

8th Fiscal Period Semi-Annual Report

from September 1, 2022 to February 28, 2023

SANKEI REAL ESTATE Inc.

Message to Our Unitholders

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

Having settled the 8th fiscal period ended February 2023, we are pleased to report on the performance results of SANKEI REAL ESTATE. We would like to thank all of our unitholders for your continued support and cooperation.

SANKEI REAL ESTATE sets "office buildings" located mainly in major metropolitan areas (Greater Tokyo, Osaka City and Nagoya City) as its primary investment target. We also set "sub assets" as the secondary investment target in which we allocate a certain percentage of investments, with an aim to build a strong portfolio that features both stability of earnings and growth potential. Sub assets are what we collectively call the asset types that possess characteristics different from "office buildings" and contribute to the stability of the portfolio revenue. Under the strong support of The Sankei Building Co., Ltd, our sponsor, we are poised to build a high-quality portfolio of properties.

In the 8th fiscal period ended February 2023, while operating revenue and operating income decreased from the previous period mainly attributable to a cancellation by a major tenant operating revenue exceeded the forecast made at the beginning of the period. We decided to distribute 2,305 yen per unit (up 2.9% from the forecast) for the 8th fiscal period, up 66 yen compared with the forecast made at the beginning of the period.

As for forecast distribution per unit, taking into account the change in tenants of management assets, the price hike in electricity rates and other factors, and our plan to implement measures to stabilize distribution per unit with the use of unrealized gain of the portfolio, we expect figures of 2,377 yen, up 3.1% from the 8th fiscal period, for the 9th fiscal period ending August 2023 and 2,050 yen, down 13.8% from the 9th fiscal period, for the 10th period ending February 2024. However, please note that the forecast distribution for the 10th fiscal period ending February 2024 does not factor in every aspect of the revival plan, as we are eagerly working toward the implementation of the revival plan for the purpose of resolving imminent risks, including cooperation with sponsors.

Although the Japanese economy continued to be affected by COVID-19, movement toward normalization of the economy progressed, and a new normal assuming living with COVID-19 is becoming established. Meanwhile, expansion of demand due to overseas economic recovery, a rise in prices backed by the invasion of Ukraine by Russia, high interest rates and fluctuations in foreign exchange rates brought about the first rise in prices in Japan in decades. In addition, conditions remain uncertain such as the possibility of COVID-19 infection trends, outcomes of the prolonged invasion of Ukraine and the success or failure of overseas monetary policy being factors in the supply of goods being restricted again or pushing down the economy. While working to discern the trends of the economy and the financial and capital markets going forward, we will securely implement the growth strategy envisioned by SANKEI REAL ESTATE and do our best to maximize unitholder value.

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

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

I. Asset Management Report

1. Overview of Asset Management

(1) Changes in Operating Results and Other Management Data

Fiscal period		4th fiscal	5th fiscal	6th fiscal	7th fiscal	8th fiscal
Closing of accounts		February 2021	August 2021	February 2022	August 2022	February 2023
Operating revenue	million yen	2,147	2,176	2,778	3,028	2,891
[Operating revenue from real estate rent business]	million yen	[2,147]	[2,176]	[2,778]	[3,028]	[2,891]
Operating expenses	million yen	1,029	1,034	1,237	1,397	1,648
[Operating expenses from real estate rent business]	million yen	[790]	[793]	[972]	[1,076]	[1,338]
Operating income	million yen	1,118	1,141	1,540	1,630	1,243
Ordinary income	million yen	1,017	1,014	1,392	1,476	1,077
Net income	million yen	1,016	1,014	1,391	1,475	1,076
Unitholders' capital (net) (Note 4)	million yen	36,540	36,540	49,435	49,435	49,435
Total number of investment units issued and outstanding	units	356,800	356,800	467,099	467,099	467,099
Net assets	million yen	37,557	37,555	50,827	50,910	50,512
[Period-on-period change]	%	[0.3]	[(0.0)]	[35.3]	[0.2]	[(0.8)]
Total assets	million yen	79,482	79,848	106,523	106,553	105,828
[Period-on-period change]	%	[4.3]	[0.5]	[33.4]	[0.0]	[(0.7)]
Total interest-bearing liabilities	million yen	37,800	37,800	50,600	50,200	50,200
Net assets per unit (Note 3)	yen	105,262	105,255	108,814	108,993	108,140
Net income per unit (Note 2)	yen	2,849	2,841	2,983	3,158	2,304
Total distribution	million yen	1,016	1,021	1,391	1,475	1,076
Distribution per unit	yen	2,849	2,862	2,979	3,158	2,305
[Distribution of net income per unit]	yen	[2,849]	[2,842]	[2,979]	[3,158]	[2,305]
[Distribution in excess of net income per unit]	yen	[—]	[20]	[—]	[—]	[—]
Ratio of ordinary income to total assets (Note 3)	%	1.3	1.3	1.5	1.4	1.0
Annualized	%	[2.6]	[2.5]	[3.0]	[2.7]	[2.0]
Return on equity (Note 3)	%	2.7	2.7	3.1	2.9	2.1
Annualized	%	[5.4]	[5.4]	[6.3]	[5.8]	[4.3]
Equity ratio (Note 3)	%	47.3	47.0	47.7	47.8	47.7
[Period-on-period change]	%	[(1.8)]	[(0.3)]	[0.7]	[0.1]	[(0.0)]
Payout ratio (Note 3)	%	100.0	100.0	100.0	100.0	100.0
[Other reference information]						
Days of operation	days	181	184	181	184	181
Number of investment properties at end of period	properties	12	12	14	14	14
Depreciation	million yen	227	228	306	309	296
Capital expenditures	million yen	42	57	73	83	212
Leasing NOI (Net Operating Income) (Note 3)	million yen	1,585	1,610	2,112	2,260	1,849
FFO (Funds from Operation) (Note 3)	million yen	1,243	1,242	1,698	1,785	1,372
FFO per unit (Note 3)	yen	3,485	3,482	3,635	3,821	2,938
Ratio of interest-bearing liabilities to total assets at end of period (LTV) (Note 3)	%	47.6	47.3	47.5	47.1	47.4

(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 (4th fiscal period: 356,800 units; 5th fiscal period: 356,800 units; 6th fiscal period: 466,286 units; 7th fiscal period: 467,099 units; 8th fiscal period: 467,099 units).

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

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

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

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

(2) Asset Management Review for the Fiscal Period

1) Brief History of the Investment Corporation

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

As of the last day of the fiscal period under review (February 28, 2023), the total number of investment units issued and outstanding was 467,099 units and unitholders’ capital (net) was 49,435 million yen.

2) Management Environment

In the fiscal period under review (fiscal period ended February 28, 2023), although the Japanese economy continued to be affected by COVID-19, movement toward normalization of the economy progressed, and a new normal assuming living with COVID-19 is becoming established. Meanwhile, expansion of demand due to overseas economic recovery, a rise in prices backed by the invasion of Ukraine by Russia, high interest rates and fluctuations in foreign exchange rates brought about the first rise in prices in Japan in decades. In addition, conditions remain uncertain such as the possibility of COVID-19 infection trends, outcomes of the prolonged invasion of Ukraine and the success or failure of overseas monetary policy being factors in the supply of goods being restricted again or pushing down the economy.

Under such economic circumstances, in terms of the office building market, which SANKEI REAL ESTATE sets as the primary investment target, movements to cancel lease agreements continued due to factors such as the consolidation of locations and the reduction of fixed expenses (rent payments, etc.), and cases of decisions to relocate being withheld or taking time have been seen. The vacancy rate remained the same or continued to rise while rents declined slightly or remained the same in Tokyo, Osaka and Fukuoka where SANKEI REAL ESTATE’s portfolio assets are located. With regard to the hotel market in which SANKEI REAL ESTATE invests as sub assets, the total number of guests and room occupancy rates are on a path of steady recovery according to the Overnight Travel Statistics Survey by the Japan Tourism Agency, and although they remain below its peak, inbound demand is expected to further expand.

3) Management Performance

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

The main factor in management performance as of the last day of the fiscal period under review was a cancellation of a major tenant, and the occupancy rate (Note 2) of the 14 portfolio properties stood at 93.4%, and operating revenue from real estate rent business was 2,891 million yen, 4.5% lower than that at the end of the previous fiscal period. The appraisal value as of the last day of the fiscal period under review was 104,232 million yen.

SANKEI REAL ESTATE has sought to improve satisfaction through reinforcement and enhancement of relations with existing tenants, aiming at expansion of revenue and stable growth of earnings from assets under management as in the previous fiscal period. For existing tenants approaching contract renewal, efforts were made to limit rent reductions as much as possible and prevent the occurrence of vacancies through careful efforts based on the condition of the COVID-19 pandemic and trends of the rental market. We recognize the filling of vacancies caused by a cancellation by a major tenant in some assets under management as the most important issue and are working ardently on leasing activities. In addition, repairs and capital expenditures were narrowed down to those that contribute to maintenance and improvement of the competitiveness of the assets under management.

The number of requests for rent decrease, deferment of rent payment, etc. due to the spread of COVID-19 from some tenants occupying office buildings that are assets under management continued to decrease compared with when the first state of emergency was declared in April 2020, and the impact on management performance in the fiscal period under review is minimal because the assets under management mainly have office tenants. In addition, the two hotel properties held by SANKEI REAL ESTATE (Hotel Intergate Tokyo Kyobashi and Hotel Intergate Hiroshima) finally had guest room occupancy rates increase due to the recovery of inbound demand, and although they were subject to the impact associated with COVID-19, the content of contracts with fixed rent based on the current contract also contributed to the stability of portfolio revenue for rent business revenue in the fiscal period under review.

SANKEI REAL ESTATE, along with the Asset Management Company, has continued to take measures to conduct management in the fiscal period under review based on the policy with consideration for ESG, meaning the Environment, Social and Governance, for the purpose of the sustainability of society and increasing the medium- to long-term unitholder value based on the “Sustainability Policy” in the Asset Management Company’s management guidelines.

SANKEI REAL ESTATE reacquired DBJ Green Building certification for two offices (S-GATE NIHONBASHI-HONCHO and S-GATE AKIHABARA) in September 2022. It also acquired 2 Star and Green Star ratings in October 2022 in the GRESB Real Estate Assessment. In addition, it acquired the CASBEE S rank assessment for Shinagawa Seaside TS Tower in April 2023.

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

- (Note 1) "Acquisition price" is the sale and purchase price of each real estate and trust beneficiary right stated in each sale and purchase agreement for the acquired assets, rounded down to the nearest million yen. The sale and purchase prices do not include consumption tax, local consumption tax and the various expenses required for the acquisition. The same shall apply hereinafter.
- (Note 2) "Occupancy rate" is the ratio of total leased area to total leasable area, rounded to one decimal place. Moreover, for total leasable area and total leased area, each total is calculated based on the area corresponding to SANKEI REAL ESTATE's ownership interest in each portfolio asset.

4) Overview of Fund Procurement

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

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

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 2,891 million yen, operating income of 1,243 million yen, ordinary income of 1,077 million yen, and net income of 1,076 million yen.

Concerning distribution, in accordance with SANKEI REAL ESTATE's cash distribution policy (Article 36 of the articles of incorporation), SANKEI REAL ESTATE intends to have the maximum amount of distribution of earnings included in deductible expenses by application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended; hereinafter the "Special Measures Taxation Act")). For the fiscal period under review, the decision was made to distribute 1,076,663,195 yen, which is the entire amount of unappropriated retained earnings, excluding fractions of distribution per unit of less than 1 yen. This resulted in distribution per unit of 2,305 yen.

(3) Capital increases

Changes in the total number of investment units issued and outstanding and unitholders' capital from the incorporation of SANKEI REAL ESTATE to the last day of the fiscal period under review (February 28, 2023) are as follows:

Date	Description	Total number of investment units issued and outstanding (units)		Unitholders' capital (net) (million yen) (Note 1)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
Nov. 19, 2018	Incorporation through private placement	1,000	1,000	100	100	(Note 2)
Mar. 11, 2019	Capital increase through public offering	227,238	228,238	21,928	22,028	(Note 3)
Apr. 10, 2019	Capital increase through third-party allotment	11,362	239,600	1,096	23,124	(Note 4)
Sep. 2, 2019	Capital increase through public offering	111,619	351,219	12,777	35,902	(Note 5)
Sep. 26, 2019	Capital increase through third-party allotment	5,581	356,800	638	36,540	(Note 6)
Sep. 1, 2021	Capital increase through public offering	105,047	461,847	12,287	48,828	(Note 7)
Sep. 29, 2021	Capital increase through third-party allotment	5,252	467,099	614	49,442	(Note 8)
Nov. 22, 2021	Cash distribution in excess of earnings (contribution refund)	—	467,099	(7)	49,435	(Note 9)

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

(Note 2) Investment units were issued at a paid-in amount of 100,000 yen per unit upon the incorporation of SANKEI REAL ESTATE.

(Note 3) New investment units were issued through public offering at an issue price of 100,000 yen (paid-in amount of 96,500 yen) per unit for the purpose of procuring funds for acquisition of new properties.

(Note 4) New investment units were issued through third-party allotment accompanying the capital increase through public offering at a paid-in amount of 96,500 yen per unit.

(Note 5) New investment units were issued through public offering at an issue price of 118,734 yen (paid-in amount of 114,471 yen) per unit for the purpose of procuring funds for acquisition of new properties.

(Note 6) New investment units were issued through third-party allotment accompanying the capital increase through public offering at a paid-in amount of 114,471 yen per unit.

(Note 7) New investment units were issued through public offering at an issue price of 121,327 yen (paid-in amount of 116,971 yen) per unit for the purpose of procuring funds for acquisition of new properties.

(Note 8) New investment units were issued through third-party allotment accompanying the capital increase through public offering at a paid-in amount of 116,971 yen per unit.

(Note 9) A cash distribution in excess of earnings of 20 yen per unit (contribution refund that falls under distribution through the reduction in unitholders' capital for tax purposes) as the cash distribution for the 5th fiscal period (ended August 2021) resolved at SANKEI REAL ESTATE's board of directors' meeting held on October 15, 2021, and payment of the distribution commenced on November 22, 2021.

[Changes in market price of investment certificates]

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

Fiscal period	4th fiscal period	5th fiscal period	6th fiscal period	7th fiscal period	8th fiscal period
Closing of accounts	February 2021	August 2021	February 2022	August 2022	February 2023
Highest (yen)	117,400	135,200	131,300	111,900	99,700
Lowest (yen)	90,100	108,300	107,400	93,300	86,400

(Note) SANKEI REAL ESTATE's investment certificates were listed on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange on March 12, 2019.

(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 Special Measures Taxation Act). As a result, the distribution per unit was 2,305 yen.

Fiscal period	4th fiscal period	5th fiscal period	6th fiscal period	7th fiscal period	8th fiscal period
Business period	From Sep. 1, 2020 to Feb. 28, 2021	From Mar. 1, 2021 to Aug. 31, 2021	From Sep. 1, 2021 to Feb. 28, 2022	From Mar. 1, 2022 to Aug. 31, 2022	From Sep. 1, 2022 to Feb. 28, 2023
Total unappropriated retained earnings (thousand yen)	1,016,734	1,014,232	1,391,567	1,475,277	1,076,805
Retained earnings (thousand yen)	210	207	80	178	141
Total cash distributions (thousand yen)	1,016,523	1,021,161	1,391,487	1,475,098	1,076,663
[Distribution per unit] (yen)	[2,849]	[2,862]	[2,979]	[3,158]	[2,305]
[Total distribution of earnings] (thousand yen)	1,016,523	1,014,025	1,391,487	1,475,098	1,076,663
[Distribution of net income per unit] (yen)	[2,849]	[2,842]	[2,979]	[3,158]	[2,305]
[Total contribution refund] (thousand yen)	—	7,136	—	—	—
[Contribution refund per unit] (yen)	[—]	[20]	[—]	[—]	[—]
Of the total contribution refund, total distribution of the reserve for temporary difference adjustments (thousand yen)	—	—	—	—	—
[Of the contribution refund per unit, distribution per unit of the reserve for temporary difference adjustments] (yen)	[—]	[—]	[—]	[—]	[—]
Of the total contribution refund, total distribution through the reduction in unitholders' capital for tax purposes (thousand yen)	—	7,136	—	—	—
[Of the contribution refund per unit, distribution per unit through the reduction in unitholders' capital for tax purposes] (yen)	[—]	[20]	[—]	[—]	[—]

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

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

General Management Outlook

While the economy is expected to recover as a new normal assuming living with COVID-19 comes about, the environment will likely continue to be one in which downside risks to the Japanese and overseas economies brought about by rising prices starting in Europe and the U.S. triggered by factors such as an imbalance in supply and demand amid global economic recovery and the prolongation of Russia's invasion of Ukraine, rising interest rates and fluctuation in exchange rates, and the impact on financial and capital markets warrant close attention.

In the office building market, vacancy rates have risen and rents have continued to fall or remain the same. While the normalization of social and economic activities progresses as the impact of COVID-19 is alleviated, it is necessary to monitor future trends in office demand due to ongoing moves to reduce fixed expenses (rent payments, etc.) accompanying changes in work styles and downside risk to economies. With regard to the assets held by SANKEI REAL ESTATE, there are concerns about progress in consolidation of locations and reduction of office space due to the impact of increased telecommuting such as working from home and the intentions to reduce fixed expenses (rent payments, etc.). Although a large volume of new supply is expected especially in central Tokyo in 2023, it has not had a significant impact on SANKEI REAL ESTATE's assets at this point in time, but trends in the office building market will continue to be monitored. Furthermore, with regard to the fuel procurement costs that are a cause of rising utilities expenses, relationships with tenants will be further reinforced and consultations and responses will be continued as required, while closely monitoring tenants' business performance, trends, etc.

In terms of the hotel market, domestic travelers and business travelers are expected to increase with the recovery in social and economic activities. A rapid inflow has been recorded concerning the acceptance of foreign tourists since restrictions were lifted last October, and although conditions remain below the peak level, further expansion is expected. While a moderate operating environment is foreseen for also the two hotel properties held by SANKEI REAL ESTATE, continued stable revenue is expected as GRANVISTA Hotels & Resorts Co., Ltd., which is a tenant of the two properties and a wholly owned subsidiary of SANKEI REAL ESTATE's sponsor, The Sankei Building Co., Ltd. (hereinafter, "Sankei Building" or "Sponsor"), continues to pay fixed rent based on the fixed-term building lease agreement.

1) External Growth Strategy

While carefully assessing the economic impact of the spread of COVID-19, the real estate investment market conditions, and other factors, SANKEI REAL ESTATE will continue to maintain external growth through acquisition of Sankei Building's portfolio properties as well as properties held by third parties by leveraging the sourcing capabilities of Sankei Building through full utilization of sponsorship support.

In external growth, we will conduct diversified investment conscious of the balance of the portfolio matrix such as area and yield and strive to improve the profitability and stability of the portfolio.

2) Internal Growth Strategy

SANKEI REAL ESTATE aims for steady internal growth through reinforcement of the relations with existing tenants and improvement in tenant satisfaction. Specifically, we will attempt to raise rents upon contract renewal if there is a significant deviation from market rent and continue to implement strategic leasing such as activities to extend the cancellation notification period from tenants and disperse end dates of rental contracts from the viewpoint of termination risk for properties where the end dates of multiple tenants are the same. Furthermore, we will continue to take proactive measures to improve tenant satisfaction such as improving the quality of hygiene and planned implementation of maintenance and repairs.

SANKEI REAL ESTATE will utilize the Sankei Building Group's comprehensive operation and management functions ranging from real estate planning and development to lease-up, operation, and management through collaboration within the Sankei Building Group with Sankei Building at the core.

In addition, SANKEI REAL ESTATE will execute the following measures, etc. to aim for greater revenue and stable growth of earnings from assets under management.

- (a) Strive to provide services for tenants' comfortable use while strengthening and enhancing tenant relations in order to maintain and improve tenant satisfaction so as to maintain and improve the occupancy rate and rent of assets under management.
- (b) Seek to maintain and improve the market competitiveness of assets under management through planning and implementation of repairs and capital expenditures by taking into consideration the state and characteristics of assets under management, real estate market conditions, tenant needs, and other factors and carefully examining them.
- (c) Strive to maintain and improve earnings by conducting agile leasing activities with a continual grasp of leasing market trends.
- (d) Adopt ongoing initiatives to reduce operating and management costs and consider the environment by periodically verifying the validity of operations, management level, and costs of assets under management. In doing so, the balance with the market competitiveness of assets under management and perspective of maintaining and improving tenant satisfaction are taken into consideration.
- (e) Conduct investment conscious of ESG, such as reduction of the environmental impact of assets under management and cooperation with external stakeholders.

3) Financial Strategy

SANKEI REAL ESTATE will conduct appropriate and sound financial management while considering agility of financing activities, stability of cash flows, and other matters in order to secure stable earnings and steady growth of assets under management over the medium to long term.

In addition, to secure financial soundness, the basic policy shall be to set the upper limit for the LTV ratio at 60% in principle (however, the LTV ratio may temporarily exceed the 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 conducted in an agile manner with due consideration to investment unit dilution while comprehensively taking into account capital market trends, financial environment, timing of acquisition of real estate, etc. to be newly acquired, ratio of interest-bearing liabilities to total assets and other factors.
- (b) Debt financing
Upon borrowing, etc., fund procurement shall be executed in an appropriate manner by taking into account the balance between interest rate trends, market levels, financial agility, long-term business relationships, and security, and by considering the borrowing period, fixed or floating interest rate, provision of collateral or not, fees, and other terms and conditions of procurement of interest-bearing liabilities.

(6) Significant Subsequent Events

Not applicable.

(Reference Information)

(A) Borrowing of Funds

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

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

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

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

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

(B) Acquisition of Assets

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

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

(Note) “Acquisition price” is the sale and purchase price of each trust beneficiary right stated in the trust beneficiary right transfer agreement for each acquired asset, rounded down to the nearest million yen. The sale and purchase prices do not include consumption tax, local consumption tax and the various expenses required for the acquisition.

Furthermore, the acquisition price for S-GATE AKASAKA is the figure equivalent to the 20% quasi co-ownership interest additionally acquired by SANKEI REAL ESTATE. As a result of the additional acquisition, SANKEI REAL ESTATE holds 100% of the trust beneficiary right in S-GATE AKASAKA.

2. Overview of the Investment Corporation

(1) Summary of Unitholders' Capital

	4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)	6th fiscal period (as of Feb. 28, 2022)	7th fiscal period (as of Aug. 31, 2022)	8th fiscal period (as of Feb. 28, 2023)
Total number of investment units authorized (units)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total number of investment units issued and outstanding (units)	356,800	356,800	467,099	467,099	467,099
Unitholders' capital (net) (Note) (million yen)	36,540	36,540	49,435	49,435	49,435
Number of unitholders (persons)	7,682	7,328	10,511	14,345	14,469

(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 February 28, 2023.

Name	Number of investment units held (units)	Ratio to the total number of investment units issued and outstanding (%) (Note 2)
Custody Bank of Japan, Ltd. (Trust Account)	108,798	23.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	64,638	13.83
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	20,722	4.43
The Sankei Building Co., Ltd.	17,479	3.74
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	8,894	1.90
JP MORGAN CHASE BANK 385771	6,316	1.35
The Bank of Yokohama, Ltd.	6,107	1.30
Japan Securities Finance Co., Ltd.	4,772	1.02
SMBC Nikko Securities Inc.	4,345	0.93
UEDA YAGI TANSI Co., Ltd.	3,663	0.78
Total	245,734	52.60

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

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

(3) Matters Related to Directors

The following table shows the directors, etc. of SANKEI REAL ESTATE as of February 28, 2023.

Position	Name	Major concurrent assignments	Total remuneration for each position during the period under review (thousand yen)
Executive Director	Yuichi Ota	President and Chief Executive Officer, Sankei Building Asset Management Co., Ltd.	—
Supervisory Director	Susumu Motoyoshi	Representative, Motoyoshi Total Accounting Office	1,800
		Representative Partner, Motoyoshi Research Institute LLC	
	Kohmei Shimizu	Joint Representative Lawyer, Utsunomiya Shimizu & Haruki	1,800
		Adjunct Professor, Hosei University Law School	
		Independent Director, ROBOT PAYMENT INC.	
Independent Auditor	Ernst & Young ShinNihon LLC	—	12,300

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

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

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

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

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

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

Scope of insured parties	Summary of the content of the contract
Executive directors and supervisory directors	(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. (Share of burden of insurance expenses) The insurance contract contains a rider covering executive directors and supervisory directors, the insurance expenses for which are borne by the executive directors and supervisory directors. The insurance expenses other than these are borne by SANKEI REAL ESTATE. (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.

(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 February 28, 2023.

Entrustment category	Name
Asset management company	Sankei Building Asset Management Co., Ltd.
Asset custodian	Sumitomo Mitsui Trust Bank, Limited
Administrative agent (unitholder register administrator)	Mizuho Trust & Banking Co., Ltd.
Administrative agent (operation of administrative instruments)	Mizuho Trust & Banking Co., Ltd.
Administrative agent (accounting, bookkeeping)	Reiwa Accounting Holdings Co., Ltd.
Administrative agent (taxes)	Reiwakaikisha 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)	7th fiscal period (as of Aug. 31, 2022)		8th fiscal period (as of Feb. 28, 2023)		
			Total amount held (million yen) (Note 2)	As a percentage of total assets (%) (Note 3)	Total amount held (million yen) (Note 2)	As a percentage of total assets (%) (Note 3)	
Real estate	Office buildings	Greater Tokyo, Osaka City and Nagoya City	2,618	2.5	2,615	2.5	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	—	—	—	—	
	Sub assets	Greater Tokyo, Osaka City and Nagoya City	—	—	—	—	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	—	—	—	—	
Real estate in trust	Office buildings	Greater Tokyo, Osaka City and Nagoya City	71,709	67.3	71,677	67.7	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	10,193	9.6	10,197	9.6	
	Sub assets	Greater Tokyo, Osaka City and Nagoya City	8,924	8.4	8,897	8.4	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,898	3.7	3,872	3.7	
	Hotels	Greater Tokyo, Osaka City and Nagoya City	8,924	8.4	8,897	8.4	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,898	3.7	3,872	3.7	
	Subtotal			97,343	91.4	97,259	91.9
	Deposits and other assets			9,210	8.6	8,568	8.1
Total assets			106,553	100.0	105,828	100.0	

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

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

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

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

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

(2) Major Assets Held

The following is an overview of the major assets (top ten properties on a book value basis) held by SANKEI REAL ESTATE as of February 28, 2023.

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
Shinagawa Seaside TS Tower (Notes 4 and 5)	21,130	Not disclosed (Note 6)	Not disclosed (Note 6)	76.0	Not disclosed (Note 6)	Office buildings
BREEZÉ TOWER (Note 4)	12,995	12,146.02	10,974.15	90.4	18.2	Office buildings
Hitachi Kyusyu Building	10,197	26,513.33	26,513.33	100.0	Not disclosed (Note 6)	Office buildings
Hotel Intergate Tokyo Kyobashi	8,897	6,006.53	6,006.53	100.0	7.2	Hotels
S-GATE NIHONBASHI-HONCHO (Note 4)	6,653	3,171.83	3,171.83	100.0	5.9	Office buildings
Hibiya Sankei Building	6,064	3,439.61	3,439.61	100.0	6.9	Office buildings
S-GATE AKASAKA (Note 4)	5,631	2,646.48	2,646.48	100.0	Not disclosed (Note 6)	Office buildings
Omori Park Building	5,452	7,469.72	5,914.78	79.2	5.4	Office buildings
Hatchobori Sankei Building	5,003	5,594.90	5,594.90	100.0	6.2	Office buildings
Toyo Park Building	3,873	4,224.52	3,897.52	92.3	3.8	Office buildings
Total	85,899	Not disclosed (Note 6)	Not disclosed (Note 6)	92.2	88.5	—

- (Note 1) "Book value" is the depreciated book value for each portfolio asset as of February 28, 2023, rounded down to the nearest million yen. The same shall apply hereinafter.
- (Note 2) Figures for "total leasable area," "total leased area" and "occupancy rate" are based on the data as of February 28, 2023. Furthermore, "total leasable area" is the area (excluding certain incidental areas such as warehouses which are not the main asset type, signboards, parking lots, etc.) expected to be leasable based on the lease agreement, drawing, etc. of the buildings for each portfolio asset, rounded down to two decimal places. "Total leased area" is the total leased area (excluding certain incidental areas such as warehouses which are not the main asset type, signboards, parking lots, etc.) stated in the lease agreement (excluding lease agreements under which the lease period is yet to commence) for each portfolio asset, rounded down to two decimal places. With respect to the portion which comes under the pass-through-type master lease agreement, the total area for which the lease agreement has actually been concluded with the end tenant and for which the lease period has commenced is indicated, rounded down to two decimal places. "Occupancy rate" is the ratio of total leased area to total leasable area for each portfolio asset, rounded to one decimal place. In addition, "occupancy rate" in the total column is the ratio of the sum total of total leased area to the sum total of total leasable area for each portfolio asset, rounded to one decimal place. The same shall apply for occupancy rate hereinafter.
- (Note 3) "Ratio to total rent business revenue" is rounded to one decimal place. The same shall apply hereinafter.
- (Note 4) The book value, total leasable area and total leased area are the figures equivalent to the co-ownership interest (51% for "S-GATE NIHONBASHI-HONCHO") and the quasi co-ownership interest (45% for "BREEZÉ TOWER," 50% for "Shinagawa Seaside TS Tower" and 80% for "S-GATE AKASAKA") held by SANKEI REAL ESTATE.
- (Note 5) An agreement has been reached with Sony Group Corporation for the termination of the contract for Shinagawa Seaside TS Tower with a termination date of March 31, 2023 (14 floors).
- (Note 6) Not disclosed because such contains information for which consent for disclosure has not been obtained from the tenant, relevant party, etc. or information from which confidential information can be derived.

(3) Real Estate Assets in the Portfolio

The following table shows the overview of the assets held by SANKEI REAL ESTATE as of February 28, 2023.

Property name	Location	Form of ownership (Note 1)	Period-end appraisal value (million yen) (Note 2)	Book value (million yen)
Tokyo Sankei Building (Note 3)	1-7-2 Otemachi, Chiyoda-ku, Tokyo	Real estate	2,620	2,615
BREEZÉ TOWER (Note 3)	2-4-9 Umeda, Kita-ku, Osaka-shi, Osaka	Real estate trust beneficiary right	18,000	12,995
S-GATE NIHONBASHI-HONCHO (Note 3)	1-9-1 Nihonbashi-Honcho, Chuo-ku, Tokyo	Real estate trust beneficiary right	7,750	6,653
S-GATE AKIHABARA	2-4-6 Higashi-Kanda, Chiyoda-ku, Tokyo	Real estate trust beneficiary right	2,710	2,028
Hibiya Sankei Building	1-9-1 Yurakucho, Chiyoda-ku, Tokyo	Real estate trust beneficiary right	6,620	6,064
Hatchobori Sankei Building	2-7-1 Hatchobori, Chuo-ku, Tokyo	Real estate trust beneficiary right	5,490	5,003
Toyo Park Building	5-29-17 Toyo, Koto-ku, Tokyo	Real estate trust beneficiary right	3,920	3,873
Shinagawa Seaside TS Tower (Note 3)	4-12-3 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Real estate trust beneficiary right	19,450	21,130
Omori Park Building	1-6-1 Omori-Honcho, Ota-ku, Tokyo	Real estate trust beneficiary right	5,490	5,452
S-GATE AKASAKA (Note 3)	6-2-4 Akasaka, Minato-ku, Tokyo	Real estate trust beneficiary right	5,992	5,631
Miyazakidai Garden Office	2-6-10 Miyazaki, Miyamae-ku, Kawasaki-shi, Kanagawa	Real estate trust beneficiary right	2,730	2,843
Hitachi Kyusyu Building	2-1-1 Momochihama, Sawara-ku, Fukuoka-shi, Fukuoka	Real estate trust beneficiary right	10,300	10,197
Hotel Intergate Tokyo Kyobashi	3-7-8 Kyobashi, Chuo-ku, Tokyo	Real estate trust beneficiary right	9,040	8,897
Hotel Intergate Hiroshima	5-16 Teppochō, Naka-ku, Hiroshima-shi, Hiroshima	Real estate trust beneficiary right	4,120	3,872
Total			104,232	97,259

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

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

(Note 3) The period-end appraisal value and book value are the figures equivalent to the co-ownership interest (2% for "Tokyo Sankei Building" and 51% for "S-GATE NIHONBASHI-HONCHO") and the quasi co-ownership interest (45% for "BREEZÉ TOWER," 50% for "Shinagawa Seaside TS Tower" and 80% for "S-GATE AKASAKA") held by SANKEI REAL ESTATE.

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

Property name	7th fiscal period From Mar. 1, 2022 to Aug. 31, 2022				8th fiscal period From Sep. 1, 2022 to Feb. 28, 2023			
	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%)	Operating revenue from real estate rent business (during period) (million yen) (Note 2)	Ratio to total rent business revenue (%)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%)	Operating revenue from real estate rent business (during period) (million yen) (Note 2)	Ratio to total rent business revenue (%)
Tokyo Sankei Building	49	99.5	57	1.9	47	99.5	59	2.0
BREEZÉ TOWER	36	96.3	553	18.3	36	90.4	526	18.2
S-GATE NIHONBASHI-HONCHO	3	100.0	161	5.3	2	100.0	171	5.9
S-GATE AKIHABARA	6	100.0	68	2.3	6	100.0	68	2.4
Hibiya Sankei Building	11	100.0	198	6.6	11	100.0	198	6.9
Hatchobori Sankei Building	10	100.0	175	5.8	10	100.0	178	6.2
Toyo Park Building	7	92.3	103	3.4	7	92.3	108	3.8
Shinagawa Seaside TS Tower (Note 3)	Not disclosed (Note 4)	66.3	Not disclosed (Note 4)	Not disclosed (Note 4)	Not disclosed (Note 4)	76.0	Not disclosed (Note 4)	Not disclosed (Note 4)
Omori Park Building	10	100.0	165	5.5	8	79.2	157	5.4
S-GATE AKASAKA	2	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	2	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)
Miyazakidai Garden Office	8	100.0	77	2.5	8	100.0	86	3.0
Hitachi Kyusyu Building	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)
Hotel Intergate Tokyo Kyobashi	1	100.0	206	6.8	1	100.0	206	7.2
Hotel Intergate Hiroshima	1	100.0	118	3.9	1	100.0	118	4.1
Total	Not disclosed (Note 4)	94.2	3,028	100.0	Not disclosed (Note 4)	93.4	2,891	100.0

- (Note 1) "Number of tenants" indicates the total number of tenants of the respective portfolio assets held as of February 28, 2023, based on the lease agreement of the relevant assets. When a master lease agreement has been concluded for the assets, however, the total number of end tenants is indicated for the portion covered by the pass-through-type master lease agreement among such assets. In cases in which one tenant has concluded lease agreements of different use types for the same single asset, the tenant shall be counted as one for each use type.
- (Note 2) Figures for "operating revenue from real estate rent business" are rounded down to the nearest million yen.
- (Note 3) An agreement has been reached with Sony Group Corporation for the termination of the contract for Shinagawa Seaside TS Tower with a termination date of March 31, 2023 (14 floors).
- (Note 4) Not disclosed because such contains information for which consent for disclosure has not been obtained from the tenant, relevant party, etc. or information from which confidential information can be derived.

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

Not applicable.

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

Not applicable.

(6) Status of Other Assets

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

1) Schedule of Securities Incorporated in the Portfolio

Not applicable.

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

Not applicable.

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

Not applicable for any country or region outside Japan.

4. Capital Expenditures for Real Estate Held

(1) Schedule of Capital Expenditures

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

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

(2) Capital Expenditures during the Fiscal Period

Major construction works falling under the category of capital expenditures of 10 million yen or more conducted in the fiscal period under review for assets held by SANKEI REAL ESTATE as of February 28, 2023, are as follows: For the fiscal period under review, capital expenditures amounted to 212 million yen and repair expenses separately charged to expenses amounted to 271 million yen for a combined total of 483 million yen of construction works implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of payment (million yen)
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Conversion to LED lighting for leased space	From: Sep. 1, 2022 To: Oct. 31, 2022	16
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Update of blind system	From: Sep. 1, 2022 To: Dec. 27, 2022	14
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Update of automatic fire detection equipment	From: Sep. 1, 2022 To: Oct. 31, 2022	61
Omori Park Building (Ota-ku, Tokyo)	Repair of individual air-conditioning system on 7F	From: Dec. 3, 2022 To: Jan. 5, 2023	16
Hitachi Kyusyu Building (Sawara-ku, Fukuoka-shi)	Toilet renovation work	From: Sep. 10, 2022 To: Oct. 8, 2022	10
Hitachi Kyusyu Building (Sawara-ku, Fukuoka-shi)	Toilet renovation work	From: Jan. 6, 2023 To: Feb. 8, 2023	10
Hitachi Kyusyu Building (Sawara-ku, Fukuoka-shi)	Vacuum Circuit Breaker (VCB) update work	From: Nov. 1, 2022 To: Feb. 13, 2023	11
Other			72
Total			212

(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	4th fiscal period From: Sep. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021	6th fiscal period From: Sep. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sep. 1, 2022 To: Feb. 28, 2023
Balance of reserve at beginning of period (thousand yen)	217,842	175,880	209,678	262,349	303,132
Provision of reserve during period (thousand yen)	59,293	59,293	85,567	59,801	59,801
Reversal of reserve during period (thousand yen)	101,255	25,496	32,895	19,019	38,448
Reserve carried forward (thousand yen)	175,880	209,678	262,349	303,132	324,485

5. Status of Expenses and Liabilities

(1) Details of Expenses Related to Asset Management

(Unit: thousand yen)

Item	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sep.1, 2022 To: Feb. 28, 2023
Asset management fee	265,992	247,055
Asset custody fee	2,100	2,092
Administrative service fees	7,460	8,020
Remuneration for directors (and other officers)	3,600	3,600
Other expenses	41,722	48,325
Total	320,876	309,094

(2) Status of Loans

The status of loans from respective financial institutions as of February 28, 2023, is as follows:

Category	Lender	Drawdown date	Balance at beginning of period (million yen)	Balance at end of period (million yen)	Average interest rate (Note 1)	Maturity date (Note 2)	Repayment method	Use of funds	Remarks
Long-term loans	Mizuho Bank, Ltd.	Mar. 12, 2019	972	972	0.42346% (fixed interest rate)	Mar. 12, 2023	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		716	716					
	Development Bank of Japan Inc.		614	614					
	Mizuho Trust & Banking Co., Ltd.		392	392					
	Sumitomo Mitsui Trust Bank, Limited		358	358					
	SBI Shinsei Bank, Limited (Note 5)		324	324					
	Resona Bank, Limited		324	324					
	Mizuho Bank, Ltd.	Mar. 12, 2019	856	856	0.49096% (fixed interest rate)	Mar. 12, 2024	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		639	639					
	Development Bank of Japan Inc.		548	548					
	Mizuho Trust & Banking Co., Ltd.		350	350					
	Sumitomo Mitsui Trust Bank, Limited		319	319					
	SBI Shinsei Bank, Limited (Note 5)		294	294					
	Resona Bank, Limited		294	294					
	Mizuho Bank, Ltd.	Sep. 3, 2019	2,250	—	0.26727% (floating interest rate)	Sep. 3, 2022	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,500	—					
	Mizuho Trust & Banking Co., Ltd.		620	—					
	Sumitomo Mitsui Trust Bank, Limited		550	—					
	SBI Shinsei Bank, Limited (Note 5)		490	—					
	Resona Bank, Limited		490	—					
	Mizuho Bank, Ltd.	Sep. 3, 2019	950	950	0.36200% (fixed interest rate)	Sep. 3, 2023	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		800	800					
	Development Bank of Japan Inc.		2,000	2,000					
	Mizuho Trust & Banking Co., Ltd.		620	620					
	Sumitomo Mitsui Trust Bank, Limited		550	550					
	SBI Shinsei Bank, Limited (Note 5)		490	490					
	Resona Bank, Limited		490	490					

Category	Lender	Drawdown date	Balance at beginning of period (million yen)	Balance at end of period (million yen)	Average interest rate (Note 1)	Maturity date (Note 2)	Repayment method	Use of funds (Note 4)	Remarks
Long-term loans	Mizuho Bank, Ltd.	Mar. 12, 2020	1,167	1,167	0.32923% (fixed interest rate)	Sep. 12, 2024	Lump-sum repayment at maturity	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		832	832					
	Development Bank of Japan Inc.		713	713					
	Mizuho Trust & Banking Co., Ltd.		456	456					
	Sumitomo Mitsui Trust Bank, Limited		416	416					
	SBI Shinsei Bank, Limited (Note 5)		358	358					
	Resona Bank, Limited		358	358					
	Mizuho Bank, Ltd.	Mar. 12, 2021	1,331	1,331	0.36978% (fixed interest rate)	Mar. 12, 2025	Lump-sum repayment at maturity	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		929	929					
	Development Bank of Japan Inc.		796	796					
	Mizuho Trust & Banking Co., Ltd.		509	509					
	Sumitomo Mitsui Trust Bank, Limited		465	465					
	SBI Shinsei Bank, Limited (Note 5)		385	385					
	Resona Bank, Limited		385	385					
	Mizuho Bank, Ltd.	Sep. 2, 2021	1,550	1,550	0.29655% (fixed interest rate)	Sep. 2, 2025	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,000	1,000					
	Development Bank of Japan Inc.		700	700					
	Mizuho Trust & Banking Co., Ltd.		600	600					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	SBI Shinsei Bank, Limited (Note 5)		500	500					
	Resona Bank, Limited		400	400					
	THE NISHI-NIPPON CITY BANK, LTD.		500	500					
	Kansai Mirai Bank, Limited		300	300					
	The Chiba Bank, Ltd.		150	150					
	Mizuho Bank, Ltd.	Sep. 2, 2021	750	750	0.35542% (fixed interest rate)	Sep. 2, 2026	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		700	700					
	Development Bank of Japan Inc.		700	700					
	Mizuho Trust & Banking Co., Ltd.		200	200					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	SBI Shinsei Bank, Limited (Note 5)		500	500					
	Resona Bank, Limited		400	400					
	Aozora Bank, Ltd.		1,500	1,500					
	THE NISHI-NIPPON CITY BANK, LTD.		500	500					
	Kansai Mirai Bank, Limited		300	300					
	The Chiba Bank, Ltd.		150	150					

Category	Lender	Drawdown date	Balance at beginning of period (million yen)	Balance at end of period (million yen)	Average interest rate (Note 1)	Maturity date (Note 2)	Repayment method	Use of funds	Remarks
	Mizuho Bank, Ltd.	Oct. 1, 2021	1,100	1,100	0.38044% (fixed interest rate)	Apr. 1, 2026	Lump-sum repayment at maturity	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		900	900					
	Development Bank of Japan Inc.		700	700					
	Mizuho Trust & Banking Co., Ltd.		300	300					
	Sumitomo Mitsui Trust Bank, Limited		300	300					
	SBI Shinsei Bank, Limited (Note 5)		300	300					
	Resona Bank, Limited		200	200					
	Aozora Bank, Ltd.		500	500					
	Mizuho Bank, Ltd.	Mar. 14, 2022	1,574	1,574	0.77500% (fixed interest rate)	Mar. 14, 2028	Lump-sum repayment at maturity	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,084	1,084					
	Development Bank of Japan Inc.		929	929					
	Mizuho Trust & Banking Co., Ltd.		593	593					
Long-term loans	Sumitomo Mitsui Trust Bank, Limited	Mar. 14, 2022	542	542	0.77500% (fixed interest rate)	Mar. 14, 2028	Lump-sum repayment at maturity	(Note 4)	Unsecured/ Non-guaranteed
	SBI Shinsei Bank, Limited (Note 5)		439	439					
	Resona Bank, Limited		439	439					
	Mizuho Bank, Ltd.	Sep. 5, 2022	—	2,250	0.79285% (fixed interest rate)	Mar. 5, 2027	Lump-sum repayment at maturity	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		—	1,500					
	Mizuho Trust & Banking Co., Ltd.		—	620					
	Sumitomo Mitsui Trust Bank, Limited		—	550					
	SBI Shinsei Bank, Limited (Note 5)		—	490					
	Resona Bank, Limited		—	490					
Total			50,200	50,200					

(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) Shinsei Bank, Limited changed its trade name to SBI Shinsei Bank, Limited on January 4, 2023. The new trade name is used for all instances in this table.

(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.

Not applicable.

- (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.

Not applicable.

- (4) Transactions with Interested Parties, Etc.

- 1) Transaction Status

Not applicable.

- 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	38,607 thousand yen	The Sankei Building Co., Ltd.	21,333 thousand yen	55.3%
		The Sankei Building Management Co., Ltd.	11,753 thousand yen	30.4%
Building management fees	169,778 thousand yen	The Sankei Building Management Co., Ltd.	127,763 thousand yen	75.3%

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

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

The Sankei Building Management Co., Ltd.	267,176 thousand yen	(Repair expenses)
Sankei Bldg. Techno Co., Ltd.	76 thousand yen	(Repair expenses)
Sankei Shimbun Co., Ltd.	1,135 thousand yen	(Land rent)
Fuji Media Holdings, Inc.	683 thousand yen	(Land rent)

- 4) Leasing Transactions, Etc.

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

GRANVISTA Hotels & Resorts Co., Ltd.	325,755 thousand yen	(Rental revenue)
The Sankei Building Co., Ltd.	3,002 thousand yen	(Rental revenue)

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

As of February 28, 2023, Sankei Building Asset Management Co., Ltd., the asset management company of SANKEI REAL ESTATE, concurrently conducts investment advisory and agency business, type II financial instruments business and real estate brokerage under the Financial Instruments and Exchange Act, but has no such transactions with SANKEI REAL ESTATE.

7. Overview of Accounting

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

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

(2) Changes in Calculation Method of Depreciation

Not applicable.

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

Not applicable.

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

Not applicable.

8. Other

(1) Notices

1) General Meeting of Unitholders

The overview of the items approved at SANKEI REAL ESTATE's Third General Meeting of Unitholders held on November 25, 2022 is as follows.

Item	Overview
Partial amendments to the articles of incorporation	<ul style="list-style-type: none">• The amendment stipulated in the Supplementary Provision No. 3 of the "Act on Arrangement of Relevant Acts Incidental to Enforcement of the Act on Partial Amendment of the Companies Act" (Act No. 71 of 2019) was enforced on September 1, 2022, and the system for electronic provision of reference materials for the General Meeting of Unitholders was introduced as of the same day. Accordingly, the necessary changes were made.• With the introduction of the system for electronic provision, the articles of incorporation were amended such that SANKEI REAL ESTATE may omit all or part of the matters to be provided electronically from the physical document to be delivered to unitholders who have requested delivery of such document.• In relation to the introduction of the tax-exemption program for specified tax-exempt cumulative investment contracts (new NISA), amendments was made as required to make distributions, etc. on SANKEI REAL ESTATE investment units eligible for the tax-exemption program.• In line with the revision to the Accounting Standard for Financial Instruments (ASBJ Statement No. 10) (including related newly enacted or revised accounting standards and guidance on implementation), amendments were made as required to asset valuation methods.
Appointment of Directors	Yuichi Ota was appointed as Executive Director as of November 25, 2022.
Appointment of One Substitute Executive Director	Atsushi Mukai was appointed as Substitute Executive Director as of November 25, 2022.
Appointment of Two Supervisory Directors	Susumu Motoyoshi and Kohmei Shimizu were appointed as Supervisory Directors as of November 25, 2022.
Appointment of One Substitute Supervisory Director	Kanae Fukushima was appointed as Substitute Supervisory Director as of November 25, 2022.

2) Board of Directors of the investment Corporation

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.

Opinion

We have audited the accompanying financial statements of SANKEI REAL ESTATE, Inc., (the Company), which comprise the balance sheet as at February 28, 2023, and the statement of income and retained earnings, changes in unitholders' equity, cash distributions, cash flows and supplementary schedules for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2023, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and the Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

June 23, 2023

江下 聖

Sei Eshita
Designated Engagement Partner
Certified Public Accountant

大石 晃一郎

Koichiro Oishi
Designated Engagement Partner
Certified Public Accountant

1. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

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

(Unit: thousand yen)

	7th fiscal period (as of Aug. 31, 2022)	8th fiscal period (as of Feb. 28, 2023)
Liabilities		
Current liabilities		
Operating accounts payable	244,965	347,103
Long-term loans due within one year	9,600,000	9,600,000
Accounts payable - other	308,770	288,400
Accrued expenses	44,831	50,743
Income taxes payable	926	855
Consumption taxes payable	171,838	38,660
Advances received	447,828	449,764
Deposits received	6,036	676
Total current liabilities	10,825,198	10,776,204
Non-current liabilities		
Long-term loans	40,600,000	40,600,000
Lease and guarantee deposits received	88,237	88,166
Lease and guarantee deposits received in trust	4,129,413	3,851,485
Total non-current liabilities	44,817,651	44,539,651
Total liabilities	55,642,849	55,315,856
Net assets		
Unitholders' equity		
Unitholders' capital	49,442,685	49,442,685
Deduction from unitholders' capital	(7,136)	(7,136)
Unitholders' capital (net)	49,435,549	49,435,549
Surplus		
Unappropriated retained earnings (undisposed loss)	1,475,277	1,076,805
Total surplus	1,475,277	1,076,805
Total unitholders' equity	50,910,827	50,512,354
Total net assets	*1 50,910,827	*1 50,512,354
Total liabilities and net assets	106,553,676	105,828,211

(2) Statement of Income and Retained Earnings

(Unit: thousand yen)

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

(3) Statement of Changes in Unitholders' Equity

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

(Unit: thousand yen)

(Unit: thousand yen)

	Unitholders' equity						Total net assets
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital (net)	Surplus		Total unitholders' equity	
				Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	49,442,685	(7,136)	49,435,549	1,391,567	1,391,567	50,827,117	50,827,117
Changes in items during period							
Distributions of surplus				(1,391,487)	(1,391,487)	(1,391,487)	(1,391,487)
Net income				1,475,197	1,475,197	1,475,197	1,475,197
Total changes in items during period	-	-	-	83,709	83,709	83,709	83,709
Balance at end of period	*1 49,442,685	(7,136)	49,435,549	1,475,277	1,475,277	50,910,827	50,910,827

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

(Unit: thousand yen)

(Unit: thousand yen)

	Unitholders' equity						Total net assets
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital (net)	Surplus		Total unitholders' equity	
				Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	49,442,685	(7,136)	49,435,549	1,475,277	1,475,277	50,910,827	50,910,827
Changes in items during period							
Distributions of surplus				(1,475,098)	(1,475,098)	(1,475,098)	(1,475,098)
Net income				1,076,626	1,076,626	1,076,626	1,076,626
Total changes in items during period	-	-	-	(398,472)	(398,472)	(398,472)	(398,472)
Balance at end of period	*1 49,442,685	(7,136)	49,435,549	1,076,805	1,076,805	50,512,354	50,512,354

(4) Statement of Cash Distributions

(Unit: yen)

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

Method of calculation of amount of distribution	<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 1,475,098,642 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (467,099 units) not in excess of unappropriated retained earnings, as distribution of earnings.</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 1,076,663,195 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (467,099 units) not in excess of unappropriated retained earnings, as distribution of earnings.</p> <p>The distribution in excess of earnings specified in Article 36, Paragraph 2 of SANKEI REAL ESTATE's articles of incorporation will not be made.</p>
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(5) Statement of Cash Flows

(Unit: thousand yen)

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

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

Notes on Matters Concerning Significant Accounting Policies

1. Method of depreciation of non-current assets	<p>(1) Property, plant and equipment (including trust assets) The straight-line method is adopted. Furthermore, the useful lives of major property, plant and equipment is as follows:</p> <table> <tr> <td>Buildings</td><td>3–65 years</td></tr> <tr> <td>Structures</td><td>6–59 years</td></tr> <tr> <td>Machinery and equipment</td><td>8–10 years</td></tr> <tr> <td>Tools, furniture and fixtures</td><td>4–10 years</td></tr> </table> <p>(2) Intangible assets The straight-line method is adopted.</p> <p>(3) Long-term prepaid expenses The straight-line method is adopted.</p>	Buildings	3–65 years	Structures	6–59 years	Machinery and equipment	8–10 years	Tools, furniture and fixtures	4–10 years
Buildings	3–65 years								
Structures	6–59 years								
Machinery and equipment	8–10 years								
Tools, furniture and fixtures	4–10 years								
2. Accounting for deferred assets	<p>Investment unit issuance costs They are amortized by the straight-line method over 3 years.</p>								
3. Standards for revenue and expense recognition	<p>(1) Standards for revenue recognition The details of performance obligations concerning revenue from contracts with customers of SANKEI REAL ESTATE and the timing when the performance obligations are normally satisfied (the normal time to recognize revenue) are as follows.</p> <p>i. Sale of real estate, etc. Revenue is recognized for the sale of real estate at the time the buyer, who is a customer, gains control of the real estate, etc. through the performance of delivery obligations specified in a contract on the sale of real estate.</p> <p>ii. Utilities reimbursement Revenue is recognized for utilities reimbursement according to the supply of electricity, water, etc. to tenants, who are customers, based on the terms of lease agreements for real estate and incidental agreements. For the utilities reimbursement for which SANKEI REAL ESTATE is deemed to be an agent, the net amount after deducting the amount to be paid to another party from the amount received from tenants as charges for electricity, gas, etc. provided by said party is recorded as revenue.</p> <p>(2) Accounting for non-current asset tax, etc. For non-current asset tax, city planning tax, depreciable asset tax, etc. on real estate or trust beneficiary rights of real estate, the tax levied corresponding to the calculation period is recorded as expenses related to rent business. Furthermore, the amount equivalent to non-current asset tax, etc. in the initial fiscal year paid by SANKEI REAL ESTATE upon acquisition of real estate or trust beneficiary rights of real estate is included in the cost of acquisition of the real estate, etc. and not recognized as expenses. The amount equivalent to non-current asset tax, etc. included in the cost of acquisition of real estate, etc. was nil in the previous fiscal period. The amount equivalent to non-current asset tax, etc. included in the cost of acquisition of real estate, etc. was nil in the fiscal period under review.</p>								
4. Scope of cash (cash and cash equivalents) in the statement of cash flows	<p>Cash and cash equivalents in the statement of cash flows comprise cash on hand and cash in trust, demand deposits and deposits in trust, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.</p>								
5. Other significant matters related to the basis for preparation of the financial statements	<p>Accounting for trust beneficiary rights that have real estate, etc. as trust assets Concerning trust beneficiary rights that have real estate, etc. as trust assets held, all accounts of assets and liabilities within trust assets and all accounts of revenue and expenses from the trust assets are recognized in the relevant account item of the balance sheet and the statement of income and retained earnings. Furthermore, the following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet.</p> <p>i. Cash and deposits in trust</p> <p>ii. Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust</p> <p>iii. Lease and guarantee deposits received in trust</p>								

[Notes to the Balance Sheet]

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

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

[Notes to the Statement of Income and Retained Earnings]

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

(Unit: thousand yen)

	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sep. 1, 2022 To: Feb. 28, 2023
A. Operating revenue from real estate rent business		
Rent business revenue		
Rental revenue	2,381,126	2,323,174
Common area maintenance revenue	135,432	129,138
Total rent business revenue	2,516,558	2,452,313
Other rent business revenue		
Utilities reimbursement	121,659	130,668
Parking revenue	33,939	34,048
Termination penalties	346,974	10,466
Income from work to restore to the original state	328	254,855
Other rental revenue	8,591	9,596
Total other rent business revenue	511,493	439,634
Total operating revenue from real estate rent business	3,028,051	2,891,948
B. Operating expenses from real estate rent business		
Expenses related to rent business		
Outsourcing expenses	202,506	231,216
Utilities expenses	184,674	214,149
Property taxes	303,718	300,889
Land rent	1,818	1,818
Repair expenses	55,230	271,417
Insurance premium	5,749	5,603
Trust fee	3,787	3,752
Depreciation	309,823	296,093
Other expenses related to rent business	9,616	14,014
Total expenses related to rent business	1,076,927	1,338,956
Total operating expenses from real estate rent business	1,076,927	1,338,956
C. Operating income (loss) from real estate rent business [A-B]	1,951,124	1,552,992

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

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

(Unit: units)

	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sep. 1, 2022 To: Feb. 28, 2023
Total number of investment units authorized	10,000,000	10,000,000
Total number of investment units issued and outstanding	467,099	467,099

[Notes to the Statement of Cash Flows]

*1. Reconciliation of cash and cash equivalents at end of period to the amount of balance sheet items

(Unit: thousand yen)

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

[Notes on Lease Transactions]

Operating lease transactions (as lessor)

Future minimum lease payments

(Unit: thousand yen)

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

[Notes on Financial Instruments]

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

SANKEI REAL ESTATE shall procure funds in a well-balanced manner through borrowing from financial institutions, issuance of investment corporation bonds, issuance of new investment units, etc. to contribute to steady growth of assets under management as well as efficient operation and stability of management.

Upon borrowing from financial institutions, issuance of investment corporation bonds, etc., the fund procurement shall be in a manner that gives due consideration to the balance between agility in fund procurement and financial stability, characteristics of to-be-acquired real estate, etc. Specifically, the procurement means, ratio of long-term debt, ratio of fixed-rate debt, staggering of maturities, provision of collateral or not, etc. shall be considered. Upon borrowing, lenders shall be limited to the qualified institutional investors provided in the Financial Instruments and Exchange Act (however, limited to the institutional investors provided in Article 67-15 of the Act on Special Measures Concerning Taxation).

Issuance of new investment units shall be for the purpose of expansion of asset size and enhancement of profitability, and implementation decided by taking into account the LTV ratio, dilution of existing unitholders' rights and accompanying decline in transaction price of investment units, etc. and in light of the financial environment.

Derivative transactions may be conducted for the purpose of hedging the risk of fluctuation in interest rates and other risks on SANKEI REAL ESTATE arising from the concerned liabilities. No derivative transactions were conducted in the fiscal period under review.

(2) Description of financial instruments and associated risks, and risk management system

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

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

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

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

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

(Unit: thousand yen)

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

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

(Unit: thousand yen)

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

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

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

Of long-term loans, because those with floating interest rates reflect market interest rates in a short period of time, the fair value approximates the book value and thus stated at that book value. However, in the case of long-term loans with fixed interest rates, the fair value is calculated based on the present value of their future cash flows discounted over the time to maturity and at the rate adjusted for credit risks.

(Note 2) Amount of repayment of loans scheduled to be due after the end of the fiscal period (August 31, 2022)

(Unit: thousand yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Long-term loans due within one year	9,600,000	-	-	-	-	-
Long-term loans	-	9,200,000	9,100,000	10,500,000	6,200,000	5,600,000
Total	9,600,000	9,200,000	9,100,000	10,500,000	6,200,000	5,600,000

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

(Unit: thousand yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Long-term loans due within one year	9,600,000	-	-	-	-	-
Long-term loans	-	7,600,000	11,000,000	10,500,000	5,900,000	5,600,000
Total	9,600,000	7,600,000	11,000,000	10,500,000	5,900,000	5,600,000

[Notes on Securities]

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

Not applicable.

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

Not applicable.

[Notes on Derivative Transactions]

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

Not applicable.

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

Not applicable.

[Notes on Retirement Benefits]

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

Not applicable.

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

Not applicable.

[Notes on Tax-Effect Accounting]

1. Breakdown of main causes for occurrence of deferred tax assets and deferred tax liabilities

(Unit: thousand yen)

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

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

(Unit: %)

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

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

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

Not applicable.

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

Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.

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

Not applicable.

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

Not applicable.

2. Affiliated company, etc.

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

Not applicable.

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

Not applicable.

3. Fellow subsidiary, etc.

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

Not applicable.

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

Not applicable.

4. Director, major individual unitholder, etc.

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

Attribute	Name of company, etc. or name of person	Location	Share capital or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) SANKEI REAL ESTATE (%)	Description of relationship		Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
						Concurrent holding of positions, etc. by directors	Business relationship				
Director	Yuichi Ota	-	-	Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.	-		Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.	Payment of asset management fee to asset management company (Note 3)	265,992	Accounts payable - other	292,592

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

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

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

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

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

Attribute	Name of company, etc. or name of person	Location	Share capital or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) SANKEI REAL ESTATE (%)	Description of relationship		Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
						Concurrent holding of positions, etc. by directors	Business relationship				
Director	Yuichi Ota	-	-	Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.	-		Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.	Payment of asset management fee to asset management company (Note 3)	247,055	Accounts payable - other	271,761

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

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

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

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

[Notes on Asset Retirement Obligations]

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

Not applicable.

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

Not applicable.

[Notes on Investment and Rental Properties]

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

(Unit: thousand yen)

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

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

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

(Note 3) Fair value at end of period is the appraisal value by an external real estate appraiser.

Furthermore, the income (loss) concerning investment and rental properties is presented in “Notes to the Statement of Income and Retained Earnings.”

[Notes on Revenue Recognition]

1. Information breaking down revenue from contracts with customers

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

(Unit: thousand yen)

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

(Note) Rent business revenue, etc. subject to ASBJ Statement No. 13 “Accounting Standard for Lease Transactions” and the transfer of real estate, etc. subject to The Japanese Institute of Certified Public Accountants Accounting Committee Report No. 15 “Practical Guidelines on Accounting of Transferors for the Securitization of Real Estate Utilizing Special Purpose Companies” are not included in the above amounts because they are excluded from application of the Revenue Recognition Accounting Standard. The main revenues from contracts with customers are revenue from the sale of real estate, etc. and utilities reimbursement.

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

(Unit: thousand yen)

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

(Note) Rent business revenue, etc. subject to ASBJ Statement No. 13 “Accounting Standard for Lease Transactions” and the transfer of real estate, etc. subject to The Japanese Institute of Certified Public Accountants Accounting Committee Report No. 15 “Practical Guidelines on Accounting of Transferors for the Securitization of Real Estate Utilizing Special Purpose Companies” are not included in the above amounts because they are excluded from application of the Revenue Recognition Accounting Standard. The main revenues from contracts with customers are revenue from the sale of real estate, etc. and utilities reimbursement.

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

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

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

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

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

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

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

(Unit: thousand yen)

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

(2) Transaction price allocated to remaining performance obligations

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

Revenue is recognized for utilities reimbursement using the amount for which there is a right to claim in accordance with section 19 of the Implementation Guidance on Accounting Standard for Revenue Recognition because there is a right to receive an amount of consideration directly corresponding to the value for the lessee, who is a customer, for the portion for which performance is completed by the end of the period. Therefore, the provisions of section 80-22(2) of the Revenue Recognition Accounting Standard apply, and the transaction prices allocated to remaining performance obligations are not included in the notes.

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

Revenue is recognized for utilities reimbursement using the amount for which there is a right to claim in accordance with section 19 of the Implementation Guidance on Accounting Standard for Revenue Recognition because there is a right to receive an amount of consideration directly corresponding to the value for the lessee, who is a customer, for the portion for which performance is completed by the end of the period. Therefore, the provisions of section 80-22(2) of the Revenue Recognition Accounting Standard apply, and the transaction prices allocated to remaining performance obligations are not included in the notes.

[Notes on Segment Information, Etc.]

1. Segment information

The information is omitted since SANKEI REAL ESTATE has a single segment—the real estate rent business.

2. Related information

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

(1) Information by product and service

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

(2) Information by geographic area

i. Operating revenue

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

ii. Property, plant and equipment

The information is omitted since the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information by major customer

(Unit: thousand yen)

Name of customer	Operating revenue	Related segment
GRANVISTA Hotels & Resorts Co., Ltd.	325,755	Real estate rent business
Sony Group Corporation	Not disclosed (Note)	Real estate rent business

(Note) Not disclosed because consent for disclosure has not been obtained from the lessee.

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

(1) Information by product and service

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

(2) Information by geographic area

i. Operating revenue

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

ii. Property, plant and equipment

The information is omitted since the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information by major customer

(Unit: thousand yen)

Name of customer	Operating revenue	Related segment
GRANVISTA Hotels & Resorts Co., Ltd.	325,755	Real estate rent business
Sony Group Corporation	Not disclosed (Note)	Real estate rent business

(Note) Not disclosed because consent for disclosure has not been obtained from the lessee.

[Notes on Per Unit Information]

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

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

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

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

(Notes on Significant Subsequent Events)

Not applicable.

(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

Type of asset		Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Accumulated depreciation or accumulated amortization (thousand yen)		Net balance at end of period (thousand yen)	Remarks
Property, plant and equipment	Buildings	181,978	542	—	182,520	25,525	3,342	156,995	(Note)
	Structures	544	—	—	544	67	13	476	
	Land	2,457,766	—	—	2,457,766	—	—	2,457,766	
	Buildings in trust	18,769,170	186,639	—	18,955,810	1,879,113	286,453	17,076,697	(Note)
	Structures in trust	71,171	—	—	71,171	4,558	1,041	66,613	
	Machinery and equipment in trust	11,302	3,028	—	14,330	2,290	592	12,040	
	Tools, furniture and fixtures in trust	49,525	22,291	—	71,817	16,419	4,650	55,397	(Note)
	Land in trust	77,433,848	—	—	77,433,848	—	—	77,433,848	
	Construction in progress in trust	56,722	17,151	72,928	945	—	—	945	(Note)
	Subtotal	99,032,030	229,654	72,928	99,188,756	1,927,975	296,093	97,260,780	
Intangible assets	Software	9,400	—	—	9,400	7,386	940	2,013	
	Subtotal	9,400	—	—	9,400	7,386	940	2,013	
Total		99,041,430	229,654	72,928	99,198,156	1,935,361	297,033	97,262,794	

(Note) The increase during period is mainly due to capital expenditures (212,502 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.	972,000	-	-	972,000	0.42346% (fixed interest rate)	Mar. 12, 2023	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	716,000	-	-	716,000				
	Development Bank of Japan Inc.	614,000	-	-	614,000				
	Mizuho Trust & Banking Co., Ltd.	392,000	-	-	392,000				
	Sumitomo Mitsui Trust Bank, Limited	358,000	-	-	358,000				
	SBI Shinsei Bank, Limited (Note 5)	324,000	-	-	324,000				
	Resona Bank, Limited	324,000	-	-	324,000				
	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 (Note 5)	294,000	-	-	294,000				
	Resona Bank, Limited	294,000	-	-	294,000				
	Mizuho Bank, Ltd.	2,250,000	-	2,250,000	-	0.26727% (floating interest rate)	Sep. 3, 2022	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,500,000	-	1,500,000	-				
	Mizuho Trust & Banking Co., Ltd.	620,000	-	620,000	-				
	Sumitomo Mitsui Trust Bank, Limited	550,000	-	550,000	-				
	SBI Shinsei Bank, Limited (Note 5)	490,000	-	490,000	-				
	Resona Bank, Limited	490,000	-	490,000	-				
	Mizuho Bank, Ltd.	950,000	-	-	950,000	0.36200% (fixed interest rate)	Sep. 3, 2023	(Note 3)	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 (Note 5)	490,000	-	-	490,000				
	Resona Bank, Limited	490,000	-	-	490,000				
	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 (Note 5)	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 (Note 5)	385,000	-	-	385,000				
	Resona Bank, Limited	385,000	-	-	385,000				

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

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.	-	2,250,000	-	2,250,000	0.79285% (fixed interest rate)	Mar. 5, 2027	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	-	1,500,000	-	1,500,000				
	Mizuho Trust & Banking Co., Ltd.	-	620,000	-	620,000				
	Sumitomo Mitsui Trust Bank, Limited	-	550,000	-	550,000				
	SBI Shinsei Bank, Limited (Note 5)	-	490,000	-	490,000				
	Resona Bank, Limited	-	490,000	-	490,000				
Total		50,200,000	5,900,000	5,900,000	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) Shinsei Bank, Limited changed its trade name to SBI Shinsei Bank, Limited on January 4, 2023. The new trade name is used for all instances in this table.

(Note 6) 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	9,600,000	7,600,000	11,000,000	10,500,000	5,900,000