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For Immediate Release

Real Estate Investment Trust Securities Issuer

2-3-4 Uchikanda, Chiyoda-ku, Tokyo

SANKEI REAL ESTATE Inc.

Representative: Yuichi Ota, Executive Director

(TSE code: 2972)

Asset Management Company

Sankei Building Asset Management Co., Ltd.

Representative: Yuichi Ota

President and CEO

Contact: Atsushi Mukai

Director and Chief Financial & IR Officer

TEL: +81-3-5542-1316

Notice Concerning Partial Disposition of Trust Beneficiary Rights in Domestic Real Estate
(BREEZÉ TOWER (1.55% Quasi Co-Ownership Interest))

SANKEI REAL ESTATE Inc. (“SANKEI REAL ESTATE”) announces that partial disposition (the “Disposition”) of trust beneficiary rights to the following property (the “Property”) was decided today by Sankei Building Asset Management Co., Ltd., the asset management company to which SANKEI REAL ESTATE entrusts the management of its assets (the “Asset Management Company”).

1. Overview of the Disposition

| | | |
|------|---|--|
| i | Property name | BREEZÉ TOWER |
| ii | Contract date | August 31, 2023 (Note 1) |
| iii | Disposition date | August 31, 2023 (Note 1) |
| iv | Disposition price | 620 million yen (Note 2, 3) |
| v | Book value | 447 million yen (Note 3, 4) |
| vi | Amount of difference between disposition price and book value | 172 million yen (Note 4, 5) |
| vii | Buyer | The Sankei Building Co., Ltd. (Note 6) |
| viii | Brokerage | None |
| ix | Settlement method | Receipt of full amount at the time of delivery |

(Note 1) The contract date and disposition date are subject to change upon agreement between SANKEI REAL ESTATE and the buyer.

(Note 2) The disposition price is the sale and purchase price of the trust beneficiary right stated in the sale and purchase agreement for the Property, rounded down to the nearest million yen. Sale and purchase prices do not include consumption tax, local consumption tax and the various expenses required for the disposition.

(Note 3) The disposition price and book value for the Property are the figures equivalent to the 1.55% quasi co-ownership interest planned to be disposed by SANKEI REAL ESTATE. Even after the Disposition, SANKEI REAL ESTATE will continue to hold 43.45% quasi co-ownership interest in the Property.

(Note 4) The book value is a value as of the end of February 2023.

(Note 5) The difference between the disposition price and the book value is a value for reference, calculated as the difference between the planned disposition price, book value and disposition-related expenses, and may be different from the actual gain (loss) on disposition.

(Note 6) For details on the buyer, please refer to “Overview of Buyer” presented later in this document.

2. Reason for the Disposition

The Disposition constitutes one of the measures to achieve stable distributions announced upon the announcement of financial results for the previous fiscal period that are intended to reduce the impact of decrease in revenue arising with major tenants moving out at some assets under management in the portfolio.

The Disposition was decided as a result of careful consideration conducted on the basis that assets to be disposed will be selected from office buildings that would enable realization of unrealized gains from the perspective of not only securing the source of funds necessary to achieve stable distributions but also minimizing the post-disposition impact on asset size and operating revenue while also rebalancing the portfolio (reducing the weight of investment in office buildings).

The buyer falls under the category of interested party, etc. of SANKEI REAL ESTATE, but as (i) the Disposition is a disposition of quasi co-ownership interest to which the buyer was granted preferential negotiation rights in the agreement upon the acquisition of the Property, and (ii) the buyer is a quasi co-owner of the Property, it was selected as the buyer considering that its alignment of interests with SANKEI REAL ESTATE in terms of enhancement of the asset value and earnings level of the Property would continue even after the Disposition.

3. Overview of the Property

The table below shows the overview of the Property (the “asset table”), and the terms used in the asset table are as follows unless otherwise specified in the asset table.

In principle, unless otherwise specified, the status as of the last day of February 2023 is indicated.

- “Type of specified asset” indicates the type of the Property.
- “Location” indicates the formal building address of the Property. If there is no formal building address, the building location stated in the registry (if there are multiple locations, one of those) is indicated.
- “Overview of trust beneficiary right” indicates the overview of the trustee, trust establishment date and trust expiration date upon the disposition of the Property.
- “Site area” of the land is indicated based on the information in the registry.
- “Use district” of the land indicates the type of use district stipulated in Article 8, Paragraph 1, Item 1 of the City Planning Act.
- “Floor area ratio” and “Building coverage ratio” of the land indicate, in principle, the figures before the increase or decrease through easing or restrictive measures defined in accordance with related laws and regulations such as the Building Standards Act and the City Planning Act.
- “Type of ownership” of the land indicates the type of right for the Property held by SANKEI REAL ESTATE (trustee of real estate trust for trust beneficiary rights in real estate).
- “Structure and floors” of the building is indicated based on the information in the registry.
- “Construction completion” of the building indicates the date of completion of the building indicated in the registry. If there are multiple main buildings, the date of the oldest building in the registry is indicated.
- “Total floor area” of the building is indicated based on the information in the registry. Moreover, “Total floor area” indicates the total floor area of main buildings and attached buildings. It indicates the total floor area of the one entire building regardless of sectional ownership or quasi co-ownership.
- “Use” of the building indicates the main use among the building type in the registry.
- “Type of ownership” of the building indicates the type of right for the Property to be disposed by SANKEI REAL ESTATE (trustee of real estate trust for trust beneficiary rights in real estate).
- “Property management company” indicates the company with which SANKEI REAL ESTATE has concluded a property management agreement for the Property.
- “Master lease company” indicates the company with which SANKEI REAL ESTATE has concluded a master lease agreement for the Property.
- “Master lease type” indicates the type of master lease agreement (pass-through-type or fixed-rent-type) for the Property. “Pass-through-type” indicates master lease agreements with no rent guarantee and “fixed-rent-type” indicates master lease agreements with rent guarantee.
- “Special remarks” indicates matters recognized as important as of the last day of February 2023 in consideration of the relationship of rights, use, safety, etc. of the Property as well as the impact on the appraisal value, profitability, and disposal.
- “Leasable area” indicates the area believed to be leasable (excluding area of incidental parts such as warehouse, signboard and parking lot that are not the main use) based on the lease agreement, drawing, etc. of buildings for the Property as of the last day of February 2023, rounded down to two decimal places.
- “Occupancy rate” indicates the ratio of leased area to leasable area for the Property as of the last day of February 2023, rounded to one decimal place.

- “Number of tenants” indicates the number of tenants based on the lease agreement for the Property as of the last day of February 2023. However, the total number of end tenants is indicated for the portion in the pass-through-type master lease agreement when a master lease agreement has been concluded for the said asset. If a single tenant has concluded lease agreements for different uses of a single asset, the concerned tenant is counted as a tenant on a use-by-use basis.
- “Total rental revenue” indicates the amount calculated by annualizing the monthly rent (Only for rent of rental rooms excluding usage fee of incidental parts such as warehouse, signboard and parking lot that are not the main use and including common service expenses, etc. Free rent and rent holiday will not be taken into consideration. If there is any agreement of change of rent, the rent as of the last day of February 2023 is used. If the agreement with tenant includes variable rent, such variable rent is not taken into consideration. Consumption tax, etc. are not included.) of the building indicated in the lease agreement for the Property effective as of the last day of February 2023, rounded down to the nearest million yen.
- “Security and guarantee deposits” indicates the total amount of security and guarantee deposits (including the amount expected to be received based on each lease agreement and excluding the security and guarantee deposits for incidental parts such as warehouse, signboard and parking lot that are not the main use) based on the lease agreement for the Property as of the last day of February 2023, rounded down to the nearest million yen.

A-2 BREEZÉ TOWER (partial disposition)

| | | |
|-------------------------------------|---------------------------------|---|
| Property name | | BREEZÉ TOWER |
| Type of specified asset | | Real estate trust beneficiary right |
| Location | | 2-4-9 Umeda, Kita-ku, Osaka-shi, Osaka |
| Disposition price | | 620 million yen |
| Overview of trust beneficiary right | Trustee | Mizuho Trust & Banking Co., Ltd. |
| | Trust establishment date | March 12, 2019 |
| | Trust expiration date | March 31, 2029 |
| Land | Site area | 4,676.08 m ² (Note 1) |
| | Use district | Commercial district |
| | Floor area ratio | 800% |
| | Building coverage ratio | 80% |
| | Type of ownership | Ownership, leasehold, mutual use rights (all being rights to use the site) (1.55% quasi co-ownership interest) (Note 2, 3, 4) |
| Building | Structure and floors | Steel-frame reinforced concrete structure with flat roof 37 floors above ground and 3 floors below |
| | Construction completion | July 1, 2008 |
| | Total floor area | 82,718.17 m ² (Note 5) |
| | Use | Office, retail, theater |
| | Type of ownership | Sectional ownership of office portion (1.55% quasi co-ownership interest) (Note 3) |
| Property management company | | The Sankei Building Co., Ltd. |
| Master lease company | | The Sankei Building Co., Ltd. |
| Master lease type | | Pass-through type |
| Appraisal value (Date of valuation) | | 620 million yen (as of July 1, 2023) (Note 6) |
| Appraiser | | Japan Real Estate Institute |
| Collateral | | None |
| Overview of leasing | | |
| | Number of tenants | 36 |
| | Total rental revenue | 33 million yen (Note 7) |
| | Security and guarantee deposits | 29 million yen (Note 7) |
| | Leased area | 377.99 m ² (Note 7) |
| | Leasable area | 418.36 m ² (Note 7) |
| | Occupancy rate | 90.4% |
| Special remarks | | <p>Part of the land (site) of the Property is leased land. Approval of the owner of the said leased land (Sankei Shimbun Co., Ltd.) is required upon the disposition of the leasehold interest associated with the disposition of the building.</p> <p>The land (site) of the Property is composed of i. the land co-owned by The Sankei Building Co., Ltd. and the trustee, ii. the land leased by Sankei Shimbun Co., Ltd., and iii. the land owned or leased by a third party which is the co-owner (the portion with mutual use rights). For this reason, mutual use rights were established for the site of the Property between The Sankei Building Co., Ltd., which has sectional ownership in the building, the trustee, and the third party which is said co-owner.</p> <p>A quasi co-owners agreement was concluded between The Sankei Building Co., Ltd. and SANKEI REAL ESTATE, the quasi co-owners of the trust beneficiary rights with respect to the sectional ownership of the building, etc. The following matters were stipulated in the quasi co-owners agreement.</p> |

| | |
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| | <ul style="list-style-type: none"> • Decision-making In principle, actions of beneficiaries are decided by an agreement between all of the quasi co-owners. However, if an agreement cannot be reached among all quasi co-owners, except for certain matters, the quasi co-owners shall abide by the decision made by a majority of the quasi co-owners. • Special agreement on indivisibility The quasi co-owners shall not request the division of the trust beneficiary rights for five years (to be automatically renewed). • Preferential negotiation rights Each of the quasi co-owners shall discuss the conditions of sale and purchase with the other quasi co-owners in preference to third parties when selling its quasi co-ownership interest. • Approved matters Advance written approval from the other quasi co-owners is required when a quasi co-owner contemplates creating a security interest over its quasi co-ownership interest or disposal by means other than a disposition of the quasi co-ownership interest. |
|--|---|

(Note 1) Includes i. 74.30 m² of land leased by Sankei Shimbun Co., Ltd., and ii. 339.89 m² of land (the portion subject to mutual use) owned or rented by third parties, who are the other co-owners with whom the trustee co-owns part of the exclusively owned portion of the building under sectional ownership.

(Note 2) The land of the Property is the site of the building under sectional ownership, and the percentage of the quasi co-ownership interest in the right to use the site that has been acquired by the trustee is 54.30%.

(Note 3) The trust assets constituting the trust relating to the trust beneficiary rights held by SANKEI REAL ESTATE are: i. Of the site, a 58.33% co-ownership interest in the land co-owned with The Sankei Building Co., Ltd., ii. Of the site, a 58.33% quasi co-ownership interest in the leasehold of the leased land, iii. Of the site, a 58.33% quasi co-ownership interest in the mutual use rights for the portion subject to mutual use, and iv. A sectional ownership interest in the office portion of the building (a 38.56% co-ownership interest in the sectional ownership of the building is indicated for the exclusively owned portion of Building 27-6 as it is co-owned with a third party). SANKEI REAL ESTATE holds a 45% quasi co-ownership interest in the said trust beneficiary rights, but of this, a 1.55% quasi co-ownership interest is planned to be disposed.

(Note 4) The trustee uses the underground portion of the land owned by Osaka City adjacent to the site as an underground connecting passage based on the permission for exclusive possession obtained from Osaka City.

(Note 5) The area of the exclusively owned portion with respect to the sectional ownership of the office portion of the building held by the trustee is 35,464.91 m² (the floor area of the exclusively owned portion of Building 27-6, which is co-owned by the trustee and the third party, is calculated by taking into consideration the co-ownership interest), the area of the exclusively owned portion with respect to the sectional ownership of the office portion of the building held by a third party is 4,504.20 m² (the floor area of the exclusively owned portion of Building 27-6, which is co-owned by the trustee and the third party, is calculated by taking into consideration the co-ownership interest), and the total area of the portion co-owned among the owners with sectional ownership interest in the building (including the common area portion and attached facilities; the floor area of the exclusively owned portion of Building 27-6, which is co-owned by the trustee and the third party is not included) is 17,410.39 m². Moreover, the area of the exclusively owned portion with respect to the sectional ownership of the portion other than the office portion of the building is 25,338.67 m² and is held by The Sankei Building Co., Ltd.

(Note 6) The value equivalent to the 1.55% quasi co-ownership interest in the sectional ownership of the office portion of the building, etc. of the Property.

(Note 7) In the overview of leasing, the figures equivalent to 1.55% of the area, monetary value, etc. of the office portion for which the trust beneficiary rights are held are indicated for total rental revenue, security and guarantee deposits, leased area and leasable area.

4. Overview of Buyer

| | | |
|------|---|--|
| (1) | Name | The Sankei Building Co., Ltd. |
| (2) | Location | 1-7-2 Otemachi, Chiyoda-ku, Tokyo |
| (3) | Post and name of representative | President & CEO Kazunobu Iijima |
| (4) | Line of business | Development, acquisition, sales, leasing, sale in lots and management of real estate (office, residence, hotel, etc.) |
| (5) | Capital | 38,120 million yen (as of the last day of March 2023) |
| (6) | Established | June 11, 1951 |
| (7) | Net assets | 140,821 million yen (as of the last day of March 2023) |
| (8) | Total assets | 427,164 million yen (as of the last day of March 2023) |
| (9) | Major shareholders and shareholding ratio | Fuji Media Holdings, Inc. 100% |
| (10) | Relationship with investment corporation and asset management company | |
| | Capital relationship | The company owns 3.74% of the total number of investment units issued and outstanding of SANKEI REAL ESTATE as of today. The company also owns 100% of the total number of shares issued and outstanding of the Asset Management Company as of today. |
| | Personnel relationship | As of today, 12 of the executives and employees of the Asset Management Company are loaned staff from the company. |
| | Business relationship | As of today, SANKEI REAL ESTATE has acquired all of the acquired assets other than “Toyo Park Building,” “Shinagawa Seaside TS Tower,” “Omori Park Building,” “Miyazakidai Garden Office” and “Hitachi Kyusyu Building” (10 properties) from the company. The company has concluded a trademark license agreement, property management agreements and master lease agreements (including master lease and property management agreements) with SANKEI REAL ESTATE. The company has also concluded a sponsor support agreement and a fixed-term building lease agreement with the Asset Management Company. |
| | Status as related party | The company falls under the category of related party of SANKEI REAL ESTATE and the Asset Management Company. |

5. Future Outlook

The Disposition has already been incorporated into the assumptions underlying the forecasts for the fiscal period ending August 2023 (from March 1, 2023, to August 31, 2023) announced on April 14, 2023, and the operating forecasts thus remain unchanged. The operating forecasts for the fiscal period ending February 2024 (from September 1, 2023, to February 29, 2024) are currently being reviewed and are planned to be announced upon the announcement of financial results for the fiscal period ending August 2023.

6. Overview of Appraisal Report

| Overview of appraisal report | |
|------------------------------|-----------------------------|
| Property name | BREEZÉ TOWER |
| Appraiser | Japan Real Estate Institute |
| Appraisal value | 620 million yen |
| Appraisal date | July 1, 2023 |

| Item | Details | Overview, etc. |
|--|-----------------|---|
| Income approach value | 620 million yen | Assessed by applying the DCF method and direct capitalization method |
| Value based on direct capitalization method | 624 million yen | |
| i. Operating revenue | 36 million yen | |
| Effective gross income | 39 million yen | |
| Loss from vacancy, etc. | 2 million yen | |
| ii. Operating expenses | 13 million yen | |
| Maintenance and operation cost | 3 million yen | |
| Utilities expenses | 3 million yen | |
| Repair expenses | 0 million yen | |
| PM fee | 0 million yen | |
| Tenant soliciting fees, etc. | 0 million yen | |
| Taxes and public dues | 2 million yen | |
| Non-life insurance premium | 0 million yen | |
| Other expenses | 0 million yen | |
| iii. Net operating income (NOI: i. - ii.) | 23 million yen | |
| iv. Income from deposits | 0 million yen | Assessed by assuming an investment yield of 1.0% |
| v. Capital expenditure | 2 million yen | Assessed by taking into consideration the engineering report and the level of renewal fees of similar properties |
| Net cash flow (NCF: iii. + iv. - v.) | 21 million yen | |
| Capitalization rate | 3.5% | Assessed by taking into consideration the marketability of targeted property, transaction yield of similar properties, etc. |
| Value based on discounted cash flow (DCF) method | 613 million yen | |
| Discount rate | 3.1% | Assessed by taking into consideration the competitiveness, etc. of targeted property |
| Terminal capitalization rate | 3.7% | Assessed by taking into consideration the risk on aging, market conditions, etc. |
| Integrated value based on cost method | 559 million yen | |
| Ratio of land | 75.8% | |
| Ratio of building | 24.2% | |
| Other matters which the appraiser has paid attention to in the appraisal | — | |

(Note) All of the above amounts are the figures equivalent to the 1.55% quasi co-ownership interest planned to be disposed.

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