginning of period)	26,668	22,439
Receivables from contracts with customers (Balance at end of period)	22,439	20,389
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

10th fiscal period (from September 1, 2023, to February 29, 2024)

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.

11th fiscal period (from March 1, 2024, to August 31, 2024)

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

10th fiscal period (from September 1, 2023 to February 29, 2024)

(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
The Sankei Building Co., Ltd.	5,417,202	Real estate rent business

11th fiscal period (from March 1, 2024, to August 31, 2024)

(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.	565,307	Real estate rent business
Hitachi, Ltd.	264,669	Real estate rent business

[Notes on Per Unit Information]

	10th fiscal period From: Sep. 1, 2023 To: Feb. 29, 2024	11th fiscal period From: Mar. 1, 2024 To: Aug. 31, 2024
Net assets per unit	108,056 yen	108,204 yen
Net income per unit	2,220 yen	2,369 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 2024: 467,099 units; fiscal period ended August 2024: 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:

	10th fiscal period From: Sep. 1, 2023 To: Feb. 29, 2024	11th fiscal period From: Mar. 1, 2024 To: Aug. 31, 2024
Net income (thousand yen)	1,037,269	1,106,649
Amount not available to common unitholders (thousand yen)	-	-
Net income attributable to common investment units (thousand yen)	1,037,269	1,106,649
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	Increase during period	Decrease during period	Balance at end of period	Accumulated depreciation or accumulated amortization		Net balance at end of period	Remarks	
						Amount during period			
Property, plant and equipment	Buildings	189,290	9,462	-	198,752	36,550	3,883	162,202	(Note)
	Structures	544	-	-	544	108	13	435	
	Tools, furniture and fixtures	604	856	-	1,461	244	143	1,217	(Note)
	Land	2,457,766	-	-	2,457,766	-	-	2,457,766	
	Buildings in trust	20,401,544	2,886,210	-	23,287,755	1,790,318	306,801	21,497,436	(Note)
	Structures in trust	111,450	5,558	-	117,008	9,531	1,865	107,476	(Note)
	Machinery and equipment in trust	39,317	48,822	-	88,140	6,082	2,261	82,058	(Note)
	Tools, furniture and fixtures in trust	25,456	3,213	-	28,669	10,874	2,597	17,794	(Note)
	Land in trust	64,939,537	7,704,186	-	72,643,724	-	-	72,643,724	(Note)
	Subtotal	88,165,513	10,658,310	-	98,823,823	1,853,710	317,565	96,970,113	
Intangible assets	Software	17,400	-	-	17,400	11,266	934	6,133	
	Subtotal	17,400	-	-	17,400	11,266	934	6,133	
Total	88,182,913	10,658,310	-	98,841,223	1,864,977	318,500	96,976,246		

(Note) The increase during period is mainly due to the new acquisition of one property and additional acquisition of one property (10,527,038 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
Long-term loans	Mizuho Bank, Ltd.	856,000	-	856,000	-	0.49096% (fixed interest rate)	Mar. 12, 2024	(Note 3)	Unsecured/ Non-guaranteed
	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	-				
	Resona Bank, Limited	294,000	-	294,000	-				
	Mizuho Bank, Ltd.	1,167,000	-	-	1,167,000	0.32923% (fixed interest rate)	Sep. 12, 2024	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	832,000	-	-	832,000				
	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				
	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					

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.	1,100,000	-	-	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	0.77500% (fixed interest rate)	Mar. 14, 2028	(Note 4)	Unsecured/ Non-guaranteed
	Mizuho Bank, Ltd.	1,574,000	-	-	1,574,000				
	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	0.79285% (fixed interest rate)	Mar. 5, 2027	(Note 4)	Unsecured/ Non-guaranteed
	Mizuho Bank, Ltd.	2,250,000	-	-	2,250,000				
	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				
	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				
	Mizuho Bank, Ltd.	950,000	-	-	950,000	0.56249% (floating interest rate)	Apr. 1, 2026	(Note 4)	Unsecured/ Non-guaranteed
	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				
	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.	-	856,000	-	856,000	1.10593% (fixed interest rate)	Sep. 12, 2028	(Note 4)	Unsecured/ Non-guaranteed
	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				
	Resona Bank, Limited	-	294,000	-	294,000				
Total		50,200,000	3,300,000	3,300,000	50,200,000				

(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	9,100,000	16,400,000	12,100,000	9,300,000	3,300,000