

5th Fiscal Period Semi-Annual Report

from March 1, 2021 to August 31, 2021

SANKEI REAL ESTATE Inc.

Message to Our Unitholders

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

Let us express our deepest sympathies to those who have been stricken with COVID-19 infections, related people and those affected by the spread of the infection, as well as our sincere hope for their earliest possible recovery.

Having settled the 5th fiscal period ended August 2021, we are pleased to report on the performance results of SANKEI REAL ESTATE. We would like to thank all of our unitholders for your continued support and cooperation.

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

In the 5th fiscal period ended August 2021, operating revenue and operating income increased compared with the previous fiscal period. In addition, accurately seizing the trend of recovery in investment unit prices in the fiscal period, we passed a resolution in August for capital increase through public offering and newly acquired 4 office buildings through strong sponsorship support in September. With this expanding our asset size to 96.6 billion yen, we have almost reached our short-term target (asset size of 100 billion yen).

Concerning distribution per unit for the 5th fiscal period, operating income increased due to portfolio properties' rental revenue and such increasing and expenses related to rent business decreasing, but net income decreased due to recording non-operating expenses (mainly, borrowing related expenses) associated with the acquisition of the 4 new properties, resulting in distribution of net income per unit of 2,842 yen. As such, we decided on distribution in excess of earnings (20 yen per unit) to be distributed one-off this time as a contribution refund that falls under distribution through the reduction in unitholders' capital for tax purposes in order to maintain and distribute 2,862 yen, the forecast made at the beginning of the fiscal period. As for forecast distribution per unit for the 6th fiscal period ending February 2022, we expect 2,958 yen, up 3.4% from the 5th fiscal period, considering the 4 new acquisition properties contributing to revenue and other factors. For the 7th fiscal period ending August 2022, we expect distribution per unit to be 2,703 yen, down 8.6% from the forecast for the 6th fiscal period, considering the impact of expensing of fixed asset tax, etc. on the 4 new acquisition properties and contract cancellations by tenants. In spite of this, we will endeavor to achieve better results than the forecast.

The impact of the COVID-19 pandemic on social and economic activities in and outside Japan continues to require attention. While working to discern the trends of the economy and the financial and capital markets going forward, we will securely implement the growth strategy envisioned by SANKEI REAL ESTATE and do our best to maximize unitholder value.

We ask you, our unitholders, to extend to us your continued consideration and support of our operations for many years.

Yuichi Ota

Executive Director, SANKEI REAL ESTATE Inc.

President and Representative Director, Sankei Building Asset Management Co., Ltd.

I. Asset Management Report

1. Overview of Asset Management

(1) Changes in operating results and other management data

Fiscal period		1st fiscal period	2nd fiscal period	3rd fiscal period	4th fiscal period	5th fiscal period
Closing of accounts		August 2019	February 2020	August 2020	February 2021	August 2021
Operating revenue	million yen	1,157	1,933	2,005	2,147	2,176
[Operating revenue from real estate leasing]	million yen	[1,157]	[1,933]	[2,005]	[2,147]	[2,176]
Operating expenses	million yen	457	767	1,009	1,029	1,034
[Operating expenses from real estate leasing]	million yen	[315]	[577]	[778]	[790]	[793]
Operating income	million yen	699	1,166	996	1,118	1,141
Ordinary income	million yen	336	1,069	904	1,017	1,014
Net income	million yen	335	1,068	903	1,016	1,014
Unitholders' capital	million yen	23,124	36,540	36,540	36,540	36,540
Total number of investment units issued and outstanding	units	239,600	356,800	356,800	356,800	356,800
Net assets	million yen	23,460	37,609	37,444	37,557	37,555
[Period-on-period change]	%	[-]	[60.3]	[(0.4)]	[0.3]	[(0.0)]
Total assets	million yen	48,718	76,186	76,195	79,482	79,848
[Period-on-period change]	%	[-]	[56.4]	[0.0]	[4.3]	[0.5]
Total interest-bearing liabilities	million yen	22,313	33,956	33,500	37,800	37,800
Net assets per unit (Note 4)	yen	97,913	105,408	104,945	105,262	105,255
Net income per unit (Note 3)	yen	2,312	3,007	2,532	2,849	2,841
Total distribution	million yen	335	1,068	903	1,016	1,021
Distribution per unit	yen	1,399	2,995	2,532	2,849	2,862
[Distribution of net income per unit]	yen	[1,399]	[2,995]	[2,532]	[2,849]	[2,842]
[Distribution in excess of net income per unit]	yen	[-]	[-]	[-]	[-]	[20]
Ratio of ordinary income to total assets (Note 4)	%	0.7	1.7	1.2	1.3	1.3
Annualized (Note 5)	%	[1.4]	[3.4]	[2.4]	[2.6]	[2.5]
Return on equity (Note 4)	%	1.5	3.5	2.4	2.7	2.7
Annualized (Note 5)	%	[2.9]	[7.0]	[4.8]	[5.4]	[5.4]
Equity ratio (Note 4)	%	48.2	49.4	49.1	47.3	47.0
[Period-on-period change]		[-]	[1.2]	[(0.3)]	[(1.8)]	[(0.3)]
Payout ratio (Note 4)	%	100.0	100.0	100.0	100.0	100.0
[Other reference information]						
Days of operation (Note 1)	days	173	182	184	181	184
Number of investment properties at end of period	properties	8	11	11	12	12
Depreciation	million yen	123	215	219	227	228
Capital expenditures	million yen	25	69	54	42	57
Leasing NOI (Net Operating Income) (Note 4)	million yen	966	1,571	1,446	1,585	1,610
FFO (Funds from Operation) (Note 4)	million yen	459	1,284	1,122	1,243	1,242
FFO per unit (Note 4)	yen	1,916	3,600	3,147	3,485	3,482
Ratio of interest-bearing liabilities to total assets at end of period (LTV) (Note 4)	%	45.8	44.6	44.0	47.6	47.3

(Note 1) The calculation period for the first fiscal period of SANKEI REAL ESTATE Inc. ("SANKEI REAL ESTATE") was 286 days from November 19, 2018 to August 31, 2019, but the actual asset management period was 173 days from March 12, 2019.

(Note 2) Consumption tax is not included in operating revenue, etc.

(Note 3) Net income per unit is calculated by dividing net income by daily weighted average number of investment units (1st fiscal period: 144,970 units; 2nd fiscal period: 355,420 units; 3rd fiscal period: 356,800 units; 4th fiscal period: 356,800 units; 5th fiscal period: 356,800 units). In the meantime, net income per unit for the 1st fiscal period is 1,410 yen if calculated by deeming March 12, 2019, when actual asset management started, as the beginning of the period and using daily weighted average number of investment units (237,695 units).

(Note 4) The indicators are calculated by using the following formulas. Furthermore, as actual asset management for the 1st fiscal period started on March 12, 2019, the ratio of ordinary income to total assets and return on equity have been calculated by deeming the said date as the beginning of the period.

Net assets per unit	Net assets ÷ total number of investment units issued and outstanding
Ratio of ordinary income to total assets	Ordinary income ÷ [(total assets at beginning of period + total assets at end of period) ÷ 2] × 100
Return on equity	Net income ÷ [(net assets at beginning of period + net assets at end of period) ÷ 2] × 100
Equity ratio	Net assets at end of period ÷ total assets at end of period × 100
Payout ratio	Distribution per unit (excluding distribution in excess of earnings) ÷ net income per unit × 100 The payout ratio for the 1st fiscal period and the 2nd fiscal period is calculated by the following formula, as the number of investment units during the period changed due to issuance of new investment units in the period: Total distribution (excluding distribution in excess of earnings) ÷ net income × 100
Leasing NOI (Net Operating Income)	Operating revenue from real estate leasing - operating expenses from real estate leasing + depreciation
FFO (Funds from Operation)	Net income + depreciation - gain or loss on sale of real estate
FFO per unit	FFO ÷ total number of investment units issued and outstanding
Ratio of interest-bearing liabilities to total assets at end of period (LTV)	Balance of interest-bearing liabilities at end of period ÷ total assets at end of period × 100

(Note 5) For the 1st fiscal period, annualized figures are calculated based on the practical days of operation (173 days from March 12, 2019 to August 31, 2019).

(Note 6) Unless otherwise stated, the figures less than the specified unit are rounded down for monetary amounts and rounded off to the nearest specified unit for percentage figures in this report.

(2) Asset management review for the fiscal period

1) Brief History of the Investment Corporation

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

As of the last day of the fiscal period under review (August 31, 2021), the total number of investment units issued and outstanding was 356,800 units, and unitholders' capital was 36,540 million yen.

2) Management Environment

In the fiscal period under review (fiscal period ended August 2021), amid difficult conditions due to the impact of COVID-19, the Japanese economy showed movements of picking up due to advances made with vaccination. However, the spread of infection caused by variant strains of the virus led to a rapid increase in the number of cases even during the state of emergency and area-focused intensive measures for prevention of the spread of infection based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Responses (Act No. 31 of 2012, as amended). This, among other factors, made it an environment in which economic developments continued to require attention. Overseas, while economies continued to pick up, it was a situation in which attention should be given to the risk of COVID-19 spreading again.

Under such economic circumstances, in terms of the office building market, which SANKEI REAL ESTATE sets as the primary investment target, there were movements to cancel lease agreements due to factors such as the consolidation of locations, and the vacancy rate continued to rise while rents declined slightly or remained the same in Tokyo and Osaka where SANKEI REAL ESTATE's portfolio assets are located. As for the hotel market in which SANKEI REAL ESTATE invests as sub-assets, the total number of guests and occupancy rate improved year on year in almost all months during the fiscal period under review according to the Overnight Travel Statistics Survey by the Japan Tourism Agency, but the number of foreign tourists continued to decrease significantly due to restrictions on entry into Japan taken as a preventive measure against with the spread of COVID-19. Furthermore, the situation did not improve significantly due to factors such as the Tokyo Olympic and Paralympic Games being held without spectators during the state of emergency.

3) Management Performance

SANKEI REAL ESTATE did not acquire or sell any assets in the fiscal period under review. The portfolio of SANKEI REAL ESTATE as of the last day of the fiscal period under review consisted of 12 properties with an asset size (total acquisition price) of 71,525 million yen, the same as that in the preceding fiscal period.

As a result, the occupancy rate (Note) of the 12 portfolio properties as of the last day of the fiscal period under review remained high at 98.2%, and operating revenue from real estate leasing was 2,176 million yen, 1.3% higher than that at the end of the previous fiscal period. The appraisal value as of the last day of the fiscal period under review was 79,326 million yen.

SANKEI REAL ESTATE has sought to improve satisfaction through reinforcement and enhancement of the relationship with existing tenants, aiming at expansion of revenue and stable growth of earnings from assets under management as in the past. For existing tenants approaching contract renewal, an effort was made to limit reductions in rent as much as possible and renew contracts with upward revision or no change in rent through careful efforts based on the condition of the COVID-19 pandemic and trends of the rental market. In addition, repairs and capital expenditures were narrowed down to those that contribute to maintenance and improvement of the competitiveness of the assets under management. On the other hand, there are movements of consolidation of bases, mainly among companies based in several locations, and notices of contract cancellation and such associated with consolidation of bases have been received from some tenants even at the assets under management of SANKEI REAL ESTATE in the previous fiscal period, but there is little impact on management performance in the fiscal period under review.

The number of requests for rent decrease, deferment of rent payment, etc. due to the spread of COVID-19 from some tenants, mainly retail tenants occupying portions of office buildings that are assets under management, was very low in the fiscal period under review compared with the previous fiscal period, and the impact on management performance in the fiscal period under review is minimal because the assets under management are mainly office buildings. In addition, although the two hotel properties held by SANKEI REAL ESTATE saw impact associated with the spread of COVID-19, fixed rent based on the current contract has been secured as usual for rent business revenue in the fiscal period under review.

SANKEI REAL ESTATE, along with the Asset Management Company, intends to conduct management with consideration for ESG, meaning the Environment, Social and Governance, for the purpose of sustainability of society and increasing the medium- to long-term investor value.

The Asset Management Company established a new "Sustainability Policy" in the Asset Management Company's management guidelines in March 2021 for the purpose of strengthening sustainability initiatives, and has established a variety of rules for its implementation.

In July 2021, SANKEI REAL ESTATE applied to participate in theGRESB Real Estate Assessment that is a global investment benchmark established as a tool for use in selection of and dialogue with investment destinations by measuring ESG considerations in individual companies and funds in the real estate sector, and acquired 3 Star and Green Star ratings in October 2021.

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

4) Overview of Fund Procurement

In the fiscal period under review, 4,800 million yen was borrowed from Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Development Bank of Japan Inc., Mizuho Trust & Banking Co., Ltd., Sumitomo Mitsui Trust Bank, Limited, Shinsei Bank, Limited, and Resona Bank, Limited through a loan syndicate with Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation as the arrangers on March 12, 2021, to repay 4,800 million yen of long-term loans due for repayment on March 12, 2021. The borrowing was made with a borrowing period of 4 years and fixed interest rate, thereby promoting extension of the average time to maturity, improvement in the ratio of fixed-rate debt, and staggering of maturities of interest-bearing liabilities.

As a result, as of the last day of the fiscal period under review, the balance of loans outstanding was 37,800 million yen and the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV ratio") was 47.3%.

5) Overview of Business Performance and Distribution

As a result of the management described above, business performance in the fiscal period under review was operating revenue of 2,176 million yen, operating income of 1,141 million yen, ordinary income of 1,014 million yen, and net income of 1,014 million yen. Concerning distribution, in accordance with SANKEI REAL ESTATE's distribution policy (Article 36 of the articles of incorporation), SANKEI REAL ESTATE intends to have the maximum amount of distribution of earnings included in deductible expenses by application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended)). For the fiscal period under review, the decision was made to distribute 1,014,025,600 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 2,842 yen (however, excluding distributions in excess of earnings). Furthermore, pursuant to the policy on the distribution in excess of earnings specified in Article 36, Paragraph 2 of SANKEI REAL ESTATE's articles of incorporation, due to net income decreasing in the fiscal period under review as a result of recording temporary borrowing related expenses associated with borrowing for the acquisition of real estate trust beneficiary rights of 4 properties on September 2, 2021, 7,136,000 yen was distributed as a contribution refund that falls under distribution through the reduction in unitholders' capital for tax purposes, and distribution in excess of earnings per unit was 20 yen. As a result, the distribution per unit was 2,862 yen in the fiscal period under review.

(3) Capital increases

Changes in the total number of investment units issued and outstanding and unitholders' capital from the incorporation of SANKEI REAL ESTATE to the last day of the fiscal period under review (August 31, 2021) are as follows:

Date	Description	Total number of investment units issued and outstanding (units)		Unitholders' capital (million yen)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
Nov. 19, 2018	Incorporation through private placement	1,000	1,000	100	100	(Note 1)
Mar. 11, 2019	Capital increase through public offering	227,238	228,238	21,928	22,028	(Note 2)
Apr. 10, 2019	Capital increase through third-party allotment	11,362	239,600	1,096	23,124	(Note 3)
Sep. 2, 2019	Capital increase through public offering	111,619	351,219	12,777	35,902	(Note 4)
Sep. 26, 2019	Capital increase through third-party allotment	5,581	356,800	638	36,540	(Note 5)

(Note 1) Investment units were issued at a paid-in amount of 100,000 yen per unit upon the incorporation of SANKEI REAL ESTATE.

(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.

[Changes in market price of investment certificates]

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

Fiscal period	1st fiscal period	2nd fiscal period	3rd fiscal period	4th fiscal period	5th fiscal period
Closing of accounts	August 2019	February 2020	August 2020	February 2021	August 2021
Highest (yen)	126,000	139,300	127,600	117,400	135,200
Lowest (yen)	100,500	116,500	66,900	90,100	108,300

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

(4) Performance of distribution, etc.

Concerning distribution for the fiscal period under review, SANKEI REAL ESTATE decided to distribute the entire amount of unappropriated retained earnings, excluding fractions of distribution per unit of less than 1 yen, with the intent of having the maximum amount of distribution of earnings included in deductible expenses by application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation). Furthermore, due to net income decreasing in the fiscal period under review as a result of recording temporary borrowing-related expenses associated with borrowing for the acquisition of real estate trust beneficiary rights of 4 properties on September 2, 2021, 7,136,000 yen was distributed as a contribution refund that falls under distribution through the reduction in unitholders' capital for tax purposes. As a result, the distribution per unit was 2,862 yen.

Fiscal period	1st fiscal period	2nd fiscal period	3rd fiscal period	4th fiscal period	5th fiscal period
Business period	From Nov. 19, 2018 to Aug. 31, 2019	From Sep. 1, 2019 to Feb. 29, 2020	From Mar. 1, 2020 to Aug. 31, 2020	From Sep. 1, 2020 to Feb. 28, 2021	From Mar. 1, 2021 to Aug. 31, 2021
Total unappropriated retained earnings (thousand yen)	335,209	1,068,783	903,625	1,016,734	1,014,232
Retained earnings (thousand yen)	8	167	207	210	207
Total cash distributions (thousand yen)	335,200	1,068,616	903,417	1,016,523	1,021,161
[Distribution per unit] (yen)	[1,399]	[2,995]	[2,532]	[2,849]	[2,862]
[Total distribution of earnings] (thousand yen)	335,200	1,068,616	903,417	1,016,523	1,014,025
[Distribution of net income per unit] (yen)	[1,399]	[2,995]	[2,532]	[2,849]	[2,842]
[Total contribution refund] (thousand yen)	-	-	-	-	7,136
[Contribution refund per unit] (yen)	[-]	[-]	[-]	[-]	[20]
Of the total contribution refund, distribution of the reserve for temporary difference adjustments (thousand yen)	-	-	-	-	-
[Of the contribution refund per unit, distribution per unit of the reserve for temporary difference adjustments] (yen)	[-]	[-]	[-]	[-]	[-]
Of the total contribution refund, distribution through the reduction in unitholders' capital for tax purposes (thousand yen)	-	-	-	-	7,136
[Of the contribution refund per unit, distribution per unit through the reduction in unitholders' capital for tax purposes] (yen)	[-]	[-]	[-]	[-]	[20]

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

(5) Future asset management policy and issues to be addressed

General Management Outlook

Although the impact of COVID-19 on social and economic activities in Japan and abroad is expected to be alleviated due to factors such as progress in vaccinations ahead, there is no guarantee that it will lead to containment. As such, the environment will likely continue to be one in which downside risks to the Japanese and overseas economies, the impact on fluctuations in the financial and capital markets, etc. warrant close attention.

In terms of the office building market, vacancy rates have risen and rents have continued to decrease or remain the same. Social and economic activities are expected to recover with rising vaccination rates, but it is necessary to monitor trends in office demand such as changes in work styles and moves to reduce fixed expenses (rent payments, etc.). At SANKEI REAL ESTATE, too, progress in consolidation of bases and reduction of office space due to the expansion of remote working such as working from home and the intention to reduce fixed expenses (rent payments, etc.) could lead to lease contract cancellations arising. We will further reinforce the relationship with tenants and continue consultations and responses as required, while closely monitoring tenants' business performance, etc.

In terms of the hotel market, while recovery in the number of international visitors to Japan looks unlikely, domestic travelers and business travelers are expected to increase with the recovery in social and economic activities, but the severe situation is still expected to continue. A severe operating environment is foreseen for also the two hotel properties held by SANKEI REAL ESTATE, but no impact on SANKEI REAL ESTATE is expected as GRANVISTA Hotels & Resorts Co., Ltd., which is a tenant of the two properties and a wholly owned subsidiary of SANKEI REAL ESTATE's sponsor, The Sankei Building Co., Ltd. (hereinafter, "Sankei Building" or "Sponsor"), continues to pay fixed rent based on the fixed-term building lease agreement.

1) External Growth Strategy

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

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

2) Internal Growth Strategy

SANKEI REAL ESTATE aims for steady internal growth through reinforcement of the relationship with existing tenants and improvement in tenant satisfaction. Specifically, we will raise rents upon contract renewal based on the deviation from market rent and continue to implement strategic leasing such as activities to extend the cancellation notification period from tenants and disperse end dates of rental contracts from the viewpoint of termination risk for properties where the end dates of multiple tenants are the same. Furthermore, we will continue to take proactive measures to improve tenant satisfaction such as activities to improve the quality of hygiene and planned implementation of maintenance and repairs under the COVID-19 pandemic.

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

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

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

3) Financial Strategy

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

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

(a) Equity financing

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

(b) Debt financing

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

(6) Significant Subsequent Events

Issuance of new investment units

At the meetings of the board of directors held on August 16, 2021, and August 24, 2021, SANKEI REAL ESTATE approved the following resolutions to issue new investment units, and payments were completed on September 1, 2021, for the issuance of new investment units through public offering and on September 29, 2021, for the issuance of new investment units through third-party allotment. As a result, as of September 29, 2021, unitholders' capital was 49,442,685 thousand yen and the total number of investment units issued and outstanding was 467,099 units.

The proceeds from the issuance of new investment units through public offering were used for part of the funds for acquisition of real estate trust beneficiary rights of 4 properties stated in "(Reference Information) (B) Acquisition of Assets" below, which were acquired on September 2, 2021. Furthermore, the proceeds from the issuance of new investment units through the third-party allotment are planned to be used as part of the funds for acquisition of specified assets or part of the funds for repayment of loans in the future, until which the funds will be deposited with a financial institution as funds on hand.

(Issuance of new investment units through public offering)

Number of new investment units issued:	105,047 units
Amount of issue price (offer price):	121,327 yen per unit
Total amount of issue price (total offer price):	12,745,037,369 yen
Amount to be paid in (issue amount):	116,971 yen per unit
Total amount to be paid in (issue amount):	12,287,452,637 yen
Payment due date:	September 1, 2021

(Issuance of new investment units through third-party allotment)

Number of new investment units issued:	5,252 units
Amount to be paid in (issue amount):	116,971 yen per unit
Total amount to be paid in (issue amount):	614,331,692 yen
Payment due date:	September 29, 2021
Allottee:	Daiwa Securities Co. Ltd.

(Reference Information)

(A) Borrowing of Funds

SANKEI REAL ESTATE conducted the following borrowing of funds on September 2, 2021, to use as part of the funds for acquisition and incidental expenses upon acquisition of the real estate trust beneficiary rights of 4 properties as described later in this document under “(B) Acquisition of Assets” along with the proceeds from the issuance of new investment units through public offering stated in “Issuance of new investment units” above.

Category	Lender	Borrowing amount (million yen)	Interest rate (Note)	Maturity date	Repayment method	Remarks
Short-term	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation	400	Base rate (JBA 1-month Japanese Yen TIBOR) +0.150%	Aug. 31, 2022	Lump-sum repayment at maturity	Unsecured and non-guaranteed
Short-term	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation	600	Base rate (JBA 1-month Japanese Yen TIBOR) +0.150%	Aug. 31, 2022	Lump-sum repayment at maturity	Unsecured and non-guaranteed
Long-term	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Development Bank of Japan Inc. Mizuho Trust & Banking Co., Ltd. Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Resona Bank, Limited The Nishi-Nippon City Bank, Ltd. Kansai Mirai Bank, Limited The Chiba Bank, Ltd.	6,200	0.29655%	Sep. 2, 2025	Lump-sum repayment at maturity	Unsecured and non-guaranteed
Long-term	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Development Bank of Japan Inc. Mizuho Trust & Banking Co., Ltd. Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Resona Bank, Limited Aozora Bank, Ltd. The Nishi-Nippon City Bank, Ltd. Kansai Mirai Bank, Limited The Chiba Bank, Ltd.	6,200	0.35542%	Sep. 2, 2026	Lump-sum repayment at maturity	Unsecured and non-guaranteed

(Note) The base rate applicable to the calculation period for the interest payable on each interest payment date shall be decided two business days prior to the immediately preceding interest payment date (the drawdown date in the case of the first interest calculation period). For the JBA Japanese Yen TIBOR, please check the website of JBA TIBOR Administration (<https://www.jbatibor.or.jp/english/rate/>).

Furthermore, the 4,300 million yen of long-term loans due for repayment on October 1, 2021, was refinanced on the same day as follows.

Category	Lender	Borrowing amount (million yen)	Interest rate	Maturity date	Repayment method	Remarks
Long-term	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Development Bank of Japan Inc. Mizuho Trust & Banking Co., Ltd. Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Resona Bank, Limited Aozora Bank, Ltd.	4,300	0.38044%	Apr. 1, 2026	Lump-sum repayment at maturity	Unsecured and non-guaranteed

(B) Acquisition of Assets

SANKEI REAL ESTATE conducted the following acquisition of real estate trust beneficiary rights of 4 properties (total acquisition price: 25,100 million yen) on September 2, 2021.

Asset type	Property number	Property name	Location	Acquisition asset	Acquisition price (million yen) (Note)	Seller	Acquisition date
Office building	A-8	Shinagawa Seaside TS Tower (additional acquisition)	Shinagawa-ku, Tokyo	Real estate trust beneficiary right	10,900	Godo Kaisha SKB 2	Sep. 2, 2021
	A-10	S-GATE AKASAKA (additional acquisition)	Minato-ku, Tokyo	Real estate trust beneficiary right	1,400	The Sankei Building Co., Ltd.	Sep. 2, 2021
	A-11	Miyazakidai Garden Office	Miyamae-ku, Kawasaki-shi, Kanagawa	Real estate trust beneficiary right	2,800	Godo Kaisha SKB Miyazakidai	Sep. 2, 2021
	A-12	Hitachi Kyushu Building	Sawara-ku, Fukuoka-shi, Fukuoka	Real estate trust beneficiary right	10,000	Godo Kaisha SKB Momochi	Sep. 2, 2021
Total (4 properties)			-	-	25,100	-	-

(Note) “Acquisition price” is the sale and purchase price of each trust beneficiary right stated in the trust beneficiary right transfer agreement for each acquired asset, rounded down to the nearest million yen. The sale and purchase prices do not include consumption tax, local consumption tax and the various expenses required for the acquisition. The acquisition price for “Shinagawa Seaside TS Tower” presented is the figure equivalent to the 25% quasi co-ownership interest in sectional ownership of the building, etc. additionally acquired by SANKEI REAL ESTATE, and the acquisition price for “S-GATE AKASAKA” is the figure equivalent to the 20% quasi co-ownership interest additionally acquired by SANKEI REAL ESTATE. After these additional acquisitions, SANKEI REAL ESTATE holds 50% quasi co-ownership interest in sectional ownership of the buildings, etc. of Shinagawa Seaside TS Tower, and 80% quasi co-ownership interest in S-GATE AKASAKA.

2. Overview of the Investment Corporation

(1) Summary of unitholders' capital

	1st fiscal period (as of Aug. 31, 2019)	2nd fiscal period (as of Feb. 29, 2020)	3rd fiscal period (as of Aug. 31, 2020)	4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
Total number of investment units authorized (units)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total number of investment units issued and outstanding (units)	239,600	356,800	356,800	356,800	356,800
Unitholders' capital (million yen)	23,124	36,540	36,540	36,540	36,540
Number of unitholders (persons)	6,626	7,848	7,725	7,682	7,328

(2) Matters related to investment units

The following table shows the major unitholders (Note 1) of SANKEI REAL ESTATE as of August 31, 2021.

Name	Number of investment units held (units)	Ratio to the total number of investment units issued and outstanding (%) (Note 2)
The Master Trust Bank of Japan, Ltd. (Trust Account)	75,201	21.07
Custody Bank of Japan, Ltd. (Trust Account)	66,287	18.57
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	21,876	6.13
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	20,473	5.73
The Sankei Building Co., Ltd.	17,479	4.89
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/SECURITIES-AIFM	12,053	3.37
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	9,250	2.59
Aozora Bank, Ltd.	8,079	2.26
SCBHK AC LIECHTENSTEINISCHE LANDESBANK AG	5,727	1.60
The Bank of Yokohama, Ltd.	5,036	1.41
Total	241,461	67.67

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

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

(3) Matters related to directors

The following table shows the directors, etc. of SANKEI REAL ESTATE as of August 31, 2021.

Position	Name	Major concurrent assignments	Total remuneration for each position during the period under review (thousand yen)
Executive Director	Yuichi Ota	President and Representative Director, Sankei Building Asset Management Co., Ltd.	-
Supervisory Director	Susumu Motoyoshi	Representative, Motoyoshi Total Accounting Office	1,800
	Kohmei Shimizu	Partner, Utsunomiya Shimizu & Haruki	1,800
		Adjunct Professor, Hosei University Law School	
Financial Auditor	Ernst & Young ShinNihon LLC	-	8,500

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

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

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

(4) Matters related to directors and officers liability insurance contract

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

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

(5) Asset management company, asset custodian and administrative agents

The following are the asset management company, asset custodian and administrative agents of SANKEI REAL ESTATE as of August 31, 2021.

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

3. Status of Asset under Management of the Investment Corporation

(1) SANKEI REAL ESTATE's asset structure

Type of asset	Asset type	Geographic area (Note 1)	4th fiscal period (as of Feb. 28, 2021)		5th fiscal period (as of Aug. 31, 2021)		
			Total amount held (million yen) (Note 2)	As a percentage of total assets (%) (Note 3)	Total amount held (million yen) (Note 2)	As a percentage of total assets (%) (Note 3)	
Real estate	Office buildings	Greater Tokyo, Osaka City and Nagoya City	2,612	3.3	2,612	3.3	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-	
	Sub assets	Greater Tokyo, Osaka City and Nagoya City	-	-	-	-	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-	
Real estate in trust	Office buildings	Greater Tokyo, Osaka City and Nagoya City	56,728	71.4	56,609	70.9	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-	
	Sub assets	Greater Tokyo, Osaka City and Nagoya City	9,004	11.3	8,978	11.2	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,974	5.0	3,949	4.9	
	Hotels	Greater Tokyo, Osaka City and Nagoya City	9,004	11.3	8,978	11.2	
		Cities designated by government ordinance (excluding above), core cities and major regional cities	3,974	5.0	3,949	4.9	
	Subtotal			72,320	91.0	72,149	90.4
	Deposits and other assets			7,162	9.0	7,698	9.6
Total assets			79,482	100.0	79,848	100.0	

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

"Core cities" refers to cities with population of 200,000 or more (excluding Greater Tokyo, Osaka City and Nagoya City, and other cities designated by government ordinance). "Major regional cities" refers to cities that are municipalities with population of less than 200,000 and the Asset Management Company has deemed certain demand can be found for specific asset types.

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

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

(2) Major assets held

The following is an overview of the major assets (top ten properties on a book value basis) held by SANKEI REAL ESTATE as of August 31, 2021.

Property name	Book value (million yen) (Note 1)	Total leasable area (m ²) (Note 2)	Total leased area (m ²) (Note 2)	Occupancy rate (%) (Note 2)	Ratio to total rent business revenue (%) (Note 3)	Main use
BREEZÉ TOWER (Note 4)	13,076	12,146.02	12,122.05	99.8	25.1	Office buildings
Shinagawa Seaside TS Tower (Note 4)	10,107	Not disclosed (Note 5)	Not disclosed (Note 5)	100.0	Not disclosed (Note 5)	Office buildings
Hotel Intergate Tokyo Kyobashi	8,978	6,006.53	6,006.53	100.0	9.5	Hotels
S-GATE NIHONBASHI-HONCHO (Note 4)	6,707	3,171.83	3,171.83	100.0	7.4	Office buildings
Hibiya Sankei Building	6,057	3,439.61	3,439.61	100.0	9.4	Office buildings
Omori Park Building	5,463	7,469.72	7,131.88	95.5	7.3	Office buildings
Hatchobori Sankei Building	5,011	5,594.90	5,594.90	100.0	8.2	Office buildings
S-GATE AKASAKA (Note 4)	4,242	1,984.86	1,984.86	100.0	Not disclosed (Note 5)	Office buildings
Hotel Intergate Hiroshima	3,949	9,160.15	9,160.15	100.0	5.5	Hotels
Toyo Park Building	3,892	4,224.52	3,497.61	82.8	5.1	Office buildings
Total	67,485	Not disclosed (Note 5)	Not disclosed (Note 5)	98.2	94.5	-

(Note 1) "Book value" is the depreciated book value for each portfolio asset as of August 31, 2021, rounded down to the nearest million yen. The same shall apply hereinafter.

(Note 2) Figures for "total leasable area," "total leased area" and "occupancy rate" are based on the data as of August 31, 2021. Furthermore, "total leasable area" is the area (excluding area of warehouse, signboard, parking lot, etc.) expected to be leasable based on the lease agreement, drawing, etc. of the buildings for each portfolio asset, rounded down to two decimal places. "Total leased area" is the total leased area (excluding area of warehouse, signboard, parking lot, etc.) stated in the lease agreement (excluding leased agreements under which the lease period is yet to commence) for each portfolio asset, rounded down to two decimal places. With respect to the portion which comes under the pass-through-type master lease agreement, the total area for which the lease agreement has actually been concluded with the end tenant and for which the lease period has commenced is indicated, rounded down to two decimal places. "Occupancy rate" is the ratio of total leased area to total leasable area for each portfolio asset, rounded to one decimal place. In addition, "occupancy rate" in the total column is the ratio of the sum total of total leased area to the sum total of total leasable area for each portfolio asset, rounded to one decimal place. The same shall apply for occupancy rate hereinafter.

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

(Note 4) The book value, total leasable area and total leased area are the figures equivalent to the co-ownership interest (51% for "S-GATE NIHONBASHI-HONCHO") and the quasi co-ownership interest (45% for "BREEZÉ TOWER," 25% for "Shinagawa Seaside TS Tower" and 60% for "S-GATE AKASAKA") held by SANKEI REAL ESTATE.

(Note 5) Not disclosed, due to unavoidable circumstances in that such contains information for which consent for disclosure has not been obtained from the tenant, relevant party, etc. or information from which confidential information can be derived.

(3) Real estate assets in the portfolio

The following table shows the overview of the assets held by SANKEI REAL ESTATE as of August 31, 2021.

Property name	Location	Form of ownership (Note 1)	Period-end appraisal value (million yen) (Note 2)	Book value (million yen)
Tokyo Sankei Building (Note 3)	1-7-2 Otemachi, Chiyoda-ku, Tokyo	Real estate	2,690	2,612
BREEZÉ TOWER (Note 3)	2-4-9 Umeda, Kita-ku, Osaka-shi, Osaka	Real estate trust beneficiary right	17,280	13,076
S-GATE NIHONBASHI-HONCHO (Note 3)	1-9-1 Nihonbashi-Honcho, Chuo-ku, Tokyo	Real estate trust beneficiary right	7,470	6,707
S-GATE AKIHABARA	2-4-6 Higashi-Kanda, Chiyoda-ku, Tokyo	Real estate trust beneficiary right	2,530	2,051
Hibiya Sankei Building	1-9-1 Yurakucho, Chiyoda-ku, Tokyo	Real estate trust beneficiary right	6,410	6,057
Hatchobori Sankei Building	2-7-1 Hatchobori, Chuo-ku, Tokyo	Real estate trust beneficiary right	5,500	5,011
Toyo Park Building	5-29-17 Toyo, Koto-ku, Tokyo	Real estate trust beneficiary right	3,610	3,892
Shinagawa Seaside TS Tower (Note 3)	4-12-3 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Real estate trust beneficiary right	11,000	10,107
Omori Park Building	1-6-1 Omori-Honcho, Ota-ku, Tokyo	Real estate trust beneficiary right	5,490	5,463
S-GATE AKASAKA (Note 3)	6-2-4 Akasaka, Minato-ku, Tokyo	Real estate trust beneficiary right	4,266	4,242
Hotel Intergate Tokyo Kyobashi	3-7-8 Kyobashi, Chuo-ku, Tokyo	Real estate trust beneficiary right	9,010	8,978
Hotel Intergate Hiroshima	5-16 Teppocho, Naka-ku, Hiroshima-shi, Hiroshima	Real estate trust beneficiary right	4,070	3,949
Total			79,326	72,149

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

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

(Note 3) The period-end appraisal value and book value are the figures equivalent to the co-ownership interest (2% for "Tokyo Sankei Building" and 51% for "S-GATE NIHONBASHI-HONCHO") and the quasi co-ownership interest (45% for "BREEZÉ TOWER," 25% for "Shinagawa Seaside TS Tower" and 60% for "S-GATE AKASAKA") held by SANKEI REAL ESTATE.

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

Property name	4th fiscal period From Sep. 1, 2020 to Feb. 28, 2021				5th fiscal period From Mar. 1, 2021 to Aug. 31, 2021			
	Number of tenants (at period end) (Note 1)	Occupancy rate (at period end) (%)	Operating revenue from real estate leasing (during period) (million yen) (Note 2)	Ratio to total rent business revenue (%)	Number of tenants (at period end) (Note 1)	Occupancy rate (at period end) (%)	Operating revenue from real estate leasing (during period) (million yen) (Note 2)	Ratio to total rent business revenue (%)
Tokyo Sankei Building	45	91.6	60	2.8	46	93.7	51	2.4
BREEZÉ TOWER	38	100.0	531	24.7	38	99.8	545	25.1
S-GATE NIHONBASHI-HONCHO	3	100.0	160	7.5	3	100.0	159	7.4
S-GATE AKIHABARA	6	100.0	62	2.9	6	100.0	68	3.1
Hibiya Sankei Building	11	100.0	209	9.8	11	100.0	204	9.4
Hatchobori Sankei Building	10	100.0	176	8.2	10	100.0	179	8.2
Toyo Park Building	5	100.0	115	5.4	4	82.8	109	5.1
Shinagawa Seaside TS Tower	Not disclosed (Note 3)	100.0	Not disclosed (Note 3)	Not disclosed (Note 3)	Not disclosed (Note 3)	100.0	Not disclosed (Note 3)	Not disclosed (Note 3)
Omori Park Building	9	100.0	154	7.2	9	95.5	159	7.3
S-GATE AKASAKA	2	100.0	Not disclosed (Note 3)	Not disclosed (Note 3)	2	100.0	Not disclosed (Note 3)	Not disclosed (Note 3)
Hotel Intergate Tokyo Kyobashi	1	100.0	206	9.6	1	100.0	206	9.5
Hotel Intergate Hiroshima	1	100.0	118	5.5	1	100.0	118	5.5
Total	Not disclosed (Note 3)	99.9	2,147	100.0	Not disclosed (Note 3)	98.2	2,176	100.0

(Note 1) "Number of tenants" indicates the total number of tenants of the respective portfolio assets held as of August 31, 2021, based on the lease agreement of the relevant assets. When a pass-through-type master lease agreement has been concluded for the assets, however, the total number of end tenants is indicated for the portion covered by the pass-through-type master lease agreement among such assets. In cases in which one tenant has concluded lease agreements of different use types for the same single asset, the tenant shall be counted as one for each use type.

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

(Note 3) Not disclosed due to unavoidable circumstances in that such contains information for which consent for disclosure has not been obtained from the tenant, relevant party, etc. or information from which confidential information can be derived.

(4) Schedule of renewable energy generation facilities in the portfolio

Not applicable.

(5) Schedule of the rights to operate public facilities, etc. in the portfolio

Not applicable.

(6) Status of other assets

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

1) Schedule of Securities Incorporated in the Portfolio

Not applicable.

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

Not applicable.

(7) Status of assets held in each country/region

Not applicable for any country or region outside Japan.

4. Capital Expenditures for Real Estate Held

(1) Schedule of capital expenditures

Of capital expenditures associated with renovation work, etc. currently planned for assets held by SANKEI REAL ESTATE as of August 31, 2021, the following are the major estimated amounts (10 million yen or more). The estimated construction costs below may include the portion separately charged to expenses in accounting.

Name of real estate, etc. (Location)	Purpose	Scheduled period	Expected construction cost (million yen)		
			Total amount	Amount of payment during period	Total amount already paid
Hibiya Sankei Building (Chiyoda-ku, Tokyo)	Renewal of power distribution panel equipment	From: Nov. 1, 2021 To: Nov. 30, 2021	12	-	-
BREEZÉ TOWER (Kita-ku, Osaka-shi)	Renewal of telephone and switching equipment Renewal of switching peripheral equipment	From: Feb. 1, 2022 To: Feb. 28, 2022	11	-	-

(2) Capital expenditures during the fiscal period

Major construction works falling under the category of capital expenditures of 10 million yen or more conducted in the fiscal period under review for assets held by SANKEI REAL ESTATE as of August 31, 2021, are as follows: For the fiscal period under review, capital expenditures amounted to 57 million yen and repair expenses separately charged to expenses amounted to 39 million yen for a combined total of 96 million yen of construction works implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of payment (million yen)
Toyo Park Building (Koto-ku, Tokyo)	Installation of raised flooring	From: July 1, 2021 To: Aug. 25, 2021	12
Other			44
Total			57

(3) Cash reserves for long-term repair plans

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

Fiscal period	1st fiscal period From Nov. 19, 2018 to Aug. 31, 2019	2nd fiscal period From Sep. 1, 2019 to Feb. 29, 2020	3rd fiscal period From Mar. 1, 2020 to Aug. 31, 2020	4th fiscal period From Sep. 1, 2020 to Feb. 28, 2021	5th fiscal period From Mar. 1, 2021 to Aug. 31, 2021
Balance of reserve at beginning of period (thousand yen)	-	95,103	130,466	217,842	175,880
Provision of reserve during period (thousand yen)	95,103	105,897	128,187	59,293	59,293
Reversal of reserve during period (thousand yen)	-	70,534	40,812	101,255	25,496
Reserve carried forward (thousand yen)	95,103	130,466	217,842	175,880	209,678

5. Status of Expenses and Liabilities

(1) Details of expenses related to asset management

(Unit: thousand yen)

Item	4th fiscal period From Sep. 1, 2020 to Feb. 28, 2021	5th fiscal period From Mar. 1, 2021 to Aug. 31, 2021
Asset management fee	186,562	195,532
Asset custody fee	1,568	1,575
Administrative service fees	7,065	7,100
Remuneration for directors (and other officers)	3,600	3,600
Other expenses	40,510	33,203
Total	239,306	241,011

(2) Status of loans

The status of loans from respective financial institutions as of August 31, 2021, is as follows:

Category	Lender	Drawdown date	Balance at beginning of period (million yen)	Balance at end of period (million yen)	Average interest rate (Note 1)	Maturity date (Note 2)	Repayment method	Use of funds	Remarks
Long-term loans	Mizuho Bank, Ltd.	Mar. 12, 2019	1,331	-	0.25409% (floating interest rate)	Mar. 12, 2021	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		929	-					
	Development Bank of Japan Inc.		796	-					
	Mizuho Trust & Banking Co., Ltd.		509	-					
	Sumitomo Mitsui Trust Bank, Limited		465	-					
	Shinsei Bank, Limited		385	-					
	Resona Bank, Limited		385	-					
	Mizuho Bank, Ltd.	Mar. 12, 2019	1,574	1,574	0.36969% (fixed interest rate)	Mar. 12, 2022	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,084	1,084					
	Development Bank of Japan Inc.		929	929					
	Mizuho Trust & Banking Co., Ltd.		593	593					
	Sumitomo Mitsui Trust Bank, Limited		542	542					
	Shinsei Bank, Limited		439	439					
	Resona Bank, Limited		439	439					
	Mizuho Bank, Ltd.	Mar. 12, 2019	972	972	0.42346% (fixed interest rate)	Mar. 12, 2023	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		716	716					
	Development Bank of Japan Inc.		614	614					
	Mizuho Trust & Banking Co., Ltd.		392	392					
	Sumitomo Mitsui Trust Bank, Limited		358	358					
	Shinsei Bank, Limited		324	324					
	Resona Bank, Limited		324	324					
	Mizuho Bank, Ltd.	Mar. 12, 2019	856	856	0.49096% (fixed interest rate)	Mar. 12, 2024	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		639	639					
	Development Bank of Japan Inc.		548	548					
	Mizuho Trust & Banking Co., Ltd.		350	350					
	Sumitomo Mitsui Trust Bank, Limited		319	319					
	Shinsei Bank, Limited		294	294					
	Resona Bank, Limited		294	294					

Category	Lender	Drawdown date	Balance at beginning of period (million yen)	Balance at end of period (million yen)	Average interest rate (Note 1)	Maturity date (Note 2)	Repay-ment method	Use of funds	Remarks
Long-term loans	Mizuho Bank, Ltd.	Sep. 3, 2019	2,250	2,250	0.27425% (floating interest rate)	Sep. 3, 2022	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,500	1,500					
	Mizuho Trust & Banking Co., Ltd.		620	620					
	Sumitomo Mitsui Trust Bank, Limited		550	550					
	Shinsei Bank, Limited		490	490					
	Resona Bank, Limited		490	490					
	Mizuho Bank, Ltd.	Sep. 3, 2019	950	950	0.36200% (fixed interest rate)	Sep. 3, 2023	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		800	800					
	Development Bank of Japan Inc.		2,000	2,000					
	Mizuho Trust & Banking Co., Ltd.		620	620					
	Sumitomo Mitsui Trust Bank, Limited		550	550					
	Shinsei Bank, Limited		490	490					
	Resona Bank, Limited		490	490					
	Mizuho Bank, Ltd.	Mar. 12, 2020	1,167	1,167	0.32923% (fixed interest rate)	Sep. 12, 2024	Lump-sum repayment at maturity	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		832	832					
	Development Bank of Japan Inc.		713	713					
	Mizuho Trust & Banking Co., Ltd.		456	456					
	Sumitomo Mitsui Trust Bank, Limited		416	416					
	Shinsei Bank, Limited		358	358					
	Resona Bank, Limited		358	358					
	Mizuho Bank, Ltd.	Oct. 1, 2020	4,300	4,300	0.23235% (floating interest rate)	Oct. 1, 2021	Lump-sum repayment at maturity	(Note 3)	Unsecured/ Non-guaranteed
	Mizuho Bank, Ltd.	Mar. 12, 2021	-	1,331	0.36978% (fixed interest rate)	Mar. 12, 2025	Lump-sum repayment at maturity	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation		-	929					
	Development Bank of Japan Inc.		-	796					
	Mizuho Trust & Banking Co., Ltd.		-	509					
	Sumitomo Mitsui Trust Bank, Limited		-	465					
	Shinsei Bank, Limited		-	385					
	Resona Bank, Limited		-	385					
Total			37,800	37,800					

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

(Note 2) If the maturity date is not a business day, the immediately following business day shall be the maturity date.

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

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

(3) Investment corporation bonds

Not applicable.

(4) Short-term investment corporation bonds

Not applicable.

(5) Investment unit acquisition rights

Not applicable.

6. Acquisitions and Sales during the Fiscal Period

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

Not applicable.

(2) Acquisition and sale of other assets

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

(3) Survey on prices of specified assets, etc.

Not applicable.

(4) Transactions with interested parties, etc.

1) Transaction status

Not applicable.

2) Amount of fees paid, etc.

Category	Total amount of fees paid, etc. (A)	Breakdown of transactions with interested parties, etc.		Percentage of total amount (B/A)
		Paid party	Paid amount (B)	
Property management fees	32,287 thousand yen	The Sankei Building Co., Ltd.	18,939 thousand yen	58.7%
		The Sankei Building Management Co., Ltd.	10,913 thousand yen	33.8%
Building management fees	137,364 thousand yen	The Sankei Building Management Co., Ltd.	117,791 thousand yen	85.8%

3) Major payments to other interested parties, etc.

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

The Sankei Building Management Co., Ltd.	25,084 thousand yen	(Repair expenses)
Sankei Shimbun Co., Ltd.	1,135 thousand yen	(Land rent)
Fuji Media Holdings, Inc.	683 thousand yen	(Land rent)

4) Leasing transactions, etc.

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

GRANVISTA Hotels & Resorts Co., Ltd.	325,755 thousand yen	(Rental revenue)
The Sankei Building Co., Ltd.	2,948 thousand yen	(Rental revenue)

(5) Transactions with the asset management company regarding concurrent work conducted by the asset management company

As of August 31, 2021, Sankei Building Asset Management Co., Ltd., the asset management company of SANKEI REAL ESTATE, concurrently conducts investment advisory and agency business and type II financial instruments business under the Financial Instruments and Exchange Act, but has no such transactions with SANKEI REAL ESTATE. Moreover, the asset management company does not concurrently conduct any of the type I financial instruments business, building lots and buildings transaction business, or real estate specified joint enterprise, and has no such transactions with SANKEI REAL ESTATE.

7. Overview of Accounting

(1) Assets, liabilities, principal, and profits and loss

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

(2) Changes in calculation method of depreciation

Not applicable.

(3) Changes in valuation method of real estate and infrastructure assets, etc.

Not applicable.

(4) Status, etc. of self-managed investment trust beneficiary certificates, etc.

Not applicable.

8. Other

(1) Notices

Board of Directors of the investment corporation

The main overviews of the major conclusions and changes of contracts that were approved by the Board of Directors of SANKEI REAL ESTATE during the fiscal period under review are as follows:

Approval date	Item	Overview
August 16, 2021	Conclusion of agreements such as an underwriting agreement for new investment units	Conclusion of agreements such as an underwriting agreement for new investment units with Daiwa Securities Co. Ltd., Mizuho Securities Co., Ltd., and Nomura Securities Co., Ltd.

(2) Disclosure on corporation owning foreign real estate

Not applicable.

(3) Disclosure on real estate owned by corporation owning foreign real estate

Not applicable.

(4) Other

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

Independent Auditor's Report

The Board of Directors
SANKEI REAL ESTATE, Inc.

Opinion

We have audited the accompanying financial statements of SANKEI REAL ESTATE, Inc., (the Company), which comprise the balance sheet as at August 31, 2021, and the statement of income and retained earnings, changes in unitholders' equity, cash distributions, cash flows and supplementary schedules for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and the Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

November 26, 2021



Kazuto Shiratori
Designated Engagement Partner
Certified Public Accountant



Satoshi Abe
Designated Engagement Partner
Certified Public Accountant

1. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
Assets		
Current assets		
Cash and deposits	4,147,117	4,457,965
Cash and deposits in trust	2,797,010	2,799,257
Operating accounts receivable	54,096	36,079
Prepaid expenses	46,597	59,212
Consumption taxes receivable	9,321	-
Other	41,015	77
Total current assets	7,095,157	7,352,593
Non-current assets		
Property, plant and equipment		
Buildings	166,032	169,301
Accumulated depreciation	(11,908)	(15,201)
Buildings, net	154,123	154,100
Structures	353	544
Accumulated depreciation	(16)	(25)
Structures, net	336	518
Land	2,457,766	2,457,766
Buildings in trust	14,296,308	14,340,970
Accumulated depreciation	(769,403)	(992,106)
Buildings in trust, net	13,526,905	13,348,864
Structures in trust	23,602	23,832
Accumulated depreciation	(1,122)	(1,435)
Structures in trust, net	22,479	22,396
Machinery and equipment in trust	2,875	11,302
Accumulated depreciation	(348)	(564)
Machinery and equipment in trust, net	2,526	10,737
Tools, furniture and fixtures in trust	27,889	28,239
Accumulated depreciation	(3,719)	(5,727)
Tools, furniture and fixtures in trust, net	24,170	22,512
Land in trust	56,132,321	56,132,575
Construction in progress in trust	8,103	281,344
Total property, plant and equipment	72,328,733	72,430,815
Intangible assets		
Software	5,773	4,833
Total intangible assets	5,773	4,833
Investments and other assets		
Long-term prepaid expenses	43,237	43,724
Deferred tax assets	13	13
Lease and guarantee deposits	10,000	10,000
Total investments and other assets	53,251	53,738
Total non-current assets	72,387,757	72,489,387
Deferred assets		
Investment unit issuance costs	-	6,488
Total deferred assets	-	6,488
Total assets	79,482,915	79,848,468

(Unit: thousand yen)

	4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
Liabilities		
Current liabilities		
Operating accounts payable	170,112	225,346
Long-term loans due within one year	9,100,000	9,900,000
Accounts payable - other	219,582	494,644
Accrued expenses	26,175	27,936
Income taxes payable	879	875
Consumption taxes payable	-	89,208
Advances received	373,814	339,943
Deposits received	7,496	14,065
Total current liabilities	9,898,060	11,092,019
Non-current liabilities		
Long-term loans	28,700,000	27,900,000
Lease and guarantee deposits received	79,585	82,139
Lease and guarantee deposits received in trust	3,247,634	3,219,176
Total non-current liabilities	32,027,219	31,201,315
Total liabilities	41,925,280	42,293,334
Net assets		
Unitholders' equity		
Unitholders' capital	36,540,901	36,540,901
Surplus		
Unappropriated retained earnings (undisposed loss)	1,016,734	1,014,232
Total surplus	1,016,734	1,014,232
Total unitholders' equity	37,557,635	37,555,134
Total net assets	*1 37,557,635	*1 37,555,134
Total liabilities and net assets	79,482,915	79,848,468

(2) Statement of Income and Retained Earnings

(Unit: thousand yen)

	4th fiscal period From: Sep. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
Operating revenue		
Rent business revenue	*1 2,015,771	*1 2,032,902
Other rent business revenue	*1 132,163	*1 143,210
Total operating revenue	2,147,934	2,176,113
Operating expenses		
Expenses related to rent business	*1 790,014	*1 793,758
Asset management fee	186,562	195,532
Asset custody fee	1,568	1,575
Administrative service fees	7,065	7,100
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	40,510	33,203
Total operating expenses	1,029,320	1,034,769
Operating income	1,118,614	1,141,343
Non-operating income		
Interest income	21	31
Insurance claim income	-	994
Interest on refund	-	50
Other	0	15
Total non-operating income	21	1,091
Non-operating expenses		
Interest expenses	61,565	66,412
Borrowing related expenses	37,660	61,120
Other	2,000	-
Total non-operating expenses	101,225	127,533
Ordinary income	1,017,409	1,014,902
Net income before income taxes	1,017,409	1,014,902
Income taxes - current	882	880
Income taxes - deferred	0	0
Total income taxes	883	880
Net income	1,016,526	1,014,021
Retained earnings brought forward	207	210
Unappropriated retained earnings (undisposed loss)	1,016,734	1,014,232

(3) Statement of Changes in Unitholders' Equity

4th fiscal period (from September 1, 2020 to February 28, 2021)

(Unit: thousand yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	36,540,901	903,625	903,625	37,444,526	37,444,526
Changes in items during period					
Distributions from surplus		(903,417)	(903,417)	(903,417)	(903,417)
Net income		1,016,526	1,016,526	1,016,526	1,016,526
Total changes in items during period	-	113,108	113,108	113,108	113,108
Balance at end of period	*1 36,540,901	1,016,734	1,016,734	37,557,635	37,557,635

5th fiscal period (from March 1, 2021 to August 31, 2021)

(Unit: thousand yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	36,540,901	1,016,734	1,016,734	37,557,635	37,557,635
Changes in items during period					
Distributions from surplus		(1,016,523)	(1,016,523)	(1,016,523)	(1,016,523)
Net income		1,014,021	1,014,021	1,014,021	1,014,021
Total changes in items during period	-	(2,501)	(2,501)	(2,501)	(2,501)
Balance at end of period	36,540,901	1,014,232	1,014,232	37,555,134	37,555,134

(4) Statement of Cash Distributions

(Unit: yen)

	4th fiscal period From: Sep. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
I. Unappropriated retained earnings	1,016,734,169	1,014,232,892
II. Additional distribution in excess of earnings		
Deduction from unitholders' capital	-	7,136,000
III. Amount of distribution	1,016,523,200	1,021,161,600
[Amount of distribution per unit]	[2,849]	[2,862]
of which, distribution of earnings	1,016,523,200	1,014,025,600
[of which, distribution of earnings per unit]	[2,849]	[2,842]
of which, distribution in excess of earnings	-	7,136,000
[of which, distribution in excess of earnings per unit]	[-]	[20]
IV. Retained earnings carried forward	210,969	207,293
Method of calculation of amount of distribution	<p>In accordance with the policy on distribution specified in Article 36, Paragraph 1 of SANKEI REAL ESTATE's articles of incorporation, the amount of distribution shall be limited to the amount of net income in excess of the amount equivalent to 90% of distributable profit, as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, the decision was made to distribute 1,016,523,200 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (356,800 units) not in excess of unappropriated retained 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 this policy, the decision was made to distribute 1,014,025,600 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (356,800 units) not in excess of unappropriated retained earnings.</p> <p>Furthermore, pursuant to the policy on the distribution in excess of earnings specified in Article 36, Paragraph 2 of SANKEI REAL ESTATE's articles of incorporation, due to net income decreasing in the fiscal period under review as a result of recording temporary borrowing-related expenses associated with borrowing for the acquisition of real estate trust beneficiary rights of 4 properties on September 2, 2021, 7,136,000 yen was distributed as a contribution refund that falls under distribution through reduction in unitholders' capital for tax purposes. As a result, the amount of distribution was 1,021,161,600 yen in the fiscal period under review.</p>

(5) Statement of Cash Flows

(Unit: thousand yen)

	4th fiscal period From: Sep. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
Cash flows from operating activities		
Net income before income taxes	1,017,409	1,014,902
Depreciation	228,057	229,481
Interest income	(21)	(31)
Interest expenses	61,565	66,412
Decrease (increase) in operating accounts receivable	34,103	20,672
Decrease (increase) in consumption taxes refund receivable	(9,321)	9,321
Decrease (increase) in prepaid expenses	5,300	(12,615)
Increase (decrease) in operating accounts payable	(54,667)	18,847
Increase (decrease) in accounts payable - other	4,076	12,407
Increase (decrease) in consumption taxes payable	(129,470)	89,208
Increase (decrease) in advances received	45,256	(33,871)
Increase (decrease) in deposits received	(1,197,677)	6,568
Decrease (increase) in long-term prepaid expenses	17,555	(487)
Decrease (increase) in other assets	526,775	40,937
Subtotal	548,943	1,461,754
Interest received	21	31
Interest paid	(61,662)	(64,651)
Income taxes paid	(896)	(884)
Net cash provided by (used in) operating activities	486,405	1,396,250
Cash flows from investing activities		
Purchase of property, plant and equipment	(493)	(3,460)
Purchase of property, plant and equipment in trust	(4,286,634)	(28,670)
Proceeds from lease and guarantee deposits received	81	2,572
Refund of lease and guarantee deposits received	(12,724)	(19)
Proceeds from lease and guarantee deposits received in trust	232,800	3,970
Refund of lease and guarantee deposits received in trust	(33,127)	(35,084)
Net cash provided by (used in) investing activities	(4,100,099)	(60,691)
Cash flows from financing activities		
Proceeds from long-term loans	4,300,000	4,800,000
Repayments of long-term loans	-	(4,800,000)
Payments of investment unit issuance costs	-	(6,488)
Distributions paid	(902,512)	(1,015,975)
Net cash provided by (used in) financing activities	3,397,487	(1,022,464)
Net increase (decrease) in cash and cash equivalents	(216,205)	313,095
Cash and cash equivalents at beginning of period	7,160,333	6,944,127
Cash and cash equivalents at end of period	*1 6,944,127	*1 7,257,223

(6) Notes to Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes on Matters Concerning Significant Accounting Policies)

1. Method of depreciation of non-current assets	<p>(1) Property, plant and equipment (including trust assets) The straight-line method is adopted. Furthermore, the useful lives of major property, plant and equipment are as follows:</p> <table> <tr> <td>Buildings</td><td>3-65 years</td></tr> <tr> <td>Structures</td><td>6-59 years</td></tr> <tr> <td>Machinery and equipment</td><td>8-10 years</td></tr> <tr> <td>Tools, furniture and fixtures</td><td>4-8 years</td></tr> </table> <p>(2) Intangible assets The straight-line method is adopted.</p> <p>(3) Long-term prepaid expenses The straight-line method is adopted.</p>	Buildings	3-65 years	Structures	6-59 years	Machinery and equipment	8-10 years	Tools, furniture and fixtures	4-8 years
Buildings	3-65 years								
Structures	6-59 years								
Machinery and equipment	8-10 years								
Tools, furniture and fixtures	4-8 years								
2. Accounting for deferred assets	<p>Investment unit issuance costs They are amortized by the straight-line method over 3 years.</p>								
3. Standards for revenue and expense recognition	<p>Accounting for fixed asset tax, etc. For fixed 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.</p> <p>Furthermore, the amount equivalent to fixed asset tax, etc. in the initial fiscal year paid by SANKEI REAL ESTATE upon acquisition of real estate or trust beneficiary rights of real estate is included in the cost of acquisition of the real estate, etc., not recognized as expenses. The amount equivalent to fixed asset tax, etc. included in the cost of acquisition of real estate, etc. was 3,425 thousand yen in the previous fiscal period. The amount equivalent to fixed asset tax, etc. included in the cost of acquisition of real estate, etc. was nil in the current fiscal period.</p>								
4. Scope of cash (cash and cash equivalents) in the statement of cash flows	<p>Cash and cash equivalents in the statement of cash flows comprise cash on hand and cash in trust, demand deposits and deposits in trust, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.</p>								
5. Other significant matters related to the basis for preparation of the financial statements	<p>(1) 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.</p> <p>Furthermore, the following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet.</p> <ol style="list-style-type: none"> Cash and deposits in trust 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 Lease and guarantee deposits received in trust <p>(2) Accounting for consumption tax, etc. The accounting for consumption tax and local consumption tax is by the method of exclusion of the taxes.</p>								

(Notes on Accounting Standards, Etc. Yet to be Applied)

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued on March 26, 2021)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 31, 2020)

1. Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States have jointly developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. Given the situation where IFRS 15 will be applied from fiscal years beginning on or after January 1, 2018, and that Topic 606 will be applied from fiscal years beginning after December 15, 2017, the ASBJ has developed a comprehensive accounting standard for revenue recognition and issued such together with an implementation guidance.

The basic policy for the ASBJ when it developed the accounting standard for revenue recognition was to determine the accounting standard, incorporating the basic principles of IFRS 15 as a starting point, from the perspective of comparability between financial statements, which is one of the benefits of consistency with IFRS 15. If there is an item to which consideration should be given, such as practices that have been conducted thus far in Japan, alternative treatments shall be added to the extent to which comparability is not impaired.

2. Scheduled application date

Those standards and guidance will be applied at the beginning of the fiscal period ending February 28, 2022.

3. Impact of applying the accounting standards, etc.

The impact on the financial statements of the applying of this standard and guidance is currently under review.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued on July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued on June 17, 2021)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 31, 2020)

1. Overview

The IASB and the FASB in the United States set up detailed guidance on fair value measurement (IFRS 13 "Fair Value Measurement" by IASB and Topic 820 "Fair Value Measurement" by FASB). To improve the comparability with the provisions of these international accounting standards, the ASBJ discussed the guidance and disclosure regarding mainly the fair value of financial instruments, and announced an accounting standard for fair value measurement and an implementation guidance on the accounting standard for fair value measurement.

The basic policy for the ASBJ when it developed the accounting standard for fair value measurement was to incorporate basically all of the provisions of IFRS 13, from the perspective of improving the comparability between financial statements among domestic and international companies by using a unified method of measurement. To the extent that the comparability between financial statements is not significantly impaired, other treatments of individual items shall be determined considering practices that have been conducted thus far in Japan, etc.

2. Scheduled application date

Those standards and guidance will be applied at the beginning of the fiscal period ending February 28, 2022.

3. Impact of applying the accounting standards, etc.

The impact on the financial statements of the applying of this standard and guidance is currently under review.

(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)

4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
50,000	50,000

(Notes to the Statement of Income and Retained Earnings)

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

(Unit: thousand yen)

	4th fiscal period From: Sep. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
A. Operating revenue from real estate leasing		
Rent business revenue		
Rental revenue	1,868,319	1,890,879
Common area maintenance revenue	147,452	142,022
Total rent business revenue	2,015,771	2,032,902
Other rent business revenue		
Utilities revenue	93,366	89,327
Parking revenue	30,655	31,102
Other rental revenue	8,141	22,780
Total other rent business revenue	132,163	143,210
Total operating revenue from real estate leasing	2,147,934	2,176,113
B. Operating expenses from real estate leasing		
Expenses related to rent business		
Outsourcing expenses	183,374	169,652
Utilities expenses	110,924	116,632
Property taxes	214,815	223,015
Land rent	1,818	1,818
Repair expenses	35,844	39,331
Insurance premium	4,664	4,354
Trust fee	2,371	2,752
Depreciation	227,117	228,541
Other expenses related to rent business	9,081	7,658
Total expenses related to rent business	790,014	793,758
Total operating expenses from real estate leasing	790,014	793,758
C. Operating income (loss) from real estate leasing [A-B]	1,357,920	1,382,355

(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)

	4th fiscal period From: Sep. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
Total number of investment units authorized	10,000,000	10,000,000
Total number of investment units issued and outstanding	356,800	356,800

(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)

	4th fiscal period From: Sep. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
Cash and deposits	4,147,117	4,457,965
Cash and deposits in trust	2,797,010	2,799,257
Cash and cash equivalents	6,944,127	7,257,223

(Notes on Lease Transactions)

Operating lease transactions (as lessor)

Future minimum lease payments

(Unit: thousand yen)

	4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
Due within 1 year	2,692,306	2,519,482
Due after 1 year	15,407,566	14,482,652
Total	18,099,872	17,002,135

(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. If borrowing, lenders shall be limited to the qualified institutional investors provided in the Financial Instruments and Exchange Act (however, limited to the institutional investors provided in Article 67-15 of the Act on Special Measures Concerning Taxation).

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

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

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

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

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

The fair value of financial instruments is values based on market price, but may otherwise include values based on reasonable calculation when no market price is available. Certain assumptions, etc. are adopted in the calculation of the concerned values. Accordingly, the concerned values may vary when different assumptions, etc. are adopted.

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

The following are the carrying amount and fair value as of February 28, 2021, and the amount of difference between these. Financial instruments for which estimation of fair value is recognized to be extremely difficult are not included in the following table (Note 2).

(Unit: thousand yen)

	Carrying amount	Fair value	Amount of difference
(1) Cash and deposits	4,147,117	4,147,117	-
(2) Cash and deposits in trust	2,797,010	2,797,010	-
Total assets	6,944,127	6,944,127	-
(1) Long-term loans due within one year	9,100,000	9,100,000	-
(2) Long-term loans	28,700,000	28,744,574	44,574
Total liabilities	37,800,000	37,844,574	44,574

The following are the carrying amount and fair value as of August 31, 2021, and the amount of difference between these. Financial instruments for which estimation of fair value is recognized to be extremely difficult are not included in the following table (Note 2).

(Unit: thousand yen)

	Carrying amount	Fair value	Amount of difference
(1) Cash and deposits	4,457,965	4,457,965	-
(2) Cash and deposits in trust	2,799,257	2,799,257	-
Total assets	7,257,223	7,257,223	-
(1) Long-term loans due within one year	9,900,000	9,908,903	8,903
(2) Long-term loans	27,900,000	27,976,223	76,223
Total liabilities	37,800,000	37,885,127	85,127

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

Assets

(1) Cash and deposits; (2) Cash and deposits in trust

Because these are settled in a short period of time, the fair value is approximately the same as the book value and thus stated at that book value.

Liabilities

(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 is thought to resemble the book value and thus stated at that book value. However, in the case of long-term loans with fixed interest rates, the fair value is calculated based on the present value of their future cash flows discounted over the time to maturity and at the rate adjusted for credit risks.

(Note 2) Financial instruments for which estimation of fair value is recognized to be extremely difficult

(Unit: thousand yen)

	4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
Lease and guarantee deposits received	79,585	82,139
Lease and guarantee deposits received in trust	3,247,634	3,219,176

* "Lease and guarantee deposits received" and "Lease and guarantee deposits received in trust" are not subject to disclosure of fair value because there is no market price and, even if the lease contract period has been set, there being the possibility of contract cancellation before expiration, contract extension or contract renewal make calculating the actual deposit period impossible and reasonable projection of future cash flows is thus recognized to be extremely difficult.

(Note 3) Amount of redemption of monetary claims scheduled to be due after the end of the fiscal period (February 28, 2021)

(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
Cash and deposits	4,147,117	-	-	-	-	-
Cash and deposits in trust	2,797,010	-	-	-	-	-
Total	6,944,127	-	-	-	-	-

Amount of redemption of monetary claims scheduled to be due after the end of the fiscal period (August 31, 2021)

(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
Cash and deposits	4,457,965	-	-	-	-	-
Cash and deposits in trust	2,799,257	-	-	-	-	-
Total	7,257,223	-	-	-	-	-

(Note 4) Amount of repayment of loans scheduled to be due after the end of the fiscal period (February 28, 2021)

(Unit: thousand yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Long-term loans due within one year	9,100,000	-	-	-	-	-
Long-term loans	-	11,500,000	9,600,000	7,600,000	-	-
Total	9,100,000	11,500,000	9,600,000	7,600,000	-	-

Amount of repayment of loans scheduled to be due after the end of the fiscal period (August 31, 2021)

(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	9,900,000	-	-	-	-	-
Long-term loans	-	9,600,000	9,200,000	9,100,000	-	-
Total	9,900,000	9,600,000	9,200,000	9,100,000	-	-

(Notes on Securities)

4th fiscal period (as of February 28, 2021)

Not applicable.

5th fiscal period (as of August 31, 2021)

Not applicable.

(Notes on Derivative Transactions)

4th fiscal period (as of February 28, 2021)

Not applicable.

5th fiscal period (as of August 31, 2021)

Not applicable.

(Notes on Retirement Benefits)

4th fiscal period (as of February 28, 2021)

Not applicable.

5th fiscal period (as of August 31, 2021)

Not applicable.

(Notes on Tax-Effect Accounting)

1. Breakdown of main deferred tax assets and deferred tax liabilities

(Unit: thousand yen)

	4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
Deferred tax assets		
Non-deductible accrued enterprise tax	13	13
Total	13	13
Deferred tax assets, net	13	13

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

(Unit: %)

	4th fiscal period (as of Feb. 28, 2021)	5th fiscal period (as of Aug. 31, 2021)
Statutory tax rate	31.46	31.46
[Adjustments]		
Deductible distribution payable	(31.43)	(31.43)
Other	0.06	0.06
Effective income tax rate after application of tax-effect accounting	0.09	0.09

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

4th fiscal period (from September 1, 2020 to February 28, 2021)

Not applicable.

5th fiscal period (from March 1, 2021 to August 31, 2021)

Not applicable.

(Notes on Related-Party Transactions)

1. Parent company, major corporate unitholder, etc.

4th fiscal period (from September 1, 2020 to February 28, 2021)

Not applicable.

5th fiscal period (from March 1, 2021 to August 31, 2021)

Not applicable.

2. Affiliated company, etc.

4th fiscal period (from September 1, 2020 to February 28, 2021)

Not applicable.

5th fiscal period (from March 1, 2021 to August 31, 2021)

Not applicable.

3. Fellow subsidiary, etc.

4th fiscal period (from September 1, 2020 to February 28, 2021)

Not applicable.

5th fiscal period (from March 1, 2021 to August 31, 2021)

Not applicable.

4. Director, major individual unitholder, etc.

4th fiscal period (from September 1, 2020 to February 28, 2021)

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 Representative Director of Sankei Building Asset Management Co., Ltd.	-		Executive Director of SANKEI REAL ESTATE, and President and Representative Director of Sankei Building Asset Management Co., Ltd.	Payment of asset management fee to asset management company (Note 3)	228,562 (Note 4)	Accounts payable - other	205,218

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

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

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

(Note 4) Asset management fee includes the portion of the fee for property acquisition included in the book value of individual real estate, etc. (42,000 thousand yen).

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

5th fiscal period (from March 1, 2021 to August 31, 2021)

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 Representative Director of Sankei Building Asset Management Co., Ltd.	-		Executive Director of SANKEI REAL ESTATE, and President and Representative Director of Sankei Building Asset Management Co., Ltd.	Payment of asset management fee to asset management company (Note 3)	195,532	Accounts payable - other	215,085

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

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

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

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

(Notes on Asset Retirement Obligations)

4th fiscal period (from September 1, 2020 to February 28, 2021)

Not applicable.

5th fiscal period (from March 1, 2021 to August 31, 2021)

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)

	4th fiscal period From: Sep. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
Carrying amount		
Balance at beginning of period	68,249,447	72,320,630
Amount of change during period	4,071,182	(171,159)
Balance at end of period	72,320,630	72,149,470
Fair value at end of period	79,181,000	79,326,000

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

(Note 2) Of the amount of change during period, the amount of increase in the previous fiscal period is mainly attributable to new property acquisition of 1 property (4,255,758 thousand yen), etc., while the amount of decrease is mainly attributable to depreciation (227,117 thousand yen). The amount of increase in the current fiscal period is mainly attributable to capital expenditures (57,084 thousand yen), etc., while the amount of decrease is mainly attributable to depreciation (228,541 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 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

4th fiscal period (from September 1, 2020 to February 28, 2021)

(1) Information by product and service

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

(2) Information by geographic area

i. Operating revenue

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

ii. Property, plant and equipment

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

(3) Information by major customer

(Unit: thousand yen)

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

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

5th fiscal period (from March 1, 2021 to August 31, 2021)

(1) Information by product and service

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

(2) Information by geographic area

i. Operating revenue

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

ii. Property, plant and equipment

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

(3) Information by major customer

(Unit: thousand yen)

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

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

(Notes on Per Unit Information)

	4th fiscal period From: Sep. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
Net assets per unit	105,262 yen	105,255 yen
Net income per unit	2,849 yen	2,841 yen

(Note 1) Net income per unit is calculated by dividing net income by the period's daily weighted average number of investment units (fiscal period ended February 2021: 356,800 units; fiscal period ended August 2021: 356,800 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:

	4th fiscal period From: Sep. 1, 2020 To: Feb. 28, 2021	5th fiscal period From: Mar. 1, 2021 To: Aug. 31, 2021
Net income (thousand yen)	1,016,526	1,014,021
Amount not available to common unitholders (thousand yen)	-	-
Net income attributable to common investment units (thousand yen)	1,016,526	1,014,021
Average number of investment units during period (units)	356,800	356,800

(Notes on Significant Subsequent Events)

At the meetings of the board of directors held on August 16, 2021, and August 24, 2021, the following resolutions to issue new investment units were approved, and payments were completed on September 1, 2021, for the issuance of new investment units through public offering and on September 29, 2021, for the issuance of new investment units through third-party allotment. As a result, as of September 29, 2021, unitholders' capital was 49,442,685 thousand yen and the total number of investment units issued and outstanding was 467,099 units.

(Issuance of new investment units through public offering)

Number of new investment units issued:	105,047 units
Amount of issue price (offer price):	121,327 yen per unit
Total amount of issue price (total offer price):	12,745,037,369 yen
Amount to be paid in (issue amount):	116,971 yen per unit
Total amount to be paid in (issue amount):	12,287,452,637 yen
Payment due date:	September 1, 2021
Intended use:	It was used as part of the funds for acquisition of real estate trust beneficiary rights of 4 properties on September 2, 2021.

(Issuance of new investment units through third-party allotment)

Number of new investment units issued:	5,252 units
Amount to be paid in (issue amount):	116,971 yen per unit
Total amount to be paid in (issue amount):	614,331,692 yen
Payment due date:	September 29, 2021
Allottee:	Daiwa Securities Co. Ltd.
Intended use:	It was used for the entire amount of the funds for early repayment of 600 million yen of short-term loans on November 2, 2021, and the remaining amount is planned to be used as part of the funds for acquisition of specified assets or part of the funds for repayment of loans in the future, until which the funds will be deposited with a financial institution as funds on hand.

(7) Supplementary Schedules

1) Schedule of Securities

a. Shares

Not applicable.

b. Securities other than shares

Not applicable.

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

Not applicable.

3) Schedule of Assets Related to Real Estate

Type of asset		Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Accumulated depreciation Or accumulated amortization (thousand yen)	Amount during period (thousand yen)	Net balance at end of period (thousand yen)	Remarks
Property, plant and equipment	Buildings	166,032	3,269	-	169,301	15,201	3,293	154,100	(Note)
	Structures	353	190	-	544	25	9	518	(Note)
	Land	2,457,766	-	-	2,457,766	-	-	2,457,766	
	Buildings in trust	14,296,308	44,662	-	14,340,970	992,106	222,703	13,348,864	(Note)
	Structures in trust	23,602	230	-	23,832	1,435	313	22,396	(Note)
	Machinery and equipment in trust	2,875	8,426	-	11,302	564	215	10,737	(Note)
	Tools, furniture and fixtures in trust	27,889	350	-	28,239	5,727	2,007	22,512	(Note)
	Land in trust	56,132,321	253	-	56,132,575	-	-	56,132,575	(Note)
	Construction in progress in trust	8,103	273,539	298	281,344	-	-	281,344	(Note)
	Subtotal	73,115,252	330,922	298	73,445,876	1,015,061	228,541	72,430,815	
Intangible assets	Software	9,400	-	-	9,400	4,566	940	4,833	
	Subtotal	9,400	-	-	9,400	4,566	940	4,833	
Total		73,124,652	330,922	298	73,455,276	1,019,627	229,481	72,435,649	

(Note) The increase during period is mainly attributable to expenses for to-be-acquired properties (265,138 thousand yen in total) and capital expenditures (57,084 thousand yen in total).

4) Schedule of Other Specified Assets

Not applicable.

5) Schedule of Investment Corporation Bonds

Not applicable.

6) Schedule of Loans

Category	Lender	Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (Note 1)	Maturity date (Note 2)	Use of funds	Remarks
Long-term loans	Mizuho Bank, Ltd.	1,331,000	-	1,331,000	-	0.25409% (floating interest rate)	Mar. 12, 2021	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	929,000	-	929,000	-				
	Development Bank of Japan Inc.	796,000	-	796,000	-				
	Mizuho Trust & Banking Co., Ltd.	509,000	-	509,000	-				
	Sumitomo Mitsui Trust Bank, Limited	465,000	-	465,000	-				
	Shinsei Bank, Limited	385,000	-	385,000	-				
	Resona Bank, Limited	385,000	-	385,000	-				
	Mizuho Bank, Ltd.	1,574,000	-	-	1,574,000	0.36969% (fixed interest rate)	Mar. 12, 2022	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,084,000	-	-	1,084,000				
	Development Bank of Japan Inc.	929,000	-	-	929,000				
	Mizuho Trust & Banking Co., Ltd.	593,000	-	-	593,000				
	Sumitomo Mitsui Trust Bank, Limited	542,000	-	-	542,000				
	Shinsei Bank, Limited	439,000	-	-	439,000				
	Resona Bank, Limited	439,000	-	-	439,000				
	Mizuho Bank, Ltd.	972,000	-	-	972,000	0.42346% (fixed interest rate)	Mar. 12, 2023	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	716,000	-	-	716,000				
	Development Bank of Japan Inc.	614,000	-	-	614,000				
	Mizuho Trust & Banking Co., Ltd.	392,000	-	-	392,000				
	Sumitomo Mitsui Trust Bank, Limited	358,000	-	-	358,000				
	Shinsei Bank, Limited	324,000	-	-	324,000				
	Resona Bank, Limited	324,000	-	-	324,000				
	Mizuho Bank, Ltd.	856,000	-	-	856,000	0.49096% (fixed interest rate)	Mar. 12, 2024	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	639,000	-	-	639,000				
	Development Bank of Japan Inc.	548,000	-	-	548,000				
	Mizuho Trust & Banking Co., Ltd.	350,000	-	-	350,000				
	Sumitomo Mitsui Trust Bank, Limited	319,000	-	-	319,000				
	Shinsei Bank, Limited	294,000	-	-	294,000				
	Resona Bank, Limited	294,000	-	-	294,000				
	Mizuho Bank, Ltd.	2,250,000	-	-	2,250,000	0.27425% (floating interest rate)	Sep. 3, 2022	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
	Mizuho Trust & Banking Co., Ltd.	620,000	-	-	620,000				
	Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000				
	Shinsei Bank, Limited	490,000	-	-	490,000				
	Resona Bank, Limited	490,000	-	-	490,000				
	Mizuho Bank, Ltd.	950,000	-	-	950,000	0.36200% (fixed interest rate)	Sep. 3, 2023	(Note 3)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	800,000	-	-	800,000				
	Development Bank of Japan Inc.	2,000,000	-	-	2,000,000				
	Mizuho Trust & Banking Co., Ltd.	620,000	-	-	620,000				
	Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000				
	Shinsei Bank, Limited	490,000	-	-	490,000				
	Resona Bank, Limited	490,000	-	-	490,000				

Category	Lender	Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (Note 1)	Maturity date (Note 2)	Use of funds	Remarks
Long-term loans	Mizuho Bank, Ltd.	1,167,000	-	-	1,167,000	0.32923% (fixed interest rate)	Sep. 12, 2024	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	832,000	-	-	832,000				
	Development Bank of Japan Inc.	713,000	-	-	713,000				
	Mizuho Trust & Banking Co., Ltd.	456,000	-	-	456,000				
	Sumitomo Mitsui Trust Bank, Limited	416,000	-	-	416,000				
	Shinsei Bank, Limited	358,000	-	-	358,000				
	Resona Bank, Limited	358,000	-	-	358,000				
	Mizuho Bank, Ltd.	4,300,000	-	-	4,300,000	0.23235% (floating interest rate)	Oct. 1, 2021	(Note 3)	Unsecured/ Non-guaranteed
	Mizuho Bank, Ltd.	-	1,331,000	-	1,331,000	0.36978% (fixed interest rate)	Mar. 12, 2025	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	-	929,000	-	929,000				
	Development Bank of Japan Inc.	-	796,000	-	796,000				
	Mizuho Trust & Banking Co., Ltd.	-	509,000	-	509,000				
	Sumitomo Mitsui Trust Bank, Limited	-	465,000	-	465,000				
	Shinsei Bank, Limited	-	385,000	-	385,000				
	Resona Bank, Limited	-	385,000	-	385,000				
Total		37,800,000	4,800,000	4,800,000	37,800,000				

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

(Note 2) If the maturity date is not a business day, the immediately following business day shall be the maturity date.

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

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

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

(Unit: thousand yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years
Long-term loans	9,900,000	9,600,000	9,200,000	9,100,000	-