

## Notice Concerning Administrative Action

Sumisho Realty Management Co., Ltd. (hereinafter referred to as “SRM”) received the following administrative action from the Financial Services Agency today, based on Article 51 of the Financial Instruments and Exchange Act (hereinafter referred to as the “FIEA”).

SRM is taking this administrative action extremely seriously, and all officers and employees will work diligently on items as set forth in the business improvement order below; the clarification of its management stance regarding compliance with laws and regulations, etc., the establishment of a responsible system for compliance with laws and regulations and internal control by its management team, and review of business operation methods in order to steadily achieve these objectives.

SRM sincerely apologizes to all stakeholders for any concern and inconvenience this may cause.

Please note that the administrative action relates to the conduct by SRM regarding the asset management of SC Realty Private REIT, Inc. (hereinafter referred to as “SCRPR”), a non-listed real estate investment corporation, for which SRM also manages the assets, in connection with the process for obtaining real estate appraisal and valuation at the time of acquisition of one property in FY2020.

### 1. Administrative Action Against SRM

#### (1) Business Improvement Order

- (i) To fully explain the details of this administrative action to the unitholders of SCRPR and take appropriate measures.
- (ii) In order to realize fair and appropriate business operations as an asset management company of investment corporations, to clarify its management stance regarding compliance with laws and regulations, etc., to establish a responsible compliance and internal control system by its management team, and to review its methods of business operation to steadily achieve these objectives.
- (iii) To investigate the cause of this incident and then formulate concrete measures to prevent recurrences, including establishing an adequate framework for managing conflicts of interest, such as clarifying the internal processes for verifying the appropriateness of decision-making concerning the investment management business.
- (iv) To clarify where responsibility lies, including that of management, based on the

administrative action.

- (v) To report in writing by January 16, 2026, on the status of improvement measures regarding items (i) through (iv) above.
- (vi) To report in writing on the status regarding item (v) above by no later than 15 days after the expiration of each fiscal quarter for the time being.

## 2. Facts Leading to Administrative Action

### (1) Failure to Faithfully Perform Investment Management Business for Benefit of SCRP

SRM entered into an asset management agreement with SCRP concerning the management of SCRP's assets. In the process of requesting real estate appraisal of real property (hereinafter referred to as the "Property") that SRM had SCRP acquire from Sumitomo Corporation (hereinafter referred to as "Sumitomo Corporation"), the parent company of SRM, it was recognized that there were inappropriate actions from the perspective of conflict-of-interest control as follows.

#### (i) Inappropriate Real Estate Appraiser Selection Process

For the purpose of eliminating the adverse effects of conflicts of interest and protecting interests of investors, the internal rules of SRM stipulate that, when having SCRP acquire real estate owned by interested parties such as the parent company, the acquisition price shall not exceed the real estate appraisal value based on the provision of Article 201, Paragraph 1 of the Act on Investment Trusts and Investment Corporations. Furthermore, for the purpose of ensuring neutrality and objectivity of real estate appraisal, the internal rules also stipulate that, in obtaining real estate appraisal, SRM shall select a real estate appraiser through internal approval based on the objective standards such as past orders of real estate securitization transactions within the industry and then obtain appraisal report by providing property materials to the selected appraiser.

However, SRM interviewed several real estate appraisers about cap rates, site value and other factors. Then, after finding the price level (self-assessed value) of the Property to be less than another company's suggested acquisition price quoted by the Sumitomo Corporation (hereinafter referred to as the "Price Quoted by Sumitomo Corporation"), SRM provided property materials to another real estate appraiser (hereinafter referred to as the "Relevant Real Estate Appraiser") and asked them for the estimated real estate appraisal value prior to selecting the real estate appraiser through internal approval, contrary to the methods set forth in the internal rules above. Upon becoming aware that such estimated real estate appraisal value exceeded the above-mentioned self-assessed value as a result of the interview, SRM selected the Relevant Real Estate Appraiser by maintaining the appearances of obtaining internal approval with the intention of obtaining real estate appraisal from the Relevant Real Estate Appraiser. This is recognized to be an inappropriate real estate appraiser selection process for the purpose of obtaining the real estate appraisal value that meets the Price Quoted by Sumitomo Corporation.

(ii) Inappropriate Encouragement to Real Estate Appraiser

SRM became aware that the estimated appraisal value obtained from the Relevant Real Estate Appraiser, while exceeding the above-mentioned self-assessed value, did not meet the Price Quoted by Sumitomo Corporation.

Then, SRM prepared and provided the Relevant Real Estate Appraiser with a drawing for a use different from the current condition, regarding the usage at a future point when the current lease agreement expires, and encouraged the Relevant Real Estate Appraiser to assume that the Property would be used according to the said drawing. As a result, SRM obtained a real estate appraisal value that further exceeded the estimated appraisal value mentioned in (i) above.

Such conduct is arbitrary conduct that deviates from the generally accepted practices of providing information, such as providing current condition drawings, current rent, and property management fees, to a real estate appraiser and exchanging opinions, such as projections for future rent increases and vacancy rates based on objective information. Therefore, it is recognized that such conduct constitutes inappropriate encouragement to the real estate appraiser.

As described above, SRM, taking into consideration the Price Quoted by Sumitomo Corporation, sought and selected a real estate appraiser that was expected to act in line with SRM's purpose of meeting the necessary level of real estate appraisal value in order to acquire the Property, inappropriately encouraged the Relevant Real Estate Appraiser, and acquired the Property based on the real estate appraisal value provided after such inappropriate encouragement. This undermines the purport of internal rules and regulations designed to eliminate the adverse effects of transactions involving conflicts of interest through real estate appraisals conducted by non-interested parties and to protect the interests of investors. Such situation indicates that SRM failed to faithfully perform the investment management business for the benefit of SCRP. Therefore, it is recognized that there are significant issues in terms of investor protection.

The above conduct was caused due to the fact that, during the course of the acquisition of property from Sumitomo Corporation, which is an interested party, the Compliance Office's checking function was not sufficiently effective in the process of selecting a real estate appraiser, where the elimination of arbitrariness is particularly important, and that under the situation where SRM's officers were primarily seconded from Sumitomo Corporation, SRM's officers intervened excessively in the acquisition of the Property. Consequently, it is recognized that SRM's internal control system against conflicts of interest is significantly inadequate.

Thus, SRM is deemed to have violated the "fiduciary duty" stipulated in Article 42, Paragraph 1 of the FIEA, as SRM failed to faithfully perform the investment management business for the benefit of SCRP.

### 3. Measures for Business Improvement

SRM is taking this administrative action extremely seriously, and all officers and employees will work diligently on items as set forth in the business improvement order; the clarification of its management stance regarding compliance with laws and regulations, etc., the establishment of a responsible system for compliance with laws and regulations and internal control by its management team, and review of business operation methods in order to steadily achieve these objectives.

SRM places great importance on strengthening its compliance and internal control systems. SRM will, therefore, formulate and implement improvement measures, such as reviews of SRM's organizational structure and internal rules and regulations, as well as expansion of human resources, to prevent the recurrence of inappropriate conduct related to real estate appraisal and valuation, and to strengthen its internal control system against conflicts of interest. Taking into account discussions with the regulatory authorities, a concrete business improvement plan, including the details of the above initiatives, will be formulated and announced as soon as it is finalized.

\* SRM website : <https://www.sumisho-rm.co.jp/en/>

[Contact for inquiries]

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