3rd

October 19, 2020

3rd Fiscal Period (Ended August 2020) Financial Results Briefing Materials

SANKEI REAL ESTATE Inc.

Asset Management Company | SANKEI BUILDING ASSET MANAGEMENT CO.,LTD.

This page intentionally left blank.

Table of Contents

Executive Summary ... P3

1. Financial Results and Management Highlights ... P4

2. Internal Growth Results and Strategy ... P15

2-1 Internal Growth Results ... P16

2-2 Internal Growth Strategy ... P21

3. External Growth Results and Strategy ... P23

3-1 External Growth Results ... P24

3-2 External Growth Strategy ... P26

4. Financial Strategy ... P32

5. ESG Initiatives ... P35

Appendix ... P40

Disclaimer

This document is intended for the purpose of providing information on SANKEI REAL ESTATE Inc. (hereinafter, "SANKEI REAL ESTATE"), and is not intended for the purpose of soliciting investment in or recommending the trading of specific products. Please consult your securities company for any purchase of SANKEI REAL ESTATE investment units. When making any investment, investors do so at their sole discretion and risk. The information provided in this document is an analysis or a judgment made by Sankei Building Asset Management Co., Ltd. (hereinafter, "Sankei Building Asset Management") based on information currently available to Sankei Building Asset Management, and Sankei Building Asset Management does not guarantee and is not liable whatsoever for the accuracy, reliability, integrity, etc. thereof. In addition, the content may be changed or abolished without prior notice. The content of this document contains earnings forecasts and other forward-looking statements. These forward-looking statements are not a guarantee of future business performance or financial content of SANKEI REAL ESTATE. All rights to any part of this document belong to Sankei Building Asset Management, and no part of this document shall be used, cited, reproduced, altered, disassembled, transmitted, etc. by any means, electronic or mechanical, for any purpose without permission. This document is not a disclosure document based on the Financial Instruments and Exchange Act. Please contact below if you have any inquiries concerning this document.

Sankei Building Asset Management Co., Ltd.

Finance & IR Department

Phone: +81-3-5542-1316

Executive Summary

Financial Results and Management Highlights

- **Realized strong internal growth mainly for large office buildings**
  (5th FP onwards (during normal operations) DPU*1 Impact*2: +149 yen)
- **Acquired "S-GATE AKASAKA," a rare property in central Tokyo, and continued to achieve external growth steadily**
  (Impact of DPU for 4th FP*3: +115 yen)
- **There was almost no impact of COVID-19 pandemic**
  (Impact of DPU for 3rd FP*4: +54 yen from the beginning-of-period forecast*5/ -18 yen from the previous fiscal period)

Future Growth Strategies

- **External growth policy will remain unchanged, realize abundant pipeline (approx. 50 to 100 billion yen)**
- **Expanding the range of sub-assets to logistics facilities and residences, centering on office buildings in major metropolitan areas**
- **Implementing strategic leasing (maximizing revenue)**

*1 DPU refers to distribution per unit.
*2 Calculated by converting the amount of increase in monthly rent and CAM revenue into that for the full period (6 months) and dividing it by the number of investment units issued and outstanding (356,800 units).
*3 Calculated by dividing the amount of increase in net profit due to the acquisition of "S-GATE AKASAKA" by the number of investment units issued and outstanding (356,800 units).
*4 Of the net profit for the 3rd FP, the amount equivalent to the impact of the COVID-19 pandemic is divided by the number of investment units issued and outstanding (356,800 units).
*5 Beginning-of-period forecast refers to the forecasts for the 3rd FP upon the announcement of the financial results for the previous fiscal period (April 2020).
*6 Figures are rounded down to the indicated digits.

1. Financial Results and Management Highlights

Financial Results Highlights (Comparison with beginning-of-period forecast)
- There was almost no impact of the COVID-19 pandemic. DPU increased significantly -

➢ **DPU for the 3rd FP was 2,532 yen, up 208 yen (+9.0%) from beginning-of-period forecast (2,324 yen)**

Financial Summary for 3rd Fiscal Period (Ended August 2020)

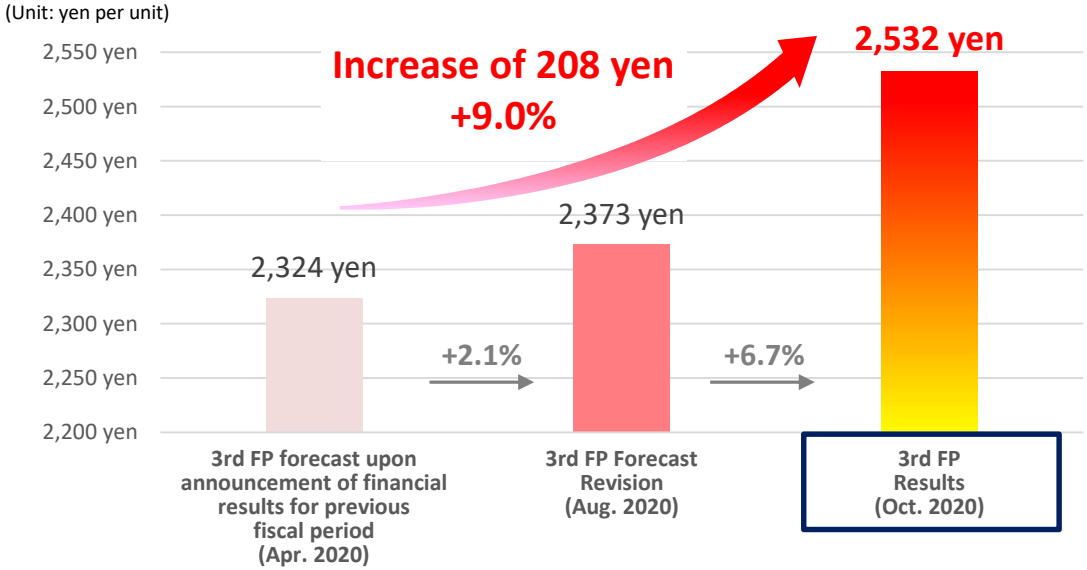
	Results	Comparison with beginning-of-period forecast
Operating revenue	2,005 million yen	+6 million yen
Operating profit	996 million yen	+73 million yen
Net profit	903 million yen	+74 million yen
DPU (distribution per unit)	2,532 yen	+208 yen

Main breakdown

- Comparison with forecast for the impact of COVID-19 pandemic +54 yen
- Reduction of outsourcing expenses +38 yen
- Non-implementation of repair work +29 yen
- Non-use of operating expenses other than expenses related to leasing business +50 yen

Change in DPU for the 3rd Fiscal Period (Ended August 2020)

(Unit: yen per unit)



There was almost no impact of the COVID-19 pandemic

<Risk of decrease in revenue assumed in beginning-of-period forecast>

- Decrease in revenue equivalent to approximately 0.4% of rental revenue for stores and rental conference rooms
- Decrease in utilities balance in anticipation of the increase in remote work, etc.
- No decrease in revenue for offices and hotels

<Results>

Breakdown of DPU	Comparison with beginning-of-period forecast Change	Comparison with previous fiscal period Change
Revenue for stores and rental conference rooms	+26 yen	-8 yen
Utilities balance	+28 yen	-10 yen
Total	+54 yen	-18 yen

* Figures are rounded down to the indicated digits, and ratios are rounded off.

Financial Results Highlights (Comparison with beginning-of-period forecast)
3rd Fiscal Period (Ended August 2020)

➢ Revenue and profits increased from beginning-of-period forecast

(Unit: million yen)

Accounting period	3rd FP Forecasts (A) (as of April 2020)	3rd FP Results (B) (August 2020)	Difference (B)-(A)	Major Factors for the Difference
Operating revenue	**1,999**	**2,005**	**6**	
Rental and CAM revenue	1,866	1,878	12	No decrease in rental revenue for stores +8, increase against the expected decrease in revenue for rental conference rooms +1.8
Parking revenue	27	29	2	
Utilities reimbursement	98	90	(7)	Decrease in electricity and air-conditioning charge due to remote work, etc. (Shinagawa -5, BREEZÉ -1, Other -1)
Other revenue	6	6	(0)	
Operating expenses	**1,076**	**1,009**	**(66)**	
Expenses related to leasing business [Total]	**828**	**778**	**(49)**	
Outsourcing expenses	186	172	(13)	BM fee -9 (reduction, postponement of inspection), PM fee -1 (absence of reserve for leasing fee), CM fee -3 (non-implementation of construction work)
Utilities expenses	136	118	(18)	Decrease in electricity and air-conditioning expenses due to remote work, etc. -16 (Shinagawa -8, BREEZÉ -4, Hatchobori -2.1, Hibiya -1.6, etc.), reduction due to change in electricity supplier -1.6 (NIHONBASHI-HONCHO)
Repair expenses	45	35	(10)	Non-implementation of repair work, decrease in construction cost, etc.
Property taxes	220	215	(5)	Burden adjustment of fixed assets tax, etc. fell below forecast, decrease in depreciable assets tax
Depreciation	220	219	(1)	Decrease in depreciation due to decrease in capital expenditure (construction) (-50)
Other expenses	18	17	(0)	
Operating income (loss) from leasing business	**1,170**	**1,226**	**56**	
Other than expenses related to leasing business [Total]	247	230	(17)	
Asset management fee	179	183	4	
Other expenses	67	46	(21)	Unused IR expenses for settlement, unused reserve, etc. -20
Operating profit	**923**	**996**	**73**	
Non-operating income	0	0	0	
Non-operating expenses	93	92	(0)	
Ordinary profit	**830**	**904**	**74**	
Net profit	**829**	**903**	**74**	
Distribution per unit	**2,324 yen**	**2,532 yen**	**208 yen**	
NOI	**1,391**	**1,446**	**54**	

* Figures are rounded down to the indicated digits.

Management Highlights - Realized strong internal growth mainly for large office buildings -

➢ **Realized a significant upward rent revision even amid the COVID-19 pandemic**

BREEZÉ TOWER

Renewal with rent revision/renewal	+10.1%
New replacements	+46.8%
Impact of DPU*2	+48 yen

Shinagawa Seaside TS Tower

Renewal with rent revision/renewal
Rent increase
(Not disclosed)

Impact of DPU*2	+72 yen

Rent Revision Performance of Office Buildings*1

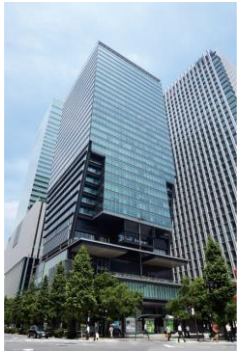
Target area	4,165 tsubos
Percentage of rent increase	98.3%
Rate of increase	+12.7%
Amount of monthly rent increase	+8.9 million yen

S-GATE AKIHABARA

Renewal with rent revision/renewal	+14.9%
New replacements	+33.3%

Tokyo Sankei Building

Renewal with rent revision/renewal	+9.6%
New replacements	–



*1 For lease agreements concluded between March 1, 2020, and August 31, 2020, (including new replacements) targeting office buildings among the assets under management for the 3rd FP.
*2 Calculated by converting the amount of increase in monthly rent and CAM revenue into that for the full period (6 months) and dividing it by the number of investment units issued and outstanding (356,800 units).
*3 Figures are rounded down to the indicated digits, and ratios are rounded off.

Management Highlights
- Continued to achieve steady external growth - <4th FP: Acquired on October 1, 2020>

- **With the expectation of potential redevelopments in the neighborhood, acquired "S-GATE AKASAKA," a relatively new property in central Tokyo**[*1]

Portfolio After Acquisition
(as of October 1, 2020)

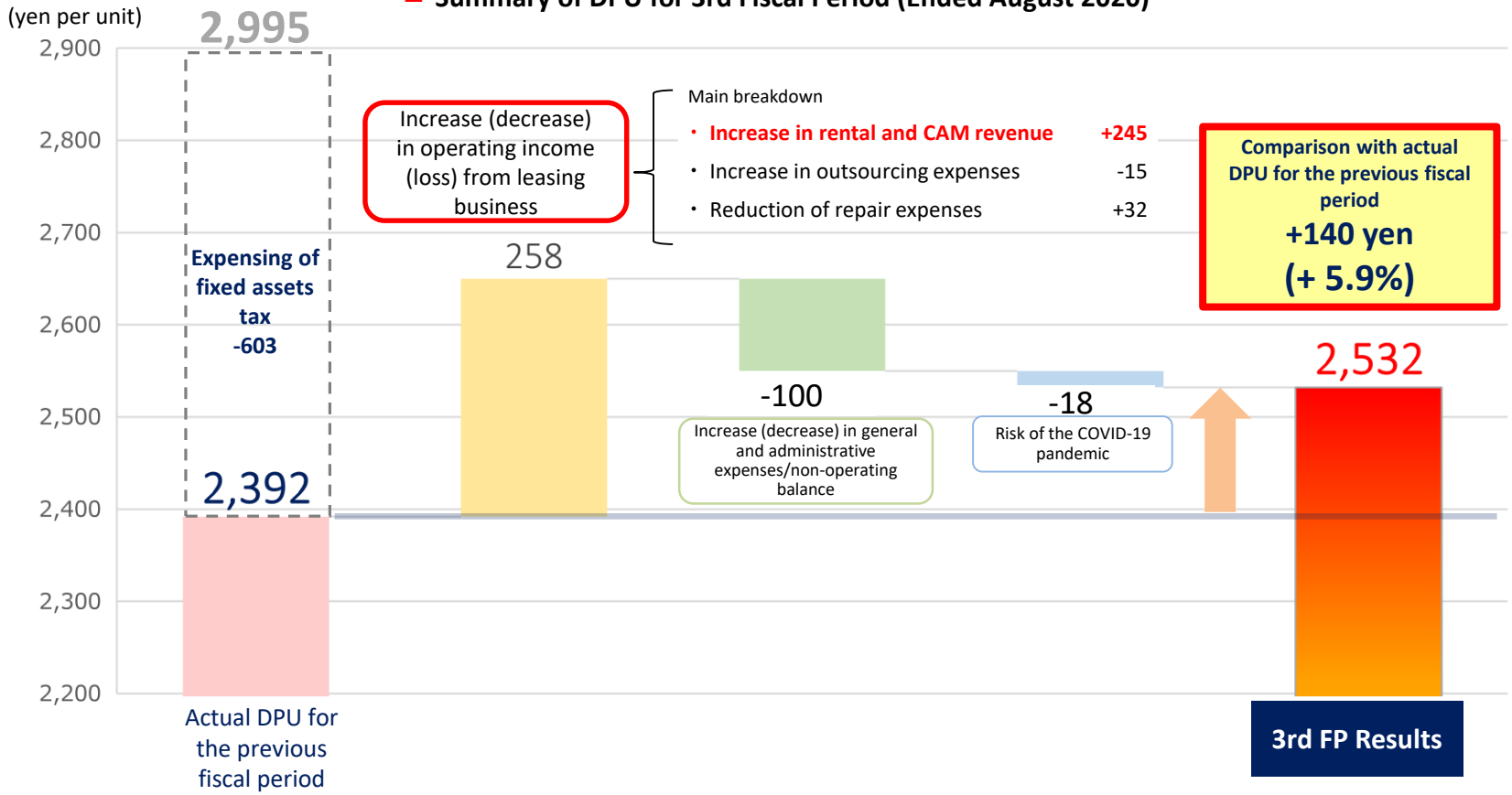
Asset size	67.3 billion yen	▶	**71.5** billion yen
Number of properties	11 properties	▶	**12** properties
Average building age	16.8 years	▶	**16.1** years

*1 SANKEI REAL ESTATE has acquired 60% quasi co-ownership interest in real estate trust beneficiary rights.
*2 Figures are rounded down to the indicated digits.

DPU for 3rd Fiscal Period (Ended August 2020) (Comparison with previous fiscal period)
- Strong internal growth contributed to the increase in actual DPU -

➢ In **the 3rd FP, actual DPU increased by 140 yen (+ 5.9%)** from the previous fiscal period when comparing **actual DPU** **excluding the impact of the expensing of fixed assets tax** in order to facilitate the comparison between the 3rd FP (**after** the expensing of fixed assets tax) and the previous fiscal period (**before** the expensing)

■ **Summary of DPU for 3rd Fiscal Period (Ended August 2020)**



* Figures are rounded down to the indicated digits, and ratios are rounded off.

Results for 3rd Fiscal Period (Ended August 2020) (Comparison with previous fiscal period)

➢ Operating revenue increased from the previous fiscal period (2nd FP: FP ended Feb. 2020)

(Unit: million yen)

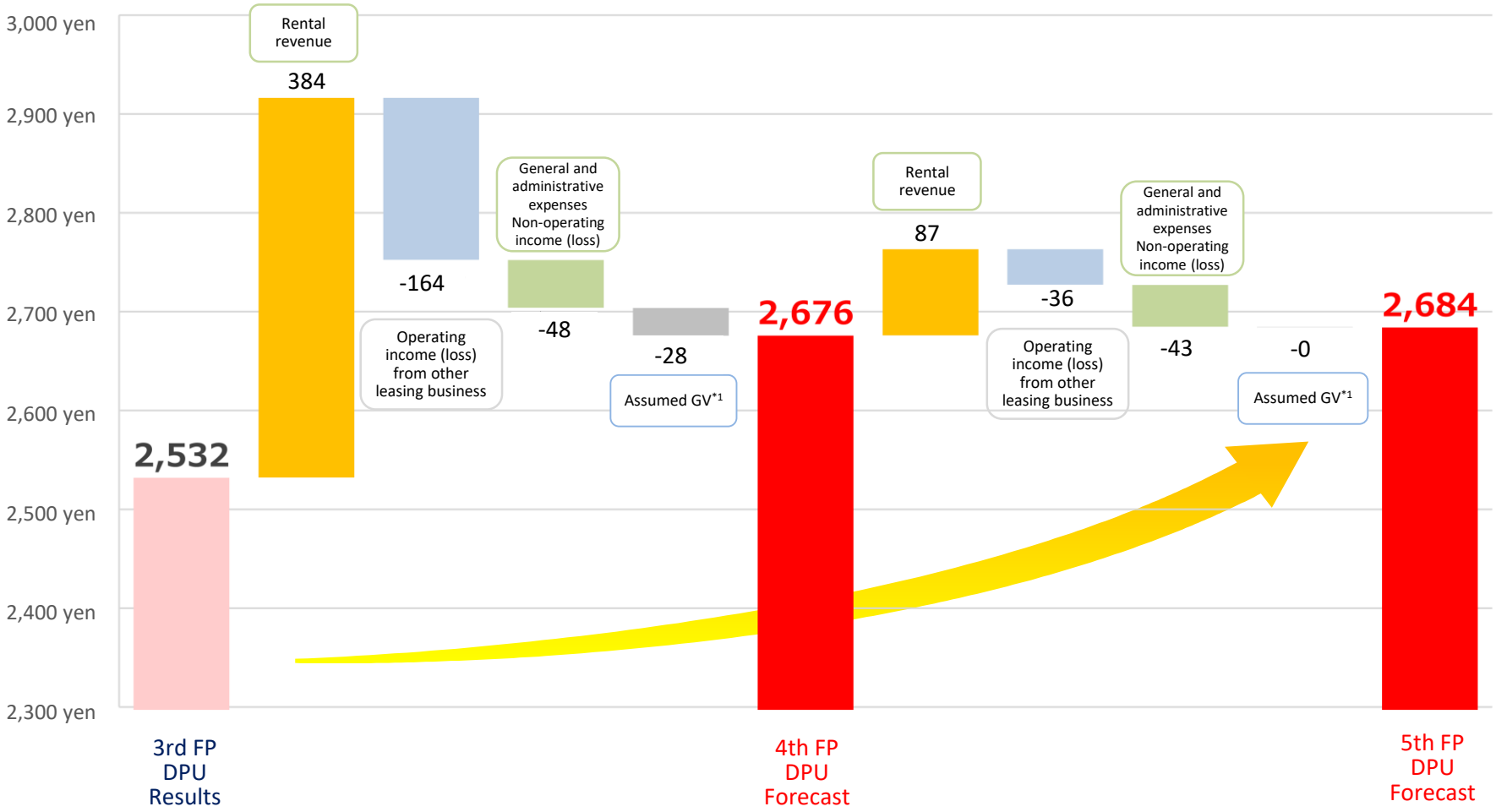
Accounting period	2nd FP Results (A) (February 2020)	3rd FP Results (B) (August 2020)	Difference (B)-(A)	Major Factors for the Difference
Operating revenue	**1,933**	**2,005**	**72**	
Rental and CAM revenue	1,796	1,878	82	Elimination of free rent for major tenants +58 (NIHONBASHI-HONCHO), upward rent revision +20 (BREEZÉ +14.4, Hatchobori +4.4, Hibiya +1), elimination of rent holiday +5.4 (Hibiya +3.6, Hatchobori +1.8), rental conference room, etc. -7
Parking revenue	29	29	0	
Utilities reimbursement	102	90	(11)	Reduction of electricity and air-conditioning charge due to remote work, etc. (Shinagawa -7.8, Toyo -1.6, Omori -1.3, etc.)
Other revenue	5	6	1	
Operating expenses	**767**	**1,009**	**241**	
Expenses related to leasing business [Total]	**577**	**778**	**201**	
Outsourcing expenses	167	172	5	Increase in PM incentive fee due to rent increase, etc.
Utilities expenses	126	118	(7)	Reduction of electricity and air-conditioning expenses due to remote work, etc. (Shinagawa -4, Toyo -1.2, BREEZÉ -2, etc.)
Repair expenses	46	35	(11)	Non-implementation of repair work, reduction of construction cost, etc.
Property taxes	-	215	215	Expensing from the 3rd FP
Depreciation	215	219	3	Increase due to capital expenditure in the previous fiscal period
Other expenses	21	17	(3)	
Operating income (loss) from leasing business	**1,355**	**1,226**	**(129)**	
Other than expenses related to leasing business [Total]	189	230	40	
Asset management fee	139	183	44	Increase in management fee due to increase in total assets in the previous fiscal period and increase in revenue in the current fiscal period
Other expenses	50	46	(3)	
Operating profit	**1,166**	**996**	**(169)**	
Non-operating income	0	0	(0)	
Non-operating expenses	97	92	(4)	Decrease in investment unit issuance expenses, etc.
Ordinary profit	**1,069**	**904**	**(165)**	
Net profit	**1,068**	**903**	**(165)**	
Distribution per unit	**2,995 yen**	**2,532 yen**	**(463 yen)**	
NOI	**1,571**	**1,446**	**(125)**	

* Figures are rounded down to the indicated digits.

Earnings Forecasts for 4th Fiscal Period (Ending February 2021)

➢ **Strong internal growth is expected to increase DPU for the 4th FP and 5th FP**

(Unit: yen per unit)



*1 Assumed GV (General Vacancy) is the amount equivalent to 0.5% of the rental and CAM revenue, calculated as a certain risk of decrease in revenue caused by the risk of the COVID-19 pandemic.
*2 Figures are rounded down to the indicated digits.

Earnings Forecasts for 4th Fiscal Period (Ending February 2021) and Thereafter

- **DPU for 4th FP: +5.7% from the previous fiscal period (2,676 yen), DPU for 5th FP: +0.3% from the previous fiscal period (2,684 yen) are expected**

(Unit: million yen)

Accounting period	3rd FP Results (A) (August 2020)	4th FP Forecasts (B) (February 2021)	Difference (B)-(A)	5th FP Forecasts (C) (August 2021)	Difference (C)-(B)
Operating revenue	**2,005**	**2,135**	**130**	**2,166**	**31**
Rental and CAM revenue	1,878	2,015	137	2,046	31
Assumed GV		(10)	(10)	(10)	(0)
Parking revenue	29	30	0	30	0
Utilities reimbursement	90	94	3	94	0
Other revenue	6	5	(0)	5	(0)
Operating expenses	**1,009**	**1,084**	**75**	**1,102**	**17**
Expenses related to leasing business [Total]	**778**	**840**	**61**	**853**	**13**
Outsourcing expenses	172	185	13	177	(8)
Utilities expenses	118	122	3	122	0
Repair expenses	35	68	33	68	0
Property taxes	215	215	0	234	18
Depreciation	219	228	9	230	2
Other expenses	17	19	1	19	0
Operating income (loss) from leasing business	**1,226**	**1,295**	**68**	**1,313**	**18**
Other than expenses related to leasing business [Total]	230	243	13	248	4
Asset management fee	183	184	0	193	9
Other expenses	46	59	13	55	(4)
Operating profit	**996**	**1,051**	**54**	**1,064**	**13**
Non-operating income	0	0	0	0	0
Non-operating expenses	92	95	3	106	10
Ordinary profit	**904**	**955**	**51**	**958**	**2**
Net profit	**903**	**954**	**51**	**957**	**2**
Distribution per unit	**2,532 yen**	**2,676 yen**	**144 yen**	**2,684 yen**	**8 yen**
NOI	**1,446**	**1,523**	**77**	**1,543**	**20**

Major Factors for the Difference

4th FP Forecasts (Comparison with 3rd FP)

Operating revenue (+130)

- Increase in rental revenue due to upward rent revision in 3rd FP (+76)
- Elimination of rent holiday for some tenants (+5)
- Increase in rental revenue due to acquisition of S-GATE AKASAKA (+70)
- Assumed GV + downtime of currently vacant properties (-21)

Expenses related to leasing business (+61)

- Increase in outsourcing expenses due to acquisition of S-GATE AKASAKA (+6)
- Increase in utilities expenses due to acquisition of S-GATE AKASAKA (+3)
- Increase in repair expenses (+33)
- Increase in depreciation due to acquisition of S-GATE AKASAKA and CAPEX (+9)

5th FP Forecasts (Comparison with 4th FP)

Operating revenue (+31)

- Full-period contribution of rental revenue due to upward rent revision in 3rd FP (+10)
- Full-period contribution to rental revenue by S-GATE AKASAKA (+14)
- Elimination of free rent, etc. for some tenants (+11)
- Downtime of vacant properties (-4)

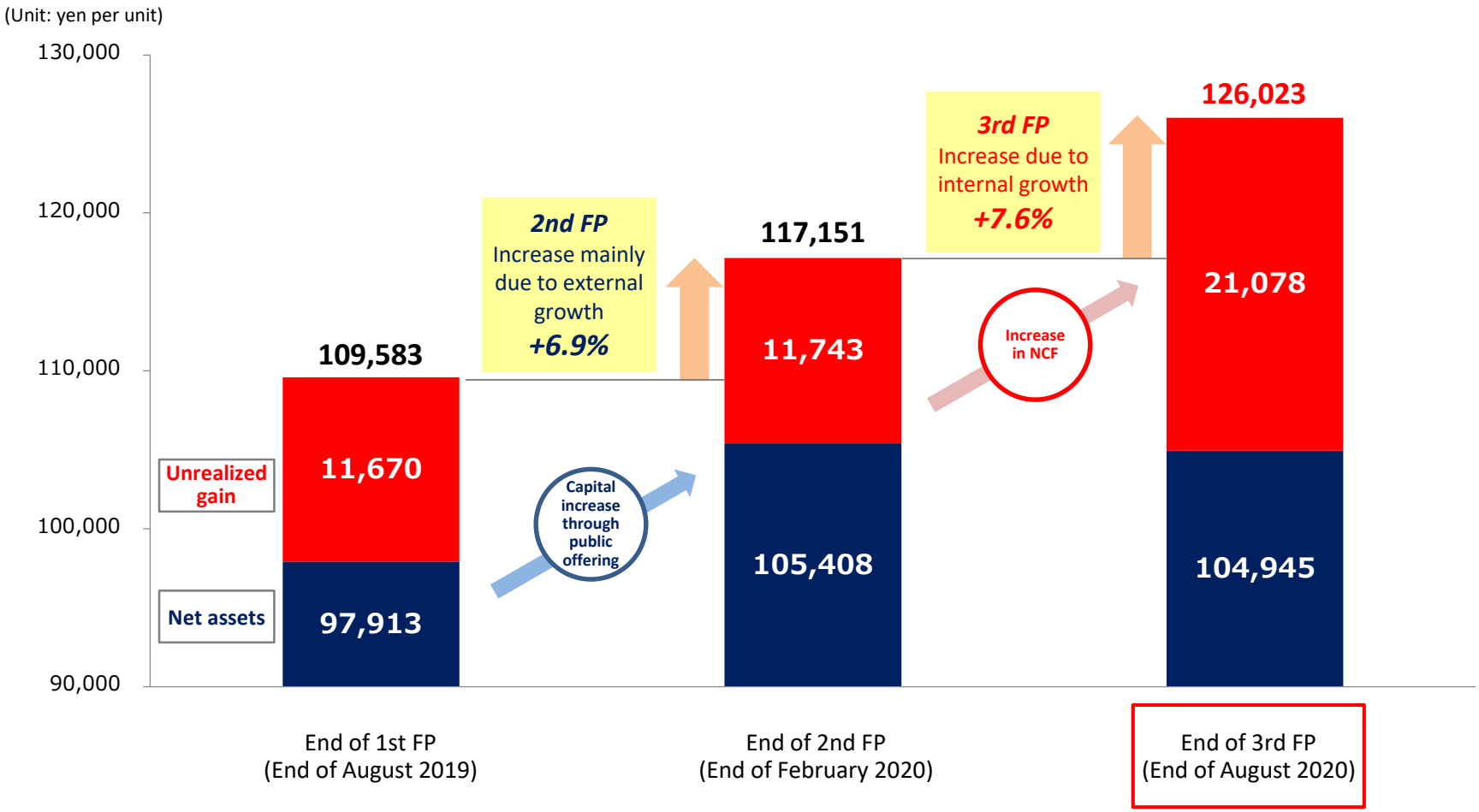
Expenses related to leasing business (+13)

- Outsourcing expenses (-8)
- Increase in property taxes due to change of evaluation (+18)
- Increase in depreciation due to CAPEX (+2)

*1 Assumed GV (General Vacancy) is the amount equivalent to 0.5% of the rental and CAM revenue, calculated as a certain risk of decrease in revenue caused by the risk of the COVID-19 pandemic.
*2 Figures are rounded down to the indicated digits, and ratios are rounded off.

Change in NAV per Unit*1

- **NAV per Unit at the End of the 3rd FP increased by 8,872 yen (+ 7.6%) from the End of the 2nd FP to 126,023 yen**
  (Before deduction of distribution)
- **Increase in NCF due to upward rent revision → Increase in price calculated at the end of the period**
  (no change in cap rate) → **Increase in NAV**



*1 NAV per unit = (Net assets + Unrealized gain on appraisal basis) ÷ Number of investment units issued and outstanding
*2 Figures are rounded down to the indicated digits, and ratios are rounded off.

MEMO

2. Internal Growth Results and Strategy

2-1 Internal Growth Results - Actual NOI yield increased significantly due to upward rent revision -

➢ Actual NOI yield was +30 bp from the previous fiscal period

Change in Actual NOI Yield

1st FP (Ended August 2019)	2nd FP (Ended February 2020)	3rd FP (Ended August 2020)
4.0%	4.0%	4.3%

(Since fixed assets tax has not been expensed in the 1st FP and 2nd FP, the level during normal operations in consideration of such status is indicated)

➢ Status of average operating unit price (yen per tsubo): + 5.5% from the previous fiscal period

Office buildings Average

As of August 31, 2019	As of February 29, 2020	As of August 31, 2020
17,992 yen	17,523 yen	18,486 yen

(Rental and CAM revenue upon the most recent settlement / 6 months / leasable area x occupancy rate)

Cases of Other REITs*1

Investment Corporation A	19,349 yen
Investment Corporation B	18,669 yen
Investment Corporation C	18,275 yen

➢ Rent Revision Performance of Office Buildings*2

(for lease agreements concluded between March 1, 2020, and August 31, 2020 (including new replacements))

		Number of targeted tenants	Targeted leased area (Ownership interest of SANKEI REAL ESTATE)	Leased area subtotal	Percentage*3
Increase	Renewal with rent revision/renewal	24	3,795 tsubos	4,095 tsubos	98.3%
	New replacements	3	300 tsubos		
No change	Renewal with rent revision/renewal	3	70 tsubos	70 tsubos	1.7%
	New replacements	0	0 tsubos		
Decrease	Renewal with rent revision/renewal	0	0 tsubos	0 tsubos	0.0%
	New replacements	0	0 tsubos		
Total		30		4,165 tsubos	100.0%

▶

	Rate of rent increase compared with before	
Renewal with rent revision/renewal	+9.9%	+12.7%
New replacements	+43.7%	

*1 They do not guarantee accuracy as the values were estimated at the Asset Management Company based on the most recent disclosed material by extracting REITs specializing in offices listed in the "ARES J-REIT Digest" as well as investment corporations with a holding ratio of over 70% in the Tokyo 23 wards on an acquisition price basis.
*2 "Office buildings" refers to office buildings among the assets under management for the 3rd FP.
*3 These are the percentages when the area leased to tenants who had rent revisions (including new replacements) (approx. 4,165 tsubos) is deemed 100%.

2-1 Internal Growth Results - Upward Rent Revision (1) -

A-2 BREEZÉ TOWER (45% quasi co-ownership interest in sectional ownership of the office portion of the building, etc.)

1. Located in the Umeda area, a business district representing Kansai
2. The property is equipped with rooftop greening, green wall, photovoltaic generation facilities, and other energy-saving facilities. The property was rated S rank (the highest rank) in the City of Osaka's Comprehensive Assessment System for Building Environmental Efficiency (CASBEE Osaka) and awarded "CASBEE Osaka of the Year 2008."
3. The property is an information transmission base having "Sankei Hall BREEZÉ" which inherits the DNA of "Sankei Hall," a theater in Osaka which opened in 1952.

Rate of rent increase compared with before

Renewal with rent revision/renewal (15 cases, 362 tsubos)

+10.1%

New replacements (2 cases, 226 tsubos)

+46.8%

Effect of rent revision

Impact of DPU*1	+48 yen

■ Map

*1 Calculated by converting the amount of increase in monthly rent and CAM revenue into that for the full period (6 months) and dividing it by the number of investment units issued and outstanding (356,800 units).
*2 Figures are rounded down to the indicated digits, and ratios are rounded off.

2-1 Internal Growth Results - Upward Rent Revision (2) -

A-8 Shinagawa Seaside TS Tower (25% quasi co-ownership interest in sectional ownership of the building, etc.)

1. The property is located at "Shinagawa Seaside Forest," which is made up of a group of high-rise office buildings and large retail facilities resulting from a large redevelopment and where the headquarters and back offices of IT companies and manufacturers concentrate.
2. The property is located a 1-minute walk from Shinagawa Seaside Station on the Tokyo Waterfront Area Rapid Transit Rinkai Line, enabling direct access to Shibuya Station in approximately 15 minutes and to Shinjuku Station in approximately 20 minutes. It also offers favorable access to Haneda Airport and Shinagawa Station on the Keikyu Main Line.
3. It has high building specifications with a standard floor area of approximately 446 tsubos, a ceiling height of 2,700 mm and raised floor of 100 mm.

Rate of rent increase compared with before

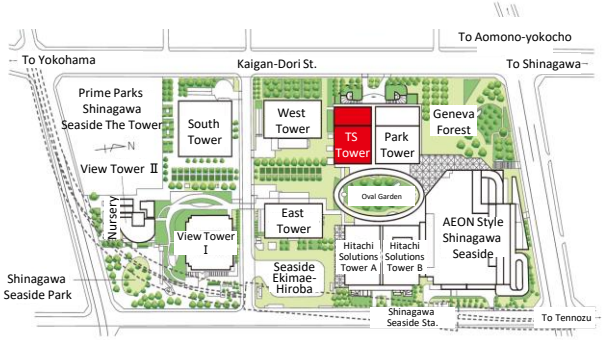
Renewal with rent revision/renewal

Rent increase
(Not disclosed)

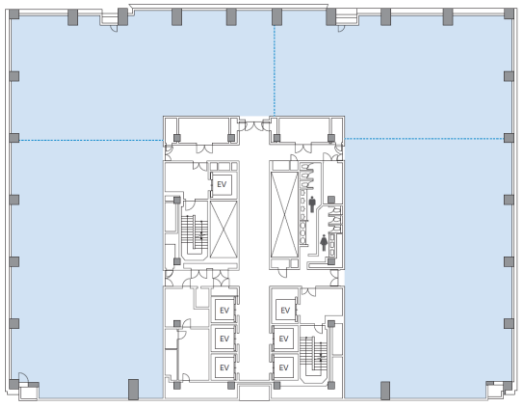
Effect of rent revision

Impact of DPU*1	+72 yen

■ Shinagawa Seaside Forest Block Map



■ Typical Floor Plan (Approx. 446 tsubos)



*1 Calculated by converting the amount of increase in monthly rent and CAM revenue into that for the full period (6 months) and dividing it by the number of investment units issued and outstanding (356,800 units).
*2 Figures are rounded down to the indicated digits.

2-1 Internal Growth Results - Implementation of Strategic Leasing -

➢ Diversification of contract termination period

A-4 **S-GATE AKIHABARA:** Also successfully **increased the rent** of **all** tenants (fixed-term building lease agreement)

Before re-contract

Tenant	Termination period
A	4th FP
B	
C	
D	
E	

After re-contract

Tenant	Termination period
A	8th FP
B	10th FP
C	8th FP
D	10th FP
E	11th FP
F	12th FP

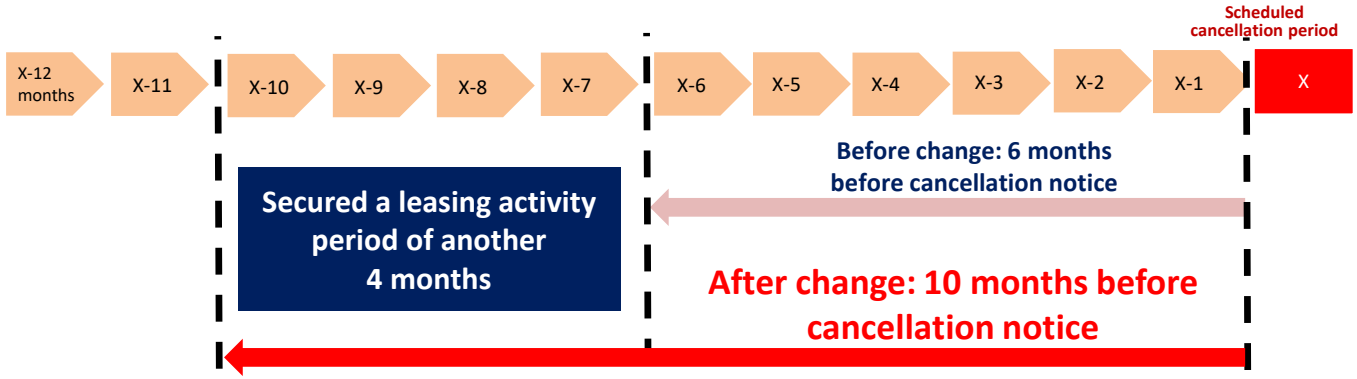
Rate of rent increase compared with before

Renewal with rent revision/renewal
+14.9%

New replacements
+33.3%

➢ Rescheduling the cancellation notice period ahead of schedule for major tenants that concluded ordinary building lease agreements

A-7 **Toyo Park Building:** Agreed to change the period from 6 months to **10 months prior to the cancellation**



* Ratios are rounded to the indicated digits.

MEMO

2-2 Internal Growth Strategy

- Reduce Rent Gap through Upward Rent Revision, Continue to Aim for Internal Growth -

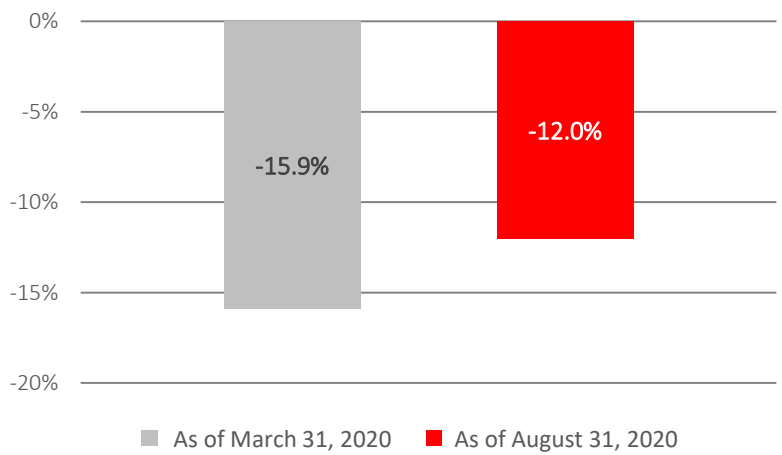
➢ **Seizing internal growth opportunities while maintaining the relationship with tenants even amid the COVID-19 pandemic**

■ Rent Gap*1 (for typical floorplate)

9 office properties

-15.9%	▷	-12.0%
As of March 31, 2020		As of August 31, 2020

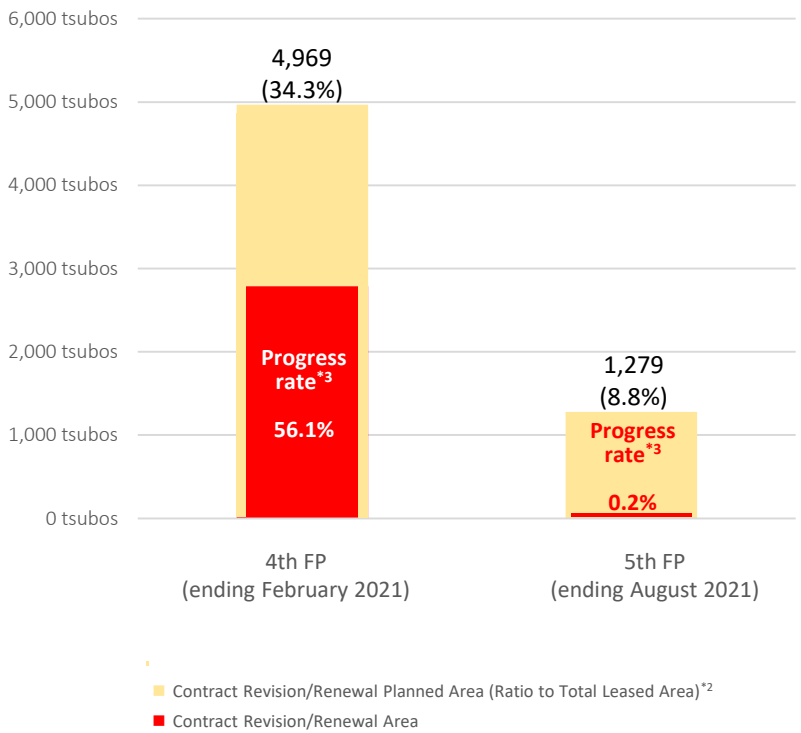
(on total rent basis; weighted average)



■ Status of Progress and Schedule of Contract Revision/Renewal

(As of end of August 2020)

(Unit: tsubo)



*1 "Rent Gap" refers to the figure arrived at when the amount of difference between the average rent for SANKEI REAL ESTATE's office building portfolio and the market rent calculated based on assumed new contract rent (typical floorplate) as stated in a market report prepared by CBRE K.K. is divided by the market rent.

*1 The leased area of the office buildings subject to "contract revision/renewal planned area" is the figure corresponding to the ownership interest acquired by SANKEI REAL ESTATE in each property.

*2 "Ratio to total leased area" is the value calculated by dividing the total leased area for each contract revision/renewal period by the total leased area as of August 31, 2020, rounded to one decimal place.

*3 "Progress rate" is the value calculated by dividing the total leased area for lease contracts that have been concluded as of August 31, 2020, and whose contract revision/renewal has been completed by the total leased area for each contract revision/renewal period, rounded to one decimal place.

2-2 Internal Growth Strategy - Implementation of Strategic Leasing -

Office leasing market

Due to the impact of the COVID-19 pandemic

- ✓ **Relaxation of supply-demand balance** due to the deterioration of business sentiment
- ✓ **Structural change in demand** due to the adoption of remote work, etc.

- ✓ **Decrease in rent-bearing capacity** of tenants
  - ・・・ Tenants with higher rent bear more burden
- ✓ **Increase in demand for satellite offices, etc.**
  - ・・・ Coexistence with office buildings in central Tokyo

Portfolio of SANKEI REAL ESTATE

- **Office buildings in prime locations**[*1]
- **High-performance office buildings**[*2]
- **Office buildings that meet remote work demand**[*3]

Well-balanced possession

+

Average operating unit price that is less expensive than the market rent

At this point, **it is unlikely to be significantly impacted** by the COVID-19 pandemic anytime soon

Strategic leasing

- ➢ **Leasing utilizing the customer base of the group companies, affiliated companies and network-related companies of Fuji Media Holdings**
- ➢ **We will negotiate rent increase with tenants with a rent gap (especially tenants who have concluded fixed-term building lease agreements)**
- ➢ **Diversification of contract period and rescheduling of cancellation notice period ahead of schedule based on property characteristics and tenant attributes**

*1 Tokyo Sankei Building, BREEZÉ TOWER, Hibiya Sankei Building, S-GATE AKASAKA, S-GATE NIHONBASHI-HONCHO, and Hatchobori Sankei Building are the applicable properties.
*2 Tokyo Sankei Building, BREEZÉ TOWER, Shinagawa Seaside TS Tower, and the S-GATE Series (AKASAKA, NIHONBASI-HONCHO, AKIHABARA) are the applicable properties.
*3 Shinagawa Seaside TS Tower, Toyo Park Building, and Omori Park Building are the applicable properties.

3. External Growth Results and Strategy

3-1 External Growth Results - Acquired "S-GATE AKASAKA" (4th FP) -

➢ **Acquired the first property in the S-GATE series under the sponsor branding strategy*1**

Overview	
Location	Minato-ku, Tokyo
Acquisition price	4,200 million yen
Appraisal value	4,266 million yen
Appraisal NOI yield	3.3%
Construction completion	Jul. 2015
Ceiling height	2,800 mm
Floor load	500 kg/m²

*1 SANKEI REAL ESTATE has acquired 60% quasi co-ownership interest in real estate trust beneficiary rights.
*2 Figures are rounded down to the indicated digits.

1. The property is a **1-minute walk from Akasaka Station** on the Tokyo Metro Chiyoda Line, the nearest station, and is also within walking distance of Tameike-sanno Station, Akasaka-mitsuke Station, and Nagatacho Station, with access to four stations and six lines.
2. Environmentally friendly Low-e paired glass, LED lighting, and complete individual air-conditioning systems are installed.
3. In terms of business continuity plan (BCP) measures, the property is equipped with an emergency power generator, has two separate power lines, has an emergency storage facility on all floors except the first floor, and has an earthquake-resistant structure with an earthquake resistance level equivalent to 1.25 times that of the Building Standards Act. **Although it is a medium-sized building, it boasts the same specifications and equipment levels as a class-A building.**
4. Acquired **DBJ Green Building Certification** "2017 4 Stars"
(Certification destination: The Sankei Building Co., Ltd.)

DBJ Green Building
2017

S-GATE

Impact of DPU for 4th FP

+115 yen*2

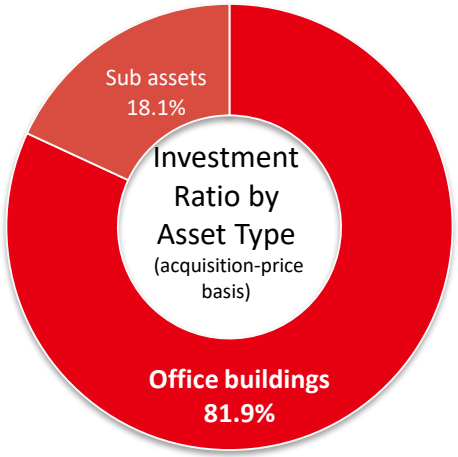
■ Map

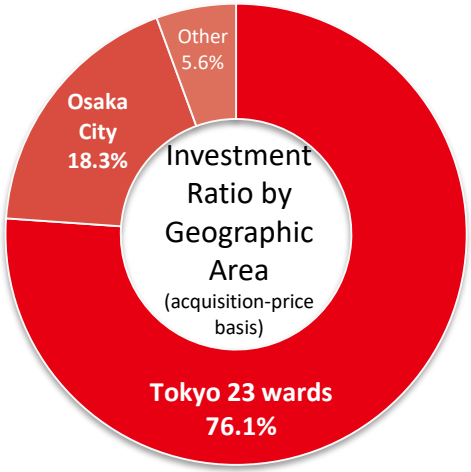
3-1 External Growth Results - Portfolio After Acquisition of "S-GATE AKASAKA" -

[As of October 1, 2020]

Number of properties	**12** properties
Asset size (Total acquisition price)	Approx. **71.5** billion yen
Appraisal value*1	Approx. **80** billion yen
Acquisition price/property	Approx. **5.9** billion yen
Average appraisal NOI yield*2	**4.3%**
Occupancy rate*2 (as of the end of September 2020)	**99.3%**
Portfolio PML value	**1.7%**

Close	Average walking time*3	**2.6** minutes
New	Average building age*3	**16.1** years
Large	Average typical floorplate*3	**299 tsubos**



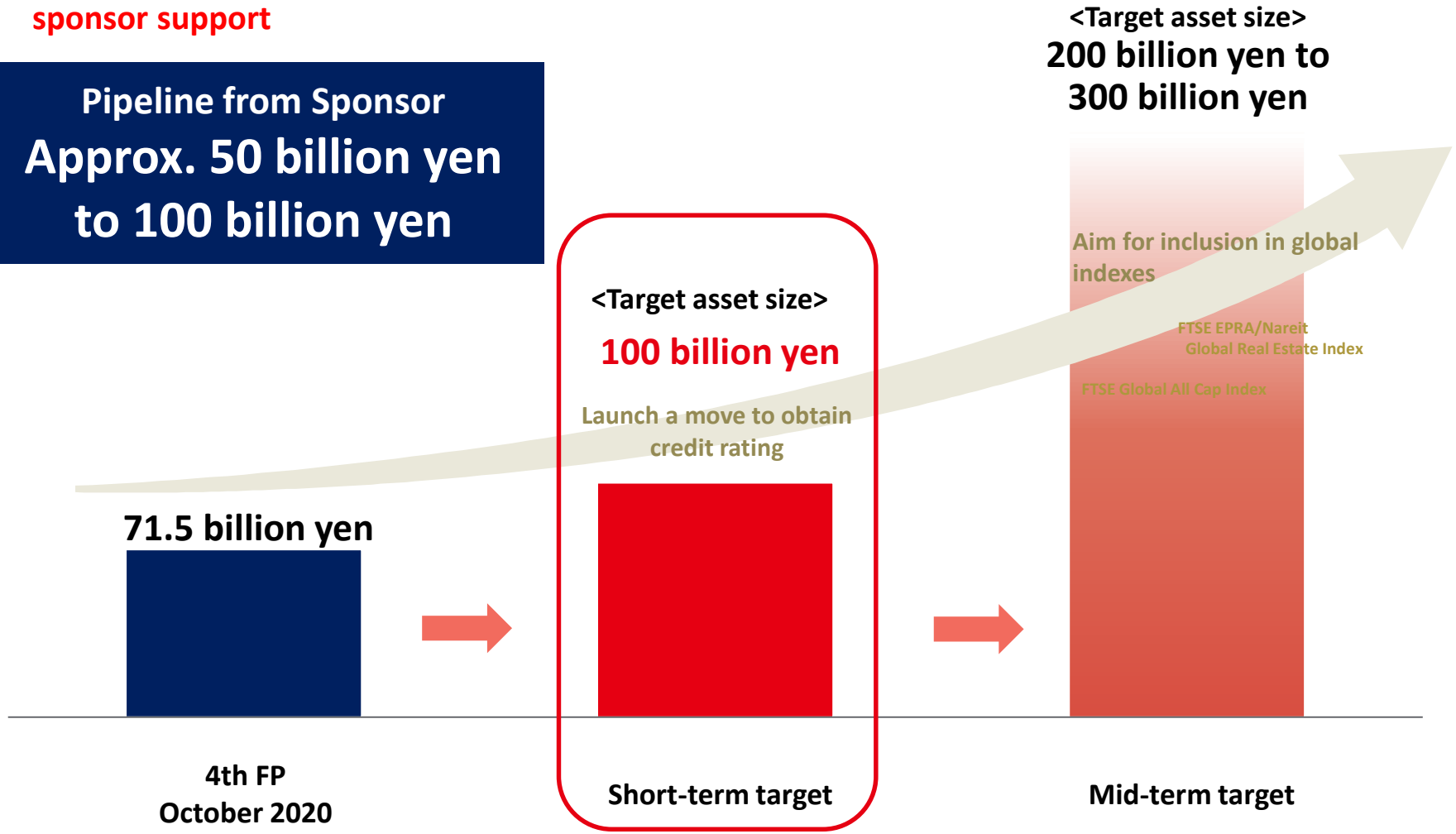


*1 The appraisal value is calculated based on net operating income derived by direct capitalization method, with the appraisal date on August 1, 2020, for S-GATE AKASAKA and August 31, 2020, for other properties.
*2 Ratios are rounded to the indicated digits.
*3 Weighted average based on acquisition price of each property is indicated, rounded to the indicated digits.

3-2 External Growth Strategy - External Growth Policy Will Remain Unchanged -

- **Also realize abundant pipeline** and aim for favorable opportunities of external growth through **strong sponsor support**

Pipeline from Sponsor
Approx. 50 billion yen to 100 billion yen



* Asset size is based on acquisition price.
* The short-term and mid-term asset size targets above are solely the targets, and neither the achievement of the targets themselves nor the timing of achievement are definite or guaranteed.
Furthermore, the timing of achievement of the targets may be delayed due to changes in the investment environment, real estate market conditions, etc. and other reasons.

3-2 External Growth Strategy - Establish a High-Quality Portfolio through Strong Sponsor Support -

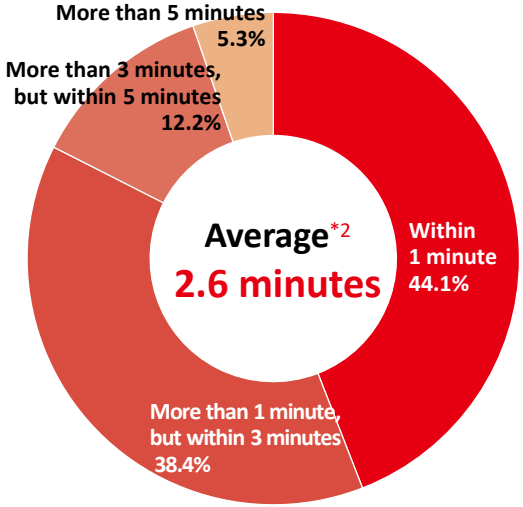
SANKEI REAL ESTATE's high-quality portfolio is supported by strong sponsor support

Sponsor support rate 100%

Close

Percentage by Walking Time to the Nearest Station *1

- Within 1 minute 44%
  Within 3 minutes 83%
  Within 5 minutes 95%

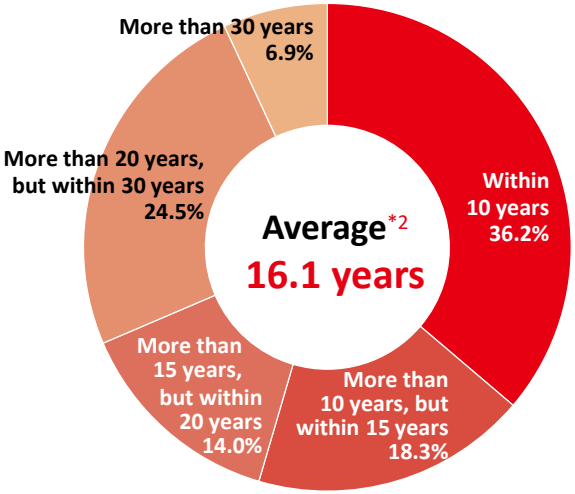


All Properties

New

Percentage by Building Age *1

- Within 10 years 36%
  Within 20 years 69%
  Within 30 years 93%

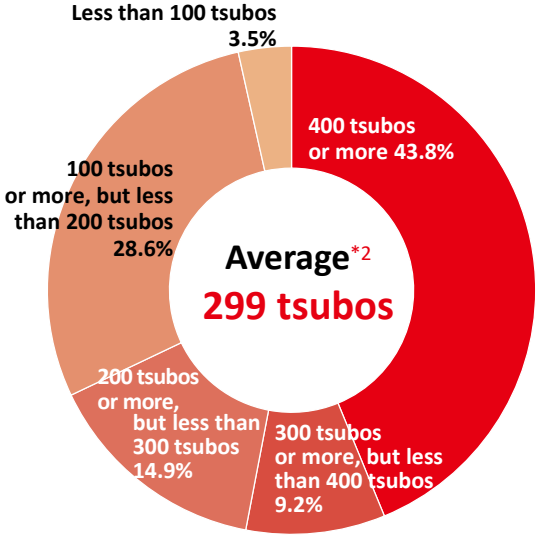


All Properties

Large

Percentage by Typical Floorplate *1

- Large-scale buildings 68%
  Large buildings 96% *3



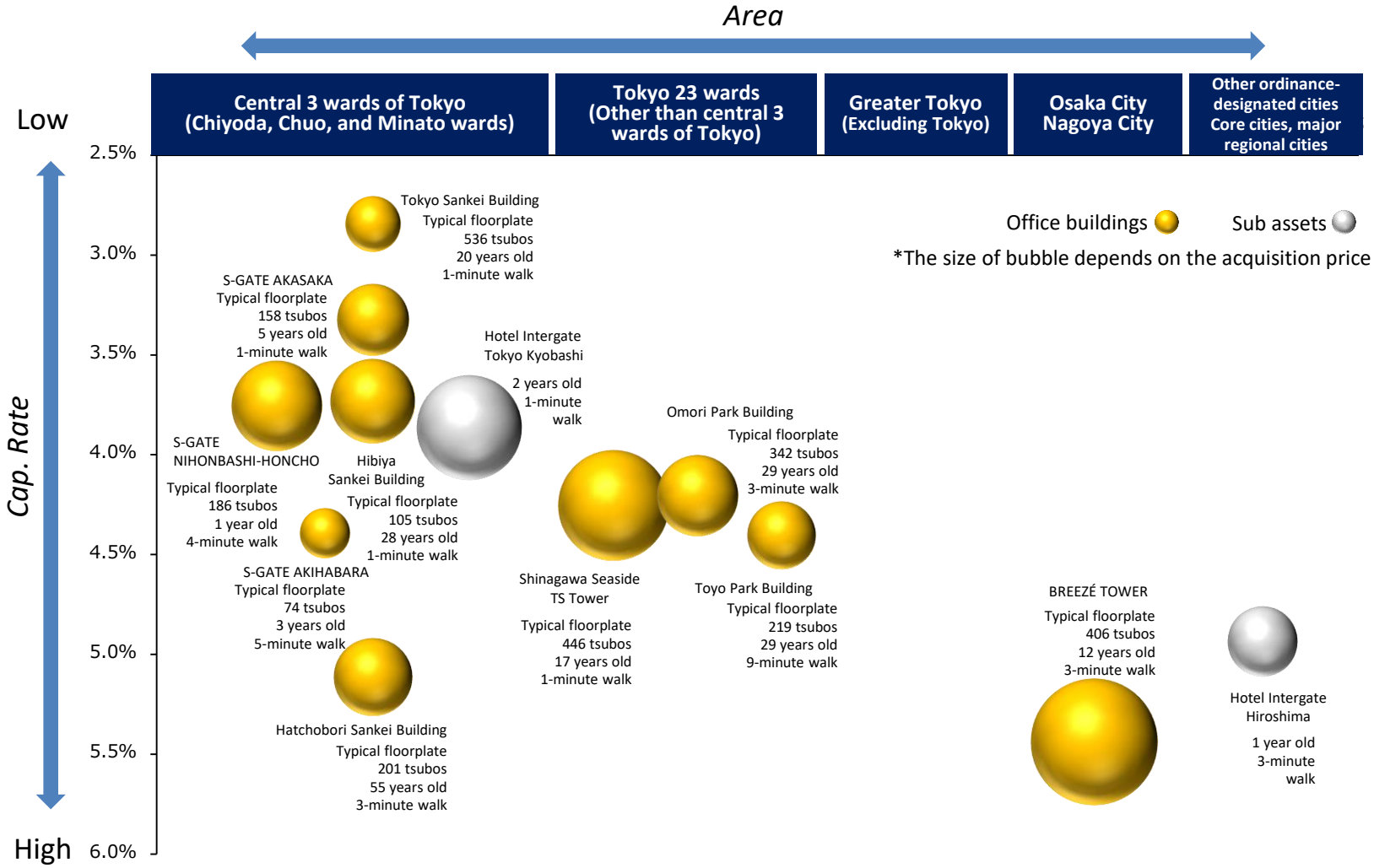
Office Buildings Only

*1 Calculated based on the acquisition price of each owned property as of October 1, 2020 (including S-GATE AKASAKA).
*2 Figures are the weighted average based on the acquisition prices (rounded to the indicated digits).
*3 Calculated based on the definition of "Large-scale buildings: 200 tsubo or more" and "Large buildings: 100 tsubo or more, but less than 200 tsubo" made by Sanko Estate Co., Ltd.

3-2 External Growth Strategy　Being Aware of the Balance of Portfolio Matrix (1)

- **Proactively promote diversification by geographic area that contributes to improvement in portfolio NOI yield, mainly in metropolitan areas**

<Cap. Rate (Appraisal NOI Yield) x Area x Acquisition price>



3-2 External Growth Strategy Being Aware of the Balance of Portfolio Matrix (2)

<Cap. Rate (Appraisal NOI Yield) x Area>

Area →

Cap. Rate ↕

(Unit: million yen)

Area	Central 3 wards of Tokyo (Chiyoda, Chuo, and Minato wards)	Tokyo 23 wards (Other than the central 3 wards of Tokyo)	Greater Tokyo (Excluding Tokyo)	Osaka City Nagoya City	Other ordinance-designated cities Core cities, major regional cities	Total acquisition price (Overall ratio)
Appraisal NOI CAP	Property name Building age, walking time from station / Acquisition price (million yen)	Property name Building age, walking time from station / Acquisition price (million yen)		Property name Building age, walking time from station / Acquisition price (million yen)	Property name Building age, walking time from station / Acquisition price (million yen)	
Less than 3.0%	**Tokyo Sankei Building** 20 years old, 1-minute walk 2,509					2,509 (3.5%)
Less than 3.5%	**S-GATE AKASAKA** 5 years old, 1-minute walk 4,200					4,200 (5.9%)
Less than 4.0%	**Hibiya Sankei Building** 28 years old, 1-minute walk 5,829 **S-GATE NIHONBASHI-HONCHO** 1 year old, 4-minute walk 6,698 **Hotel Intergate Tokyo Kyobashi** 2 years old, 1-minute walk 8,961					21,488 (30.0%)
Less than 4.5%	**S-GATE AKIHABARA** 3 years old, 5-minute walk 2,055	**Shinagawa Seaside TS Tower** 17 years old, 1-minute walk 10,040 **Omori Park Building** 27 years old, 3-minute walk 5,400 **Toyo Park Building** 29 years old, 9-minute walk 3,782				21,277 (29.7%)
Less than 5.0%					**Hotel Intergate Hiroshima** 1 year old, 3-minute walk 3,990	3,990 (5.6%)
5.0% or more	**Hatchobori Sankei Building** 55 years old, 3-minute walk 4,959			**BREEZÉ TOWER** 12 years old, 3-minute walk 13,100		18,059 (25.2%)
Total acquisition price (Overall ratio)	35,211 (49.2%)	19,222 (26.9%)	-	13,100 (18.3%)	3,990 (5.6%)	71,525 (100.0%)

Typical Floorplate * Office Buildings Only

- 400 tsubos or more
- Less than 400 tsubos, but 200 tsubos or more
- Less than 200 tsubos, but 100 tsubos or more
- Less than 100 tsubos

3-2 External Growth Strategy Being Aware of the Balance of Portfolio Matrix (3)

<Typical floorplate x Area>

Area

Typical floorplate (tsubo)

(Unit: million yen)

Area	Central 3 wards of Tokyo (Chiyoda, Chuo, and Minato wards)	Tokyo 23 wards (Other than the central 3 wards of Tokyo)	Greater Tokyo (Excluding Tokyo)	Osaka City Nagoya City	Other ordinance-designated cities Core cities, major regional cities	Total acquisition price (Overall ratio)
Typical floorplate (tsubo)	Property name Building age, walking time from station / Acquisition price (million yen)	Property name Building age, walking time from station / Acquisition price (million yen)		Property name Building age, walking time from station / Acquisition price (million yen)	Property name Building age, walking time from station / Acquisition price (million yen)	
400 tsubos or more	**Tokyo Sankei Building** 20 years old, 1-minute walk 2,509	**Shinagawa Seaside TS Tower** 17 years old, 1-minute walk 10,040		**BREEZÉ TOWER** 12 years old, 3-minute walk 13,100		25,649 (35.9%)
Less than 400 tsubos 300 tsubos or more		**Omori Park Building** 27 years old, 3-minute walk 5,400				5,400 (7.6%)
Less than 300 tsubos 200 tsubos or more	**Hatchobori Sankei Building** 55 years old, 3-minute walk 4,959	**Toyo Park Building** 29 years old, 9-minute walk 3,782			**Hotel Intergate Hiroshima** 1 year old, 3-minute walk 3,990	12,731 (17.8%)
Less than 200 tsubos 100 tsubos or more	**S-GATE NIHONBASHI-HONCHO** 1 year old, 4-minute walk 6,698 **Hibiya Sankei Building** 28 years old, 1-minute walk 5,829 **S-GATE AKASAKA** 5 years old, 1-minute walk 4,200 **Hotel Intergate Tokyo Kyobashi** 2 years old, 1-minute walk 8,961					25,688 (35.9%)
Less than 100 tsubos	**S-GATE AKIHABARA** 3 years old, 5-minute walk 2,055					2,055 (2.9%)
Total acquisition price (Overall ratio)	40,611 (56.8%)	13,822 (19.3%)	-	13,100 (18.3%)	3,990 (5.6%)	71,525 (100.0%)

Typical Floorplate * Office Buildings Only (Construction area is used as reference value for hotels)

- 400 tsubos or more
- Less than 400 tsubos, but 200 tsubos or more
- Less than 200 tsubos, but 100 tsubos or more
- Less than 100 tsubos

3-2 External Growth Strategy - Realize Abundant Pipeline (Approx. 50 to 100 billion yen) -

➢ **Sub-assets are also being accumulated, centering on office buildings** (main properties are listed)

Hareza Tower

Overview	
Location	Higashi-Ikebukuro, Toshima-ku, Tokyo
Construction completion	May 2020
Total floor area	Approx. 68,600 m²
Number of floors	33 floors above ground and 2 floors below ground

Shinagawa Seaside TS Tower

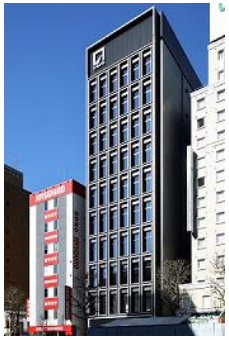
Overview	
Location	Higashi-Shinagawa, Shinagawa-ku, Tokyo
Construction completion	Jul. 2003
Total floor area	Approx. 52,977 m²
Number of floors	25 floors above ground and 2 floors below ground

Otemachi Financial City North Tower

Overview	
Location	Otemachi, Chiyoda-ku, Tokyo
Construction completion	Oct. 2012
Total floor area	Approx. 110,000 m²
Number of floors	31 floors above ground, 4 floors below ground and 2-story penthouse

Honmachi Sankei Building

Overview	
Location	Honmachi, Chuo-ku, Osaka-shi, Osaka
Construction completion	Aug. 2021 (planned)
Total floor area	30,095 m² (planned)
Number of floors	21 floors above ground



S-GATE HATCHOBORI

Overview	
Location	Hatchobori, Chuo-ku, Tokyo
Construction completion	Feb. 2020
Total floor area	Approx. 3,920 m²
Number of floors	10 floors above ground

4. Financial Strategy

Financial Strategy - Financing Highlights (1) -

➢ Maintained a More Stable Financial Base Through Lender Composition Centering on Mega Banks

■Financing Highlights (as of October 1, 2020)

Balance of interest-bearing liabilities	37.8 billion yen	**LTV*1**	47.0%
Ratio of long-term debt*2	75.9%	**Ratio of fixed interest rate**	60.3%
Average financing interest rate*3	0.32%	**Average remaining time to maturity**	2.1 years

■LTV Ratio During Normal Operations

	End of 3rd FP	End of 4th FP	End of 5th FP
LTV	44.0%	46.9% (Forecast)	46.8% (Forecast)

■Lender Composition (as of October 1, 2020)

Stable bank formation through financing from 7 leading financial institutions of Japan

[Unit: million yen]

	Borrowing amount	Percentage
Mizuho Bank, Ltd.	13,400	35.4%
Sumitomo Mitsui Banking Corporation	6,500	17.2%
Development Bank of Japan Inc.	5,600	14.8%
Mizuho Trust & Banking Co., Ltd.	3,540	9.4%
Sumitomo Mitsui Trust Bank, Ltd.	3,200	8.5%
Shinsei Bank, Limited	2,780	7.4%
Resona Bank, Ltd.	2,780	7.4%
7 banks in total	37,800	100.0%

*1 "LTV ratio" is total interest-bearing liabilities divided by total assets, rounded to one decimal place.
*2 "Long-term debt " used in the calculation of the "Ratio of long-term debt" does not include long-term borrowings due within one year.
*3 "Average financing interest rate" is the average of applicable interest rates at October 1, 2020. Calculations are on an interest payable basis and do not include arrangement fee and other borrowing related expenses.

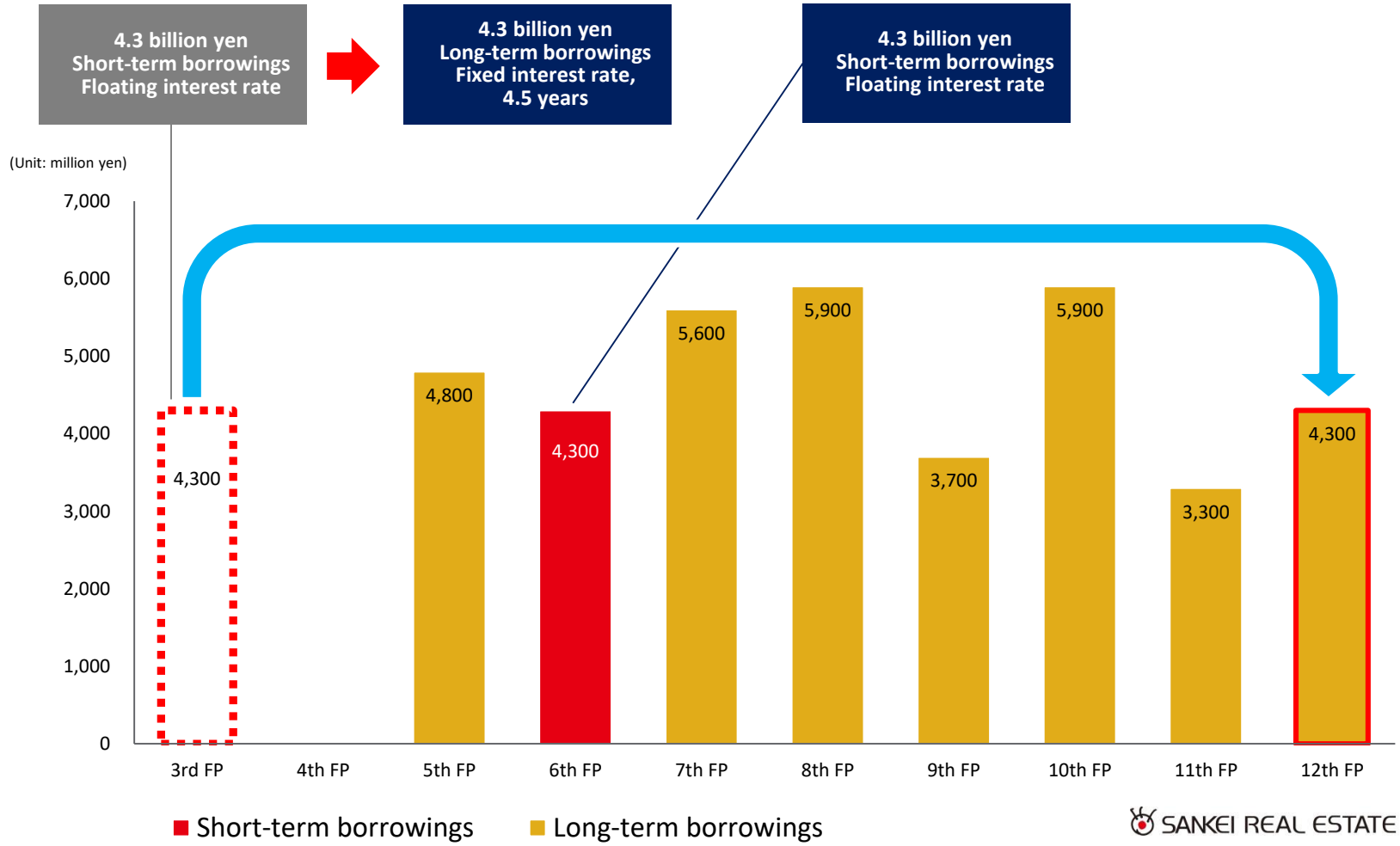
Financial Strategy - Financing Highlights (2) -

➢ Continue to promote the diversification of maturity ladder

■Maturity Ladder for Interest-Bearing Liabilities (as of October 1, 2020)

➢ **Conducted refinancing in the 3rd FP**
Short-term → Long-term

➢ **Conducted borrowing related to the acquisition of "S-GATE AKASAKA" in the 4th FP** (October 1, 2020)



5. ESG Initiatives

ESG Initiatives (1)

Environment (1)

- **Received DBJ Green Building Certification, which certifies properties that give proper care to the environment and society, for 5 properties** (including 3 properties for which the sponsor received certification) **among 12 properties under management**

A-3 S-GATE NIHONBASHI-HONCHO
(51% co-ownership interest)

Recipient: SANKEI REAL ESTATE Inc.

DBJ Green Building 2019

A-4 S-GATE AKIHABARA

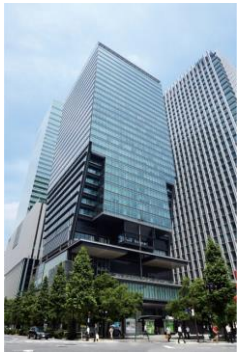
Recipient: SANKEI REAL ESTATE Inc.

DBJ Green Building 2019

A-1 Tokyo Sankei Building
(2% co-ownership interest)

Recipient: The Sankei Building Co., Ltd. (sponsor)

DBJ Green Building 2018



A-2 BREEZÉ TOWER
(45% quasi co-ownership interest in sectional ownership of the office portion of the building, etc.)

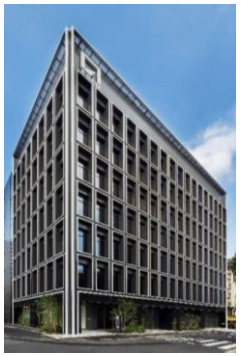
Recipient: The Sankei Building Co., Ltd. (sponsor)

DBJ Green Building 2018

A-10 S-GATE AKASAKA
(60% quasi co-ownership interest)

Recipient: The Sankei Building Co., Ltd. (sponsor)

DBJ Green Building 2017

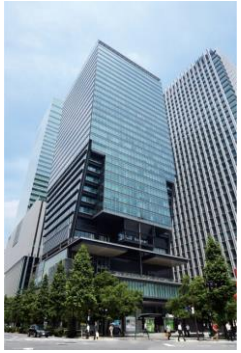


ESG Initiatives (2)

Environment (2)

➢ **Approximately 30% of LED conversion is in progressing at both the exclusively owned areas and common areas of office buildings**

Major environmental initiatives



[Tokyo Sankei Building]

- **Installed energy-saving and long-life LED lighting**
  - ✓ Sequentially introduced LED lighting and dimming control systems that realize further energy saving and cost saving from highly efficient inverter (Hf) fluorescent lamps that were the basic specification until now
  - ✓ It is possible to narrow down the necessary lighting areas by increasing the number of dimming and blinking sections and realized efficient energy saving.
- **Maintenance of electric vehicle (EV) chargers**
  - ✓ Installed electric vehicle (EV) chargers in the parking lot as part of Sankei Building's environmental protection measures

[BREEZÉ TOWER]

- **Reduction of building heat load**
  - ✓ Improvement of comfort and reduction of solar heat with double skin/Low-e glass
- **Effective use of natural energy**
  - ✓ Adopts automatic dimming control with the use of daylight and correction of initial illuminance
  - ✓ Achievement of energy saving using outside air-cooling system in the middle period and winter
  - ✓ Use of indirect light with blind automatic control system
  - ✓ Solar power system
  - ✓ Natural ventilation system using natural, ventable façade
- **Effective use of water resources and consideration to the surrounding environment**
  - ✓ Reuse of rainwater and drainage (use as toilet washing water and automatic irrigation for planting)
  - ✓ Water-saving effect with the adoption of water-saving equipment

[S-GATE Series]

- ✓ Realized rooftop greening and established a terrace. Taking an open and bright approach by using greenery also at the entrance

S-GATE

ESG Initiatives (3)

Social

➢ Response to the COVID-19 pandemic

Prevention

- ✓ Introduce remote work and staggered commuting
- ✓ Prepare alcohol disinfectants at common areas
- ✓ Health management of property management staff
- ✓ Display posters for preventing the spread of infection

When someone is infected with COVID-19

- ✓ Identify the behavioral history of infected persons and persons who had close contact with them
- ✓ Implement disinfection work at the office and common areas
- ✓ Contact the tenants, etc. who use the building

➢ Relationship with stakeholders

Measures for employees

- ✓ Develop a comfortable office environment
- ✓ Human resource development: Implement various trainings
- ✓ Work-style support: Support for childcare and nursing care

Measures for tenants

- ✓ Implement disaster prevention drills, distribute disaster prevention goods
- ✓ Conduct tenant satisfaction survey

Connection with the community

- ✓ Holding various events

ESG Initiatives (4)

Governance (internal control)

- **Sponsor Commitment: Promotion of Same-Boat Investment by Sponsor**
  - ✓ **Sankei Building**, the sponsor, conducted **additional acquisition of the investment units of SANKEI REAL ESTATE** in **the 3rd FP**
  - ✓ Same-boat investment with the unitholders of SANKEI REAL ESTATE will further increase, and **strong sponsor support contributing to the medium- to long-term growth of SANKEI REAL ESTATE is expected**

	End of 2nd FP	Additionally acquired units	End of 3rd FP
Number of investment units issued and outstanding	356,800 units	-	356,800 units
Number of units held by sponsor	11,362 units	3,617 units	**14,979 units**
Percentage of units held by sponsor	3.18%	1.01%	**4.19%**

Participation in GRESB (scheduled for 2021)

- SANKEI REAL ESTATE **started preparations to participate in GRESB Real Estate Assessment**, a global investment benchmark. GRESB was established as a tool to measure the environmental, social, and governance (ESG) consideration of companies and funds in the real estate sector and is used to select investment targets and engage in dialogue with investment targets. Currently, we are promoting the formulation of various plans and policies for the participation next year.

Roadmap for participation in GRESB

Item	2020	2021		
	Q4	Q1	Q2	Q3
Formulation of various plans and policies regarding sustainability	→	→		
Implementation of training for employees engaged in sustainability	→			
2021 GRESB Assessment		→	→	→ ★ Submission

Appendix

3rd Fiscal Period (Ended Aug. 2020) Balance Sheet (unabridged)

(Unit: thousand yen)

Assets	
Current assets	
Cash and deposits	3,876,992
Cash and deposits in trust	3,283,341
Operating accounts receivable	87,957
Prepaid expenses	51,898
Other	567,790
Total current assets	7,867,979
Non-current assets	
Property, plant and equipment	
Buildings	165,538
Accumulated depreciation	(8,698)
Buildings, net	156,839
Structures	353
Accumulated depreciation	(12)
Structures, net	340
Land	2,457,766
Buildings in trust	13,624,054
Accumulated depreciation	(547,766)
Buildings in trust, net	13,076,288
Structures in trust	22,236
Accumulated depreciation	(813)
Structures in trust, net	21,422
Machinery and equipment in trust	2,608
Accumulated depreciation	(208)
Machinery and equipment in trust, net	2,400
Tools, furniture and fixtures in trust	25,419
Accumulated depreciation	(1,901)
Tools, furniture and fixtures in trust, net	23,518
Land in trust	52,510,871
Construction in progress in trust	330
Total property, plant and equipment	68,249,777
Intangible assets	
Software	6,713
Total intangible assets	6,713
Investments and other assets	
Long-term prepaid expenses	60,793
Deferred tax assets	14
Leasehold and guarantee deposits	10,000
Total investments and other assets	70,807
Total non-current assets	68,327,298
Total assets	76,195,278

Liabilities	
Current liabilities	
Operating accounts payable	205,128
Long-term borrowings due within one year	4,800,000
Accounts payable - other	214,600
Accrued expenses	26,272
Income taxes payable	893
Consumption taxes payable	129,470
Advances received	328,557
Deposits received	1,205,174
Total current liabilities	6,910,097
Non-current liabilities	
Long-term borrowings	28,700,000
Leasehold and guarantee deposits received	92,935
Leasehold and guarantee deposits received in trust	3,047,718
Total non-current liabilities	31,840,654
Total liabilities	38,750,751
Net assets	
Unitholders' equity	
Unitholders' capital	36,540,901
Surplus	
Unappropriated retained earnings (undisposed loss)	903,625
Total surplus	903,625
Total unitholders' equity	37,444,526
Total net assets	37,444,526
Total liabilities and net assets	76,195,278

3rd Fiscal Period (Ended Aug. 2020) Statement of Income (unabridged)

(Unit: thousand yen)

Operating revenue	
Leasing business revenue	1,878,684
Other leasing business revenue	126,823
Total operating revenue	2,005,507
Operating expenses	
Expenses related to leasing business	778,934
Asset management fee	183,485
Asset custody fee	1,505
Administrative service fees	6,370
Remuneration for directors (and other officers)	3,600
Other operating expenses	35,230
Total operating expenses	1,009,126
Operating profit	996,380
Non-operating income	
Interest income	32
Interest on refund	323
Total non-operating income	356
Non-operating expenses	
Interest expenses	58,586
Borrowing related expenses	33,790
Total non-operating expenses	92,377
Ordinary profit	904,359
Net profit before income taxes	904,359
Income taxes - current	898
Income taxes - deferred	2
Total income taxes	901
Net profit	903,458
Retained earnings brought forward	167
Unappropriated retained earnings (undisposed loss)	903,625

3rd Fiscal Period (Ended Aug. 2020) Statement of Cash Flows

(Unit: thousand yen)

Cash flows from operating activities	
Net profit before income taxes	904,359
Depreciation	220,471
Interest income	(32)
Interest expenses	58,586
Decrease (increase) in operating accounts receivable	(23,792)
Decrease (increase) in consumption taxes refund receivable	369,256
Decrease (increase) in prepaid expenses	(10,700)
Increase (decrease) in operating accounts payable	58,297
Increase (decrease) in accounts payable - other	52,356
Increase (decrease) in consumption taxes payable	129,470
Increase (decrease) in advances received	(12,866)
Increase (decrease) in deposits received	254,170
Decrease (increase) in long-term prepaid expenses	(915)
Decrease (increase) in other assets	(225,717)
Subtotal	**1,772,944**
Interest received	32
Interest paid	(57,188)
Income taxes paid	(951)
Cash flows from operating activities	**1,714,837**
Cash flows from investing activities	
Purchase of property, plant and equipment	(5,747)
Purchase of property, plant and equipment in trust	(46,376)
Proceeds from leasehold and guarantee deposits received	1,400
Refund of leasehold and guarantee deposits received	(502)
Proceeds from leasehold and guarantee deposits received in trust	142,697
Refund of leasehold and guarantee deposits received in trust	(8)
Cash flows from investing activities	**91,461**
Cash flows from financing activities	
Repayments of short-term borrowings	(4,756,000)
Proceeds from long-term borrowings	4,300,000
Distribution paid	(1,067,674)
Cash flows from financing activities	**(1,523,674)**
Net increase (decrease) in cash and cash equivalents	282,624
Cash and cash equivalents at beginning of period	6,877,708
Cash and cash equivalents at end of period	**7,160,333**

Key Performance Indicators (KPIs)

		3rd FP (Ended Aug. 2020)
LTV	(against total assets)	44.0%
	(against total assets <considering unrealized gain/loss>)	40.0%
NOI yield	(against book value)	4.2%
	(against appraisal value)	3.8%
NOI yield after depreciation	(against book value)	3.6%
	(against appraisal value)	3.2%
Implied cap rate	(NOI yield)	4.7%
	(NOI yield after depreciation)	4.0%
FFO		1,122 million yen
AFFO		1,068 million yen
FFO per unit		3,147 yen
EPS		2,532 yen

		3rd FP (Ended Aug. 2020)
Distribution per unit		2,532 yen
Distribution yield		5.6%
ROE		4.8%
Net assets per unit		104,945 yen
NAV per unit		126,023 yen
Investment unit price (at end of period)		90,800 yen
NAV multiple		0.7x
PBR		0.9x
PER		17.9x
FFO multiple		14.4x
Payout ratio	(FFO)	80.4%
	(AFFO)	84.5%

*1. LTV (against total assets) = Interest-bearing liabilities / Total assets (book value)
LTV (against total assets <considering unrealized gain/loss>) = Interest-bearing liabilities / (Total assets (book value) + unrealized gain/loss)
*2. NOI yield (against book value) = (Operating income from real estate leasing + Depreciation) /Book value of real estate for lease
NOI yield (against appraisal value) = (Operating income from real estate leasing + Depreciation) / Appraisal value of real estate for lease
*3. NOI yield after depreciation (against book value) = Operating income from real estate leasing / Book value of real estate for lease
NOI yield after depreciation (against appraisal value) = Operating income from real estate leasing / Appraisal value of real estate for lease
*4. Implied cap rate (NOI yield) = NOI (Annualized result of current FP x 2) / (Total fair value +Interest-bearing liabilities – Cash and deposits + Leasehold deposits received)
Implied cap rate (NOI yield after depreciation) = NOI after depreciation (Result of current FP x2) / (Total fair value + Interest-bearing liabilities – Cash and deposits + Leasehold deposits received)
*5. FFO = Net profit + Depreciation – Gain/loss on sales of real estate properties (including loss on retirement of non-current assets)
*6. AFFO = FFO – Capital expenditure
*7. FFO per unit = FFO / Total number of investment units issued and outstanding at end of period
*8. EPS = Net profit / Total number of investment units issued and outstanding at end of period
*9. Distribution per unit = Total distribution / Total number of investment units issued and outstanding at end of period
*10. Distribution yield = Distribution per unit (Annualized result of current FP x 2) / Investment unit price (at end of period)
*11. ROE (Return on equity) = Net profit (Annualized most recent result x 2) / Net assets
*12. NAV per unit = (Net assets + Unrealized gain/loss) / Total number of investment units issued and outstanding at end of period
*13. NAV multiple = Investment unit price (at end of period) / NAV per unit
*14. PBR (Price Book-value Ratio) = Investment unit price (at end of period) / Net assets per unit
*15. PER (Price Earnings Ratio) = Investment unit price (at end of period) / EPS (Annualized most recent result x 2)
*16. FFO multiple = Investment unit price / FFO per unit (Annualized most recent result x 2)
*17. Payout ratio (FFO) = Total distribution / FFO
*18. Payout ratio (AFFO) = Total distribution / AFFO.
*19. Figures are rounded down to the indicated digits. (Percentages and multiples are rounded to one decimal place.)

Status of Lenders (as of October 1, 2020)

Term	Lender	Borrowing amount (million yen)	Interest rate (※1)	Maturity date (※2)	Repayment method	Description
Short-term borrowing	Mizuho Bank, Ltd.	4,300	0.21000% (floating)	October 1, 2021	Lump-sum repayment at maturity	Unsecured Non-guaranteed
	Subtotal	4,300				
Long-term borrowings	Mizuho Bank, Ltd.	1,331	0.24409% (floating)	March 12, 2021	Lump-sum repayment at maturity	Unsecured Non-guaranteed
	Sumitomo Mitsui Banking Corporation	929				
	Development Bank of Japan Inc.	796				
	Mizuho Trust & Banking Co., Ltd.	509				
	Sumitomo Mitsui Trust Bank, Ltd.	465				
	Shinsei Bank, Limited	385				
	Resona Bank, Ltd.	385				
	Mizuho Bank, Ltd.	1,574	0.36969% (fixed)	March 12, 2022		
	Sumitomo Mitsui Banking Corporation	1,084				
	Development Bank of Japan Inc.	929				
	Mizuho Trust & Banking Co., Ltd.	593				
	Sumitomo Mitsui Trust Bank, Ltd.	542				
	Shinsei Bank, Limited	439				
	Resona Bank, Ltd.	439				
	Mizuho Bank, Ltd.	972	0.42346% (fixed)	March 12, 2023		
	Sumitomo Mitsui Banking Corporation	716				
	Development Bank of Japan Inc.	614				
	Mizuho Trust & Banking Co., Ltd.	392				
	Sumitomo Mitsui Trust Bank, Ltd.	358				
	Shinsei Bank, Limited	324				
	Resona Bank, Ltd.	324				

*1. Interest rates indicated are the applicable interest rates as of October 1, 2020.
*2. If the maturity date is not a business day, it will be the following business day.

Term	Lender	Borrowing amount (million yen)	Interest rate (※1)	Maturity date (※2)	Repayment method	Description
Long-term borrowings	Mizuho Bank, Ltd.	856	0.49096% (fixed)	March 12, 2024	Lump-sum repayment at maturity	Unsecured Non-guaranteed
	Sumitomo Mitsui Banking Corporation	639				
	Development Bank of Japan Inc.	548				
	Mizuho Trust & Banking Co., Ltd.	350				
	Sumitomo Mitsui Trust Bank, Ltd.	319				
	Shinsei Bank, Limited	294				
	Resona Bank, Ltd.	294				
	Mizuho Bank, Ltd.	2,250	0.26909% (floating)	September 3, 2022		
	Sumitomo Mitsui Banking Corporation	1,500				
	Mizuho Trust & Banking Co., Ltd.	620				
	Sumitomo Mitsui Trust Bank, Ltd.	550				
	Shinsei Bank, Limited	490				
	Resona Bank, Ltd.	490				
	Mizuho Bank, Ltd.	950	0.36200% (fixed)	September 3, 2023		
	Sumitomo Mitsui Banking Corporation	800				
	Development Bank of Japan Inc.	2,000				
	Mizuho Trust & Banking Co., Ltd.	620				
	Sumitomo Mitsui Trust Bank, Ltd.	550				
	Shinsei Bank, Limited	490				
	Resona Bank, Ltd.	490				
	Mizuho Bank, Ltd.	1,167	0.32923% (fixed)	September 12, 2024		
	Sumitomo Mitsui Banking Corporation	832				
	Development Bank of Japan Inc.	713				
	Mizuho Trust & Banking Co., Ltd.	456				
	Sumitomo Mitsui Trust Bank, Ltd.	416				
	Shinsei Bank, Limited	358				
	Resona Bank, Ltd.	358				
	Subtotal	33,500				
Total		37,800				

3rd Fiscal Period (Ended Aug. 2020) Statement of Income from Leasing by Property

(Unit: thousand yen)

Property number	A-1	A-2	A-3	A-4	A-5	A-6
Asset type	Office buildings	Office buildings	Office buildings	Office buildings	Office buildings	Office buildings
Property name	Tokyo Sankei Building	BREEZÉ TOWER	S-GATE NIHONBASHI-HONCHO	S-GATE AKIHABARA	Hibiya Sankei Building	Hatchobori Sankei Building
Leasing business revenue	58,324	496,859	149,062	58,546	209,479	178,591
Rental revenue	49,365	382,066	141,919	55,532	183,186	147,630
CAM revenue	2,635	87,841	-	-	13,232	13,790
Utilities reimbursement	4,696	18,589	4,070	2,596	9,989	9,087
Parking revenue	786	6,860	2,934	372	1,932	6,626
Other rental revenue	839	1,502	137	45	1,140	1,456
Expenses related to leasing business	38,651	217,922	43,033	21,513	86,598	68,584
Outsourcing expenses	6,125	74,131	8,202	5,778	15,128	16,923
Utilities expenses	3,638	35,429	4,973	2,633	8,904	11,066
Property taxes	12,557	37,132	10,741	4,775	53,909	9,723
Land rent	683	1,135	-	-	-	-
Repair expenses	10,010	3,817	-	12	2,557	13,941
Insurance premium	114	933	295	145	315	480
Trust fee	-	250	250	250	450	450
Depreciation	3,183	63,143	18,036	7,623	4,966	15,544
Other expenses from leasing	2,338	1,948	534	294	366	454
Operating income (loss) from leasing	19,672	278,937	106,028	37,032	122,881	110,006
NOI	22,856	342,081	124,065	44,656	127,848	125,551

*1 The information is “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.
*2 Figures are rounded down to the indicated digits.

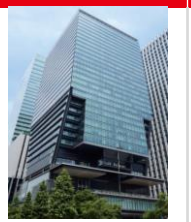
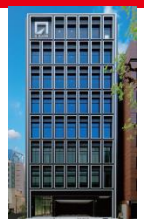
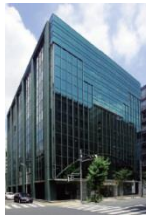
3rd Fiscal Period (Ended Aug. 2020) Statement of Income from Leasing by Property

(Unit: thousand yen)

Property number	A-7	A-8	A-9	B-1	B-2	Total
Asset type	Office buildings	Office buildings	Office buildings	Sub assets	Sub assets	
Property name	Toyo Park Building	Shinagawa Seaside TS Tower*1	Omori Park Building	Hotel Intergate Tokyo Kyobashi	Hotel Intergate Hiroshima	
Leasing business revenue	108,549		166,087	206,955	118,800	
Rental revenue	77,617		132,145	206,955	118,800	
CAM revenue	19,788		14,268	-	-	
Utilities reimbursement	8,715		13,489	-	-	
Parking revenue	2,340		5,400	-	-	
Other rental revenue	88		782	-	-	
Expenses related to leasing business	35,327	(Not disclosed)	65,902	54,445	43,570	(Not disclosed)
Outsourcing expenses	9,685		14,021	1,200	1,800	
Utilities expenses	6,979		17,601	-	-	
Property taxes	7,634		16,297	25,629	15,388	
Land rent	-		-	-	-	
Repair expenses	706		1,563	-	-	
Insurance premium	260		504	552	506	
Trust fee	350		350	250	250	
Depreciation	9,486	29,986	15,215	26,770	25,572	219,531
Other expenses from leasing	225		348	43	52	
Operating income (loss) from leasing	73,221	150,868	100,184	152,509	75,229	1,226,572
NOI	82,708	180,854	115,399	179,279	100,801	1,446,103

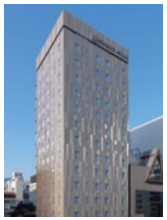
*1 The information is "Not disclosed" due to unavoidable circumstances in that such contains information for which consent for disclosure has not been obtained from the tenant, relevant party, etc. or information from which confidential information can be derived.
*2 Figures are rounded down to the indicated digits.

Portfolio List (1) (as of October 1, 2020)

Property number	A-1	A-2	A-3	A-4	A-5	A-6
Asset type	Office buildings	Office buildings	Office buildings	Office buildings	Office buildings	Office buildings
Property name	Tokyo Sankei Building (2% co-ownership interest)	BREEZÉ TOWER (45% quasi co-ownership interest in sectional ownership of the office portion of the building, etc.)	S-GATE NIHONBASHI-HONCHO (51% co-ownership interest)	S-GATE AKIHABARA	Hibiya Sankei Building	Hatchobori Sankei Building
						
Location	Chiyoda-ku, Tokyo	Kita-ku, Osaka-shi	Chuo-ku, Tokyo	Chiyoda-ku, Tokyo	Chiyoda-ku, Tokyo	Chuo-ku, Tokyo
Acquisition date	Mar. 12, 2019	① Mar. 12, 2019 ② Sep. 3, 2019*1	Mar. 12, 2019	Mar. 12, 2019	Mar. 12, 2019	Mar. 12, 2019
Acquisition price	2,509 million yen	13,100 million yen	6,698 million yen	2,055 million yen	5,829 million yen	4,959 million yen
Appraisal value*2	2,690 million yen	17,100 million yen	7,470 million yen	2,530 million yen	6,530 million yen	5,570 million yen
Appraisal NOI yield (Appraisal NOI/Acquisition price)	2.8%	5.4%	3.8%	4.4%	3.7%	5.1%
Construction completion	Sep. 2000	Jul. 2008	Oct. 2018	Sep. 2017	Jun. 1992	Sep. 1965
Occupancy rate (as of September 30, 2020)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
PML value	2.3%	2.8%	2.0%	2.2%	3.1%	0.3%

*1 The first acquisition of BREEZÉ TOWER was made on March 12, 2019, and the second acquisition on September 3, 2019.
*2 The appraisal date of the appraisal value is August 31, 2020.

Portfolio List (2) (as of October 1, 2020)

Property number	A-7	A-8	A-9	A-10	B-1	B-2
Asset type	Office buildings	Office buildings	Office buildings	Office buildings	Sub assets	Sub assets
Property name	Toyo Park Building	Shinagawa Seaside TS Tower (25% quasi co-ownership interest in sectional ownership of the building, etc.)	Omori Park Building	S-GATE AKASAKA (60% quasi co-ownership interest)	Hotel Intergate Tokyo Kyobashi	Hotel Intergate Hiroshima
						
Location	Koto-ku, Tokyo	Shinagawa-ku, Tokyo	Ota-ku, Tokyo	Minato-ku, Tokyo	Chuo-ku, Tokyo	Naka-ku, Hiroshima-shi
Acquisition date	Mar. 12, 2019	Sep. 3, 2019	Sep. 3, 2019	Oct. 1, 2020	Mar. 12, 2019	Sep. 3, 2019
Acquisition price	3,782 million yen	10,040 million yen	5,400 million yen	4,200 million yen	8,961 million yen	3,990 million yen
Appraisal value*1	3,950 million yen	11,000 million yen	5,620 million yen	4,266 million yen	9,140 million yen	4,170 million yen
Appraisal NOI yield (Appraisal NOI/Acquisition price)	4.4%	4.3%	4.2%	3.3%	3.9%	4.9%
Construction completion	Jun. 1991	Jul. 2003	May 1993	Jul. 2015	Jan. 2018	Oct. 2018
Occupancy rate (as of September 30, 2020)	100.0%	100.0%	94.3%	100.0%	100.0%	100.0%
PML value	9.0%	3.2%	5.6%	4.6%	1.8%	2.1%

PML value (average)	1.7%

*1 The appraisal date of the appraisal value is August 1, 2020, for S-GATE AKASAKA and August 31, 2020, for other owned properties.

Overview of Appraisal Value at the End of 3rd Fiscal Period

(Unit: million yen)

Property number	Property name	Acquisition price	End of 3rd FP Book value	At acquisition*1 (a)		End of 3rd FP*2 (August 31, 2020) (b)		Change (b)-(a)		Unrealized gain/loss
				Appraisal value	CR*3	Appraisal value	CR*3	Appraisal value	CR*3	
A-1	Tokyo Sankei Building (2% co-ownership interest)	2,509	2,614	2,540	2.6%	2,690	2.5%	150	-0.1pt	75
A-2	BREEZÉ TOWER (45% quasi co-ownership interest in sectional ownership of the office portion of the building, etc.)	13,100	13,180	13,905	3.9%	17,100	3.8%	3,195	-0.1pt	3,919
A-3	S-GATE NIHONBASHI-HONCHO (51% co-ownership interest)	6,698	6,743	6,780	3.7%	7,470	3.3%	690	-0.4pt	726
A-4	S-GATE AKIHABARA	2,055	2,066	2,080	3.8%	2,530	3.5%	450	-0.3pt	463
A-5	Hibiya Sankei Building	5,829	6,035	5,900	3.3%	6,530	3.0%	630	-0.3pt	494
A-6	Hatchobori Sankei Building	4,959	5,034	5,020	4.2%	5,570	4.1%	550	-0.1pt	535
A-7	Toyo Park Building	3,782	3,888	3,790	4.2%	3,950	4.0%	160	-0.2pt	61
A-8	Shinagawa Seaside TS Tower (25% quasi co-ownership interest in sectional ownership of the building, etc.)	10,040	10,159	10,200	3.6%	11,000	3.6%	800	0.0pt	840
A-9	Omori Park Building	5,400	5,493	5,600	3.9%	5,620	3.8%	20	-0.1pt	126
Office buildings subtotal (total of 9 properties)		54,374	55,217	55,815		62,460		6,645		7,242
B-1	Hotel Intergate Tokyo Kyobashi	8,961	9,031	9,070	3.8%	9,140	3.7%	70	-0.1pt	108
B-2	Hotel Intergate Hiroshima	3,990	4,000	4,080	4.6%	4,170	4.5%	90	-0.1pt	169
Sub assets subtotal (total of 2 properties)		12,951	13,032	13,150		13,310		160		277
Portfolio total (total of 11 properties)		**67,325**	**68,249**	**68,965**		**75,770**		**6,805**		**7,520**

*1. The appraisal value with October 31, 2018, as the appraisal date is indicated for A-1, A-3 to A-7, and B-1, appraisal value with July 1, 2019, as the appraisal date for A-8, A-9, and B-2, and the total appraisal value with October 31, 2018, and July 1, 2019, as the appraisal date for A-2.
*2. The appraisal value with August 31, 2020, as the appraisal date.
*3. CR is a cap rate based on direct capitalization method (NCF basis). For the CR at the time of acquisition of BREEZÉ TOWER, the weighted average based on each acquisition price of the quasi co-ownership interest in sectional ownership of the office portion of the building, etc. acquired on March 12, 2019, and September 3, 2019, is stated.

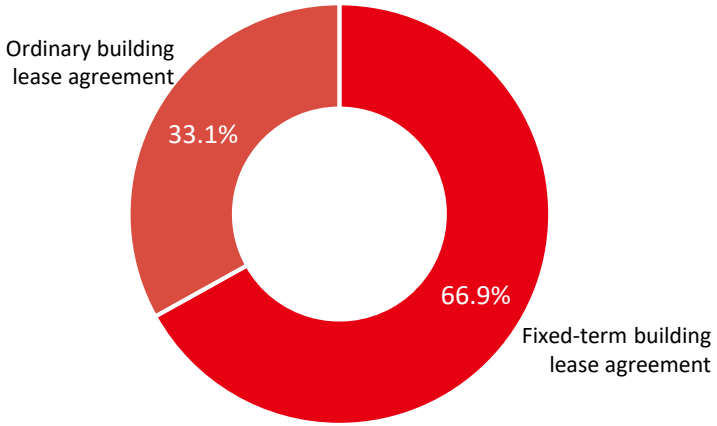
Top End Tenants by Leased Area (as of August 31, 2020)

Name of end tenant	Business type	Total leased area (m^2)	% of portfolio's total leased area	Property name
GRANVISTA Hotels & Resorts Co., Ltd.	Hotel	15,166.7	24.1%	Hotel Intergate Tokyo Kyobashi Hotel Intergate Hiroshima
Sony Corporation	Manufacturing	Not disclosed	Not disclosed	Shinagawa Seaside TS Tower
NH Foods Ltd.	Manufacturing (food)	Not disclosed	Not disclosed	BREEZÉ TOWER
Bayer Yakuhin, Ltd.	Manufacturing (pharmaceutical)	Not disclosed	Not disclosed	BREEZÉ TOWER
Konoike Construction Co., Ltd.	Construction	2,542.7	4.0%	S-GATE NIHONBASHI-HONCHO
Hitachi Real Estate Partners, Ltd.	Real estate	2,423.0	3.8%	Toyo Park Building
Toyo Sangyo Co., Ltd.	Service (equipment maintenance)	1,509.7	2.4%	Omori Park Building
NEC Facilities, Ltd.	Service (facility management)	1,429.4	2.3%	Omori Park Building
Yokogawa Solution Service Corporation	Service (equipment maintenance)	Not disclosed	Not disclosed	BREEZÉ TOWER
SEGA Holdings Co., Ltd.	Manufacturing (game)	1,131.0	1.8%	Omori Park Building
Daiichi Techno Co., Ltd.	Service (equipment maintenance)	1,131.0	1.8%	Omori Park Building

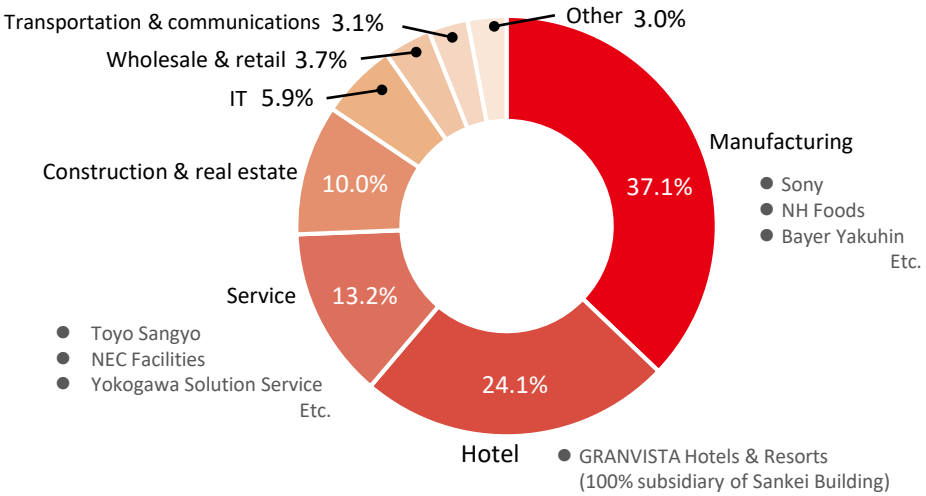
* "Total leased area" and "% of portfolio's total leased area" are based on figures after considering SANKEI REAL ESTATE's ownership interest.
* "% of portfolio's total leased area" refers to the total leased area expressed as a percentage of the entire portfolio's total leased area, rounded to one decimal place.
* With regard to "Total leased area" and "% of portfolio's total leased area," for properties for which Sankei Building is the master lessee, the areas stated in the lease agreements which Sankei Building (the master lessee) has concluded with end tenants are used as areas leased to the end tenants when calculating.
* The information is "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.

Status of Lease Agreements (as of August 31, 2020; based on leased area after considering ownership interest)

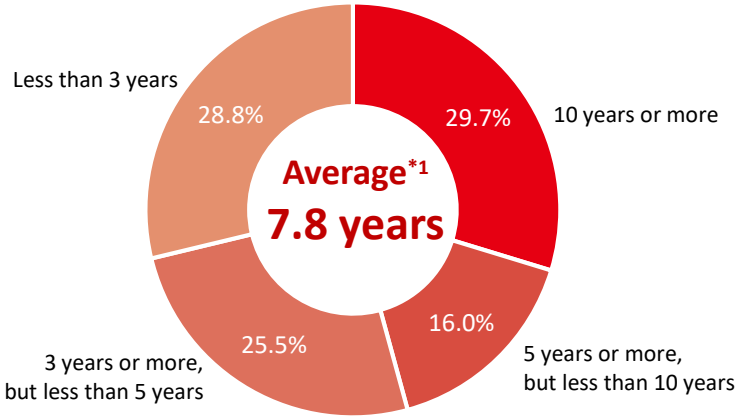
➢ Breakdown of Tenants by Contract Form



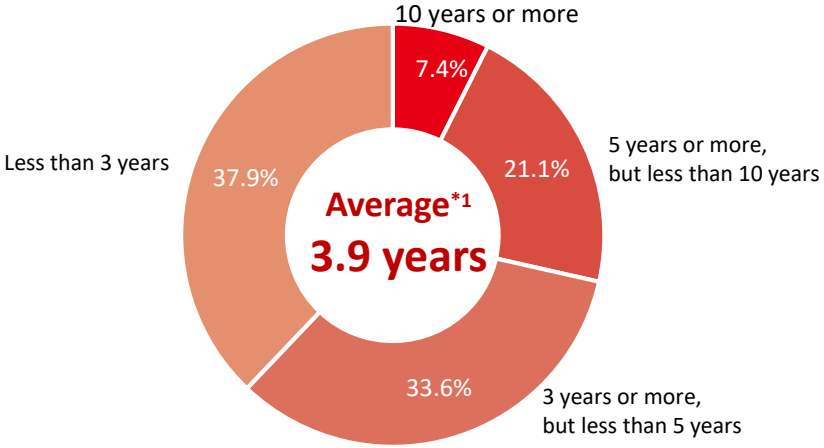
➢ Breakdown of Tenants by Business Type



➢ Breakdown of Tenants by Lease Period (including hotels)



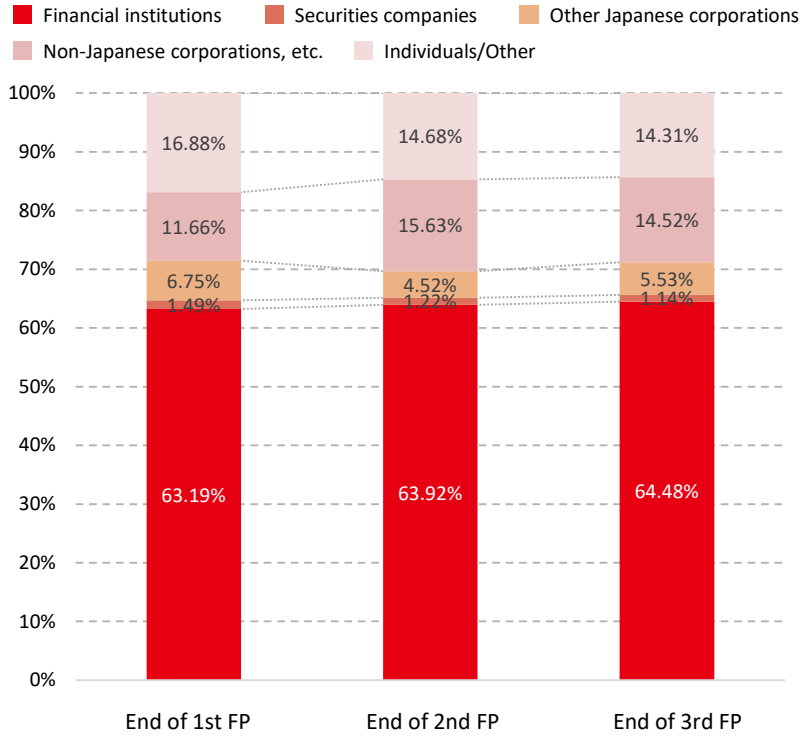
➢ Breakdown of Tenants by Lease Period (excluding hotels)



*1. Figures are the weighted average based on the area leased to each tenant.
*2. As to the calculation of each ratio indicated above, for properties for which Sankei Building is the master lessee, the areas stated in the lease agreements which Sankei Building (the master lessee) has concluded with end tenants are used as areas leased to the end tenants when calculating.

Status of Unitholders

➢ Breakdown of Investment Units by Unitholder Type



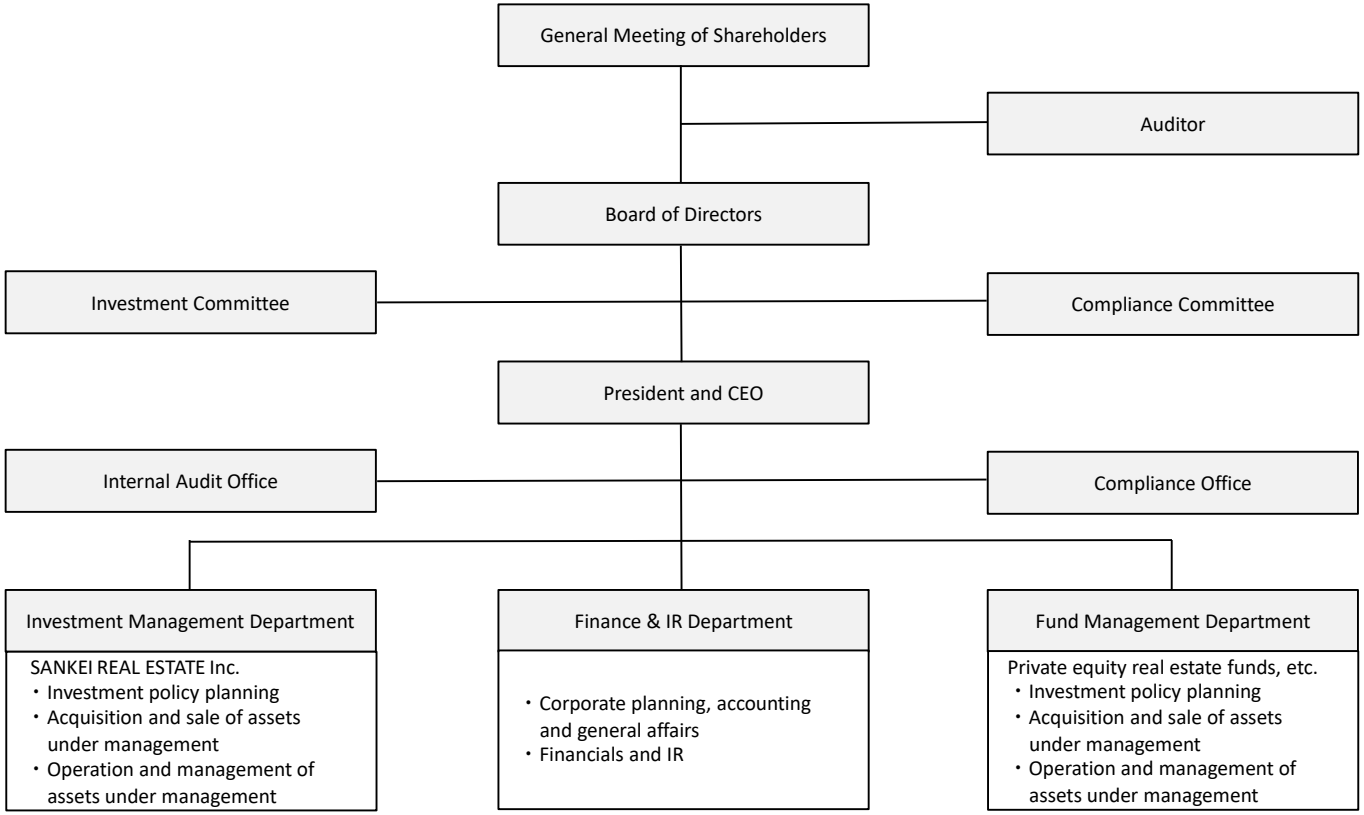
[Number of Unitholders]

	End of 1st FP	End of 2nd FP	End of 3rd FP
Financial institutions	37	55	54
Securities companies	17	19	23
Other Japanese corporations	116	127	131
Non-Japanese corporations, etc.	57	62	59
Individuals/Other	6,399	7,585	7,458
Total	6,626	7,848	7,725

➢ Major Unitholders (as of August 31, 2020)

Name of unitholder	Number of units owned (units)	Share of units owned (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	72,762	20.39
Custody Bank of Japan, Ltd. (Trust Account)	61,372	17.20
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	27,269	7.64
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	17,712	4.96
The Sankei Building Co., Ltd.	14,979	4.19
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/SECURITIES-AIFM	12,745	3.57
Aozora Bank, Ltd.	6,102	1.71
SCBHK AC LIECHTENSTEINISCHE LANDESBANK AG	5,727	1.60
Custody Bank of Japan, Ltd. (Money Trust Tax Account)	5,200	1.45
The Bank of Yokohama, Ltd.	5,067	1.42
Total	228,935	64.16

Profile of the Asset Management Company

Trade name	Sankei Building Asset Management Co., Ltd.
Established	April 13, 2018
Capital	100 million yen
Shareholder composition	The Sankei Building Co., Ltd. 100%
Main line of business	Investment Management Business, Investment Advisory and Agency Business, Type II Financial Instruments Business

Directors and auditors	5 directors 1 auditor
Financial instruments business registration	Director-General of the Kanto Local Finance Bureau Registration (FIBO) No. 3094
Real estate brokerage license	Governor of Tokyo License (1) No. 102209
Discretionary transaction agency, etc. approval	Minister of Land, Infrastructure, Transport and Tourism Approval No. 125