



October 30, 2023



Supplementary Materials on the Following Press Releases Announced on October 16

- I. “Notice Concerning Revival Plan and Granting of Preferential Negotiation Rights for Sale and Acquisition of Domestic Real Estate Trust Beneficiary Rights”
- II. “Notice of Partial Amendments to Asset Management Guidelines of Asset Management Company (Conversion to a Diversified REIT)”
- III. “Notice of Additional Acquisition of Investment Units by The Sankei Building Co., Ltd.”

Disclaimer

This document summarizes the information contained in the “Notice Concerning Revival Plan and Granting of Preferential Negotiation Rights for Sale and Acquisition of Domestic Real Estate Trust Beneficiary Rights,” the “Notice of Partial Amendments to Asset Management Guidelines of Asset Management Company(Conversion to a Diversified REIT)” and the “Notice of Additional Acquisition of Investment Units by The Sankei Building Co., Ltd.” announced by SANKEI REAL ESTATE Inc. (hereinafter, “SANKEI REAL ESTATE”) on October 16, 2023, and information associated with these.

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Please contact below if you have any inquiries concerning this document.

Sankei Building Asset Management Co., Ltd.
Finance & IR Department
Phone: +81-3-5542-1316

About the Revival Plan

- We aim for a revival into a **REIT capable of sustained growth** by implementing **three major plans** through collaboration with the Sponsor

1. Objectives

<Internal environment>

- **Mitigation of and elimination of materialized risk** in the portfolio (rebuilding revenue structure)
- Seek to **further improve investor value**
- Mitigate and eliminate risks, and seek to **realize stable DPU** (distributions per unit)

<External environment>

- Transformation into **portfolio matching structural changes** in office demand
- Revival into a **REIT capable of sustained growth**

2. Plan outline

- I. **Large-scale portfolio rebalancing**
- II. Partial amendments to management guidelines (conversion to a **diversified REIT**)
- III. **Additional acquisition of SANKEI REAL ESTATE's investment units** by the **Sponsor**

I. Large-scale Portfolio Rebalancing

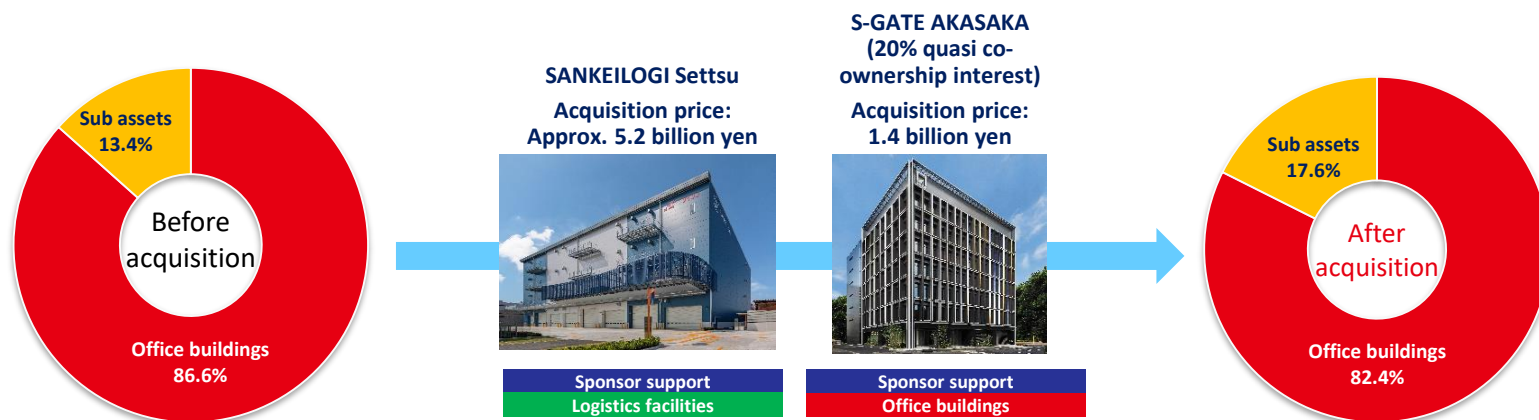
- Implementation of **large-scale portfolio rebalancing** centered on collaboration with our sponsor
 1. Objectives
 - i. **Mitigate** and **eliminate materialized risk** in the current portfolio
 - ii. **Reset DPU during normal operations** in the new portfolio after completion of rebalancing
 - iii. **Shift back to an external growth cycle** by increasing NAV multiple and lowering expected yield
 - iv. **Stabilization of DPU and** revival into a **REIT capable of sustained growth**
 2. Plan outline
 - i. Revise the current portfolio and implement **large-scale portfolio rebalancing**
 - ii. **Stabilize DPU** by utilizing **unrealized gains on existing properties** if DPU decreases significantly in the rebalancing process
 - iii. Repay loans (lower LTV) with part of proceeds from sales, and dynamically secure capacity to make future acquisitions
 3. Sale candidates (granting of preferential negotiation rights): **Sponsor**
 4. Acquisition candidates (acquisition of preferential negotiation rights): **Sponsor**
 5. Anticipated implementation period: **During fiscal period ending February 2024**
(from September 1, 2023, to February 29, 2024)
 6. Anticipated transaction price: **To Be Determined** (as of the date of this document)

I. Large-scale Portfolio Rebalancing

<First step of rebalancing> (Implemented)

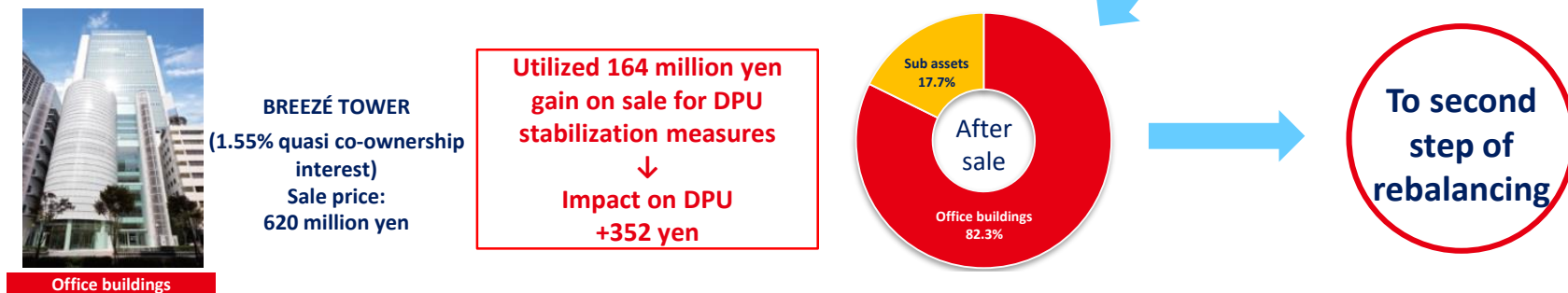
March 2023: Acquired two relatively new properties through sponsor support

- Lowered office building investment ratio without lowering portfolio quality



August 2023: Sold part of quasi co-ownership interest in office building to the Sponsor

- Implemented DPU stabilization measures and lowered office building investment ratio



I. Large-scale Portfolio Rebalancing

<Second step of rebalancing> Large-scale portfolio rebalancing (granting/acquiring preferential negotiation rights)

Two candidate properties for sale ⇔ Three or more candidate properties for acquisition (being arranged) based on sponsor's branding strategy



* The candidate properties for sale and acquisition are as of the date of this document. No sale or acquisition has been decided, and there is no assurance any acquisition will be made. The same applies below.

I. Large-scale Portfolio Rebalancing

<Second step of rebalancing> Overview of candidate properties for acquisition



Value experience-type hotel "Intergate Hotels"

"Intergate Hotels" is a hotel brand developed by Sankei Building and operated and managed by its group company GRANVISTA Hotels & Resorts.



Lifestyle-type hotel "GRIDS"

GRIDS is a hotel based on the concept of "THE TRAVELLERS' HUB: connecting travels, people and hearts" where it is easy for visiting guests to find new enjoyment and connections while coming in contact with Japanese tradition and culture.

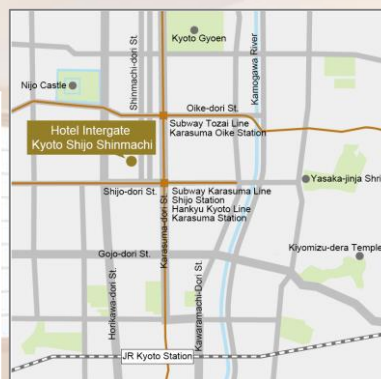
Hotel

Hotel Intergate Kyoto Shijo Shinmachi

- First in the series, located well in a quiet area a 5-minute walk from Karasuma Station



Location	Nakagyo-ku, Kyoto-shi
Construction completion	November 2017
Total floor area	6,029.40 m ²
Structure / size	Steel Construction, 5 floors above ground
Number of rooms	153
Operator	GRANVISTA Hotels & Resorts



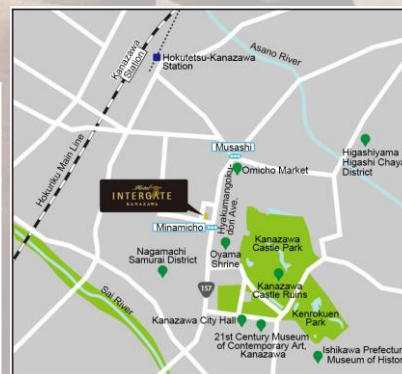
Hotel

Hotel Intergate Kanazawa

- Fourth in the series, in a good location with famous tourist spots such as Kenrokuen and Omicho Market accessible by foot



Location	Takaokamachi, Kanazawa-shi
Construction completion	January 2019
Total floor area	5,177.73 m ²
Structure / size	Steel Construction, 12 floors above ground
Number of rooms	166
Operator	GRANVISTA Hotels & Resorts



Hotel

Grids Premium Hotel Osaka Namba

- New series "GRIDS" First lifestyle-type hotel



Location	Naniwa-ku, Osaka-shi
Construction completion	January 2021
Total floor area	4,353.79 m ²
Structure / size	Steel Construction, 11 floors above ground
Number of rooms	142
Operator	AB Accommo



II. Partial Amendments to “Asset Management Guidelines”

➤ Conversion from office building-focused REIT to **diversified REIT**

1. Reason for the Amendments

- i. Response to expected **structural change in office demand**
- ii. Necessity for **creating a portfolio capable of sustainable growth**

2. Details of Major Amendments

(1) Conversion to a **diversified REIT**

Conversion to a **diversified REIT** to realize a portfolio that adapts to market cycles and is equipped with both **upside potential** and **protection against downsides**

(2) Revision of investment policy

- i. **Asset type diversification:** Change to **asset type category** and **investment ratio**
For the purpose of **accurately capturing new revenue opportunities**, 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% as a main asset.*** (*Main assets: Hotels, logistics facilities, residential facilities)
- ii. **Geographic diversification:** Review of **geographic area subject to investment**
Expand the scope of geographic area subject to investment from the perspective of geographic diversification according to the diversification of asset type categories

(3) Clarifying ESG investment posture

- i. Clarification of investment in properties that have obtained or are able to obtain environmental certification
- ii. Appropriately reflect the decisions of the Asset Management Company’s Sustainability Promotion Committee in the investment decision process

II. Partial Amendments to “Asset Management Guidelines”

➤ Change of investment policy

	Before amendment		After amendment
Asset type diversification	Investment ratio		Investment ratio
	Office buildings	80 Approx. %	Office buildings 50-70 Approx. %
Geographic area diversification	Sub assets	20 Approx. %	Hotels ----- Logistics facilities 30-50 Approx. % ----- Residential facilities (Note 1) ----- Other (Note 2) Up to 10 Approx. %
	Investment ratio		Investment ratio
	Greater Tokyo, Osaka City, Nagoya City	70% or more	Greater Tokyo, Greater Osaka (Note 3), Greater Nagoya (Note 4) 70% or more
	Cities designated by government ordinance, core cities and major regional cities	30% or less	Cities designated by government ordinance, core cities and major regional cities 30% or less

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: Refers to Osaka, Hyogo and Kyoto prefectures, limited to cities designated by government ordinance, core cities, and major regional cities within each prefecture

Note 4: Refers to Aichi, Gifu, and Mie prefectures, limited to cities designated by government ordinance, core cities, and major regional cities within each prefecture

II. Partial Amendments to “Asset Management Guidelines”

➤ Revision date: October 16, 2023

➤ Expected effects

◆ **Progress of asset allocation (diversification of asset-specific risks)**

Expanding investment in asset types other than office buildings will lead to **progress in asset type diversification as well as geographic diversification**. Furthermore, progress of asset allocation is expected to **contribute to ratings** when obtaining future ratings.

◆ **Securing flexibility for external growth (expected increase in acquisition opportunities)**

Ability to adapt to opportunities for acquisition of sponsor properties developed and held with diverse asset types will increase, and “creation of the asset recycling business model” that is the external growth policy of SANKEI REAL ESTATE will progress and deepen with flexibility.

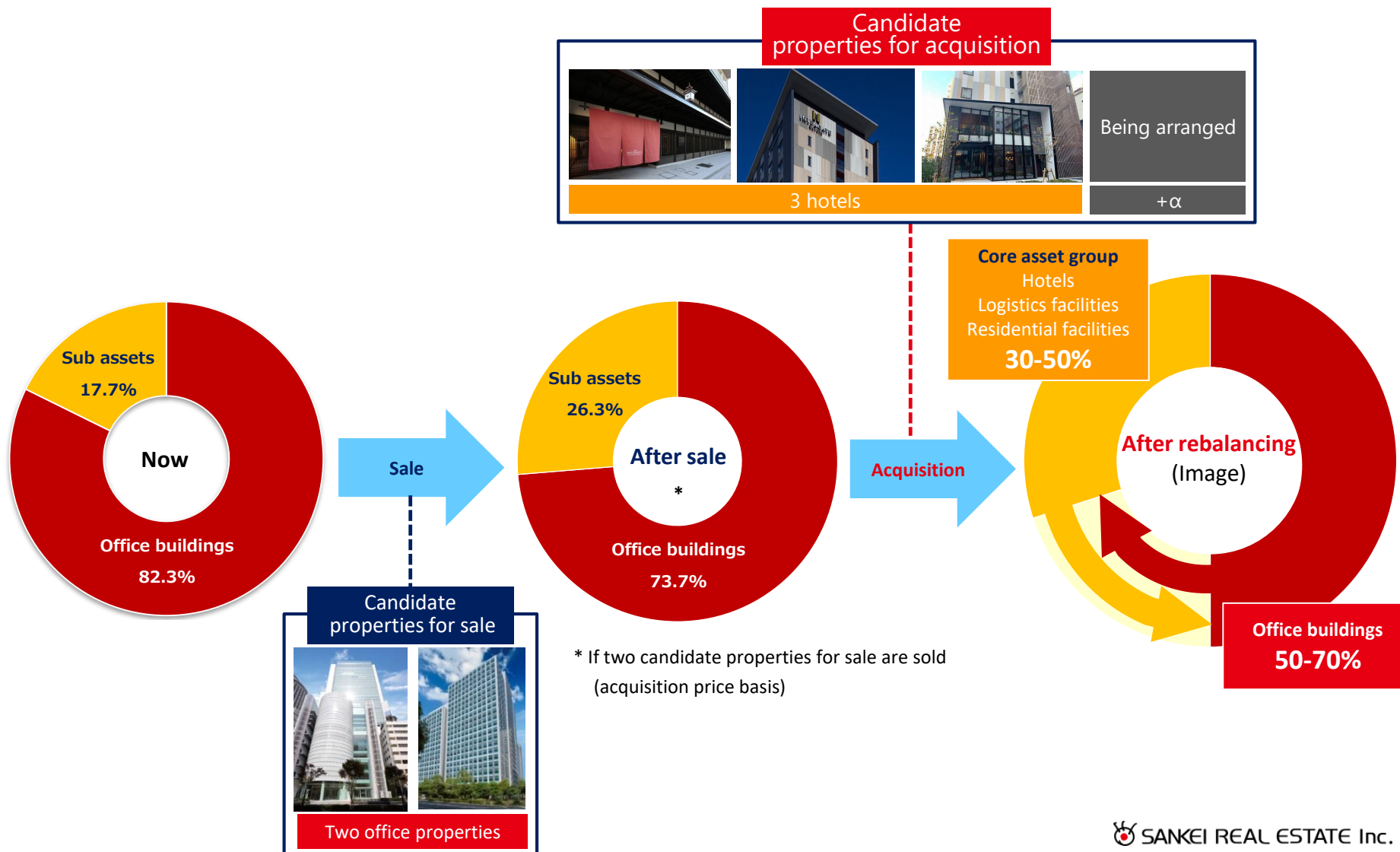
Also, the portfolio of SANKEI REAL ESTATE is expected to **approach an approximation of the sponsor portfolio** in the future with the aim of making investment in SANKEI REAL ESTATE a mirror investment in the sponsor, which is unlisted.

◆ **Strengthening of profitability and improvement of stability of portfolio revenues through asset replacement in line with changes in the environment**

Curbing the percentage of investment in office buildings that are sensitive to the economy and expected to undergo structural changes in demand due to entrenchment of telework, etc., and increasing the percentage of investment in asset types with different characteristics will enable the **creation of a sense of portfolio stability**.

II. Partial Amendments to “Asset Management Guidelines”

➤ Asset type diversification after large-scale portfolio rebalancing (image)



II. Partial Amendments to “Asset Management Guidelines”

➤ Urban development business based on sponsor’s branding strategy



High-grade mid-sized office buildings realizing “high-spec x mid-size”



[S-GATE official website]

<https://www.s-gate-office.com/>

Office buildings

INTERGATE HOTELS

Value experience-type hotels providing connections with the region and people, and the experience of values with “five senses” based on the concept of “hotels delivering the ultimate morning”



[INTERGATE HOTELS official website]

<https://www.intergatehotels.jp/>

Hotels

GRIDS
PREMIUM HOTEL



A lifestyle-type hotel series providing a taste of premium time enveloped in a relaxed sense of high quality

[GRIDS official website]

<https://gridshotel.com/group/>

 SANKEILOGI

The SANKEILOGI logistics facilities plan to increase cargo storage efficiency and flexibly adapt to split usage, in addition to paying attention to the entrance and common area, with the aim of creating facilities that are comfortable for the people working there.



Nine buildings under development

* Including renewal properties
Including logistics facilities other than “SANKEILOGI”

Logistics facilities

LEFOND PROGRÈS

Rental residences developed by Sankei Building
Homes bringing freedom to living.



[LEFOND PROGRES official website]
<https://www.lefond.jp/progres/>

Residential facilities

Elderly facilities
Sankei Building Well Care



[Sankei Building Well Care official website]
<https://www.sankeiwellcare.com/>

II. Amendments to “Asset Management Guidelines”

➤ Sponsor’s Main Development Results and Plans

Residential facilities

LEFOND’s new business type LEFOND ETUDE (student residences)

LEFOND ETUDE

- Providing safe and secure homes.
- A place for learning about society.
- A place for nurturing the environment.



Under Development

Property name	Location	Planned completion	Total floor area	Building structure/ number of floors	Number of units
LEFOND ETUDE Kanamachi	Kanamachi, Katsushika-ku, Tokyo	January 2024	Approx. 2,719 m ²	Reinforced Concrete Construction, 14 floors above ground	113
LEFOND ETUDE Kameari	Kameari, Katsushika-ku, Tokyo	March 2024	Approx. 2,297 m ²	Reinforced Concrete Construction, 11 floors above ground	95
LEFOND ETUDE Kokubunji	Honcho, Kokubunji-shi, Tokyo	March 2024	Approx. 2,065 m ²	Reinforced Concrete Construction, 13 floors above ground	95

S-LINKS Shibuya (S-LINKS)



A mixed-use facility connecting housing, work, healthcare and commerce was created in Aobadai, Meguro-ku, connecting the areas of cutting-edge information and culture in Tokyo such as Shibuya, Daikanyama and Nakameguro.

S-LINKS Shibuya official website

<https://www.sankeibldg.co.jp/s-linksshibuya/>

Overview	
Location	Meguro-ku, Tokyo
Construction completion	November 2022
Total floor area	9,889.78 m ²
Structure/ size	Reinforced concrete construction, 1 floor below ground and 18 floors above ground

Logistics facilities



Under Development *Joint project

Property name	Location	Planned completion	Total floor area	Building structure/ number of floors
Minamisuita Logistics Project (tentative name)*	Minamisuita, Suita-shi, Osaka	December 2023	Approx. 86,422 m ²	Steel Construction, 5 floors above ground
Komaki-kita Logistics Project (tentative name)*	Fuso-cho, Niwa-gun, Aichi	March 2024	Approx. 43,706 m ²	Steel Construction, 2 floors above ground
Nagaokakyo Logistics Project (tentative name)*	kotaritenyaku, Nagaokakyo-shi, Kyoto	April 2024	Approx. 15,355 m ²	Reinforced concrete steel-frame, 4 floors above ground
SANKEILOGI Fuchu	Musashidai, Fuchu-shi, Tokyo	September 2024	Approx. 39,617 m ²	Reinforced concrete and Steel Construction, 4 floors above ground
Bando Logistics Project (tentative name)	Koshindaira, Bando-shi, Ibaraki	December 2024 Renewal	Approx. 15,736 m ²	Warehouse: Steel Construction, 2 floors above ground Office: Steel Construction, 3 floors above ground
Toda Logistics Project (tentative name)	Kizawaminami, Toda-shi, Saitama	March 2025	Approx. 10,519 m ²	Steel Construction, 4 floors above ground
Sendai-Izumi Logistics Project (tentative name)	Kamisakuragi, Tomiya-shi, Miyagi	October 2025	Approx. 14,831 m ²	Steel Construction, 4 floors above ground
Chiba-shi Shinminato Logistics Project (tentative name)*	Shinminato, Mihama-ku, Chiba-shi, Chiba	Winter, 2025	Approx. 53,934 m ²	Steel Construction, 4 floors above ground
Kasukabe Logistics Project (tentative name)	Shimoyanagi, Kasukabe-shi, Saitama	March 2026	Approx. 12,222 m ²	Steel Construction, 4 floors above ground

* The properties shown on this page are not assets under management of SANKEI REAL ESTATE as of the date of this document, decisions on their acquisition have not been made, and there are no assurances that they will be.

III. Additional Acquisition of SANKEI REAL ESTATE's Investment Units by the Sponsor

- The **Sponsor** has expressed a **strong commitment** to the **Revival Plan** being executed by SANKEI REAL ESTATE. The Sponsor has **re-clarified its stance of support** for SANKEI REAL ESTATE

1. Details of consideration of additional acquisition after receiving notice from the Sponsor

(1) Total number of investment units to be acquired (planned)

- Up to 46,652 units (approx. 10.0% of the number of investment units issued and outstanding)
 - * If the price of the investment units exceeds the initially set maximum price during the acquisition period, the maximum number of units to be acquired may not be reached or the acquisition may not take place at all.
- Combined with the number of units currently held (17,479 units), up to 64,131 units (approx. 13.7% of the number of investment units issued and outstanding)

(2) Acquisition period (planned)

- Planned to be up to 220 business days from a date decided by the Sponsor between October 16, 2023, and February 29, 2024
 - * It may be terminated during the period if the number of investment units acquired reaches the maximum number of investment units, or in other circumstances
 - * The date and period (the final acquisition day) will be determined according to approval by the Sponsor at a later date

(3) Acquisition method (planned)

- The Sponsor will acquire SANKEI REAL ESTATE's investments units through open market purchases in accordance with a sale transaction agreement to be entered into with a securities company

2. Significance of additional acquisition

- The intention to make the additional acquisition shows the **Sponsor's firm commitment** to the **Revival Plan** being executed by SANKEI REAL ESTATE, **reaffirming the Sponsor's position as a supporter** of SANKEI REAL ESTATE.
- Further same-boat investment by the Sponsor aligns the interests of the unitholders of SANKEI REAL ESTATE with those of the Sponsor. Support from the Sponsor is expected to lead to not only the steady execution of the **Revival Plan** but also **SANKEI REAL ESTATE's sustainable growth**.

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 SANKEI REAL ESTATE Inc.