

Notice Concerning Submission of Business Improvement Report

As disclosed in “Notice Concerning Administrative Action” published on December 5, 2025, Sumisho Realty Management Co., Ltd. (hereinafter referred to as “SRM”) received the business improvement order from the Financial Services Agency due to inappropriate conduct identified in connection with the request for real estate appraisal valuation at the time of acquisition of a property by SC Realty Private REIT, Inc. (hereinafter referred to as “SCRP”), a non-listed real estate investment corporation, for which SRM also manages the assets, and SRM is working on improvements accordingly.

The business improvement order required submission of a report on the status of implementation of measures by January 16, 2026. It is hereby announced that, today, SRM submitted to the Financial Services Agency a report summarizing the status of implementation of measures and details of recurrence prevention measures (hereinafter referred to as the “Business Improvement Report”).

A summary of the Business Improvement Report submitted today is provided in the Attachment. SRM is taking this administrative action extremely seriously, and, through the business improvement measures, it will continue to pursue stronger system for compliance with laws and regulations and internal control by its management team, with each and every one of its officers and employees committed to work diligently on the review of business operation methods and other measures. We sincerely apologize to all stakeholders for any concern and inconvenience this may cause.

Please also refer to “Notice Concerning Adoption of Compliance Declaration” and “Notice Concerning Changes in Organizational Structure and Changes of Directors and Important Employees” published today regarding business improvement measures of SRM.

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[Contact for inquiries]

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[Attachment]

Summary of Business Improvement Report

1. To fully explain to the unitholders of SCRP the details of the administrative action and take appropriate measures.

(1-1) Explanation to Unitholders of SCRP

As an explanation to the unitholders of SCRP, information regarding the content of the administrative action has been disclosed via the news release.

Furthermore, SRM has, upon request, provided direct explanations regarding the details of the administrative action to the unitholders of SCRP through individual visits or web conferences.

We will continue to fulfill our accountability to the unitholders and strive hard to restore their trust.

(1-2) Other Public Announcements

SOSiLA Logistics REIT, Inc. also discloses the details of the administrative action in the same manner.

2. 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.

[Outline of the Cause]

SRM recognizes that the cause of the incident subject to the administrative action stems from the Compliance Office's checking function not being sufficiently effective, and from the excessive involvement of SRM's officers in the property acquisition process, while all SRM's officers were seconded from its parent company and at the time of the incident there was a system in place where Sumitomo Corporation (hereinafter referred to as the "Sponsor"), who was the seconding entity, conducted personnel evaluations for employees at the managerial level and above, creating circumstances where it cannot be denied that there was an incentive to operate the business in a manner that aligned with the Sponsor's interests.

(2-1) Clarification of Management Stance Regarding Compliance with Laws and Regulations, Etc.

(i) Formulation and External Publication of "Compliance Declaration"

To clarify its management policy prioritizing compliance with laws and regulations, SRM will establish "Compliance Declaration," adopt it at the Board of Directors meeting, and disclose it on SRM's website.

(ii) Further Enhancement of Company-wide, Continuous Education and Awareness Activities, Including Compliance Training

In light of the administrative action, SRM will expand the training content beyond mere knowledge input to include the purpose of relevant provisions of laws and regulations or internal rules such as the Asset Acquisition Operations Manual, as well as practical points that require attention. This will enhance awareness regarding fiduciary duties and the provision of conflicts of interest. Training on compliance with laws and regulations and prevention of conflicts of interest is planned to be conducted approximately twice a year on an ongoing basis. Furthermore, SRM will enhance the dissemination of compliance-related messages from management and, with management taking the lead, instill a compliance-focused mindset throughout the entire organization.

(2-2) Establishment of Responsible Compliance and Internal Control System by Management Team Based on the Cause of the Incident

(i) Appointment of Non-Secondment Directors

Considering the balance between the number of directors seconded from the Sponsor and non-secondment directors, the composition of the Board of Directors will be changed as follows.

Current: 5 directors seconded from the Sponsor, 0 non-secondment directors

After Change: 2 directors seconded from the Sponsor, 2 non-secondment directors

Additionally, in April 2021, there was a change in the personnel evaluation system, and the personnel evaluation of secondees from the Sponsor is now conducted generally within SRM. However, as the President has no superior within SRM, he continues to be subject to the personnel evaluation by the Sponsor. Therefore, we will sincerely discuss with the Sponsor the corrective measures, including the review of the President's evaluation method or possible transfer of employment.

(ii) New positions of Chief Risk Management Officer and Chief Compliance Officer will be established, to be assumed by non-secondment directors

Two non-secondment directors will be appointed as Chief Risk Management Officer (hereinafter referred to as "CRO") and Chief Compliance Officer (hereinafter referred to as "CCO"), respectively, strengthening the authority of the heads of the Risk Management and Compliance Department.

CRO will be responsible for establishing risk management and monitoring frameworks for each business line and overseeing and supervising the due process for decision-making activities. CCO, as the compliance officer, will be responsible for establishing the company-wide compliance framework and monitoring and supervising compliance with laws and regulations.

(iii) Mutual checks and balances among the President and Representative Director, Head of Corporate Division and CRO within Investment Committees

CRO will be added as a member of each Investment Committee and will serve as its chairperson. This mechanism for Investment Committee decision-making will ensure checks

and balances among the three directors (President, Head of Corporate Division and CRO). The system of mutual checks and balances among the three parties will be established, with CCO monitoring its effectiveness.

(iv) Strengthening Business Process Management across Each Business Line

SRM will newly establish Business Risk Management Office, which will manage and supervise business processes from a first-and-a-half line position independent of each business line.

Business Risk Management Office will conduct daily monitoring and risk management of specific front-office work processes from commencement, by each business line and Strategic Investment and Acquisition Department, of discussions on acquisitions to the process of requests of real estate appraisers prior to putting forward proposals to each Committee.

(2-3) Revision of Operational Methods

(i) Revision of Decision-Making Processes

The decision-making process will be revised as follows.

(i-1) Elimination of President Approval

To prevent excessive prior intervention by directors in property transactions and judgment-based operations within each business line, the President's prior approval for proposals to be submitted to each Committee will be abolished.

(i-2) Investment Committees (Private REIT Investment Committee, J-REIT Investment Committee, Fund Investment Committee)

- CRO will be added as a member to each Investment Committee, and the chairperson of each Investment Committee will be changed from the President to the CRO.
- Regarding the acquisition or sale of real estate-related assets, in addition to the previously required approval of external committee members, the approval of the President, as the ultimate management decision-maker, will be made mandatory from the perspective of clarifying management responsibility, in light of the fact that the President will be removed from the internal decision-making authority for proposals submitted to each Investment Committee, and that the chairperson of each Investment Committee will be changed from the President to the CRO.

(i-3) Compliance & Risk Management Committee

- CRO will be added as a member of the Compliance & Risk Management Committee.
- The resolution requirements for the Compliance & Risk Management Committee will be strengthened, changing to require the approval of all attending members.

3. To investigate the cause of the 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.

In light of the cause of the incident, SRM will implement the following recurrence prevention measures.

(3-1) Clarification of the Selection Process and Rules for Real Estate Appraisers in REIT Businesses

The Asset Acquisition Operations Manual will be revised to implement the following rotation system for selecting real estate appraisers:

- Candidate real estate appraisers shall be limited to a selected number of firms with prior engagement history (excluding the firm involved in the administrative action) and recognized as particularly reliable within the industry.
- The specific appraiser will be selected mechanically according to a predetermined sequence using a rotation system.
- Exceptions will be permitted in certain cases, such as when the independence of the appraiser cannot be ensured. However, Business Risk Management Office and Compliance Office will verify the validity and reasonableness of the reasons for such exceptions.

(3-2) Changes to Rules for Interviews with Real Estate Appraisers

In addition to introducing the above rotation system, prohibitions on the following matters regarding interviews with appraisers will be included in the Asset Acquisition Operations Manual in a clear manner.

- Conducting interviews with real estate appraisers prior to provisional selection (Note)
- Conducting interviews with real estate appraisers other than those selected (including those provisionally selected)

Furthermore, the newly established Business Risk Management Office will monitor the content of interviews with real estate appraisers, including those conducted after provisional selection, as well as materials provided by SRM and email correspondence.

(Note) The Asset Acquisition Operations Manual previously permitted conducting interviews with appraisers for reference purposes after selecting them through the provisional selection system and following prescribed procedures, prior to formally selecting an appraiser. However, in light of the incident that led to administrative action, the same rules as in (3-1) will now apply to the provisional selection process. For the final selection, the provisionally selected appraiser cannot be changed unless there is a reasonable justification. Furthermore, rules regarding interviews, including those conducted before and after provisional selection, will be clarified.

(3-3) Review of Business Processes to Prevent Inappropriate Encouragement to Real Estate Appraisers in REIT Businesses

Interactions with real estate appraisers will be monitored by the newly established Business Risk Management Office.

(3-4) Revision of the Asset Acquisition Operations Manual for REIT Businesses

The Asset Acquisition Operations Manual will be revised to explicitly prohibit inappropriate interviews and inappropriate encouragement to real estate appraisers.

(3-5) Strengthening the Deliberative Functions of Committees in REIT Businesses

Regarding property acquisitions from interested parties such as the Sponsor, the matters requiring deliberation related to related-party transactions by the Compliance & Risk Management Committee and each Investment Committee will be clarified. For such deliberation items, the Business Risk Management Office and Compliance Office will conduct checks in advance.

Furthermore, to ensure the effectiveness of deliberations on related-party transactions, the following information shall be recorded in documents keeping negotiation history with stakeholders. If price changes occur during negotiations, recording of background and other details of such changes shall be centrally managed via such documentation.

- SRM's own appraisal price
- Purchase or sale price proposed by stakeholders
- Changes in the purchase or sale price proposed by SRM to stakeholders
- Reference value presented by real estate appraisers

4. Clarify the responsibility, including that of management, in light of the administrative action.

The cause of the incident lies in the fact that the President and the Director and Head of Corporate Division at that time excessively intervened in the process of property acquisition under circumstances where it cannot be denied that there was an incentive for the secondees from the Sponsor to operate the business in a manner that aligned with the Sponsor's interests, as well as the checking function of the company as a whole, including the management (all directors) and the compliance department, not being sufficiently effective in the process of the appraiser selection and inappropriate interactions aligned with the President's preference. Based on the view that the cause of the incident is particularly attributable to the management structure, the management structure is planned to be reviewed and revised effective February 1, 2026.

- (i) Regarding the Board of Directors, changes will be implemented as described in (2-2)(i) above.
- (ii) The two personnel who were involved in the incident will be subject to internal transfers as follows:
 - The Head of Internal Audit Department (the then Head of Compliance Office) will be transferred to the position of Department Manager in charge of the Compliance Office under the President; and
 - The Director and Head of J-REIT Business Department (the then Head of Corporate Division, seconded officer) will be transferred to the position of Department Manager under the President.
- (iii) SRM will be committed to further strengthening management and company-wide governance by establishing new positions of Director CCO and Director CRO, as stated in (2-2)(ii) above.