



4th

April 19, 2021

4th Fiscal Period (Ended February 2021) Financial Results Briefing Materials

 **SANKEI REAL ESTATE Inc.**

Asset
Management
Company

SANKEI BUILDING ASSET MANAGEMENT CO., LTD.

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Executive Summary

Financial Results and Management Highlights

- In the 4th FP, as both external growth and internal growth proved effective, **revenue and profit increased from both the forecast^{*1} and the previous fiscal period**
- DPU^{*2} for the 4th FP was **2,849 yen, +6.5% (+173 yen)** from the forecast or **+12.5% (+317 yen)** from the previous fiscal period
- With the acquisition of **“S-GATE AKASAKA,”** a relatively new property in central Tokyo, **continued to achieve external growth steadily**
(Impact on DPU^{*3} for 4th FP: +128 yen; +13 yen from forecast)
- There was almost **no** impact of the COVID-19 pandemic following the previous period (The occurrence of assumed GV^{*4} is also almost **zero**)

Future Growth Strategies

- Investment unit prices recovering, **seeking external growth opportunities** (abundant pipeline: approx. 50 to 100 billion yen)
- Target **competitive properties** exceeding portfolio NOI yields in Greater Tokyo and ordinance-designated cities
- For office buildings, place emphasis on **location and specifications**; For sub assets, focus on **retail and logistics facilities**
- Continue to pursue internal growth, placing weight on focused properties for the time being

*1 Forecast refers to the forecast for the 4th FP at the time of the announcement of the financial results for the previous fiscal period (October 2020).

*2 DPU refers to distribution per unit.

*3 The 4th FP net profit base value (minus other operating expenses and non-operating income (loss) required to acquire actual operating income (loss) from leasing) is divided by the number of investment units issued and outstanding (356,800 units).

*4 Assumed GV (General Vacancy) is the amount equivalent to 0.5% of the rental and CAM revenue (-10,079 thousand yen in 4th FP), budgeted as a certain risk of decrease in revenue caused by the risk of the COVID-19 pandemic.

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

1. Financial Results and Management Highlights

Financial Highlights

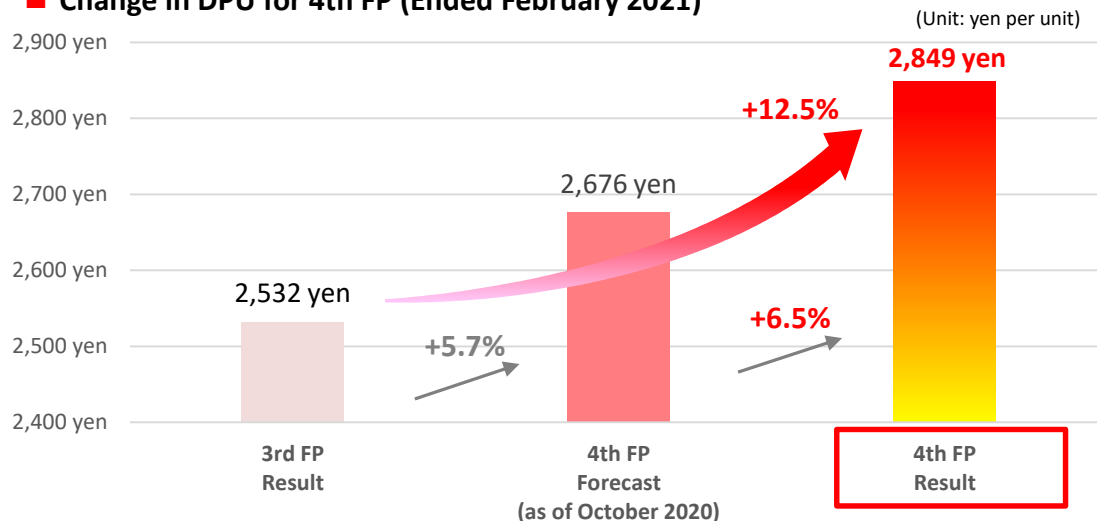
- As both external growth and internal growth proved effective,
revenue and profit increased from both the forecast and the previous fiscal period -

- DPU for the 4th FP was **2,849 yen**, **+6.5%** (+173 yen) from the forecast or **+12.5%** (+317 yen) from the previous fiscal period
- There was almost **no** impact of the COVID-19 pandemic. Reducing repair expenses also contributed to **increased revenue and profit**

Financial Summary for 4th FP (Ended February 2021)

	Result	Comparison with forecast		Comparison with previous fiscal period	
Operating revenue	2,147 million yen	+0.6%	+12 million yen	+7.1%	+142 million yen
Operating profit	1,118 million yen	+6.4%	+67 million yen	+12.3%	+122 million yen
Net profit	1,016 million yen	+6.5%	+61 million yen	+12.5%	+113 million yen
DPU (Distribution per unit)	2,849 yen	+6.5%	+173 yen	+12.5%	+317 yen

Change in DPU for 4th FP (Ended February 2021)



There was almost **no** impact of the COVID-19 pandemic

<Risk of decrease in revenue assumed in forecast>

- Office and store revenue → budgeted as **assumed GV**
Rental and CAM revenue x 0.5% = -10,079 thousand yen DPU **-28 yen**

- Rental conference room balance → budgeting within individual property balance

DPU **-8 yen**

<Results>

Breakdown of DPU	Forecast	Result	Comparison with forecast	Comparison with previous fiscal period
			Change	Change
Office revenue	-28 yen	0 yen	+28 yen	0 yen
Store revenue		-0.2 yen		-0.2 yen
Rental conference room balance	-8 yen	-7 yen	+1 yen	0.3 yen
Total DPU	-36 yen	-7 yen	+29 yen	+0.1 yen

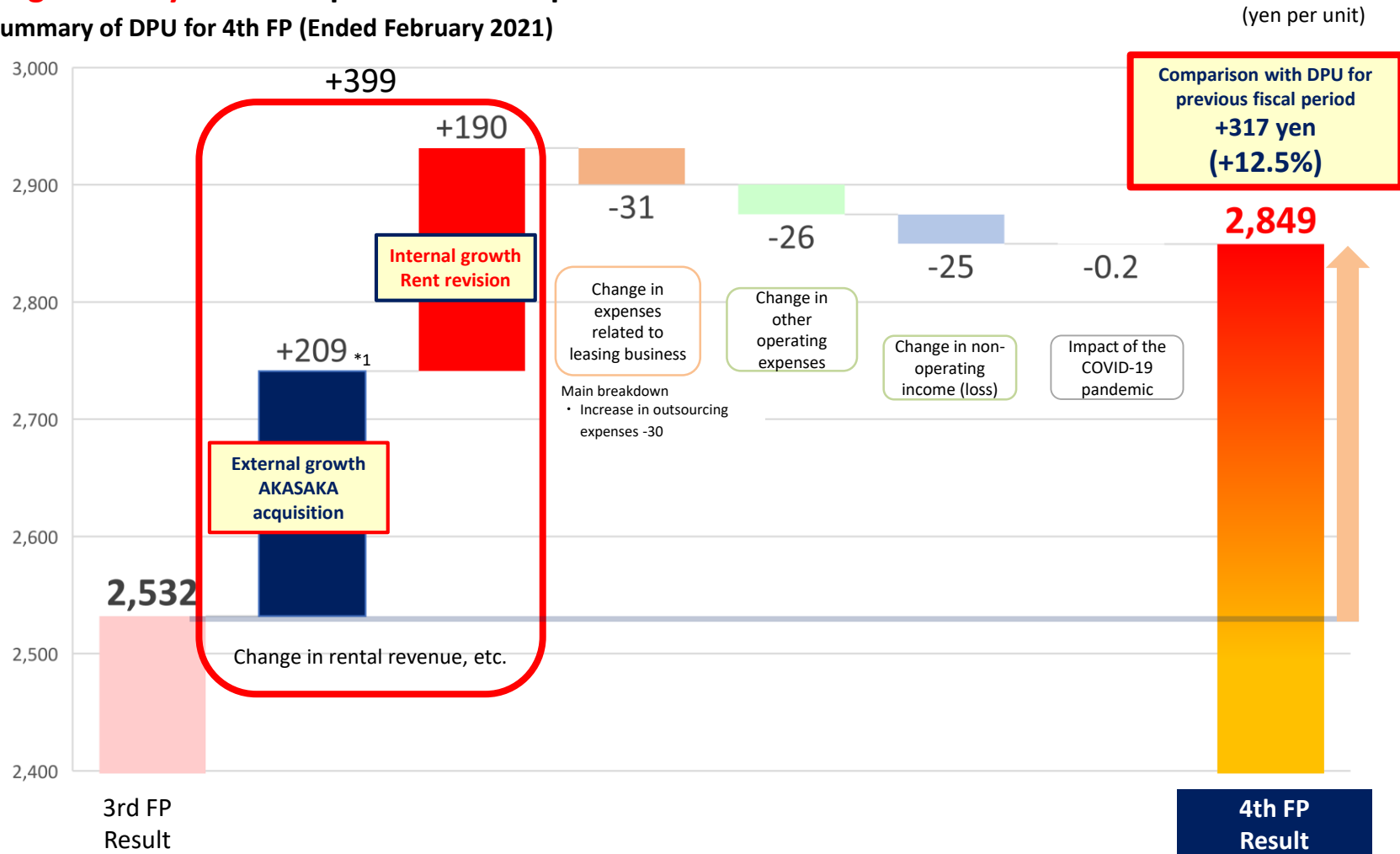
* Figures are rounded down to the indicated digits, and ratios are rounded off.

Financial Results Highlights

Summary of DPU for 4th FP (Ended February 2021) (Comparison with Previous Fiscal Period)

- In the 4th FP, as both external growth and internal growth proved effective, DPU **increased significantly** from the previous fiscal period

■ Summary of DPU for 4th FP (Ended February 2021)



*1 The +209 yen for "External Growth AKASAKA Acquisition" on this page uses S-GATE AKASAKA's 4th FP leasing business revenue divided 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.

Financial Results Highlights (Comparison with Forecast)

4th Fiscal Period (Ended February 2021)

- **Revenue and profit increased** (operating revenue: **+0.6%**; operating profit: **+6.4%**; net profit: **+6.5%**) from the forecast

(Unit: million yen)

Accounting period	4th FP Forecasts (A) (as of October 2020)	4th FP Results (B) (February 2021)	Difference (B)-(A)	Major Factors for the Difference
Operating revenue	2,135	2,147	12	
Rental and CAM revenue	2,015	2,015	10	• Assumed GV not used as described below (+10)
Assumed GV included therein	(10)	0	10	
Parking revenue	30	30	0	
Utilities reimbursement	94	93	(0)	
Other revenue	5	8	2	• Cancellation fee: Tokyo Sankei (+2.5)
Operating expenses	1,084	1,029	(55)	
Expenses related to leasing business [Total]	840	790	(50)	
Outsourcing expenses	185	183	(2)	• Decrease in CM fee due to decrease in repair expenses (-2.2)
Utilities expenses	122	110	(11)	• Breakdown: BREEZÉ TOWER (-4.3), Shinagawa (-2.9), Omori (-1.6), Hatchobori (-1.2), Hibiya (-0.6), AKASAKA (-0.5), Toyo (+0.6), etc.
Repair expenses	68	35	(32)	• Non-implementation of work, reduction of construction costs: BREEZÉ TOWER (-16.9), Hibiya (-9.8), Shinagawa (-4.4)
Property taxes	215	214	(0)	
Depreciation	228	227	(1)	• Decrease in depreciation due to decrease in additional capital investment (-8.5) and delay in implementation
Other expenses	19	17	(1)	
Operating income (loss) from leasing	1,295	1,357	62	
Total other operating expenses	243	239	(4)	
Asset management fee	184	186	2	• Increase in fee due to increase in income from leasing
Other expenses	59	52	(7)	• Decrease due to unused reserve
Operating profit	1,051	1,118	67	
Non-operating income	0	0	0	
Non-operating expenses	95	101	5	
Ordinary profit	955	1,017	61	
Net profit	954	1,016	61	
Distribution per unit (Unit: yen)	2,676 yen	2,849 yen	173 yen	
NOI	1,523	1,585	61	

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

Financial Results Highlights (Comparison with Previous Fiscal Period)

4th Fiscal Period (Ended February 2021)

- **Revenue and profit increased** (operating revenue: **+7.1%**; operating profit: **+12.3%**; net profit: **+12.5%**) from the previous fiscal period

(Unit: million yen)

Accounting period	3rd FP Results (A) (August 2020)	4th FP Results (B) (February 2021)	Difference (B)-(A)	Major Factors for the Difference
Operating revenue	2,005	2,147	142	
Rental and CAM revenue	1,878	2,015	137	• SG AKASAKA acquisition (+69) • Upward rent revision: BREEZÉ TOWER (+37), Shinagawa (+21) • SG NIHONBASHI-HONCHO phased rent increase (+12) • Omori vacancy (-11)
Parking revenue	29	30	1	• SG AKASAKA acquisition (+1.2)
Utilities reimbursement	90	93	2	• SG AKASAKA acquisition (+4.0) • BREEZÉ TOWER (-2.5) • Other (+0.9)
Other revenue	6	8	1	• Cancellation fee: Tokyo Sankei (+2.5), BREEZÉ TOWER (-0.5)
Operating expenses	1,009	1,029	20	
Expenses related to leasing business [Total]	778	790	11	
Outsourcing expenses	172	183	10	• SG AKASAKA acquisition (+5.5) • Increase in rent increase revision fee: Shinagawa (+6.1), BREEZÉ TOWER (-8), Other (+7)
Utilities expenses	118	110	(7)	• Decrease in 3rd FP results
Repair expenses	35	35	0	
Property taxes	215	214	(0)	
Depreciation	219	227	7	• SG AKASAKA acquisition (+6.4)
Other expenses	17	17	0	
Operating income (loss) from leasing	1,226	1,357	131	
Total other operating expenses	230	239	9	
Asset management fee	183	186	3	• Increase in fee due to increase in income from leasing
Other expenses	46	52	6	• Increase in expenses related to unitholders' meeting
Operating profit	996	1,118	122	
Non-operating income	0	0	(0)	
Non-operating expenses	92	101	8	• Accrual of refinancing costs (+8)
Ordinary profit	904	1,017	113	
Net profit	903	1,016	113	
Distribution per unit (Unit: yen)	2,532 yen	2,849 yen	317 yen	
NOI	1,446	1,585	138	

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

Management Highlights (Internal Growth)

- **Continued to achieve steady internal growth** even in the prolonged COVID-19 pandemic -

■ Rent Revision Performance of Office Buildings for 4th FP (Based on Closing of Books)

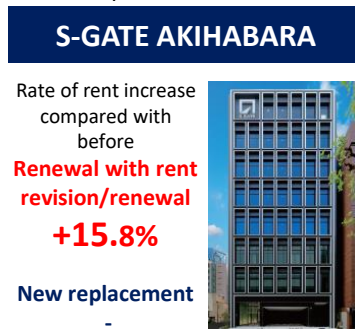
- **Actual NOI yield and average rent increased, and occupancy rate almost full occupancy**
(hereinafter, major properties)



Actual NOI yield	4.4% (+10bp from previous fiscal period)
Office Buildings Average Rent	19,309 yen/tsubo (+4.5% from previous fiscal period)
Period-end occupancy rate	99.9% (-0.1p from previous fiscal period)

■ Rent Revision Performance of Office Buildings for 4th FP (Based on Conclusion of Contracts)

For lease agreements concluded between September 1, 2020, and February 28, 2021



Impact on DPU*2

+23 yen

Target area	2,769 tsubo
Percentage of rent increase	25.8%
Rate of rent increase compared with before	+10.2%
Amount of monthly rent increase	+1.4 million yen

*1 The difference between the operating income (loss) from leasing for the current fiscal period and the operating income (loss) from leasing for the previous fiscal period is divided by the number of investment units issued and outstanding (356,800).

*2 Calculated by converting the amount of increase in monthly rental 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).

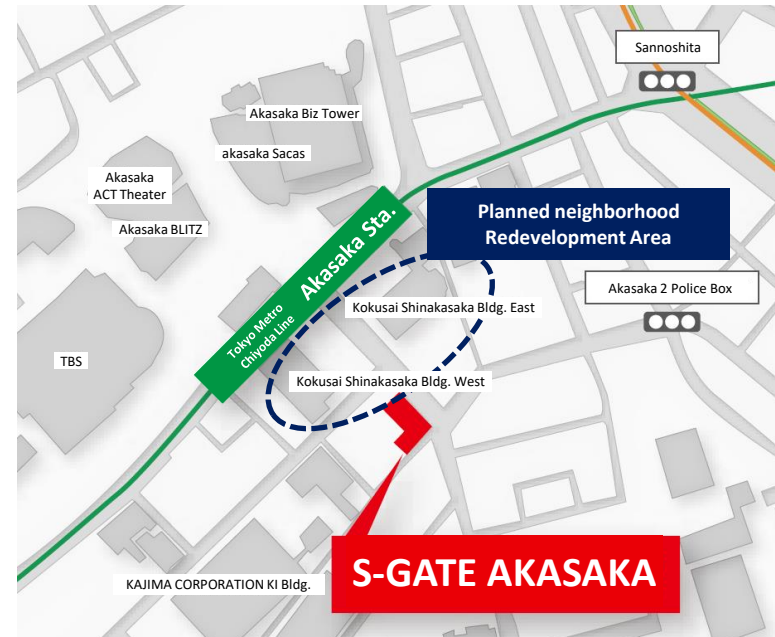
*3 Figures are rounded down to the indicated digits, and ratios are rounded off.

Management Highlights (External Growth) - Continued to **achieve steady external growth** -

- With the expectation of potential redevelopments in the neighborhood, acquired **“S-GATE AKASAKA,”** a **relatively new property in central Tokyo**^{*1}

Impact of DPU for 4th FP^{*2}

+ 128 yen



Overview

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

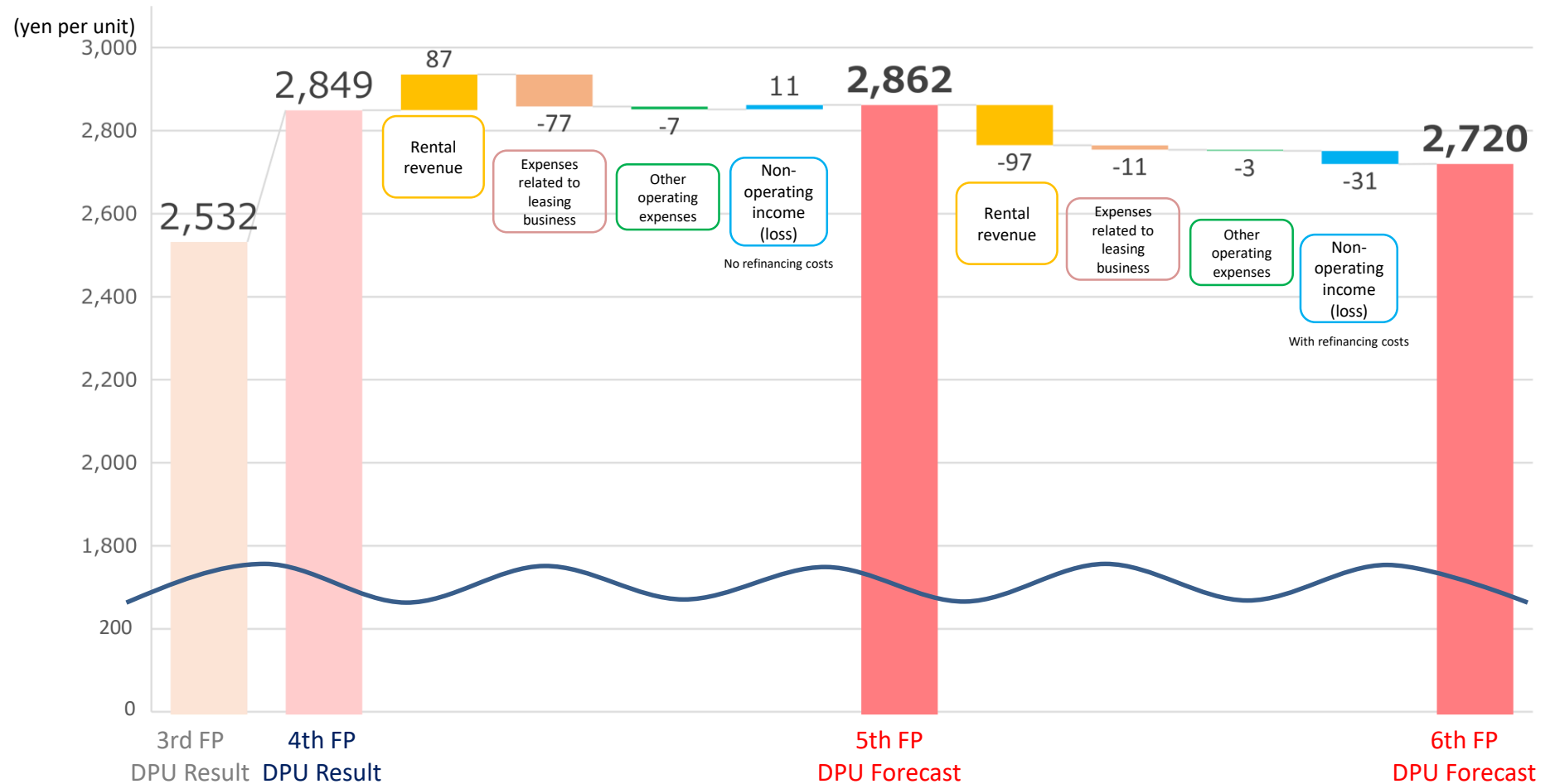
*1 SANKEI REAL ESTATE has acquired 60% quasi co-ownership interest in real estate trust beneficiary rights.

*2 The 4th FP net profit base value (minus other operating expenses and non-operating income (loss) required to acquire actual operating income (loss) from leasing) is divided 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.

Earnings Forecasts for 5th Fiscal Period (Ending August 2021) and Thereafter

- In the 5th fiscal period, internal growth is expected to increase dividends, and the 6th fiscal period takes into account downtime due to vacancies
- Hotels (2 properties) have no risk of reduced revenue due to deals and sponsorship commitments



* Figures are rounded down to the indicated digits.

Earnings Forecasts for 5th Fiscal Period (Ending August 2021) and Thereafter

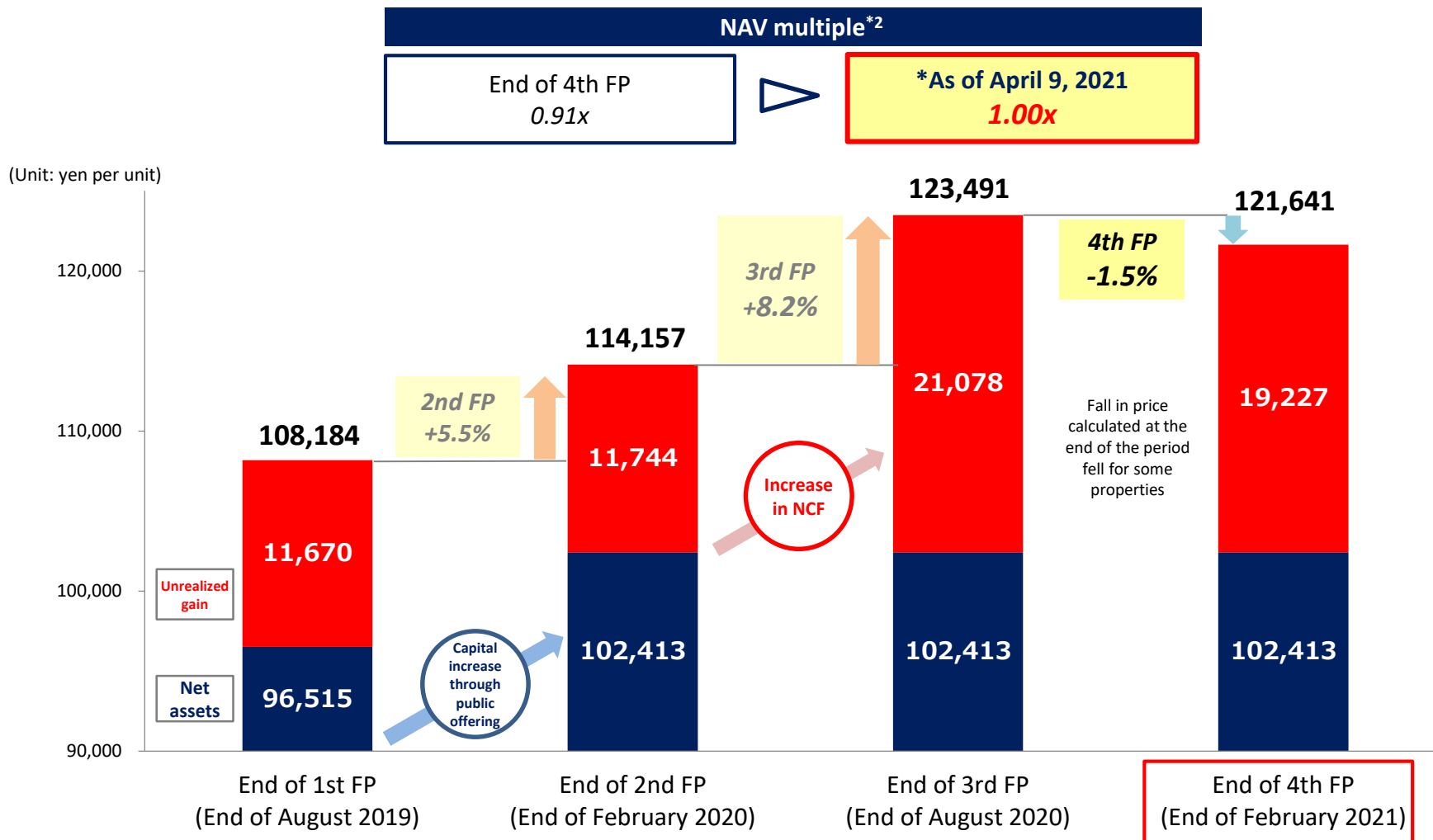
- DPU forecast for the 5th FP: **+0.5%** (+13 yen) from the 4th FP
- DPU forecast for the 6th FP: **-5.0%** (-142 yen) from the 5th FP forecast

(Unit: million yen)

Accounting period	4th FP Results (A) (February 2021)	5th FP Forecasts (B) (August 2021)	Difference (B)-(A)	6th FP Forecasts (C) (February 2022)	Difference (C)-(B)	Major Factors for the Difference
Operating revenue	2,147	2,178	30	2,144	(34)	5th FP Forecasts (Comparison with 4th FP)
Rental and CAM revenue	2,015	2,048	32	2,018	(30)	Operating revenue (+30)
Parking revenue	30	29	(0)	29	(0)	• Rental and CAM revenue +44 (AKASAKA acquisition +14, rent increase +30)
Utilities reimbursement	93	95	1	90	(4)	• Rental and CAM revenue -12 (cancellation -8, rent decrease -4)
Other revenue	8	5	(2)	5	0	• Other revenue: Cancellation fee -2
Operating expenses	1,029	1,059	30	1,064	4	
Expenses related to leasing business [Total]	790	817	27	821	3	Expenses related to leasing business (+27)
Outsourcing expenses	183	173	(10)	188	15	• Outsourcing expenses: -10 (PM incentive fee -7, other)
Utilities expenses	110	121	10	109	(12)	• Utilities expenses: Seasonal fluctuation (spring and summer) increase +10
Repair expenses	35	53	18	49	(4)	• Property taxes: AKASAKA acquisition +6.5
Property taxes	214	221	6	221	(0)	• Increase in repair expenses +18
Depreciation	227	228	1	233	5	• Depreciation: AKASAKA acquisition +1.3
Other expenses	17	19	1	19	0	
Operating income (loss) from leasing	1,357	1,361	3	1,322	(38)	6th FP Forecasts (Comparison with 5th FP)
Total other operating expenses	239	241	2	242	0	Operating revenue (-34)
Asset management fee	186	192	5	193	0	• Rental and CAM revenue: +8.8 (existing tenants +4.7, new tenants +4.1)
Other expenses	52	49	(3)	49	0	• Rental and CAM revenue: -38.8 (existing tenants -7.1, vacancies -31.7)
Operating profit	1,118	1,119	0	1,079	(39)	• Utilities reimbursement -4
Non-operating income	0	0	(0)	0	0	Expenses related to leasing business (+3)
Non-operating expenses	101	97	(3)	108	11	• Outsourcing expenses: +15 (PM incentive fee +12, BM +3)
Ordinary profit	1,017	1,022	4	971	(50)	• Utilities expenses: Seasonal fluctuation (autumn and winter) decrease -12
Net profit	1,016	1,021	4	970	(50)	• Decrease in repair expenses -4
Distribution per unit (Unit: yen)	2,849 yen	2,862 yen	13 yen	2,720 yen	(142 yen)	• Depreciation: Increase in renewal work (CAPEX) +5
NOI	1,585	1,589	4	1,556	(33)	

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

Change in NAV per Unit (After Deduction of Distribution) *1



*1 NAV per unit = (Net assets after deduction of distribution + Unrealized gain on appraisal basis) / Number of investment units issued and outstanding

*2 NAV multiple = Investment unit price (closing price as of relevant date) / NAV per unit

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

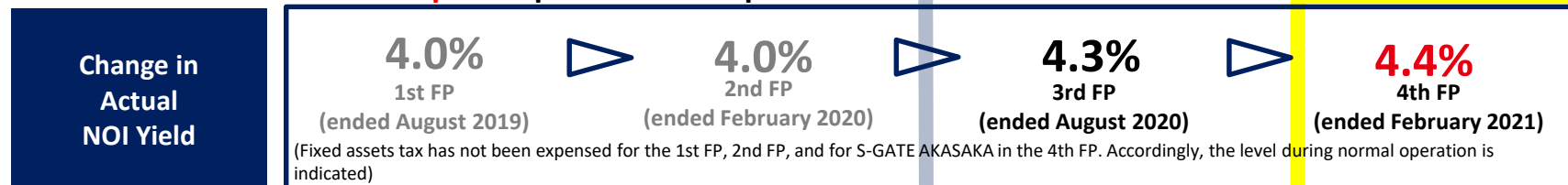
2. Internal Growth Results and Strategy

2-1 Internal Growth Results

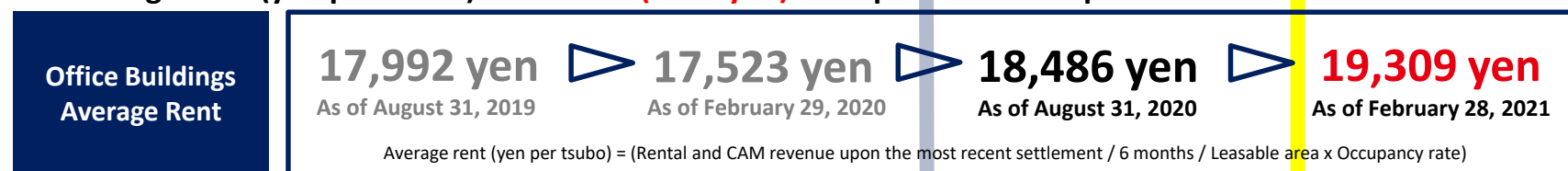
- Rent revision performance of office buildings (based on closing of books) -

- Maintained **high occupancy rates** and **further improved** profitability even during the COVID-19 pandemic

■ **Actual NOI Yield** **+10bp** from previous fiscal period



■ **Average Rent (yen per tsubo)** **+4.5% (+823 yen)** from previous fiscal period

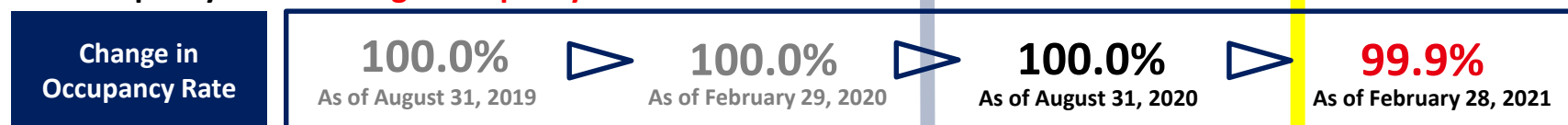


Cases of Other REITs*

Investment Corporation A: 22,458 yen
Investment Corporation C: 18,557 yen

Investment Corporation B: 20,191 yen

■ **Occupancy Rate** **High occupancy rate maintained**

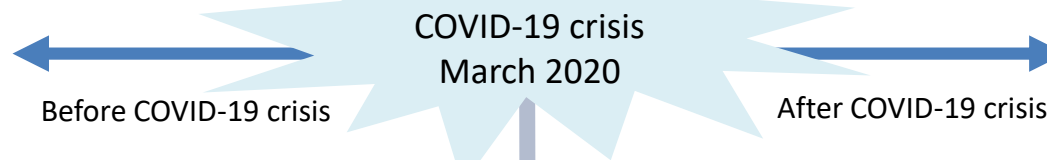


Cases of Other REITs *

Investment Corporation A: 97.4%
Investment Corporation C: 97.6%

Investment Corporation B: 98.4%

As at the end of February 2021 from each investment corporation's website



* Figures are estimates by the Asset Management Company based on the most recent disclosed material by extracting investment corporations that are office REITs listed in the "ARES J-REIT Digest" and of which have over two-thirds of the portfolio held in the Tokyo 23 wards on an acquisition price basis, and the accuracy thereof is thus not guaranteed.

2-1 Internal Growth Results

- Rent revision performance of office buildings for 4th FP (based on conclusion of contracts) *1*2 -

➤ **Upward rent revision** progressing steadily, centering on tenants under fixed-term leases

■ Rent Revision Performance of Office Buildings

		Number of targeted tenants	Targeted leased area (ownership interest of SANKEI REAL ESTATE)	Percentage *3
Increase	Renewal with rent revision/renewal	10	715 tsubos	25.8%
No change	Renewal with rent revision/renewal	15	2,021 tsubos	73.0%
Decrease	Renewal with rent revision/renewal	2	33 tsubos	1.2%
Total		27	2,769 tsubos	100.0%

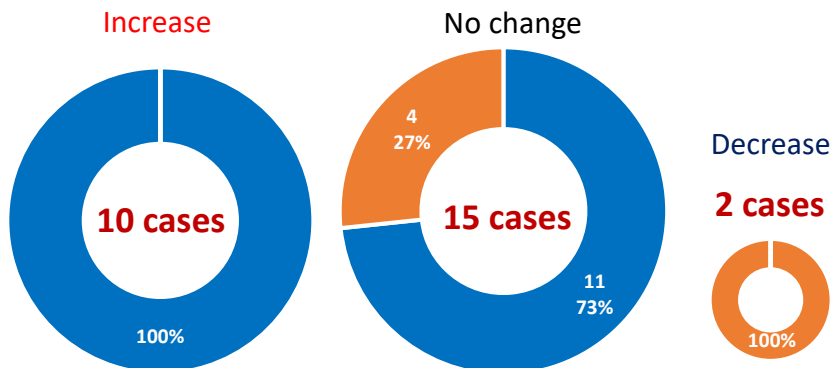


Rate of increase compared with before
+10.2%

■ Breakdown of Tenants by Use

No rent decrease for office

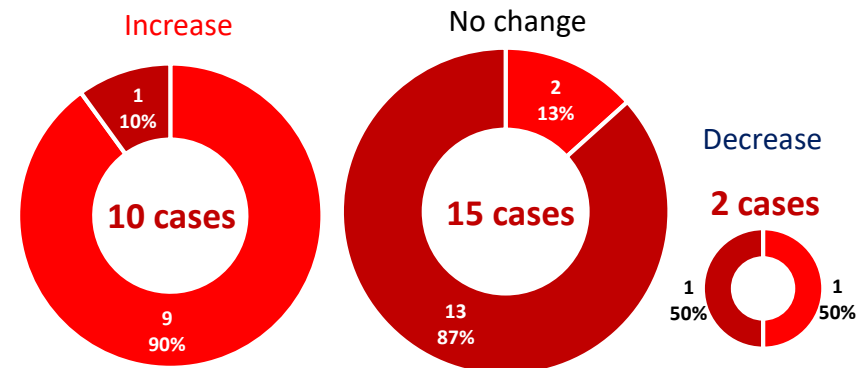
■ Office ■ Retail



■ Breakdown of Tenants by Contract Form

Steady rent increase for fixed-term leases

■ Fixed-term ■ Ordinary



*1 Lease contracts concluded during the 4th FP (from September 1, 2020, to the end of February 2021).

*2 "Office buildings" refers to office buildings among the assets under management for the 4th FP.

*3 These are the percentages when the area leased to tenants who had rent revisions is deemed 100%.

2-1 Internal Growth Results

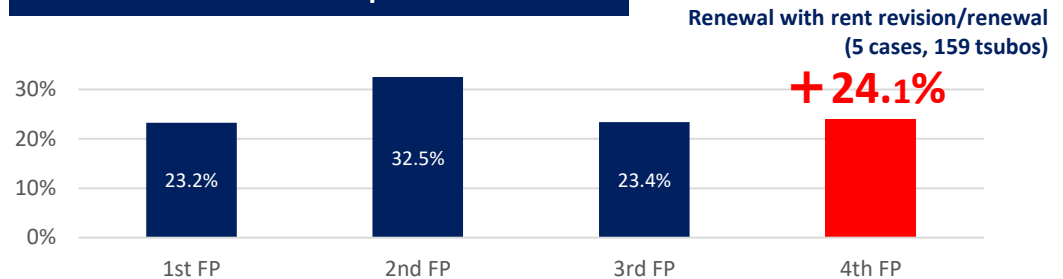
- Rent revision performance of office buildings for 4th FP (based on conclusion of contracts) -

➤ Upward rent revision (1)

A-2 BREEZÉ TOWER*1



Rate of rent increase compared with before



1. Located in the Umeda area, a business district representing Kansai.
2. The property is equipped with rooftop greening, green walls, 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.



Effect of upward rent revision

Impact on DPU*2

+13 yen

MAP



*1 45% quasi co-ownership interest acquired in sectional ownership of the office portion of the building, etc.

*2 Calculated by converting the amount of increase in monthly rental 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.

2-1 Internal Growth Results

- Rent revision performance of office buildings for 4th FP (based on conclusion of contracts) -

➤ Upward rent revision (2)

A-4 S-GATE AKIHABARA



Rate of rent increase
compared with before
Renewal with rent
revision/renewal
+15.8%

New replacement
-

A-5 Hibiya Sankei Building



Rate of rent increase
compared with before
Renewal with rent
revision/renewal
+10.0%

New replacement
-

➤ Reduced downtime and achieved early lease-up of vacant portions

A-9 Omori Park Building



Effects of early lease-up

Impact on DPU^{*1}

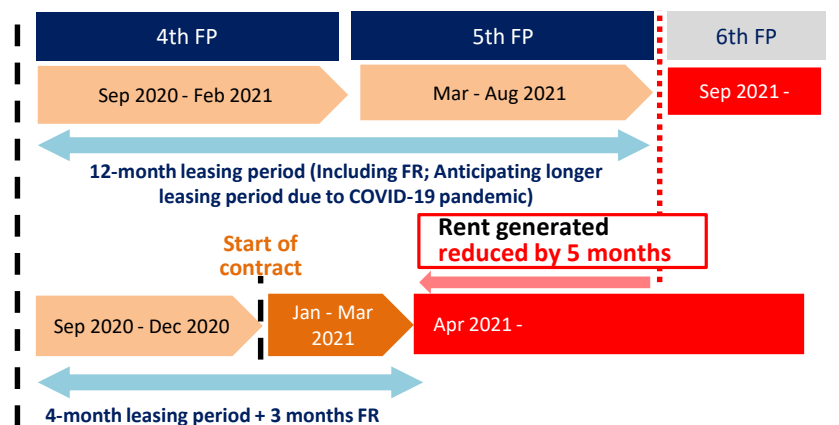
+ 22 yen

Move out

Accrual of rent

Forecast

Result



*1 The amount of increase in monthly rental and CAM revenue for 5 months divided by the number of investment units issued and outstanding (356,800 units).

*2 Ratios are rounded to the indicated digits.

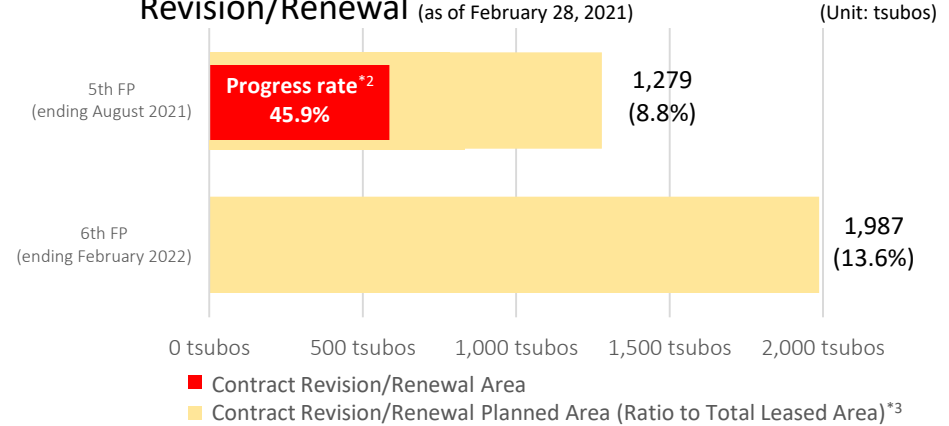
2-2 Internal Growth Strategy – Reduce rent gap, continue to aim for internal growth -

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

■ Rent Gap*¹ (for typical floorplate)



■ Status of Progress and Schedule of Contract Revision/Renewal (as of February 28, 2021)



➤ Focused properties

A-2 BREEZÉ TOWER



All tenants under fixed-term lease
Rent gap
Strong supply and demand



**Pursue re-contract
with rent increase**

A-7 Toyo Park Building



Cancellation due to consolidation of
bases
Vacancy rate rising in the area



**Strengthen leasing
activities**

Assumed occupancy rate of portfolio

5th Fiscal Period (Ending August 2021)

- End of period **98.3%**
- Period average **99.3%**

6th Fiscal Period (Ending February 2022)

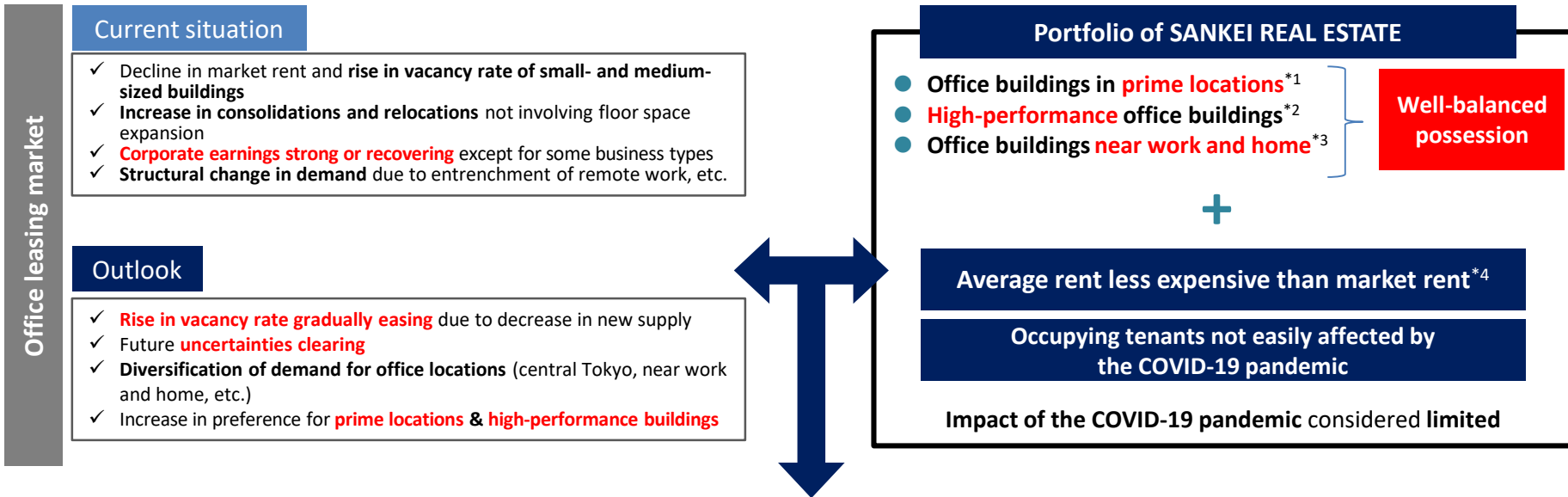
- End of period **100 %**
- Period average **97.8%**

*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.

*2 "Progress rate" is the value calculated by dividing the total leased area for lease contracts that have been concluded as of February 28, 2021, and whose contract revision/renewal has been completed by the total leased area for each contract revision/renewal period, rounded to one decimal place.

*3 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. "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 February 28, 2021, rounded to one decimal place.

2-2 Internal Growth Strategy - Continuing **strategic leasing** -



- Leasing utilizing the customer base of the group companies, affiliated companies, network-related companies, etc. of **Fuji Media Holdings**
- Pursuit of **negotiations for rent increase** with tenants with a rent gap (especially tenants under fixed-term leases)
- **Diversification of contract period** and **rescheduling of cancellation notice period ahead of schedule** based on property characteristics and tenant attributes
- **Direct leasing** by the Asset Management Company

*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, NIHONBASHI-HONCHO, and AKIHABARA) are the applicable properties.

*3 Shinagawa Seaside TS Tower, Toyo Park Building, and Omori Park Building are the applicable properties.

*4 Average rent (yen per tsubo) = Rental and CAM revenue upon the most recent settlement / 6 months / Leasable area x Occupancy rate (presented on page 15)

3. External Growth Results and Strategy

3-1 External Growth Results - Portfolio after acquisition of “S-GATE AKASAKA” -

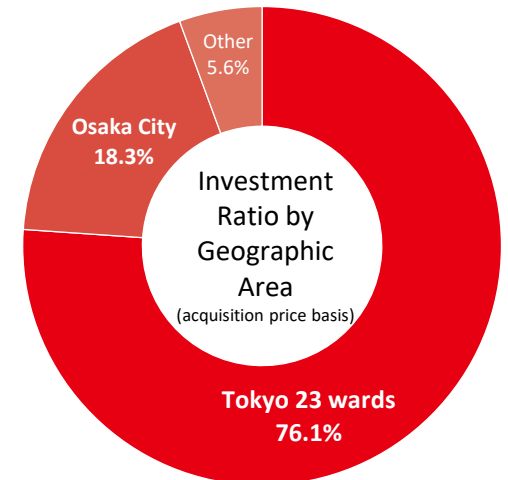
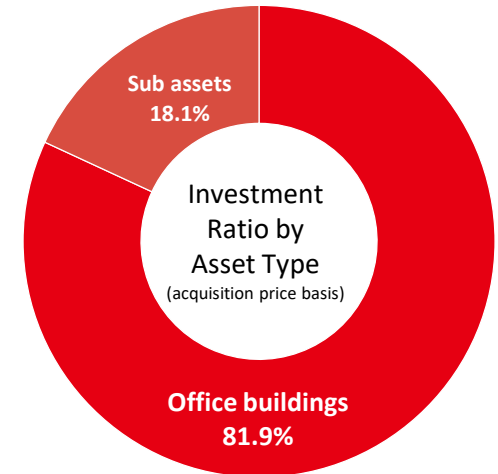
4th FP
(October 1, 2020)
Acquired

“S-GATE AKASAKA”



[As of February 28, 2021]

Number of properties	12 properties
Asset size (Total acquisition price)	71.5 billion yen
Appraisal value* ¹	79.1 billion yen
Acquisition price per property	5.9 billion yen
Average appraisal NOI yield* ²	4.3%
Portfolio PML value	1.7%
Occupancy rate* ²	99.9%
Close Average walking time* ³	2.6 minutes
New Average building age* ³	16.5 years
Large Average typical floorplate* ³	299 tsubos



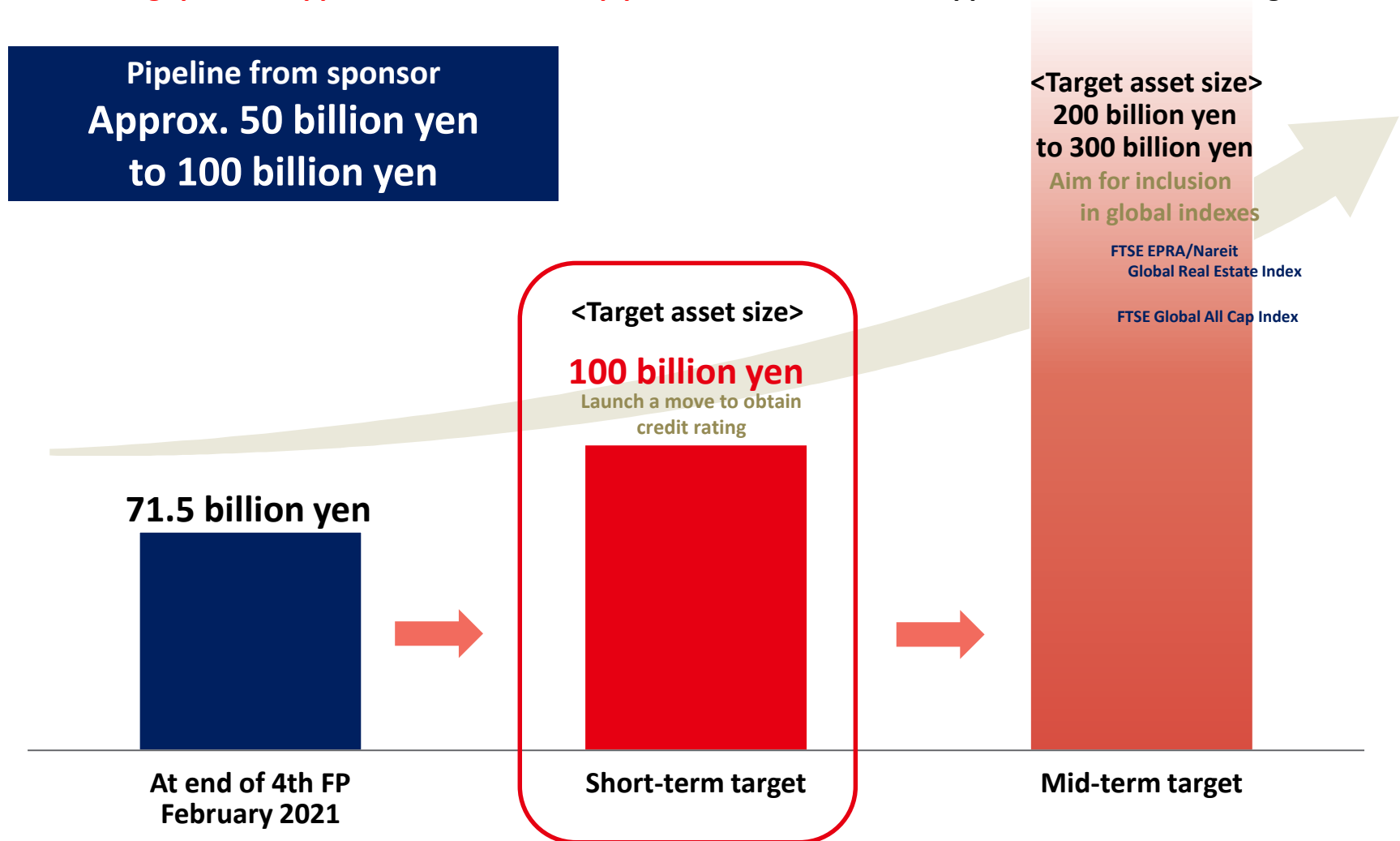
*¹ Appraisal value is calculated based on net operating income derived by the direct capitalization method, with February 28, 2021, as the appraisal date for each.

*² Ratios are rounded to the indicated digits.

*³ Figures are the weighted average based on the acquisition price of each owned property (rounded to the indicated digits).

3-2 External Growth Strategy - External growth policy remains unchanged -

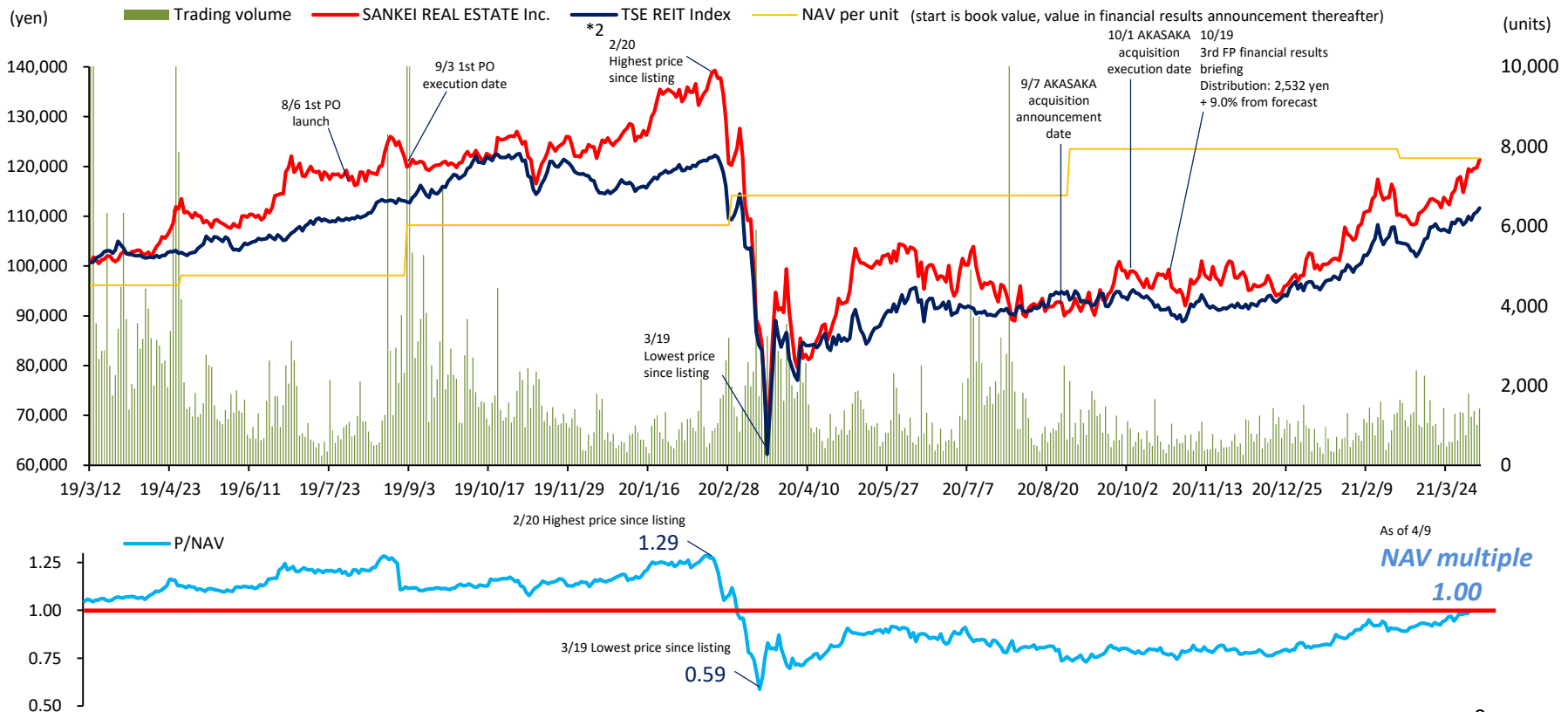
- With **strong sponsor support** and **an abundant pipeline**, aim for favorable opportunities for external growth



- 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 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

- Investment unit prices recovering, **seeking external growth opportunities** -



*1 Peak ratio = 100% - (Investment unit price (closing price as of relevant date) / highest listed value)

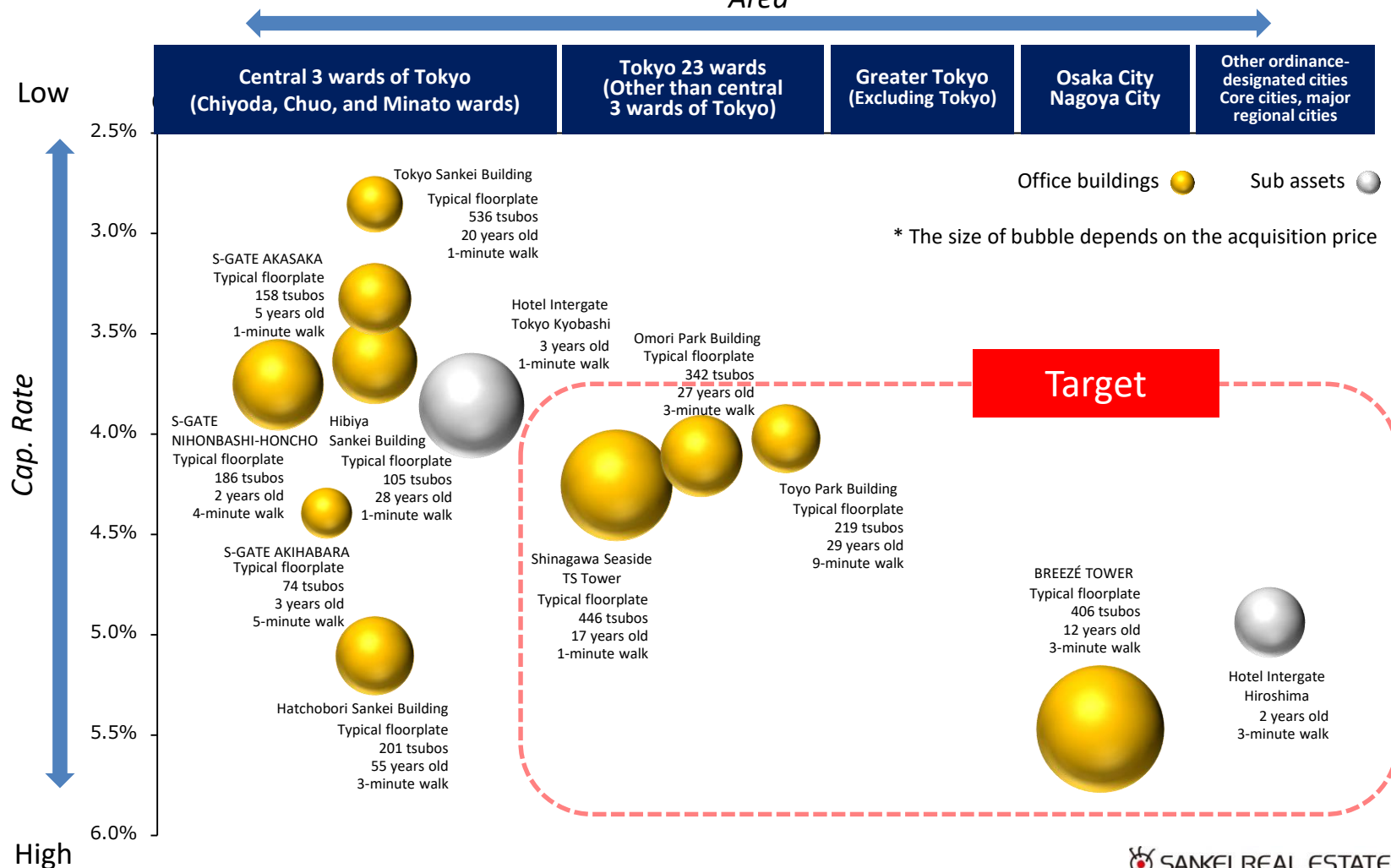
*2 The TSE REIT Index is relative to the closing price of investment units on the date of listing of SANKEI REAL ESTATE Inc. (March 12, 2019).

3-2 External Growth Strategy - Being aware of the balance of portfolio matrix -

- Target **competitive properties** exceeding portfolio NOI yields in Greater Tokyo and ordinance-designated cities
- For office buildings, place emphasis on **location and specifications**. For sub-assets, focus on **retail and logistics facilities**

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

Area



3-2 External Growth Strategy

- Sub-assets are also being developed, centering on office buildings -

■ Main lineup of sponsor



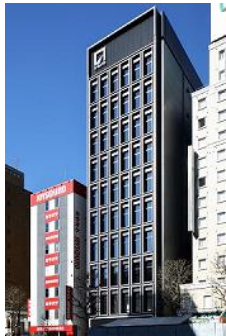
Honmachi Sankei Building

Overview	
Location	Honmachi, Chuo-ku, Osaka-shi, Osaka
Construction completion	August 2021 (scheduled)
Total floor area	29,698 m ²
Number of floors	21 floors above ground



Hareza Tower

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



S-GATE HATCHOBORI

Overview	
Location	Hatchobori, Chuo-ku, Tokyo
Construction completion	February 2020
Total floor area	Approx. 3,920 m ²
Number of floors	10 floors above ground



Otemachi Financial City North Tower

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



Shinagawa Seaside TS Tower

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

Logistics facilities (sponsor-developed properties)



* The properties listed above are not properties that are expected to be acquired by SANKEI REAL ESTATE Inc.

MEMO

4. Financial Strategy

Financial Strategy - Financial highlights (1) -

➤ Maintain stable financial base through lender composition centering on mega banks

■ Financing Highlights (as of March 12, 2021)

Balance of interest-bearing liabilities	37.8 billion yen	LTV ratio*1	47.6%
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Ratio of long-term debt*2	88.6%	Ratio of fixed-rate debt	73.0%
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Average financing interest rate*3	0.34%	Average remaining time to maturity	2.2 years
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■ LTV Ratio During Normal Operations

	End of 4th FP	End of 5th FP	End of 6th FP
LTV ratio	47.6%	47.5% (Forecast)	47.4% (Forecast)

■ Lender Composition (as of March 12, 2021)

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	100.00%

*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.

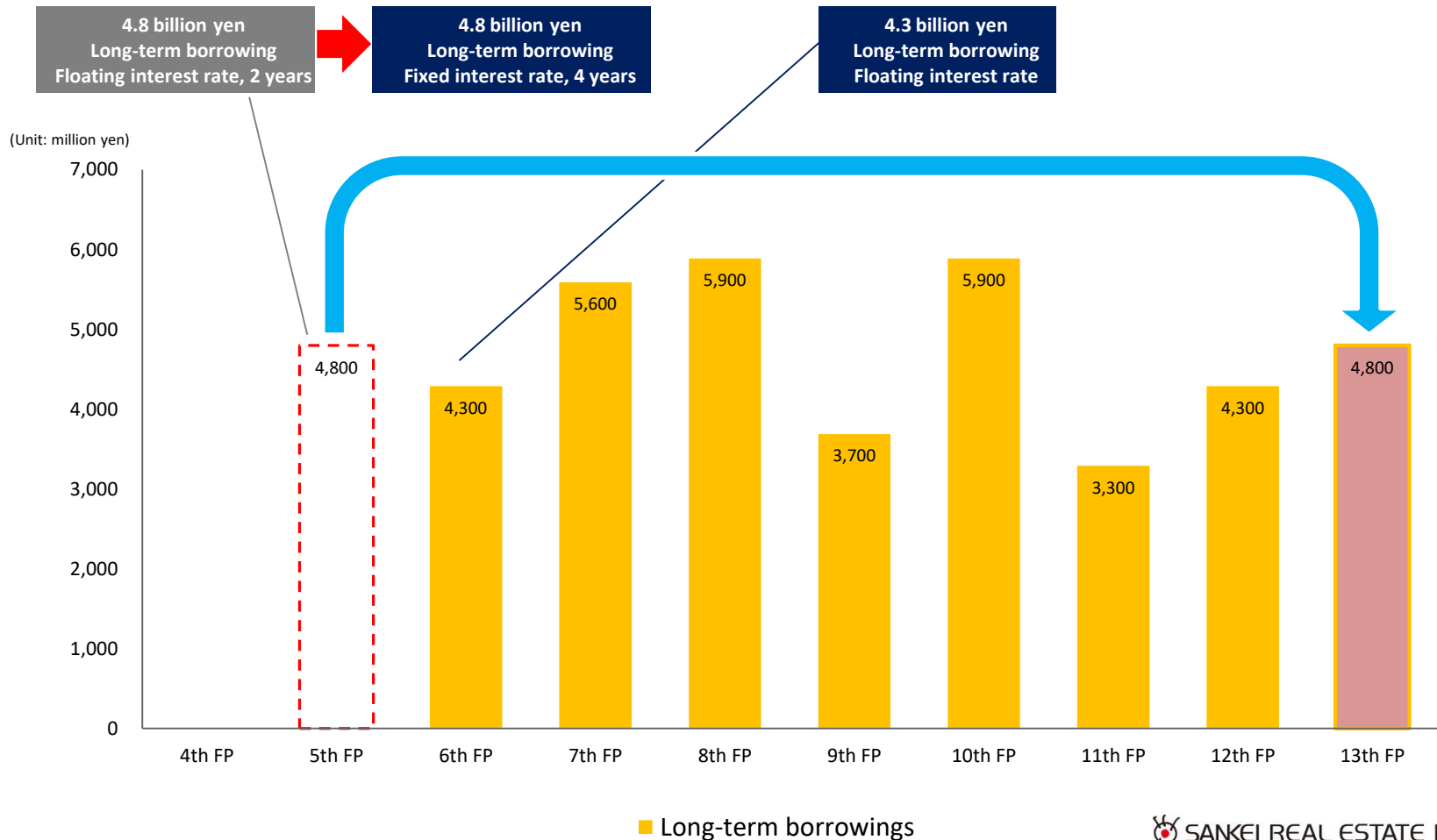
*3 "Average financing interest rate" is the average of applicable interest rates at March 12, 2021. Calculations are on an interest payable basis and do not include arrangement fee and other borrowing related expenses.

Financial Strategy - Financial highlights (2) -

➤ Continue to promote also staggering of the maturity ladder

■ Maturity Ladder for Interest-Bearing Liabilities (as of March 12, 2021)

- **Refinanced borrowing due in the 5th FP** (March 12, 2021) ➤ **Conducted borrowing related to the acquisition of "S-GATE AKASAKA" in the 4th FP** (October 1, 2020)



5. ESG Initiatives

ESG Initiatives: ESG Topics (1) - Establishment of sustainability policy, etc. -

Sustainability Policy

- Established for the purpose of enhancing sustainability initiatives based on the recognition that consideration for sustainability is essential to the sustainable improvement of SANKEI REAL ESTATE's medium- to long-term competitiveness and unitholder value

(1) Preserving the earth **environment** and reducing the **environmental** load of assets under management

(2) Serving the **local community**

(3) Cooperating with external **stakeholders**

(4) Working with **executives and employees**

(5) Observing **compliance** and establishing/maintaining an **internal control system**

(6) **Disclosing** ESG information and securing **transparency**

Sustainability Promotion System Rules

- Providing for **establishment of various policies, internal structure of the Asset Management Company, basic policies on cooperating with external stakeholders and information disclosure, and other matters** related to sustainability

Sustainability Promotion System

Chief Sustainability Officer: Executive Deputy President

Sustainability Officer: General Manager of Investment Management Department

Sustainability promotion meetings: Examining and planning various policies, targets, and measures related to sustainability

Various Policies and Manuals

- The following policies and manuals have been established to put the Sustainability Policy into practice

Policy on energy conservation

Policy on greenhouse gas emissions reduction

Policy on saving water

Policy on sustainable procurement

EMS operational manual

ESG Initiatives: ESG Topics (2)

Governance (Internal Control)

➤ **Sponsor Commitment: Promotion of Same-Boat Investment by Sponsor**

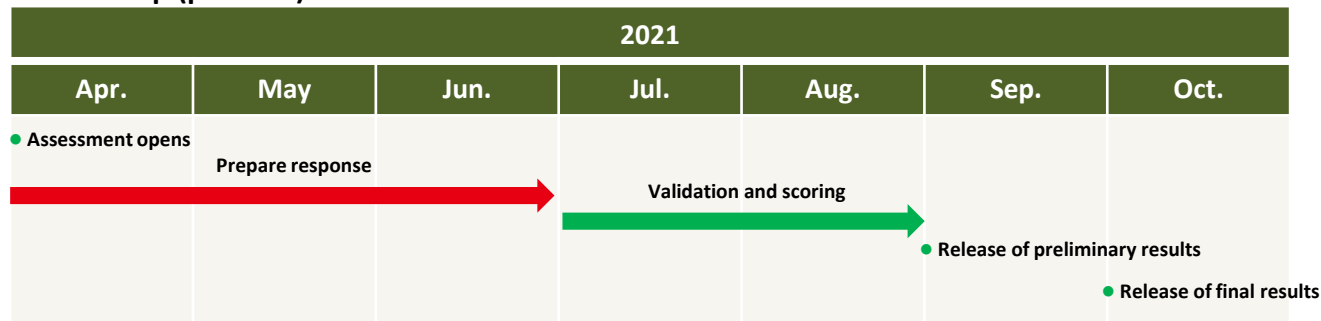
- ✓ Sankei Building, the sponsor, conducted **additional acquisition of the investment units** of SANKEI REAL ESTATE in the 4th FP, too
- ✓ **With further increase in same-boat investment** with the unitholders of SANKEI REAL ESTATE, **strong sponsor support** contributing to the medium- to long-term growth of SANKEI REAL ESTATE is expected

	End of 2nd FP	End of 3rd FP	Additionally acquired units	End of 4th FP
Number of investment units issued and outstanding	356,800 units	356,800 units	—	356,800 units
Number of units held by sponsor	11,362 units	14,979 units	2,500 units	17,479 units
Percentage of units held by sponsor	3.18%	4.19%	0.70%	4.89%

Participation in 2021 GRESB Real Estate Assessment

- **GRESB Real Estate Assessment:** A global investment benchmark established as a tool to measure the environmental, social, and governance (ESG) considerations of individual companies and funds in the real estate sector and used to select investment targets and engage in dialogue with investment targets.

■ **Roadmap (planned)**



ESG Initiatives: Environment (1)

- **Received DBJ Green Building Certification**, which certifies properties that give proper care to the environment and society, for **5 properties** (including 2 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.



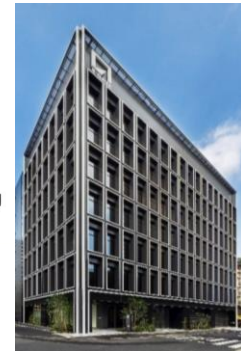
A-4 S-GATE AKIHABARA

Recipient: SANKEI REAL ESTATE Inc.



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

Recipient: SANKEI REAL ESTATE Inc.



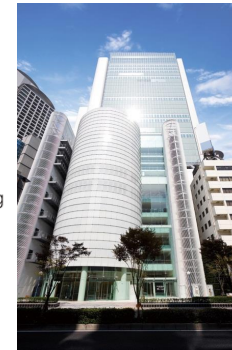
A-1 Tokyo Sankei Building
(2% co-ownership interest)

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



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)



ESG Initiatives: Environment (2)

- **Approximately 30%** progress in **switching to LED** at both the exclusively owned areas and common areas of office buildings

Major environmental initiatives

Tokyo Sankei Building Installation of energy-saving and long-life LED lighting	<ul style="list-style-type: none"> ✓ Sequentially introduce LED lighting and dimming control systems ✓ Increase the number of dimming and blinking sections, enabling narrowing down of the necessary lighting areas ✓ Introduce lighting control by brightness sensor, allowing the office illumination settings to be freely set from the disaster prevention center
Tokyo Sankei Building, and BREEZÉ TOWER Installation of electric vehicle (EV) chargers	<ul style="list-style-type: none"> ✓ Install electric vehicle (EV) charger in the parking lot as part of Sankei Building's environmental protection measures ✓ Install 200V fast charger that can recharge standard electric vehicles to 80% in 30 minutes at BREEZÉ TOWER
Tokyo Sankei Building Installation of community cycle ports	<ul style="list-style-type: none"> ✓ Install Chiyoda Ward's community cycle service ports as social contribution activities in support of the project that Chiyoda Ward is proactively working on as activities to reduce CO₂ emissions and raise environmental awareness
BREEZÉ TOWER Reduction of building heat load	<ul style="list-style-type: none"> ✓ Improve comfort and reduce solar heat with double skin/Low-e glass
BREEZÉ TOWER Effective use of natural energy	<ul style="list-style-type: none"> ✓ Adopt automatic dimming control with the use of daylight and correction of initial illuminance ✓ Use of indirect light with blind automatic control system ✓ Achieve energy saving using outside air-cooling system in the middle period and winter ✓ Adopt solar power system
BREEZÉ TOWER Effective use of water resources and consideration for surrounding environment	<ul style="list-style-type: none"> ✓ Reuse of rainwater and greywater (use as toilet flushing water, and automatic plant irrigation) ✓ Water-saving effect with the adoption of water-saving equipment
S-GATE Rooftop greening (establishment of terrace) and greenery at entrance	<ul style="list-style-type: none"> ✓ Rooftop greening efforts and establish terrace, and use greenery also at the entrance for an open and bright approach



ESG Initiatives: 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

Poster on preventing
the spread of COVID-19



Installation of artwork
(Tokyo Sankei Building)



➤ Relationship with stakeholders

Measures for employees

- ✓ Develop a comfortable office environment
- ✓ Human resources development: Implement various training
- ✓ Work-style support: Childcare and nursing care support

Measures for tenants

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

Connection with the community

- ✓ Installation of artwork

Room for employees



Distribute disaster prevention goods



Appendix

4th Fiscal Period (Ended February 2021) Balance Sheet (Unabridged)

(Unit: thousand yen)

	3rd FP (as of Aug. 31, 2020)	4th FP (as of Feb. 28, 2021)
Assets		
Current assets		
Cash and deposits	3,876,992	4,147,117
Cash and deposits in trust	3,283,341	2,797,010
Operating accounts receivable	87,957	54,096
Prepaid expenses	51,898	46,597
Consumption taxes receivable	-	9,321
Other	567,790	41,015
Total current assets	7,867,979	7,095,157
Non-current assets		
Property, plant and equipment		
Buildings	165,538	166,032
Accumulated depreciation	(8,698)	(11,908)
Buildings, net	156,839	154,123
Structures	353	353
Accumulated depreciation	(12)	(16)
Structures, net	340	336
Land	2,457,766	2,457,766
Buildings in trust	13,624,054	14,296,308
Accumulated depreciation	(547,766)	(769,403)
Buildings in trust, net	13,076,288	13,526,905
Structures in trust	22,236	23,602
Accumulated depreciation	(813)	(1,122)
Structures in trust, net	21,422	22,479
Machinery and equipment in trust	2,608	2,875
Accumulated depreciation	(208)	(348)
Machinery and equipment in trust, net	2,400	2,526
Tools, furniture and fixtures in trust	25,419	27,889
Accumulated depreciation	(1,901)	(3,719)
Tools, furniture and fixtures in trust, net	23,518	24,170
Land in trust	52,510,871	56,132,321
Construction in progress in trust	330	8,103
Total property, plant and equipment	68,249,777	72,328,733
Intangible assets		
Software	6,713	5,773
Total intangible assets	6,713	5,773
Investments and other assets		
Long-term prepaid expenses	60,793	43,237
Deferred tax assets	14	13
Leasehold and guarantee deposits	10,000	10,000
Total investments and other assets	70,807	53,251
Total non-current assets	68,327,298	72,387,757
Total assets	76,195,278	79,482,915

	3rd FP (as of Aug. 31, 2020)	4th FP (as of Feb. 28, 2021)
Liabilities		
Current liabilities		
Operating accounts payable	205,128	170,112
Long-term borrowings due within 1 year	4,800,000	9,100,000
Accounts payable – other	214,600	219,582
Accrued expenses	26,272	26,175
Income taxes payable	893	879
Consumption taxes payable	129,470	-
Advances received	328,557	373,814
Deposits received	1,205,174	7,496
Total current liabilities	6,910,097	9,898,060
Non-current liabilities		
Long-term borrowings	28,700,000	28,700,000
Leasehold and guarantee deposits received	92,935	79,585
Leasehold and guarantee deposits received in trust	3,047,718	3,247,634
Total non-current liabilities	31,840,654	32,027,219
Total liabilities	38,750,751	41,925,280
Net assets		
Unitholders' equity		
Unitholders' capital	36,540,901	36,540,901
Surplus		
Unappropriated retained earnings (undisposed loss)	903,625	1,016,734
Total surplus	903,625	1,016,734
Total unitholders' equity	37,444,526	37,557,635
Total net assets	37,444,526	37,557,635
Total liabilities and net assets	76,195,278	79,482,915

4th Fiscal Period (Ended February 2021) Statement of Income (Unabridged)

	(Unit: thousand yen)	
	3rd FP (ended Aug. 2020)	4th FP (ended Feb. 2021)
Operating revenue		
Leasing business revenue	1,878,684	2,015,771
Other leasing business revenue	126,823	132,163
Total operating revenue	2,005,507	2,147,934
Operating expenses		
Expenses related to leasing business	778,934	790,014
Asset management fee	183,485	186,562
Asset custody fee	1,505	1,568
Administrative service fees	6,370	7,065
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	35,230	40,510
Total operating expenses	1,009,126	1,029,320
Operating profit	996,380	1,118,614
Non-operating income		
Interest income	32	21
Interest on refund	323	-
Other non-operating income	-	0
Total non-operating income	356	21
Non-operating expenses		
Interest expenses	58,586	61,565
Borrowing related expenses	33,790	37,660
Other non-operating expenses	-	2,000
Total non-operating expenses	92,377	101,225
Ordinary profit	904,359	1,017,409
Net profit before income taxes	904,359	1,017,409
Income taxes - current	898	882
Income taxes - deferred	2	0
Total income taxes	901	883
Net profit	903,458	1,016,526
Retained earnings brought forward	167	207
Unappropriated retained earnings (undisposed loss)	903,625	1,016,734

4th Fiscal Period (Ended February 2021) Statement of Cash Flows

	(Unit: thousand yen)	
	3rd FP (ended Aug. 2020)	4th FP (ended Feb. 2021)
Cash flows from operating activities		
Net profit before income taxes	904,359	1,017,409
Depreciation	220,471	228,057
Interest income	(32)	(21)
Interest expenses	58,586	61,565
Decrease (increase) in operating accounts receivable	(23,792)	34,103
Decrease (increase) in consumption taxes refund receivable	369,256	(9,321)
Decrease (increase) in prepaid expenses	(10,700)	5,300
Increase (decrease) in operating accounts payable	58,297	(54,667)
Increase (decrease) in accounts payable – other	52,356	4,076
Increase (decrease) in consumption taxes payable	129,470	(129,470)
Increase (decrease) in advances received	(12,866)	45,256
Increase (decrease) in deposits received	254,170	(1,197,677)
Decrease (increase) in long-term prepaid expenses	(915)	17,555
Decrease (increase) in other assets	(225,717)	526,775
Subtotal	1,772,944	548,943
Interest received	32	21
Interest paid	(57,188)	(61,662)
Income taxes paid	(951)	(896)
Net cash provided by (used in) operating activities	1,714,837	486,405
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,747)	(493)
Purchase of property, plant and equipment in trust	(46,376)	(4,286,634)
Proceeds from leasehold and guarantee deposits received	1,400	81
Refund of leasehold and guarantee deposits received	(502)	(12,724)
Proceeds from leasehold and guarantee deposits received in trust	142,697	232,800
Refund of leasehold and guarantee deposits received in trust	(8)	(33,127)
Net cash provided by (used in) investing activities	91,461	(4,100,099)
Cash flows from financing activities		
Repayments of short-term borrowings	(4,756,000)	-
Proceeds from long-term borrowings	4,300,000	4,300,000
Distribution paid	(1,067,674)	(902,512)
Net cash provided by (used in) financing activities	(1,523,674)	3,397,487
Net increase (decrease) in cash and cash equivalents	282,624	(216,205)
Cash and cash equivalents at beginning of period	6,877,708	7,160,333
Cash and cash equivalents at end of period	7,160,333	6,944,127

Key Performance Indicators (KPIs)

		3rd FP (ended Aug. 2020)	4th FP (ended Feb. 2021)
LTV	(against total assets)	44.0%	47.6%
	(against total assets <considering unrealized gain/loss>)	40.0%	43.8%
NOI yield	(against book value)	4.2%	4.4%
	(against appraisal value)	3.8%	4.0%
NOI yield after depreciation	(against book value)	3.6%	3.8%
	(against appraisal value)	3.2%	3.4%
Implied cap rate	(NOI yield)	4.7%	4.3%
	(NOI yield after depreciation)	4.0%	3.7%
FFO		1,122 million yen	1,243 million yen
AFFO		1,068 million yen	1,201 million yen
FFO per unit		3,147 yen	3,485 yen
EPS		2,532 yen	2,849 yen

- *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 (Annualized result of current FP x 2) / (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

		3rd FP (ended Aug. 2020)	4th FP (ended Feb. 2021)
Distribution per unit		2,532 yen	2,849 yen
Distribution yield		5.6%	5.2%
ROE		4.8%	5.4%
Net assets per unit		104,945 yen	105,262 yen
NAV per unit		126,023 yen	124,489 yen
Investment unit price (at end of period)		90,800 yen	110,200 yen
NAV multiple		0.7x	0.9x
PBR		0.9x	1.0x
PER		17.9x	19.3x
FFO multiple		14.4x	15.8x
Payout ratio	(FFO)	80.4%	81.7%
	(AFFO)	84.5%	84.6%

- *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 March 12, 2021)

Term	Lender	Borrowing amount (million yen)	Interest rate (*1)	Maturity date (*2)	Repayment method	Description
Long-term borrowings	Mizuho Bank, Ltd.	1,574	0.36969% (fixed)	March 12, 2022	Lump-sum repayment at maturity	Unsecured Non-guaranteed
	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, Limited	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, Limited	324				
	Mizuho Bank, Ltd.	856	0.49096% (fixed)	March 12, 2024		
	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, Limited	294				
	Mizuho Bank, Ltd.	2,250	0.27909% (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, Limited	490				

Term	Lender	Borrowing amount (million yen)	Interest rate (*1)	Maturity date (*2)	Repayment method	Description
Long-term borrowings	Mizuho Bank, Ltd.	950	0.36200% (fixed)	September 3, 2023	Lump-sum repayment at maturity	Unsecured Non- guaranteed
	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, Limited	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, Limited	358				
	Mizuho Bank, Ltd.	1,331	0.36978% (fixed)	March 12, 2025		
	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, Limited	385				
	Mizuho Bank, Ltd.	4,300	0.22727% (floating)	October 1, 2021		
Total		37,800				

*1. Interest rates indicated are the applicable interest rates as of March 12, 2021.

*2. If the maturity date is not a business day, it will be the following business day.

4th Fiscal Period (Ended February 2021) 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	60,396	531,280	160,529	62,652	209,800	176,523
Rental revenue	49,010	418,757	153,523	59,774	183,364	145,970
CAM revenue	2,438	88,165	-	-	13,232	13,790
Utilities reimbursement	5,219	16,134	4,105	2,448	10,131	8,809
Parking revenue	764	7,241	2,763	378	1,932	6,476
Other rental revenue	2,963	981	137	51	1,140	1,475
Expenses related to leasing business	30,012	211,497	43,374	25,100	92,895	60,826
Outsourcing expenses	6,158	65,762	8,998	8,505	18,075	17,048
Utilities expenses	3,023	31,174	4,818	2,489	8,323	10,108
Property taxes	12,303	37,132	10,610	4,821	53,901	10,144
Land rent	683	1,135	-	-	-	-
Repair expenses	2,171	10,211	-	618	6,041	6,331
Insurance premium	112	954	353	170	308	474
Trust fee	-	(328)	250	250	250	250
Depreciation	3,213	63,298	18,036	7,623	5,561	15,767
Other expenses from leasing	2,346	2,157	306	620	435	701
Operating income (loss) from leasing	30,383	319,783	117,155	37,552	116,904	115,696
NOI	33,597	383,081	135,192	45,176	122,466	131,463

*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.

4th Fiscal Period (Ended February 2021) Statement of Income from Leasing by Property






(Unit: thousand yen)

Property number	A-7	A-8	A-9	A-10	B-1	B-2	Total
Asset type	Office buildings	Office buildings	Office buildings	Office buildings	Sub assets	Sub assets	
Property name	Toyo Park Building	Shinagawa Seaside TS Tower ^{*1}	Omori Park Building	S-GATE AKASAKA ^{*1}	Hotel Intergate Tokyo Kyobashi	Hotel Intergate Hiroshima	
Leasing business revenue	115,778		154,633		206,955	118,800	2,147,934
Rental revenue	84,030		125,452		206,955	118,800	1,868,319
CAM revenue	19,788		10,037		-	-	147,452
Utilities reimbursement	9,539		12,970		-	-	93,366
Parking revenue	2,340		5,400		-	-	30,655
Other rental revenue	80		773		-	-	8,141
Expenses related to leasing business	38,337	(Not disclosed)	65,709	(Not disclosed)	54,436	43,574	790,014
Outsourcing expenses	9,094		15,349		1,200	1,800	183,374
Utilities expenses	7,553		16,007		-	-	110,924
Property taxes	7,619		16,047		25,629	15,388	214,815
Land rent	-		-		-	-	1,818
Repair expenses	3,627		1,654		-	19	35,844
Insurance premium	257		493		543	496	4,664
Trust fee	350		350		250	250	2,371
Depreciation	9,519	30,079	15,220	6,453	26,770	25,572	227,117
Other expenses from leasing	315		586		43	47	9,081
Operating income (loss) from leasing	77,441	167,855	88,923	58,478	152,519	75,225	1,357,920
NOI	86,960	197,935	104,144	64,931	179,289	100,798	1,585,038

*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 February 28, 2021)

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*	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	2,690 million yen	17,235 million yen	7,470 million yen	2,530 million yen	6,340 million yen	5,500 million yen
Appraisal NOI yield (Appraisal NOI/Acquisition price)	2.9%	5.5%	3.8%	4.4%	3.6%	5.1%
Construction completion	Sep. 2000	Jul. 2008	Oct. 2018	Sep. 2017	Jun. 1992	Sep. 1965
Occupancy rate	91.6%	100.0%	100.0%	100.0%	100.0%	100.0%
PML value	2.3%	2.8%	2.0%	2.2%	3.1%	0.3%

* The first acquisition of BREEZÉ TOWER was made on March 12, 2019, and the second acquisition on September 3, 2019.

Portfolio List (2) (as of February 28, 2021)

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 Interagate Tokyo Kyobashi	Hotel Interagate 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	3,610 million yen	11,000 million yen	5,490 million yen	4,266 million yen	8,970 million yen	4,080 million yen
Appraisal NOI yield (Appraisal NOI/Acquisition price)	4.0%	4.3%	4.1%	3.3%	3.9%	4.9%
Construction completion	Jun. 1991	Jul. 2003	May 1993	Jul. 2015	Jan. 2018	Oct. 2018
Occupancy rate	100.0%	100.0%	100.0%	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%

Overview of Appraisal Value at the End of 4th Fiscal Period

(Unit: million yen)

Property number	Property name	Acquisition price	End of 4th FP Book value	At acquisition ^{*1} (a)		End of 4th FP ^{*2} (February 28, 2021) (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	2,612	2,540	2.6%	2,690	2.5%	150	-0.1pt	78
A-2	BREEZÉ TOWER (45% quasi co-ownership interest in sectional ownership of the office portion of the building, etc.)	13,100	13,130	13,905	3.9%	17,235	3.8%	3,330	-0.1pt	4,105
A-3	S-GATE NIHONBASHI-HONCHO (51% co-ownership interest)	6,698	6,725	6,780	3.7%	7,470	3.3%	690	-0.4pt	745
A-4	S-GATE AKIHABARA	2,055	2,059	2,080	3.8%	2,530	3.5%	450	-0.3pt	471
A-5	Hibiya Sankei Building	5,829	6,051	5,900	3.3%	6,340	3.0%	440	-0.3pt	289
A-6	Hatchobori Sankei Building	4,959	5,020	5,020	4.2%	5,500	4.1%	480	-0.1pt	480
A-7	Toyo Park Building	3,782	3,881	3,790	4.2%	3,610	4.0%	-180	-0.2pt	-271
A-8	Shinagawa Seaside TS Tower (25% quasi co-ownership interest in sectional ownership of the building, etc.)	10,040	10,132	10,200	3.6%	11,000	3.6%	800	0.0pt	868
A-9	Omori Park Building	5,400	5,477	5,600	3.9%	5,490	3.8%	-110	-0.1pt	13
A-10	S-GATE AKASAKA (60% quasi co-ownership interest)	4,200	4,249	4,266	3.2%	4,266	3.2%	0	0.0pt	17
Office buildings subtotal (total of 10 properties)		58,574	59,340	60,081		66,131		6,050		6,791
B-1	Hotel Intergate Tokyo Kyobashi	8,961	9,004	9,070	3.8%	8,970	3.8%	-100	0.0pt	-34
B-2	Hotel Intergate Hiroshima	3,990	3,974	4,080	4.6%	4,080	4.6%	0	0.0pt	106
Sub assets subtotal (total of 2 properties)		12,951	12,979	13,150		13,050		-100		71
Portfolio total (total of 12 properties)		71,525	72,320	73,231		79,181		5,950		6,861

*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, the appraisal value with July 1, 2019, as the appraisal date for A-8, A-9, and B-2, the total appraisal value with October 31, 2018, and July 1, 2019, as the appraisal dates for A-2, and the appraisal value with August 1, 2020, as the appraisal date for A-10.

*2. The appraisal value with February 28, 2021, 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.

Portfolio at End of 4th Fiscal Period

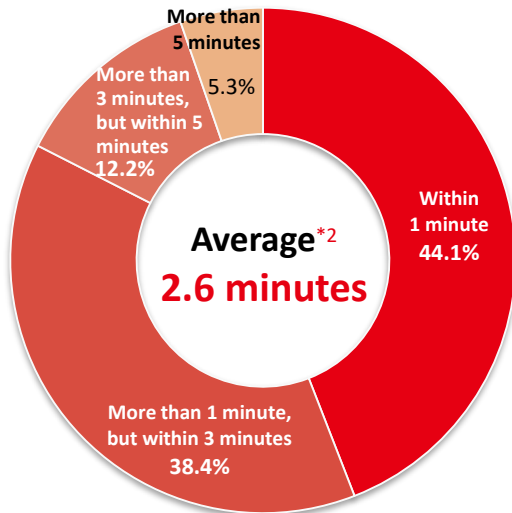
SANKEI REAL ESTATE's high-quality portfolio is supported by strong sponsor support

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%

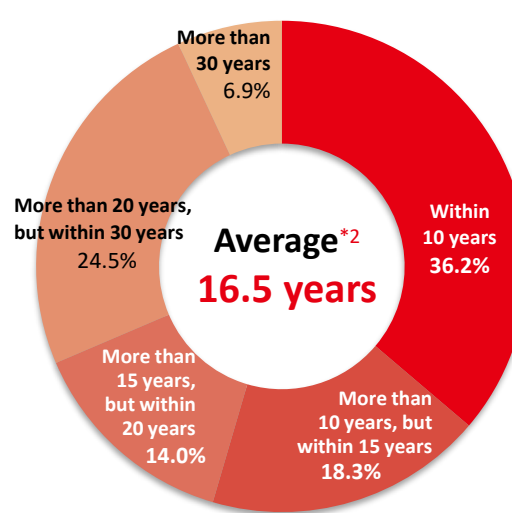


All Properties

New

Percentage by Building Age^{*1}

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

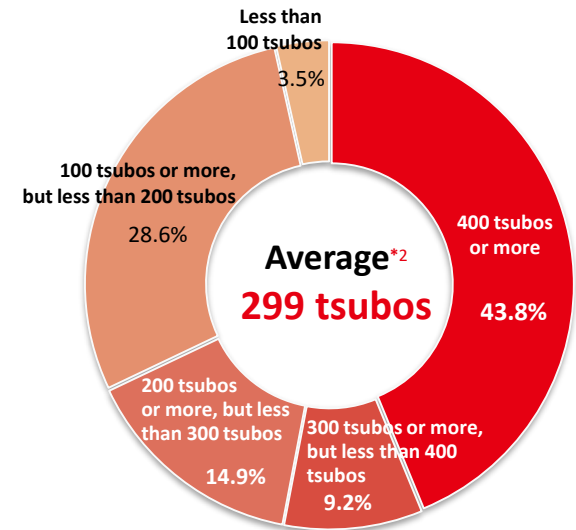


All Properties

Large

Percentage by Typical Floorplate^{*1}

- Large-scale buildings 68%^{*3}
- Large buildings 96%



Office Buildings Only

^{*1} Calculated based on the acquisition price of each owned property as of February 28, 2020.

^{*2} Figures are the weighted average based on the acquisition price of each owned property (rounded to the indicated digits).

^{*3} Calculated based on the definition of "Large-scale buildings: 200 tsubo or more" and "Large buildings: 100 tsubos or more, but less than 200 tsubos" made by Sanko Estate Co., Ltd.

Portfolio Matrix at End of 4th Fiscal Period (1)

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

Area

(Unit: million yen)

Cap. Rate	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		Property name			Property name		Property name		
		Building age, walking time from station	Acquisition price (million yen)	Building age, walking time from station	Acquisition price (million yen)		Building age, walking time from station	Acquisition price (million yen)	Building age, walking time from station	Acquisition price (million yen)	
Less than 3.0%		Tokyo Sankei Building									2,509
		20 years old, 1-minute walk									(3.5%)
		2,509									
Less than 3.5%		S-GATE AKASAKA									4,200
		5 years old, 1-minute walk									(5.9%)
		4,200									
Less than 4.0%		Hibiya Sankei Building									21,488 (30.0%)
		28 years old, 1-minute walk									
		5,829									
		S-GATE NIHONBASHI-HONCHO									
		2 years old, 4-minute walk									
		6,698									
		Hotel Intergate Tokyo Kyobashi									
		3 years old, 1-minute walk									
		8,961									
Less than 4.5%		S-GATE AKIHABARA		Shinagawa Seaside TS Tower							21,277 (29.7%)
		3 years old, 5-minute walk		17 years old, 1-minute walk							
		2,055		10,040							
				Omori Park Building							
				27 years old, 3-minute walk							
				5,400							
				Toyo Park Building							
				29 years old, 9-minute walk							
				3,782							
Less than 5.0%									Hotel Intergate Hiroshima		3,990
									2 years old, 3-minute walk	3,990	(5.6%)
5.0% or more		Hatchobori Sankei Building					BREEZÉ TOWER				18,059
		55 years old, 3-minute walk					12 years old, 3-minute walk	13,100			(25.2%)
		4,959									
Total acquisition price		35,211		19,222		—	13,100		3,990		71,525
(Overall ratio)		(49.2%)		(26.9%)			(18.3%)		(5.6%)		(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

Portfolio Matrix at End of 4th Fiscal Period (2)

<Typical floorplate x Area>

Area

(Unit: million yen)

Typical floorplate (tsubo)	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		Property name			Property name		Property name		
		Building age, walking time from station	Acquisition price (million yen)	Building age, walking time from station	Acquisition price (million yen)		Building age, walking time from station	Acquisition price (million yen)	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 2 years old, 3-minute walk 3,990		12,731 (17.8%)
Less than 200 tsubos 100 tsubos or more		S-GATE NIHONBASHI-HONCHO 2 years old, 4-minute walk 6,698									25,688 (35.9%)
		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 3 years old, 1-minute walk 8,961									
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

Top End Tenants by Leased Area (as of February 28, 2021)

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	23.36%	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	3.92%	S-GATE NIHONBASHI-HONCHO
Hitachi Real Estate Partners, Ltd.	Real estate	2,423.0	3.73%	Toyo Park Building
Hakuhodo DY Holdings Inc.	Service (advertising)	1,888.3	2.91%	S-GATE AKASAKA
Toyo Sangyo Co., Ltd.	Service (equipment maintenance)	1,509.7	2.33%	Omori Park Building
Yokogawa Solution Service Corporation	Service (equipment maintenance)	Not disclosed	Not disclosed	BREEZÉ TOWER
SEGA GROUP CORPORATION	Manufacturing (game)	1,131.0	1.74%	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.

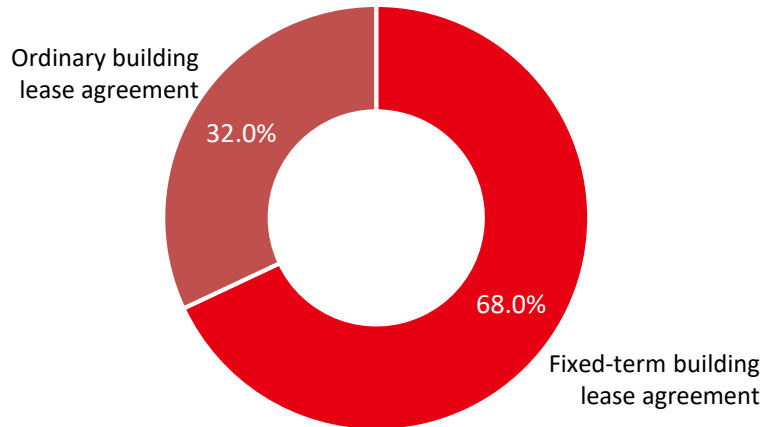
* "% of portfolio's total leased area" refers to the total leased area expressed as a percentage of the entire portfolio's total leased area, rounded to two decimal place.

* With regard to "Total leased area" and "% of portfolio's total leased area," for properties leased to the master lessee, the areas stated in the lease agreements concluded with end tenants are used as areas leased to the end tenants when calculating.

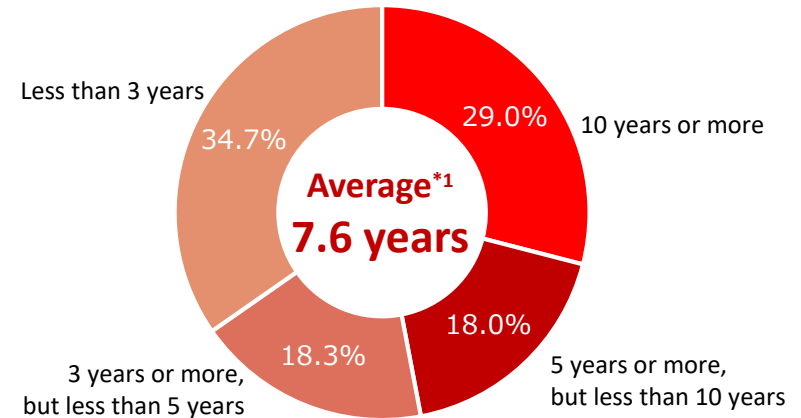
* The information is "Not disclosed" due to unavoidable circumstances in that such contains information for which consent for disclosure has not been obtained from the tenant, relevant party, etc. or information from which confidential information can be derived.

Status of Lease Agreements (as of February 28, 2021; based on leased area after considering ownership interest)

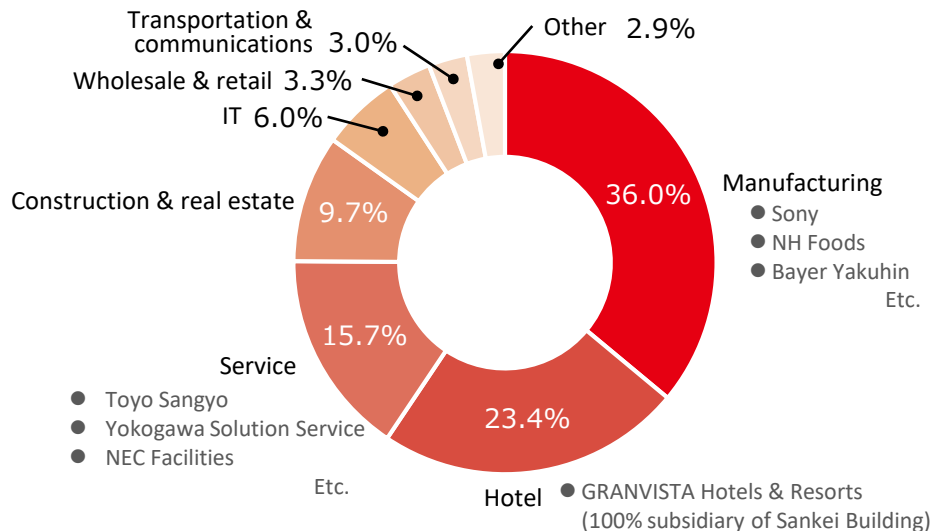
➤ Breakdown of Tenants by Contract Form



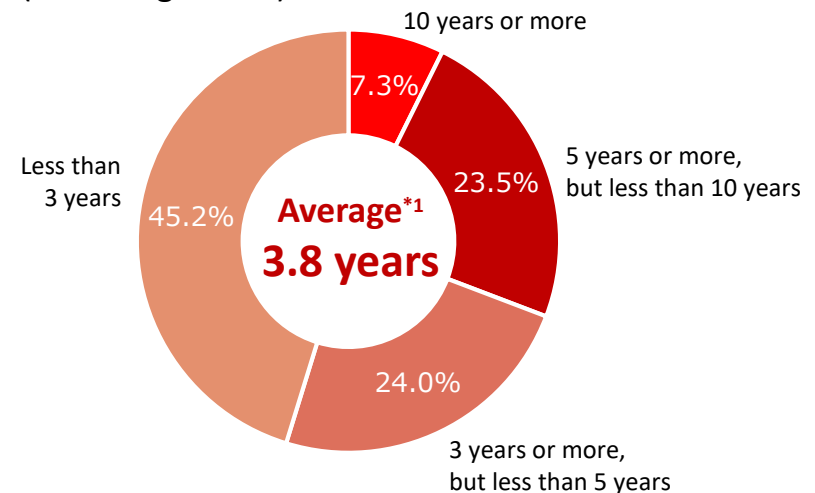
➤ Breakdown of Tenants by Lease Period (including hotels)



➤ Breakdown of Tenants by Business Type



➤ Breakdown of Tenants by Lease Period (excluding hotels)

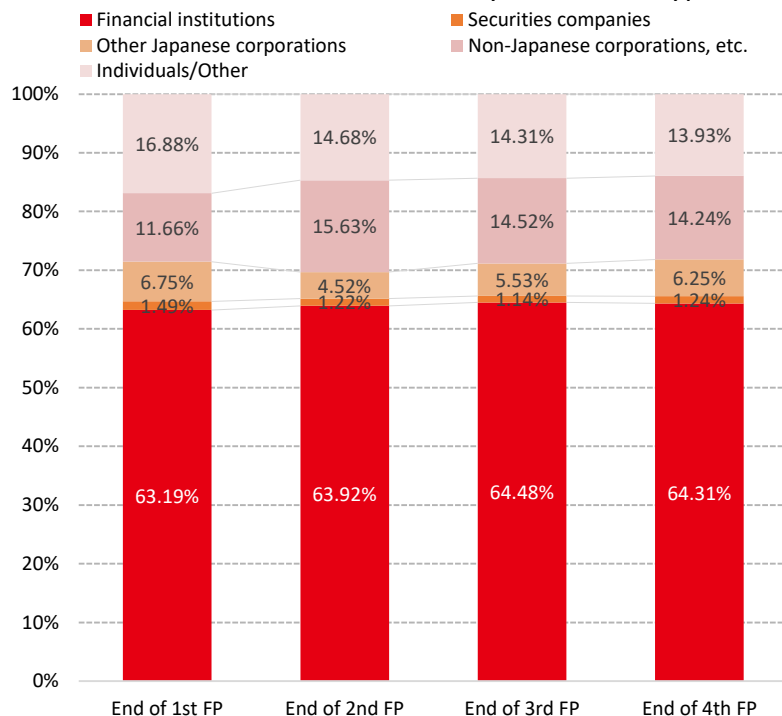


*1. Figures are the weighted average based on the area leased to each tenant.

*2. As to the calculation of each ratio indicated above, for properties leased to the master lessee, the areas stated in the lease agreements concluded with end tenants are used as areas leased to the end tenants when calculating.

Status of Unitholders (as of February 28, 2021)

➤ Breakdown of Investment Units by Unitholder Type



➤ Number of Unitholders by Unitholder Type

	End of 1st FP	End of 2nd FP	End of 3rd FP	End of 4th FP
Financial institutions	37	55	54	49
Securities companies	17	19	23	22
Other Japanese corporations	116	127	131	135
Non-Japanese corporations, etc.	57	62	59	70
Individuals/Other	6,399	7,585	7,458	7,406
Total	6,626	7,848	7,725	7,682

➤ Major Unitholders

Name of unitholder	Number of units owned (units)	Share of units owned (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	72,506	20.32
Custody Bank of Japan, Ltd. (Trust Account)	67,338	18.87
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	25,131	7.04
The Sankei Building Co., Ltd.	17,479	4.89
Custody Bank of Japan, Ltd. (Security Investment Trust Account)	16,263	4.55
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/SECURITIES-AIFM	12,683	3.55
STATE STREET BANK AND TRUST COMPANY 505223	6,505	1.82
Aozora Bank, Ltd.	6,102	1.71
SCBHK AC LIECHTENSTEINISCHE LANDESBANK AG	5,727	1.60
The Bank of Yokohama, Ltd.	5,353	1.50
Total	235,087	65.88

* Each share above is rounded down to two decimal place.

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

