

(REIT) Financial Report for the Fiscal Period Ended February 2024

April 15, 2024

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

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

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Scheduled date of submission of semiannual securities report: May 29, 2024
Scheduled date of commencement of distribution payment: May 24, 2024

Preparation of supplementary financial results briefing materials: Yes
Holding of financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Status of Management and Assets for the Fiscal Period Ended February 2024 (from September 1, 2023 to February 29, 2024)

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

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal period ended Feb. 2024	7,778	182.7	1,229	(7.8)	1,038	(8.2)	1,037	(8.2)
ended Aug. 2023	2,751	(4.9)	1,334	7.3	1,130	4.9	1,129	4.9

	Net income per unit	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	yen	%	%	%
Fiscal period ended Feb. 2024	2,220	2.1	1.0	13.3
ended Aug. 2023	2,418	2.2	1.0	41.1

(Note) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units (fiscal period ended August 2023: 467,099 units; fiscal period ended February 2024: 467,099 units).

(2) Distribution

	Distribution per unit (excluding distribution in excess of earnings)	Total distribution (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Total distribution in excess of earnings	Payout ratio	Ratio of distribution to net assets
	yen	million yen	yen	million yen	%	%
Fiscal period ended Feb. 2024	2,221	1,037	-	-	100.0	2.1
ended Aug. 2023	2,418	1,129	-	-	100.0	2.2

(3) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
Fiscal period ended Feb. 2024	104,802	50,473	48.2	108,056
ended Aug. 2023	112,235	50,565	45.1	108,253

(4) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal period ended Feb. 2024	34,382	(17,774)	(7,930)	17,014
ended Aug. 2023	1,583	(7,275)	5,722	8,337

2. Operating Forecasts for the Fiscal Period Ending August 2024 (from March 1, 2024 to August 31, 2024) and Operating Forecasts for the Fiscal Period Ending February 2025 (from September 1, 2024 to February 28, 2025)

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

	Operating revenue		Operating income		Ordinary income		Net income		Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
Fiscal period ending Aug. 2024	2,404	(69.1)	1,234	0.4	1,032	(0.6)	1,031	(0.6)	2,208	-
ending Feb. 2025	2,442	1.6	1,252	1.5	1,036	0.4	1,035	0.4	2,217	-

(Reference) Forecast net income per unit (Forecast net income / Forecast total number of investment units issued and outstanding at end of period)

Fiscal period ending August 2024: 2,208 yen Fiscal period ending February 2025: 2,217 yen

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

* Other

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

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

(2) Total number of investment units issued and outstanding

i. Total number of investment units issued and outstanding (including treasury investment units) at end of period	Fiscal period ended Feb. 2024	467,099 units	Fiscal period ended Aug. 2023	467,099 units
ii. Number of treasury investment units at end of period	Fiscal period ended Feb. 2024	0 units	Fiscal period ended Aug. 2023	0 units

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

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

* Special remarks

The operating forecasts and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by SANKEI REAL ESTATE. Accordingly, the actual results of operations, etc. may differ materially due to various factors. In addition, the forecasts are not a guarantee of the amount of distribution. For the assumptions underlying the operating forecasts, matters of note in the use of the operating forecasts, etc., please refer to "Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending August 2024 (from March 1, 2024, to August 31, 2024) and Fiscal Period Ending February 2025 (from September 1, 2024, to February 28, 2025)" on page 6.

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1. Management Status

(1) Management Status

(Overview of the Fiscal Period under Review)

i. Brief History of the Investment Corporation

SANKEI REAL ESTATE was incorporated under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter, the “Investment 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. on March 12, 2019 (TSE code: 2972).

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

As of the last day of the fiscal period under review (February 29, 2024), the total number of investment units issued and outstanding was 467,099 units and unitholders’ capital (net) was 49,435 million yen.

ii. Management Environment

In the fiscal period under review (fiscal period ended February 29, 2024), although the Japanese economy continued to experience high prices due to the soaring global prices of resources, energy, and raw materials, as well as the depreciation of the yen due to the difference in interest rates between Japan and the United States, the effects of these factors have been gradually subsiding. At the same time, the employment situation has been improving, and consumption trends are also on a path to recovery. As a result of these changes in economic conditions, the accommodative monetary policy that had been in place for many years was overhauled, and in addition to the lifting of negative interest rates, yield curve control was also removed, making a step toward monetary normalization. In response to these environmental changes, the Nikkei Stock Average has reached a new all-time high in the domestic financial instruments market, while the TSE REIT index has shown a soft trend. The situation overseas is unpredictable, such as the situation in Ukraine and the Middle East, and the slowing trend of the Chinese economy. In addition, price trends and employment conditions in the United States, which had been showing stable trend for a time from the economic and financial side, are still unsettled, and therefore, the situation requires continued attention.

In this economic environment, the large-scale supply of new office buildings in the Tokyo metropolitan area last year in the office building market, which is the main investment target of SANKEI REAL ESTATE, has been steadily clearing, and the vacancy rate has been improving in some regions, in combination with the gradual increase in the number of re-locations for expansion and the increase in floor space within the facility due to the return to offices. However, such movements are limited, as there are regional differences, and due to concerns about potential secondary vacancies brought about by large amounts of new supply, the level of contracted rents has not improved.

Among the core asset group (Note), SANKEI REAL ESTATE is currently investing in the hotel market and the logistics market. In the hotel market, the total number of guests and the occupancy rate of guest rooms according to the government office survey on lodging and travel have remained strong, partly exceeding the pre-COVID-19 levels, against the backdrop of a rapid recovery in inbound demand. As for the logistics market, it is necessary to pay close attention to the so-called 2024 problem, which requires various measures due to the introduction of overtime work hour regulations for driving workers, etc., but the logistics market continues to expand, as an increasing number of businesses are expanding their supply networks in response to this problem.

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

iii. Management Performance

SANKEI REAL ESTATE started to review its portfolio in March 2023, and has implemented a large-scale portfolio rebalance following some changes to the Asset Management Company’s management guidelines in October 2023. We transferred Shinagawa Seaside TS Tower in order to respond to anticipated structural changes in demand for office buildings and to mitigate and eliminate the risk of a decline in revenues, and also transferred BREEZÉ TOWER, which has sufficient unrealized gains but is expected to see higher maintenance costs in the future (transfer price (Note 1): a total of 34,095 million yen). Using this as a source of capital, we acquired three hotel properties (Hotel Intergate Kyoto Shijo Shinmachi, Hotel Intergate Kanazawa and Grids Premium Hotel Osaka Namba) for a total acquisition price (Note 1) of 16,850 million yen. As a result of these measures, the portfolio of SANKEI REAL ESTATE as of the end of the current fiscal period is 16 properties and the size of assets (total acquisition price) is 86,077 million yen.

As of the end of the current fiscal period, we are still in the process of rebalancing our portfolio to convert to a comprehensive REIT. As for the management performance at the end of the fiscal period, the occupancy rate (Note 2) was 96.3%, and operating revenue was 7,778 million yen, an increase of 182.7% from the previous fiscal period, reflecting a gain on sale of real estate, etc. The appraisal value as of the last day of the fiscal period under review was 90,280 million yen.

In addition, SANKEI REAL ESTATE decided to acquire “VESSEL HOTEL CAMPANA SUSUKINO” (40% co-ownership interest) and “S-GATE NIHONBASHI-HONCHO” (additional acquisition of 49% co-ownership interest) at a total acquisition price of 10,370 million yen on February 29, 2024, and acquired them on March 1, 2024 and April 1, 2024, respectively.

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

With the acquisition of three new properties during the period, the number of hotels owned by SANKEI REAL ESTATE is now five in total as of the end of the period. The two properties we already own (Hotel Intergate Tokyo Kyobashi and Hotel Intergate Hiroshima) contribute to the stability of our portfolio income by continuing to secure promised revenue even during the COVID-19 pandemic, based on the current contract for fixed rent. In addition, since all of the three newly acquired properties (Hotel Intergate Kyoto Shijo Shinmachi, Hotel Intergate Kanazawa and Grids Premium Hotel Osaka Namba) are located in high-profile tourist destinations and adopt both fixed and variable rents, they are expected to contribute to an increase in profitability depending on market conditions, such as a recovery in inbound tourism and increases in occupancy and the average unit price of guest rooms.

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

Further, SANKEI REAL ESTATE, along with the Asset Management Company, continued to implement management that carefully consider ESG, meaning the Environment, Social and Governance, for the purpose of sustainability of society and increasing the medium- to long-term unitholder value based on the “Sustainability Policy” in the Asset Management Company’s management guidelines during the fiscal period.

In December 2023, three of our properties (S-GATE NIHONBASHI-HONCHO, S-GATE AKIHABARA and S-GATE AKASAKA) were evaluated by the Building-Housing Energy-efficiency Labeling System (BELS). As a result, SANKEI REAL ESTATE has acquired environmental certification for a total of nine assets under management (four properties certified by DBJ Green Building and five properties rated by BELS). And, as an investment corporation, we have received 2 stars and a Green Star in the GRESB Real Estate Rating.

(Note 1) “Acquisition price” and “transfer price” indicate the purchase price of real estate and trust beneficiary rights stated in each purchase and sale agreement pertaining to the assets held by SANKEI REAL ESTATE (real estate or trust beneficiary rights in real estate as trust assets; hereinafter collectively referred to as “Assets under Management”), rounded down to the nearest one million yen. The purchase price does not include consumption tax, local consumption tax, and various expenses required for acquisition or transfer. The same shall apply hereinafter.

(Note 2) “Occupancy rate” is the ratio of total leased area to total leasable area, rounded to one decimal place. The total leasable area and the total leased area are calculated from the area equivalent to the equity interest of SANKEI REAL ESTATE in each asset under management.

iv. Overview of Fund Procurement

During the fiscal period under review, we made a partial early repayment of short-term borrowings on September 29, 2023, using the partial transfer of properties carried out on August 31, 2023, as the source of repayment, and made an early repayment of short-term borrowings on February 29, 2024, using the transfer of two properties carried out on January 31, 2024, as the source of repayment.

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

v. Overview of Business Performance and Distribution

As a result of the management described above, business performance in the fiscal period under review was operating revenue of 7,778 million yen, operating income of 1,229 million yen, ordinary income of 1,038 million yen, and net income of 1,037 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 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 1,037,426,879 yen, which is the entire amount of unappropriated retained earnings, excluding fractions of distribution per unit of less than 1 yen. This resulted in distribution per unit of 2,221 yen.

(Outlook for the Next Fiscal Period)

i. General Management Outlook

The imbalances in supply and demand and the economic recovery overseas have led to rapid price increases in goods and services, and the U.S. and Europe have been quick to tighten monetary policy. As a result, the domestic economy has been plagued by cost-push inflation, but the effects are now starting to ease.

However, the U.S. market, which had started to show stable trend for a while, has turned to a situation where the direction is uncertain again. Although domestic monetary policy has also taken steps towards normalization, there has been some indication that it is not yet ready to engage in a full-scale rate hike, while long-term interest rates are gradually rising.

In this situation where the international direction is uncertain, domestic real estate sales transactions, which can be done at relatively low costs, are booming. But the management environment is starting to look tough, with expected yields on the decline.

Last year’s office building market showed signs of recovery, triggered by the removal of movement restrictions associated with reclassifying COVID-19 to a Category 5 disease. There have been concerns about an oversupply of large new buildings as a so-called “2023 problem.” However, due to the trend of tenants returning to offices and demand for improvements

in the office environment resulting from work style reforms, such large new buildings have made relatively good progress in attracting tenants. On the other hand, in existing buildings, we are seeing large-scale returns of floors due to office reorganization, and cases are beginning to emerge where it is difficult to backfill secondary vacancies.

In 2024, a relatively stable supply-demand relationship is expected without a large new supply, and if the secondary vacancy clearing proceeds smoothly, the rent for contracts due to tenant competition is expected to rise. However, in the next year, 2025, a large supply is expected again, and the supply-demand trend needs to be monitored closely.

As for the hotel market, the number of foreign visitors to Japan has increased rapidly since October of the previous year. In November of last year, the number of visitors to Japan for tourism purposes and the total number of visitors to Japan exceeded the same month of 2019 (provisional figures). Although some countries and regions, such as China, have yet to see the number of visitors to Japan recover, the businesses are returning to their pre-coronavirus boom. The business environment is expected to continue to be favorable for the two hotel properties that SANKEI REAL ESTATE has owned so far, and stable revenues based on fixed rents are expected. For the three newly acquired properties, revenues are expected to improve in accordance with market conditions by using both fixed and variable rents.

For the logistics market, further revitalization is expected, supported by the expansion of the e-commerce market and solid demand, and stable growth is expected to continue, as efforts are being made to expand the distribution network in response to the 2024 problem related to labor issues in the logistics market. The facilities owned by SANKEI REAL ESTATE have fixed rent based on fixed-term building lease agreements with tenants, and stable revenues are expected.

(A) External Growth Strategy

As a result of the partial change in the management guidelines of the Asset Management Company implemented in October 2023, SANKEI REAL ESTATE shifted from an office building-oriented REIT to a comprehensive REIT. And by reorganizing sub-assets that had previously served complementary roles into the core asset group, it decided to aim for sustainable growth through these assets as well.

Based on the change in investment policy, the portfolio rebalancing implemented during the fiscal period changed the investment ratio by asset type from 82.3% for office buildings and 17.7% for sub-assets in the fiscal period ended August 2023 to 59.3% for office buildings and 40.7% for the core asset group. Aiming to become a REIT that can achieve sustainable growth, we will strive to maintain our portfolio and improve portfolio quality through continuous rebalancing in order to further strengthen our portfolio.

In addition, at the end of the fiscal period, SANKEI REAL ESTATE, with the support of its sponsor, concluded a contract to acquire a third-party property for the first time. With regard to the acquisition of properties in the future, SANKEI REAL ESTATE will make maximum use of the sponsor support while carefully monitoring real estate investment market conditions, etc., and will continue external growth by acquiring properties owned by third parties utilizing the sourcing capabilities of Sankei Building as well as Sankei Building's portfolio.

(B) Internal Growth Strategy

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

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

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

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

(C) Financial Strategy

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

In addition, to secure financial soundness, the basic policy shall be to set the upper limit for the LTV at 60% in principle (however, the LTV may temporarily exceed the upper limit for the purpose of new asset acquisition, etc.). As a rule, SANKEI REAL ESTATE will maintain an approximate range of 40% to 50% during normal operations.

(a) Equity Financing

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

(b) Debt Financing

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

ii. Significant Subsequent Events

Not applicable.

(Reference Information)

Acquisition of Assets

SANKEI REAL ESTATE decided to acquire real estate trust beneficiary rights on February 29, 2024, as described below, and acquired them on April 1, 2024 and March 1, 2024, respectively.

Asset type	Property number	Property name	Location	Acquisition asset	Acquisition price (million yen) (Note 1)	Seller	Acquisition date
Office buildings	A-3	S-GATE NIHONBASHI-HONCHO (additional acquisition)	Chuo-ku, Tokyo	Real estate trust beneficiary right	7,450 (Note 2)	Not disclosed (Note 3)	April 1, 2024
Core asset group	B-7	VESSEL HOTEL CAMPANA SUSUKINO	Chuo-ku, Sapporo-shi	Real estate trust beneficiary right	2,920 (Note 2)	The Sankei Building Co., Ltd.	March 1, 2024
Total (2 properties)			-	-	10,370	-	-

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

(Note 2) The acquisition price for S-GATE NIHONBASHI-HONCHO is the figure equivalent to the (49%)* co-ownership interest additionally acquired by SANKEI REAL ESTATE. The acquisition price of VESSEL HOTEL CAMPANA SUSUKINO is the figure equivalent to the co-ownership interest (40%) acquired by SANKEI REAL ESTATE.

* Regarding S-GATE NIHONBASHI-HONCHO, SANKEI REAL ESTATE acquired 51% of the co-ownership interest in March 2019, and acquired an additional 49% co-ownership interest after converting it into a trust beneficiary right. Therefore, as of the date of this document, SANKEI REAL ESTATE holds all of the trust beneficiary rights pertaining to S-GATE NIHONBASHI-HONCHO.

(Note 3) The information has not been disclosed due to unavoidable circumstances, as consent for disclosure has not been obtained from the Seller.

iii. Operating Forecasts

SANKEI REAL ESTATE's operating forecasts for the fiscal period ending August 2024 (from March 1, 2024, to August 31, 2024) and the fiscal period ending February 2025 (from September 1, 2024, to February 28, 2025) are as follows:

	Operating revenue	Operating income	Ordinary income	Net income	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
	million yen	million yen	million yen	million yen	yen	yen
Fiscal period ending Aug. 2024	2,404	1,234	1,032	1,031	2,208	-
Fiscal period ending Feb. 2025	2,442	1,252	1,036	1,035	2,217	-

Furthermore, for the assumptions underlying the operating forecasts, please refer to "Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending August 2024 (from March 1, 2024, to August 31, 2024) and Fiscal Period Ending February 2025 (from September 1, 2024, to February 28, 2025)" presented below.

(Note) The forecast figures above are the current forecasts calculated under certain assumptions. Accordingly, the actual operating revenue, operating income, ordinary income, net income, distribution per unit, and distribution in excess of earnings per unit may vary due to changes in the circumstances. In addition, the forecasts are not a guarantee of the amount of distribution.

Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending August 2024 (from March 1, 2024, to August 31, 2024) and the Fiscal Period Ending February 2025 (from September 1, 2024, to February 28, 2025)

Item	Assumptions																														
Accounting period	<ul style="list-style-type: none"> Fiscal period ending August 2024 (11th fiscal period) (from March 1, 2024, to August 31, 2024) (184 days) Fiscal period ending February 2025 (12th fiscal period) (from September 1, 2024, to February 28, 2025) (181 days) 																														
Assets under management	<ul style="list-style-type: none"> The assumption for the real estate and real estate trust beneficiary rights (16 properties in total) held by SANKEI REAL ESTATE as of the date of this document (hereinafter, the “existing assets under management”) is that there will be no change through to the end of the fiscal period ending February 2025. In addition to the above, there is a possibility of changes due to the acquisition of other properties or disposition of owned properties. 																														
Operating revenue	<ul style="list-style-type: none"> Rent business revenue of the Existing Assets under Management is calculated by taking into account various factors, such as lease agreements that have been concluded and are valid during the calculation period of the Assumptions, tenant trends and market trends. The assumption is that there will be no delinquent or unpaid rent by tenants. 																														
Operating expenses	<ul style="list-style-type: none"> The principal items of operating expenses are as follows. <table border="1" style="margin-left: 40px;"> <thead> <tr> <th colspan="3" style="text-align: right;">(Unit: million yen)</th> </tr> <tr> <th></th> <th>Fiscal period ending Aug. 2024</th> <th>Fiscal period ending Feb. 2025</th> </tr> </thead> <tbody> <tr> <td>Total expenses related to rent business</td> <td style="text-align: right;">847</td> <td style="text-align: right;">862</td> </tr> <tr> <td> Outsourcing expenses</td> <td style="text-align: right;">121</td> <td style="text-align: right;">125</td> </tr> <tr> <td> Utilities expenses</td> <td style="text-align: right;">107</td> <td style="text-align: right;">103</td> </tr> <tr> <td> Repair expenses</td> <td style="text-align: right;">37</td> <td style="text-align: right;">50</td> </tr> <tr> <td> Property taxes</td> <td style="text-align: right;">248</td> <td style="text-align: right;">246</td> </tr> <tr> <td> Depreciation</td> <td style="text-align: right;">307</td> <td style="text-align: right;">314</td> </tr> <tr> <td>Other expenses related to rent business [Total]</td> <td style="text-align: right;">322</td> <td style="text-align: right;">327</td> </tr> <tr> <td> Asset management fee</td> <td style="text-align: right;">247</td> <td style="text-align: right;">248</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Of expenses related to the rent business, which are the main operating expenses, expenses other than depreciation are calculated on the basis of historical data and by taking into consideration the factors causing fluctuation in each of the expenses. Depreciation is calculated using the straight-line method. In general, non-current asset tax, city planning tax, etc. are calculated on a pro rata basis and reimbursed at the time of property acquisition with the previous owner upon transactions of real estate, etc. At SANKEI REAL ESTATE, the amount equivalent to the reimbursement is included in the cost of acquisition and thus not expensed in the business period in which the property acquisition date falls in the case of the properties for which such reimbursement is made at the time of transaction. Non-current asset tax and city planning tax on assets acquired on February 1, 2024, will be recorded as expenses from the fiscal period ending August 2025. Repair expenses for buildings is the amount estimated based on medium- to long-term repair plans formulated by the Asset Management Company. However, repair expenses possibly increasing in amount or additionally arising from unforeseeable factors may result in repair expenses differing materially from the forecast amount. 	(Unit: million yen)				Fiscal period ending Aug. 2024	Fiscal period ending Feb. 2025	Total expenses related to rent business	847	862	Outsourcing expenses	121	125	Utilities expenses	107	103	Repair expenses	37	50	Property taxes	248	246	Depreciation	307	314	Other expenses related to rent business [Total]	322	327	Asset management fee	247	248
(Unit: million yen)																															
	Fiscal period ending Aug. 2024	Fiscal period ending Feb. 2025																													
Total expenses related to rent business	847	862																													
Outsourcing expenses	121	125																													
Utilities expenses	107	103																													
Repair expenses	37	50																													
Property taxes	248	246																													
Depreciation	307	314																													
Other expenses related to rent business [Total]	322	327																													
Asset management fee	247	248																													
Non-operating expenses	<ul style="list-style-type: none"> Interest expenses and other borrowing-related expenses are estimated at 194 million yen for the fiscal period ending August 2024 and 214 million yen for the fiscal period ending February 2025. Amortization of investment unit issuance expenses is assumed to be 6 million yen for the fiscal period ending August 2024. 																														
Interest-bearing liabilities	<ul style="list-style-type: none"> The assumption is that total interest-bearing liabilities will be 50,200 million yen at the end of the fiscal period ending August 2024 and 50,200 million yen at the end of the fiscal period ending February 2025. It is assumed that there will be no change in the outstanding amount of borrowings by the end of the fiscal period ending February 2025. LTV is expected to be 47.9% at the end of August 2024 and 47.9% at the end of February 2025. LTV is calculated by the following formula and rounded to one decimal place. $LTV = \text{Total interest-bearing liabilities} / \text{Total assets} \times 100$ 																														
Number of investment units issued and outstanding	<ul style="list-style-type: none"> The assumption is that the total number of investment units issued and outstanding as of the date of this document is 467,099 units and that there will be no change in the number of investment units due to issuance of new investment units, etc. until the end of the fiscal period ending February 2025. Distribution per unit (excluding distribution in excess of earnings) is calculated based on the expected total number of investment units issued and outstanding at the end of August 2024 and February 2025, which is 467,099 units. 																														

Item	Assumptions
Distribution per unit (excluding distribution in excess of earnings)	<ul style="list-style-type: none"> • Distribution per unit (excluding distribution in excess of earnings) is calculated based on the assumption that distribution of earnings will be in accordance with the policy on distribution of cash provided in SANKEI REAL ESTATE's articles of incorporation. • Distribution per unit (excluding distribution in excess of earnings) may vary due to various factors, such as fluctuations in rent business revenue accompanying a change in assets under management, change in tenants or other event, or incurrence of unexpected repairs.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • No cash distribution in excess of earnings is planned to be made at this point in time.
Other	<ul style="list-style-type: none"> • The assumption is that there will be no amendment of laws and regulations, tax systems, accounting standards, listing regulations provided by Tokyo Stock Exchange Inc., rules provided by The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. • The assumption is that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.

(2) Investment Risks

Disclosure is omitted, because there is no significant change from "Investment Risks" in the semiannual securities report (submitted on November 29, 2023).

2. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	9th fiscal period (as of Aug. 31, 2023)	10th fiscal period (as of Feb. 29, 2024)
Assets		
Current assets		
Cash and deposits	5,687,713	15,252,088
Cash and deposits in trust	2,649,835	1,762,519
Operating accounts receivable	62,645	953,754
Prepaid expenses	78,865	73,876
Consumption taxes receivable	166,963	-
Other	82	5,486
Total current assets	8,646,106	18,047,724
Non-current assets		
Property, plant and equipment		
Buildings	189,040	189,290
Accumulated depreciation	(29,088)	(32,666)
Buildings, net	159,952	156,623
Structures	544	544
Accumulated depreciation	(81)	(94)
Structures, net	463	449
Tools, furniture and fixtures	604	604
Accumulated depreciation	(40)	(100)
Tools, furniture and fixtures, net	564	504
Land	2,457,766	2,457,766
Buildings in trust	21,225,884	20,401,544
Accumulated depreciation	(2,169,707)	(1,483,517)
Buildings in trust, net	19,056,176	18,918,027
Structures in trust	105,457	111,450
Accumulated depreciation	(6,304)	(7,666)
Structures in trust, net	99,152	103,783
Machinery and equipment in trust	14,326	39,317
Accumulated depreciation	(3,008)	(3,821)
Machinery and equipment in trust, net	11,318	35,496
Tools, furniture and fixtures in trust	76,121	25,456
Accumulated depreciation	(21,723)	(8,277)
Tools, furniture and fixtures in trust, net	54,397	17,178
Land in trust	81,618,833	64,939,537
Construction in progress in trust	5,886	-
Total property, plant and equipment	103,464,511	86,629,368
Intangible assets		
Software	8,806	7,068
Total intangible assets	8,806	7,068
Investments and other assets		
Long-term prepaid expenses	94,326	102,677
Deferred tax assets	17	9
Leasehold and guarantee deposits	10,000	10,000
Total investments and other assets	104,343	112,687
Total non-current assets	103,577,662	86,749,123
Deferred assets		
Investment unit issuance costs	12,050	6,025
Total deferred assets	12,050	6,025
Total assets	112,235,819	104,802,873

(Unit: thousand yen)

	9th fiscal period (as of Aug. 31, 2023)	10th fiscal period (as of Feb. 29, 2024)
Liabilities		
Current liabilities		
Operating accounts payable	217,790	219,486
Short-term borrowings	6,800,000	-
Long-term loans due within one year	9,200,000	7,600,000
Accounts payable - other	295,160	492,122
Accrued expenses	56,973	52,901
Income taxes payable	957	795
Consumption taxes payable	-	182,108
Advances received	397,611	326,433
Deposits received	10,184	346
Total current liabilities	16,978,677	8,874,193
Non-current liabilities		
Long-term loans	41,000,000	42,600,000
Leasehold and guarantee deposits received	88,716	88,012
Leasehold and guarantee deposits received in trust	3,603,120	2,767,538
Total non-current liabilities	44,691,837	45,455,551
Total liabilities	61,670,515	54,329,745
Net assets		
Unitholders' equity		
Unitholders' capital	49,442,685	49,442,685
Deduction from unitholders' capital	(7,136)	(7,136)
Unitholders' capital (net)	49,435,549	49,435,549
Surplus		
Unappropriated retained earnings (undisposed loss)	1,129,754	1,037,578
Total surplus	1,129,754	1,037,578
Total unitholders' equity	50,565,304	50,473,128
Total net assets	*1 50,565,304	*1 50,473,128
Total liabilities and net assets	112,235,819	104,802,873

(2) Statement of Income and Retained Earnings

(Unit: thousand yen)

	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023	10th fiscal period From: Sept. 1, 2023 To: Feb. 29, 2024
Operating revenue		
Rent business revenue	*1 2,343,152	*1 2,214,154
Other rent business revenue	*1 243,748	*1 147,053
Gain on sale of real estate, etc.	*2 164,424	*2 5,417,202
Total operating revenue	2,751,326	7,778,411
Operating expenses		
Expenses related to rent business	*1 1,110,607	*1 1,141,048
Loss on sale of real estate, etc.	-	*3 5,060,134
Asset management fee	245,773	244,680
Asset custody fee	2,192	2,198
Administrative service fees	8,170	7,975
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	46,384	88,867
Total operating expenses	1,416,727	6,548,504
Operating income	1,334,598	1,229,906
Non-operating income		
Interest income	40	42
Reversal of distributions payable	639	545
Insurance claim income	-	462
Interest on tax refund	-	427
Other	9	9
Total non-operating income	689	1,487
Non-operating expenses		
Interest expenses	139,180	142,563
Borrowing-related expenses	57,511	41,557
Amortization of investment unit issuance expenses	6,024	6,024
Other	2,000	3,168
Total non-operating expenses	204,716	193,314
Ordinary income	1,130,571	1,038,079
Net income before income taxes	1,130,571	1,038,079
Income taxes - current	963	801
Income taxes - deferred	(4)	7
Total income taxes	958	809
Net income	1,129,612	1,037,269
Retained earnings brought forward	141	309
Unappropriated retained earnings (undisposed loss)	1,129,754	1,037,578

(3) Statement of Changes in Unitholders' Equity
9th fiscal period (from March 1, 2023 to August 31, 2023)

(Unit: thousand yen)

	Unitholders' equity						Total net assets
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital (net)	Surplus		Total unitholders' equity	
				Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	49,442,685	(7,136)	49,435,549	1,076,805	1,076,805	50,512,354	50,512,354
Changes in items during period							
Distributions from surplus				(1,076,663)	(1,076,663)	(1,076,663)	(1,076,663)
Net income				1,129,612	1,129,612	1,129,612	1,129,612
Total changes in items during period	-	-	-	52,949	52,949	52,949	52,949
Balance at end of period	*1 49,442,685	(7,136)	49,435,549	1,129,754	1,129,754	50,565,304	50,565,304

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

(Unit: thousand yen)

	Unitholders' equity						Total net assets
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital (net)	Surplus		Total unitholders' equity	
				Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	49,442,685	(7,136)	49,435,549	1,129,754	1,129,754	50,565,304	50,565,304
Changes in items during period							
Distributions from surplus				(1,129,445)	(1,129,445)	(1,129,445)	(1,129,445)
Net income				1,037,269	1,037,269	1,037,269	1,037,269
Total changes in items during period	-	-	-	(92,175)	(92,175)	(92,175)	(92,175)
Balance at end of period	*1 49,442,685	(7,136)	49,435,549	1,037,578	1,037,578	50,473,128	50,473,128

(4) Statement of Cash Distributions

(Unit: yen)

	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023	10th fiscal period From: Sept. 1, 2023 To: Feb. 29, 2024
I Unappropriated retained earnings	1,129,754,634	1,037,578,855
II Amount of distribution	1,129,445,382	1,037,426,879
[Amount of distribution per unit]	[2,418]	[2,221]
III Retained earnings carried forward	309,252	151,976

Method of calculation of amount of distribution	<p>In accordance with the policy on distribution specified in Article 36, Paragraph 1 of SANKEI REAL ESTATE's articles of incorporation, the amount of distribution shall be limited to the amount of net income in excess of the amount equivalent to 90% of distributable profit, as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on such policy, the decision was made to distribute 1,129,445,382 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (467,099 units) not in excess of unappropriated retained earnings, as distribution of earnings.</p> <p>The distribution in excess of earnings specified in Article 36, Paragraph 2 of SANKEI REAL ESTATE's articles of incorporation will not be made.</p>	<p>In accordance with the policy on distribution specified in Article 36, Paragraph 1 of SANKEI REAL ESTATE's articles of incorporation, the amount of distribution shall be limited to the amount of net income in excess of the amount equivalent to 90% of distributable profit, as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on such policy, the decision was made to distribute 1,037,426,879 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (467,099 units) not in excess of unappropriated retained earnings, as distribution of earnings.</p> <p>The distribution in excess of earnings specified in Article 36, Paragraph 2 of SANKEI REAL ESTATE's articles of incorporation will not be made.</p>
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(5) Statement of Cash Flows

(Unit: thousand yen)

	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023	10th fiscal period From: Sept. 1, 2023 To: Feb. 29, 2024
Cash flows from operating activities		
Net income before income taxes	1,130,571	1,038,079
Depreciation	322,112	317,312
Amortization of investment unit issuance expenses	6,024	6,024
Interest income	(40)	(42)
Interest expenses	139,180	142,563
Decrease (increase) in operating accounts receivable	1,832	(891,108)
Decrease (increase) in consumption taxes refund receivable	(166,963)	166,963
Decrease (increase) in prepaid expenses	(16,070)	4,989
Increase (decrease) in operating accounts payable	(83,458)	(33,749)
Increase (decrease) in accounts payable - other	8,101	12,737
Increase (decrease) in consumption taxes payable	(38,660)	182,108
Increase (decrease) in advances received	(52,153)	(71,177)
Increase (decrease) in deposits received	9,507	(9,837)
Decrease (increase) in long-term prepaid expenses	9,230	(8,351)
Decrease in property, plant and equipment in trust due to sale	447,918	33,678,715
Decrease (increase) in other assets	(82)	(5,404)
Subtotal	1,717,050	34,529,823
Interest received	40	42
Interest paid	(132,950)	(146,635)
Income taxes paid	(861)	(963)
Net cash provided by (used in) operating activities	1,583,278	34,382,266
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,125)	(249)
Purchase of property, plant and equipment in trust	(7,014,566)	(16,936,372)
Proceeds from leasehold and guarantee deposits received	5,231	1,301
Refund of leasehold and guarantee deposits received	(2,344)	(3,730)
Proceeds from leasehold and guarantee deposits received in trust	306,551	549,773
Refund of leasehold and guarantee deposits received in trust	(554,915)	(1,385,355)
Other	(8,000)	-
Net cash provided by (used in) investing activities	(7,275,168)	(17,774,632)
Cash flows from financing activities		
Proceeds from short-term loans	6,800,000	-
Repayment of short-term loans	-	(6,800,000)
Proceeds from long-term loans	3,700,000	5,900,000
Repayments of long-term loans	(3,700,000)	(5,900,000)
Distributions paid	(1,077,059)	(1,130,575)
Net cash provided by (used in) financing activities	5,722,940	(7,930,575)
Net increase (decrease) in cash and cash equivalents	31,050	8,677,058
Cash and cash equivalents at beginning of period	8,306,499	8,337,549
Cash and cash equivalents at end of period	*1 8,337,549	*1 17,014,608

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

(7) Notes on Matters Concerning Significant Accounting Policies

<p>1. Method of depreciation of non-current assets</p>	<p>(1) Property, plant and equipment (including trust assets) The straight-line method is adopted. Furthermore, the useful lives of major property, plant and equipment are as follows:</p> <table border="0" style="margin-left: 20px;"> <tr> <td>Buildings</td> <td style="text-align: right;">3–69 years</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">6–59 years</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">10–27 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: right;">3–10 years</td> </tr> </table> <p>(2) Intangible assets The straight-line method is adopted.</p> <p>(3) Long-term prepaid expenses The straight-line method is adopted.</p>	Buildings	3–69 years	Structures	6–59 years	Machinery and equipment	10–27 years	Tools, furniture and fixtures	3–10 years
Buildings	3–69 years								
Structures	6–59 years								
Machinery and equipment	10–27 years								
Tools, furniture and fixtures	3–10 years								
<p>2. Accounting for deferred assets</p>	<p>Investment unit issuance costs They are amortized by the straight-line method over 3 years.</p>								
<p>3. Standards for revenue and expense recognition</p>	<p>(1) Standards for revenue recognition The details of performance obligations concerning revenue from contracts with customers of SANKEI REAL ESTATE and the timing when the performance obligations are normally satisfied (the normal time to recognize revenue) are as follows.</p> <ul style="list-style-type: none"> i. 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. ii. Utilities reimbursement Revenue is recognized for utilities reimbursement according to the supply of electricity, water, etc. to tenants who are customers based on the terms of lease agreements for real estate and incidental agreements. For the utilities reimbursement for which SANKEI REAL ESTATE is deemed to be an agent, the net amount after deducting the amount to be paid to another party from the amount received from tenants as charges for electricity, gas, etc. provided by said party is recorded as revenue. <p>(2) Accounting for non-current asset tax, etc. For non-current asset tax, city planning tax, depreciable asset tax, etc. on real estate or trust beneficiary rights of real estate, the tax levied corresponding to the calculation period is recorded as expenses related to rent business. Furthermore, the amount equivalent to non-current asset tax, etc. in the initial fiscal period paid by SANKEI REAL ESTATE upon acquisition of real estate or trust beneficiary rights of real estate is included in the cost of acquisition of the real estate, etc. and not recognized as expenses. In the previous fiscal period, the amount equivalent to non-current asset taxes included in the acquisition cost of real estate, etc. was 22,327 thousand yen. During the fiscal period under review, the amount equivalent to non-current asset taxes included in the acquisition cost of real estate, etc. was nil.</p>								
<p>4. Scope of cash (cash and cash equivalents) in the statement of cash flows</p>	<p>Cash and cash equivalents in the statement of cash flows comprise cash on hand and cash in trust, demand deposits and deposits in trust, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.</p>								
<p>5. Other significant matters related to the basis for preparation of the financial statements</p>	<p>Accounting for trust beneficiary rights that have real estate, etc. as trust assets Concerning trust beneficiary rights that have real estate, etc. as trust assets held, all accounts of assets and liabilities within trust assets and all accounts of revenue and expenses from the trust assets are recognized in the relevant account item of the balance sheet and the statement of income and retained earnings. Furthermore, the following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet.</p> <ul style="list-style-type: none"> i. Cash and deposits in trust ii. Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust iii. Leasehold and guarantee deposits received in trust 								

(8) Notes to the Financial Statements

[Notes to the Balance Sheet]

*1. Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations

(Unit: thousand yen)

9th fiscal period (as of Aug. 31, 2023)	10th fiscal period (as of Feb. 29, 2024)
50,000	50,000

[Notes to the Statement of Income and Retained Earnings]

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

(Unit: thousand yen)

	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023	10th fiscal period From Sept. 1, 2023 To: Feb. 29, 2024
A. Operating revenue from real estate rent business		
Rent business revenue		
Rental revenue	2,224,844	2,117,288
Common area maintenance revenue	118,308	96,866
Total rent business revenue	2,343,152	2,214,154
Other rent business revenue		
Utilities reimbursement	113,684	98,319
Parking revenue	33,632	31,294
Termination penalties	85,520	-
Income from work to restore to the original state	420	7,500
Other rental revenue	10,491	9,940
Total other rent business revenue	243,748	147,053
Total operating revenue from real estate rent business	2,586,901	2,361,208
B. Operating expenses from real estate rent business		
Expenses related to rent business		
Outsourcing expenses	221,524	239,931
Utilities expenses	189,454	154,887
Property taxes	313,078	322,169
Land rent	1,818	1,590
Repair expenses	37,704	76,809
Insurance premium	7,097	6,987
Trust fee	4,090	4,924
Depreciation	320,905	315,574
Other expenses related to rent business	14,933	18,173
Total expenses related to rent business	1,110,607	1,141,048
Total operating expenses from real estate rent business	1,110,607	1,141,048
C. Operating income (loss) from real estate rent business [A-B]	1,476,293	1,220,160

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

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

(Unit: thousand yen)

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

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

(Unit: thousand yen)

BREEZÉ TOWER (43.45% quasi-co-ownership interest)

Revenue from sale of real estate, etc.	17,995,000
Cost of real estate, etc. sold	12,521,932
Other expenses related to sale	55,865
Gain on sale of real estate, etc.	5,417,202

*3. Breakdown of loss on sale of real estate, etc.

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

Not applicable.

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

(Unit: thousand yen)

Shinagawa Seaside TS Tower (50% quasi-co-ownership interest)

Revenue from sale of real estate, etc.	16,100,000
Cost of real estate, etc. sold	21,156,783
Other expenses related to sale	3,351
Loss on sale of real estate, etc.	5,060,134

[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)

	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023	10th fiscal period From: Sept. 1, 2023 To: Feb. 29, 2024
Total number of investment units authorized	10,000,000	10,000,000
Total number of investment units issued and outstanding	467,099	467,099

[Notes to the Statement of Cash Flows]

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

(Unit: thousand yen)

	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023	10th fiscal period From: Sept. 1, 2023 To: Feb. 29, 2024
Cash and deposits	5,687,713	15,252,088
Cash and deposits in trust	2,649,835	1,762,519
Cash and cash equivalents	8,337,549	17,014,608

[Notes on Lease Transactions]

Operating lease transactions (as lessor)

Future minimum lease payments

(Unit: thousand yen)

	9th fiscal period (as of Aug. 31, 2023)	10th fiscal period (as of Feb. 29, 2024)
Due within 1 year	3,143,165	2,470,177
Due after 1 year	15,588,904	16,679,094
Total	18,732,069	19,149,271

[Notes on Financial Instruments]

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

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

Upon borrowing from financial institutions, issuance of investment corporation bonds, etc., the fund procurement shall be in a manner that gives due consideration to the balance between agility in fund procurement and financial stability, characteristics of to-be-acquired real estate, etc. Specifically, the procurement means, ratio of long-term debt, ratio of fixed-rate debt, staggering of maturities, provision of collateral or not, etc. shall be considered. Upon borrowing, lenders

shall be limited to the qualified institutional investors provided in the Financial Instruments and Exchange Act (however, limited to the institutional investors provided in Article 67-15 of the Act on Special Measures Concerning Taxation). Issuance of new investment units shall be for the purpose of expansion of asset size and enhancement of profitability, and implementation decided by taking into account the LTV ratio, dilution of existing unitholders' rights and accompanying decline in transaction price of investment units, etc. and in light of the financial environment. Derivative transactions may be conducted for the purpose of hedging the risk of fluctuation in interest rates and other risks on SANKEI REAL ESTATE arising from the concerned liabilities. No derivative transactions were conducted in the fiscal period under review.

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

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

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

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

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

The following are the carrying amount and fair value as of August 31, 2023, and the amount of difference between these. The notes to "cash and deposits," "cash and deposits in trust" and "short-term borrowings" are omitted because their fair values approximate their book values because they are settled in cash and in a short period of time. Furthermore "Leasehold and guarantee deposits received" and "Leasehold and guarantee deposits received in trust" are omitted because the amounts are immaterial.

(Unit: thousand yen)

	Carrying amount	Fair value	Amount of difference
(1) Long-term loans due within one year	9,200,000	9,207,868	7,868
(2) Long-term loans	41,000,000	40,720,139	(279,860)
Total liabilities	50,200,000	49,928,008	(271,991)

The following are the carrying amount and fair value as of February 29, 2024, and the amount of difference between these. Notes on "cash and deposits" and "cash and deposits in trust" are omitted as the fair value approximates the carrying amount because they are cash or settled in a short period. Furthermore "Leasehold and guarantee deposits received" and "Leasehold and guarantee deposits received in trust" are omitted because the amounts are immaterial.

(Unit: thousand yen)

	Carrying amount	Fair value	Amount of difference
(1) Long-term loans due within one year	7,600,000	7,598,568	(1,431)
(2) Long-term loans	42,600,000	42,330,138	(269,861)
Total liabilities	50,200,000	49,928,707	(271,292)

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

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

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

(Note 2) Amount of repayment of loans scheduled to be due after the end of the fiscal period (August 31, 2023)

(Unit: thousand yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Long-term loans due within one year	9,200,000	-	-	-	-	-
Long-term loans	-	9,100,000	10,500,000	12,100,000	9,300,000	-
Total	9,200,000	9,100,000	10,500,000	12,100,000	9,300,000	-

Amount of repayment of loans scheduled to be due after the end of the fiscal period (February 29, 2024)

(Unit: thousand yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Long-term loans due within one year	7,600,000	-	-	-	-	-
Long-term loans	-	11,000,000	16,400,000	9,600,000	5,600,000	-
Total	7,600,000	11,000,000	16,400,000	9,600,000	5,600,000	-

[Notes on Securities]

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

Not applicable.

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

Not applicable.

[Notes on Derivative Transactions]

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

Not applicable.

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

Not applicable.

[Notes on Retirement Benefits]

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

Not applicable.

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

Not applicable.

[Notes on Tax-Effect Accounting]

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

(Unit: thousand yen)

	9th fiscal period (as of Aug. 31, 2023)	10th fiscal period (as of Feb. 29, 2024)
Deferred tax assets		
Non-deductible accrued enterprise tax	17	9
Total deferred tax assets	17	9
Deferred tax assets, net	17	9

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

(Unit: %)

	9th fiscal period (as of August 31, 2023)	10th fiscal period (as of February 29, 2024)
Statutory tax rate	31.46	31.46
[Adjustments]		
Deductible distribution payable	(31.43)	(31.44)
Other	0.05	0.06
Effective income tax rate after application of tax-effect accounting	0.08	0.08

[Notes on Equity Method Profit and Loss]

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

Not applicable.

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

Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.

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

Not applicable.

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

Not applicable.

2. Affiliated company, etc.
9th fiscal period (from March 1, 2023, to August 31, 2023)
Not applicable.

10th fiscal period (from September 1, 2023, to February 29, 2024)
Not applicable.

3. Fellow subsidiary, etc.
9th fiscal period (from March 1, 2023, to August 31, 2023)
Not applicable.

10th fiscal period (from September 1, 2023, to February 29, 2024)
Not applicable.

4. Director, major individual unitholder, etc.
9th fiscal period (from March 1, 2023 to August 31, 2023)

Attribute	Name of company, etc. or name of person	Location	Share capital or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) SANKEI REAL ESTATE (%)	Description of relationship		Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
						Concurrent holding of positions, etc. by directors	Business relationship				
Director	Yuichi Ota	-	-	Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.	-		Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.	Payment of asset management fee to Asset Management Company (Note 3)	318,393 (Note 4)	Accounts payable - other	277,170

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

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

(Note 3) The payment of asset management fees is for transactions conducted by Yuichi Ota as representative of Sankei Building Asset Management Co., Ltd., and the amount of the fees is subject to the terms and conditions provided in SANKEI REAL ESTATE's articles of incorporation.

(Note 4) Asset management fees include fees related to the acquisition and transfer of properties (72,620 thousand yen) that are entered into the book value of individual real estate, etc. or deducted from the transfer price.

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

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

Attribute	Name of company, etc. or name of person	Location	Share capital or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) SANKEI REAL ESTATE (%)	Description of relationship		Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
						Concurrent holding of positions, etc. by directors	Business relationship				
Director	Yuichi Ota	-	-	Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.	-		Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.	Payment of asset management fee to Asset Management Company (Note 3)	467,165 (Note 4)	Accounts payable - other	454,499

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

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

(Note 3) The payment of asset management fees is for transactions conducted by Yuichi Ota as representative of Sankei Building Asset Management Co., Ltd., and the amount of the fees is subject to the terms and conditions provided in SANKEI REAL ESTATE's articles of incorporation.

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

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

[Notes on Asset Retirement Obligations]

9th fiscal period (from March 1, 2023, to August 31, 2023)
Not applicable.

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

Not applicable.

[Notes on Investment and Rental Properties]

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

(Unit: thousand yen)

	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023	10th fiscal period From: Sept. 1, 2023 To: Feb. 29, 2024
Carrying amount		
Balance at beginning of period	97,259,835	103,458,625
Amount of change during period	6,198,790	(16,829,257)
Balance at end of period	103,458,625	86,629,368
Fair value at end of period	108,340,000	90,280,000

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

(Note 2) Of the amount of changes during the period, the main increase in the previous fiscal period was due to the acquisition of one new property and the acquisition of one additional property (two properties total: 6,748,166 thousand yen (including incidental expenses related to acquisition)), the main decrease was due to the partial transfer of one property (447,918 thousand yen), while the main increase in the current fiscal period was due to the acquisition of three new properties (three properties total: 17,053,244 thousand yen (including incidental expenses related to acquisition)), and the main decrease was due to the transfer of two properties (two properties total: 33,678,715 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

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

(Unit: thousand yen)

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

(Note 1) Rent business revenue, etc. subject to ASBJ Statement No. 13 "Accounting Standard for Lease Transactions" and the transfer of real estate, etc. subject to The Japanese Institute of Certified Public Accountants Accounting Committee Report No. 15 "Practical Guidelines on Accounting of Transferors for the Securitization of Real Estate Utilizing Special Purpose Companies" are not included in the above amounts because they are excluded from application of the Revenue Recognition Accounting Standard. The main revenues from contracts with customers are revenue from the sale of real estate, etc. and utilities reimbursement.

(Note 2) As for sale of real estate, etc. the amount obtained by deducting the cost of selling real estate, etc. and other selling expenses from the income from the sale of real estate, etc. is recorded as profit or loss on the sale of real estate, etc. in the statement of income and retained earnings in accordance with Article 48, Paragraph 2 of the Regulations on Accounting for Investment Corporations (Cabinet Office Ordinance No. 47 of 2006).

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

(Unit: thousand yen)

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

(Note 1) Rent business revenue, etc. subject to ASBJ Statement No. 13 "Accounting Standard for Lease Transactions" and the transfer of real estate, etc. subject to The Japanese Institute of Certified Public Accountants Accounting Committee Report No. 15 "Practical Guidelines on Accounting of Transferors for the Securitization of Real Estate Utilizing Special Purpose Companies" are not included in the above amounts because they are excluded from application of the Revenue Recognition Accounting Standard. The main revenues from contracts with customers are revenue from the sale of real estate, etc. and utilities reimbursement.

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

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

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

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

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

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

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

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

(Unit: thousand yen)

	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023	10th fiscal period From: Sept. 1, 2023 To: Feb. 29, 2024
Receivables from contracts with customers (Balance at beginning of period)	25,127	26,668
Receivables from contracts with customers (Balance at end of period)	26,668	22,439
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

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

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

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

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

[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

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

(1) Information by product and service

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

(2) Information by geographic area

i. Operating revenue

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

ii. Property, plant and equipment

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

(3) Information by major customer

(Unit: thousand yen)

Name of customer	Operating revenue	Related segment
GRANVISTA Hotels & Resorts Co., Ltd.	325,755	Real estate rent business

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

(1) Information by product and service

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

(2) Information by geographic area

i. Operating revenue

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

ii. Property, plant and equipment

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

(3) Information by major customer

The information is omitted because operating revenues from individual customers are all less than 10% of operating revenues on the Statement of Income and Retained Earnings.

[Notes on Per Unit Information]

	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023	10th fiscal period From: Sept. 1, 2023 To: Feb. 29, 2024
Net assets per unit	108,253 yen	108,056 yen
Net income per unit	2,418 yen	2,220 yen

(Note 1) Net income per unit is calculated by dividing net income by the period's daily weighted average number of investment units (fiscal period ended August 2023: 467,099 units; fiscal period ended February 2024: 467,099 units). In addition, diluted net income per unit is not stated, because there are no diluted investment units.

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

	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023	10th fiscal period From: Sept. 1, 2023 To: Feb. 29, 2024
Net income (thousand yen)	1,129,612	1,037,269
Amount not available to common unitholders (thousand yen)	-	-
Net income attributable to common investment units (thousand yen)	1,129,612	1,037,269
Average number of investment units during period (units)	467,099	467,099

[Notes on Significant Subsequent Events]

Not applicable.

(9) Changes in Total Number of Investment Units Issued and Outstanding

Changes in the unitholders' capital and the total number of investment units issued and outstanding over the past five years are as follows:

Date	Description	Unitholders' capital (net) (thousand yen) (Note 1)		Total number of investment units issued and outstanding (units)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
Mar. 11, 2019	Capital increase through public offering	21,928,467	22,028,467	227,238	228,238	(Note 2)
Apr. 10, 2019	Capital increase through third-party allotment	1,096,433	23,124,900	11,362	239,600	(Note 3)
Sept. 2, 2019	Capital increase through public offering	12,777,138	35,902,038	111,619	351,219	(Note 4)
Sept. 26, 2019	Capital increase through third-party allotment	638,862	36,540,901	5,581	356,800	(Note 5)
Sept. 1, 2021	Capital increase through public offering	12,287,452	48,828,353	105,047	461,847	(Note 6)
Sept. 29, 2021	Capital increase through third-party allotment	614,331	49,442,685	5,252	467,099	(Note 7)
Nov. 22, 2021	Cash distribution in excess of earnings (contribution refund)	(7,136)	49,435,549	-	467,099	(Note 8)

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

(Note 2) New investment units were issued through public offering at an issue price of 100,000 yen (paid-in amount of 96,500 yen) per unit for the purpose of procuring funds for acquisition of new properties.

(Note 3) New investment units were issued through third-party allotment accompanying the capital increase through public offering at a paid-in amount of 96,500 yen per unit.

(Note 4) 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 5) 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 6) 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 7) 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 8) A cash distribution in excess of earnings of 20 yen per unit (contribution refund that falls under distribution through the reduction in unitholders' capital for tax purposes) as the cash distribution for the 5th fiscal period (ended August 2021) resolved at SANKEI REAL ESTATE's board of directors' meeting held on October 15, 2021, and payment of the distribution commenced on November 22, 2021.

3. Reference Information

(1) Information on Price of Assets Under Management, Etc.

i. Investment Status

Type of asset	Asset type	Geographic area (Note 1)	9th fiscal period (as of Aug. 31, 2023)		10th fiscal period (as of Feb. 29, 2024)		
			Total amount held (million yen) (Note 2)	As a percentage of total assets (%) (Note 3)	Total amount held (million yen) (Note 2)	As a percentage of total assets (%) (Note 3)	
Real estate	Office buildings	Greater Tokyo, Greater Osaka and Greater Nagoya	2,618	2.3	2,615	2.5	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-	
	Core asset group	Greater Tokyo, Greater Osaka and Greater Nagoya	-	-	-	-	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-	
Real estate in trust	Office buildings	Greater Tokyo, Greater Osaka and Greater Nagoya	72,646	64.7	38,879	37.1	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	10,167	9.1	10,141	9.7	
	Core asset group	Greater Tokyo, Greater Osaka and Greater Nagoya	8,871	7.9	27,882	26.6	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	9,154	8.2	7,110	6.8	
	Hotels	Greater Tokyo, Greater Osaka and Greater Nagoya	8,871	7.9	22,595	21.6	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,847	3.4	7,110	6.8	
	Logistics facilities	Greater Tokyo, Greater Osaka and Greater Nagoya	5,307	4.7	5,287	5.0	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-	
	Subtotal			103,458	92.2	86,629	82.7
	Deposits and other assets			8,777	7.8	18,173	17.3
Total assets			112,235	100.0	104,802	100.0	

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

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

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

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

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

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

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

(Note 4) These are stated based on the category after the change of the management guideline dated October 16, 2023. Accordingly, the "Total amount held" and "As a percentage of total assets" for "SANKEILOGI Settsu," which were listed in "Cities designated by government ordinance (excluding the above), core cities and major regional cities" in the previous period are shown in the "Greater Tokyo, Greater Osaka and Greater Nagoya" for both the previous period and the current period.

Financial Results for the Fiscal Period Ended February 29, 2024 (REIT) Sankei Real Estate Inc. (2972)

	9th fiscal period (as of Aug. 31, 2023)		10th fiscal period (as of Feb. 29, 2024)	
	Amount (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)	Amount (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Total liabilities	61,670	54.9	54,329	51.8
Total net assets	50,565	45.1	50,473	48.2
Total assets	112,235	100.0	104,802	100.0

(Note 1) The amounts of total liabilities, total net assets and total assets amounts are based on the carrying amount, rounded down to the nearest million yen.

(Note 2) "As a percentage of total assets" is rounded to one decimal place.

ii. Investment Assets

As of February 29, 2024, the assets under management of SANKEI REAL ESTATE are as follows:

(a) Portfolio List

The property name, location, acquisition price, investment ratio, book value and appraisal value of the Assets under Management of SANKEI REAL ESTATE are as follows:

Asset type	Property number	Property name	Location	Acquisition price (Note 1)		Book value (million yen) (Note 2)	Appraisal value (million yen) (Note 3)
				Price (million yen)	Investment ratio (%)		
Office buildings	A-1	Tokyo Sankei Building (Note 4)	Chiyoda-ku, Tokyo	2,509	2.9	2,615	2,560
	A-3	S-GATE NIHONBASHI-HONCHO (Note 4)	Chuo-ku, Tokyo	6,698	7.8	6,617	7,790
	A-4	S-GATE AKIHABARA	Chiyoda-ku, Tokyo	2,055	2.4	2,014	2,720
	A-5	Hibiya Sankei Building	Chiyoda-ku, Tokyo	5,829	6.8	6,054	6,740
	A-6	Hatchobori Sankei Building	Chuo-ku, Tokyo	4,959	5.8	4,979	5,150
	A-7	Toyo Park Building	Koto-ku, Tokyo	3,782	4.4	3,871	3,490
	A-9	Omori Park Building	Ota-ku, Tokyo	5,400	6.3	5,474	5,260
	A-10	S-GATE AKASAKA	Minato-ku, Tokyo	7,000	8.1	7,030	7,400
	A-11	Miyazakidai Garden Office	Miyamae-ku, Kawasaki-shi, Kanagawa	2,800	3.3	2,837	2,710
	A-12	Hitachi Kyusyu Building	Sawara-ku, Fukuoka-shi, Fukuoka	10,000	11.6	10,141	10,300
Subtotal			-	51,034	59.3	51,636	54,120
Core asset group	B-1	Hotel Intergate Tokyo Kyobashi	Chuo-ku, Tokyo	8,961	10.4	8,844	9,360
	B-2	Hotel Intergate Hiroshima	Naka-ku, Hiroshima-shi, Hiroshima	3,990	4.6	3,821	4,200
	B-3	SANKEILOGI Settsu	Settsu-shi, Osaka	5,242	6.1	5,287	5,550
	B-4	Hotel Intergate Kyoto Shijo Shinmachi	Nakagyo-ku, Kyoto-shi, Kyoto	5,800	6.7	5,867	5,890
	B-5	Hotel Intergate Kanazawa	Kanazawa-shi, Ishikawa	3,250	3.8	3,288	3,290
	B-6	Grids Premium Hotel Osaka Namba	Naniwa-ku, Osaka-shi, Osaka	7,800	9.1	7,883	7,870
Subtotal			-	35,043	40.7	34,993	36,160
Total			-	86,077	100.0	86,629	90,280

(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 assets under management, rounded down to the nearest million yen. The sale and purchase prices do not include consumption tax, local consumption tax and the various expenses required for the acquisition. "Investment ratio" is the proportion of the acquisition price of each asset under management to the sum total amount of acquisition prices, rounded to one decimal place.

(Note 2) "Book value" is the depreciated book value for each asset under management as of February 29, 2024, rounded down to the nearest million yen.

(Note 3) "Appraisal value" is the appraisal value with an appraisal date of February 29, 2024, stated in each real estate appraisal report. The appraisal of each asset under management is entrusted to Japan Real Estate Institute, The Tanizawa Sōgō Appraisal Co., Ltd. and Daiwa Real Estate Appraisal Co., Ltd.

(Note 4) The acquisition price, book value and appraisal are the figures equivalent to the co-ownership interest (2% for "Tokyo Sankei Building" and 51% for "S-GATE NIHONBASHI-HONCHO") held by SANKEI REAL ESTATE as of February 29, 2024.

(b) Overview of Buildings and Leasing

The property name, construction completion, total rental revenue, lease and guarantee deposits, total leasable area, total leased area and occupancy rate of the asset under management of SANKEI REAL ESTATE are as follows:

Asset type	Property number	Property name	Construction completion (Note 1)	Total rental revenue (million yen) (Note 2)	Lease and guarantee deposits (million yen) (Note 3)	Total leasable area (m ²) (Note 4)	Total leased area (m ²) (Note 5)	Occupancy rate (%) (Note 6)
Office buildings	A-1	Tokyo Sankei Building (Note 7)	Sept. 28, 2000	101	87	881.68	880.12	99.8
	A-3	S-GATE NIHONBASHI-HONCHO (Note 7)	Oct. 31, 2018	308	308	3,171.83	3,171.83	100.0
	A-4	S-GATE AKIHABARA	Sept. 29, 2017	111	111	1,681.55	1,435.18	85.3
	A-5	Hibiya Sankei Building	June 25, 1992	375	303	3,439.61	3,439.61	100.0
	A-6	Hatchobori Sankei Building	Sept. 1, 1965	310	262	5,594.90	5,594.90	100.0
	A-7	Toyo Park Building	June 18, 1991	152	135	4,224.52	3,170.61	75.1
	A-9	Omori Park Building	May 31, 1993	180	169	7,469.72	4,902.82	65.6
	A-10	S-GATE AKASAKA	July 31, 2015	Not disclosed (Note 8)	Not disclosed (Note 8)	3,308.10	3,308.10	100.0
	A-11	Miyazakidai Garden Office	Feb. 4, 1993	153	144	3,687.53	3,687.53	100.0
	A-12	Hitachi Kyusyu Building	Feb. 29, 1996	Not disclosed (Note 8)	Not disclosed (Note 8)	26,513.33	26,513.33	100.0
Subtotal (average)			-	2,500	2,065	59,972.78	56,104.03	93.5
Core asset group	B-1	Hotel Intergate Tokyo Kyobashi	Jan. 18, 2018	413	206	6,006.53	6,006.53	100.0
	B-2	Hotel Intergate Hiroshima	Oct. 31, 2018	237	118	9,160.15	9,160.15	100.0
	B-3	SANKEILOGI Settsu	Oct. 1, 2022	237	118	14,748.33	14,748.33	100.0
	B-4	Hotel Intergate Kyoto Shijo Shinmachi	Nov. 30, 2017	237	148	6,029.40	6,029.40	100.0
	B-5	Hotel Intergate Kanazawa	Jan. 15, 2019	149	93	5,177.73	5,177.73	100.0
	B-6	Grids Premium Hotel Osaka Namba	Jan. 12, 2021	Not disclosed (Note 8)	45	4,353.79	4,353.79	100.0
Subtotal (average)			-	1,455	731	45,475.93	45,475.93	100.0
Total (average)			-	3,956	2,796	105,448.71	101,579.96	96.3

(Note 1) "Construction completion" indicates the date of new construction completion stated in the registry of the main building for each Asset under Management. If there are multiple main buildings, the date of the oldest building stated in the registry is indicated.

(Note 2) "Total rental revenue" is the amount calculated by annualizing the monthly rent. (Only the rent for the rental accommodation, excluding usage fees for incidental parts such as warehouses that are not the main asset type, signboards, parking lots, etc., but including common service charges, etc. Free rent and rent holidays (*1) will not be taken into consideration. As for rents that include floating rents in agreements with the tenants, the rents are calculated without taking floating rents into consideration. Consumption tax, etc. are not included. The same shall apply hereinafter.) This is for the building stated in the lease agreement for each Asset under Management effective as of February 29, 2024, rounded down to the nearest million yen. The amount calculated by annualizing the monthly rent stated in the lease agreement concluded with the end tenant with respect to the portion in the pass-through-type master lease agreement (*2) is indicated when a pass-through-type master lease agreement has been concluded for the Asset under Management.

(*1) "Free rent" refers to measures temporarily reducing rent or other amounts for mainly tenants newly moving in which temporarily reduce costs associated with moving so as to encourage them to move in. "Rent holiday" refers to an agreement on measures temporarily reducing rent or other amount on a regular or irregular basis for a certain period of time during a tenant's period of occupancy. The same shall apply hereinafter. Unless otherwise stated, calculations are made without taking free rent or rent holiday into consideration when calculating monthly rent, etc. in this document.

(*2) "Pass-through-type master lease agreement" refers to master lease agreements that have no rent guarantee.

(Note 3) "Lease and guarantee deposits" is the total amount of lease and guarantee deposits under the lease agreement for each Asset under Management as of February 29, 2024 (including the amount expected to be received under each lease agreement; in addition, lease and guarantee deposits pertaining to attached parts such as warehouses, signboards and parking lots which are not the main asset types are not included) are rounded down to the nearest one million yen. The amount of lease deposits stated in the lease agreement concluded with the end tenant with respect to the portion in the pass-through-type master lease agreement is indicated when a pass-through-type master lease agreement has been concluded for the Assets under Management.

(Note 4) "Total leasable area" is the area (excluding area of incidental parts such as warehouses, signboards, parking lots, etc. that are not the main asset types) expected to be leasable based on the lease agreement, drawing, etc. of the buildings for each asset under management as of February 29, 2024, rounded down to two decimal places.

(Note 5) "Total leased area" is the total leased area (excluding area of incidental parts such as warehouses, signboards, parking lots, etc. that are not the main asset types) stated in the lease agreement (excluding lease agreements under which the lease period is yet to commence) for each asset under management of February 29, 2024, rounded down to two decimal places. With respect to the portion which comes under the pass-through-type master lease agreement, the total area for which the lease agreement has actually been concluded with the end tenant and for which the lease period has commenced is indicated, rounded down to two decimal places.

(Note 6) "Occupancy rate" is the ratio of total leased area to total leasable area for each asset under management as of February 29, 2024, rounded to one decimal place. Each subtotal and total portfolio column indicates the ratio of the total leased area to the total leasable area of each asset under management, rounded to one decimal place.

(Note 7) The total rental revenue, lease and guarantee deposits, total leasable area and total leased area are the figures equivalent to the co-ownership interest (2% for "Tokyo Sankei Building" and 51% for "S-GATE NIHONBASHI-HONCHO") held by SANKEI REAL ESTATE.

(Note 8) Not disclosed due to unavoidable circumstances in that it 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.

(c) Overview of Real Estate Appraisal Reports

The following is an overview of each real estate appraisal report prepared by Japan Real Estate Institute, The Tanizawa Sōgō Appraisal Co., Ltd. and Daiwa Real Estate Appraisal Co., Ltd. upon being entrusted by SANKEI REAL ESTATE and the Asset Management Company with regard to the appraisal of the assets under management of SANKEI REAL ESTATE. The concerned real estate appraisal reports are the appraising appraisal company's judgment and opinion at a certain point in time and are not a guarantee of the validity or accuracy of the content thereof, possibility of transaction at the concerned appraisal value, etc. Furthermore, there is no special vested interest between Japan Real Estate Institute, The Tanizawa Sōgō Appraisal Co., Ltd. or Daiwa Real Estate Appraisal Co., Ltd. and SANKEI REAL ESTATE or the Asset Management Company.

Asset type	Property number	Property name	Appraiser	Appraisal value (million yen) (Note 1)	Overview of appraisal report					Indicated value by cost approach (million yen)
					Direct capitalization method		DCF method			
					Indicated value by income approach (million yen)	Cap rate (%)	Indicated value by income approach (million yen)	Discount rate (%)	Terminal cap rate (%)	
Office buildings	A-1	Tokyo Sankei Building (Note 2)	Japan Real Estate Institute	2,560	2,600	2.3	2,520	2.0	2.4	2,750
	A-3	S-GATE NIHONBASHI-HONCHO (Note 2)	Japan Real Estate Institute	7,790	7,850	3.2	7,720	2.9	3.3	7,100
	A-4	S-GATE AKIHABARA	Japan Real Estate Institute	2,720	2,740	3.2	2,690	3.0	3.3	2,500
	A-5	Hibiya Sankei Building	Japan Real Estate Institute	6,740	6,830	2.8	6,650	2.6	2.9	7,160
	A-6	Hatchobori Sankei Building	The Tanizawa Sōgō Appraisal	5,150	5,230	4.1	5,110	4.2	4.3	5,770
	A-7	Toyo Park Building	Japan Real Estate Institute	3,490	3,540	3.6	3,430	3.4	3.7	3,040
	A-9	Omori Park Building	Japan Real Estate Institute	5,260	5,350	3.7	5,160	3.5	3.8	5,610
	A-10	S-GATE AKASAKA	Japan Real Estate Institute	7,400	7,490	3.1	7,300	2.9	3.2	6,750
	A-11	Miyazakidai Garden Office	Japan Real Estate Institute	2,710	2,730	4.5	2,680	4.3	4.6	2,330
	A-12	Hitachi Kyusyu Building	Japan Real Estate Institute	10,300	10,400	4.2	10,200	4.0	4.3	13,200
Subtotal				54,120	54,760	-	53,460	-	-	56,210
Core asset group	B-1	Hotel Intergate Tokyo Kyobashi	Daiwa Real Estate Appraisal	9,360	9,540	3.6	9,280	3.4	3.8	9,050
	B-2	Hotel Intergate Hiroshima	Japan Real Estate Institute	4,200	4,220	4.5	4,180	4.3	4.6	4,530
	B-3	SANKEILOGI Settsu	Japan Real Estate Institute	5,550	5,640	3.7	5,450	3.5	3.9	5,180
	B-4	Hotel Intergate Kyoto Shijo Shinmachi	Japan Real Estate Institute	5,890	5,950	3.9	5,830	3.7	4.0	5,550
	B-5	Hotel Intergate Kanazawa	Japan Real Estate Institute	3,290	3,330	4.6	3,250	4.4	4.7	2,550
	B-6	Grids Premium Hotel Osaka Namba	Japan Real Estate Institute	7,870	7,940	3.9	7,800	3.7	4.0	5,310
Subtotal				36,160	36,620	-	35,790	-	-	32,170
Total				90,280	91,380	-	89,250	-	-	88,380

(Note 1) "Appraisal value" is the appraisal value with an appraisal date of February 29, 2024, stated in each real estate appraisal report.

(Note 2) The appraisal value, indicated value by income approach based on direct capitalization method, indicated value by income approach based on the DCF method and indicated value by cost approach are the figures equivalent to the co-ownership interest (2% for "Tokyo Sankei Building" and 51% for "S-GATE NIHONBASHI-HONCHO") held by SANKEI REAL ESTATE.

(2) Capital Expenditures for Real Estate Held

i. Schedule of Capital Expenditures

Of scheduled capital expenditures associated with renovation work, etc. currently planned for Assets under Management held by SANKEI REAL ESTATE as of February 29, 2024, the major ones (10 million yen or more) are as follows: The estimated construction costs below may include the portion separately charged to expenses in accounting.

Name of real estate, etc. (Location)	Purpose	Scheduled period	Expected construction cost (million yen)		
			Total amount	Amount of payment during period	Total amount already paid
Hibiya Sankei Building (Chiyoda-ku, Tokyo)	Replacement of SP pump and surrounding valves	From: Mar. 1, 2024 To: Mar. 31, 2024	22	-	-
Hibiya Sankei Building (Chiyoda-ku, Tokyo)	Air conditioner outdoor unit update (11th floor)	From: May 1, 2024 To: May 31, 2024	15	-	-
Hibiya Sankei Building (Chiyoda-ku, Tokyo)	Air Conditioning Outdoor Unit Update (4th floor)	From: Nov. 1, 2024 To: Nov. 30, 2024	17	-	-
Hatchobori Sankei Building (Chuo-ku, Tokyo)	Waterproofing (Tower Houses, Roofs, etc.)	From: Dec. 1, 2024 To: Dec. 31, 2024	35	-	-
Omori Park Building (Ota-ku, Tokyo)	Individual air conditioning renovation work 1 floor	From: Dec. 1, 2024 To: Dec. 31, 2024	18	-	-
Omori Park Building (Ota-ku, Tokyo)	Absorption cold/hot water generator control panel update	From: Feb. 1, 2025 To: Feb. 28, 2025	25	-	-
Miyazakidai Garden Office (Miyamae-ku, Kawasaki-shi)	Waterproofing work (rooftop and tower)	From: Dec. 1, 2024 To: Dec. 30, 2024	17	-	-
Hitachi Kyusyu Building (Sawara-ku, Fukuoka-shi)	VCB replacement	From: Nov. 1, 2024 To: Nov. 30, 2024	12	-	-
Hitachi Kyusyu Building (Sawara-ku, Fukuoka-shi)	Updating district heating and cooling cold water intake valves	From: Nov. 1, 2024 To: Nov. 30, 2024	15	-	-
Hitachi Kyusyu Building (Sawara-ku, Fukuoka-shi)	Updating the district heating and cooling hot water intake valve	From: Dec. 1, 2024 To: Dec. 31, 2024	13	-	-

ii. Capital Expenditures during the Period

Construction works falling under the category of capital expenditures of 10 million yen or more conducted in the fiscal period under review for Assets under Management held by SANKEI REAL ESTATE as of February 29, 2024, are as follows: For the fiscal period under review, capital expenditures amounted to 111 million yen and repair expenses separately charged to expenses amounted to 76 million yen for a combined total of 188 million yen of construction works implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of payment (million yen)
Omori Park Building (Ota-ku, Tokyo)	DC Power Supply Body Update	From: Sept. 1, 2023 To: Jan. 28, 2024	15
Omori Park Building (Ota-ku, Tokyo)	Individual air conditioning renovation work 1 floor	From: Sept. 1, 2023 To: Feb. 12, 2024	16
Other			79
Total			111

iii. Cash Reserves for Long-Term Repair Plans

Based on long-term repair plans formulated on a property-by-property basis, SANKEI REAL ESTATE makes the following provision of reserve for repairs from cash flows during the fiscal period for the purpose of allocating to medium- to long-term future large-scale repairs and other funds.

(Unit: thousand yen)

Business period	6th fiscal period From: Sept. 1, 2021 To: Feb. 28, 2022	7th fiscal period From: Mar. 1, 2022 To: Aug. 31, 2022	8th fiscal period From: Sept. 1, 2022 To: Feb. 28, 2023	9th fiscal period From: Mar. 1, 2023 To: Aug. 31, 2023	10th fiscal period From: Sept. 1, 2023 To: Feb. 29, 2024
Balance of reserve at beginning of period	209,678	262,349	303,132	324,485	370,002
Provision of reserve during period	85,567	59,801	59,801	72,811	78,124
Reversal of reserve during period	32,895	19,019	38,448	27,295	154,789
Reserve carried forward	262,349	303,132	324,485	370,002	293,338