

# 7th Fiscal Period Semi-Annual Report

from March 1, 2022 to August 31, 2022

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 7th fiscal period ended August 2022, 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.

Operating revenue and operating income in the 7th fiscal period ended August 2022 increased compared with both the forecast and previous fiscal period.

Concerning distribution per unit for the 7th fiscal period, it exceeded the forecast made at the beginning of the period by 38 yen per unit due to increase in operating income compared with the forecast made at the beginning of the period and decrease in non-operating expenses compared with the same. We decided to distribute 3,158 yen (up 6.0% period-on-period), up 179 yen period-on-period. Distribution per unit for the 7th fiscal period increased significantly period-on-period due to the inclusion of termination penalties from main tenants.

As for forecast distribution per unit, considering that temporary factors in the 7th fiscal period will be resolved after the 8th fiscal period ending February 2023, and taking into account the change in tenants of management assets, the price hike in electricity rates and other factors, we expect figures of 2,239 yen, down 29.1% from the 7th fiscal period, for the 8th fiscal period ending February 2023 and 2,377 yen, up 6.2% from the 8th fiscal period, for the 9th period ending August 2023 by implementing measures to stabilize distribution per unit with the use of unrealized gain of the portfolio.

Although the impact of COVID-19 on social and economic activities is expected to be alleviated due to factors such as progress in vaccinations and approval of new drugs ahead, the environment will likely continue to be one where there remain downside risks to the Japanese and overseas economies brought about by the prolongation of Russia's invasion of Ukraine, which started in February 2022, and by sudden fluctuations in interest rates and exchange rates caused by rising prices resulting from the imbalance of supply and demand amid the global economic recovery, and the impact on financial and capital markets warrants close attention. 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 ask you, our unitholders, 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		3rd fiscal period	4th fiscal period	5th fiscal period	6th fiscal period	7th fiscal period
Closing of accounts		August 2020	February 2021	August 2021	February 2022	August 2022
Operating revenue	million yen	2,005	2,147	2,176	2,778	3,028
[Operating revenue from real estate rent business]	million yen	[2,005]	[2,147]	[2,176]	[2,778]	[3,028]
Operating expenses	million yen	1,009	1,029	1,034	1,237	1,397
[Operating expenses from real estate rent business]	million yen	[778]	[790]	[793]	[972]	[1,076]
Operating income	million yen	996	1,118	1,141	1,540	1,630
Ordinary income	million yen	904	1,017	1,014	1,392	1,476
Net income	million yen	903	1,016	1,014	1,391	1,475
Unitholders' capital (Note 4)	million yen	36,540	36,540	36,540	49,435	49,435
Total number of investment units issued and outstanding	units	356,800	356,800	356,800	467,099	467,099
Net assets	million yen	37,444	37,557	37,555	50,827	50,910
[Period-on-period change]	%	[(0.4)]	[0.3]	[(0.0)]	[35.3]	[0.2]
Total assets	million yen	76,195	79,482	79,848	106,523	106,553
[Period-on-period change]	%	[0.0]	[4.3]	[0.5]	[33.4]	[0.0]
Total interest-bearing liabilities	million yen	33,500	37,800	37,800	50,600	50,200
Net assets per unit (Note 3)	yen	104,945	105,262	105,255	108,814	108,993
Net income per unit (Note 2)	yen	2,532	2,849	2,841	2,983	3,158
Total distribution	million yen	903	1,016	1,021	1,391	1,475
Distribution per unit	yen	2,532	2,849	2,862	2,979	3,158
[Distribution of net income per unit]	yen	[2,532]	[2,849]	[2,842]	[2,979]	[3,158]
Distribution in excess of net income per unit	yen	[—]	[—]	[20]	[—]	[—]
Ratio of ordinary income to total assets (Note 3)	%	1.2	1.3	1.3	1.5	1.4
Annualized	%	[2.4]	[2.6]	[2.5]	[3.0]	[2.7]
Return on equity (Note 3)	%	2.4	2.7	2.7	3.1	2.9
Annualized	%	[4.8]	[5.4]	[5.4]	[6.3]	[5.8]
Equity ratio (Note 3)	%	49.1	47.3	47.0	47.7	47.8
[Period-on-period change]	%	[(0.3)]	[(1.8)]	[(0.3)]	[0.7]	[0.1]
Payout ratio (Note 3)	%	100.0	100.0	100.0	100.0	100.0
[Other reference information]						
Days of operation	days	184	181	184	181	184
Number of investment properties at end of period	properties	11	12	12	14	14
Depreciation	million yen	219	227	228	306	309
Capital expenditures	million yen	54	42	57	73	83
Leasing NOI (Net Operating Income) (Note 3)	million yen	1,446	1,585	1,610	2,112	2,260
FFO (Funds from Operation) (Note 3)	million yen	1,122	1,243	1,242	1,698	1,785
FFO per unit (Note 3)	yen	3,147	3,485	3,482	3,635	3,821
Ratio of interest-bearing liabilities to total assets at end of period (LTV) (Note 3)	%	44.0	47.6	47.3	47.5	47.1

(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 (3rd fiscal period: 356,800 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).

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

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

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

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

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

### 1) Brief History of the Investment Corporation

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

As of the last day of the fiscal period under review (August 31, 2022), the total number of investment units issued and outstanding was 467,099 units and unitholders’ capital (net) was 49,435 million yen.

### 2) Management Environment

In the fiscal period under review (fiscal period ended August 31, 2022), the Japanese economy showed movements of moderate picking up since the lifting of pre-emergency measures for COVID-19 based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Responses (Act No. 31 of 2012, as amended) in March 2022, and although the impact of COVID-19 continues to be felt, movement toward normalization of the economy is continuing. Overseas, the stagnation of production activity showed signs of recovery, and in Europe and the United States, which were early to lift restrictions on COVID-19, economies started to pick up, but the prolongation of the invasion of Ukraine by Russia that began in February 2022 impacted logistics for resources and materials, and prices centered on resources, energy and food continue to rise. Furthermore, the central banks of the United States and other countries raised their key interest rates, resulting in a rapid change of foreign exchange rates and a rise in prices, leading to uncertainty about a full recovery of the Japanese 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 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. The hotel market in which SANKEI REAL ESTATE invests as sub assets is continuing to be in a condition significantly below its peak despite the total number of guests and room occupancy rates recovering according to the Overnight Travel Statistics Survey by the Japan Tourism Agency. Further expansion of deregulation measures not limited to the resumption of acceptance of foreign tourists is much anticipated.

### 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.

As a result, the occupancy rate (Note 2) of the 14 portfolio properties as of the end of the fiscal period under review stood at 94.2%, and operating revenue from real estate rent business was 3,028 million yen, 9.0% higher 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 104,937 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. During the fiscal period under review, there were cancellations by major tenants in some assets under management, and we recognize the filling of those vacancies as the most important issue and are working hard 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 decreased in the fiscal period under review 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, although the two hotel properties held by SANKEI REAL ESTATE (Hotel Intergate Tokyo Kyobashi and Hotel Intergate Hiroshima) saw impact associated with the spread of COVID-19, fixed rent based on the current contract has been secured as usual for rent business revenue in the fiscal period under review.

SANKEI REAL ESTATE, along with the Asset Management Company, intends to continue to conduct management with consideration for ESG, meaning Environment, Social and Governance initiatives, for the purpose of the sustainability of society and increasing medium- to long-term unitholder value based on the “Sustainability Policy” in the Asset Management Company’s management guidelines.

SANKEI REAL ESTATE reacquired DBJ Green Building Certification for two offices (S-GATE NIHONBASHI-HONCHO and S-GATE AKIHABARA) in September 2022. It also acquired 2 Star and Green Star ratings in October 2022 in the GRESB Real Estate Assessment, a global investment benchmark established as a tool for use in selection of and dialogue with investment destinations by measuring ESG considerations in individual real estate companies and funds. In addition, SANKEI REAL ESTATE acquired Building-Housing Energy-efficiency Labeling System (BELS) certification for two hotel properties in December 2021.

(Note 1) "Acquisition price" is the sale and purchase price of each real estate and trust beneficiary right stated in each sale and purchase agreement for the acquired assets, rounded down to the nearest million yen. The sale and purchase prices do not include consumption tax, local consumption tax and the various expenses required for the acquisition. The same shall apply hereinafter.

(Note 2) "Occupancy rate" is the ratio of total leased area to total leasable area, rounded to one decimal place. Moreover, for total leasable area and total leased area, each total is calculated based on the area corresponding to SANKEI REAL ESTATE's ownership interest in each portfolio property.

#### 4) Overview of Fund Procurement

In the fiscal period under review, 5,600 million yen was borrowed from Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Development Bank of Japan Inc., Mizuho Trust & Banking Co., Ltd., Sumitomo Mitsui Trust Bank, Limited, Shinsei Bank, Limited, and Resona Bank, Limited. through a loan syndicate with Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation as the arrangers on March 14, 2022, to repay long-term loans of 5,600 million yen due for repayment on March 14, 2022. The loan was made with a period of 6 years and fixed interest rate, thereby promoting extension of the average time to maturity and staggering of maturities of interest-bearing liabilities.

In addition, early repayment of short-term loans of 400 million yen was made on July 4, 2022, using the consumption tax refund for the properties acquired on September 2, 2021.

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 47.1%.

#### 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 3,028 million yen, operating income of 1,630 million yen, ordinary income of 1,476 million yen, and net income of 1,475 million yen.

Concerning distribution, in accordance with SANKEI REAL ESTATE's cash distribution policy (Article 36 of the articles of incorporation), SANKEI REAL ESTATE intends to have the maximum amount of distribution of earnings included in deductible expenses by application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended)). For the fiscal period under review, the decision was made to distribute 1,475,098,642 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 3,158 yen.

### (3) Capital increases

Changes in the total number of investment units issued and outstanding and unitholders' capital from the incorporation of SANKEI REAL ESTATE to the last day of the fiscal period under review (August 31, 2022) 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	3rd fiscal period	4th fiscal period	5th fiscal period	6th fiscal period	7th fiscal period
Closing of accounts	August 2020	February 2021	August 2021	February 2022	August 2022
Highest (yen)	127,600	117,400	135,200	131,300	111,900
Lowest (yen)	66,900	90,100	108,300	107,400	93,300

(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 Act on Special Measures Concerning Taxation). As a result, the distribution per unit was 3,158 yen.

Fiscal period	3rd fiscal period	4th fiscal period	5th fiscal period	6th fiscal period	7th fiscal period
Business period	From Mar. 1, 2020 to Aug. 31, 2020	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
Total unappropriated retained earnings (thousand yen)	903,625	1,016,734	1,014,232	1,391,567	1,475,277
Retained earnings (thousand yen)	207	210	207	80	178
Total cash distributions (thousand yen)	903,417	1,016,523	1,021,161	1,391,487	1,475,098
[Distribution per unit] (yen)	[2,532]	[2,849]	[2,862]	[2,979]	[3,158]
[Total distribution of earnings] (thousand yen)	903,417	1,016,523	1,014,025	1,391,487	1,475,098
[Distribution of net income per unit] (yen)	[2,532]	[2,849]	[2,842]	[2,979]	[3,158]
[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

Although the impact of COVID-19 on social and economic activities in Japan and abroad is expected to be alleviated due to factors such as progress in vaccinations and approval of new drugs ahead, the environment will likely continue to be one where there remain downside risks to the Japanese and overseas economies brought about by the prolongation of Russia's invasion of Ukraine and by sudden fluctuations in interest rates and exchange rates caused by rising prices resulting from the imbalance of supply and demand amid the global economic recovery persist, and the impact on financial and capital markets warrants close attention.

In the office building market, vacancy rates have risen and rents have continued to fall or remain the same. While social and economic activities are expected to be normalized as COVID-19 continues to have an impact, it is necessary to monitor future trends in office demand due to the emergence of some potential risks such as changes in work styles and moves to reduce fixed expenses (rent payments, etc.) accompanying downside risk to economies. SANKEI REAL ESTATE has concerns that the consolidation of locations and reduction of office space will progress due to the impact of increased telecommuting such as working from home and intentions to reduce fixed expenses (rent payments, etc.), and expectation for a large volume of new supply especially in central Tokyo in 2023, it is believed that the occurrence of vacancies and a drop in rents due to the relocation of tenants will progress. Furthermore, dealing with rising fuel procurement costs that are a cause of rising utilities expenses is also a pressing issue. We will further reinforce the relationship with tenants and continue consultations and responses as required, while closely monitoring tenants' business performance, trends, etc.

In terms of the hotel market, while domestic travelers and business travelers are expected to increase with the recovery in social and economic activities, the severe situation is still expected to continue due to the resumption of acceptance of foreign tourists not leading to a rapid expansion. A severe operating environment is foreseen for also the two hotel properties held by SANKEI REAL ESTATE, but no impact on SANKEI REAL ESTATE 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 under the COVID-19 pandemic.

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

### (b) Debt financing

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

## (6) Significant Subsequent Events

Not applicable.



## 2. Overview of the Investment Corporation

### (1) Summary of Unitholders' Capital

	3rd fiscal period (as of Aug. 31, 2020)	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)
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	356,800	467,099	467,099
Unitholders' capital (net) (Note) (million yen)	36,540	36,540	36,540	49,435	49,435
Number of unitholders (persons)	7,725	7,682	7,328	10,511	14,345

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

### (2) Matters Related to Investment Units

The following table shows the major unitholders (Note 1) of SANKEI REAL ESTATE as of August 31, 2022.

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)	112,663	24.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	67,820	14.51
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	20,288	4.34
The Sankei Building Co., Ltd.	17,479	3.74
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	7,008	1.50
The Bank of Yokohama, Ltd.	6,107	1.30
Japan Securities Finance Co., Ltd.	5,247	1.12
SSBTC CLIENT OMNIBUS ACCOUNT	4,066	0.87
JP MORGAN CHASE BANK 385771	3,912	0.83
Mizuho Securities Co., Ltd.	3,729	0.79
Total	248,319	53.16

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

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

### (3) Matters Related to Directors

The following table shows the directors, etc. of SANKEI REAL ESTATE as of August 31, 2022.

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	
		Present Independent Director, ROBOT PAYMENT INC.	
Independent Auditor	Ernst & Young ShinNihon LLC	—	11,200

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

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

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

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

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

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

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

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

The following are the asset management company, asset custodian and administrative agents of SANKEI REAL ESTATE as of August 31, 2022.

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)	6th fiscal period (as of Feb. 28, 2022)		7th fiscal period (as of Aug. 31, 2022)		
			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	2,618	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	71,868	67.5	71,709	67.3	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	10,208	9.6	10,193	9.6	
	Sub assets	Greater Tokyo, Osaka City and Nagoya City	8,951	8.4	8,924	8.4	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,923	3.7	3,898	3.7	
	Hotels	Greater Tokyo, Osaka City and Nagoya City	8,951	8.4	8,924	8.4	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,923	3.7	3,898	3.7	
	Subtotal			97,570	91.6	97,343	91.4
	Deposits and other assets			8,953	8.4	9,210	8.6
Total assets			106,523	100.0	106,553	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 August 31, 2022.

Property name	Book value (million yen) (Note 1)	Total leasable area (m <sup>2</sup> ) (Note 2)	Total leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 2)	Ratio to total rent business revenue (%) (Note 3)	Main use
Shinagawa Seaside TS Tower (Notes 4 and 5)	21,115	Not disclosed (Note 6)	Not disclosed (Note 6)	66.3	Not disclosed (Note 6)	Office buildings
BREEZÉ TOWER (Note 4)	12,999	12,146.02	11,697.81	96.3	18.3	Office buildings
Hitachi Kyusyu Building	10,193	26,513.33	26,513.33	100.0	Not disclosed (Note 6)	Office buildings
Hotel Intergate Tokyo Kyobashi	8,924	6,006.53	6,006.53	100.0	6.8	Hotels
S-GATE NIHONBASHI-HONCHO (Note 4)	6,671	3,171.83	3,171.83	100.0	5.3	Office buildings
Hibiya Sankei Building	6,067	3,439.61	3,439.61	100.0	6.6	Office buildings
S-GATE AKASAKA (Note 4)	5,642	2,646.48	2,646.48	100.0	Not disclosed (Note 6)	Office buildings
Omori Park Building	5,444	7,469.72	7,469.72	100.0	5.5	Office buildings
Hatchobori Sankei Building	5,007	5,594.90	5,594.90	100.0	5.8	Office buildings
Hotel Intergate Hiroshima	3,898	9,160.15	9,160.15	100.0	3.9	Hotels
Total	85,964	Not disclosed (Note 6)	Not disclosed (Note 6)	93.9	89.8	—

(Note 1) "Book value" is the depreciated book value for each portfolio asset as of August 31, 2022, rounded down to the nearest million yen. The same shall apply hereinafter.

(Note 2) Figures for "total leasable area," "total leased area" and "occupancy rate" are based on the data as of August 31, 2022. Furthermore, "total leasable area" is the area (excluding area of warehouse, signboard, parking lot, 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 area of warehouse, signboard, parking lot, etc.) stated in the lease agreement (excluding leased 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 termination dates of March 31, 2022 (7 floors) and March 31, 2023 (14 floors). Of these, termination penalties were received on March 31, 2022, for the 7 floors with the termination date of March 31, 2022.

(Note 6) Not disclosed because such contains information for which consent for disclosure has not been obtained from the tenant, relevant party, etc. or information from which confidential information can be derived.

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

The following table shows the overview of the assets held by SANKEI REAL ESTATE as of August 31, 2022.

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	2,690	2,618
BREEZÉ TOWER (Note 3)	2-4-9 Umeda, Kita-ku, Osaka-shi, Osaka	Real estate trust beneficiary right	18,225	12,999
S-GATE NIHONBASHI-HONCHO (Note 3)	1-9-1 Nihonbashi-Honcho, Chuo-ku, Tokyo	Real estate trust beneficiary right	7,720	6,671
S-GATE AKIHABARA	2-4-6 Higashi-Kanda, Chiyoda-ku, Tokyo	Real estate trust beneficiary right	2,710	2,036
Hibiya Sankei Building	1-9-1 Yurakucho, Chiyoda-ku, Tokyo	Real estate trust beneficiary right	6,620	6,067
Hatchobori Sankei Building	2-7-1 Hatchobori, Chuo-ku, Tokyo	Real estate trust beneficiary right	5,520	5,007
Toyo Park Building	5-29-17 Toyo, Koto-ku, Tokyo	Real estate trust beneficiary right	3,920	3,880
Shinagawa Seaside TS Tower (Note 3)	4-12-3 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Real estate trust beneficiary right	19,800	21,115
Omori Park Building	1-6-1 Omori-Honcho, Ota-ku, Tokyo	Real estate trust beneficiary right	5,490	5,444
S-GATE AKASAKA (Note 3)	6-2-4 Akasaka, Minato-ku, Tokyo	Real estate trust beneficiary right	5,992	5,642
Miyazakidai Garden Office	2-6-10 Miyazaki, Miyamae-ku, Kawasaki-shi, Kanagawa	Real estate trust beneficiary right	2,790	2,844
Hitachi Kyusyu Building	2-1-1 Momochihama, Sawara-ku, Fukuoka-shi, Fukuoka	Real estate trust beneficiary right	10,300	10,193
Hotel Intergate Tokyo Kyobashi	3-7-8 Kyobashi, Chuo-ku, Tokyo	Real estate trust beneficiary right	9,040	8,924
Hotel Intergate Hiroshima	5-16 Teppochō, Naka-ku, Hiroshima-shi, Hiroshima	Real estate trust beneficiary right	4,120	3,898
Total			104,937	97,343

(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	6th fiscal period From Sep. 1, 2021 to Feb. 28, 2022				7th fiscal period From Mar. 1, 2022 to Aug. 31, 2022			
	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%)	Operating revenue from real estate rent business (during period) (million yen) (Note 2)	Ratio to total rent business revenue (%)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%)	Operating revenue from real estate rent business (during period) (million yen) (Note 2)	Ratio to total rent business revenue (%)
Tokyo Sankei Building	48	97.7	54	2.0	49	99.5	57	1.9
BREEZÉ TOWER	38	99.8	551	19.8	36	96.3	553	18.3
S-GATE NIHONBASHI-HONCHO	3	100.0	160	5.8	3	100.0	161	5.3
S-GATE AKIHABARA	6	100.0	68	2.5	6	100.0	68	2.3
Hibiya Sankei Building	11	100.0	199	7.2	11	100.0	198	6.6
Hatchobori Sankei Building	10	100.0	173	6.3	10	100.0	175	5.8
Toyo Park Building	7	92.3	65	2.4	7	92.3	103	3.4
Shinagawa Seaside TS Tower (Note 3)	Not disclosed (Note 4)	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	Not disclosed (Note 4)	66.3	Not disclosed (Note 4)	Not disclosed (Note 4)
Omori Park Building	10	100.0	159	5.7	10	100.0	165	5.5
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	7	85.7	76	2.7	8	100.0	77	2.5
Hitachi Kyusyu Building	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)	1	100.0	Not disclosed (Note 4)	Not disclosed (Note 4)
Hotel Intergate Tokyo Kyobashi	1	100.0	206	7.4	1	100.0	206	6.8
Hotel Intergate Hiroshima	1	100.0	118	4.3	1	100.0	118	3.9
Total	Not disclosed (Note 4)	99.1	2,778	100.0	Not disclosed (Note 4)	94.2	3,028	100.0

(Note 1) "Number of tenants" indicates the total number of tenants of the respective portfolio assets held as of August 31, 2022, 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 termination dates of March 31, 2022 (7 floors) and March 31, 2023 (14 floors). Of these, termination penalties were received on March 31, 2022, for the 7 floors with the termination date of March 31, 2022.

(Note 4) Not disclosed because such contains information for which consent for disclosure has not been obtained from the tenant, relevant party, etc. or information from which confidential information can be derived.

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

Not applicable.

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

Not applicable.

(6) Status of Other Assets

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

1) Schedule of Securities Incorporated in the Portfolio

Not applicable.

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

Not applicable.

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

Not applicable for any country or region outside Japan.

## 4. Capital Expenditures for Real Estate Held

### (1) Schedule of Capital Expenditures

Of capital expenditures associated with renovation work, etc. currently planned for assets held by SANKEI REAL ESTATE as of August 31, 2022, 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)	Conversion to LED lighting for leased space	From Aug. 1, 2022 to Oct. 31, 2022	16	—	—
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Update and maintenance of air conditioner AHU parts	From Feb. 1, 2023 to Feb. 28, 2023	10	—	—
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Update of automatic fire detection equipment	From Oct. 1, 2022 to Oct. 31, 2022	29	—	—
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Update of disaster prevention facilities	From Oct. 1, 2022 to Dec. 31, 2022	32	—	—
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Replacement of automated control parts	From Nov. 1, 2022 to Nov. 30, 2022	12	—	—
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Update of uninterruptible power supply system	From Jan. 1, 2023 to Jan. 31, 2023	11	—	—
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Update of clean water pressurization water supply pump unit	From Jan. 1, 2023 to Jan. 31, 2023	20	—	—
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Update of general service water pressurization water supply pump unit	From Jan. 1, 2023 to Jan. 31, 2023	20	—	—
Shinagawa Seaside TS Tower (Shinagawa-ku, Tokyo)	Common area renewal work	From Dec. 1, 2022 to Feb. 28, 2023	120	—	—
Omori Park Building (Ota-ku, Tokyo)	Repair of individual air-conditioning system on 7F	From Nov. 1, 2022 to Jan. 31, 2023	17	—	—
Hitachi Kyusyu Building (Sawara-ku, Fukuoka-shi)	Toilet renovation work	From Sep. 1, 2022 to Oct. 31, 2022	11	—	—
Hitachi Kyusyu Building (Sawara-ku, Fukuoka-shi)	Vacuum Circuit Breaker (VCB) update work	From Mar. 1, 2023 to Mar. 31, 2023	12	—	—
Hitachi Kyusyu Building (Sawara-ku, Fukuoka-shi)	Toilet renovation work for 11F and 13F	From Dec. 1, 2022 to Dec. 31, 2022	19	—	—

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

Major construction work falling under the category of capital expenditures of 10 million yen or more conducted in the fiscal period under review for assets held by SANKEI REAL ESTATE as of August 31, 2022, are as follows: For the fiscal period under review, capital expenditures amounted to 83 million yen and repair expenses separately charged to expenses amounted to 55 million yen for a combined total of 138 million yen of construction works implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of payment (million yen)
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Update of high-rise billing WHM	From: Oct. 5, 2021 To: Mar. 10, 2022	14
Hitachi Kyusyu Building (Sawara-ku, Fukuoka-shi)	Update of central monitoring panel server and client PCs	From: Mar. 22, 2022 To: Mar. 22, 2022	13
Other			55
Total			83

### (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	3rd fiscal period From Mar. 1, 2020 to Aug. 31, 2020	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
Balance of reserve at beginning of period (thousand yen)	130,466	217,842	175,880	209,678	262,349
Provision of reserve during period (thousand yen)	128,187	59,293	59,293	85,567	59,801
Reversal of reserve during period (thousand yen)	40,812	101,255	25,496	32,895	19,019
Reserve carried forward (thousand yen)	217,842	175,880	209,678	262,349	303,132



## 5. Status of Expenses and Liabilities

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

(Unit: thousand yen)

Item	6th fiscal period From Sep. 1, 2021 to Feb. 28, 2022	7th fiscal period From Mar. 1, 2022 to Aug. 31, 2022
Asset management fee	210,809	265,992
Asset custody fee	2,013	2,100
Administrative service fees	8,760	7,460
Remuneration for directors (and other officers)	3,600	3,600
Other expenses	40,098	41,722
Total	265,281	320,876

### (2) Status of Loans

The status of loans from respective financial institutions as of August 31, 2022, 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 (Note 3)	Remarks
Short-term loans	Mizuho Bank, Ltd.	Sep. 2, 2021	260	—	0.23191% (floating interest rate)	Aug. 31, 2022	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		140	—					
	Subtotal		400	—					
Long-term loans	Mizuho Bank, Ltd.	Mar. 12, 2019	1,574	—	0.36969% (fixed interest rate)	Mar. 12, 2022	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,084	—					
	Development Bank of Japan Inc.		929	—					
	Mizuho Trust & Banking Co., Ltd.		593	—					
	Sumitomo Mitsui Trust Bank, Limited		542	—					
	Shinsei Bank, Limited		439	—					
	Resona Bank, Limited		439	—					
	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					
	Shinsei Bank, Limited		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					
	Shinsei Bank, Limited		294	294					
	Resona Bank, Limited		294	294					

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 3)	Remarks
Long-term loans	Mizuho Bank, Ltd.	Sep. 3, 2019	2,250	2,250	0.26711% (floating interest rate)	Sep. 3, 2022	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,500	1,500					
	Mizuho Trust & Banking Co., Ltd.		620	620					
	Sumitomo Mitsui Trust Bank, Limited		550	550					
	Shinsei Bank, Limited		490	490					
	Resona Bank, Limited		490	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					
	Shinsei Bank, Limited		490	490					
	Resona Bank, Limited		490	490					
	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					
	Shinsei Bank, Limited		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					
	Shinsei Bank, Limited		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					
	Shinsei Bank, Limited		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					

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.	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					
	Shinsei Bank, Limited		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					
	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					
	Shinsei Bank, Limited		300	300					
	Resona Bank, Limited		200	200					
	Aozora Bank, Ltd.		500	500					
	Mizuho Bank, Ltd.	Mar. 14, 2022	—	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					
	Development Bank of Japan Inc.		—	929					
	Mizuho Trust & Banking Co., Ltd.		—	593					
	Sumitomo Mitsui Trust Bank, Limited		—	542					
	Shinsei Bank, Limited		—	439					
	Resona Bank, Limited		—	439					
	Subtotal		50,200	50,200					
	Total		50,600	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.

(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.

### (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	38,675 thousand yen	The Sankei Building Co., Ltd.	19,218 thousand yen	49.7%
		The Sankei Building Management Co., Ltd.	12,438 thousand yen	32.2%
Building management fees	163,831 thousand yen	The Sankei Building Management Co., Ltd.	125,235 thousand yen	76.4%

- 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.	49,749 thousand yen	(Repair expenses)
Sankei Bldg. Techno Co., Ltd.	1,438 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.	2,948 thousand yen	(Rental revenue)

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

As of August 31, 2022, 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.

Information on balance sheet, statement of income and retained earnings, statement of changes in unitholders' equity, notes to financial statements, and statement of cash distributions in the previous fiscal period is stated herein for informative purposes. In this fiscal period, they are not subject to audit by independent auditors based on the provision of Article 130 of the Act on Investment Trusts and Investment Corporations.

The statement of cash flows is not audited by independent auditors because it is not subject to audit by independent auditors based on the provision of Article 130 of the Act on Investment Trusts and Investment Corporations.

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

Not applicable.

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

Not applicable.

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

Not applicable.

## 8. Other

### (1) Notices

Not applicable.

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

Not applicable.

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

Not applicable.

### (4) Other

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

## Independent Auditor's Report

The Board of Directors  
SANKEI REAL ESTATE, Inc.

### **Opinion**

We have audited the accompanying financial statements of SANKEI REAL ESTATE, Inc., (the Company), which comprise the balance sheet as at August 31, 2022, and the statement of income and retained earnings, changes in unitholders' equity, cash distributions, cash flows and supplementary schedules for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2022, 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

December 22, 2022

Handwritten signature of Satoshi Abe in black ink, consisting of the characters '阿部 史' (Abe Satoshi).

Satoshi Abe  
Designated Engagement Partner  
Certified Public Accountant

Handwritten signature of Koichiro Oishi in black ink, consisting of the characters '大石 晃一郎' (Oishi Koichiro).

Koichiro Oishi  
Designated Engagement Partner  
Certified Public Accountant



## 1. Financial Statements

## (1) Balance Sheet

(Unit: thousand yen)

	6th fiscal period (as of Feb. 28, 2022)	7th fiscal period (as of Aug. 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	4,512,675	5,575,535
Cash and deposits in trust	3,729,623	3,303,184
Operating accounts receivable	89,938	62,702
Prepaid expenses	61,458	71,801
Consumption taxes receivable	389,377	-
Other	-	78
Total current assets	8,783,072	9,013,302
Non-current assets		
Property, plant and equipment		
Buildings	179,269	181,978
Accumulated depreciation	(18,849)	(22,182)
Buildings, net	160,419	159,795
Structures	544	544
Accumulated depreciation	(39)	(53)
Structures, net	504	490
Land	2,457,766	2,457,766
Buildings in trust	18,708,509	18,769,170
Accumulated depreciation	(1,291,738)	(1,592,660)
Buildings in trust, net	17,416,771	17,176,510
Structures in trust	71,171	71,171
Accumulated depreciation	(2,476)	(3,517)
Structures in trust, net	68,695	67,654
Machinery and equipment in trust	11,302	11,302
Accumulated depreciation	(1,131)	(1,698)
Machinery and equipment in trust, net	10,170	9,603
Tools, furniture and fixtures in trust	29,876	49,525
Accumulated depreciation	(7,822)	(11,769)
Tools, furniture and fixtures in trust, net	22,054	37,756
Land in trust	77,433,848	77,433,848
Construction in progress in trust	32,673	56,722
Total property, plant and equipment	97,602,903	97,400,148
Intangible assets		
Software	3,893	2,953
Total intangible assets	3,893	2,953
Investments and other assets		
Long-term prepaid expenses	93,338	103,157
Deferred tax assets	10	15
Lease and guarantee deposits	10,000	10,000
Total investments and other assets	103,348	113,173
Total non-current assets	97,710,146	97,516,274
Deferred assets		
Investment unit issuance costs	30,124	24,099
Total deferred assets	30,124	24,099
Total assets	106,523,343	106,553,676

(Unit: thousand yen)

	6th fiscal period (as of Feb. 28, 2022)	7th fiscal period (as of Aug. 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	126,748	244,965
Short-term loans	400,000	-
Long-term loans due within one year	11,500,000	9,600,000
Accounts payable - other	242,634	308,770
Accrued expenses	38,805	44,831
Income taxes payable	815	926
Consumption taxes payable	-	171,838
Advances received	485,392	447,828
Deposits received	11,356	6,036
Total current liabilities	12,805,752	10,825,198
Non-current liabilities		
Long-term loans	38,700,000	40,600,000
Lease and guarantee deposits received	87,974	88,237
Lease and guarantee deposits received in trust	4,102,499	4,129,413
Total non-current liabilities	42,890,473	44,817,651
Total liabilities	55,696,225	55,642,849
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	49,442,685	49,442,685
Deduction from unitholders' capital	(7,136)	(7,136)
Unitholders' capital (net)	49,435,549	49,435,549
Surplus		
Unappropriated retained earnings (undisposed loss)	1,391,567	1,475,277
Total surplus	1,391,567	1,475,277
Total unitholders' equity	50,827,117	50,910,827
Total net assets	*1 50,827,117	*1 50,910,827
Total liabilities and net assets	106,523,343	106,553,676

## (2) Statement of Income and Retained Earnings

(Unit: thousand yen)

	6th fiscal period From: Sep. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
Operating revenue		
Rent business revenue	*1 2,615,817	*1 2,516,558
Other rent business revenue	*1 162,297	*1 511,493
Total operating revenue	2,778,114	3,028,051
Operating expenses		
Expenses related to rent business	*1 972,543	*1 1,076,927
Asset management fee	210,809	265,992
Asset custody fee	2,013	2,100
Administrative service fees	8,760	7,460
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	40,098	41,722
Total operating expenses	1,237,824	1,397,803
Operating income	1,540,290	1,630,247
Non-operating income		
Interest income	37	41
Insurance claim income	253	-
Interest on refund	-	279
Other	17	0
Total non-operating income	308	321
Non-operating expenses		
Interest expenses	88,264	100,931
Borrowing related expenses	48,540	47,460
Amortization of investment unit issuance expenses	6,024	6,024
Other	5,583	26
Total non-operating expenses	148,414	154,444
Ordinary income	1,392,184	1,476,124
Net income before income taxes	1,392,184	1,476,124
Income taxes - current	820	932
Income taxes - deferred	2	(5)
Total income taxes	823	927
Net income	1,391,360	1,475,197
Retained earnings brought forward	207	80
Unappropriated retained earnings (undisposed loss)	1,391,567	1,475,277

## (3) Statement of Changes in Unitholders' Equity

6th fiscal period (from September 1, 2021, to February 28, 2022)

(Unit: thousand yen)

	Unitholders' equity						Total net assets
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital (net)	Surplus		Total unitholders' equity	
				Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	36,540,901	-	36,540,901	1,014,232	1,014,232	37,555,134	37,555,134
Changes in items during period							
Issuance of new investment units	12,901,784		12,901,784			12,901,784	12,901,784
Distribution in excess of earnings		(7,136)	(7,136)			(7,136)	(7,136)
Distributions from surplus				(1,014,025)	(1,014,025)	(1,014,025)	(1,014,025)
Net income				1,391,360	1,391,360	1,391,360	1,391,360
Total changes in items during period	12,901,784	(7,136)	12,894,648	377,335	377,335	13,271,983	13,271,983
Balance at end of period	*1 49,442,685	(7,136)	49,435,549	1,391,567	1,391,567	50,827,117	50,827,117

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 from 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

## (4) Statement of Cash Distributions

(Unit: yen)

	6th fiscal period From: Sep. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
I. Unappropriated retained earnings	1,391,567,971	1,475,277,574
II. Amount of distribution	1,391,487,921	1,475,098,642
[Amount of distribution per unit]	[2,979]	[3,158]
III. Retained earnings carried forward	80,050	178,932

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 this policy, the decision was made to distribute 1,391,487,921 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 1,475,098,642 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>
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## (5) Statement of Cash Flows

(Unit: thousand yen)

	6th fiscal period From: Sep. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
Cash flows from operating activities		
Net income before income taxes	1,392,184	1,476,124
Depreciation	307,937	310,763
Amortization of investment unit issuance expenses	6,024	6,024
Interest income	(37)	(41)
Interest expenses	88,264	100,931
Decrease (increase) in operating accounts receivable	(47,934)	27,164
Decrease (increase) in consumption taxes refund receivable	(389,377)	389,377
Decrease (increase) in prepaid expenses	(2,245)	(10,343)
Increase (decrease) in operating accounts payable	(86,226)	116,727
Increase (decrease) in accounts payable - other	9,619	64,742
Increase (decrease) in consumption taxes payable	(89,208)	171,838
Increase (decrease) in advances received	145,449	(37,563)
Increase (decrease) in deposits received	(2,709)	(5,319)
Decrease (increase) in long-term prepaid expenses	(49,613)	(9,818)
Decrease (increase) in other assets	77	(78)
Subtotal	1,282,204	2,600,531
Interest received	37	41
Interest paid	(77,396)	(94,905)
Income taxes paid	(881)	(821)
Net cash provided by (used in) operating activities	1,203,964	2,504,846
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,967)	(2,708)
Purchase of property, plant and equipment in trust	(25,743,595)	(102,914)
Proceeds from lease and guarantee deposits received	5,933	595
Refund of lease and guarantee deposits received	(98)	(331)
Proceeds from lease and guarantee deposits received in trust	1,005,708	110,219
Refund of lease and guarantee deposits received in trust	(128,308)	(83,190)
Net cash provided by (used in) investing activities	(24,870,328)	(78,330)
Cash flows from financing activities		
Proceeds from short-term loans	1,000,000	-
Repayments of short-term loans	(600,000)	(400,000)
Proceeds from long-term loans	16,700,000	5,600,000
Repayments of long-term loans	(4,300,000)	(5,600,000)
Proceeds from issuance of investment units	12,901,784	-
Payments of investment unit issuance costs	(29,661)	-
Distributions paid	(1,020,683)	(1,390,093)
Net cash provided by (used in) financing activities	24,651,439	(1,790,093)
Net increase (decrease) in cash and cash equivalents	985,075	636,421
Cash and cash equivalents at beginning of period	7,257,223	8,242,298
Cash and cash equivalents at end of period	*1 8,242,298	*1 8,878,719

- (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 are as follows:</p> <table> <tr> <td>Buildings</td><td>1–65 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	1–65 years	Structures	6–59 years	Machinery and equipment	8–10 years	Tools, furniture and fixtures	4–10 years
Buildings	1–65 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> <ol style="list-style-type: none"> <li>Sale of real estate, etc. Revenue is recognized for the sale of real estate, etc. 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.</li> <li>Utilities reimbursement Revenue is recognized for utilities reimbursement according to the supply of electricity, water, etc. to tenants, who are customers, based on the 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 it receives as charges for electricity, gas, etc. provided by said party is recorded as revenue.</li> </ol> <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 48,733 thousand yen 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> <ol style="list-style-type: none"> <li>Cash and deposits in trust</li> <li>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</li> <li>Lease and guarantee deposits received in trust</li> </ol>								

(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)

6th fiscal period (as of Feb. 28, 2022)	7th fiscal period (as of Aug. 31, 2022)
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)

	6th fiscal period From: Sep. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
A. Operating revenue from real estate rent business		
Rent business revenue		
Rental revenue	2,479,240	2,381,126
Common area maintenance revenue	136,576	135,432
Total rent business revenue	2,615,817	2,516,558
Other rent business revenue		
Utilities reimbursement	119,960	121,659
Parking revenue	34,789	33,939
Termination penalties	13	346,974
Other rental revenue	7,533	8,919
Total other rent business revenue	162,297	511,493
Total operating revenue from real estate rent business	2,778,114	3,028,051
B. Operating expenses from real estate rent business		
Expenses related to rent business		
Outsourcing expenses	224,074	202,506
Utilities expenses	162,294	184,674
Property taxes	220,379	303,718
Land rent	1,818	1,818
Repair expenses	36,069	55,230
Insurance premium	6,044	5,749
Trust fee	3,871	3,787
Depreciation	306,997	309,823
Other expenses related to rent business	10,992	9,616
Total expenses related to rent business	972,543	1,076,927
Total operating expenses from real estate rent business	972,543	1,076,927
C. Operating income (loss) from real estate rent business [A-B]	1,805,571	1,951,124



[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)

	6th fiscal period From: Sep. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
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)

	6th fiscal period From: Sep. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
Cash and deposits	4,512,675	5,575,535
Cash and deposits in trust	3,729,623	3,303,184
Cash and cash equivalents	8,242,298	8,878,719

(Notes on Lease Transactions)

Operating lease transactions (as lessor)

Future minimum lease payments

(Unit: thousand yen)

	6th fiscal period (as of Feb. 28, 2022)	7th fiscal period (as of Aug. 31, 2022)
Due within 1 year	2,859,110	2,645,767
Due after 1 year	14,772,633	13,446,087
Total	17,631,744	16,091,854

(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, as well as implementation decided by taking into account the LTV ratio, dilution of existing unitholders' rights and accompanying decline in transaction price of investment units, etc. and in light of the financial environment.

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

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

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

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

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

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

The following are the carrying amount and fair value as of February 28, 2022, and the amount of difference between these. Notes on "cash and deposits," "cash and deposits in trust" and "short-term loans" are omitted as the fair value approximates the carrying amount because they are cash or settled in a short period. Furthermore, "lease and guarantee deposits received" and "lease and guarantee deposits received in trust" are omitted because the amounts are immaterial.

(Unit: thousand yen)

	Carrying amount	Fair value	Amount of difference
(1) Long-term loans due within one year	11,500,000	11,504,603	4,603
(2) Long-term loans	38,700,000	38,654,400	(45,599)
Total liabilities	50,200,000	50,159,003	(40,996)

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)

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

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

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

(Note 2) Amount of repayment of loans scheduled to be due after the end of the fiscal period (February 28, 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
Short-term loans	400,000	-	-	-	-	-
Long-term loans due within one year	11,500,000	-	-	-	-	-
Long-term loans	-	9,600,000	7,600,000	11,000,000	10,500,000	-
Total	11,900,000	9,600,000	7,600,000	11,000,000	10,500,000	-

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

(Notes on Securities)

6th fiscal period (as of February 28, 2022)

Not applicable.

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

Not applicable.

(Notes on Derivative Transactions)

6th fiscal period (as of February 28, 2022)

Not applicable.

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

Not applicable.

(Notes on Retirement Benefits)

6th fiscal period (as of February 28, 2022)

Not applicable.

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

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)

	6th fiscal period (as of Feb. 28, 2022)	7th fiscal period (as of Aug. 31, 2022)
Deferred tax assets		
Non-deductible accrued enterprise tax	10	15
Total	10	15
Deferred tax assets, net	10	15

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

(Unit: %)

	6th fiscal period (as of Feb. 28, 2022)	7th fiscal period (as of Aug. 31, 2022)
Statutory tax rate	31.46	31.46
[Adjustments]		
Deductible distribution payable	(31.44)	(31.44)
Other	0.04	0.04
Effective income tax rate after application of tax-effect accounting	0.06	0.06

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

6th fiscal period (from September 1, 2021, to February 28, 2022)

Not applicable.

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

Not applicable.

(Notes on Related-Party Transactions)

1. Parent company, major corporate unitholder, etc.

6th fiscal period (from September 1, 2021, to February 28, 2022)

Not applicable.

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

Not applicable.

2. Affiliated company, etc.

6th fiscal period (from September 1, 2021, to February 28, 2022)

Not applicable.

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

Not applicable.

3. Fellow subsidiary, etc.

6th fiscal period (from September 1, 2021, to February 28, 2022)

Not applicable.

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

Not applicable.

4. Director, major individual unitholder, etc.

6th fiscal period (from September 1, 2021, to February 28, 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)	461,809 (Note 4)	Accounts payable - other	231,890

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

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

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

(Note 4) Asset management fee includes the portion of the fee for property acquisition included in the book value of individual real estate, etc. (251,000 thousand yen).

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

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.

(Notes on Asset Retirement Obligations)

6th fiscal period (from September 1, 2021, to February 28, 2022)

Not applicable.

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

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)

	6th fiscal period From: Sep. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
Carrying amount		
Balance at beginning of period	72,149,470	97,570,230
Amount of change during period	25,420,759	(226,804)
Balance at end of period	97,570,230	97,343,425
Fair value at end of period	105,713,000	104,937,000

(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 new property acquisition of 2 properties and additional acquisition of 2 properties (total of 4 properties: 25,653,909 thousand yen <including expenses incidental to the acquisition>), while the amount of decrease is mainly attributable to depreciation (306,997 thousand yen). The amount of increase in the fiscal period under review is mainly attributable to capital expenditures (83,067 thousand yen), while the amount of decrease is mainly attributable to depreciation (309,823 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

6th fiscal period (from September 1, 2021, to February 28, 2022)

(Unit: thousand yen)

	Revenue from contracts with customers (Note)	Sales to external customers
Sale of real estate, etc.	-	-
Utilities reimbursement	119,960	119,960
Other	-	2,658,154
Total	119,960	2,778,114

(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.

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.

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

6th fiscal period (from September 1, 2021, to February 28, 2022)

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

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

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)

	6th fiscal period From: Sep. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
Receivables from contracts with customers (Balance at beginning of period)	22,574	26,182
Receivables from contracts with customers (Balance at end of period)	26,182	30,002
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

6th fiscal period (from September 1, 2021, to February 28, 2022)

Revenue is recognized for utilities reimbursement at 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.

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

Revenue is recognized for utilities reimbursement at 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

6th fiscal period (from September 1, 2021, to February 28, 2022)

(1) Information by product and service

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

(2) Information by geographic area

i. Operating revenue

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

ii. Property, plant and equipment

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

## (3) Information by major customer

(Unit: thousand yen)

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

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

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

## (1) Information by product and service

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

## (2) Information by geographic area

## i. Operating revenue

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

## ii. Property, plant and equipment

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

## (3) Information by major customer

(Unit: thousand yen)

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

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

## [Notes on Per Unit Information]

	6th fiscal period From: Sep. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
Net assets per unit	108,814 yen	108,993 yen
Net income per unit	2,983 yen	3,158 yen

(Note 1) Net income per unit is calculated by dividing net income by the period's daily weighted average number of investment units (fiscal period ended February 2022: 466,286 units; fiscal period ended August 2022: 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:

	6th fiscal period From: Sep. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022
Net income (thousand yen)	1,391,360	1,475,197
Amount not available to common unitholders (thousand yen)	-	-
Net income attributable to common investment units (thousand yen)	1,391,360	1,475,197
Average number of investment units during period (units)	466,286	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	179,269	2,708	—	181,978	22,182	3,333	159,795	(Note)
	Structures	544	—	—	544	53	13	490	
	Land	2,457,766	—	—	2,457,766	—	—	2,457,766	
	Buildings in trust	18,708,509	60,706	45	18,769,170	1,592,660	300,922	17,176,510	(Note)
	Structures in trust	71,171	—	—	71,171	3,517	1,041	67,654	
	Machinery and equipment in trust	11,302	—	—	11,302	1,698	567	9,603	
	Tools, furniture and fixtures in trust	29,876	19,651	3	49,525	11,769	3,946	37,756	(Note)
	Land in trust	77,433,848	—	—	77,433,848	—	—	77,433,848	
	Construction in progress in trust	32,673	24,049	—	56,722	—	—	56,722	(Note)
	Subtotal	98,924,962	107,116	48	99,032,030	1,631,881	309,823	97,400,148	
Intangible assets	Software	9,400	—	—	9,400	6,446	940	2,953	
	Subtotal	9,400	—	—	9,400	6,446	940	2,953	
Total		98,934,362	107,116	48	99,041,430	1,638,328	310,763	97,403,101	

(Note) The increase during period is mainly due to capital expenditures (83,067 thousand yen in total).

4) Schedule of Other Specified Assets

Not applicable.

5) Schedule of Investment Corporation Bonds

Not applicable.



## 6) Schedule of Loans

Category	Lender	Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (Note 1)	Maturity date (Note 2)	Use of funds	Remarks
Short-term loans	Mizuho Bank, Ltd.	260,000	-	260,000	-	0.23191% (floating interest rate)	Aug. 31, 2022	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	140,000	-	140,000	-				
	Subtotal	400,000	-	400,000	-				
Long-term loans	Mizuho Bank, Ltd.	1,574,000	-	1,574,000	-	0.36969% (fixed interest rate)	Mar. 12, 2022	(Note 3)	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	-				
	Shinsei Bank, Limited	439,000	-	439,000	-				
	Resona Bank, Limited	439,000	-	439,000	-				
	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				
	Shinsei Bank, Limited	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				
	Shinsei Bank, Limited	294,000	-	-	294,000				
	Resona Bank, Limited	294,000	-	-	294,000				
	Mizuho Bank, Ltd.	2,250,000	-	-	2,250,000	0.26711% (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				
	Shinsei Bank, Limited	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				
	Shinsei Bank, Limited	490,000	-	-	490,000				
	Resona Bank, Limited	490,000	-	-	490,000				

Category	Lender	Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (Note 1)	Maturity date (Note 2)	Use of funds	Remarks
Long-term loans	Mizuho Bank, Ltd.	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				
	Shinsei Bank, Limited	358,000	-	-	358,000				
	Resona Bank, Limited	358,000	-	-	358,000				
	Mizuho Bank, Ltd.	1,331,000	-	-	1,331,000	0.36978% (fixed interest rate)	Mar. 12, 2025	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	929,000	-	-	929,000				
	Development Bank of Japan Inc.	796,000	-	-	796,000				
	Mizuho Trust & Banking Co., Ltd.	509,000	-	-	509,000				
	Sumitomo Mitsui Trust Bank, Limited	465,000	-	-	465,000				
	Shinsei Bank, Limited	385,000	-	-	385,000				
	Resona Bank, Limited	385,000	-	-	385,000				
	Mizuho Bank, Ltd.	1,550,000	-	-	1,550,000	0.29655% (fixed interest rate)	Sep. 2, 2025	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000				
	Development Bank of Japan Inc.	700,000	-	-	700,000				
	Mizuho Trust & Banking Co., Ltd.	600,000	-	-	600,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000				
	Shinsei Bank, Limited	500,000	-	-	500,000				
	Resona Bank, Limited	400,000	-	-	400,000				
	THE NISHI-NIPPON CITY BANK, LTD.	500,000	-	-	500,000				
	Kansai Mirai Bank, Limited	300,000	-	-	300,000				
	The Chiba Bank, Ltd.	150,000	-	-	150,000				
	Mizuho Bank, Ltd.	750,000	-	-	750,000	0.35542% (fixed interest rate)	Sep. 2, 2026	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	700,000	-	-	700,000				
	Development Bank of Japan Inc.	700,000	-	-	700,000				
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000				
	Shinsei Bank, Limited	500,000	-	-	500,000				
	Resona Bank, Limited	400,000	-	-	400,000				
	Aozora Bank, Ltd.	1,500,000	-	-	1,500,000				
	THE NISHI-NIPPON CITY BANK, LTD.	500,000	-	-	500,000				
	Kansai Mirai Bank, Limited	300,000	-	-	300,000				
	The Chiba Bank, Ltd.	150,000	-	-	150,000				

Category	Lender	Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (Note 1)	Maturity date (Note 2)	Use of funds	Remarks
Long-term loans	Mizuho Bank, Ltd.	1,100,000	-	-	1,100,000	0.38044% (fixed interest rate)	Apr. 1, 2026	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000				
	Development Bank of Japan Inc.	700,000	-	-	700,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000				
	Shinsei Bank, Limited	300,000	-	-	300,000				
	Resona Bank, Limited	200,000	-	-	200,000				
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	-	1,574,000	-	1,574,000	0.77500% (fixed interest rate)	Mar. 14, 2028	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	-	1,084,000	-	1,084,000				
	Development Bank of Japan Inc.	-	929,000	-	929,000				
	Mizuho Trust & Banking Co., Ltd.	-	593,000	-	593,000				
	Sumitomo Mitsui Trust Bank, Limited	-	542,000	-	542,000				
	Shinsei Bank, Limited	-	439,000	-	439,000				
	Resona Bank, Limited	-	439,000	-	439,000				
	Subtotal	50,200,000	5,600,000	5,600,000	50,200,000				
Total		50,600,000	5,600,000	6,000,000	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.

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

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

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

(Unit: thousand yen)

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