SANKEI REAL ESTATE Inc.

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For Immediate Release

Real Estate Investment Trust Securities Issuer
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SANKEI REAL ESTATE Inc.
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(TSE code: 2972)

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Notice Concerning Revisions to Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending August 31, 2020 and Fiscal Period Ending February 28, 2021

SANKEI REAL ESTATE Inc. ("SANKEI REAL ESTATE") hereby announces the following revisions to the operating forecasts and distribution forecasts for the fiscal period ending August 31, 2020 (from March 1, 2020 to August 31, 2020) and fiscal period ending February 28, 2021 (from September 1, 2020 to February 28, 2021) announced in "(REIT) Financial Report for the Fiscal Period Ended February 2020" dated April 16, 2020.

1. Details of revisions to operating forecasts and distribution forecasts

(1) Fiscal period ending August 31, 2020 (3rd fiscal period) (from March 1, 2020 to August 31, 2020)

	Operating revenue (million yen)	Operating profit (million yen)	Ordinary profit (million yen)	Net profit (million yen)	Distribution per unit (yen) (including distributions in excess of earnings)	Distribution per unit (yen) (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit (yen)
Previous forecasts announced (A)	1,999	923	830	829	2,324	2,324	-
Revised forecasts (B)	1,991	940	847	846	2,373	2,373	-
Change (B-A)	(8)	17	17	17	49	49	-
Change rate	-0.4%	1.8%	2.0%	2.1%	2.1%	2.1%	-

(Reference) Fiscal period ending August 31, 2020
Forecast number of investment units issued and outstanding at end of period: 356,800 units; Forecast earnings per unit: 2,373 yen

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

	Operating revenue (million yen)	Operating profit (million yen)	Ordinary profit (million yen)	Net profit (million yen)	Distribution per unit (yen) (including distributions in excess of earnings)	Distribution per unit (yen) (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit (yen)
Previous forecasts announced (A)	2,045	945	862	861	2,415	2,415	-
Revised forecasts (B)	2,052	973	890	889	2,492	2,492	-
Change (B-A)	7	28	28	28	77	77	-
Change rate	0.3%	3.0%	3.2%	3.3%	3.2%	3.2%	-

(Reference) Fiscal period ending February 28, 2021
Forecast number of investment units issued and outstanding at end of period: 356,800 units; Forecast earnings per unit: 2,491 yen

(Note 1) The operating forecasts and distribution forecasts for the fiscal period ending August 31, 2020, and fiscal period ending February 28, 2021, are made using information available at the time of this release, based on the assumptions stated in the Attachment “Assumptions Underlying the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending August 31, 2020 and Fiscal Period Ending February 28, 2021” . Actual operating revenue, operating profit, ordinary profit, net profit, distribution per unit (excluding distributions in excess of earnings) and distributions in excess of earnings per unit may differ as a result of variance from assumptions due to various factors, such as future additional acquisition or sale of real estate, trends in the real estate market, interest rate fluctuation and other changes in circumstances surrounding SANKEI REAL ESTATE. In addition, the forecasts are not a guarantee of the amount of distributions.

(Note 2) The above forecasts may be revised in the event that a discrepancy above a certain level from the forecasts above is expected.

(Note 3) Figures are rounded down to the nearest specified unit, and change rate is rounded to one decimal place.

2. Reason for revisions to operating forecasts and distribution forecasts and announcement of such

In its operating forecasts for the fiscal period ending August 31, 2020 and fiscal period ending February 28, 2021 announced in "(REIT) Financial Report for the Fiscal Period Ended February 2020" dated April 16, 2020, as for the impact of the novel coronavirus infection, SANKEI REAL ESTATE believes that tenant demand for office locations remains strong and the immediate impact for the demand is unlikely to be significant, because its portfolio assets are mainly office buildings in major cities such as Tokyo and Osaka. On the other hand, SANKEI REAL ESTATE has received requests from some tenants for rent reductions and deferral of rent payments, etc. due to the novel coronavirus infection, then SANKEI REAL ESTATE anticipated a certain risk of a decline in revenue (effect for stores, rental conference rooms, and utilities revenues).

After that, as a result of repeated discussions with some tenants regarding rent reductions and deferral of rent payments, etc. in the fiscal period ending August 2020, although some tenants were given deferral of rent payments, it was assumed that the rent would not be reduced due to the assumption that it would be collected, the decline in revenue from rental conference rooms due to low occupancy was within the expected range, although the decrease in utilities revenues due to telework such as working from home at tenants expanded more than expected, the utilities expenses also decreased significantly, furthermore, due to factors such as postponement of repair work, the operating forecasts for the fiscal period ending August 2020 is expected to exceed the initial forecasts.

For the fiscal period ending February 28, 2021, although the impact of the novel coronavirus infection is expected to continue, operating forecasts are expected to exceed the initial forecast due to the contribution of an increase in rents for portfolio assets and the decrease in depreciation due to the postponement of additional capital expenditure. With respect to the impact of the novel coronavirus infection, SANKEI REAL ESTATE expects a certain reduction in rents, particularly for stores, the decline in revenue from rental conference rooms due to low occupancy, and decrease in utilities revenues and expenses. SANKEI REAL ESTATE will monitor the performance, etc. of tenants who have requested rent reductions and those who have been granted deferral of rent payments, and will continue to hold discussions and take necessary actions.

Due to the above, SANKEI REAL ESTATE made the revisions for operating forecasts and distribution forecasts for the fiscal period ending August 31, 2020 and for the fiscal period ending February 28, 2021.

With regard to the two hotels owned by SANKEI REAL ESTATE as sub assets, SANKEI REAL ESTATE will continue to monitor their management status, but has secured income from the tenants through fixed rent based on the fixed-term building lease agreement.

Furthermore, the above-mentioned forecast figures are current figures calculated on the basis of the assumptions given in the attachment "Assumptions Underlying the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending August 31, 2020, and Fiscal Period Ending February 28, 2021", and may be subject to change if the impact on tenants' business performance, etc. worsens or is prolonged due to the further spread of the novel coronavirus infection or the declaration of a state of emergency by the government again, etc., and if there is any other discrepancy with the assumptions.

*SANKEI REAL ESTATE Inc. website: https://www.s-reit.co.jp/en/

[Attachment]

Assumptions Underlying the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending August 31, 2020, and Fiscal Period Ending February 28, 2021

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Accounting period</td><td>・ Fiscal period ending August 31, 2020 (3rd fiscal period) (from March 1, 2020 to August 31, 2020) (184 days)
・ Fiscal period ending February 28, 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 today, 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.
・ The assumption is that the impact of the spread of the novel coronavirus infection will continue until the end of February 2021, and the calculations take into account decline in revenue from retail stores due to tenant demand for rent reductions, the decline in revenue from rental conference rooms due to low occupancy, and the decline in utilities revenues due to telework of the tenants.</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. 2020</th><th>Fiscal period ending Feb. 2021</th></tr>
<tr><td>Expenses related to leasing business [Total]</td><td>800</td><td>826</td></tr>
<tr><td>Management fee</td><td>191</td><td>185</td></tr>
<tr><td>Utilities expenses</td><td>114</td><td>116</td></tr>
<tr><td>Repair expenses</td><td>39</td><td>66</td></tr>
<tr><td>Property taxes</td><td>216</td><td>216</td></tr>
<tr><td>Depreciation</td><td>220</td><td>222</td></tr>
<tr><td>Other than expenses related to leasing business [Total]</td><td>250</td><td>252</td></tr>
<tr><td>Asset management fee</td><td>182</td><td>179</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. to be incurred in connection with transactions of real estate are calculated on a pro rata basis and reimbursed to the new owner by the current owner at the time of property acquisition. The amount reimbursed is included in the cost of acquisition and thus not recorded as expenses in the fiscal period of the property acquisition when the reimbursement is made at the time of transaction. Fixed asset tax, city planning tax, etc. for fiscal 2020 are recorded as expenses starting from the fiscal period ending August 31, 2020.
・ Repair expenses for buildings are estimated based on medium- to long-term repair plans formulated by Sankei Building Asset Management Co., Ltd. However, repair</td></tr>
</table>

	expenses possibly increasing in amount or additionally arising from unforeseeable factors may result in repair expenses differing materially from the forecast amount.
Non-operating expenses	・ As interest expenses and other borrowing-related expenses, 93 million yen for the fiscal period ending August 31, 2020, and 82 million yen for the fiscal period ending February 28, 2021.
Interest-bearing liabilities	・ The assumption is that total interest-bearing liabilities will be 33,500 million yen at the end of the fiscal period ending August 31, 2020, and 33,500 million yen at the end of the fiscal period ending February 28, 2021. ・ The assumption is that there will be no change in the balance of borrowings other than the above through to the end of the fiscal period ending February 28, 2021. ・ LTV ratio is expected to be 44.5% at the end of the fiscal period ending August 31, 2020, and 44.5% at the end of the fiscal period ending February 28, 2021. LTV ratio is calculated using the following formula and rounded to one decimal place. ・ 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 today 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 distributions 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 spread further. ・ 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 or other similar factors that will impact the forecast figures above. ・ The assumption is that there will be no unforeseen material change in general economic trends and real estate market conditions.