

February 29, 2024

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

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Notice Concerning Portfolio Rebalancing Part 3
(Acquisition and Leasing of Domestic Real Estate Trust Beneficiary Rights)

SANKEI REAL ESTATE Inc. (“SANKEI REAL ESTATE”) announces today that the acquisition of trust beneficiary rights to the following properties (the “To-Be-Acquired Assets”) and accompanying commencement of leases were 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”).

One of the sellers of the To-Be-Acquired Assets falls under the category of a related party, etc. stipulated in Article 201 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) (the “Investment Trusts Act”) and Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000, as amended) (the “Order for Enforcement of the Investment Trusts Act”) as well as under the category of a related party, etc. defined in the Asset Management Company’s rules on transactions with related party, etc.. Accordingly, the Asset Management Company has completed the necessary procedures, such as deliberation and resolution in accordance with the Rules on Transactions with related party, etc., which are voluntary rules for preventing conflicts of interest in transactions with related party, etc.. Furthermore, the Asset Management Company has also obtained prior consent from SANKEI REAL ESTATE regarding transactions with related party, etc., etc. pursuant to the provision of Article 201-2 of the Investment Trusts Act.

1. Overview of Acquisition

Asset type	Property number	Property name	Location	To-Be-Acquired Assets	Planned acquisition price (million yen) (Note 1)	Planned acquisition date (Note 2)	Brokerage
Office building	A-3	S-GATE NIHONBASHI-HONCHO (additional acquisition)	Chuo-ku, Tokyo	Real estate trust beneficiary right	7,450 (Note 3)	April 1, 2024	None
Hotel	B-7	VESSEL HOTEL CAMPANA SUSUKINO	Chuo-ku, Sapporo	Real estate trust beneficiary right	2,920 (Note 3)	March 1, 2024	None
Total (2 properties)			-	-	10,370	-	-

(Note 1) “Planned acquisition price” is the sale and purchase price of each trust beneficiary right stated in the trust beneficiary right sales contract for each of the To-Be-Acquired Assets, 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 acquisition.

(Note 2) The planned acquisition date may be changed upon agreement between SANKEI REAL ESTATE and the seller.

(Note 3) The planned acquisition price for “S-GATE NIHONBASHI-HONCHO” is a figure equivalent to co-ownership interest (49%) (*) planned to be additionally acquired by SANKEI REAL ESTATE. In addition, the planned acquisition price for “VESSEL HOTEL CAMPANA SUSUKINO” is a figure equivalent to co-ownership interest (40%) planned to be acquired by SANKEI REAL ESTATE.

(*) SANKEI REAL ESTATE has already acquired 51% of the co-ownership interest in “S-GATE NIHONBASHI-HONCHO” and plans to acquire the additional 49% of the co-ownership interest after converting it into trust beneficiary rights. Following the additional acquisition, SANKEI REAL ESTATE will hold all of the real estate trust beneficiary rights pertaining to S-GATE NIHONBASHI-HONCHO.

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- | | | |
|-----|---------------------------|--|
| (1) | Acquisition decision date | February 29, 2024 |
| (2) | Contract date | |
| | S-GATE NIHONBASHI-HONCHO | February 29, 2024 |
| | VESSEL HOTEL | |
| | CAMPANA SUSUKINO | March 1, 2024 |
| (3) | Seller | (Note) |
| (4) | Payment date | |
| | S-GATE NIHONBASHI-HONCHO | April 1, 2024 |
| | VESSEL HOTEL | |
| | CAMPANA SUSUKINO | March 1, 2024 |
| (5) | Funds for acquisition | Own funds |
| (6) | Settlement method | Payment of full amount at the time of delivery |

(Note) For details of the seller, please refer to "4. Overview of Seller" below.

2. Reason for Acquisition and Leasing

The environment surrounding SANKEI REAL ESTATE, which has built a portfolio centered on office buildings since its listing, is expected to experience structural changes in office demand, not only due to changes to working environments in office buildings, such as new workstyles, including telework, triggered by the spread of COVID-19, but also because of changes in the preference for office buildings, especially in terms of location among prospective tenants.

Under such circumstances, SANKEI REAL ESTATE implemented a "Portfolio Rebalancing" Part 1 (Note 1) in order to reduce its "office building" investment ratio, which was somewhat excessive, in March and August 2023, to maintain and improve portfolio quality, and to stabilize portfolio revenue.

In addition, the impact of a decrease in revenue at Shinagawa Seaside TS Tower, where a major tenant canceled its lease, has become an emerging portfolio risk, making it necessary to mitigate or eliminate this risk. To address this issue, SANKEI REAL ESTATE formulated and announced a "Revival Plan" in October 2023, and made some changes to its operating guidelines with the aim of responding to anticipated structural changes in office demand and building a portfolio that can achieve sustainable growth. Further, SANKEI REAL ESTATE has begun discussions with the sponsor based on the preferential negotiation rights in order to "implement a large-scale portfolio rebalance". As a result, we implemented "Portfolio Rebalancing" Part 2 (Note 2) which included the transfer of two office buildings, including Shinagawa Seaside TS Tower in January 2024, and the acquisition of three relatively new hotel properties as "core asset group" in February 2024. In addition to reducing and eliminating potential risks, these measures have increased the portfolio occupancy rate (from 87.6% to 96.3%), rejuvenated the average age of the building (from 19.5 yrs to 16.9 yrs), and diversified the portfolio (office buildings 82.3% to 59.3%, core asset group 17.7% to 40.7%). (Note 3)

The acquisition and leasing of the To-Be-Acquired Assets corresponds to Part 3 of the "Portfolio Rebalancing" promoted by SANKEI REAL ESTATE since March 2023. Among the To-Be-Acquired Assets, S-GATE NIHONBASHI-HONCHO is a property that takes into consideration anticipated structural changes in office demand, and with this additional acquisition, SANKEI REAL ESTATE will own 100% of the interest. Further, VESSEL HOTEL CAMPANA SUSUKINO is a property that is expected to contribute to stabilizing portfolio revenue among the "core asset group".

This is expected to further increase the portfolio occupancy rate (from 96.3% to 96.6%) and further rejuvenate the average age of the portfolio (from 16.9 yrs to 15.8 yrs). This series of rebalancing activities marks the completion of the "Revival Plan" with the exception of the additional acquisition of investment units of SANKEI REAL ESTATE by the sponsor, and we believe that we are now at the beginning of a new stage in our journey to become a "comprehensive REIT". We aim to continue to be a REIT capable of sustainable growth, and in order to further strengthen our portfolio, we will maintain our portfolio through continuous rebalancing and strive to improve its quality.

All tenants for the To-Be-Acquired Assets satisfy the tenant requirements of SANKEI REAL ESTATE. Please refer to "Reference Material 2: Characteristics of the To-Be-Acquired Assets" for criteria that were key in the decision to make the acquisitions for each To-Be-Acquired Asset.

(Note 1) Refers to the additional acquisition of "S-GATE AKASAKA" acquired on March 31, 2023, the acquisition of "SANKEILOGI Settsu" and the partial transfer of "BREEZE TOWER" transferred on August 31, 2023. For details, please refer to "Notice Concerning Acquisition and Leasing of Trust Beneficiary Rights in Domestic Real Estate" dated March 20, 2023 and "Notice Concerning Partial Disposition

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- of Trust Beneficiary Rights in Domestic Real Estate (BREEZE TOWER (1.55% quasi co-ownership interest))" dated August 29, 2023.
- (Note 2) Refers to "BREEZE TOWER" and "Shinagawa Seaside TS Tower" which were transferred on January 31, 2024, and "Hotel Intergate Kyoto Shijo Shinmachi", "Hotel Intergate Kanazawa" and "Grids Premium Hotel Osaka Namba" which were acquired on February 1, 2024. For details, please refer to Notice Concerning Large-scale Portfolio Rebalancing (Disposition and Acquisition of Domestic Real Estate Trust Beneficiary Rights) dated January 30, 2024.
- (Note 3) "Occupancy rate" indicates the ratio of the total leased area (Note 5) to the total leasable area (Note 4) of the assets under management, and is rounded to the first decimal place. Both the leasable area and leased area are figures corresponding to SANKEI REAL ESTATE's ownership interest in each asset under management. The "average age of the property" is the weighted average of the number of years elapsed from the date of new construction in the registry of the main building for each asset under management, based on the acquisition price, rounded to the first decimal place. The reference dates for calculating each numerical value are January 30, 2024, February 1, 2024, and April 1, 2024 (as for Occupancy rate, the estimated value is indicated recalculated based on the value as of February 1, 2024).
- (Note 4) "Leasable area" refers to the total leasable area of each asset under management (the area that is considered possible to lease based on the building lease contract or building drawings and others (excluding incidental areas such as storage areas, signboards and parking, etc. that are not the main use)).
- (Note 5) "Leased area" refers to the total leased area of each asset under management (leased area stated in each building lease agreement excluding lease agreements under which the lease period is yet to commence (excluding incidental areas such as storage areas, signboards and parking, etc. that are not the main use)). For the portion subject to a pass-through master lease (a master leases without rent guarantees), it refers to the total area for which a lease contract has been concluded with the end tenant and for which the lease period has commenced.

3. Overview of Individual Properties of the To-Be-Acquired Assets

The table below shows an overview of each To-Be-Acquired Asset (the "individual asset table"). In addition, the terms used in the individual asset table are as follows unless otherwise specified in an individual asset table. Please refer to the individual asset table together with the explanation on the terms listed below. For items that do not have a note on the date, in principle, the status as of the end of February 2024 is stated.

- "Type of specified asset" indicates the type of each To-Be-Acquired Asset.
- "Address" indicates the residential address of each To-Be-Acquired Asset. If there is no formal building address, the building location stated in the registry (if there are multiple locations, one of those) is indicated.
- "Planned acquisition price" indicates the purchase price of each trust beneficiary right indicated in each sale and purchase agreement for each To-Be-Acquired Asset (excluding consumption tax, local consumption tax and various expenses including brokerage commission, rounded down to the nearest million yen).
- "Overview of trust beneficiary rights" indicates the overview of the trustee, trust establishment date and trust expiration date upon the acquisition of each To-Be-Acquired Asset (after the change when changes are planned to be made due to the acquisition). For trust agreements that are planned to be concluded after the date of this document, the overview of the planned trustee, planned trust establishment date and planned trust expiration date upon the acquisition of each To-Be-Acquired Asset is indicated.
- "Site area" of the land is indicated based on 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, 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. Moreover, certain easing or restrictive measures may be applied to the "Floor area ratio" or "Building coverage ratio" in the individual asset table depending on the To-Be-Acquired Asset.
- "Type of ownership" of the land indicates the type of right for each To-Be-Acquired Asset planned to be 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 information in the registry.
- "Construction completion" of the building indicates the date of completion of each 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 information in the registry. Moreover, "Total floor

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area” indicates the total floor area of main buildings and attached buildings. It indicates the total floor area of the entire building regardless of sectional ownership or quasi co-ownership.

- “Asset type” of the building indicates the main use of the building type in the registry.
- “Type of ownership” of the building indicates the type of right for each To-Be-Acquired Asset planned to be held 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 or plans to conclude a property management agreement for each To-Be-Acquired Asset.
- “Master lease company” indicates the company with which SANKEI REAL ESTATE has concluded or plans to conclude a master lease agreement for each To-Be-Acquired Asset. Moreover, the co-owners of each To-Be-Acquired Asset may be the master lease company.
- “Master lease type” indicates the type of master lease agreement (pass-through or fixed-rent) following the acquisition of each To-Be-Acquired Asset. “Pass-through” indicates master lease agreements with no rent guarantee and “fixed-rent” indicates master lease agreements that come with a rent guarantee.
- “Appraisal value” is the appraisal value as of February 1, 2024, stated in each real estate appraisal report. The appraisal of each To-Be-Acquired Asset is completed by the Japan Real Estate Institute.
- “PML value” is indicated based on the “Seismic Risk Evaluation Report” dated February 2024 prepared by Tokio Marine dR Co., Ltd. for each To-Be-Acquired Asset.
- “Number of tenants” indicates the number of tenants based on the lease agreement of each To-Be-Acquired Asset as of the last day of February 2024. However, the total number of end tenants is indicated for pass-through master lease agreements when a master lease agreement has been concluded for 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” for office buildings is the annualized amount calculated by multiplying by 12 the monthly rent for the building indicated in the lease agreement for each To-Be-Acquired Asset that is valid as of the end of February 2024, rounded down to the nearest million yen (Usage fees for incidental areas such as storage areas, signboards and parking, etc. that are not the main use are not included, and only leased room includes common service expenses and others. In addition, free rent and rent holidays as of the same date shall not be considered, and if there is an agreement to change the rent in the future, the rent amount as of the end of February 2024 shall be used as the basis. If variable rent is included in an agreement with the tenant, it is calculated without taking into consideration such variable rent. And consumption tax shall not be included.). In cases where a master lease agreement has been executed for the To-Be-Acquired asset, the amount is annualized by multiplying by 12 the monthly rent in the lease agreement with the end-tenant for the portion subject to the pass-through master lease and the monthly rent in the master lease agreement for the portion subject to the fixed master lease, respectively.
- “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, excluding the security and guarantee deposits for incidental areas such as storage areas, signboards and parking, etc. that are not the main use) based on the lease agreement of each To-Be-Acquired Asset as of the last day of February 2024, rounded down to the nearest million yen.
- “Leased area” indicates the total leased area (excluding incidental areas such as storage areas, signboards and parking, etc. that are not the main use) shown in the lease agreement (excluding lease agreements under which the lease period is yet to commence) with the tenant of each To-Be-Acquired Asset as the lessee as of the last day of February 2024 rounded down to two decimal places. Moreover, the total area for which a lease agreement has been concluded with the end tenant and the lease period has commenced is indicated for the portion in the pass-through master lease agreement, rounded down to two decimal places.
- “Leasable area” indicates the area believed to be leasable (excluding incidental areas such as storage areas, signboards and parking, etc. that are not the main use) based on the lease agreement and drawings, etc. of buildings for each To-Be-Acquired Asset as of the last day of February 2024, rounded down to two decimal places.

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- “Occupancy rate” indicates the ratio of leased area to leasable area for each To-Be-Acquired Asset as of the last day of February 2024, rounded to one decimal place.
- “Special remarks” indicates matters recognized as important as of the last day of February 2024 in consideration of the relationship of rights, use, safety, etc. of each To-Be-Acquired Asset and the impact on the appraisal value, profitability, and disposition.

A-3 S-GATE NIHONBASHI-HONCHO(additional acquisition)

Property name		S-GATE NIHONBASHI-HONCHO
Type of specified asset		Real estate trust beneficiary right
Location		1-9-1 Nihonbashi-honcho, Chuo-ku, Tokyo
Planned acquisition price		7,450 million yen
Overview of trust beneficiary right	Trustee	Sumitomo Mitsui Trust Bank, Limited
	Trust establishment date	April 1, 2024
	Trust expiration date	March 31, 2034
Land	Site area	954.21m ²
	Use district	Commercial area
	Floor area ratio	800%
	Building coverage ratio	80%
	Type of ownership	Ownership (49% co-ownership) (Note 1)
Building	Structure and floors	Steel flat roof/11 stories above ground
	Construction completion	October 31, 2018
	Total floor area	8,174.43m ²
	Asset type	Office/Parking lot
	Type of ownership	Ownership (49% co-ownership) (Note 1)
Property management company		Sankei Building Management Co., Ltd.
Master lease company		None
Master lease type		None
Appraisal value (Date of valuation)		7,480 million yen (February 1, 2024)
Appraiser		Japan Real Estate Institute
PML value		2.0%
PML value investigation company		Tokio Marine dR Co., Ltd.
Collateral		None
Overview of lease		
	Number of tenants	2
	Total rental revenue	297 million yen (Note 2)
	Security and guarantee deposits	297 million yen (Note 2)
	Leased area	3,047.45 m ² (Note 2)
	Leasable area	3,047.45 m ² (Note 2)
	Occupancy rate	100.0% (Note 2)
Special remarks		Not applicable

(Note 1) SANKEI REAL ESTATE has already acquired 51% co-ownership interest and plans to acquire an additional 49% co-ownership interest. Following the additional acquisition, SANKEI REAL ESTATE will hold all of the real estate trust beneficiary rights pertaining to S-GATE NIHONBASHI-HONCHO.

(Note 2) In the overview of leasing, the figures equivalent to the co-ownership interest (49%) are shown for the leased area, leasable area and occupancy rate.

B-7 VESSEL HOTEL CAMPANA SUSUKINO

Property name		VESSEL HOTEL CAMPANA SUSUKINO
Type of specified asset		Real estate trust beneficiary right
Location		6-16-1 Minami Gojonishi, Chuo-ku, Sapporo, Hokkaido
Planned acquisition price		2,920 million yen
Overview of trust beneficiary right	Trustee	Mitsubishi UFJ Trust and Banking Corp.
	Trust establishment date	March 1, 2024
	Trust expiration date	February 28, 2034
Land	Site area	1,579.31m ²
	Use district	Commercial area
	Floor area ratio	600%
	Building coverage ratio	80%
	Type of ownership	Ownership (40% co-ownership)
Building	Structure and floors	Steel flat roof/13 stories above ground
	Construction completion	March 29, 2019
	Total floor area	9,950.91m ²
	Asset type	Hotel
	Type of ownership	Ownership (40% co-ownership)
Property management company		JA Mitsui Leasing Tatemono Co., Ltd.
Master lease company		None
Master lease type		None
Appraisal value (Date of valuation)		2,930 million yen (February 1, 2024)
Appraiser		Japan Real Estate Institute
PML value		0.9%
PML value investigation company		Tokio Marine dR Co., Ltd.
Collateral		None
Overview of lease		
	Number of tenants	1
	Total rental revenue	Not disclosed (Note 1)
	Security and guarantee deposits	Not disclosed (Note 1)
	Leased area	4,427.11 m ² (Note 2)
	Leasable area	4,427.11 m ² (Note 2)
	Occupancy rate	100.0%
Special remarks	<p>The Property is scheduled to be co-owned with a third party, and an agreement between co-owners is scheduled to be concluded with the third party (60% co-ownership interest), including the respective trustee. The co-ownership agreement will mainly stipulate the following:</p> <ul style="list-style-type: none"> Decision making <p>In principle, decisions shall be made by agreement between the co-owners; however (i) matters that do not involve the cost burden of each co-owner, and (ii) matters for which the amount of cost burden is only a small amount in proportion to each co-owner's co-ownership interest, may be determined solely by the relevant third party. In the event that an agreement cannot be reached between the co-owners by a certain date prior to the deadline even after a certain amount of consultation, the third party may decide on its own. However, (1) when large-scale repairs, extensions, or alterations to the Building that involve a significant change in its shape or utility are made (however, excluding cases that fall under (i) or (ii) above), and (2) when the Building is demolished (including cases of rebuilding), (however, excluding cases that fall under (i) or (ii) above), it</p>	

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	<p>shall be determined by agreement between co-owners.</p> <ul style="list-style-type: none">• Preferential negotiation rights <p>If either of the co-owners intends to transfer the co-ownership interest (or trust beneficiary rights) held by the co-owner to a third party, the other co-owner shall take precedence over the third party as the preferred negotiating partner.</p> <ul style="list-style-type: none">• Default <p>In the event of default by either of the co-owners, the other party has the right to acquire by itself or to have a third party acquire, the co-ownership interest (or trust beneficial rights) held by the co-owner in default at an amount equivalent to 80% of the appraised value by a self-designated real estate appraiser.</p> <ul style="list-style-type: none">• Indivisibility clause <p>Each co-owner shall not request any division of the Property for 5 years (with automatic renewal).</p>
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(Note 1) Consent for disclosure of total rent revenue, and security and guarantee deposits was not obtained from the tenant, and they are not disclosed due to unavoidable reasons. The rent is fixed rent only.

(Note 2) In the overview of leasing, the figures equivalent to the co-ownership interest (40%) are shown for the total rent revenue, leased area and leasable area.

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4. Overview of Seller

(A3 S-GATE NIHONBASHI-HONCHO)

The seller is a domestic company, however the information is not disclosed because consent for the disclosure has not been obtained. The seller has no special interest in SANKEI REAL ESTATE or the Asset Management Company.

(B-7 VESSEL HOTEL CAMPANA SUSUKINO)

(1)	Name	Sankei Building Co., Ltd.
(2)	Location	1-7-2 Otemachi, Chiyoda-ku, Tokyo
(3)	Position and name of representative	Representative Director, Kazunobu Iijima
(4)	Line of business	Development, acquisition, sales, leasing, subdivision and management, etc. of real estate (offices, residences, hotels, etc.)
(5)	Capital	38,120 million yen (as of the end of September 2023)
(6)	Established	June 11, 1951
(7)	Net assets	142,075 million yen (as of September 30, 2023)
(8)	Total assets	459,235 million yen (as of September 30, 2023)
(9)	Major shareholders and shareholding ratio	FUJI MEDIA HOLDINGS, INC. 100%
(10)	Relationship between SANKEI REAL ESTATE or Asset Management Company and the relevant company	
	Capital relationship	The relevant company owns 3.74% of the total number of investment units issued and outstanding of SANKEI REAL ESTATE as of the date of this document. The relevant company also owns 100% of the shares issued and outstanding of the Asset Management Company as of the date of this document.
	Personnel relationship	As of the date of this document, 16 executives and employees of the Asset Management Company are loaned staff from the relevant company.
	Business relationship	As of the date of this document, SANKEI REAL ESTATE has acquired from the relevant company all of the acquired assets other than "Toyo Park Building," "Omori Park Building," "Miyazakidai Garden Office," "Hitachi Kyusyu Building" and "SANKEILOGI Settsu" (30%). The relevant company has concluded a trademark license agreement, property management agreement and master lease agreement (including master lease and property management agreements) with SANKEI REAL ESTATE. The relevant 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 relevant company falls under the category of a related party of SANKEI REAL ESTATE and the Asset Management Company.

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5. Status of Property Buyers, Etc.

Property acquisitions from parties having special interest are as follows. The following table shows (i) the name of the company, (ii) relationship with parties having special interest and, (iii) background, reasons, etc. behind acquisition.

Property name (Location)	Previous owner/holder of trust beneficiary right	Second previous owner/holder of trust beneficiary right	Third previous owner/holder of trust beneficiary right
	(i) (ii) (iii)	(i) (ii) (iii)	(i) (ii) (iii)
	Acquisition (transfer) price	Acquisition (transfer) price	Acquisition (transfer) price
	Acquisition (transfer) period	Acquisition (transfer) period	Acquisition (transfer) period
S-GATE NIHONBASHI- HONCHO (1-9-1 Nihonbashi- honcho, Chuo- ku, Tokyo)	Other than a party having special interest	-	-
	-	-	-
	-	-	-
VESSEL HOTEL CAMPANA SUSUKINO (6-16-1 Minami Gojonishi, Chuo- ku, Sapporo, Hokkaido)	(i) Sankei Building Co., Ltd. (ii) Parent company of the Asset Management Company (iii) Acquired for development purposes	Other than a party having special interest	-
	Omitted as the property was owned for more than a year.	-	-
	Land: December 2016 Building: March 29, 2019 (new construction)	-	-

6. Impact on finance of SANKEI REAL ESTATE in the event of failure to fulfill forward commitments, etc.

Among the To-Be-Acquired Assets, the trust beneficiary right sales contract pertaining to "S-GATE NIHONBASHI-HONCHO" (hereinafter the "Contract") falls under the category of forward commitment, etc. (Note).

Under the Contract, however, the purchase and sale is conditioned on the procurement of funds exceeding the total amount of the purchase price to cover the purchase price of the Trust Beneficiary Rights through the sale of the properties owned, etc. If such conditions are not fulfilled, the Contract will definitively cease to be effective, and no compensation or indemnification can be sought for any damages, losses and expenses (including attorney's fees) incurred in connection with the conclusion or execution of the Contract.

Therefore, even if the purchase and sale conditions are not met, no compensation or indemnification will be required, and we believe that there is a low possibility that there will be a material negative impact on the finances and dividends, etc. of SANKEI REAL ESTATE.

(Note) A forward commitment, etc. refers to a purchase and sale contract and other similar contracts at a future date, for which settlement and delivery of the property are to be made one month or more after the conclusion of the contract.

7. Future Outlook

The planned acquisition dates of the To-Be-Acquired Assets are April 1, 2024 and March 1, 2024, respectively, and there is no impact on the operating forecasts for the fiscal period ending February 2024 (September 1, 2023 to February 29, 2024). On the other hand, for the operating forecast for the fiscal period ending August 2024 (March 1, 2024 to August 31, 2024) and the fiscal period ending February 2025 (September 1, 2024 to February 28, 2025), the portfolio of SANKEI REAL ESTATE will change drastically, due to the impact of the two office buildings transferred on January 31, 2024 and the three hotel properties acquired on February 1, 2024. The amount of operating revenue, etc. resulting from such changes is currently under review, and we will disclose it in the financial results for the fiscal year ending February 2024 scheduled on April 15, 2024 (Financial Results for the Fiscal Year Ending February 2024 (REIT)).

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7. Overview of appraisal report

Overview of appraisal report	
Property name	S-GATE NIHONBASHI-HONCHO
Appraiser	Japan Real Estate Institute
Appraisal value	7,480 million yen
Appraisal date	February 1, 2024

Item	Details	Overview, etc.
Income approach value	7,480 million yen	Assessed by applying the DCF method and direct capitalization method
Value based on direct capitalization method	7,540 million yen	
(i) Operating revenue	303 million yen	
Effective gross income	316 million yen	
Loss from vacancy, etc.	12 million yen	
(ii) Operating expenses	60 million yen	
Maintenance and operation cost	12 million yen	
Utility expenses	15 million yen	
Repair expenses	2 million yen	
PM fee	4 million yen	
Tenant soliciting fees, etc.	2 million yen	
Taxes and public dues	22 million yen	
Non-life insurance premium	0 million yen	
Other expenses	0 million yen	
(iii) Net operating income (NOI: (i) - (ii))	243 million yen	
(iv) Lump-sum investment profit	2 million yen	Assessed by assuming an investment yield of 1.0%
(v) Capital expenditure	5 million yen	Assessed by taking into consideration the engineering report and the level of renewal fees of similar properties
Net income (NCF: (iii) + (iv) - (v))	241 million yen	
Capitalization rate	3.2%	Assessed by taking into consideration the marketability of targeted property and transaction yield of similar properties, etc.
Value based on discounted cash flow (DCF) method	7,420 million yen	
Discount rate	2.9%	Assessed by taking into consideration the competitiveness, etc. of targeted property
Terminal capitalization rate	3.3%	Assessed by taking into consideration the risk on aging and market conditions, etc.
Integrated value based on cost method	6,750 million yen	
Land ratio	81.9%	
Building ratio	18.1%	
Other matters which the appraiser has paid attention to in the appraisal	Nothing in particular	

(Note) All of the above amounts represent figures equivalent to the co-ownership interest (49%).

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Overview of appraisal report	
Property name	VESSEL HOTEL CAMPANA SUSUKINO
Appraiser	Japan Real Estate Institute
Appraisal value	2,930 million yen
Appraisal date	February 1, 2024

Item	Details	Overview, etc.
Income approach value	2,930 million yen	Assessed by applying the DCF method and direct capitalization method
Value based on direct capitalization method	2,930 million yen	
(i) Operating revenue	138 million yen	
Effective gross income	138 million yen	
Loss from vacancy, etc.	-	
(ii) Operating expenses	15 million yen	
Maintenance and operation cost	-	
Utility expenses	-	
Repair expenses	-	
PM fee	0 million yen	
Tenant soliciting fees, etc.	-	
Taxes and public dues	14 million yen	
Non-life insurance premium	0 million yen	
Other expenses	-	
(iii) Net operating income (NOI: (i) - (ii))	122 million yen	
(iv) Lump-sum investment profit	0 million yen	Assessed by assuming an investment yield of 1.0%
(v) Capital expenditure	-	Assessed by taking into consideration the engineering report and the level of renewal fees of similar properties
Net income (NCF: (iii) + (iv) - (v))	123 million yen	
Capitalization rate	4.2%	Assessed by taking into consideration the marketability of targeted property and transaction yield of similar properties, etc.
Value based on discounted cash flow (DCF) method	2,920 million yen	
Discount rate	3.9%	Assessed by taking into consideration the competitiveness, etc. of targeted property
Terminal capitalization rate	4.3%	Assessed by taking into consideration the risk on aging and market conditions, etc.
Integrated value based on cost method	2,810 million yen	
Land ratio	51.0%	
Building ratio	49.0%	
Other matters which the appraiser has paid attention to in the appraisal	Nothing in particular	

End

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

<Attachment>

Reference Material 1 Portfolio List Following Acquisition of the To-Be-Acquired Assets

Reference Material 2 Characteristics of the To-Be-Acquired Assets

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<Attachment>

Reference Material 1 Portfolio List Following Acquisition of the To-Be-Acquired Assets

Use	Property number	Property name	Location	(Planned) acquisition price (Note 1)		Appraisal value (million yen) (Note 2)
				Price (million yen)	Investment ratio (%)	
Office building	A-1	Tokyo Sankei Building (Note 3)	Chiyoda-ku, Tokyo	2,509	2.6	2,570
	A-3	S-GATE NIHONBASHI-HONCHO	Chuo-ku, Tokyo	14,148	14.7	15,230
	A-4	S-GATE AKIHABARA	Chiyoda-ku, Tokyo	2,055	2.1	2,690
	A-5	Hibiya Sankei Building	Chiyoda-ku, Tokyo	5,829	6.0	6,630
	A-6	Hatchobori Sankei Building	Chuo-ku, Tokyo	4,959	5.1	5,470
	A-7	Toyo Park Building	Koto-ku, Tokyo	3,782	3.9	3,900
	A-9	Omori Park Building	Ota-ku, Tokyo	5,400	5.6	5,270
	A-10	S-GATE AKASAKA	Minato-ku, Tokyo	7,000	7.3	7,400
	A-11	Miyazakidai Garden Office	Miyamae-ku, Kawasaki-shi, Kanagawa	2,800	2.9	2,710
	A-12	Hitachi Kyusyu Building	Sawara-ku, Fukuoka-shi, Fukuoka	10,000	10.4	10,300
Subtotal (average)			-	58,484	60.6	62,170
Core asset group	B-1	Hotel Intergate Tokyo Kyobashi	Chuo-ku, Tokyo	8,961	9.3	9,190
	B-2	Hotel Intergate Hiroshima	Naka-ku, Hiroshima-shi, Hiroshima	3,990	4.1	4,180
	B-3	SANKEILOGI Settsu	Settsu-shi, Osaka	5,242	5.4	5,550
	B-4	Hotel Intergate Kyoto Shijo Shinmachi	Nakagyo-ku, Kyoto-shi, Kyoto	5,800	6.0	5,870
	B-5	Hotel Intergate Kanazawa	Kanazawa-shi, Ishikawa	3,250	3.4	3,280
	B-6	Grids Premium Hotel Osaka Namba	Naniwa-ku, Osaka-shi, Osaka	7,800	8.1	7,860
	B-7	VESSEL HOTEL CAMPANA SUSUKINO (Note 3)	Chuo-ku, Sapporo-shi, Hokkaido	2,920	3.0	2,930
Subtotal (average)			-	37,963	39.4	38,860
Total (average)			-	96,447	100.0	101,030

(Note 1) “(Planned) acquisition price” is the sale and purchase price of real estate and each trust beneficiary right stated in each sale and purchase agreement for the To-Be-Acquired Assets, 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 acquisition. “Investment ratio” is the proportion of the (planned) acquisition price of each Acquired or To-Be-Acquired Asset to the total amount of (planned) acquisition price, rounded to one decimal place.

(Note 2) “Appraisal value” is the appraisal value stated in each real estate appraisal report as of August 31, 2023 for the assets acquired by SANKEI REAL ESTATE (as of January 1, 2024 for the property number B-4 to B-6) and as of February 1, 2024 for the To-Be-Acquired Assets respectively. The appraisal of each Acquired or To-Be-Acquired Asset is completed by the Japan Real Estate Institute, The Tanizawa Sōgō Appraisal Co., Ltd. and Daiwa Real Estate Appraisal Co., Ltd.

(Note 3) The (planned) acquisition price and appraisal value for “Tokyo Sankei Building” and “VESSEL HOTEL CAMPANA SUSUKINO” are figures that correspond to the co-ownership interest in each property (2% and 40%, respectively) (*) acquired by SANKEI REAL ESTATE.

(*) In regard to “Tokyo Sankei Building,” SANKEI REAL ESTATE has already acquired 2% co-ownership interest in ownership of the site, 2% quasi co-ownership interest in the leasehold and 2% co-ownership interest in ownership of the building. In regard to VESSEL HOTEL CAMPANA SUSUKINO, we plan to acquire 40% co-ownership interest in ownership of the site and 40% co-ownership interest in ownership of the building. The term “co-ownership interest in each property (2% and 40%, respectively)” is used in this sense.

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Reference Material 2 Characteristics of the To-Be-Acquired Assets

(Property number A-3) S-GATE NIHONBASHI-HONCHO

(1) Characteristics of the Property

- This is the fourth property in the “S-GATE” series of high-grade, mid-sized office buildings developed and managed by The Sankei Building Co., Ltd. with unified design, specs and service standards to offer excellent comfort, peace of mind, safety, environmental performance, BCP (business continuity planning) measures and tenant services, etc. in terms of intangible factors.
- It is located in the Nihonbashi area, a traditional business center, where long-established shops, department stores, and pharmaceutical companies have their stores and offices. Therefore, in addition to Mitsukoshi-mae Station on the Tokyo Metro Ginza Line and Hanzomon Line, other stations within walking distance include Nihonbashi Station, Ningyocho Station, and Shin-Nihonbashi Station, providing access to four stations and six lines.
- With the appearance of a heavy grid design (Note 1), it is located on a corner facing Showa-dori Street and boasts high visibility.
- The rental floor area of the standard floor is approximately 616.76 m², the ceiling height is 2,800 mm, and the use of an out-frame structure creates a completely column-free space. It features environmentally friendly Low-e (Low emissivity) double-glazed glass (Note 2), LED lighting, and completely separate air-conditioning. A pleasant aroma at the entrance, wall greenery, digital signage, hotel-like restrooms with a powder space, refreshment corners, and a rooftop terrace with an open feel all come together to create a comfortable office environment.
- In terms of business continuity plan (BCP) measures, the property is equipped with an emergency power generator, two separate power lines, an emergency storage facility on all floors except the first floor, and has an earthquake-resistant structure with an earthquake resistance level equivalent to 1.25 times that of the Building Standards Act. Although it is a medium sized building, it boasts the same specifications and equipment levels as a class-A building, and is believed to offer competitiveness comparable with recently constructed large-scale buildings.
- In addition to the DBJ Green Building Certification “2022 4-star”, the Property has received a “2023 ★★★” rating under the Building-Housing Energy-efficiency Labeling System (BELS).

(Note 1) “Grid design” refers to a grid-like design on the exterior of a building.

(Note 2) “Low-e (low emissivity) double glazing” refers to double glazing with a low emissivity coating.

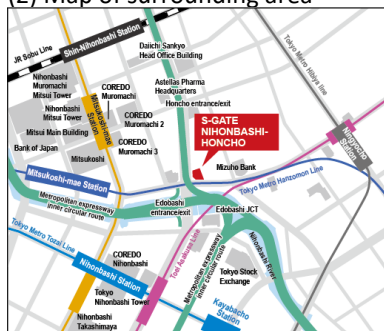


DBJ Green Building
2022

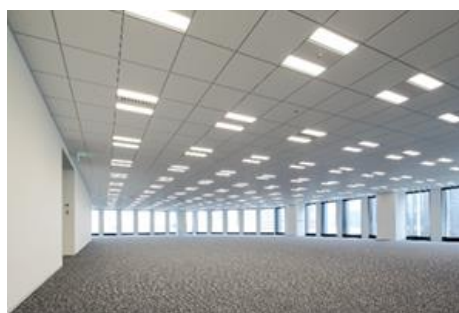


この建物のエネルギー消費量 **20%**削減
2023年12月21日交付 国土交通省告示に基づく第三者認証

(2) Map of surrounding area



(3) Photo of To-Be-Acquired Asset



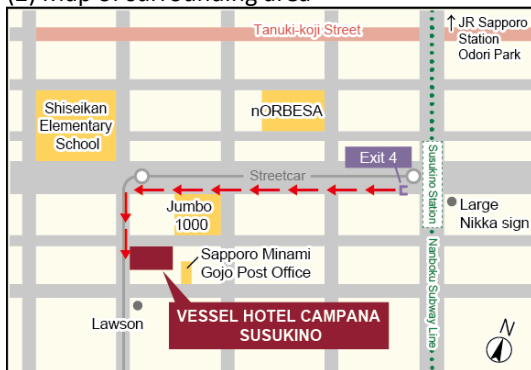
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(Property number B-7 VESSEL HOTEL CAMPANA SUSUKINO)

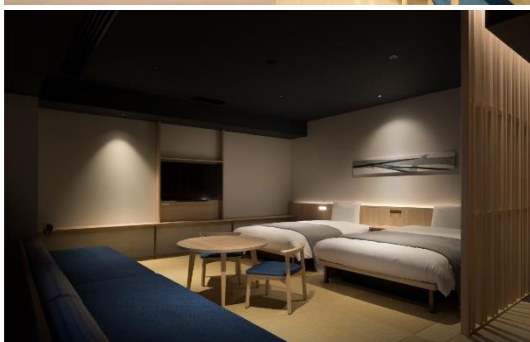
(1) Characteristics of the Property

- The Susukino area of Sapporo, where the Property is located, is known as the largest entertainment district in Hokkaido, and is also the city's central commercial district and tourist hub with a concentration of restaurants, large commercial facilities, foreign-owned hotels and others. The Property is located a 4-minute walk from Susukino Station on the Sapporo Municipal Subway Nanboku Line, and boasts a convenient location, placing it within walking distance of Odori Park, famous for the Sapporo Snow Festival held in February every year and the Sapporo Autumn Fest held in September.
- The Property is a 13-story steel-framed hotel that was completed in March 2019 with the concept of "Japanese relaxation and culture". The interior uses plenty of wood to create an overall calm atmosphere, and the lobby space on the first floor is equipped with three types of art works in clay, moss, and ink, creating a space with an impact. The second floor has a spacious public bath with a sauna exclusively for guests, and the third to 13th floors are guest rooms.
- There are a total of 296 guest rooms, with a wide variety of room types centering on single, double and twin types, as well as deluxe rooms that can accommodate three to four people, as well as two premier deluxe rooms of 52.6 m². All guest rooms are designed so that you can take off your shoes and relax, and there are also rooms with tatami mats and rooms available for futon beds. In addition, the rooms are equipped with LAN/Wi-Fi, a free VOD theater, Simmons bed, and air purifier.
- In the spacious restaurant space on the 1st floor, guests can make seafood bowls with their own favorite toppings, using luxurious Hokkaido seafood such as crab, salmon roe, and scallops, and guests can also enjoy from 6 a.m. a breakfast buffet boasting a wide variety of local ingredients, by which the Hotel differentiates itself from competing hotels. The facility is capable of meeting a variety of lodging demands, including domestic tourism demand as well as leisure travelers, including inbound tourists.

(2) Map of surrounding area



(3) Photo of To-Be-Acquired Asset



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