

October 16, 2023
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 of Partial Amendments to Asset Management Guidelines of Asset Management Company

(Conversion to a Diversified REIT)

SANKEI REAL ESTATE Inc. ("SANKEI REAL ESTATE") announces that it has approved today that Sankei Building Asset Management Co., Ltd., to which SANKEI REAL ESTATE entrusts the management of its assets (the "Asset Management Company"), will make partial amendments to the SANKEI REAL ESTATE Asset Management Guidelines (the "Asset Management Guidelines"), the internal rules of the Asset Management Company, as described below.

1. Reason for the Amendments

SANKEI REAL ESTATE's Articles of Incorporation stipulates that, though SANKEI REAL ESTATE's primary asset type shall be office buildings, SANKEI REAL ESTATE may also invest in logistics facilities, hotels, commercial facilities, healthcare facilities, residential facilities, and other asset types different from office buildings in the interest of diversifying asset types. In accordance with this policy, since its listing, SANKEI REAL ESTATE has sought to enhance unitholder value by investing in asset types other than office buildings in the interest of diversifying asset types while developing its portfolio as an investment corporation that mainly invests in office buildings. However, the COVID-19 pandemic over the past few years has had such an impact that the socioeconomic structure of Japan has changed dramatically. With the acceleration of work-style reform triggered by these changes, structural changes in office demand are expected to arise due to changes in employment patterns, including the introduction of telecommuting and other types of work.

In light of these changes in the environment, we have decided to make the following partial amendments to our Asset Management Guidelines to the extent permitted by our Articles of Incorporation in order to build a portfolio capable of sustainable growth.

2. Details of Major Amendments

(1) Conversion to a diversified REIT

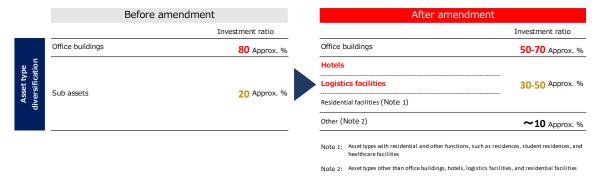
We believe that a portfolio capable of sustainable growth is one that withstands market cycles and is equipped with both upside potential and protection against downsides. Accordingly, we will convert to a diversified REIT in order to realize such a portfolio. As a result, we will change our investment policy so that the investment ratio in office buildings, our primary asset type, will be reduced from 80% to a range between 50% and 70%, and the ratio in sub assets, which was previously set at around 20%, will be increased to a range between 30% and 50%, making it a core asset group. In addition, in order to expand the scope of the investment target area, we will expand potential investments from Greater Tokyo, Osaka City, and Nagoya City to also include Greater Tokyo, Greater Osaka, and Greater Nagoya.



(2) Change of investment policy

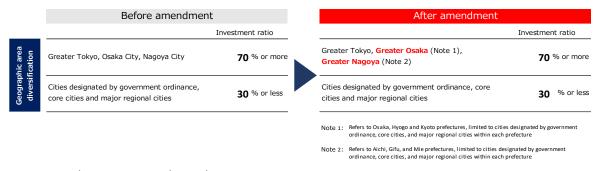
i. Asset type diversification: Change to asset type category and investment ratio

For the purpose of capturing new revenue opportunities in a well-targeted manner, we will make the following changes to the asset type category for investment and their respective investment ratios. As shown in the table below, the investment policy will be changed so that the minimum investment ratio in office buildings, which had previously been our main assets, will be reduced to 50%, while the maximum investment ratio for sub assets, previously positioned as secondary assets, will be increased to 50%.



ii. Geographic area diversification: Change to investment target area

In the interest of diversifying investment target area in keeping with changes in asset type diversification, the scope of these areas will be expanded from Greater Tokyo, Osaka City, and Nagoya City to also include



Greater Tokyo, Greater Osaka, and Greater Nagoya.

(3) Clarifying ESG investment posture

SANKEI REAL ESTATE has traditionally made investment decisions giving consideration to properties that have acquired or are capable of acquiring environmental certifications. On this occasion, we have decided to clearly establish this position and reflect the decisions of the Sustainability Promotion Committee, which makes sustainability-related decisions, in our investment decision-making process.

3. Date of Amendments October 16, 2023

4. Future Outlook

The above partial amendments to the Asset Management Guidelines have no impact on SANKEI REAL ESTATE's business performance.

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



[Attachment]

Major Amendments to the Asset Management Guidelines

(Underlined portions indicate amendments)

After amendment

Before amendment

3. Investment Policy

(1) Asset Type For diversification in terms of asset type, SANKEI REAL ESTATE makes it a rule to set buildings," the asset type representative of Japan's real estate (securitization) market, as the primary investment target, while setting "sub assets" as the secondary investment target in which a fixed percentage of investments are made. "Sub assets" are asset types that possess characteristics different from buildings" and which contribute to building a strong portfolio that features both revenue stability and growth capable of withstanding the cyclical real estate market.

(Partially omitted)

The planned portfolio shall focus on "office buildings," with the investment ratios of "office buildings" and "sub assets" targeted at approximately 80% for the former and approximately 20% for the latter based on the asset size of the entire portfolio (the total acquisition price of the entire portfolio [not including acquisition-related expenses and taxes]; the same shall apply hereinafter).

Asset Type for Investment	Target Investment Ratio
	(Note)
Office buildings	Approx. <u>80</u> %
Sub assets	Approx. <u>20</u> %

(Note) (partially omitted)

3. Investment Policy

(1) Asset Type

For diversification in terms of asset type, SANKEI REAL ESTATE makes it a rule to set buildings," the asset type representative of Japan's real estate (securitization) market, as the primary investment target, while making a fixed percentage of investments in other asset types that possess characteristics different from "office buildings" and which contribute to growth and stability in portfolio revenue. This is to build a strong portfolio that features both revenue stability and growth capable of withstanding the cyclical real estate market.

(Partially omitted)

A diversified portfolio will be built, with the investment ratios by asset type targeted as follows based on the asset size of the entire portfolio (the total acquisition price of the entire portfolio [not including acquisition-related expenses and taxes]; the same shall apply hereinafter)

Asset Type for Investment	Target Investment Ratio
	(Note 3)
Office buildings	Approx. <u>50-70</u> %
<u>Hotels</u>	
Logistics facilities	Approx. <u>30-50</u> %
Residential facilities	
(Note 1)	
Other (Note 2)	Approx. 10%

(Note 1) Asset types with residential and other functions, such as residences, student residences, and healthcare facilities

(Note 2) Asset types other than office buildings, hotels, logistics facilities, and residential facilities

(Note 3) (No change)

SANKEI REAL ESTATE Inc.

(2) Geographic Area

As a rule, SANKEI REAL ESTATE sets Greater Tokyo, Osaka <u>City</u> and Nagoya <u>City</u> as the primary investment areas given their population, economic and commercial agglomeration, etc., while also investing a certain percentage in cities designated by government ordinance, core cities and other major regional cities across Japan, as a measure to diversify the risks of assets under management and to accommodate the characteristics of each asset type with an ideal location, etc.

(Partially omitted)

Investment Areas	Target Investment Ratio (Note 4)
Greater Tokyo (Note 1), Osaka City, Nagoya City	70% or less
Cities designated by government ordinance (excluding above), core cities (Note 2) and major regional cities (Note 3)	30% or less

- (Note 1) "Greater Tokyo" refers to Tokyo, Kanagawa, Saitama and Chiba prefectures.
- (Note 2) "Core cities" refers to cities with population of 200,000 or more (excluding Greater Tokyo, Osaka City and Nagoya City, and other cities designated by government ordinance).
- (Note <u>3</u>) "Major regional cities" refers to cities that are municipalities with population of less than 200,000 and the Asset Management Company has deemed certain demand can be found for specific asset types.

(Note 4) (Omitted)

(2) Geographic Area

As a rule, SANKEI REAL ESTATE sets Greater Tokyo, <u>Greater</u> Osaka and <u>Greater</u> Nagoya as the primary investment areas given <u>SANKEI REAL ESTATE's investment policy with regard to the asset type</u>, their population, economic and commercial agglomeration, etc., while also investing a certain percentage in cities designated by government ordinance, core cities and other major regional cities across Japan, as a measure to diversify the risks of assets under management and to accommodate the characteristics of each asset type with an ideal location, etc.

(Partially omitted)

Investment Areas	Target Investment Ratio (Note <u>6</u>)
Greater Tokyo (Note 1), <u>Greater</u> Osaka (Note 2), <u>Greater</u> Nagoya (Note 3)	70% or less
Cities designated by government ordinance (excluding above), core cities (Note 4) and major regional cities (Note 5)	30% or less

- (Note 1) "Greater Tokyo" refers to Tokyo, Kanagawa, Saitama and Chiba prefectures.
- (Note 2) "Greater Osaka" refers to Osaka, Hyogo and Kyoto prefectures, limited to cities designated by government ordinances, core cities, and major regional cities within each prefecture.
- (Note 3) "Greater Nagoya" refers to Aichi, Gifu, and Mie prefectures, limited to cities designated by government ordinances, core cities, and major regional cities within each prefecture.
- (Note 4) "Core cities" refers to cities with population of 200,000 or more (excluding Greater Tokyo, Osaka City and Nagoya City, and other cities designated by government ordinance).
- (Note <u>5</u>) "Major regional cities" refers to cities that are municipalities with population of less than 200,000 and the Asset Management Company has deemed certain demand can be found for specific asset types.
- (Note 6) (No change)



4. Investment Criteria	4. Investment Criteria
(Newly established)	(8) Investment in Real Estate with
(view, comercia)	Environmental Certifications
	SANKEI REAL ESTATE will actively invest in
	real estate and other assets that have
	acquired or are capable of acquiring
	environmental certifications, including DBJ
	Green Building Certification (Note 1),
	CASBEE Certification (Note 2), and BELS
	Certification (Note 3).
	(Note 1) DBJ Green Building Certification is a system
	created to select and certify excellent real
	estate properties that meet the needs of the
	times. Evaluation under this system allocates each property one of five ranks based on an
	original scoring model developed by the
	Development Bank of Japan (DBJ), with the
	aim of promoting real estate that takes into
	consideration the social demands of various stakeholders, such as crime prevention and
	disaster prevention, in addition to building
	environmental performance.
	(Note 2) "CASBEE" is an abbreviation for
	Comprehensive Assessment System for Built Environment Efficiency, a method of
	evaluating and rating buildings based on
	their environmental performance. CASBEE is
	a system that comprehensively evaluates the
	quality of a building, including indoor comfort and landscape appearance, in
	addition to environmental considerations
	such as energy conservation and the use of
	materials and equipment with low
	environmental load. (Note 3) "BELS" is an abbreviation for the "Building-
	Housing Energy-Efficiency Labeling System,"
	which provides a visible presentation of the
	primary energy consumption of a building, offering consumers at-a-glance
	understanding of a building's energy-saving
	performance. In the BELS system, the
	energy-saving performance of buildings are
	evaluated by a third-party organization based on the evaluation criteria set by the
	Ministry of Land, Infrastructure, Transport
	and Tourism.
11. Sustainability Policy	11. Sustainability Policy
(Newly established)	(7) Mutatis Mutandis Application of
	Sustainability Decision-Making Items to
	These Guidelines
	The various policies, targets, and measures
	concerning sustainability that have been
	decided by the Sustainability Promotion
	Committee shall be applied to these
	guidelines mutatis mutandis.