(REIT) Financial Report for the Fiscal Period Ended February 2020

April 16, 2020

REIT Securities Issuer: SANKEI REAL ESTATE Inc. Listing: Tokyo Stock Exchange
TSE Code: 2972 URL: https://www.s-reit.co.jp/en/
Representative: Yuichi Ota, Executive Director

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Scheduled date of submission of semiannual securities report: May 27, 2020
Scheduled date of commencement of distribution payment: May 26, 2020

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

(Amounts are rounded down to the nearest million yen)

1. Status of Management and Assets for the Fiscal Period Ended February 2020 (from September 1, 2019 to February 29, 2020)

(1) Results of Operations

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

	Operating revenue		Operating profit		Ordinary profit		Net profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal period ended Feb. 2020	1,933	67.1	1,166	66.6	1,069	217.9	1,068	218.9
ended Aug. 2019	1,157	-	699	-	336	-	335	-

	Earnings per unit	Return on equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenue
	yen	%	%	%
Fiscal period ended Feb. 2020	3,007	3.5	1.7	55.3
ended Aug. 2019	2,312	1.5	0.7	29.1

(Note 1) At SANKEI REAL ESTATE Inc. (hereinafter, "SANKEI REAL ESTATE"), the accounting period of the fiscal period ended August 2019 is a period of 286 days from November 19, 2018 to August 31, 2019, but the number of days of the actual asset management period is a period of 173 days from March 12, 2019.

(Note 2) Earnings per unit is calculated by dividing net profit by the daily weighted average number of investment units (Fiscal period ended August 2019: 144,970 units, Fiscal period ended February 2020: 355,420 units). In addition, for the fiscal period ended August 2019, earnings per unit when calculated based on the daily weighted average number of investment units with the date of commencement of actual management (March 12, 2019), deemed as the beginning of the fiscal period (237,695 units) is 1,410 yen.

(Note 3) Return on equity and ratio of ordinary profit to total assets for the fiscal period ended August 2019 are calculated by using the average of equity and average of total assets as of the date of commencement of the actual asset management period (March 12, 2019), and as of August 31, 2019.

(Note 4) Percentage figures for operating revenue, operating profit, ordinary profit and net profit are the rate of period-on-period increase (decrease) but are not applicable for the fiscal period ended August 2019 because it is the 1st fiscal period.

(2) Distribution

	Distribution per unit (excluding distribution in excess of earnings)	Total distribution (excluding distribution in excess of earnings)	Distributions in excess of earnings per unit	Total distribution in excess of earnings	Payout ratio	Ratio of distribution to net assets
	yen	million yen	yen	million yen	%	%
Fiscal period ended Feb. 2020	2,995	1,068	-	-	100.0	2.9
ended Aug. 2019	1,399	335	-	-	100.0	1.5

(Note 1) Due to issuance of new investment units during the fiscal period resulting in change in the number of investment units during the fiscal period, payout ratio is calculated by the following formula and rounded to one decimal place
Payout ratio = Total distribution (excluding distribution in excess of earnings) ÷ Net profit × 100

(Note 2) Ratio of distribution to net assets for the fiscal period ended August 2019 is calculated based on the weighted average of net assets per unit with the date of commencement of the actual asset management period (March 12, 2019), deemed as the beginning of the fiscal period.

(3) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
Fiscal period ended Feb. 2020	76,186	37,609	49.4	105,408
ended Aug. 2019	48,718	23,460	48.2	97,913

(4) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal period ended Feb. 2020	2,123	(23,388)	24,711	6,877
ended Aug. 2019	201	(42,109)	45,339	3,430

2. Operating Forecasts for the Fiscal Period Ending August 2020 (from March 1, 2020 to August 31, 2020) and Operating Forecasts for the Fiscal Period Ending February 2021 (from September 1, 2020 to February 28, 2021)

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

	Operating revenue		Operating profit		Ordinary profit		Net profit		Distribution per unit (excluding distribution in excess of earnings)	Distributions in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
Fiscal period ending Aug. 2020	1,999	3.4	923	(20.8)	830	(22.4)	829	(22.4)	2,324	-
ending Feb. 2021	2,045	2.3	945	2.4	862	3.9	861	3.9	2,415	-

(Reference) Forecast earnings per unit (Forecast net profit ÷ Forecast total number of investment units issued and outstanding at end of period)
Fiscal period ending August 2020: 2,324 yen Fiscal period ending February 2021: 2,414 yen

(Note) Distribution per unit (excluding distribution in excess of earnings) is calculated based on the forecast total number of investment units issued and outstanding as of the date of this document of 356,800 units.

* Other

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

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

(2) Total number of investment units issued and outstanding

i. Total number of investment units issued and outstanding (including treasury investment units) at end of period	Fiscal period ended Feb. 2020	356,800 units	Fiscal period ended Aug. 2019	239,600 units
ii. Number of treasury investment units at end of period	Fiscal period ended Feb. 2020	0 units	Fiscal period ended Aug. 2019	0 units

(Note) For the number of investment units serving as the basis for calculation of earnings per unit, please refer to "Notes on Per Unit Information" on page 23.

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

* Matters of special note

The operating forecasts and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by SANKEI REAL ESTATE. Accordingly, the actual results of operations, etc. may differ materially due to various factors. In addition, the forecasts are not a guarantee of the amount of distributions. For the assumptions underlying the operating forecasts, matters of note in the use of the operating forecasts, etc., please refer to "Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending August 2020 (from March 1, 2020 to August 31, 2020) and Fiscal Period Ending February 2021 (from September 1, 2020 to February 28, 2021)" on page 5.

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1. Management Status

(1) Management Status

(Overview of the Fiscal Period under Review)

i. Brief History of the Investment Corporation

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

During the fiscal period under review, SANKEI REAL ESTATE implemented, for the first time since its listing, an issuance of new investment units through public offering (111,619 units) with September 2, 2019, as the payment due date, and an issuance of new investment units through third-party allotment (5,581 units) with September 26, 2019, as the payment due date. As a result, as of the last day of the fiscal period under review (February 29, 2020), total number of investment units issued and outstanding was 356,800 units.

ii. Management Environment

In the fiscal period under review (fiscal period ended February 2020), the Japanese economy continued to show weakness in exports and increasing weakness mainly in the manufacturing sector, and while the employment situation and income environment continued to improve, reactionary decline in last-minute demand before the consumption tax hike was also seen in personal consumption. As to overseas economies, while trade issues between the U.S. and China have progressed, uncertain factors still remain, such as the post-Brexit development and future of the Chinese economy, requiring attention to the economic trends. Furthermore, the impact of the novel coronavirus outbreak has continued to spread across the globe from January this year to the end of the fiscal period under review, also requiring attention to its impact on the economies and the financial and capital markets in Japan and abroad.

Under such economic circumstances, in terms of the office building market, which SANKEI REAL ESTATE sets as the primary investment target, the continued demand in line with strong corporate performance resulted in the continuous increase in rent and low vacancy rate in Tokyo and Osaka, where SANKEI REAL ESTATE's portfolio assets are located. As to the hotel market, in which SANKEI REAL ESTATE invests as sub assets, the number of international visitors to Japan remained almost unchanged until January this year, mostly maintaining the level of the previous year. However, with the spread of the novel coronavirus, more people started to refrain from taking overseas trips in February, causing the number of international visitors to Japan to drop significantly. Although the two hotel properties held by SANKEI REAL ESTATE have started to see some impact on the occupancy rate, fixed rent based on the current contract has been secured in the fiscal period under review.

iii. Management Performance

SANKEI REAL ESTATE procured 12,777 million yen through the first public offering since its listing and acquired four properties (of which, one is an additional acquisition) on September 3, 2019, for a total acquisition price (Note 1) of 23,930 million yen using the proceeds from the public offering and borrowings. As a result, the portfolio of SANKEI REAL ESTATE as of the end of the fiscal period under review had 11 properties with the asset size (total acquisition price) of 67,325 million yen.

Furthermore, as of the last day of the fiscal period under review, the occupancy rate (Note 2) of the 11 properties in the portfolio remained stable at 100.0%. Although the two hotel properties held by SANKEI REAL ESTATE have started to see some impact of the spread of the novel coronavirus (COVID-19) from February, fixed rent based on the current contract has been secured.

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

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

iv. Overview of Fund Procurement

(Equity Financing)

In the fiscal period under review, SANKEI REAL ESTATE implemented for the first time since its listing an issuance of new investment units through public offering (111,619 units) with September 2, 2019, as the payment due date and procured 12,777 million yen. Furthermore, SANKEI REAL ESTATE implemented an issuance of new investment units through third-party allotment (5,581 units) with September 26, 2019, as the payment due date and procured 638 million yen. As a result, SANKEI REAL ESTATE has unitholders' capital of 36,540 million yen as of the last day of the fiscal period under review.

(Debt Financing)

In the fiscal period under review, 12,856 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 September 3, 2019, in conjunction with the acquisition of properties.

In addition, early repayment of 600 million yen was made on October 7, 2019, using the proceeds from the issuance of new investment units through third-party allotment; and early repayment of 613 million yen was made on December 23, 2019, using the refund of consumption tax for the properties acquired on March 12, 2019. As a result, as of the last day of the fiscal period under review, the balance of borrowings outstanding was 33,956 million yen and the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV ratio") was 44.6%.

v. Overview of Business Performance and Distribution

As a result of the management described above, business performance in the fiscal period under review was operating revenue of 1,933 million yen, operating profit of 1,166 million yen, ordinary profit of 1,069 million yen and net profit of 1,068 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 1,068,616,000 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 2,995 yen.

(Outlook for the Next Fiscal Period)

i. General Management Outlook

The Japanese Government has declared a state of emergency based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response on April 7, 2020 (Act No. 31 of 2012, as amended; hereinafter, the "Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response"), and requested seven prefectures to take various measures including self-restraint of going out from the same day to May 6. Based on this declaration, various effects have been seen including the closure and shortened operating hours of some businesses as well as acceleration of telework, etc. Evaluations indicating that these effects will be further expanded or prolonged were also shown.

In addition, according to the Monthly Economic Report (March 2020) by the Cabinet Office, the Japanese economy is expected to continue to be in a difficult situation impacted by the novel coronavirus outbreak. Careful attention to the risks of the outbreak causing further slowdown of economies both home and abroad as well as to its impact such as fluctuations of the financial and capital markets will be required. Overseas economic activities have also been curbed due to the novel coronavirus pandemic and its impact is expected to continue. There is increasing uncertainty over the measures and responses in accordance with the declaration of state of emergency based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, the effects of fluctuation in the financial and capital markets, and trends in crude oil price, and it is necessary to pay close attention to them.

In the office building market, vacancy rates have remained low until now and rents have continued to rise. Since SANKEI REAL ESTATE mainly holds office buildings in large cities such as the Tokyo metropolitan area and Osaka City, there is still demand for office bases from tenants. Furthermore, since the contract term and rent are stipulated in the lease agreement, it is believed that the likelihood of being immediately affected by the novel coronavirus is low at this point in time. However, SANKEI REAL ESTATE is receiving requests for rent reduction and respite on rent payment from some tenants due to the novel coronavirus, and there is a possibility that the impact on the office building market will further increase such as being forced to respond to such requests and the departure of tenants.

In terms of the hotel market, demand for hotel rooms is expected to continue facing difficulty due to the postponement of the Tokyo Olympic Games in addition to the impact of the novel coronavirus. Revenue from fixed rents has been secured for the two properties held by SANKEI REAL ESTATE and SANKEI REAL ESTATE intends to continue paying close attention to the operation status.

(A) External Growth Strategy

SANKEI REAL ESTATE has received sponsor support from Sankei Building Co., Ltd. (hereinafter "Sankei Building" or "Sponsor"), while carefully assessing the economic effects of the spread of the novel coronavirus and the real estate investment market conditions, and plans to seek opportunities for external growth by acquiring Sankei Building's portfolio as well as properties held by third parties utilizing Sankei Building's sourcing capabilities.

(B) Internal growth strategy

As a rule, SANKEI REAL ESTATE aims for steady internal growth through Sankei Building's sponsorship support.

The Sankei Building Group firstly boasts the functions of planning and development of properties of a wide range of asset types not only meeting its own holding and leasing needs but also capturing various real estate investor needs, additionally boasts the functions to attract tenants and customers by utilizing its vast and strong network, and also

boasts a diverse array of operation and management functions, such as property management, building management, construction management and building maintenance for real estate under its management.

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 management of 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) SANKEI REL ESTATE seeks 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 examining them more carefully than usual.
(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 for 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 from maintaining and improving tenant satisfaction are taken into consideration.

(C) Financial Strategy

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

(a) Equity Financing
Issuance of new investment units shall be in an agile manner with due consideration to investment unit dilution, while also taking into account the capital market trends, financial environment, timing of acquisition of the real estate, etc. to be newly acquired, ratio of interest-bearing liabilities to total assets and other factors in a comprehensive manner.
(b) Debt Financing
Upon borrowing, etc., fund procurement shall be executed in an appropriate manner by comprehensively taking into account the balance between interest rate trends, market levels, financial agility, long-term business relationship 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.

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 LTV ratio 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.

ii. Significant Subsequent Events

Not applicable.

iii. Operating Forecasts

SANKEI REAL ESTATE's operating forecasts for the fiscal period ending August 2020 (from March 1, 2020 to August 31, 2020) and fiscal period ending February 2021 (from September 1, 2020 to February 28, 2021) are as follows:

	Operating revenue	Operating profit	Ordinary profit	Net profit	Distribution per unit (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit
	million yen	million yen	million yen	million yen	yen	yen
Fiscal period ending Aug. 2020	1,999	923	830	829	2,324	-
ending Feb. 2021	2,045	945	862	861	2,415	-

Furthermore, for the assumptions underlying the operating forecasts, please refer to "Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending August 2020 (from March 1, 2020 to August 31, 2020) and Fiscal Period Ending February 2021 (from September 1, 2020 to February 28, 2021)" presented below.

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

Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending August 2020 (from March 1, 2020 to August 31, 2020) and Fiscal Period Ending February 2021 (from September 1, 2020 to February 28, 2021)

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Accounting period</td><td>・Fiscal period ending August 2020 (3rd fiscal period) (from March 1, 2020 to August 31, 2020) (184 days)
・Fiscal period ending February 2021 (4th fiscal period) (from September 1, 2020 to February 28, 2021) (181 days)</td></tr>
<tr><td>Assets under management</td><td>・The assumption is that the real estate and real estate trust beneficiary rights (total of 11 properties) held by SANKEI REAL ESTATE as of the date of this document (hereinafter, the “current portfolio assets”) will continue to be held and that there will be no acquisition of new properties through to the end of the fiscal period ending February 2021.
・In actual practice, change may arise due to acquisition of new properties, disposition of portfolio properties, etc.</td></tr>
<tr><td>Operating revenue</td><td>・Leasing business revenue of the current portfolio assets is calculated by taking into account various factors, such as lease agreements that have been concluded and are valid as of the date of this document, tenant trends and market trends.
・Note that the calculations take into account increase in leasing business revenue due to the end of the rent-free period for some tenants, among other factors.
・The assumption is that there will be no delinquent or unpaid rent by tenants.
・Assuming that the effects of the spread of the novel coronavirus will continue until the end of December 2020, operating revenue is calculated by taking into account the decrease in revenue due to the requests for rent reduction from tenants and the respite of rent payment for retail stores and decrease in revenue due to decline in occupancy rates for rental conference rooms.</td></tr>
<tr><td>Operating expenses</td><td>・Of operating expenses, the main components are as follows
(Unit: million yen)
<table>
<tr><th></th><th>Fiscal period ending Aug. 31, 2020</th><th>Fiscal period ending Feb. 2021</th></tr>
<tr><td>Expenses related to leasing business [Total]</td><td>828</td><td>850</td></tr>
<tr><td>Outsourcing expenses</td><td>186</td><td>185</td></tr>
<tr><td>Utilities expenses</td><td>136</td><td>135</td></tr>
<tr><td>Repair expenses</td><td>45</td><td>65</td></tr>
<tr><td>Property taxes</td><td>220</td><td>220</td></tr>
<tr><td>Depreciation</td><td>220</td><td>224</td></tr>
<tr><td>Other than expenses related to leasing business [Total]</td><td>247</td><td>249</td></tr>
<tr><td>Asset management fee</td><td>179</td><td>177</td></tr>
</table>
・Of expenses related to leasing business, which are the main operating expenses, the expenses other than depreciation are calculated on the basis of historical data and by taking into consideration the factors causing fluctuation in each of the expenses.
・Depreciation is calculated using the straight-line method.
・In general, fixed asset tax, city planning tax, etc. are calculated on a pro rata basis and reimbursed at the time of property acquisition with the previous owner upon transactions of real estate, etc. At SANKEI REAL ESTATE, the amount equivalent to the reimbursement is included in the cost of acquisition and thus not expensed in the business period in which the property acquisition date falls in the case of the properties for which such reimbursement is made at the time of transaction. Furthermore, fiscal 2020 fixed asset tax, city planning tax, etc. will be expensed starting from the fiscal period ending August 2021.
・Repair expenses for buildings is the amount estimated based on medium- to long-term repair plans formulated by the asset management company. However, repair expenses possibly increasing in amount or additionally arising from unforeseeable factors may result in repair expenses differing materially from the forecast amount.</td></tr>
<tr><td>Non-operating expenses</td><td>・As interest expenses and other borrowing-related expenses, 93 million yen is assumed for the fiscal period ending August 2020 and 82 million yen for the fiscal period ending February 2021.</td></tr>
<tr><td>Interest-bearing liabilities</td><td>・The assumption is that total interest-bearing liabilities will be 33,500 million yen at the end of the fiscal period ending August 2020 and 33,500 million yen at the end of the fiscal period ending February 2021.
・The assumption is that (i) With refund of consumption taxes corresponding to the fiscal period ended February 2020 scheduled to take place during the fiscal period ending August 2020, the concerned refund, etc. will be used as the source of funds to repay a portion (456 million yen) of existing borrowings during the fiscal period ending August 2020, and (ii) There will be no change in the balance of borrowings other than the above through to the end of the fiscal period ending February 2021.
・LTV ratio is expected to be 45.0% at the end of the fiscal period ending August 2020 and 44.9% at the end of the fiscal period ending February 2021. LTV ratio is calculated by the following formula and rounded to one decimal place.</td></tr>
</table>

Item	Assumptions
	LTV ratio = Total interest-bearing liabilities ÷ Total assets × 100
Number of investment units issued and outstanding	・The assumption is that the total number of investment units issued and outstanding as of the date of this document is 356,800 units and that there will be no change in the number of investment units due to issuance of new investment units, etc. through to the end of the fiscal period ending February 2021. ・Distribution per unit (excluding distribution in excess of earnings) is calculated based on the forecast total number of investment units issued and outstanding at the end of the fiscal period ending August 2020 and fiscal period ending February 2021 of 356,800 units.
Distribution per unit (excluding distributions in excess of earnings)	・Distribution per unit (excluding distributions in excess of earnings) is calculated based on the assumption that distribution of earnings will be in accordance with the policy on distribution of cash provided in SANKEI REAL ESTATE's articles of incorporation. ・Distribution per unit (excluding distribution in excess of earnings) may vary due to various factors, such as fluctuation in leasing business revenue accompanying change in assets under management, change in tenants or other event, or incurrence of unexpected repairs.
Distributions in excess of earnings per unit	・No cash distribution in excess of earnings is planned to be made at this point in time.
Other	・The assumption is that the negative impact of the spread of the novel coronavirus infection will not further increase. ・The assumption is that there will be no amendment of laws and regulations, tax systems, accounting standards, listing regulations provided by Tokyo Stock Exchange, Inc., rules provided by The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. ・The assumption is that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.

(2) Investment Risks

The significant changes in "Investment Risks" in the securities registration statement (submitted on November 27, 2019, as amended) are as follows. The number of each item corresponds to each item in the securities report. The amended parts are underlined.

i. Risks related to investment units and investment corporation bonds issued by investment corporations

(b) Risks related to the fluctuation of market price

The recent worldwide spread of the novel coronavirus infection has caused business stagnation and adverse effects on economic activities. Continued stagnation of economic activities could adversely affect the business performance of SANKEI REAL ESTATE over the medium to long term. From the end of the 2nd fiscal period (the calculation period up to February 29, 2020) to the date of this document, the entire market share price has been adversely affected to a significant extent based not only on the Japanese economy but also the global situation, and investment units are no exception. With concerns over the spread of infection going forward and the prolonged effects of such spread, there is a risk that the entire market will be adversely affected. In addition to the above, adverse effects caused by social circumstances such as war and terrorism may occur. As a result, the market price of the investment unit may be adversely affected and decline.

In addition, in cases in which measures and responses in accordance with the declaration of state of emergency based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response becomes necessary or the epidemic of infectious diseases is prolonged and the officers and employees of the Asset Management Company are not able to come to the office and are forced to work from home (working on the teleworking system) as a result of infection among the officers and employees, there is no guarantee that business efficiency will be maintained since there are some tasks that are not suitable for the teleworking system. As a result, there is a possibility that operations at the Asset Management Company will become stagnant and asset management at SANKEI REAL ESTATE will be adversely affected.

In addition to the above, unlike deposits at financial institutions, investment units and the investment corporation bonds are not covered by deposit insurance, etc., and recovery of the initial investment amount is not guaranteed for investment units. The market price of investment units fluctuates due to various factors. For example, it may fluctuate by financial conditions (Note 1), real estate market conditions (Note 2), additional issuance of new investment units by SANKEI REAL ESTATE (Note 3), and other various factors surrounding the market (Note 4).

(Note 1) The market price of investment units may be adversely affected by changes in the financial environment such as interest rate trends and foreign exchange rates, trading volume and supply-demand balance of investment units, superiority and inferiority in the comparison with investments in financial instruments other than real estate investment trust securities, fluctuation in the financial instruments market other than the real estate investment trust securities market and financial conditions such as the market environment and future economic trends, and may fluctuate significantly in some cases. In particular, if investment units are sold temporarily in large quantities on an exchange, the market price of may drop significantly.

(Note 2) The market price of investment units may be adversely affected by fluctuation in the valuation of general real estate, trend of the real estate market, real estate supply-demand relationship, economic environment surrounding companies that may affect real estate demand, change in various systems regarding laws and regulations, accounting and tax, and factors surrounding the real estate-related market.

(Note 3) SANKEI REAL ESTATE raises funds as necessary to carry out its business, but if financing is carried out through issuance of new investment units or allocating new investment unit subscription rights at no cost and when distribution per unit decreases or net assets are diluted, the market price of investment units may be adversely affected. Also, even if investment units are additionally issued during the period, the same amount of cash as existing investment units will be distributed regardless of the holding period of the investment units during that period. Therefore, this could affect the amount of distribution for existing investment units, and there is a risk that market prices may decline due to such possibility.

(Note 4) For example, the market price of investment units may decline also when SANKEI REAL ESTATE or the Asset Management Company is subject to administrative guidance, recommendations on administrative sanctions or administrative sanctions by supervisory agencies, etc. Furthermore, even when administrative guidance, recommendation on administrative sanctions or administrative sanctions are issued by supervisory agencies, etc. to other investment corporations or other asset management companies, the market price of investment units may be adversely affected through the spread of such adverse effect to the real estate investment trust securities market.

iii. SANKEI REAL ESTATE's assets under management: risks specific to real estate that underlie assets

(e) Risks caused by the inclusion of hotels in investment target

a. Risks related to hotel operation conducted by lessee of hotel, etc.

In general, the lease term in lease agreements of hotels ranges from a relatively short term to a long term of 10 years or more, and rents vary from fixed rent to those linked to the sales of operators. In addition to these contract terms, seasonal factors, economic factors, institutional factors, social factors, etc., may affect the rental revenue of real estate used as hotel and the value of the hotel itself, which is an asset under management. Rental revenue will become dependent on the operating revenue of hotels and will be significantly impacted by the stability of rent payments and hotel operating revenue from assets under management especially when variable rents are adopted (Notes 1, 2, 3, 4).

Although most of the hotels held by SANKEI REAL ESTATE in Japan are for business use, they are operated by also taking in accommodation demand of foreign tourists visiting Japan. Therefore, they may be affected not only by the trend of business customers but also by the social circumstances of foreign countries, the economic situation, change in the preference of tourists, epidemic of infectious diseases, etc. and exchange rates. At present, cancellations of reservations at hotels held by SANKEI REAL ESTATE have been made due to the spread of the novel coronavirus, adverse effects of the measures and responses in accordance with the declaration of state of emergency based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response on economic activities associated with such spread and the effects of the postponement of the Tokyo Olympic Games, and it is difficult to predict the extent and period of such effects in the future at this point in time.

(Note 1) The hotel business is dependent primarily on the sales of accommodation facilities, and voluntary and temporary contracts with irregular customers account for the majority of such sales. Therefore, it is not easy to forecast hotel revenue accurately, and such revenue may fluctuate significantly. In particular, as for hotel revenue, there is a relatively high possibility that the past revenue status and future revenue status will differ due to the factors mentioned above. Furthermore, the revenue of SANKEI REAL ESTATE and the value of real estate under management may be adversely affected to a significant extent due to the following factors specific to hotel business.

First, since the hotel business is generally a labor-intensive and capital-intensive business, the burden on fixed costs is large and the threshold for breaking even is high. Therefore, it can be said that the risk of falling profits in the case of decrease in sales is relatively high while improvement of profitability upon increase in sales is likely to be expected. In addition, competition among tourist destinations, including overseas travel, and competition among hotels in the same region is fierce, and the hotel industry is strongly affected by competition including competition with newly opened hotels. Also, the hotel industry is strongly affected by general economic fluctuations such as the trend of economies and markets across the world and in each country and region as well as by the trend of business customers and the trend of tourists which is also impacted by the situation of tourist facilities and events in the surrounding area of the location. It may also be affected by changes in lifestyles including consumer propensity and changes in the preference of consumers. In addition, if hotels, which are assets under management, have been registered under the Act on Development of Hotels for Inbound Tourists (Act No. 279 of 1949, as amended), the hotel owner will be granted preferential tax treatment. However, if the registration is canceled or deleted, the preferential treatment will not be available, which may adversely affect the revenue of SANKEI REAL ESTATE.

Country risks including unstable social circumstances such as war and terrorism, unforeseen natural disasters such as earthquakes and storms, SARS (severe acute respiratory syndrome) and MERS (Middle East respiratory syndrome), epidemic of infectious diseases and plagues in and outside Japan such as the novel coronavirus which was confirmed in China at the end of 2019 and is currently spreading around the world, including in Japan, and measures such as restrictions on movement and travel by each country due to such epidemic as well as external factors such as transportation issues including strikes by airline companies, airport facilities and railway companies, rise in transportation fares and unseasonable weather may adversely affect the hotel industry for a long period.

(Note 2) As for hotels, revenue fluctuate depending on the season such as whether there are nearby events (conferences, etc.) and the summer and winter holiday season. Revenue of hotels located in tourist spots is generally high during tourism and vacation seasons such as summer vacation and the year-end and New Year holidays. Due to such seasonal factors, the revenue for each operating period including the revenue of SANKEI REAL ESTATE may fluctuate significantly.

(Note 3) As for hotels, regular replacement investments in not only buildings and auxiliary equipment classified as fixed assets but also depreciable assets such as furniture, fixture and equipment (FF&E), decorations, and kitchen equipment is essential to maintain the competitiveness of hotels. In addition, hotels have grades and images, and reasonable capital expenditure may be required to maintain them. If the operation and maintenance costs of facilities and the burden of replacement investments are too large compared to hotel sales, etc., the revenue of SANKEI REAL ESTATE may be adversely affected, and there is a possibility that replacement investments in facilities will not result in increase in sales or revenue of hotels and the expected effects will not be gained. In addition, even if the lessee of the hotel and the hotel operation support company bear the operation and maintenance costs and the replacement investment, the value of the hotel may be adversely affected if the facility maintenance and operation costs necessary for maintaining the grade, etc. are not borne by the lessee of the hotel and the hotel operation support company.

(Note 4) As for hotels with facilities that can attract a large number of customers in the neighborhood, the hotel's ability to attract customers often depends largely on the facility's ability to attract customers. There is a possibility that the decrease in the operating revenue of hotels due to the relocation, closure and suspension of operation of such facilities or the decline in the ability to attract customers will result in decrease in the variable rent portion or the decrease in property value, and may affect SANKEI REAL ESTATE.

(w) Risks related to revenue and expenditure

The revenue of SANKEI REAL ESTATE depends mainly on the rental revenue of the real estate acquired by SANKEI REAL ESTATE. Rental revenue of real estate may decrease due to various factors (Note). As of now, SANKEI REAL ESTATE has received requests for rent reduction and extension on rent payment from some tenants due to the novel coronavirus, but if there is no choice but to respond to such requests attributable to the novel coronavirus or in the case of departure of tenants, there is a possibility that rental revenue of real estate will decrease.

On the other hand, the main operating expenses of SANKEI REAL ESTATE consist of fixed expenses such as depreciation, fixed asset tax and city planning tax, and if rental revenue decreases, it may adversely affect the revenue of SANKEI REAL ESTATE.

In addition, the return of leasehold and guarantee deposits to tenants who move out, large amount of capital expenditures, expenses required to acquire real estate, and expenditure for other real estate may increase depending on the situation.

Furthermore, if the lessee reserves the right of cancellation under the lease agreement, the lease agreement may be terminated even during the contract period. In addition, there is no guarantee that the contract will be renewed whenever the contract period expires. In these cases, the occupancy rate may decline, and rental revenue of real estate may decrease. In the lease agreement, forfeiture of leasehold and guarantee deposits with respect to the renewal fees upon the renewal of lease agreements and penalties in the event of cancellation by the lessee during the contract period may be stipulated but such provisions may be entirely or partially invalid depending on the situation and may result in an unexpected decrease in the revenue of SANKEI REAL ESTATE.

(Note) Rental revenue of real estate may decrease significantly due to the decline in the occupancy rate of real estate, etc., and is also susceptible to the market environment. In addition, rent may decrease as a result of the decrease due to consultation with the lessee and requests from the lessee. Furthermore, if the financial condition of the lessee deteriorates, rent payment based on the lease agreement may be delayed, and the total amount of obligations such as delinquent rent, restoration costs, and other damages may exceed the range of leasehold and guarantee deposits. In particular, if infectious diseases such as the novel coronavirus occur at real estate held by SANKEI REAL ESTATE or in the surrounding area of such real estate, or if the said real estate may be forced to close or suspend operation due to government policies and measures accompanying the spread of the infection, Rent decrease may be requested by the lessee and rent payments may be delayed as a result of the decrease in sales and deterioration of financial condition of the lessee due to the spread of the infectious disease and the prolonged epidemic,. Also, there is a possibility that the decline in occupancy rate due to the departure of tenants will emerge. Except when excluded by a statement in the fixed-term lease agreement, tenants may exercise the right to claim rent decrease based on the Act on Land and Building Leases if the rent is unreasonably high. Therefore, there is no guarantee that rent levels will be maintained in the future, and the rental revenue of real estate may decrease as a result of the rent decrease due to rent revisions or request for rent decrease.

2. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	1st fiscal period (as of Aug. 31, 2019)	2nd fiscal period (as of February 29, 2020)
Assets		
Current assets		
Cash and deposits	1,998,469	3,778,564
Cash and deposits in trust	1,432,427	3,099,144
Operating accounts receivable	326,641	64,006
Prepaid expenses	38,009	41,198
Consumption taxes receivable	633,870	369,256
Other	426	342,073
Total current assets	4,429,846	7,694,243
Non-current assets		
Property, plant and equipment		
Buildings	147,558	159,569
Accumulated depreciation	(2,657)	(5,519)
Buildings, net	144,901	154,050
Structures	353	353
Accumulated depreciation	(4)	(8)
Structures, net	349	345
Land	2,445,779	2,457,766
Construction in progress	2,130	220
Buildings in trust	7,735,371	13,599,039
Accumulated depreciation	(121,060)	(333,525)
Buildings in trust, net	7,614,310	13,265,513
Structures in trust	15,658	22,236
Accumulated depreciation	(216)	(514)
Structures in trust, net	15,442	21,721
Machinery and equipment in trust	345	2,608
Accumulated depreciation	(3)	(77)
Machinery and equipment in trust, net	341	2,530
Tools, furniture and fixtures in trust	800	2,336
Accumulated depreciation	(50)	(224)
Tools, furniture and fixtures in trust, net	749	2,112
Land in trust	33,982,039	52,510,871
Construction in progress in trust	23,769	-
Total property, plant and equipment	44,229,814	68,415,132
Intangible assets		
Software	8,593	7,653
Total intangible assets	8,593	7,653
Investments and other assets		
Long-term prepaid expenses	40,386	59,878
Deferred tax assets	21	16
Leasehold and guarantee deposits	10,000	10,000
Total investments and other assets	50,408	69,894
Total non-current assets	44,288,816	68,492,680
Total assets	48,718,662	76,186,924

(Unit: thousand yen)

	1st fiscal period (as of Aug. 31, 2019)	2nd fiscal period (as of February 29, 2020)
Liabilities		
Current liabilities		
Operating accounts payable	360,805	144,640
Short-term borrowings	4,913,736	4,756,000
Accounts payable - other	177,848	160,972
Accrued expenses	16,187	24,874
Income taxes payable	1,347	946
Advances received	176,601	341,424
Deposits received	200,343	951,003
Total current liabilities	5,846,869	6,379,861
Non-current liabilities		
Long-term borrowings	17,400,000	29,200,000
Leasehold and guarantee deposits received	90,922	91,880
Leasehold and guarantee deposits received in trust	1,920,760	2,905,497
Total non-current liabilities	19,411,683	32,197,378
Total liabilities	25,258,553	38,577,239
Net assets		
Unitholders' equity		
Unitholders' capital	23,124,900	36,540,901
Surplus		
Unappropriated retained earnings (undisposed loss)	335,209	1,068,783
Total surplus	335,209	1,068,783
Total unitholders' equity	23,460,109	37,609,684
Total net assets	*1 23,460,109	*1 37,609,684
Total liabilities and net assets	48,718,662	76,186,924

(2) Statement of Income

(Unit: thousand yen)

	1st fiscal period From: Nov. 19, 2018 To: Aug. 31, 2019	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020
Operating revenue		
Leasing business revenue	*1 1,079,443	*1 1,796,513
Other leasing business revenue	*1 77,638	*1 136,736
Total operating revenue	1,157,082	1,933,249
Operating expenses		
Expenses related to leasing business	*1 315,059	*1 577,268
Asset management fee	105,532	139,263
Asset custody fee	1,297	1,420
Administrative service fees	9,470	7,320
Remuneration for directors (and other officers)	6,000	3,600
Other operating expenses	19,995	38,333
Total operating expenses	457,355	767,204
Operating profit	699,727	1,166,045
Non-operating income		
Interest income	14	30
Interest on refund	-	778
Total non-operating income	14	808
Non-operating expenses		
Interest expenses	35,827	56,039
Borrowing related expenses	159,201	26,581
Investment unit issuance expenses	99,593	12,502
Organization expenses	58,157	—
Other	10,424	2,000
Total non-operating expenses	363,204	97,123
Ordinary profit	336,537	1,069,729
Net profit before income taxes	336,537	1,069,729
Income taxes - current	1,349	950
Income taxes - deferred	(21)	4
Total income taxes	1,327	955
Net profit	335,209	1,068,774
Retained earnings brought forward	-	8
Unappropriated retained earnings (undisposed loss)	335,209	1,068,783

(3) Statement of Unitholders' Equity

1st fiscal period (from November 19, 2018 to August 31, 2019)

(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	-	-	-	-	-
Changes in items during period					
Issuance of new investment units	23,124,900			23,124,900	23,124,900
Net profit		335,209	335,209	335,209	335,209
Total changes in items during period	23,124,900	335,209	335,209	23,460,109	23,460,109
Balance at end of period	*1 23,124,900	335,209	335,209	23,460,109	23,460,109

2nd fiscal period (from September 1, 2019 to February 29, 2020)

(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	23,124,900	335,209	335,209	23,460,109	23,460,109
Changes in items during period					
Issuance of new investment units	13,416,001			13,416,001	13,416,001
Dividend of surplus		(335,200)	(335,200)	(335,200)	(335,200)
Net profit		1,068,774	1,068,774	1,068,774	1,068,774
Total changes in items during period	13,416,001	733,573	733,573	14,149,574	14,149,574
Balance at end of period	*1 36,540,901	1,068,783	1,068,783	37,609,684	37,609,684

(4) Statement of Cash Distribution

(Unit: yen)

	1st fiscal period From: Nov. 19, 2018 To: Aug. 31, 2019	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020
I. Unappropriated retained earnings	335,209,333	1,068,783,044
II. Amount of distribution	335,200,400	1,068,616,000
[Amount of distribution per unit]	(1,399)	(2,995)
Retained earnings carried forward	8,933	167,044

Method of calculation of amount of distribution	In accordance with the policy on distribution of cash provided in Article 36, Paragraph 1 of SANKEI REAL ESTATE's articles of incorporation, the amount of distribution shall be in excess of the amount equivalent to 90% of the amount of SANKEI REAL ESTATE's earnings available for distribution provided in Article 67-15 of the Act on Special Measures Concerning Taxation, but no more than the amount of earnings. Based on such policy, the decision was made to distribute 335,200,400 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (239,600 units) in an amount not in excess of unappropriated retained earnings, as distribution of earnings. The distribution of cash in excess of earnings provided in Article 36, Paragraph 2 of SANKEI REAL ESTATE's articles of incorporation will not be made.	In accordance with the policy on distribution of cash provided in Article 36, Paragraph 1 of SANKEI REAL ESTATE's articles of incorporation, the amount of distribution shall be in excess of the amount equivalent to 90% of the amount of SANKEI REAL ESTATE's earnings available for distribution provided in Article 67-15 of the Act on Special Measures Concerning Taxation, but no more than the amount of earnings. Based on such policy, the decision was made to distribute 1,068,616,000 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (356,800 units) in an amount not in excess of unappropriated retained earnings, as distribution of earnings. The distribution of cash in excess of earnings provided in Article 36, Paragraph 2 of SANKEI REAL ESTATE's articles of incorporation will not be made.

(5) Statement of Cash Flows

(Unit: thousand yen)

	1st fiscal period From: Nov. 19, 2018 To: Aug. 31, 2019	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020
Cash flows from operating activities		
Net profit before income taxes	336,537	1,069,729
Depreciation	124,798	216,818
Investment unit issuance expenses	99,593	12,502
Interest income	(14)	(30)
Interest expenses	35,827	56,039
Decrease (increase) in operating accounts receivable	(326,641)	264,097
Decrease (increase) in consumption taxes refund receivable	(633,870)	264,614
Decrease (increase) in prepaid expenses	(38,009)	(3,188)
Increase (decrease) in operating accounts payable	126,768	(244,671)
Increase (decrease) in accounts payable - other	159,533	(17,959)
Increase (decrease) in advances received	176,601	164,823
Increase (decrease) in deposits received	200,343	750,659
Decrease (increase) in long-term prepaid expenses	(40,386)	(19,491)
Decrease (increase) in other assets	(426)	(341,646)
Subtotal	220,654	2,172,297
Interest received	14	30
Interest paid	(19,639)	(47,352)
Income taxes paid	(2)	(1,351)
Cash flows from operating activities	201,026	2,123,623
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,574,113)	(22,088)
Purchase of property, plant and equipment in trust	(41,527,340)	(24,360,331)
Proceeds from leasehold and guarantee deposits received	90,944	1,017
Refund of leasehold and guarantee deposits received	(21)	(217)
Proceeds from leasehold and guarantee deposits received in trust	1,927,822	1,012,067
Refund of leasehold and guarantee deposits received in trust	(7,062)	(18,904)
Payments of leasehold and guarantee deposits	(10,000)	-
Other, net	(9,400)	-
Net cash provided by (used in) investing activities	(42,109,171)	(23,388,457)
Cash flows from financing activities		
Proceeds from short-term borrowings	6,010,169	1,056,000
Repayments of short-term borrowings	(1,096,433)	(1,213,736)
Proceeds from long-term borrowings	17,400,000	11,800,000
Proceeds from issuance of investment units	23,025,306	13,403,498
Distribution paid	-	(334,117)
Net cash provided by (used in) financing activities	45,339,042	24,711,645
Net increase (decrease) in cash and cash equivalents	3,430,897	3,446,811
Cash and cash equivalents at beginning of period	-	3,430,897
Cash and cash equivalents at end of period	*1 3,430,897	*1 6,877,708

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

(7) Notes on Matters Concerning Significant Accounting Policies

1. Method of depreciation of non-current assets	(1) Property, plant and equipment (including trust assets) The straight-line method is adopted. Furthermore, the useful life of core property, plant and equipment is as follows: Buildings 2–65 years Structures 6–59 years Machinery and equipment 10 years Tools, furniture and fixtures 4–6 years (2) Intangible assets The straight-line method is adopted. (3) Long-term prepaid expenses The straight-line method is adopted.
2. Accounting for deferred assets	Investment unit issuance expenses The entire amount is expensed as incurred.
3. Standards for revenue and expense recognition	Accounting for fixed asset tax, etc. For fixed asset tax, city planning tax, depreciable asset tax, etc. on real estate or trust beneficiary rights that have real estate as trust assets held, the method adopted is that, of the tax amount assessed and determined, the amount corresponding to the concerned accounting period is expensed as expenses related to leasing business. Furthermore, the amount equivalent to fixed asset tax, etc. in the initial fiscal year borne by SANKEI REAL ESTATE upon acquisition of real estate or trust beneficiary rights that have real estate as trust assets is not recognized as expenses but included in the cost of acquisition of the concerned real estate, etc. The amount equivalent to fixed asset tax included in the cost of acquisition of real estate, etc. was 244,360 thousand yen in the previous fiscal period and 85,263 thousand yen in the fiscal period under review.
4. Scope of funds in the statement of cash flows	The funds (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 3 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.
5. Other significant matters serving as the basis for preparation of the financial statements	(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. Furthermore, the following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet. i. Cash and deposits in trust ii. Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust iii. Leasehold and guarantee deposits received in trust (2) Accounting for consumption tax, etc. The accounting for consumption tax and local consumption tax is by the method of exclusion of the taxes.

[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 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued on March 30, 2018)

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 comprehensive accounting standards for revenue recognition and issued them together with the Implementation Guidance.

The basic policy for the ASBJ when it developed the accounting standards for revenue recognition was to determine the accounting standards, 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 will be added to the extent to which comparability is not impaired.

2. Scheduled application date
   The above standards will be applicable from the beginning of the fiscal year ending February 2022.
3. Impact of applying the accounting standards, etc.
   The impact on the financial statements of the applying of the “Accounting Standard for Revenue Recognition” and the like is currently under review.

(8) Notes to the Financial Statements

[Notes to the Balance Sheet]

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

(Unit: thousand yen)

1st fiscal period (as of Aug. 31, 2019)	2nd fiscal period (as of Feb. 29, 2020)
50,000	50,000

[Notes to the Statement of Income]

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

(Unit: thousand yen)

	1st fiscal period From: Nov. 19, 2018 To: Aug. 31, 2019	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020
A. Operating revenue from real estate leasing		
Leasing business revenue		
Rental revenue	978,011	1,643,859
Common area maintenance revenue	101,432	152,654
Total leasing business revenue	1,079,443	1,796,513
Other leasing business revenue		
Utilities reimbursement	53,219	102,512
Parking revenue	18,724	29,180
Other rental revenue	5,695	5,043
Total other leasing business revenue	77,638	136,736
Total operating revenue from real estate leasing	1,157,082	1,933,249
B. Operating expenses from real estate leasing		
Expenses related to leasing business		
Outsourcing expenses	98,045	167,350
Utilities expenses	68,504	126,509
Land rent	1,355	1,814
Repair expenses	10,663	46,426
Insurance premium	2,844	4,551
Trust fee	1,846	2,788
Depreciation	123,992	215,878
Other expenses related to leasing business	7,807	11,948
Total expenses related to leasing business	315,059	577,268
Total operating expenses from real estate leasing	315,059	577,268
C. Operating income (loss) from real estate leasing [A−B]	842,023	1,355,981

[Notes to the Statement of Unitholders' Equity]

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

(Unit: units)

	1st fiscal period From: Nov. 19, 2018 To: Aug. 31, 2019	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020
Total number of investment units authorized	10,000,000	10,000,000
Total number of investment units issued and outstanding	239,600	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)

	1st fiscal period From: Nov. 19, 2018 To: Aug. 31, 2019	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020
Cash and deposits	1,998,469	3,778,564
Cash and deposits in trust	1,432,427	3,099,144
Cash and cash equivalents	3,430,897	6,877,708

[Notes on Lease Transactions]

Operating lease transactions (as lessor)

Future minimum lease payments

(Unit: thousand yen)

	1st fiscal period (as of Aug. 31, 2019)	2nd fiscal period (as of Feb. 29, 2020)
Due within 1 year	1,713,466	2,108,261
Due after 1 year	10,658,891	14,429,883
Total	12,372,357	16,538,145

[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 the scale of assets under management and enhancement of profitability, and implementation decided by taking into account the LTV ratio, dilution of existing unitholders' rights and accompanying decline in transaction price of investment units, etc. and in light of the financial environment.

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

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

Borrowings are mainly for the purpose of procuring funds for acquisition of assets and funds for repayment of obligations. Borrowings 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 August 31, 2019, 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	1,998,469	1,998,469	-
(2) Cash and deposits in trust	1,432,427	1,432,427	-
Total assets	3,430,897	3,430,897	-
(1) Short-term borrowings	4,913,736	4,913,736	-
(2) Long-term borrowings	17,400,000	17,436,222	36,222
Total liabilities	22,313,736	22,349,958	36,222

The following are the carrying amount and fair value as of February 29, 2020, 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	3,778,564	3,778,564	-
(2) Cash and deposits in trust	3,099,144	3,099,144	-
Total assets	6,877,708	6,877,708	-
(1) Short-term borrowings	4,756,000	4,756,000	-
(2) Long-term borrowings	29,200,000	29,251,894	51,894
Total liabilities	33,956,000	34,007,894	51,894

(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) Short-term borrowings

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

(2) Long-term borrowings

Of long-term borrowings, 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 borrowings 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)

	1st fiscal period (as of Aug. 31, 2019)	2nd fiscal period (as of Feb. 29, 2020)
Leasehold and guarantee deposits received	90,922	91,880
Leasehold and guarantee deposits received in trust	1,920,760	2,905,497

* "Leasehold and guarantee deposits received" and "Leasehold and guarantee deposits received in trust" are not subject to disclosure of fair value, because there being 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 (August 31, 2019)

(Unit: thousand yen)

Category	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	1,998,469	-	-	-	-	-
Cash and deposits in trust	1,432,427	-	-	-	-	-
Total	3,430,897	-	-	-	-	-

Amount of redemption of monetary claims scheduled to be due after the end of the fiscal period (February 29, 2020)

(Unit: thousand yen)

Category	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	3,778,564	-	-	-	-	-
Cash and deposits in trust	3,099,144	-	-	-	-	-
Total	6,877,708	-	-	-	-	-

(Note 4) Amount of repayment of borrowings scheduled to be due after the end of the fiscal period (August 31, 2019)

(Unit: thousand yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Short-term borrowings	4,913,736	-	-	-	-	-
Long-term borrowings	-	4,800,000	5,600,000	3,700,000	3,300,000	-
Total	4,913,736	4,800,000	5,600,000	3,700,000	3,300,000	-

Amount of repayment of borrowings scheduled to be due after the end of the fiscal period (February 29, 2020)

(Unit: thousand yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Short-term borrowings	4,756,000	-	-	-	-	-
Long-term borrowings	-	4,800,000	11,500,000	9,600,000	3,300,000	-
Total	4,756,000	4,800,000	11,500,000	9,600,000	3,300,000	-

[Notes on Securities]
1st fiscal period (as of August 31, 2019)
Not applicable.

2nd fiscal period (as of February 29, 2020)
Not applicable.

[Notes on Derivative Transactions]
1st fiscal period (as of August 31, 2019)
Not applicable.

2nd fiscal period (as of February 29, 2020)
Not applicable.

[Notes on Retirement Benefits]
1st fiscal period (as of August 31, 2019)
Not applicable.

2nd fiscal period (as of February 29, 2020)
Not applicable.

[Notes on Tax-Effect Accounting]

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

(Unit: thousand yen)

	1st fiscal period (as of Aug. 31, 2019)	2nd fiscal period (as of Feb. 29, 2020)
Deferred tax assets		
Non-deductible accrued enterprise tax	21	16
Total	21	16
Deferred tax assets, net	21	16

2. Breakdown of major components that caused any significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting

(Unit: %)

	1st fiscal period (as of Aug. 31, 2019)	2nd fiscal period (as of Feb. 29, 2020)
Statutory tax rate	31.51	31.51
[Adjustments]		
Deductible distribution payable	(31.38)	(31.48)
Other	0.26	0.06
Effective income tax rate after application of tax-effect accounting	0.39	0.09

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

1st fiscal period (from November 19, 2018 to August 31, 2019)

Not applicable.

2nd fiscal period (from September 1, 2019 to February 29, 2020)

Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.

1st fiscal period (from November 19, 2018 to August 31, 2019)

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				
Parent company	The Sankei Building Co., Ltd. (Note 3)	Chiyoda-ku, Tokyo	28,120,463	Real estate business	100.00% held in SANKEI REAL ESTATE	-	Parent company	Receipt of investments in capital (incorporation through private placement)	100,000	-	-

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

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

(Note 3) The Sankei Building Co., Ltd. fell under the category of parent company with 100.00% voting rights held in SANKEI REAL ESTATE at the time of the receipt of investments in capital, but an issuance of new investment units through public offering resulted in the voting rights becoming 4.74% and thus no longer falls under the category of parent company as of the last day of the fiscal period. Accordingly, percentage of voting rights, etc. held in SANKEI REAL ESTATE and transaction amount are the percentage and amount for the period when it was a parent company.

2nd fiscal period (from September 1, 2019 to February 29, 2020)

Not applicable.

2. Affiliated company, etc.

1st fiscal period (from November 19, 2018 to August 31, 2019)

Not applicable.

2nd fiscal period (from September 1, 2019 to February 29, 2020)

Not applicable.

3. Fellow subsidiary, etc.

1st fiscal period (from November 19, 2018 to August 31, 2019)

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				
Subsidiary of parent company	Sankei Building Asset Management Co., Ltd. (Note 3)	Chiyoda-ku, Tokyo	100,000	Investment management business	-	Concurrent holding of positions by 1 director	Outsourcing of asset management services	Payment of organizer fee	50,000 (Note 4)	-	-

(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) As stated in "(Note 3)" of "1. Parent company, major corporate unitholder, etc.," The Sankei Building Co., Ltd. no longer falls under the category of parent company of SANKEI REAL ESTATE. Consequently, Sankei Building Asset Management Co., Ltd., too, no longer falls under the category of fellow subsidiary, etc. Accordingly, the transaction amount for organizer fee is the amount for the period when it was a fellow subsidiary, etc.
(Note 4) The amount of organizer fee is based on the terms and conditions provided in SANKEI REAL ESTATE's articles of incorporation.

2nd fiscal period (from September 1, 2019 to February 29, 2020)

Not applicable.

4. Director, major individual unitholder, etc.

1st fiscal period (from November 19, 2018 to August 31, 2019)

Attribute	Name of company, etc. or name of person	Location	Share capital or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) SANKEI REAL ESTATE (%)	Description of relationship		Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
						Concurrent holding of positions, etc. by directors	Business relationship				
Director	Yuichi Ota	-	-	Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.	-	Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.		Payment of organizer fee (Note 3)	50,000	-	-
								Payment of asset management fee to asset management company (Note 3)	539,489 (Note 4)	Accounts payable - other	113,975

(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 organizer fee and 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. (433,957 thousand yen).
(Note 5) Transaction terms and conditions are decided based on the actual market conditions.

2nd fiscal period (from September 1, 2019 to February 29, 2020)

Attribute	Name of company, etc. or name of person	Location	Share capital or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) SANKEI REAL ESTATE (%)	Description of relationship		Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
						Concurrent holding of positions, etc. by directors	Business relationship				
Director	Yuichi Ota	-	-	Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.	-	Executive Director of SANKEI REAL ESTATE, and President and Chief Executive Officer of Sankei Building Asset Management Co., Ltd.		Payment of asset management fee to asset management company (Note 3)	378,563 (Note 4)	Operating accounts payable	139,263

(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. (239,300 thousand yen).
(Note 5) Transaction terms and conditions are decided based on the actual market conditions.

[Notes on Asset Retirement Obligations]
1st fiscal period (from November 19, 2018 to August 31, 2019)
Not applicable.

2nd fiscal period (from September 1, 2019 to February 29, 2020)
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)

		1st fiscal period From: Nov. 19, 2018 To: Aug. 31, 2019	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020
Carrying amount			
	Balance at beginning of period	-	44,203,915
	Amount of change during period	44,203,915	24,210,996
	Balance at end of period	44,203,915	68,414,911
Fair value at end of period		47,000,000	72,605,000

(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 8 properties (44,327,907 thousand yen), etc., while the amount of decrease is mainly attributable to depreciation (123,992 thousand yen). The amount of increase in the fiscal period under review is mainly attributable to new property acquisition of 4 properties (24,345,357 thousand yen), etc., while the amount of decrease is mainly attributable to depreciation (215,878 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."

[Notes on Segment Information, Etc.]
1. Segment information
The information is omitted, because SANKEI REAL ESTATE has a single segment—the real estate leasing business.

2. Related information
1st fiscal period (from November 19, 2018 to August 31, 2019)
(1) Information by product and service
The information is omitted, because operating revenue to external customers for a single group of products and services exceeds 90% of operating revenue on the statement of income.

(2) Information by geographic area
i. Operating revenue
The information is omitted, because operating revenue to external customers in Japan exceeds 90% of operating revenue on the statement of income.
ii. Property, plant and equipment
The information is omitted, because 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.	194,716	Real estate leasing business

2nd fiscal period (from September 1, 2019 to February 29, 2020)
(1) Information by product and service
The information is omitted, because operating revenue to external customers for a single group of products and services exceeds 90% of operating revenue on the statement of income.

(2) Information by geographic area
i. Operating revenue
The information is omitted, because operating revenue to external customers in Japan exceeds 90% of operating revenue on the statement of income.
ii. Property, plant and equipment
The information is omitted, because 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.	324,435	Real estate leasing business
Sony Corporation	Not disclosed (Note)	Real estate leasing business

(Note) Not disclosed due to unavoidable reasons as consent for disclosure has not been obtained from the lessee.

[Notes on Per Unit Information]

	1st fiscal period From: Nov. 19, 2018 To: Aug. 31, 2019	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020
Net assets per unit	97,913 yen	105,408 yen
Earnings per unit	2,312 yen	3,007 yen

(Note 1) Earnings per unit is calculated by dividing net profit by the period's daily weighted average number of investment units (Fiscal period ended August 2019: 144,970 units, Fiscal period ended February 2020: 355,420 units). In addition, diluted earnings per unit is not stated, because there are no diluted investment units

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

	1st fiscal period From: Nov. 19, 2018 To: Aug. 31, 2019	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020
Net profit (thousand yen)	335,209	1,068,774
Amount not available to common unitholders (thousand yen)	-	-
Net profit attributable to common investment units (thousand yen)	335,209	1,068,774
Average number of investment units during period (units)	144,970	355,420

[Notes on Significant Subsequent Events]

Not applicable.

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

Changes in unitholders' capital and the total number of investment units issued and outstanding from the incorporation of SANKEI REAL ESTATE to the last day of the fiscal period under review (February 29, 2020) are as follows:

Date	Description	Unitholders' capital (thousand yen)		Total number of investment units issued and outstanding (units)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
Nov. 19, 2018	Incorporation through private placement	100,000	100,000	1,000	1,000	(Note 1)
Mar. 11, 2019	Capital increase through public offering	21,928,467	22,028,467	227,238	228,238	(Note 2)
Apr. 10, 2019	Capital increase through third-party allotment	1,096,433	23,124,900	11,362	239,600	(Note 3)
Sept. 2, 2019	Capital increase through public offering	12,777,138	35,902,038	111,619	351,219	(Note 4)
Sept. 26, 2019	Capital increase through third-party allotment	638,862	36,540,901	5,581	356,800	(Note 5)

(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.

3. Reference Information

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

i. Investment Status

Asset group	Asset type	Geographic area (Note 1)	1st fiscal period (as of August 31, 2019)		2nd fiscal period (as of February 29, 2020)	
			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	2,591	5.3	2,612	3.4
		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	32,527	66.8	52,718	69.2
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-
	Sub assets	Greater Tokyo, Osaka City and Nagoya City	9,085	18.6	9,058	11.9
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	4,026	5.3
	Hotels	Greater Tokyo, Osaka City and Nagoya City	9,085	18.6	9,058	11.9
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	4,026	5.3
Subtotal			44,203	90.7	68,414	89.8
Deposits and other assets			4,514	9.3	7,772	10.2
Total assets			48,718	100.0	76,186	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.

	1st fiscal period (as of August 31, 2019)		2nd fiscal period (as of Feb. 29, 2020)	
	Amount (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)	Amount (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Total liabilities	25,258	51.8	38,577	50.6
Total net assets	23,460	48.2	37,609	49.4
Total assets	48,718	100.0	76,186	100.0

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

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

ii. Investment Assets

The following are the assets held by SANKEI REAL ESTATE (real estate or trust beneficiary rights that have real estate as trust assets; hereinafter, may be collectively referred to as the "portfolio assets") as of February 29, 2020.

(A) Portfolio List

The property name, location, acquisition price, investment ratio, book value, appraisal value and acquisition date of the portfolio assets of SANKEI REAL ESTATE are as follows:

Asset type	Property number	Property name	Location	Acquisition price (Note 1)		Book value (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Acquisition date (Note 4)
				Price (million yen)	Investment ratio (%)			
Office buildings	A-1	Tokyo Sankei Building (Note 5)	Chiyoda-ku, Tokyo	2,509	3.7	2,612	2,690	Mar. 12, 2019
	A-2	BREEZÉ TOWER (Note 5)	Kita-ku, Osaka-shi, Osaka	i. 8,600 ii. 4,500 Total 13,100	19.5	13,217	14,715	i. Mar. 12, 2019 ii. Sept. 3, 2019
	A-3	S-GATE NIHONBASHI-HONCHO (Note 5)	Chuo-ku, Tokyo	6,698	9.9	6,761	7,440	Mar. 12, 2019
	A-4	S-GATE AKIHABARA	Chiyoda-ku, Tokyo	2,055	3.1	2,074	2,220	Mar. 12, 2019
	A-5	Hibiya Sankei Building	Chiyoda-ku, Tokyo	5,829	8.7	6,040	6,530	Mar. 12, 2019
	A-6	Hatchobori Sankei Building	Chuo-ku, Tokyo	4,959	7.4	5,036	5,570	Mar. 12, 2019
	A-7	Toyo Park Building	Koto-ku, Tokyo	3,782	5.6	3,897	3,940	Mar. 12, 2019
	A-8	Shinagawa Seaside TS Tower (Note 5)	Shinagawa-ku, Tokyo	10,040	14.9	10,182	10,600	Sept. 3, 2019
	A-9	Omori Park Building	Ota-ku, Tokyo	5,400	8.0	5,508	5,620	Sept. 3, 2019
Subtotal			-	54,374	80.8	55,330	59,325	-
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Chuo-ku, Tokyo	8,961	13.3	9,058	9,140	Mar. 12, 2019
	B-2	Hotel Intergate Hiroshima	Naka-ku, Hiroshima-shi, Hiroshima	3,990	5.9	4,026	4,140	Sept. 3, 2019
Subtotal			-	12,951	19.2	13,084	13,280	-
Total			-	67,325	100.0	68,414	72,605	-

(Note 1) "Acquisition price" is the sale and purchase price of real estate and each trust beneficiary right stated in each sale and purchase agreement for the portfolio assets, rounded down to the nearest million yen. The sale and purchase prices do not include consumption tax, local consumption tax and the various expenses required for the acquisition. "Investment ratio" is the proportion of the acquisition price of each portfolio asset to the sum total amount of acquisition prices, rounded to one decimal place.

(Note 2) "Book value" is the depreciated book value for each portfolio asset as of February 29, 2020, rounded down to the nearest million yen.

(Note 3) "Appraisal value" is the appraisal value with an appraisal date of February 29, 2020, stated in each real estate appraisal report. The appraisal of each portfolio asset is entrusted to Japan Real Estate Institute, The Tanizawa Sōgō Appraisal Co., Ltd. and Daiwa Real Estate Appraisal Co., Ltd.

(Note 4) "Acquisition date" is the acquisition date stated in each sale and purchase agreement for the portfolio assets.

(Note 5) The acquisition price, book value and appraisal 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" and 25% for "Shinagawa Seaside TS Tower") held by SANKEI REAL ESTATE.

(B) Overview of Buildings and Leasing

The property name, construction completion, total rental revenue, security and guarantee deposits, total leasable area, total leased area and occupancy rate of the portfolio assets of SANKEI REAL ESTATE are as follows:

Asset type	Property number	Property name	Construction completion (Note 1)	Total rental revenue (million yen) (Note 2)	Security and guarantee deposits (million yen) (Note 3)	Total leasable area (m^2) (Note 4)	Total leased area (m^2) (Note 5)	Occupancy rate (%) (Note 6)
Office buildings	A-1	Tokyo Sankei Building (Note 7)	Sept. 28, 2000	100	91	881.69	881.69	100.0
	A-2	BREEZÉ TOWER (Note 7)	July 1, 2008	879	809	12,146.02	12,146.02	100.0
	A-3	S-GATE NIHONBASHI-HONCHO (Note 7)	Oct. 31, 2018	307	307	3,171.83	3,171.83	100.0
	A-4	S-GATE AKIHABARA	Sept. 29, 2017	111	111	1,681.55	1,681.55	100.0
	A-5	Hibiya Sankei Building	June 25, 1992	388	324	3,439.61	3,439.61	100.0
	A-6	Hatchobori Sankei Building	Sept. 1, 1965	310	255	5,594.90	5,594.90	100.0
	A-7	Toyo Park Building	June 18, 1991	205	168	4,224.52	4,224.52	100.0
	A-8	Shinagawa Seaside TS Tower (Note 7)	July 25, 2003	Not disclosed (Note 8)	Not disclosed (Note 8)	Not disclosed (Note 8)	Not disclosed (Note 8)	100.0
	A-9	Omori Park Building	May 31, 1993	292	268	7,469.72	7,469.72	100.0
Subtotal (average)			-	Not disclosed (Note 8)	Not disclosed (Note 8)	Not disclosed (Note 8)	Not disclosed (Note 8)	100.0
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Jan. 18, 2018	413	206	6,006.53	6,006.53	100.0
	B-2	Hotel Intergate Hiroshima	Oct. 31, 2018	237	118	9,160.15	9,160.15	100.0
Subtotal (average)			-	651	325	15,166.68	15,166.68	100.0
Total (average)			-	Not disclosed (Note 8)	Not disclosed (Note 8)	Not disclosed (Note 8)	Not disclosed (Note 8)	100.0

(Note 1) "Construction completion" is the date of new construction completion stated in the registry of the main building for each portfolio asset. If there are multiple main buildings, the date of the oldest building stated in the registry is indicated. As for "Shinagawa Seaside TS Tower," the date of new construction completion stated in the registry of the building with the building number 100-1-9 is indicated.

(Note 2) "Total rental revenue" is the amount calculated by annualizing the monthly rent (Only the rent for the rental accommodation, excluding usage fees for warehouses, signboards, parking lots, etc., but including common service charges. Free rent and rent holiday (*1) will not be taken into consideration. As for rents that include floating rents in agreements with the tenants, the rents are calculated without taking floating rents into consideration. Consumption tax, etc. are not included. The same shall apply hereinafter.) for the building stated in the lease agreement for each portfolio asset effective as of February 29, 2020, rounded down to the nearest million yen. The amount calculated by annualizing the monthly rent stated in the lease agreement concluded with the end tenant with respect to the portion in the pass-through-type master lease agreement (*2) is indicated when a pass-through-type master lease agreement has been concluded for the portfolio assets.

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

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

(Note 3) "Security and guarantee deposits" is the total amount of security and guarantee deposits (including the amount expected to be received based on each lease agreement, but excluding security and guarantee deposits for warehouses, signboards, parking lots, etc.) based on the lease agreement for each portfolio asset as of February 29, 2020, rounded down to the nearest million yen. The amount of security deposits stated in the lease agreement concluded with the end tenant with respect to the portion in the pass-through-type master lease agreement is indicated when a pass-through-type master lease agreement has been concluded for the portfolio assets.

(Note 4) "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 as of February 29, 2020, rounded down to two decimal places.

(Note 5) "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 as of February 29, 2020, rounded down to two decimal places. With respect to the portion which comes under the pass-through-type master lease agreement, the total area for which the lease agreement has actually been concluded with the end tenant and for which the lease period has commenced is indicated, rounded down to two decimal places.

(Note 6) "Occupancy rate" is the ratio of total leased area to total leasable area for each portfolio asset as of February 29, 2020, rounded to one decimal place. In addition, each subtotal and portfolio total figure 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.

(Note 7) The security and guarantee deposits, total leasable area and total leased area are the figures equivalent to the co-ownership interest (2% for "Tokyo Sankei Building" and 51% for "S-GATE NIHONBASHI-HONCHO") and the quasi co-ownership interest (45% for "BREEZÉ TOWER" and 25% for "Shinagawa Seaside TS Tower") held by SANKEI REAL ESTATE.

(Note 8) 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.

(C) Overview of Real Estate Appraisal Reports

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

Asset type	Property number	Property name	Appraiser	Appraisal value (million yen) (Note 1)	Overview of appraisal report					
					Direct capitalization method		DCF method			Indicated value by cost approach (million yen)
					Indicated value by income approach (million yen)	Cap rate (%)	Indicated value by income approach (million yen)	Discount rate (%)	Terminal cap rate (%)	
Office buildings	A-1	Tokyo Sankei Building (Note 2)	Japan Real Estate Institute	2,690	2,720	2.5	2,650	2.2	2.6	2,750
	A-2	BREEZÉ TOWER (Note 2)	Japan Real Estate Institute	14,715	14,805	3.8	14,580	3.4	4.0	15,300
	A-3	S-GATE NIHONBASHI-HONCHO (Note 2)	Japan Real Estate Institute	7,440	7,560	3.3	7,310	3.0	3.5	6,750
	A-4	S-GATE AKIHABARA	Japan Real Estate Institute	2,220	2,260	3.5	2,180	3.3	3.7	2,070
	A-5	Hibiya Sankei Building	Japan Real Estate Institute	6,530	6,670	3.0	6,390	2.8	3.2	7,030
	A-6	Hatchobori Sankei Building	The Tanizawa Sōgō Appraisal Co., Ltd.	5,570	5,660	4.1	5,530	4.2	4.3	5,550
	A-7	Toyo Park Building	Japan Real Estate Institute	3,940	4,010	4.0	3,870	3.8	4.2	2,990
	A-8	Shinagawa Seaside TS Tower (Note 2)	The Tanizawa Sōgō Appraisal Co., Ltd.	10,600	10,825	3.6	10,500	3.7	3.8	10,225
	A-9	Omori Park Building	Japan Real Estate Institute	5,620	5,720	3.8	5,520	3.6	4.0	5,560
Subtotal				59,325	60,230	-	58,530	-	-	58,225
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Daiwa Real Estate Appraisal Co., Ltd.	9,140	9,270	3.7	9,090	3.5	3.9	9,460
	B-2	Hotel Intergate Hiroshima	Japan Real Estate Institute	4,140	4,180	4.5	4,100	4.3	4.7	4,420
Subtotal				13,280	13,450	-	13,190	-	-	13,880
Total				72,605	73,680	-	71,720	-	-	72,105

(Note 1) "Appraisal value" is the appraisal value with an appraisal date of February 29, 2020, stated in each real estate appraisal report.

(Note 2) The appraisal value, indicated value by income approach based on direct capitalization method, indicated value by income approach based on DCF method and indicated value by cost approach are the figures equivalent to the co-ownership interest (2% for "Tokyo Sankei Building" and 51% for "S-GATE NIHONBASHI-HONCHO") and the quasi co-ownership interest (45% for "BREEZÉ TOWER" and 25% for "Shinagawa Seaside TS Tower") held by SANKEI REAL ESTATE.

(2) Capital Expenditures

i. Schedule of Capital Expenditures

Of capital expenditures associated with renovation work, etc. currently planned for assets held by SANKEI REAL ESTATE as of February 29, 2020, the following are the major estimated amounts (10 million yen or more). The estimated construction costs below include the portion separately charged to expenses in accounting.

Name of real estate, etc. (Location)	Purpose	Scheduled period	Expected construction cost (million yen)		
			Total amount	Amount of payment during period	Total amount already paid
BREEZÉ TOWER (Kita-ku, Osaka-shi, Osaka)	Renewal of electric window shade for office	From: Mar. 1, 2020 To: Mar. 31, 2020	22	-	-
BREEZÉ TOWER (Kita-ku, Osaka-shi, Osaka)	Installment of LED lighting in one office floor	From: July 1, 2020 To: July 31, 2020	22	-	-

ii. Capital Expenditures during the Fiscal Period

Major construction works falling under the category of capital expenditures of 10 million yen or more conducted in the fiscal period under review for assets held by SANKEI REAL ESTATE as of February 29, 2020 are as follows: For the fiscal period under review, capital expenditures amounted to 69 million yen and repair expenses separately charged to expenses amounted to 46 million yen for a combined total of 116 million yen of construction work implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of payment (million yen)
Hatchobori Sankei Building (Chuo-ku, Tokyo)	Maintenance of outside air treatment air conditioner and renewal of pressurized water pump	From: Nov. 1, 2019 To: Nov. 26, 2019	18
Other			51
Total			69

iii. Cash Reserves for Long-Term Repair Plans

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

Fiscal period	1st fiscal period From: Nov. 19, 2018 To: Aug. 31, 2019	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020
Balance of reserve at beginning of period (thousand yen)	-	95,103
Provision of reserve during period (thousand yen)	95,103	105,897
Reversal of reserve during period (thousand yen)	-	70,534
Reserve carried forward (thousand yen)	95,103	130,466