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

October 15, 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: November 26, 2020
Scheduled date of commencement of distribution payment: November 20, 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 August 2020 (from March 1, 2020, to August 31, 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 Aug. 2020	2,005	3.7	996	(14.6)	904	(15.5)	903	(15.5)
Ended Feb. 2020	1,933	67.1	1,166	66.6	1,069	217.9	1,068	218.9

	Earnings per unit	Return on equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenue
	yen	%	%	%
Fiscal period Ended Aug. 2020	2,532	2.4	1.2	45.1
Ended Feb. 2020	3,007	3.5	1.7	55.3

(Note) Earnings per unit is calculated by dividing net profit by the daily weighted average number of investment units (Fiscal period ended February 2020: 355,420 units, Fiscal period ended August 2020: 356,800 units).

(2) Distribution

	Distribution per unit (excluding distributions in excess of earnings)	Total distribution (excluding distributions 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 Aug. 2020	2,532	903	-	-	100.0	2.4
Ended Feb. 2020	2,995	1,068	-	-	100.0	2.9

(Note) 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 of the fiscal period ended February 2020 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

(3) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
Fiscal period Ended Aug. 2020	76,195	37,444	49.1	104,945
Ended Feb. 2020	76,186	37,609	49.4	105,408

(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 Aug. 2020	1,714	91	(1,523)	7,160
Ended Feb. 2020	2,123	(23,388)	24,711	6,877

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

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

	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 Feb. 2021	2,135	6.5	1,051	5.5	955	5.7	954	5.7	2,676	2,676
Ending Aug. 2021	2,166	1.5	1,064	1.3	958	0.3	957	0.3	2,684	2,684

(Reference) Forecast earnings per unit (Forecast net profit ÷ Forecast total number of investment units issued and outstanding at end of period)
Fiscal period ending February 2021: 2,675 yen Fiscal period ending August 2021: 2,683 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 Aug. 2020	356,800 units	Fiscal period Ended Feb. 2020	356,800 units
ii. Number of treasury investment units at end of period	Fiscal period Ended Aug. 2020	0 units	Fiscal period Ended Feb. 2020	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 February 2021 (from September 1, 2020, to February 28, 2021) and Fiscal Period Ending August 2021 (from March 1, 2021, to August 31, 2021)” on pages 6 and 7.

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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. on March 12, 2019 (TSE code: 2972).

As of the last day of the fiscal period under review (August 31, 2020), total number of investment units issued and outstanding was 356,800 units, and the unitholders' capital was 36,540 million yen.

ii. Management Environment

In this fiscal period (fiscal period ending August 2020), the Japanese economy was greatly affected by the rapid spread of the novel coronavirus (COVID-19). The declaration of a state of emergency based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response (Act No. 31 of 2012, as amended) for 7 prefectures on April 7, 2020, in response to the spread of the infection had a great impact on social and economic activities upon expansion of the applicable regions to all prefectures until it was lifted completely on May 25, 2020. The circumstances are the severest since the global financial crisis; for example, the real GDP growth rate (secondary preliminary figure) of April to June 2020 by the Cabinet Office decreased by 7.9% compared with the preceding period year (28.1% decrease in the annualized rate). Work styles have also been re-examined: for example, more and more companies have been promoting remote work such as working from home. Overseas economic activities have also stagnated significantly due to rising unemployment rates caused by the spread of COVID-19, constraints on economic activities, and limitations on transportation such as continued travel restrictions between countries. Both in Japan and abroad, the economy is recovering thanks to policies and resumed economic activities, but close attention is still required.

Under such economic circumstances, in terms of the office building market, which SANKEI REAL ESTATE sets as the primary investment target, the vacancy rate was on the rise but stayed low while rents remained firm thanks to continued steady demand in Tokyo and Osaka where SANKEI REAL ESTATE's portfolio assets are located. As for the hotel market, in which SANKEI REAL ESTATE invests as sub-assets, the number of foreign tourists greatly decreased due to restrictions on entry into Japan, overseas travel restrictions in foreign countries, etc. associated with the spread of COVID-19. Though the number of business trips and tourists greatly decreased due to constraints on transportation in Japan, the government's Go To Travel campaign kicked off on July 22, 2020, and the Overnight Travel Statistics Survey by the Japan Tourism Agency shows that the total number of guests and occupancy rate improved after June.

iii. Management Performance

SANKEI REAL ESTATE did not acquire or sell any assets in the fiscal period under review. The portfolio of SANKEI REAL ESTATE as of the end of the fiscal period under review consisted of 11 properties with an asset size (total acquisition price) of 67,325 million yen, the same as that in the preceding fiscal period.

SANKEI REAL ESTATE has sought to improve satisfaction through reinforcement and enhancement of its relationship with existing tenants, aiming at expansion of revenue and stable growth of earnings from assets under management. For existing tenants facing approaching contract renewal, SANKEI REAL ESTATE raised rents through efforts based on trends of the rental market and implemented tenant replacement with no down time through flexible leading activities. Repairs and capital expenditures were narrowed down to those which contribute to maintenance and improvement of the competitiveness of the assets under management.

As a result, the occupancy rate (Note) of the 11 portfolio properties remained at 100% and operating revenue from real estate leasing was 2,005 million yen, 3.7% higher than that at the end of the preceding fiscal period despite the COVID-19 pandemic. The appraisal value as of the end of the fiscal period under review increased by 75,770 million yen, an increase of 4.4% from that as of the end of the preceding fiscal period.

Although the two hotel properties held by SANKEI REAL ESTATE have started to see some impact of temporary closure due to voluntary suspension of business activities associated with the spread of COVID-19, fixed rent based on the current contract has been secured for the leasing business revenue of the fiscal period under review.

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

iv. Overview of Fund Procurement

In the fiscal period under review, 4,300 million yen was borrowed from Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Development Bank of Japan Inc., Mizuho Trust & Banking Co., Ltd., Sumitomo Mitsui Trust Bank, Limited, Shinsei Bank, Limited, and Resona Bank, Limited. through a loan syndicate with Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation as the arrangers on March 12, 2020, to repay 4,300 million yen of short-term borrowings due for repayment on March 12, 2020. We are promoting extension of the average life of interest-bearing debt, improvement in the ratio of fixed-rate debt, and staggering of maturities by applying a borrowing period of 4.5 years with a fixed-interest-rate borrowing.

In addition, early repayment of 456 million yen was made on June 25, 2020, using the consumption tax refund for the properties acquired on September 3, 2019.

As a result, as of the last day of the fiscal period under review, the balance of borrowings outstanding was 33,500 million yen and the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV ratio") was 44.0%.

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 2,005 million yen, operating profit of 996 million yen, ordinary profit of 904 million yen, and net profit of 903 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 903,417,600 yen, which is the entire amount of unappropriated retained earnings, excluding fractions of distribution per unit of less than 1 yen. This resulted in distribution per unit of 2,532 yen.

(Outlook for the Next Fiscal Period)

i. General Management Outlook

According to the Monthly Economic Report (September 2020) by the Cabinet Office, the recovery trend is expected to continue thanks to the effects of various polices and improvements in overseas economies to raise the level of social and economic activities and take measures to prevent the spread of COVID-19, close attention must be paid to the trend of COVID-19 in Japan and abroad, as well as to the impacts of fluctuations of the financial and capital markets, etc. It is also suggested that while the recovery trend of overseas economies is expected to continue while economic activities are resumed incrementally, it is necessary to pay attention to the trend COVID-19 in Japan and abroad, the impacts of fluctuations of the financial and capital markets, etc.

In the office building market, the vacancy rate is rising amid the COVID-19 pandemic, and rents have appeared to peak. In addition, people's response to COVID-19 is expected to change with the development of a vaccine, etc. from now on, but the new normal is propagating in social and economic activities under the COVID-19 pandemic. Moreover, it is necessary to pay attention to changes in work styles and the trend of office demand. SANKEI REAL ESTATE mainly owns office buildings in the central six wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku, Shibuya, and Shinagawa) and large cities in Osaka, and the demand for offices from tenants is relatively strong. The contract periods and rents are stipulated in leasing agreements contracts, so, as of now, the impact of COVID-19 is unlikely to become immediately significant. On the other hand, SANKEI REAL ESTATE received requests for rent decrease and deferment of rent payment, etc. from some tenants due to COVID-19, so there is a possibility that we will accept such requests, tenants may terminate their contracts, etc. We will pay attention to the performances of tenants, etc. as well as reinforce our relationship with them and continue discussions consultations and responses.

In terms of the hotel market, the number of inbound tourists decreased greatly while domestic trips and business trips are still stagnant, and the severe situation is expected to continue. On the other hand, there are expectations for the effect of policy support such as the special cash payment under a supplementary budget and the inclusion of Tokyo in the applicable regions of the government's Go To Travel campaign started on July 22, 2020, from October 2020. As for the two hotels held by SANKEI REAL ESTATE, we take measures to prevent infection and make efforts to improve a sense of safety in terms of good hygiene in order to obtain the support of customers under the new environment. GRANVISTA Hotels & Resorts Co., Ltd., which is a tenant of two properties, is a wholly owned subsidiary of The Sankei Building Co., Ltd. (hereinafter, "Sankei Building" or "Sponsor") and continues to pay fixed rent based on the fixed-term building lease agreement, so it is expected that there will be no impact on SANKEI REAL ESTATE.

(A) External Growth Strategy

SANKEI REAL ESTATE acquired 60% quasi co-ownership interest in "S-GATE AKASAKA" through the pipeline of the sponsor on October 1, 2020, while the economy was affected by the spread of COVID-19. "S-GATE AKASAKA" is a newly built office building with an occupancy rate of 100% in central Tokyo developed by Sankei Building as the first property of the high-grade and mid-size office building (S-GATE) series. This acquisition improved the quality of the portfolio of SANKEI REAL ESTATE and increased the asset size (total acquisition price) to 71,525 million yen. SANKEI REAL ESTATE will continue to be supported by the sponsor and maintain external growth through acquisition of Sankei Building's portfolio properties as well as properties held by third parties by leveraging the sourcing capabilities of Sankei Building.

(B) Internal growth strategy

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

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

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

(a) Strive to provide services for tenants' comfortable use while strengthening and enhancing tenant relationships in order to maintain and improve tenant satisfaction so as to maintain and improve the occupancy rate and rent of assets under management.

(b) SANKEI REAL 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 the environment by periodically verifying the validity of operations, management level, and costs of assets under management. In doing so, the balance with between the market competitiveness of assets under management and perspective of 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 comprehensively taking into account capital market trends, financial environment, timing of acquisition of real estate, etc. to be newly acquired, ratio of interest-bearing liabilities to total assets and other factors.

(b) Debt Financing

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

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.

(Reference Information)

(A) Borrowing of Funds

SANKEI REAL ESTATE conducted the following borrowing of funds on October 1, 2020, to use as part of the funds for acquisition and incidental expenses upon acquisition of the real estate trust beneficiary rights of 1 property as described later in this document under "(Reference Information) (B) Acquisition of Assets."

Category	Lender	Borrowing amount (million yen)	Interest rate (Note)	Maturity date	Repayment method	Description
Short-term	Mizuho Bank, Ltd.	4,300	Base rate (JBA 1-month Japanese Yen TIBOR) + 0.150%	Oct. 1, 2021	Lump-sum repayment at maturity	Unsecured and non-guaranteed

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

(B) Acquisition of Assets

SANKEI REAL ESTATE conducted the following acquisition of real estate trust beneficiary rights of 1 property (total acquisition price: 4,200 million yen) on October 1, 2020.

Asset type	Property Number	Property name	Location	Acquisition asset	Acquisition price (million yen) (Note)	Seller	Acquisition Date
Office building	A-10	S-GATE AKASAKA	Minato-ku, Tokyo	Real estate trust beneficiary right	4,200	The Sankei Building Co., Ltd.	Oct. 1, 2020

(Note) "Acquisition price" is the sale and purchase price of the trust beneficiary right stated in the sale and purchase agreement for the acquisition asset, rounded down to the nearest million yen. The sale and purchase price do not include consumption tax, local consumption tax and the various expenses required for the acquisition. The acquisition price shows the value equivalent to the quasi co-ownership interest (60%) acquired by SANKEI REAL ESTATE

iii. Operating Forecasts

SANKEI REAL ESTATE's operating forecasts for the fiscal period ending February 2021 (from September 1, 2020, to February 28, 2021) and fiscal period ending August 2021 (from March 1, 2021, to August 31, 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 Feb. 2021	2,135	1,051	955	954	2,676	-
Fiscal period ending Aug. 2021	2,166	1,064	958	957	2,684	-

Furthermore, for the assumptions underlying the operating forecasts, please refer to "Assumptions Underlying the Operating Forecasts for the fiscal period ending February 2021 (from September 1, 2020, to February 28, 2021) and fiscal period ending August 2021 (from March 1, 2021, to August 31, 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 February 2021 (from September 1, 2020, to February 28, 2021) and fiscal period ending August 2021 (from March 1, 2021, to August 31, 2021)

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Accounting period</td><td>・Fiscal period ending February 2021 (4th fiscal period) (from September 1, 2020, to February 28, 2021) (181 days)
・Fiscal period ending August 2021 (5th fiscal period) (from March 1, 2021, to August 31, 2021) (184 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 12 properties) held by SANKEI REAL ESTATE as of the date of this document (hereinafter, the “current portfolio assets”) will continue to be held and there will be no acquisition of new properties through to the end of the fiscal period ending August 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.
・The assumption is that there will be no delinquent or unpaid rent by tenants.
・Assuming that the effects of the spread of COVID-19 will continue until the end of August 2021, operating revenue is calculated by taking into account a certain level of a vacancy rate for the entire portfolio as well as utilization rate of rental conference rooms and utilities reimbursement largely similar to the figures for the third fiscal period.</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 Feb. 2021</th><th>Fiscal period Ending Aug. 2021</th></tr>
<tr><td>Expenses related to leasing business [Total]</td><td>840</td><td>853</td></tr>
<tr><td>　Outsourcing expenses</td><td>185</td><td>177</td></tr>
<tr><td>　Utilities expenses</td><td>122</td><td>122</td></tr>
<tr><td>　Repair expenses</td><td>68</td><td>68</td></tr>
<tr><td>　Property taxes</td><td>215</td><td>234</td></tr>
<tr><td>　Depreciation</td><td>228</td><td>230</td></tr>
<tr><td>Other than expenses related to leasing business [Total]</td><td>243</td><td>248</td></tr>
<tr><td>　Asset management fee</td><td>184</td><td>193</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, the fixed asset tax, city planning tax, etc. on the assets acquired on October 1, 2020, 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, 95 million yen is assumed for the fiscal period ending February 2021 and 106 million yen for the fiscal period ending August 2021.</td></tr>
<tr><td>Interest-bearing liabilities</td><td>・The assumption is that total interest-bearing liabilities will be 37,800 million yen at the end of the fiscal period ending February 2021 and 37,800 million yen at the end of the fiscal period ending August 2021.
・It assumes that there will be no change in the balance of borrowings other than the above through to the end of the fiscal period ending August 2021.
・LTV ratio is expected to be 46.9% at the end of the fiscal period ending February 2021 and 46.8% at the end of the fiscal period ending August 2021. LTV ratio is calculated by the following formula and rounded to one decimal place.
LTV ratio = Total interest-bearing liabilities ÷ Total assets × 100</td></tr>
</table>

Item	Assumptions
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 August 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 February 2021 and fiscal period ending August 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 COVID-19 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

Disclosure is omitted, because there is no significant change from "Investment Risks" in the annual securities report (submitted on May 27, 2020).

2. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	2nd fiscal period (as of Feb. 29, 2020)	3rd fiscal period (as of Aug. 31, 2020)
Assets		
Current assets		
Cash and deposits	3,778,564	3,876,992
Cash and deposits in trust	3,099,144	3,283,341
Operating accounts receivable	64,006	87,957
Prepaid expenses	41,198	51,898
Consumption taxes receivable	369,256	-
Other	342,073	567,790
Total current assets	7,694,243	7,867,979
Non-current assets		
Property, plant and equipment		
Buildings	159,569	165,538
Accumulated depreciation	(5,519)	(8,698)
Buildings, net	154,050	156,839
Structures	353	353
Accumulated depreciation	(8)	(12)
Structures, net	345	340
Land	2,457,766	2,457,766
Construction in progress	220	-
Buildings in trust	13,599,039	13,624,054
Accumulated depreciation	(333,525)	(547,766)
Buildings in trust, net	13,265,513	13,076,288
Structures in trust	22,236	22,236
Accumulated depreciation	(514)	(813)
Structures in trust, net	21,721	21,422
Machinery and equipment in trust	2,608	2,608
Accumulated depreciation	(77)	(208)
Machinery and equipment in trust, net	2,530	2,400
Tools, furniture and fixtures in trust	2,336	25,419
Accumulated depreciation	(224)	(1,901)
Tools, furniture and fixtures in trust, net	2,112	23,518
Land in trust	52,510,871	52,510,871
Construction in progress in trust	-	330
Total property, plant and equipment	68,415,132	68,249,777
Intangible assets		
Software	7,653	6,713
Total intangible assets	7,653	6,713
Investments and other assets		
Long-term prepaid expenses	59,878	60,793
Deferred tax assets	16	14
Leasehold and guarantee deposits	10,000	10,000
Total investments and other assets	69,894	70,807
Total non-current assets	68,492,680	68,327,298
Total assets	76,186,924	76,195,278

(Unit: thousand yen)

	2nd fiscal period (as of Feb. 29, 2020)	3rd fiscal period (as of Aug. 31, 2020)
Liabilities		
Current liabilities		
Operating accounts payable	144,640	205,128
Short-term borrowings	4,756,000	-
Long-term borrowings due within 1 year	-	4,800,000
Accounts payable - other	160,972	214,600
Accrued expenses	24,874	26,272
Income taxes payable	946	893
Consumption taxes payable	-	129,470
Advances received	341,424	328,557
Deposits received	951,003	1,205,174
Total current liabilities	6,379,861	6,910,097
Non-current liabilities		
Long-term borrowings	29,200,000	28,700,000
Leasehold and guarantee deposits received	91,880	92,935
Leasehold and guarantee deposits received in trust	2,905,497	3,047,718
Total non-current liabilities	32,197,378	31,840,654
Total liabilities	38,577,239	38,750,751
Net assets		
Unitholders' equity		
Unitholders' capital	36,540,901	36,540,901
Surplus		
Unappropriated retained earnings (undisposed loss)	1,068,783	903,625
Total surplus	1,068,783	903,625
Total unitholders' equity	37,609,684	37,444,526
Total net assets	*1 37,609,684	*1 37,444,526
Total liabilities and net assets	76,186,924	76,195,278

(2) Statement of Income

(Unit: thousand yen)

	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020	3rd fiscal period From: Mar. 1, 2020 To: Aug. 31, 2020
Operating revenue		
Leasing business revenue	*1 1,796,513	*1 1,878,684
Other leasing business revenue	*1 136,736	*1 126,823
Total operating revenue	1,933,249	2,005,507
Operating expenses		
Expenses related to leasing business	*1 577,268	*1 778,934
Asset management fee	139,263	183,485
Asset custody fee	1,420	1,505
Administrative service fees	7,320	6,370
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	38,333	35,230
Total operating expenses	767,204	1,009,126
Operating profit	1,166,045	996,380
Non-operating income		
Interest income	30	32
Interest on refund	778	323
Total non-operating income	808	356
Non-operating expenses		
Interest expenses	56,039	58,586
Borrowing related expenses	26,581	33,790
Investment unit issuance expenses	12,502	-
Other	2,000	-
Total non-operating expenses	97,123	92,377
Ordinary profit	1,069,729	904,359
Net profit before income taxes	1,069,729	904,359
Income taxes - current	950	898
Income taxes - deferred	4	2
Total income taxes	955	901
Net profit	1,068,774	903,458
Retained earnings brought forward	8	167
Unappropriated retained earnings (undisposed loss)	1,068,783	903,625

(3) Statement of Unitholders' Equity

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

3rd fiscal period (from March 1, 2020, to August 31, 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	36,540,901	1,068,783	1,068,783	37,609,684	37,609,684
Changes in items during period					
Dividend of surplus		(1,068,616)	(1,068,616)	(1,068,616)	(1,068,616)
Net profit		903,458	903,458	903,458	903,458
Total changes in items during period	-	(165,157)	(165,157)	(165,157)	(165,157)
Balance at end of period	*1 36,540,901	903,625	903,625	37,444,526	37,444,526

(4) Statement of Cash Distribution

(Unit: yen)

	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020	3rd fiscal period From: Mar. 1, 2020 To: Aug. 31, 2020
I. Unappropriated retained earnings	1,068,783,044	903,625,576
II. Amount of distribution	1,068,616,000	903,417,600
(Amount of distribution per unit)	(2,995)	(2,532)
III. Retained earnings carried forward	167,044	207,976

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 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.	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 903,417,600 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)

	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020	3rd fiscal period From: Mar. 1, 2020 To: Aug. 31, 2020
Cash flows from operating activities		
Net profit before income taxes	1,069,729	904,359
Depreciation	216,818	220,471
Investment unit issuance expenses	12,502	-
Interest income	(30)	(32)
Interest expenses	56,039	58,586
Decrease (increase) in operating accounts receivable	264,097	(23,792)
Decrease (increase) in consumption taxes refund receivable	264,614	369,256
Decrease (increase) in prepaid expenses	(3,188)	(10,700)
Increase (decrease) in operating accounts payable	(244,671)	58,297
Increase (decrease) in accounts payable - other	(17,959)	52,356
Increase (decrease) in consumption taxes refund payable	-	129,470
Increase (decrease) in advances received	164,823	(12,866)
Increase (decrease) in deposits received	750,659	254,170
Decrease (increase) in long-term prepaid expenses	(19,491)	(915)
Decrease (increase) in other assets	(341,646)	(225,717)
Subtotal	2,172,297	1,772,944
Interest received	30	32
Interest paid	(47,352)	(57,188)
Income taxes paid	(1,351)	(951)
Cash flows from operating activities	2,123,623	1,714,837
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,088)	(5,747)
Purchase of property, plant and equipment in trust	(24,360,331)	(46,376)
Proceeds from leasehold and guarantee deposits received	1,017	1,400
Refund of leasehold and guarantee deposits received	(217)	(502)
Proceeds from leasehold and guarantee deposits received in trust	1,012,067	142,697
Refund of leasehold and guarantee deposits received in trust	(18,904)	(8)
Cash flows from investing activities	(23,388,457)	91,461
Cash flows from financing activities		
Proceeds from short-term borrowings	1,056,000	-
Repayments of short-term borrowings	(1,213,736)	(4,756,000)
Proceeds from long-term borrowings	11,800,000	4,300,000
Proceeds from issuance of investment units	13,403,498	-
Distribution paid	(334,117)	(1,067,674)
Cash flows from financing activities	24,711,645	(1,523,674)
Net increase (decrease) in cash and cash equivalents	3,446,811	282,624
Cash and cash equivalents at beginning of period	3,430,897	6,877,708
Cash and cash equivalents at end of period	*1 6,877,708	*1 7,160,333

(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 4-8 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 85,263 thousand yen in the previous fiscal period and zero 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; Construction in progress 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 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued on March 31, 2020)
- "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 31, 2020)

1. Overview

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

・ "Accounting Standard for Calculation of Market Values" (Accounting Standards Board of Japan (ASBJ) Statement No. 30 issued on July 4, 2019)
・ "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan (ASBJ) Statement No. 10 issued on July 4, 2019)
・ "Implementation Guidance on Accounting Standard for Calculation of Market Values" (ASBJ Guidance No. 31 issued on July 4, 2019)
・ "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 31, 2020)

1. Overview
   The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States set up detailed guidance on fair value measurement (IFRS No. 13 "Fair Value Measurement" by IASB and Topic820 "Fair Value Measurement" by FASB); to improve the comparability with the provisions of these international accounting standards, the ASBJ discussed the guidance and disclosure regarding mainly the market values of financial instruments and announced the accounting standards the accounting standard for calculation of market values and the implementation guidance on the standard.
   The basic policy for the ASBJ when it developed the accounting standards for calculation of market values was to incorporate basically all of the provisions of IFRS 13, from the perspective of comparability between financial statements among domestic and international companies using the unified calculation method. To the extent that the comparability between financial statements is not deteriorate greatly, other handling methods of individual items shall be determined considering practices that have been conducted thus far in Japan, etc.
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 Calculation of Market Values" and the like is currently under review.

"Accounting Standard for Disclosure of Accounting Estimates" (Accounting Standards Board of Japan (ASBJ) Statement No. 31 issued on March 31, 2020)

1. Overview
   As for "Causes of Uncertainty of Quotation," which is required to be disclosed in 125 "Presentation of Financial Statements" of International Accounting Standard (IAS) No. 1 announced by the International Accounting Standards Board (IASB) in 2003, it was requested to consider requirement of disclosure as information useful for users of financial statements in the Japanese standards, and the ASBJ formulated and announced the accounting standard for disclosure of quotation in accounting (hereinafter called "this Accounting Standard").
   The basic policy on the formulation of this Accounting Standard by the ASBJ is to not extend individual notes but show the principles (purposes of disclosure), make companies judge the specific disclosure contents based on the purposes of disclosure, and refer to the provisions of 125 of IAS No. 1.
2. Scheduled application date
   The above standards will be applicable from the end of the fiscal year ending August 2021.

・"Accounting Standard for Disclosure of Accounting Policy, and Changes and Correction of Errors in Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 24 issued on March 31, 2020)

1. Overview
   In response to a propose of consideration of enhancement of note information on "Principles and Procedures of Accounting Processing Adopted When the Provisions of the Related Accounting Standards, etc. Are Not Clear," the ASBJ made the required revisions and announced it as accounting standards for disclosure of company policies and changes and correction of errors in Accounting.
   It is decided that when enhancing note information on "Principles and Procedures of Accounting Processing Adopted When the Provisions of the Related Accounting Standards, etc. Are Not Clear," the provisions of the Annotations on the Accounting Principles (Note 1-2) shall be taken over to avoid impacts on practices.
2. Scheduled application date
   The above standards will be applicable from the end of the fiscal year ending August 2021.

(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)

2nd fiscal period (as of Feb. 29, 2020)	3rd fiscal period (as of Aug. 31, 2020)
50,000	50,000

[Notes to the Statement of Income]

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

(Unit: thousand yen)

	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020	3rd fiscal period From: Mar. 1, 2020 To: Aug. 31, 2020
A. Operating revenue from real estate leasing		
Leasing business revenue		
Rental revenue	1,643,859	1,727,126
Common area maintenance revenue	152,654	151,557
Total leasing business revenue	1,796,513	1,878,684
Other leasing business revenue		
Utilities reimbursement	102,512	90,925
Parking revenue	29,180	29,460
Other rental revenue	5,043	6,437
Total other leasing business revenue	136,736	126,823
Total operating revenue from real estate leasing	1,933,249	2,005,507
B. Operating expenses from real estate leasing		
Expenses related to leasing business		
Outsourcing expenses	167,350	172,779
Utilities expenses	126,509	118,648
Property taxes	-	215,328
Land rent	1,814	1,818
Repair expenses	46,426	35,148
Insurance premium	4,551	4,449
Trust fee	2,788	3,200
Depreciation	215,878	219,531
Other expenses related to leasing business	11,948	8,029
Expenses related to leasing business	577,268	778,934
Total operating expenses from real estate leasing	577,268	778,934
C. Operating income (loss) from real estate leasing [A−B]	1,355,981	1,226,572

[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)

	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020	3rd fiscal period From: Mar. 1, 2020 To: Aug. 31, 2020
Total number of investment units authorized	10,000,000	10,000,000
Total number of investment units issued and outstanding	356,800	356,800

[Notes to the Statement of Cash Flows]

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

(Unit: thousand yen)

	2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020	3rd fiscal period From: Mar. 1, 2020 To: Aug. 31, 2020
Cash and deposits	3,778,564	3,876,992
Cash and deposits in trust	3,099,144	3,283,341
Cash and cash equivalents	6,877,708	7,160,333

[Notes on Lease Transactions]

Operating lease transactions (as lessor)

Future minimum lease payments

(Unit: thousand yen)

	2nd fiscal period (as of Feb. 29, 2020)	3rd fiscal period (as of Aug. 31, 2020)
Due within 1 year	2,108,261	2,457,949
Due after 1 year	14,429,883	15,854,148
Total	16,538,145	18,312,097

[Notes on Financial Instruments]

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

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

Upon borrowing from financial institutions, issuance of investment corporation bonds, etc., the fund procurement shall be in a manner that gives due consideration to the balance between agility in fund procurement and financial stability, characteristics of to-be-acquired real estate, etc. Specifically, the procurement means, ratio of long-term debt, ratio of fixed-rate debt, staggering of maturities, provision of collateral or not, etc. shall be considered. If borrowing, lenders shall be limited to the qualified institutional investors provided in the Financial Instruments and Exchange Act (however, limited to the institutional investors provided in Article 67-15 of the Act on Special Measures Concerning Taxation).

Issuance of new investment units shall be for the purpose of expansion of asset size and enhancement of profitability, 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 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

The following are the carrying amount and fair value as of August 31, 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	3,876,992	3,876,992	-
(2) Cash and deposits in trust	3,283,341	3,283,341	-
Total assets	7,160,333	7,160,333	-
(1) Short-term borrowings	-	-	-
(2) Long-term borrowings due within 1 year	4,800,000	4,800,000	-
(3) Long-term borrowings	28,700,000	28,737,004	37,004
Total liabilities	33,500,000	33,537,004	37,004

(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 due within 1 year, (3) 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)

	2nd fiscal period (as of Feb. 29, 2020)	3rd fiscal period (as of Aug. 31, 2020)
Leasehold and guarantee deposits received	91,880	92,935
Leasehold and guarantee deposits received in trust	2,905,497	3,047,718

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

Amount of redemption of monetary claims scheduled to be due after the end of the fiscal period (August 31, 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
Cash and deposits	3,876,992	-	-	-	-	-
Cash and deposits in trust	3,283,341	-	-	-	-	-
Total	7,160,333	-	-	-	-	-

(Note 4) 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	-

Amount of repayment of borrowings scheduled to be due after the end of the fiscal period (August 31, 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	-	-	-	-	-	-
Long-term borrowings due within 1 year	4,800,000	-	-	-	-	-
Long-term borrowings	-	5,600,000	9,600,000	9,200,000	4,300,000	-
Total	4,800,000	5,600,000	9,600,000	9,200,000	4,300,000	-

[Notes on Securities]

2nd fiscal period (as of February 29, 2020)

Not applicable.

3rd fiscal period (as of August 31, 2020)

Not applicable.

[Notes on Derivative Transactions]

2nd fiscal period (as of February 29, 2020)

Not applicable.

3rd fiscal period (as of August 31, 2020)

Not applicable.

[Notes on Retirement Benefits]

2nd fiscal period (as of February 29, 2020)

Not applicable.

3rd fiscal period (as of August 31, 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)

	2nd fiscal period (as of Feb. 29, 2020)	3rd fiscal period (as of Aug. 31, 2020)
Deferred tax assets		
Non-deductible accrued enterprise tax	16	14
Total	16	14
Deferred tax assets, net	16	14

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: %)

	2nd fiscal period (as of Feb. 29, 2020)	3rd fiscal period (as of Aug. 31, 2020)
Statutory tax rate	31.51	31.46
[Adjustments]		
Deductible distribution payable	(31.48)	(31.43)
Other	0.06	0.07
Effective income tax rate after application of tax-effect accounting	0.09	0.10

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

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

Not applicable.

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

Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.

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

Not applicable.

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

Not applicable.

2. Affiliated company, etc.

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

Not applicable.

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

Not applicable.

3. Fellow subsidiary, etc.

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

Not applicable.

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

Not applicable.

4. Director, major individual unitholder, etc.

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)	Sales Accounts payable - other	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.

3rd fiscal period (from March 1, 2020, to August 31, 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)	183,485	Accounts payable - other	201,834

(Note 1) Of the related-party transactions subject to disclosure, the related-party transactions including significant transactions are disclosed.
(Note 2) Of the amounts above, transaction amount does not include consumption tax, etc., while balance at end of period includes consumption tax, etc. Amounts are rounded down to the nearest thousand yen.
(Note 3) Payment of asset management fee is for transactions conducted by Yuichi Ota as representative of Sankei Building Asset Management Co., Ltd., and transaction amount is based on the terms and conditions provided in SANKEI REAL ESTATE's articles of incorporation.
(Note 4) Transaction terms and conditions are decided based on the actual market conditions.

[Notes on Asset Retirement Obligations]

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

Not applicable.

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

		2nd fiscal period From: Sept. 1, 2019 To: Feb. 29, 2020	3rd fiscal period From: Mar. 1, 2020 To: Aug. 31, 2020
Carrying amount			
	Balance at beginning of period	44,203,915	68,414,911
	Amount of change during period	24,210,996	(165,463)
	Balance at end of period	68,414,911	68,249,447
Fair value at end of period		72,605,000	75,770,000

(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 4 properties (24,345,357 thousand yen), etc., while the amount of decrease is mainly attributable to depreciation (215,878 thousand yen). The amount of increase in the fiscal period under review is mainly attributable to capital expenditures (54,067 thousand yen), etc., while the amount of decrease is mainly attributable to depreciation (219,531 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

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.

3rd fiscal period (from March 1, 2020, to August 31, 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.	325,755	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]

	2nd fiscal period From: Sept. 1, 2019 To: February 29, 2020	3rd fiscal period From: Mar. 1, 2020 To: Aug. 31, 2020
Net assets per unit	105,408 yen	104,945 yen
Earnings per unit	3,007 yen	2,532 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 February 2020: 355,420 units, Fiscal period ended August 2020: 356,800 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:

	2nd fiscal period From: Sept. 1, 2019 To: Feb.29, 2020	3rd fiscal period From: Mar. 1, 2020 To: Aug. 31, 2020
Net profit (thousand yen)	1,068,774	903,458
Amount not available to common unitholders (thousand yen)	-	-
Profit attributable to common investment units (thousand yen)	1,068,774	903,458
Average number of investment units during period (units)	355,420	356,800

[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 (August 31, 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)	2nd fiscal period (as of Feb. 29, 2020)		3rd fiscal period (as of Aug. 31, 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	2,612	3.4	2,614	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	52,718	69.2	52,602	69.0
		Cities designated by government ordinance (excluding above), core cities and major regional cities	-	-	-	-
	Sub assets	Greater Tokyo, Osaka City and Nagoya City	9,058	11.9	9,031	11.9
		Cities designated by government ordinance (excluding above), core cities and major regional cities	4,026	5.3	4,000	5.3
	Hotels	Greater Tokyo, Osaka City and Nagoya City	9,058	11.9	9,031	11.9
		Cities designated by government ordinance (excluding above), core cities and major regional cities	4,026	5.3	4,000	5.3
Subtotal			68,414	89.8	68,249	89.6
Deposits and other assets			7,772	10.2	7,945	10.4
Total assets			76,186	100.0	76,195	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.

	2nd fiscal period (as of Feb. 29, 2020)		3rd fiscal period (as of Aug. 31, 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	38,577	50.6	38,750	50.9
Total net assets	37,609	49.4	37,444	49.1
Total assets	76,186	100.0	76,195	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 August 31, 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	2,614	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	13,180	17,100	i. Mar. 12, 2019 ii. Sept. 3, 2019
	A-3	S-GATE NIHONBASHI-HONCHO (Note 5)	Chuo-ku, Tokyo	6,698	9.9	6,743	7,470	Mar. 12, 2019
	A-4	S-GATE AKIHABARA	Chiyoda-ku, Tokyo	2,055	3.1	2,066	2,530	Mar. 12, 2019
	A-5	Hibiya Sankei Building	Chiyoda-ku, Tokyo	5,829	8.7	6,035	6,530	Mar. 12, 2019
	A-6	Hatchobori Sankei Building	Chuo-ku, Tokyo	4,959	7.4	5,034	5,570	Mar. 12, 2019
	A-7	Toyo Park Building	Koto-ku, Tokyo	3,782	5.6	3,888	3,950	Mar. 12, 2019
	A-8	Shinagawa Seaside TS Tower (Note 5)	Shinagawa-ku, Tokyo	10,040	14.9	10,159	11,000	Sept. 3, 2019
	A-9	Omori Park Building	Ota-ku, Tokyo	5,400	8.0	5,493	5,620	Sept. 3, 2019
Subtotal			-	54,374	80.8	55,217	62,460	-
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Chuo-ku, Tokyo	8,961	13.3	9,031	9,140	Mar. 12, 2019
	B-2	Hotel Intergate Hiroshima	Naka-ku, Hiroshima-shi, Hiroshima	3,990	5.9	4,000	4,170	Sept. 3, 2019
Subtotal			-	12,951	19.2	13,032	13,310	-
Total			-	67,325	100.0	68,249	75,770	-

(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 August 31, 2020, rounded down to the nearest million yen.

(Note 3) "Appraisal value" is the appraisal value with an appraisal date of August 31, 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	101	92	881.69	881.69	100.0
	A-2	BREEZÉ TOWER (Note 7)	July 1, 2008	991	806	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	390	324	3,439.61	3,439.61	100.0
	A-6	Hatchobori Sankei Building	Sept. 1, 1965	316	261	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 August 31, 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 August 31, 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 August 31, 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 August 31, 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 August 31, 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	17,100	17,235	3.8	16,965	3.4	4.0	16,020
	A-3	S-GATE NIHONBASHI-HONCHO (Note 2)	Japan Real Estate Institute	7,470	7,590	3.3	7,350	3.0	3.5	6,700
	A-4	S-GATE AKIHABARA	Japan Real Estate Institute	2,530	2,560	3.5	2,490	3.3	3.7	2,570
	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	5,670	4.1	5,530	4.2	4.3	5,550
	A-7	Toyo Park Building	Japan Real Estate Institute	3,950	4,010	4.0	3,880	3.8	4.2	2,990
	A-8	Shinagawa Seaside TS Tower (Note 2)	The Tanizawa Sōgō Appraisal Co., Ltd.	11,000	11,400	3.6	10,825	3.7	3.8	10,325
	A-9	Omori Park Building	Japan Real Estate Institute	5,620	5,720	3.8	5,510	3.6	4.0	5,530
Subtotal				62,460	63,575	-	61,590	-	-	59,465
Sub assets	B-1	Hotel Intergate Tokyo Kyobashi	Daiwa Real Estate Appraisal Co., Ltd.	9,140	9,280	3.7	9,080	3.5	3.9	9,360
	B-2	Hotel Intergate Hiroshima	Japan Real Estate Institute	4,170	4,210	4.5	4,130	4.3	4.7	4,400
Subtotal				13,310	13,490	-	13,210	-	-	13,760
Total				75,770	77,065	-	74,800	-	-	73,225

(Note 1) "Appraisal value" is the appraisal value with an appraisal date of August 31, 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 August 31, 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 billing for the medium layer WHM (electricity meter) and CT (current transformer)	From February 1, 2021, to February 28, 2021	10	-	-

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 August 31, 2020 are as follows: For the fiscal period under review, capital expenditures amounted to 54 million yen and repair expenses separately charged to expenses amounted to 35 million yen for a combined total of 89 million yen of construction work implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of payment (million yen)
BREEZÉ TOWER (Kita-ku, Osaka-shi, Osaka)	Renewal of electric window shade for office	From March 27, 2020, to March 27, 2020	22
Other			31
Total			54

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	3rd fiscal period From: Mar. 1, 2020, To: Aug. 31, 2020
Balance of reserve at beginning of period (thousand yen)	-	95,103	130,466
Provision of reserve during period (thousand yen)	95,103	105,897	128,187
Reversal of reserve during period (thousand yen)	-	70,534	40,812
Reserve carried forward (thousand yen)	95,103	130,466	217,842