SANKEI REAL ESTATE Inc.

August 21, 2020

For Immediate Release

Real Estate Investment Trust Securities Issuer
1-7-2 Otemachi, 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 Chief Executive Officer
Contact: Atsushi Mukai
Director and Chief Finance & IR Officer
TEL: +81-3-5542-1316

Notice Concerning Application for Change in Registration and the Filing of Amended Business Rules and Notification of Concurrent Business by the Asset Management Company

SANKEI REAL ESTATE Inc. ("SANKEI REAL ESTATE") announces that Sankei Building Asset Management Co., Ltd., to which SANKEI REAL ESTATE entrusts the management of its assets (the "Asset Management Company"), has decided today to apply for a change in registration and shall file amended business rules and a notification of concurrent business pursuant to the Financial Instruments and Exchange Act in accordance with newly commencing asset management for a private equity real estate fund. Details are as follows.

1. Date on which application for change in registration and the filing of amended business rules and notification of concurrent business were decided
   August 21, 2020

2. Administrative agency to which the application for change in registration will be submitted and amended business rules and notification of concurrent business filed
   Financial Services Agency

3. Overview of application for change in registration and the filing of amended business rules and notification of concurrent business
   (1) Details of application for change in registration
      i. Investment Advisory and Agency Business and Type II Financial Instruments Business will be added to the categories of business conducted by the Asset Management Company
      ii. Date of application
      August 21, 2020

   (2) Details of the filing of amended business rules and notification of concurrent business
      i. Concerning investment management conducted by the Asset Management Company, business rules will be amended in accordance with new commencement of asset management for a private equity real estate fund. In line with the amendment, a notification of concurrent business will be filed for businesses normally required for such.
      ii. Date of filing
      August 21, 2020

   Furthermore, the Asset Management Company plans to join the Japan Investment Advisers Association upon the launch of said concurrent business.

4. Reason for application for change in registration and the filing of amended business rules and notification of concurrent business

While the Asset Management Company conducts investment management for SANKEI REAL ESTATE as its asset management company, it has decided to also conduct investment management for a private equity real estate fund alongside an investment advisory and agency business and a type II financial instruments business to diversify asset management functions as well as build a stable management base and improve its skills in asset management as SANKEI REAL ESTATE's asset management company by newly accepting asset management for a private equity real estate fund and engaging in multiple businesses.

5. Prevention of conflicts of interest

Since the investment target of the private equity real estate fund could compete with that of SANKEI REAL ESTATE, the Asset Management Company believes that it is important to prevent conflicts of interest with the asset management business of SANKEI REAL ESTATE when newly managing assets for the private equity real estate fund. As such, it will newly establish "Rules on Handling of Property Information" and stipulates granting of preferential rights for SANKEI REAL ESTATE upon property acquisition as follows. The rules prevent the Asset Management Company from causing conflicts of interest through arbitrary acts by stipulating that when the Asset Management Company obtains information concerning sales of real estate-related assets ("Property Information") from a third party, the order of priority for SANKEI REAL ESTATE and the private equity real estate fund concerning discussion and judgement on property acquisition shall be decided pursuant to the Rules on Handling of Property Information. The Asset Management Company will also prevent conflicts of interest between SANKEI REAL ESTATE and the private equity real estate fund by establishing "Rules for Prevention of Negative Effect" to set guidelines for securing appropriateness of business.

Specifically, when the Asset Management Company obtains Property Information from a third party, the information will be first unified to be managed at the Investment Management Department (which oversees SANKEI REAL ESTATE). Then the Investment Management Department and the Fund Management Department (which oversees the private equity real estate fund) will, after receiving the information, discuss and decide property acquisition by SANKEI REAL ESTATE or the private equity real estate fund.

(Overview of the rules concerning granting of preferential rights for SANKEI REAL ESTATE under the "Rules on Handling of Property Information")

(1) In-house discussion

Upon discussion within the Asset Management Company, the Investment Management Department and the Fund Management Department may hold discussions alongside.

(2) Discussion on acquisition, including negotiations with outside parities (In principle, SANKEI REAL ESTATE is to have priority)

i. When the manager of the Investment Management Department approves further continuation of discussion on acquisition as a result of in-house discussions at the department, the Investment Management Department may discuss acquisition of the property by SANKEI REAL ESTATE, including negotiations for acquisition, and may acquire the property for SANKEI REAL ESTATE after following the in-house decision-making process such as that of the Investment Committee for acquiring the property, pursuant to the company regulations of the Asset Management Company.

ii. On the other hand, when the manager of the Investment Management Department decides not to acquire the property for SANKEI REAL ESTATE (including cases when the manager decides to form a temporary SPC, etc. (the "Bridge SPC, Etc.") for the purpose of having SANKEI REAL ESTATE acquire the property, when the manager decides to terminate the negotiation on acquisition of the property because no agreement was made with the counterparty of the transaction, or when the manager decides to discontinue discussion on acquisition for other reasons) as a result of in-house discussions at the department, the Fund Management Department may discuss acquisition, including negotiations.

iii. In ii. above, if the reason for the Investment Management Department to decide not to acquire the property is to have SANKEI REAL ESTATE acquire the property by forming the Bridge SPC, Etc., the Fund Management Department may discuss acquisition, including negotiation on acquisition of the property, under the condition that the department shall abide by the decision.

(3) Exceptional handling

Regardless of (2) above, the Fund Management Department may discuss, including negotiations on acquisition, the following Property Information even when the manager of the Investment Management Department has not decided not to acquire the property for SANKEI REAL ESTATE: (i) Property Information with an acquisition

candidate other than SANKEI REAL ESTATE designated by the seller of the property, the investor, or other parties who provided the information to the Asset Management Company (including the seller's lender and asset managers other than the Asset Management Company); (ii) Property Information on a property of which the private equity real estate fund already holds partial interest through co-ownership, sectional ownership, quasi co-ownership of trust beneficiary rights, etc. (excluding the case when SANKEI REAL ESTATE also holds interest); (iii) Property Information on a property with adjacent properties of which the private equity real estate fund already holds interest (excluding the case when SANKEI REAL ESTATE also holds interest); and (iv) Property Information for which the compliance officer has confirmed that discussion on acquisition, including preferential negotiations, by the Fund Management Department will not harm the interests of SANKEI REAL ESTATE under the circumstances based on (i) through (iii). In this case, the Investment Management Department may discuss acquisition, including negotiations, only when the Fund Management Department has decided not to make the acquisition for the private equity real estate fund.

Although the Asset Management Company has concluded a sponsor support agreement with The Sankei Building Co., Ltd., the sponsor, the sponsor agreement only applies to SANKEI REAL ESTATE, and the private equity real estate fund is not subject to the support, etc. set forth by the sponsor support agreement. Therefore, the exceptional handling stated in (3) in terms of the relationship with the sponsor applies only to exceptional cases under the property sale information provision support by the sponsor specified in the sponsor support agreement, and the support providing property sales information for SANKEI REAL ESTATE based on the sponsor support agreement will remain unchanged and carried out as before.

6. Organizational change

The Asset Management Company will change its organization as below on August 21, 2020. Please refer to the following <Organizational Chart of the Asset Management Company> on the current and new organizational charts.

(1) Fund Management Department will be newly established to oversee asset management for the private equity real estate fund
(2) Internal Audit Office will be newly established to take over internal audit functions from the Compliance Office
(3) Finance & IR Department will additionally oversee finance, accounting, and other duties that do not belong to the Fund Management Department

7. Impact on forecasts

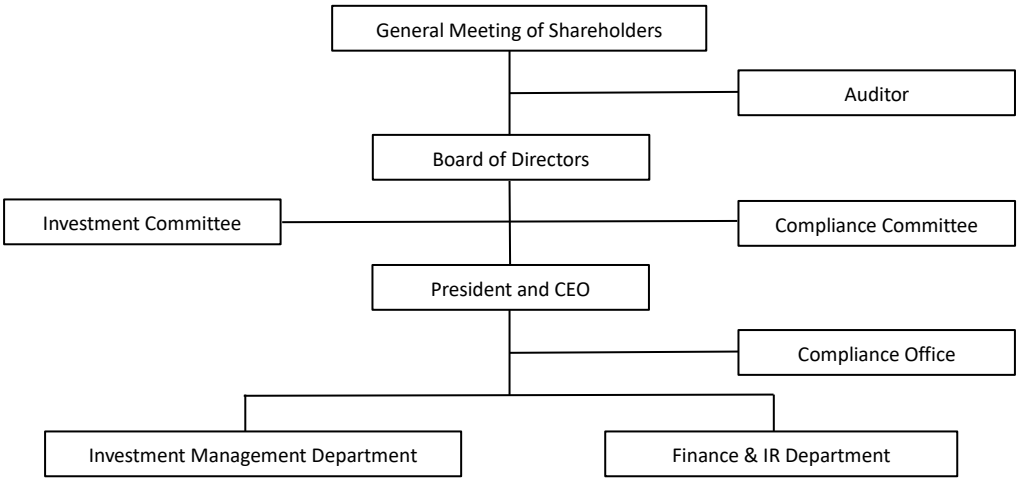
The application for change in registration and the filing of amended business rules and notification of concurrent business will have no impact on the operating forecasts for the fiscal period ending August 31, 2020 (from March 1, 2020 to August 31, 2020), and fiscal period ending February 28, 2021 (from September 1, 2020 to February 28, 2021).

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

SANKEI REAL ESTATE Inc.

<Organizational Chart of the Asset Management Company>

Current Organizational Chart



New Organizational Chart

