

Administrative Action Against Sumitomo Corporation-Sponsored Asset Management Company-JCR Will Watch Progress on Governance Enhancement

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the business improvement order issued by the Financial Services Agency on December 5 to Sumisho Realty Management Co., Ltd. (SRM), the asset management company for SC Realty Private REIT, Inc. (security code: -) and SOSiLA Logistics REIT, Inc. (security code: 2979).

- (1) SRM received a business improvement order from the Financial Services Agency on December 5. SRM was found to have engaged in inappropriate conducts in the real estate appraiser selection process and in its encouragement to real estate appraiser, from the perspective of conflicts of interest, when requesting appraisal for properties acquired by the investment corporation from Sumitomo Corporation, the sponsor of the investment corporation. Although SRM has established internal rules and regulations, such as limiting the acquisition price of properties owned by the sponsor to within the appraisal value, to eliminate conflicts of interest, this conduct undermines the purport of these internal rules and regulations, which aim to eliminate the adverse effects of transactions involving conflicts of interest and protect interests of investors.
- (2) While the impact of this administrative action on the management of existing assets as well as finances is expected to be limited, the acquisition of properties from sponsors falls within the area related to this case. As a result, JCR will for the time being closely monitor transparency in SRM's internal control against conflicts of interest. SRM is currently formulating a concrete business improvement plan, and JCR will follow its content and effectiveness.

Takanori Akiyama, Yusuke Koguchi

<Reference>

Issuer: SC Realty Private REIT, Inc.

Long-term Issuer Rating: AA- Outlook: Stable

Issuer: SOSiLA Logistics REIT, Inc.

Long-term Issuer Rating: AA- Outlook: Stable

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