

August 16, 2021

For Immediate Release

Real Estate Investment Trust Securities Issuer

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SANKEI REAL ESTATE Inc.

Representative: Yuichi Ota, Executive Director

(TSE code: 2972)

Asset Management Company

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Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units

SANKEI REAL ESTATE Inc. ("SANKEI REAL ESTATE") hereby announces that, at the meeting of the board of directors of SANKEI REAL ESTATE held on August 16, 2021, the following resolution was passed concerning issuance of new investment units and secondary offering of investment units.

1. Issuance of New Investment Units Through Public Offering (Primary Offering)

- | | | |
|-----|--|---|
| (1) | Number of investment units offered: | 105,047 units |
| (2) | Amount to be paid in (issue amount): | To be determined The amount to be paid in (issue amount) shall be determined at the meeting of the board of directors of SANKEI REAL ESTATE to be held on any date between August 24, 2021 (Tuesday) and August 27, 2021 (Friday) (hereinafter, the "pricing date") through the method provided in Article 25 of the Rules Concerning Underwriting, Etc. of Securities set forth by Japan Securities Dealers Association. Please note that the amount to be paid in (issue amount) shall refer to the amount per unit that SANKEI REAL ESTATE is to receive as the amount paid in for new investment units of SANKEI REAL ESTATE (hereinafter, "SANKEI REAL ESTATE investment units"). |
| (3) | Total amount to be paid in (total issue amount): | To be determined |
| (4) | Offer price: | To be determined The offer price shall be determined on the pricing date after taking into account demand and other factors using an indicative price range, which shall be calculated by applying multiples in the range of 0.90 and 1.00 (rounded down to the nearest yen) to the result of closing price in regular trading of SANKEI REAL ESTATE investment units on Tokyo Stock Exchange, Inc. (hereinafter, "Tokyo Stock Exchange") on the pricing date (if there is no closing price on that date, then the most recent closing price preceding that date), less the forecast distribution per unit for the fiscal period ending August 31, 2021 of 2,862 yen from, through the method provided in Article 25 of the Rules Concerning Underwriting, Etc. of Securities set forth by Japan Securities Dealers Association. |
| (5) | Total amount of offer price: | To be determined |

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- (6) Offering method: The offering shall be a primary offering in which all investment units of the primary offering shall be purchased and underwritten by underwriters. Furthermore, of the abovementioned number of investment units to be offered, a portion may be sold to overseas investors in overseas markets mainly in Europe and Asia (excluding the U.S. and Canada). In addition, the cumulative issue amount of SANKEI REAL ESTATE investment units to be offered (sold) in Japan, including additional units issued in the primary offering, shall account for more than 50% of the total issue amount of SANKEI REAL ESTATE investment units issued, including additional units issued in the primary offering.
- (7) Content of underwriting agreement: The underwriters shall purchase and underwrite SANKEI REAL ESTATE investment units at the amount to be paid in (issue amount) to be determined on the pricing date, and conduct the primary offering at the offer price, which differs from the amount to be paid in (issue amount). No underwriting fee shall be payable to the underwriters by SANKEI REAL ESTATE. However, the underwriters shall pay in the total amount to be paid in (total issue amount) to SANKEI REAL ESTATE on the payment due date stated in (10) below, and the total difference between the offer price and the amount to be paid in (issue amount) of the primary offering shall be the proceeds of the underwriters.
- (8) Unit of subscription: 1 unit or more in multiples of 1 unit
- (9) Subscription period: From the business day following the pricing date to the date that marks two business days after the pricing date
- (10) Payment due date: Either September 1, 2021 (Wednesday) or September 2, 2021 (Thursday). September 1, 2021 (Wednesday) if the pricing date is from August 24, 2021 (Tuesday) to August 26, 2021 (Thursday), and September 2, 2021 (Thursday) if it is August 27, 2021 (Friday).
- (11) Delivery due date: The date shall be the business day following the payment due date described in (10) above.
- (12) The amount to be paid in (issue amount), offer price and other matters necessary for this issuance of new investment units through public offering shall be determined at a future meeting of the board of directors of SANKEI REAL ESTATE.
- (13) Each of the items above shall be subject to the condition that the notification under the Financial Instruments and Exchange Act takes effect.

2. Secondary Offering of Investment Units (Secondary Offering Through Over-Allotment)

(See <Reference> 1. below)

- (1) Number of investment units to be offered: 5,252 units
The number of investment units to be offered above is the maximum number of investment units of the secondary offering through over-allotment to be conducted, separate from the primary offering, by one of the joint lead managers of the primary offering upon the primary offering, taking into account the status of demand and other factors related to the primary offering. There may be cases where the number of investment units to be offered above will decrease, or the secondary offering through over-allotment itself will not take place at all, depending on the status of demand and other factors related to the primary offering. The number of investment units to be offered shall be determined at the meeting of the board of directors of SANKEI REAL ESTATE to be held on the pricing date, taking into account the status of demand and other factors related to the primary offering.
- (2) Seller: One of the joint lead managers

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- (3) Secondary offering price: To be determined
The amount to be paid in (issue amount) shall be determined at the meeting of the board of directors of SANKEI REAL ESTATE to be held on the pricing date. Furthermore, the secondary offering price shall be the same as the offer price of the primary offering.
- (4) Total amount of secondary offering price: To be determined
- (5) Secondary offering method: One of the joint lead managers of the primary offering shall conduct, separate from the primary offering, a secondary offering of SANKEI REAL ESTATE investment units, which it shall borrow from The Sankei Building Co., Ltd. in a number not to exceed 5,252 units (hereinafter, the “borrowed investment units”), taking into account the status of demand and other factors related to the primary offering.
- (6) Unit of subscription: 1 unit or more in multiples of 1 unit
- (7) Subscription period: The subscription period shall be the same as the subscription period of the primary offering.
- (8) Delivery due date: The delivery due date shall be the same as the delivery due date of the primary offering.
- (9) If the primary offering is canceled, the secondary offering through over-allotment shall also be canceled.
- (10) The secondary offering price and other matters necessary for this secondary offering of investment units shall be determined at a future meeting of the board of directors of SANKEI REAL ESTATE.
- (11) Each of the items above shall be subject to the condition that the notification under the Financial Instruments and Exchange Act takes effect.

3. Issuance of New Investment Units Through Third-Party Allotment (See <Reference> 1. below)

- (1) Number of investment units offered: 5,252 units
- (2) Amount to be paid in (issue amount): To be determined
The amount to be paid in (issue amount) shall be determined at the meeting of the board of directors of SANKEI REAL ESTATE to be held on the pricing date. Furthermore, the amount to be paid in (issue amount) shall be the same as the amount to be paid in (issue amount) of the primary offering.
- (3) Total amount to be paid in (total issue amount): To be determined
- (4) Allottee: A joint lead manager
- (5) Unit of subscription: 1 unit or more in multiples of 1 unit
- (6) Subscription period: September 28, 2021 (Tuesday)
(Subscription due date)
- (7) Payment due date: September 29, 2021 (Wednesday)
- (8) The investment units not subscribed for by the subscription period (subscription due date) stated in (6) above shall not be issued.
- (9) If the primary offering is canceled, this issuance of new investment units through third-party allotment shall also be canceled.
- (10) The amount to be paid in (issue amount) and other matters necessary for this issuance of new investment units through third-party allotment shall be determined at a future meeting of the board of directors of SANKEI REAL ESTATE.
- (11) Each of the items above shall be subject to the condition that the notification under the Financial Instruments and Exchange Act takes effect.

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<Reference>

1. Secondary Offering Through Over-Allotment, Etc.

While conducting the primary offering, there are cases where one of the joint lead managers may conduct a secondary offering (secondary offering through over-allotment) of SANKEI REAL ESTATE investment units, which shall be borrowed from SANKEI REAL ESTATE's unitholder "The Sankei Building Co., Ltd." in a number not to exceed 5,252 units, taking into account the status of demand and other factors related to the primary offering. The number of investment units to be offered in the secondary offering through over-allotment is presented in the maximum number. There may be cases where the number will decrease, or the secondary offering through over-allotment itself will not take place at all, depending on the status of demand and other factors.

Furthermore, in connection with the secondary offering through over-allotment, at the meeting of the board of directors of SANKEI REAL ESTATE held on August 16, 2021 (Monday), SANKEI REAL ESTATE passed a resolution to conduct, separate from the primary offering, an issuance of new investment units through third-party allotment for 5,252 units of SANKEI REAL ESTATE investment units in which the allottee is one of the joint lead managers (hereinafter, the "third-party allotment") with September 29, 2021 (Wednesday) as the payment due date in order for one of the joint lead managers to acquire the SANKEI REAL ESTATE investment units necessary to return the borrowed investment units.

During the subscription period of the primary offering and secondary offering through over-allotment (hereinafter, the "subscription period"), there are cases where a joint lead manager may conduct a stabilizing transaction of SANKEI REAL ESTATE investment units. All or part of the SANKEI REAL ESTATE investment units purchased in the stabilizing transaction may be used to return the borrowed investment units.

In addition, during the period from the day following the date on which the subscription period ends to September 24, 2021 (Friday) (hereinafter, the "syndicate covering transaction period"), there are cases where one of the joint lead managers may purchase SANKEI REAL ESTATE investment units on the Tokyo Stock Exchange in a number not to exceed the number of investment units of the secondary offering through over-allotment (hereinafter, the "syndicate covering transaction"). All of the SANKEI REAL ESTATE investment units purchased by such joint lead manager in the syndicate covering transaction shall be used to return the borrowed investment units. Furthermore, even during the syndicate covering transaction period, there are cases where such joint lead manager may decide not to engage in the syndicate covering transaction at all, or end the syndicate covering transaction in a number not reaching the number of investment units of the secondary offering through over-allotment.

A joint lead manager is scheduled to accept the third-party allotment in the number of investment units arrived at when the abovementioned number of investment units in the stabilizing transaction and syndicate covering transaction to be used to return the borrowed investment units is deducted from the number of investment units of the secondary offering through over-allotment.

For this reason, there are cases where the number of investment units to be issued in the third-party allotment may not be subscribed for, in whole or in part. As a result, the final number of investment units issued in the third-party allotment may decrease by that extent, or the issuance itself may not take place at all, due to forfeiture.

Whether or not the secondary offering through over-allotment takes place and the number of investment units to be offered in the event that the secondary offering through over-allotment takes place shall be determined on the pricing date. In the event that the secondary offering through over-allotment does not take place, the borrowing of SANKEI REAL ESTATE investment units by a joint lead manager from The Sankei Building Co., Ltd. will not take place. Accordingly, such joint lead manager will not accept or subscribe for allotment pertaining to the third-party allotment and, as a result, the issuance of new investment units through the third-party allotment will not take place at all, due to forfeiture. In addition, the syndicate covering transaction on Tokyo Stock Exchange will not take place, either.

Furthermore, one of the joint lead managers shall discuss stabilizing transactions and syndicate covering transactions with the other joint lead managers before engaging in such.

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2. Changes in Total Number of Investment Units Issued and Outstanding Due to This Issuance of New Investment Units

| | | |
|---|---------------|--------|
| Total number of investment units issued and outstanding at present | 356,800 units | |
| Increase in number of investment units due to issuance of new investment units through primary offering: | 105,047 units | |
| Total number of investment units issued and outstanding after issuance of new investment units through primary offering: | 461,847 units | |
| Increase in number of investment units due to issuance of new investment units through the third-party allotment: | 5,252 units | (Note) |
| Total number of investment units issued and outstanding after issuance of new investment units through the third-party allotment: | 467,099 units | (Note) |

(Note) The number of investment units in the event that a joint lead manager subscribes for all of the number of investment units to be offered in the third-party allotment and the issuance takes place.

3. Purpose of and Reason for Issuance

The purpose is to expand the portfolio while maintaining the portfolio quality by acquiring new specified assets (the meaning set forth in Article 2, Paragraph 1 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended)) using funds procured through the issuance of new investment units. SANKEI REAL ESTATE decided on this issuance of new investment units as a result of comprehensively taking into account market trends, the ratio of interest-bearing liabilities (LTV ratio), distribution per unit and other factors.

4. Amount, Use and Planned Outlay Schedule of Funds to Be Procured

(1) Amount of funds to be procured (estimated net proceeds)

13,191,000,000 yen (maximum)

(Note) The sum total amount of 12,563,000,000 yen in proceeds from the primary offering and 628,000,000 yen in maximum proceeds from the issuance of new investment units through the third-party allotment. In addition, the amount above is the estimated amount calculated based on the closing price in regular trading of SANKEI REAL ESTATE investment units on Tokyo Stock Exchange as of August 5, 2021 (Thursday).

(2) Specific use and planned outlay schedule of funds to be procured

The proceeds from the primary offering are planned to be used as part of the funds for acquisition of real estate trust beneficiary rights to be acquired by SANKEI REAL ESTATE (Note). Furthermore, the proceeds from the issuance of new investment units through the third-party allotment are planned to be used as part of the funds for acquisition of specified assets or part of the funds for repayment of borrowings in the future, until which the funds will be deposited with a financial institution as funds on hand.

(Note) For details of the real estate trust beneficiary rights to be acquired by SANKEI REAL ESTATE, please refer to "Notice Concerning Acquisition and Leasing of Trust Beneficiary Rights in Domestic Real Estate" dated today.

5. Designation of Party to Be Allocated Investment Units

Not applicable.

6. Future Outlook

Please refer to "Notice Concerning Revisions to Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending August 31, 2021, and Fiscal Period Ending February 28, 2022" dated today.

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7. Restrictions on Sale, Additional Issuance, Etc.

- (1) In connection with the primary offering, The Sankei Building Co., Ltd. has reached an agreement with the joint lead managers to the effect that, without the prior written consent of the joint lead managers, no sale, etc. of SANKEI REAL ESTATE investment units (excluding the lending of SANKEI REAL ESTATE investment units accompanying secondary offering through over-allotment, etc.) shall be conducted during the period from the pricing date to the date on which 180 days have elapsed from the delivery due date of the primary offering.

The joint lead managers have the authority to cancel the content of the relevant agreement, in whole or in part, at their discretion even during the abovementioned period.

- (2) In connection with the primary offering, SANKEI REAL ESTATE has reached an agreement with the joint lead managers to the effect that, without the prior written consent of the joint lead managers, no issuance, etc. of SANKEI REAL ESTATE investment units (excluding issuance of new investment units accompanying primary offering, the third-party allotment and split of investment units, etc.) shall be conducted during the period from the pricing date to the date on which 90 days have elapsed from the delivery due date of the primary offering.

The joint lead managers have the authority to cancel the content of the relevant agreement, in whole or in part, at their discretion even during the abovementioned period.

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

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